



RUICHANG INTERNATIONAL HOLDINGS LIMITED

瑞昌國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1334

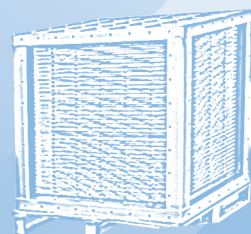
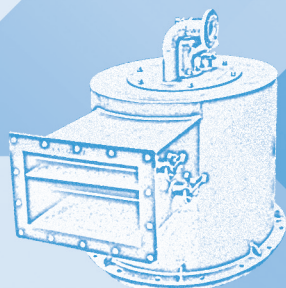
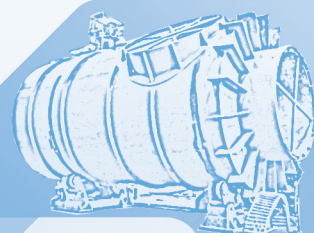
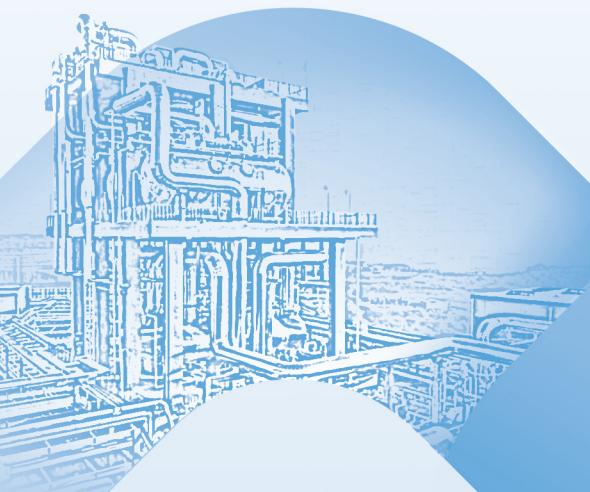
2024

INTERIM REPORT



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DEFINITIONS

“Audit Committee”	the audit committee of the Board
“Board”	the board of directors of our Company
“CG Code”	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
“Chief Executive Officer”	the chief executive officer of our Company
“China” or “PRC”	the People’s Republic of China, but for the purpose of this interim report and for geographical reference only and except where the context requires otherwise, references in this interim report to “China” and the “PRC” do not apply to Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Company” or “our Company”	RUICHANG INTERNATIONAL HOLDINGS LIMITED（瑞昌國際控股有限公司），an exempted company incorporated under the laws of the Cayman Islands with limited liability on 6 February 2020
“Director(s)” or “our Director(s)”	the director(s) of our Company
“Global Offering”	the Hong Kong Public Offering and the International Placing
“Group”, “our Group”, “we”, “us” or “our”	our Company and its subsidiaries or, where the context otherwise requires, in respect of the period before our Company become the holding company of our present subsidiaries, the present subsidiaries of our Company and the businesses carried on by them or their predecessors (as the case may be)
“HK\$” or “HKD”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Date”	10 July 2024
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 of the Listing Rules, as amended or supplemented from time to time
“Post-IPO Share Option Scheme”	the share option scheme adopted by our Company on 24 June 2024, as amended from time to time

DEFINITIONS

"Prospectus"	the prospectus of the Company dated 28 June 2024
"Reporting Period"	the six months ended 30 June 2024
"RMB"	Renminbi, the lawful currency of China
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) in the share capital of our Company with a par value of US\$0.00001 each
"Shareholder(s)"	holder(s) of Shares
"Share Option(s)"	the share option(s) granted or to be granted pursuant to the terms and conditions of the Post-IPO Share Option Scheme
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US\$" or "USD"	United States dollars, the lawful currency of the United States
"%"	per cent

CORPORATE INFORMATION

COMPANY NAME

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

DIRECTORS

Executive Directors

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

Independent Non-executive Directors

Mr. TU Shenwei (塗申偉)
Mr. BAU Siu Fung (鮑小豐)
Mr. ZHANG Shengjie (張晟杰) (*Resigned on 5 September 2024*)

AUDIT COMMITTEE

Mr. TU Shenwei (塗申偉) (*Chairman*)
Mr. BAU Siu Fung (鮑小豐)
Mr. ZHANG Shengjie (張晟杰) (*Resigned on 5 September 2024*)

REMUNERATION COMMITTEE

Mr. TU Shenwei (塗申偉) (*Chairman*)
Mr. BAU Siu Fung (鮑小豐)
Mr. ZHANG Shengjie (張晟杰) (*Resigned on 5 September 2024*)

NOMINATION COMMITTEE

Mr. LU Bo (陸波) (*Chairman*)
Mr. TU Shenwei (塗申偉)
Mr. ZHANG Shengjie (張晟杰) (*Resigned on 5 September 2024*)

JOINT COMPANY SECRETARIES

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

AUTHORIZED REPRESENTATIVES

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

SANCTIONS OVERSIGHT COMMITTEE

Mr. ZHANG Shengjie (張晟杰) (*Resigned on 5 September 2024*)
Mr. FU Cong (付聰)
Ms. WU Rui (吳瑞)

AUDITOR

ZHONGHUI ANDA CPA Limited

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

LEGAL ADVISER

O'Melveny & Myers

31/F, AIA Central
1 Connaught Road Central
Hong Kong

COMPLIANCE ADVISER

First Shanghai Capital Limited

19/F., Wing On House
71 Des Voeux Road Central
Hong Kong

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Room 201, 2/F
No.1001, Qinzhou North Road
Xuhui District
Shanghai, PRC

CORPORATE INFORMATION

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited

PO Box 1093, Boundary Hall
Cricket Square
Grand Cayman, KY1-1102
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

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

PRINCIPAL BANKS

China Construction Bank Corporation

Luoyang Free Trade Zone Branch
11 Heluo Road
Jianxi District
Luoyang City, Henan Province
PRC

China CITIC Bank

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

Bank of China

Shanghai Xinzhuang Branch
18 Guangtong Road Minhang District
Shanghai
PRC

Bank of Communications

Shanghai Caohejing Branch
900 Yishan Road
Xuhui District Shanghai
PRC

STOCK CODE

1334

COMPANY WEBSITE

www.ruichang.com.cn

KEY FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2024 (unaudited) RMB'000	2023 (unaudited) RMB'000
Revenue	224,894	211,772
Gross profit	75,254	76,334
Gross profit margin	33.5%	36.0%
Net profit	11,525	14,427
Adjusted net profit (non-HKFRS measure) ^{Note}	19,441	21,968
Basic and diluted earnings per Share (RMB cents)	3.07	3.85

Note: Non-Hong Kong Financial Reporting Standards ("HKFRS") measures adjusting for listing expenses incurred by the Company.

NON-HKFRS MEASURES

To supplement the consolidated financial statements of the Group presented in accordance with HKFRS, the Company has presented adjusted net profit as a non-HKFRS measure, which is not required by or presented in accordance with HKFRS. The Company believes that the adjusted financial measure provide useful information to the Shareholders and potential investors to understand and evaluate the consolidated statement of profit and loss of the Group and assist the management of the Company in its decision making. The Company believes that by eliminating the effects of items that it believes are not indicative of the Group's operating performance, such adjusted financial measure assist the management of the Company and investors to evaluate the financial and operating performance of the Group for different periods on a comparable basis. However, the non-HKFRS measure should not be considered independently or as a substitute for financial information prepared and presented in accordance with HKFRS. Shareholders and potential investors should not independently evaluate such adjusted results or regard it as a substitute for, or comparable to, performance reported or forecasted by other companies, as they may use similar terms with different meanings. In addition, the non-HKFRS measure has its limitations as analytical tools and may differ from similar measures used by other companies.

The Company provides the following additional information for reconciliation with the adjusted net profit under HKFRS:

	Six months ended 30 June	
	2024 (unaudited) RMB'000	2023 (unaudited) RMB'000
Profit for the period	11,525	14,427
Adjusted for:		
Listing expenses	7,916	7,541
Adjusted net profit (non-HKFRS measure)	19,441	21,968

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2024, the world's major economies have witnessed an overall upturn in their growth indicators, benefiting from the expected global economic recovery. However, it still faces many challenges such as high interest rates, geopolitical conflicts, and election years. In the first half of 2024, China's economy remained generally stable in the face of many difficulties and challenges, such as the intricate external environment, the still insufficient effective domestic demand, and increasing uncertainties. According to the National Bureau of Statistics, China's GDP increased by 5.0% year-on-year in the first half of the year, of which the GDP in the second quarter grew by 0.7% quarter-on-quarter, with the quarter-on-quarter growth rate being positive for eight consecutive quarters. In addition, production has grown steadily, the structure has continued to be optimised, transformation and upgrading have continued to advance and the economy has maintained a stable and positive trend. China's growth rate is leading among the world's major economies, and it remains an important engine and stabilising force for world economic growth. The International Monetary Fund's latest World Economic Outlook update, released in July 2024, raised China's economic growth forecast to 5.0% this year.

In the first half of 2024, international oil prices showed an "inverted V-shaped" trend, basically showing a trend of wide fluctuations with high prices at the beginning and low prices at the end. From January to April 2024, the geopolitical situation was the core factor affecting the change of oil prices, and the conflicts in the Middle East and Europe continued to persist, with geopolitical risks surging on, pushing up international oil prices. From May to June 2024, as the conflict in the Middle East has not had a substantial impact on the supply of the international crude oil market, the market's response on the news of the Israeli — Palestinian conflict gradually became "sluggish", and fundamental factors have begun to dominate the market trend. International oil prices fell under the influence of factors such as the poor implementation of production cuts by OPEC+ members, the results of the OPEC+ meeting in June being less than expected, and the Federal Reserve continuing to postpone the timing of interest rate cuts.

In the first half of 2024, the economic operation of China's petrochemical industry continued to be affected by the high prices of upstream raw materials, sluggish demand in the downstream market, and persistently low product prices. Despite the upturn in the operating revenue, the benefit of which has not fully reversed the downward trend. According to data from the China Petroleum and Chemical Industry Federation, China's petrochemical industry achieved operating income of RMB8 trillion in the first half of the year, representing a year-on-year increase of 5.1%; the profit was RMB429.47 billion, representing a year-on-year decrease of 1.6%; the total import and export volume was USD474.08 billion, representing a year-on-year decrease of 2.5%. At the same time, in recent years, China's petrochemical industry has firmly seized the new opportunities brought by the prosperous cycle of the world economy and the global petrochemical industry, and the new refining and chemical integration plant and new petrochemical base have expended the layout and concentrated in construction, promoting the scale concentration and overall competitiveness of China's petrochemical industry to a new level and achieving a new breakthrough, and the investment in the petrochemical industry has grown by double digits over the years. Despite all these, in the first half of 2024, the growth rate of investment in China's petrochemical industry slowed down, and according to data from the China Petroleum and Chemical Industry Federation, investment in chemical raw materials and chemical manufacturing increased by 8.4% year-on-year, 5.5 percentage points lower than the same period last year; the growth rate of investment in upstream oil and gas exploration and production was only 0.9%, 21.5 percentage points lower than that of the same period last year.

In the first half of 2024, the Group achieved revenue of RMB224.9 million (six months ended 30 June 2023: RMB211.8 million), representing a year-on-year increase of 6.2%; gross profit was RMB75.3 million (six months ended 30 June 2023: RMB76.3 million), representing a year-on-year decrease of 1.4%; and net profit for the Reporting Period was RMB11.5 million (six months ended 30 June 2023: RMB14.4 million), representing a year-on-year decrease of 20.1%.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OPPORTUNITIES AND FUTURE OUTLOOK

Focusing on the main business and consolidating the petrochemical equipment market

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

We will continue to leverage our competitive advantages in industry experience, organisational management, R&D and design capabilities, continue to optimise our market strategies, follow up on key customer projects, and in addition to focusing on new customer projects, adjust part of our strategic focus in a timely manner to serve the renovation and maintenance projects of large-scale domestic refineries, and strive to improve the quality of our orders.

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

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

We are also exploring emerging technologies and fields to further adopt the trend of green, energy conservation and environmental protection, striving to diversify the industries and scenarios in which our products are utilised, and finding new business growth points in conjunction with our market strategies.

Global development and expansion into the international market

With the full subsidence of the impact of the pandemic and the steady recovery of the international economy, the international market has huge potential and business opportunities, the supply chain integration of refineries and petrochemical equipment has extended to all parts of the world, and the number of overseas customers sourcing equipment in the Chinese market is also on the rise due to China's extensive manufacturing capacity and competitive prices. Chinese equipment manufacturers offer a wide range of refinery and petrochemical equipment options to cater to the specific needs and requirements of their customers. These trends allow overseas customers to access cost-effective solutions and a wider range of equipment options than they do locally in their own countries when purchasing.

We intend to strengthen our marketing efforts in key regions and strive to work with local enterprises and government departments to enhance the Group's business coverage and influence. We believe that by leveraging on our advanced technology and R&D capabilities, and by stepping up our efforts to expand into international markets, we will be able to gain new business growth points which will continue to foster a rapid development in our performance and lay a solid foundation for the long-term development of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL OVERVIEW

Revenue

The Group's business has grown steadily and the Group's revenue increased by 6.2% from RMB211.8 million for the six months ended 30 June 2023 to RMB224.9 million during the Reporting Period. The Group generates revenue primarily through the manufacturing and sale of the equipment as detailed below.

	Six months ended 30 June			
	2024 (unaudited) RMB'000	%	2023 (unaudited) RMB'000	%
Manufacturing and sale of equipment				
SRU and VOCs incineration equipment	73,112	32.5	39,145	18.5
Catalytic cracking equipment	132,673	59.0	147,679	69.7
Process burners	16,552	7.4	16,379	7.7
Heat exchangers	2,557	1.1	8,569	4.1
Total	224,894	100.0	211,772	100.0

SRU and VOCs incineration equipment

The Group's revenue from sales of SRU and VOCs incineration equipment increased by 86.8% from RMB39.1 million in the first half of 2023 to RMB73.1 million for the corresponding period in 2024, which was primarily attributable to the rapid increase in sales orders of SRU and VOCs incineration equipment.

Catalytic cracking equipment

The Group's revenue from sales of catalytic cracking equipment decreased by 10.2% from RMB147.7 million in the first half of 2023 to RMB132.7 million for the corresponding period in 2024, primarily due to temporary delays and postponement of certain sale orders at the customers' instructions, taking into account the current industry situation.

Process burners

The Group's revenue from sales of process burners was relatively stable at RMB16.4 million in the first half of 2023 and RMB16.6 million for the corresponding period in 2024.

Heat exchangers

The Group's revenue from sales of heat exchangers decreased by 70.2% from RMB8.6 million in the first half of 2023 to RMB2.6 million for the corresponding period in 2024, primarily due to completion of significant sales orders in the first half of 2023, while no significant sale orders received during the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of sales

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

	Six months ended 30 June			
	2024 (unaudited) RMB'000	%	2023 (unaudited) RMB'000	%
Materials and components used	133,556	89.3	112,869	83.3
Outsourcing service fees	3,151	2.1	9,294	6.9
Direct labour costs	5,291	3.5	5,205	3.8
Taxes and levies	1,430	1.0	1,772	1.3
Manufacturing overhead	6,212	4.1	6,298	4.7
Total	149,640	100.0	135,438	100.0

The cost of sales of the Group increased from RMB135.4 million for the six months ended 30 June 2023 to RMB149.6 million for the six months ended 30 June 2024, mainly due to the increase of materials and components used and partially offset by the decrease of outsourcing service fee, which included transportation cost and consultancy fee.

Gross profit and gross profit margin

The gross profit of the Group decreased by 1.4% from RMB76.3 million for the six months ended 30 June 2023 to RMB75.3 million for the six months ended 30 June 2024.

The gross profit margin decreased by 2.5 percentage point from 36.0% for the six months ended 30 June 2023 to 33.5% for the six months ended 30 June 2024. The decrease in gross profit margin was attributable to growing market competition and the Group obtains sales orders at a relatively lower price as the result of temporary postponement of certain petroleum refinery and petrochemical production facilities by relevant customers in consideration of current industry situation.

Other income and gains, net

During the Reporting Period, the other income and gains consist primarily of government grants, interest income, rental income, net, and others.

The other income and gains increased from RMB1.8 million in the first half of 2023 to RMB3.2 million for the corresponding period of 2024, primarily due to the increase of government grants from eligible entitlement of an additional 5% value-added tax deduction policy for advanced manufacturing companies.

Selling expenses

During the Reporting Period, the selling expenses mainly consist of staff costs, entertainment expenses, travelling and related expenses, promotional expenses and office expenses.

The selling expenses of the Group increased from RMB13.2 million in the first half of 2023 to RMB14.4 million for the corresponding period of 2024, primarily due to the increase of headcount of sales staff and general increase of salary level of our sales team during the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative expenses

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

The administrative expenses increased from RMB17.1 million in the first half of 2023 to RMB21.4 million for the corresponding period of 2024, primarily due to the increase of headcount of managerial and administrative staff, which led to the increase in salary and benefit expenses.

Research and development expenses

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

The research and development expenses decreased from RMB16.4 million in the first half of 2023 to RMB14.7 million for the corresponding period of 2024, primarily due to the transfer of some engineers to design and execution posts for overseas sale contracts which has not been completed by the end of Reporting Period.

Finance costs

The finance costs mainly consist of interest on bank and other borrowings and interest on lease liabilities. The finance costs increased from RMB2.4 million in the first half of 2023 to RMB2.8 million for the corresponding period of 2024, primarily due to the increase in bank and other borrowings of the Group in the first half of 2024.

Income tax expenses

The taxation comprised of (i) profit tax expenses of EIT; (ii) withholding tax and (iii) deferred tax expenses. The income tax expenses decreased from RMB5.5 million in the first half of 2023 to RMB4.0 million for the corresponding period of 2024, primarily due to the decrease in taxable income of our PRC subsidiaries.

Profit for the period

As a result of the above, the net profit decreased from approximately RMB14.4 million in the first half of 2023 to RMB11.5 million for the corresponding period of 2024, primarily due to the decrease of gross profit margin in the first half of 2024.

Trade risks in sanctioned countries/regions

During the Reporting Period, the Group did not record any revenue from sales to countries/regions subject to laws and regulations relating to economic sanctions, export controls, trade embargoes and wider prohibitions and restrictions and investment related activities, including those imposed by the United States, the European Union and its member states, Australia or the United Nations ("**International Sanctions**"). The Company does not have current or future business plans and intentions in any country/region subject to International Sanctions. The Directors have reviewed from time to time the execution and effectiveness of the sanctions-related internal control measures provided in the section headed "Business — Business activities in Countries/Regions Subject to International Sanctions Exposure — Our undertakings to the Stock Exchange" in the Prospectus.

The Directors are not aware that any of the business activities would put the Company or the Shareholders and investors at risks of being in breach of International Sanctions. Since the Listing Date and up to the date of this interim report, we have not used the net proceeds from the Global Offering nor any other funds raised through the Stock Exchange, whether directly or indirectly, in connection with activities, businesses or contracts actually or potentially related to sanctions.

Funding and Exchange Rate Policy

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

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and Financial Resources

The Group's principal use of cash was to fund our operations, capital expenditures and payments of principal and interest due on our bank borrowings. The main source of the Group's liquidity was generated from cash flows from operations. Going forward, the Group believes that its liquidity requirements will be satisfied by a combination of cash flows generated from operating activities, bank facilities and net proceeds from the Listing. As of 30 June 2024, the Group had cash and cash equivalents of RMB21.7 million. A significant portion of the Group's cash and cash equivalents and term deposits are held in RMB.

Bank and other borrowings

The Group's total bank and other borrowings increased by approximately 4.4% from approximately RMB121.8 million as of 31 December 2023 to approximately RMB127.2 million as of 30 June 2024, mainly due to (i) additional bank borrowings of approximately RMB68.5 million, and (ii) repayment of bank borrowings approximately RMB62.1 million.

All borrowings were fixed-rate borrowings as of 30 June 2024, which were both denominated in RMB.

Gearing ratio

The gearing ratio is calculated by dividing the total debts (including bank and other borrowings and lease liabilities) by total equity as at the end of the reporting period. As of 30 June 2024, the gearing ratio of the Group was 45.3% (31 December 2023: 42.8%). Such increase is mainly attributable to new bank and other borrowings obtained during the Reporting Period.

Charges on the Group's assets

As of 30 June 2024, the carrying amount of property, plant and equipment pledged as security for the Group's bank borrowings amounted to RMB32.2 million. As of 30 June 2024, the carrying amount of investment properties pledged as security for the Group's bank borrowings amounted to RMB1.1 million. As of 30 June 2024, the carrying amount of right-of-use assets pledged as security for the Company's bank borrowings amounted to RMB36.6 million.

Employees and Remuneration Policies

As of 30 June 2024, the Group had a total of 434 full-time employees and the total staff costs (including directors' emoluments) for the Reporting Period were RMB27.1 million. Remuneration of our employees is determined with reference to market conditions and individual employees' performance, qualification and experience. In line with the performance of the Group and individual employees, a competitive remuneration package is offered to retain employees, including salaries, allowance and benefits and retirement benefit scheme contribution. During the Reporting Period, the relationship between the Group and our employees has been stable. We provide training programmes to employees, including new hire orientation and continuous on-the-job training, in order to accelerate the learning progress and improve the knowledge and skill levels of our employees.

Contingent Liabilities

As of 30 June 2024, the Group did not have any material contingent liabilities (31 December 2023: Nil).

Capital Commitments

As of 30 June 2024, the Group did not have any capital commitments (31 December 2023: Nil).

Significant Investments

During the Reporting Period, the Group did not hold any significant investments in assets with a value of more than 5% of the Group's total assets as of 30 June 2024.

Material Acquisitions and Disposals

During the Reporting Period, the Group did not conduct any material acquisition or disposal in relation to subsidiaries, associates and joint ventures.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 June 2024, the shares of the Company were not listed on the Stock Exchange. The respective Divisions 7 and 8 of Part XV of the SFO, Section 352 of the SFO and the Model Code as set out in Appendix C3 of the Listing Rules were not applicable.

As of the date of this interim report, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix C3 of the Listing Rules were as follows:

INTERESTS IN THE SHARES OF THE COMPANY

Name of Director/Chief Executive	Capacity/Nature of interest ⁽¹⁾	Number of Shares held	Approximately percentage of shareholding
Mr. Lu Bo ⁽²⁾	Beneficiary of a trust	164,171,263	32.83%
	Interest of controlled corporation	5,598,240	1.12%
Ms. Lu Xiaojing ⁽³⁾	Beneficiary of a trust	164,171,263	32.83%
	Interest of controlled corporation	5,598,240	1.12%
Ms. Bai Wei ⁽⁴⁾	Spousal interest	169,769,503	33.95%
Mr. Shao Song ⁽⁵⁾	Spousal interest	169,769,503	33.95%

Notes:

- (1) All interests stated are long position and after adjustment pursuant to the Capitalisation Issue.
- (2) Mr. Lu Bo's interest is held through One Ideal Limited, a company which is held as to 99.00% by The LB Personal Trust, being a family trust to which Mr. Lu Bo is a beneficiary. Riches Development is wholly-owned by Mr. Lu Bo.
- (3) Ms. Lu Xiaojing's interest is held through Lady Jing Limited, a company which is held as to 99.00% by The LXJ Personal Trust, being a family trust to which Ms. Lu Xiaojing is a beneficiary. Richen Development is wholly-owned by Ms. Lu Xiaojing.
- (4) Ms. Bai Wei is the spouse of Mr. Lu Bo.
- (5) Mr. Shao Song is the spouse of Ms. Lu Xiaojing.

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 June 2024, the Shares were not listed on the Stock Exchange. As of the date of this interim report, the following persons had interests or short positions in the shares and underlying shares of the Company which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO and entered in the register maintained by the Company pursuant to Section 336 of the SFO were as follows:

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

(1) All interests stated are long position and after adjustment pursuant to the Capitalisation Issue.

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

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

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

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

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

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

Post-IPO Share Option Scheme

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

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

1. Summary of Terms

(a) *Purpose*

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

(b) *Eligible Participants*

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

(c) *Maximum Number of Shares available for subscription*

Scheme mandate limit and service provider sublimit

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

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

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

(d) *Maximum Entitlement of a Participant*

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

(e) *Exercise Period*

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

(f) *Vesting Period*

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

(g) *Duration and Remaining Life*

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

(h) *Subscription Price*

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

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

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

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

As of the Listing Date and up to the date of this interim report, no new share is issued for the grant of options and awards. The number of Shares that may be issued in respect of options and awards granted under the Post-IPO Share Option Scheme divided by the weighted average number of Shares in issue is not applicable.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

Given that the Company has only been listed on the Stock Exchange on 10 July 2024, the principles and code provisions of the corporate governance code contained in Part 2 of CG Code do not apply to the Company during the Reporting Period. The Company has adopted the principles and code provisions of CG Code as the basis of the Company’s corporate governance practices, and the CG Code has been applicable to the Company with effect from the Listing Date.

CORPORATE GOVERNANCE AND OTHER INFORMATION

The Directors are of the view that from the Listing Date to the date of this interim report, the Company has complied with all applicable code provisions of the CG Code save and except for the following deviation from code provision C.2.1 of the CG Code.

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

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding dealings in the securities of the Company by the Directors and the Company's senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Company or its securities. The provisions of the Listing Rules regarding directors' compliance with the code of conduct for securities transactions shall apply to the Company from the Listing Date. As the Company has only been listed on the Stock Exchange on 10 July 2024, the Model Code does not apply to the Company during the Reporting Period.

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

INSUFFICIENT NUMBER OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Reference is made to the Company's announcement dated 5 September 2024 in relation to Mr. Zhang Shengjie's ("**Mr. Zhang**") resignation as an independent non-executive Director of the Company, upon which he also ceased to be a member of each of the audit committee, remuneration committee and nomination committee of the Board.

Following the resignation of Mr. Zhang, the Company is not in compliance with (i) Rule 3.10(1) of the Listing Rules which stipulates that every board of directors of listed issuer must include at least three independent non-executive directors, (ii) Rule 3.10A of the Listing Rules which stipulates that an issuer must appoint independent non-executive Directors representing at least one-third of the Board; (iii) Rule 3.21 of the Listing Rules which stipulates that a listed issuer must establish an audit committee comprising a minimum of three members and (iv) Rule 3.27A of the Listing Rules which stipulates that a listed issuer must establish a nomination committee with a majority of independent non-executive Directors.

In order to comply with the Listing Rules, the Company will continue to use its best endeavours to identify suitable candidate to fill the subject vacancies as soon as possible and in accordance with the relevant Listing Rules.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

The Shares had not been listed on the Stock Exchange as of 30 June 2024, and there were no other listed securities issued by the Company or any of its subsidiaries. Accordingly, there was no purchase, sale or redemption of any of the listed securities of the Company during the six months ended 30 June 2024.

Since the Listing Date and up to the date of this interim report, none of the Company or any of its subsidiaries has made any purchase, sale or redemption of the listed securities of the Company (including sale of treasury shares). As at the Listing Date and up to the date of this interim report, the Company did not hold any treasury shares.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The Audit Committee, comprising Mr. Tu Shenwei, Mr. Zhang Shengjie and Mr. Bau Siu Fung, has discussed with the management and reviewed the unaudited interim financial information of the Group for the Reporting Period. The Audit Committee considered that the interim results are in compliance with the applicable accounting standards, laws and regulations, and the Company has made appropriate disclosures thereof. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management of the Company.

In addition, the Company's independent auditor, ZHONGHUI ANDA CPA Limited, has performed an independent review of the Group's interim financial information for the Reporting Period 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 Hong Kong Institute of Certified Public Accountants.

EVENTS AFTER THE REPORTING PERIOD

On the Listing Date, the Company completed its listing on the Main Board of the Stock Exchange, 125,000,000 new Shares were offered at an offer price of HK\$1.05 per Share. For further details, please refer to the Company's announcement dated 9 July 2024.

Save as disclosed and up to the date of this interim report, there were no material subsequent events after the Reporting Period.

INTERIM DIVIDEND

The Board does not declare the payment of an interim dividend to the Shareholders for the Reporting Period.

USE OF NET PROCEEDS

The shares of the Company were listed on the Main Board of the Stock Exchange on 10 July 2024 by way of Global Offering. After deducting the underwriting fees and expenses payable by the Company in connection with the Global Offering, the net proceeds received by the Company from the Listing amounted to approximately HK\$64.8 million (equivalent to approximately RMB59.4 million).

Up to the date of this interim report, the Company has not utilized the net proceeds raised from the Global Offering. The net proceeds from the Global Offering will be used in the manner as previously disclosed in the section headed "Future Plans and Use of Proceeds" in the Prospectus. The Company has no plans to deviate from the use of proceeds and the business strategies disclosed in the Prospectus. Details of the use of proceeds are set forth as below:

CORPORATE GOVERNANCE AND OTHER INFORMATION

Intended use of net proceeds	Net proceeds (RMB million)	Approximate % of total net proceeds	Utilized net proceeds as of the date of this interim report (RMB million)	Unutilized net proceeds as of the date of this interim report (RMB million)	Expected timeline of full utilization of the unutilized net proceeds ⁽¹⁾
Increasing our production capacity and capabilities in the New Production Facility to expand our scale of operation	43.4	73.0%	nil	43.4	On or before 30 June 2026
Further strengthening our design and research and development capabilities	10.4	17.5%	nil	10.4	On or before 31 December 2025
General working capital	5.6	9.5%	nil	5.6	On or before 30 June 2026
Total	59.4	100.0%	nil	59.4	

Notes:

- (1) The expected timeline is based on the best estimation made by the Group on future market condition and may change with the current market condition and future development.
- (2) We will deposit the net proceeds from the Global Offering into short-term interest-bearing accounts at licenced commercial banks and/or other authorised financial institutions as defined under the Securities and Futures Ordinance or applicable laws and regulations in other jurisdictions.

MATERIAL LITIGATION

As of 30 June 2024, our Company was not involved in any litigation, arbitration, administrative proceedings of material importance which could have a material adverse effect on its financial condition or results of operations, and, so far as our Company is aware, no litigation, arbitration, administrative proceedings of material importance is pending or threatened against our Company.

CHANGES IN THE BOARD AND THE DIRECTORS' INFORMATION

The Company was incorporated in the Cayman Islands on 6 February 2020 with limited liability, and the shares of the Company were listed on the Main Board of the Stock Exchange on 10 July 2024.

The Board has announced in the announcement dated 5 September 2024 that Mr. Zhang has tendered his resignation as an independent non-executive Director of the Company with effect from 5 September 2024, due to personal reasons including his desire to devote more time to his other personal and business endeavours. Upon his resignation, Mr. Zhang ceased to be a member of each of the audit committee, remuneration committee and nomination committee of the Board.

Saved as disclosed above, there were no further changes in the Board and the information of Directors which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

The Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

All references above to other sections, reports or notes form part of this interim report.

By order of the Board

RUICHANG INTERNATIONAL HOLDINGS LIMITED

Mr. LU Bo

Chairman of the Board, Chief Executive Officer and executive Director

Hong Kong, 28 August 2024

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



To the Board of Directors of
RUICHANG INTERNATIONAL HOLDINGS LIMITED
(Incorporated in the Cayman islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 23 to 42 which comprises the condensed consolidated statement of financial position of RUICHANG INTERNATIONAL HOLDINGS LIMITED (the “Company”) and its subsidiaries (collectively referred to as the “Group”) as at 30 June 2024 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and notes to the interim financial information. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this interim report.

SCOPE OF 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 Hong Kong Institute of Certified Public Accountant. A review of interim financial information 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.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

ZHONGHUI ANDA CPA Limited

Certified Public Accountants

Tse Kit Yan

Audit Engagement Director

Practising Certificate Number P08158

Hong Kong, 28 August 2024

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Notes	Six months ended 30 June	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Revenue	5	224,894	211,772
Cost of sales		(149,640)	(135,438)
Gross profit		75,254	76,334
Other income and gains, net	7	3,191	1,838
Selling expenses		(14,427)	(13,227)
Administrative expenses		(21,448)	(17,064)
Research and development expenses		(14,723)	(16,396)
Listing expenses		(7,916)	(7,541)
Impairment losses of financial assets and contract assets		(1,969)	(1,615)
Share of results of an associate		389	3
Finance costs	8	(2,836)	(2,414)
Profit before tax		15,515	19,918
Income tax expenses	9	(3,990)	(5,491)
Profit for the period	10	11,525	14,427
Other comprehensive (loss)/income:			
<i>Items that will not be reclassified to profit or loss:</i>			
Fair value changes of financial assets at fair value through other comprehensive income ("FVTOCI")		(161)	(168)
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(126)	190
Share of other comprehensive income from an associate		(59)	–
Total comprehensive income for the period		11,179	14,449
Profit for the period attributable to:			
Owners of the Company		11,525	14,427
Total comprehensive income for the period attributable to:			
Owners of the Company		11,179	14,449
Earnings per share attributable to owners of the Company			
Basic and diluted (RMB cents)	11	3.07	3.85

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2024

	Notes	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	13	53,546	54,015
Investment property		10,879	11,119
Right-of-use assets		39,957	42,115
Intangible assets		2,245	2,142
Investment in an associate		1,052	722
Financial assets at fair value through other comprehensive income		14,194	14,355
Deferred tax assets		3,535	3,028
Prepayment for property, plant and equipment		164	52
		125,572	127,548
CURRENT ASSETS			
Inventories		58,638	66,742
Trade and notes receivables	14	297,994	326,916
Prepayments, other receivables and other assets		56,561	58,358
Contract assets		43,950	48,946
Pledged deposits		22,627	21,457
Cash and bank balances		21,670	45,670
		501,440	568,089
CURRENT LIABILITIES			
Trade and notes payables	15	125,457	149,347
Contract liabilities		43,345	76,037
Accruals and other payables		36,262	41,194
Bank and other borrowings	16	84,903	82,336
Lease liabilities		1,410	2,504
Tax payable		4,704	7,660
Dividend payable		795	–
		296,876	359,078
NET CURRENT ASSETS		204,564	209,011
TOTAL ASSETS LESS CURRENT LIABILITIES		330,136	336,559

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2024

	Notes	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Bank and other borrowings	16	42,250	39,500
Lease liabilities		1,252	1,904
		43,502	41,404
NET ASSETS			
		286,634	295,155
CAPITAL AND RESERVES			
Share capital and paid-up capital	17	–	–
Reserves		286,334	295,155
Equity attributable to owners of the Company		286,334	295,155
Non-controlling interests		300	–
TOTAL EQUITY			
		286,634	295,155

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	(Unaudited)								
	Attributable to owners of the Company								
	Share capital RMB'000	Capital reserve RMB'000	Investment revaluation reserve RMB'000	Foreign currency translation reserve RMB'000	Statutory reserve RMB'000	Retained profits RMB'000	Sub-Total RMB'000	Non- controlling interests RMB'000	Total RMB'000
At 1 January 2023 (audited)	-	33,578	(2,316)	7,834	27,023	174,371	240,490	-	240,490
Profit for the period	-	-	-	-	-	14,427	14,427	-	14,427
<i>Other comprehensive income/(loss) for the period:</i>									
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax	-	-	(168)	-	-	-	(168)	-	(168)
Exchange differences arising on translation of foreign operations	-	-	-	190	-	-	190	-	190
Total comprehensive income for the period	-	-	(168)	190	-	14,427	14,449	-	14,449
At 30 June 2023 (unaudited)	-	33,578	(2,484)	8,024	27,023	188,798	254,939	-	254,939
At 1 January 2024 (audited)	-	33,578	(2,645)	7,617	27,023	229,582	295,155	-	295,155
Profit for the period	-	-	-	-	-	11,525	11,525	-	11,525
<i>Other comprehensive income/(loss) for the period:</i>									
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax	-	-	(161)	-	-	-	(161)	-	(161)
Exchange differences arising on translation of foreign operations	-	-	-	(126)	-	-	(126)	-	(126)
Share of other comprehensive income from an associate	-	-	-	(59)	-	-	(59)	-	(59)
Total comprehensive income for the period	-	-	(161)	(185)	-	11,525	11,179	-	11,179
Capital contribution from non-controlling shareholders	-	-	-	-	-	-	-	300	300
Dividend (note 12)	-	-	-	-	-	(20,000)	(20,000)	-	(20,000)
At 30 June 2024 (unaudited)	-	33,578	(2,806)	7,432	27,023	221,107	286,334	300	286,634

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Cash used in operations	(3,804)	(15,911)
Income tax paid	(7,453)	(9,978)
Proceed from litigation compensation	–	132
NET CASH USED IN OPERATING ACTIVITIES	(11,257)	(25,757)
Cash flows from investing activities		
Interest received	132	101
Proceeds from disposal of property, plant and equipment	35	2
Purchases of property, plant and equipment	(2,830)	(2,029)
Purchases of intangible assets	(311)	(383)
NET CASH USED IN INVESTING ACTIVITIES	(2,974)	(2,309)
Cash flows from financing activities		
Repayment of bank and other borrowings	(72,086)	(41,100)
Repayment of lease liabilities	(1,746)	(1,227)
Capital contribution from non-controlling shareholders	300	–
Dividends paid	(9,307)	–
Interest paid	(2,836)	(2,414)
Deferred issue cost	(1,480)	(2,278)
Addition of bank and other borrowings	77,403	98,863
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	(9,752)	51,844
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(23,983)	23,778
Effect of changes in foreign exchange rate	(17)	(49)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	45,670	21,390
CASH AND CASH EQUIVALENTS AT END OF PERIOD		
Cash and bank balances	21,670	45,119

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

1. GENERAL INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The registered office of the Company is located at P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together, the "Group") were involved in the following principal activities: manufacture and sale of petroleum refinery and petrochemical equipment. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 10 July 2024 (the "Listing").

2. BASIS OF PREPARATION

These condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosures requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These condensed consolidated financial statements do not include all the notes normally included in an annual financial report. Accordingly, it should be read in conjunction with the accountant's report included in Appendix I to the Company's listing prospectus dated 28 June 2024 (the "Prospectus"), which have been prepared in accordance with the Hong Kong Financial Reporting Standards.

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

4. FAIR VALUE MEASUREMENTS

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

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

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

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

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

Disclosures of level in fair value hierarchy at 30 June 2024:

Description	Fair value measurements using:			Total RMB'000 (unaudited)
	Level 1	Level 2	Level 3	
	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	
Recurring fair value measurements:				
Financial assets at fair value through other comprehensive income				
— Unlisted equity investments	–	–	14,194	14,194

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

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

During the current interim period, there was no transfer between Level 1 and 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur (year ended 31 December 2023: nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

4. FAIR VALUE MEASUREMENTS (continued)

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

Description	Financial assets at fair value through other comprehensive income Unlisted equity investment RMB'000 (unaudited)
At 1 January 2024	14,355
Total gains or losses recognised in other comprehensive income	(161)
At 30 June 2024	14,194

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

4. FAIR VALUE MEASUREMENTS (continued)

Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Effect on fair value for increase of inputs	Fair value as at 30 June 2024 RMB'000 (unaudited)
Financial assets at fair value through other comprehensive income — Unlisted equity investments	Share of net assets	(Note)	(Note)	14,194

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

During the current interim period, there were no changes in the valuation techniques used (year ended 31 December 2023: nil).

Note: The Group's investment in unlisted equity investment funds which were classified as financial assets at fair value through other comprehensive income ("FVTOCI"). The significant unobservable input is the net assets value of the underlying investments made by the funds. The higher the net assets value of the underlying investment, the higher the fair value of the financial assets at FVTOCI will be. A 5% increase/decrease in the net assets value of the underlying investments, holding all other variable constant, would increase/decrease the carrying amounts of these investments by RMB710,000 and RMB718,000 as at 30 June 2024 and 31 December 2023, respectively.

5. REVENUE

The Group's revenue for the both interim periods are as follows:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
<i>Revenue from contracts with customers</i>		
Manufacturing and sale of equipment:		
SRU and VOCs incineration equipment	73,112	39,145
Catalytic cracking equipment	132,673	147,679
Process burners	16,552	16,379
Heat exchangers	2,557	8,569
	224,894	211,772

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

5. REVENUE (continued)

The following table shows the amounts of revenue recognised in the interim periods that were included in the contract liabilities at the beginning of the interim periods:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Sales of products	59,191	33,063

Performance obligations

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

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

6. SEGMENT INFORMATION

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

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

Geographical information

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

7. OTHER INCOME AND GAINS, NET

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Government grant ⁽¹⁾	2,716	713
Interest income	132	101
Litigation compensation	–	132
Rental income, net	47	175
Others ⁽²⁾	296	717
	3,191	1,838

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

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

8. FINANCE COSTS

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest on bank and other borrowings	2,748	2,343
Interest on lease liabilities	88	71
	2,836	2,414

9. INCOME TAX EXPENSES

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current income tax — Mainland China:		
Charge for the period	3,497	5,894
Withholding tax	1,000	–
Deferred income tax	(507)	(403)
	3,990	5,491

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

9. INCOME TAX EXPENSES (continued)

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

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

No provision for Hong Kong Profits Tax has been made as the Group had no assessable profits arising in Hong Kong during both periods.

Under the PRC Corporate Income Tax Law (the "CIT Law"), which became effective on January 1, 2008, the Group's PRC entities are subject to enterprise income tax at a rate of 25%, unless otherwise specified. The Group's subsidiaries registered in the PRC that have operations only in Mainland China are subject to PRC enterprise income tax ("EIT") at a rate of 25% on the taxable income as reported in their PRC statutory accounts adjusted in accordance with relevant PRC income tax laws for both periods except for two subsidiaries, Luoyang Ruichang Environmental Engineering Co., Ltd ("Luoyang Ruichang") and Ruiqieer Petro-chemical Engineering (Shanghai) Co., Ltd ("Shanghai Ruiqieer"). Luoyang Ruichang is qualified for a high and new technology enterprise ("HNTE") in September 2017 and became eligible for 15% preferential tax rate. Luoyang Ruichang renews its HNTE certification in November 2023 and is eligible for 15% preferential tax rate in the six months ended 30 June 2024 and 2023. Shanghai Ruiqieer is also qualified for a HNTE in December 2021 and is eligible for 15% preferential tax rate for both periods.

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

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

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit before tax	15,515	19,918
Tax at domestic income tax rate	3,879	4,980
Lower tax rate enacted by local authority	(1,293)	(876)
Tax effect of expenses not deductible and income not taxable for tax purpose	274	281
Tax incentives on eligible expenditures	(2,203)	(1,875)
Tax losses not recognised	2,333	2,981
Withholding tax	1,000	–
Income tax expenses	3,990	5,491

During the current interim period, the Group has accumulated tax losses in PRC of RMB88,007,000 (six months ended 30 June 2023: RMB60,208,000), available for offset against future profits, which will expire in five years. No deferred tax asset has been recognised in respect of the tax losses and the deductible temporary differences due to unpredictability of future profit streams.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

10. PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Cost of inventories sold	146,668	127,377
Depreciation of property, plant and equipment	3,154	2,946
Depreciation of investment property	240	240
Depreciation of right-of-use assets	2,158	1,159
Amortisation of intangible assets	208	155
Research and development costs	14,723	16,396
Auditor's remuneration	200	132
(Gain)/loss on disposal of property, plant and equipment	(1)	1
Short term leases exempt from capitalisation under HKFRS 16	139	198
Interest income	(132)	(101)
Listing expenses	7,916	7,541
Impairment losses/(reversal of impairment losses) recognised on:		
— trade receivables	2,402	1,807
— financial assets included in prepayments, other receivables and other assets	190	1
— contract assets	(623)	(193)
	1,969	1,615
Staff costs including directors' emoluments		
— salaries, allowances and other benefits	26,228	28,263
— retirement benefit scheme contributions	4,890	4,638
Total staff costs, including directors' remunerations	31,118	32,901

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

11. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Earnings:		
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	11,525	14,427
Number of shares:		
Number of ordinary shares for the purpose of basic earnings per share	375,000,000	375,000,000

The number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the Group Reorganisation and the Capitalisation Issue is completed as described in Appendix V to the Company's listing prospectus dated 28 June 2024.

No diluted earnings per share is presented for the six months ended 30 June 2024 and 2023 as there was no potential ordinary share in issue.

12. DIVIDENDS

On 29 May 2024, the Company distributed a dividend amounting to RMB20,000,000. As at 30 June 2024, RMB9,307,000 was paid in cash and RMB9,898,000 was settled by offsetting with Group's receivables due from controlling shareholders. The remaining dividend payable was paid in July 2024.

The directors of the Company did not propose the distribution of any interim dividend during the Reporting Period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

13. MOVEMENTS IN PROPERTY AND EQUIPMENT

During the current interim period, the Group acquired property and equipment of RMB2,719,000 (six months ended 30 June 2023: RMB2,029,000).

14. TRADE AND NOTES RECEIVABLES

	As at 30 June 2024 RMB'000 (unaudited)	As at 31 December 2023 RMB'000 (audited)
Trade receivables	278,330	285,170
Provision for impairment	(10,891)	(9,193)
	267,439	275,977
Notes receivables	30,555	50,939
	297,994	326,916

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

Notes receivables

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

14. TRADE AND NOTES RECEIVABLES (continued)

Trade receivables

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

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

	As at 30 June 2024 RMB'000 (unaudited)	As at 31 December 2023 RMB'000 (audited)
Within 90 days	91,518	122,873
91 to 180 days	6,115	56,045
181 to 365 days	132,026	72,707
Over 1 year but within 2 years	25,019	11,289
Over 2 years but within 3 years	10,799	10,673
Over 3 years but within 4 years	1,962	2,390
	267,439	275,977

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

	As at 30 June 2024 RMB'000 (unaudited)	As at 31 December 2023 RMB'000 (audited)
Opening balance	9,193	5,155
Impairment losses	2,402	4,547
Amount written off as uncollectible	(704)	(509)
Closing balance	10,891	9,193

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

15. TRADE AND NOTES PAYABLES

	As at 30 June 2024 RMB'000 (unaudited)	As at 31 December 2023 RMB'000 (audited)
Trade payables	99,415	100,966
Notes payables	26,042	48,381
	125,457	149,347

An ageing analysis of the trade and notes payables, as at the end of each reporting period, based on the invoice date, is as follows:

	As at 30 June 2024 RMB'000 (unaudited)	As at 31 December 2023 RMB'000 (audited)
Within 90 days	57,978	102,127
91 to 180 days	34,322	20,433
181 to 365 days	22,332	13,341
Over 1 year	10,825	13,446
	125,457	149,347

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

16. BANK AND OTHER BORROWINGS

	As at 30 June 2024 RMB'000 (unaudited)	As at 31 December 2023 RMB'000 (audited)
Secured loans	110,138	97,982
Unsecured loans	17,015	23,854
	127,153 (84,903)	121,836 (82,336)
Current portion		
Non-current portion	42,250	39,500

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

	30 June 2024		
	Effective interest rate (%)	Maturity	RMB'000
Current			
Bank loans — secured	3.75%–4.50%	2024–2025	59,000
Bank loans — unsecured	3.50%–4.00%	2024–2025	17,015
Other loans — secured	1.60%–2.70%	2024	8,888
			84,903
Non-current			
Bank loans — secured	3.80%–4.50%	2025–2026	42,250
			127,153

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

16. BANK AND OTHER BORROWINGS (continued)

Maturity profile of bank and other borrowings as at the end of each reporting period is as follows:

	As at 30 June 2024 RMB'000 (unaudited)	As at 31 December 2023 RMB'000 (audited)
Within one year or on demand	84,903	82,336
In the second year	17,500	13,100
In the third to fifth years, inclusive	24,750	26,400
	127,153	121,836

17. SHARE CAPITAL

	Number of shares	Nominal value of shares USD
Authorised:		
At 1 January 2023 (audited), 30 June 2023 (unaudited), 1 January 2024 (audited) and 30 June 2024 (unaudited)		
Ordinary shares of US\$0.00001 each	5,000,000,000	50,000
	Number of shares	Nominal value of shares RMB
		Nominal value of shares RMB'000
Issued and fully paid:		
At 1 January 2023 (audited), 30 June 2023 (unaudited), 1 January 2024 (audited) and 30 June 2024 (unaudited)		
Ordinary shares of US\$0.00001 each	114,210	8
		–

18. COMMITMENTS

The Group did not have any material capital commitments as at 31 December 2023 and 30 June 2024.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

19. RELATED PARTY TRANSACTIONS

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

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

(b) Related party balances

	As at 30 June 2024 RMB'000 (unaudited)	As at 31 December 2023 RMB'000 (audited)
Non-Trade nature		
Amount due from controlling shareholders	–	9,847

(c) Related party transactions

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

	Six months ended 30 June 2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Lease payment	57	200

20. EVENT AFTER REPORTING PERIOD

On 10 July 2024, 125,000,000 new shares of USD0.00001 each were issued at an offer price of HKD1.05 upon the listing of the shares of the Company on the Main Board of the Stock Exchange.