The following is the text of a report set out on page I-[●] to I-[●] received from the Company's reporting accountants, ZHONGHUI ANDA CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of inclusion in this document. It is prepared and addressed to the directors of the Company and to the Sponsor pursuant to the requirements of HKSIR 200, Accountants' Report on Historical Financial Information in Investment Circulars, issued by the Hong Kong Institute of Certified Public Accountants.

中汇
ZHONGHUI

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF RUICHANG INTERNATIONAL HOLDINGS LIMITED

Introduction

We report on the historical financial information of RUICHANG INTERNATIONAL HOLDINGS LIMITED (the "**Company**") and its subsidiaries, (hereinafter collectively referred to as the "**Group**") set out on pages I-[●] to I-[●], which comprises the consolidated statements of financial position of the Group as at 31 December 2021, 2022 and 2023, and the statements of financial position of the Company as at 31 December 2021, 2022 and 2023, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2021, 2022 and 2023 (the "**Relevant Periods**") and material accounting policy information and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages I-[●] to I-[●] forms an integral part of this report, which has been prepared for inclusion in the **[REDACTED]** of the Company date [●] (the "**[REDACTED]**") in connection with the initial **[REDACTED]** of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the consolidated financial position of the Group as at 31 December 2021, 2022 and 2023 and the Company as at 31 December 2021, 2022 and 2023 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, respectively.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-[●] have been made.

Dividends

We refer to Note 16 to the Historical Financial Information which contains information about the dividends paid by the Company and its subsidiaries in respect of the Relevant Periods.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Hong Kong,
[●]

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by ZHONGHUI ANDA CPA Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December 2021 *RMB'000*	2022 *RMB'000*	2023 *RMB'000*
Revenue	*8*	248,044	419,073	544,129
Cost of sales		(177,146)	(286,057)	(352,581)
Gross profit		70,898	133,016	191,548
Other income and gains, net	*10*	8,577	1,824	4,355
Selling expenses		(14,708)	(20,506)	(24,803)
Administrative expenses		(23,475)	(28,172)	(41,279)
Research and development expenses	*14*	(18,658)	(25,084)	(37,963)
[REDACTED]	*14*	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Reversal of impairment losses/(impairment losses) of financial assets and contract assets	*14*	3,373	(3,871)	(5,885)
Share of results of an associate	*21*	(1)	6	60
Finance costs	*11*	(3,287)	(3,746)	(5,921)
Profit before tax		17,643	44,100	67,480
Income tax expenses	*13*	(4,397)	(7,567)	(12,269)
Profit for the year	*14*	13,246	36,533	55,211
Other comprehensive income/(loss):				
Items that will not be reclassified to profit or loss:				
Fair value changes of financial assets at fair value through other comprehensive income ("**FVTOCI**")		—	(2,316)	(329)
Items that may be reclassified to profit or loss:				
Exchange differences arising on translation of foreign operations		950	387	(217)
Total comprehensive income for the year		14,196	34,604	54,665
Profit/(loss) for the year attributable to:				
Owners of the Company		13,423	36,533	55,211
Non-controlling interests		(177)	—	—
		13,246	36,533	55,211
Total comprehensive income/(loss) for the year attributable to:				
Owners of the Company		14,373	34,604	54,665
Non-controlling interests		(177)	—	—
		14,196	34,604	54,665
Earnings per share attributable to owners of the Company				
Basic and diluted *(RMB cents)*	*15*	2.68	7.31	11.04

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2021	2022	2023
		RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Property, plant and equipment	*17*	59,364	55,446	54,015
Investment property	*18*	12,077	11,598	11,119
Right-of-use asset	*19*	39,029	38,076	42,115
Intangible assets	*20*	1,213	1,154	2,142
Investment in an associate	*21*	656	662	722
Financial assets at fair value through other comprehensive income	*22*	17,000	14,684	14,355
Deferred tax assets	*23*	1,231	1,965	3,028
Prepayment for property, plant and equipment		299	—	52
		130,869	123,585	127,548
CURRENT ASSETS				
Inventories	*24*	45,332	53,128	66,742
Trade and notes receivables	*25*	160,176	309,758	326,916
Prepayments, other receivables and other assets	*26*	26,793	42,624	58,358
Financial assets at fair value through profit or loss	*28*	7,000	—	—
Contract assets	*31*	22,259	36,228	48,946
Pledged deposits	*29*	16,230	5,810	21,457
Cash and bank balances	*29*	13,172	21,390	45,670
		290,962	468,938	568,089
CURRENT LIABILITIES				
Trade and notes payables	*30*	106,598	126,794	149,347
Contract liabilities	*31*	17,656	89,260	76,037
Accruals and other payables	*32*	21,992	48,482	41,194
Bank and other borrowings	*33*	32,748	54,600	82,336
Lease liabilities	*34*	—	—	2,504
Tax payable		3,951	8,897	7,660
		182,945	328,033	359,078
NET CURRENT ASSETS		108,017	140,905	209,011
TOTAL ASSETS LESS CURRENT LIABILITIES		238,886	264,490	336,559
NON-CURRENT LIABILITIES				
Bank and other borrowings	*33*	33,000	24,000	39,500
Lease liabilities	*34*	—	—	1,904
		33,000	24,000	41,404
NET ASSETS		205,886	240,490	295,155
CAPITAL AND RESERVES				
Share capital and paid-up capital	*35*	—	—	—
Reserves	*36*	205,886	240,490	295,155
Equity attributable to owners of the Company		205,886	240,490	295,155
Non-controlling interests		—	—	—
TOTAL EQUITY		205,886	240,490	295,155

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company								
	Share capital *RMB'000*	Capital reserve* *RMB'000* *(Note 36)*	Investment revaluation reserve* *RMB'000*	Foreign currency translation reserve* *RMB'000*	Statutory reserve* *RMB'000* *(Note 36)*	Retained profits* *RMB'000*	Sub-Total *RMB'000*	Non-controlling interests *RMB'000*	Total *RMB'000*
At 1 January 2021	—	9,500	—	6,497	22,452	148,317	186,766	—	186,766
Profit for the year	—	—	—	—	—	13,423	13,423	—	13,423
Other comprehensive income for the year:									
Exchange differences arising on translation of foreign operations	—	—	—	950	—	—	950	(177)	773
Business combinations involving entities under common control	—	(327)	—	—	—	—	(327)	177	(150)
Dividend declared and paid	—	—	—	—	—	(19,331)	(19,331)	—	(19,331)
Transfer from retained profits	—	—	—	—	4,571	(4,571)	—	—	—
Issue of shares *(note 36(c))*	—	24,405	—	—	—	—	24,405	—	24,405
At 31 December 2021 and 1 January 2022	—	33,578	—	7,447	27,023	137,838	205,886	—	205,886
Profit for the year	—	—	—	—	—	36,533	36,533	—	36,533
Other comprehensive income for the year:									
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax	—	—	(2,316)	—	—	—	(2,316)	—	(2,316)
Exchange differences arising on translation of foreign operations	—	—	—	387	—	—	387	—	387
Total comprehensive income for the year	—	—	(2,316)	387	—	36,533	34,604	—	34,604
At 31 December 2022 and 1 January 2023	—	33,578	(2,316)	7,834	27,023	174,371	240,490	—	240,490
Profit for the year	—	—	—	—	—	55,211	55,211	—	55,211
Other comprehensive income for the year:									
Changes in fair value changes of financial assets at fair value through other comprehensive income, net of tax	—	—	(329)	—	—	—	(329)	—	(329)
Exchange differences arising on translation of foreign operations	—	—	—	(217)	—	—	(217)	—	(217)
Total comprehensive income for the year	—	—	(329)	(217)	—	55,211	54,665	—	54,665
At 31 December 2023	—	33,578	(2,645)	7,617	27,023	229,582	295,155	—	295,155

Notes:

* These accounts comprise the consolidated reserves of RMB205,886,000, RMB240,490,000 and RMB295,155,000 as at 31 December 2021, 2022 and 2023, respectively, in the consolidated statement of financial position.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Cash flows from operating activities			
Profit before tax	17,643	44,100	67,480
Adjustments for:			
Amortisation of intangible assets	249	274	373
Depreciation of investment property	479	479	479
Depreciation of property, plant and equipment	5,489	5,606	6,098
Depreciation of right-of-use assets	953	953	3,302
Finance costs	3,287	3,746	5,921
Gain from litigation compensation	(3,100)	—	—
Interest income	(286)	(242)	(576)
Loss on disposal of property, plant and equipment	125	364	20
Share of results of an associate	1	(6)	(60)
(Reversal of impairment losses)/impairment losses, net	(3,373)	3,871	5,885
Operating profit before working capital changes	21,467	59,145	88,922
Change in accruals and other payables	4,338	26,490	(7,288)
Change in contract assets	(2,337)	(14,518)	(14,092)
Change in contract liabilities	4,342	71,604	(13,223)
Change in inventories	(13,392)	(7,796)	(13,614)
Change in pledged deposits	(9,797)	10,420	(15,647)
Change in prepayments, deposits and other receivables	(6,424)	(8,290)	(4,932)
Change in trade and notes payables	46,119	20,196	22,553
Change in trade and notes receivables	(48,608)	(152,864)	(21,705)
Cash (used in)/generated from operations	(4,292)	4,387	20,974
Income tax paid	(3,760)	(3,355)	(14,569)
Proceeds from litigation compensation	3,100	—	—
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES	(4,952)	1,032	6,405

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Cash flows from investing activities			
Recovery of financial assets at fair value through profit or loss	3,000	7,000	—
Interest received	286	242	576
Advance to the controlling shareholders	—	—	(8,553)
Proceeds from disposal of property, plant and equipment	8	5	28
Purchases of property, plant and equipment	(4,543)	(1,759)	(4,766)
Purchases of financial assets at fair value through profit or loss	(10,000)	—	—
Payments for financial assets at fair value through other comprehensive income	(17,000)	—	—
Purchase of a shareholding in associate	(656)	—	—
Purchases of intangible assets	(369)	(215)	(1,361)
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES	(29,274)	5,273	(14,076)
Cash flows from financing activities			
Repayment of bank and other borrowings	(37,000)	(53,857)	(79,618)
Repayment of lease liabilities	—	—	(2,933)
Dividends paid	(19,331)	—	—
Interest paid	(3,287)	(3,746)	(5,921)
Deferred issue cost	(5,105)	(7,577)	(2,434)
Addition of bank and other borrowings	59,748	66,709	122,854
Acquisition of a subsidiary under common control	(150)	—	—
Proceeds from shares issued	24,405	—	—
NET CASH GENERATED FROM FINANCING ACTIVITIES	19,280	1,529	31,948
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(14,946)	7,834	24,277
Effect of changes in foreign exchange rate	(40)	384	3
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	28,158	13,172	21,390
CASH AND CASH EQUIVALENTS AT END OF YEAR			
Cash and bank balances	13,172	21,390	45,670

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

		As at 31 December		
		2021	**2022**	**2023**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSET				
Interest in a subsidiary	*40(a)*	19,128	19,128	19,128
CURRENT ASSETS				
Prepayments, other receivables and other assets	*40(b)*	946	1,177	1,118
Cash and bank balances	*40(c)*	4,102	667	182
		5,048	1,844	1,300
CURRENT LIABILITIES				
Accruals and other payables	*40(d)*	282	5,702	15,810
NET CURRENT ASSETS/(LIABILITIES)		4,766	(3,858)	(14,510)
NET ASSETS		23,894	15,270	4,618
CAPITAL AND RESERVES				
Share capital		—	—	—
Reserves	*36(c)*	23,894	15,270	4,618
TOTAL EQUITY		23,894	15,270	4,618

Note: The Company was incorporated on 6 February 2020.

NOTES TO HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The registered office of the Company is located at Suite #5–204, 23 Lime Tree Bay Avenue, P.O. Box 2547, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company. During the Relevant Periods, the Company and its subsidiaries (together, the "**Group**") were involved in the following principal activities: manufacture and sale of petroleum refinery and petrochemical equipment.

The Company and its subsidiaries now comprising the Group underwent the Reorganisation as set out in the paragraph headed "Reorganisation" in the section headed "History, Reorganisation and Corporate Development" in the **[REDACTED]**. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

Upon completion of the Reorganisation and as at the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies, the particulars of principal subsidiaries are set out below:

Name of subsidiaries	Place and date of incorporation/registration and operation	Issued and paid up capital	Percentage of equity and voting power attributable to the Company Direct %	Indirect %	Principal activities
Flame Petro-chemical Engineering International Limited *(note (a))*	Samoa 22 August 2005	RMB19,000,000	—	100	Investment holding
Luoyang Ruichang Environmental Engineering Co., Ltd. ("洛陽瑞昌環境工程有限公司") *(note (b), (d))*	People's Republic of China/ Mainland China 25 January 1994	RMB100,000,000	—	100	Design and sales of petroleum refinery and petrochemical equipment
Luoyang Ruiqieer Petro-chemical Equipment Co., Ltd. ("洛陽瑞切爾石化設備有限公司") *(note (b), (d))*	People's Republic of China/ Mainland China 31 December 2005	RMB4,500,000	—	100	Manufacture of industrial products
Ruiqieer Petro-chemical Engineering (Shanghai) Co., Ltd. ("瑞切爾石化工程(上海)有限公司") *(note (c), (e))*	People's Republic of China/ Mainland China 12 December 2002	RMB9,500,000	—	100	Sale of petro-chemical equipment

Notes:

(a) No audited financial statements have been issued since the date of incorporation as it was not subject to any statutory auditing requirement under relevant rules and regulations in its jurisdictions of incorporation.

(b) The statutory financial statements of Luoyang Ruichang Environmental Engineering Co., Ltd. and Luoyang Ruiqieer Petro-chemical Equipment Co., Ltd. for the financial years ended 31 December 2021 and 2022 were prepared in accordance with the PRC Generally Accepted Accounting Principles ("**PRC GAAP**") and were audited by 河南凱橋會計師事務所有限公司.

(c) The statutory financial statements of Ruiqieer Petro-chemical Engineering (Shanghai) Co., Ltd. for the financial years ended 31 December 2021 and 2022 were prepared in accordance with the PRC GAAP and were audited by 上海事誠會計師事務所有限公司.

(d) The subsidiary is registered as a wholly-foreign-owned enterprise under PRC law.

(e) The subsidiary is registered as a limited liability company under PRC law.

2. BASIS OF PREPARATION AND PRESENTATION

The Historical Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

All HKFRSs effective for the accounting period commencing from 1 January 2021, including HKFRS 9 Financial Instruments, HKFRS 15 Revenue from Contracts with Customers, and HKFRS 16 Leases, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

Pursuant to the Reorganisation, as more fully explained in the paragraph headed "Reorganisation" in the section headed "History, Reorganisation and Corporate Development" in the **[REDACTED]**, the Company become the holding company of the companies now comprising the Group on 26 May 2021.

As the Reorganisation only involved inserting a new holding entity at the top of an existing group and has not resulted in any changes of economic substances, the Historical Financial Information for the Relevant Periods has been presented as a continuation of the existing group using the pooling of interests method.

Accordingly, the Historical Financial Information is prepared as if the current group structure had been in existence throughout the Relevant Periods.

All intra-group transactions and balances have been eliminated on consolidation.

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

During the Relevant Periods, the Group had adopted all the new and revised HKFRSs that are relevant to its operations and effective for its accounting year beginning on 1 January 2023. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards and Interpretations ("**HKAS**").

The Group has not applied the following new and revised HKFRSs that have been issued but are not yet effective. The directors anticipate that the new and revised HKFRSs will be adopted in the Historical Financial Information when they become effective.

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[1]
Amendments to HKAS 1	Non-current Liabilities with Covenants[1]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[1]
Amendments to HKAS 21	Lack of Exchangeability[2]
Amendments to HKFRS 10, HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after 1 January 2024
2 Effective for annual periods beginning on or after 1 January 2025
3 No mandatory effective date yet determined but available for adoption

The directors of the Group anticipate that the application of all new and amendments to HKFRSs will have no material impact on the Company's Historical Financial Information in the foreseeable future.

4. MATERIAL ACCOUNTING POLICY INFORMATION

The Historical Financial Information has been prepared in accordance with HKFRSs and applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared under the historical cost convention except for certain financial instruments that are measured at fair values at the end of each Relevant Periods, as set out below.

The preparation of Historical Financial Information in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas where assumptions and estimates are significant to these Historical Financial Information, are disclosed in note 5 to the Historical Financial Information.

The material accounting policies applied in the preparation of the Historical Financial Information are set out below.

Merger accounting for business combinations under common control

The Historical Financial Information incorporate the financial statement items of the combining entities or business in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party. The net assets of the combining entities or business are combined using the existing book values from the controlling party's perspective. No amount is recognised with respect to goodwill or any excess of acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over its cost at the time of common control combination, to the extent of the contribution of the controlling party's interest.

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

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

Intra-group transactions, balances and unrealised gains on transactions between the combining entities or business are eliminated. Unrealised losses are eliminated but considered as an impairment indicator of the asset transferred. Accounting policies of combining entities or business have been changed where necessary to ensure consistency with the policies adopted by the Group.

Transaction costs, including professional fees, registration fees, cost of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting are recognised as an expense in the year in which they are incurred.

Consolidation

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

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

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

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

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

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

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

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

In the Company's statement of financial position, the investments in subsidiaries are stated at cost less allowance for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Foreign currency translation

(i) Functional and presentation currency

Items included in the Historical Financial Information of each of the group's entity are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The Historical Financial Information is presented in RMB, which is the Company's presentation currency and the functional currency of the principal operating subsidiaries of the Group.

(ii) Transactions and balances in each entity's Historical Financial Information

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

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

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

(iii) Translation on consolidation

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

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

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

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

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

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

Associates

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

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

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

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

Property, plant and equipment

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

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

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

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

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

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

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

Investment property

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

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

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

Intangible assets

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

Purchased software

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

Research and development costs

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

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

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

Leases

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

Group as a lessee

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

(a) Right-of-use assets

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

Prepaid land lease payments	50 years

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

(b) Lease liabilities

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

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

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

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

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

Group as a lessor

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

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

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

Inventories

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

Recognition and derecognition of financial instruments

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

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

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

Financial assets

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

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

— Financial assets at amortised cost;

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

— Investments at fair value through profit or loss.

Financial assets at amortised cost

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

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

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

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

Equity investments at fair value through other comprehensive income

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

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

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

Investments at fair value through profit or loss

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

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

Contract assets and contract liabilities

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

Loss allowances for expected credit losses

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

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

To measure the expected credit losses, trade receivables and contract assets have been assessed based on credit risk characteristics of the customers with reference to a wide range of factors such as default rates of customers, aging profile of overdue balances, the repayment and default histories of different customers, on-going business relationship with the relevant customers and forward-looking information that affecting the customers' ability to repay the outstanding balances. Details of the loss allowance of trade receivables and contract assets are included in Note 14.

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

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

Cash and cash equivalents

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

Borrowing costs

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

Financial liabilities and equity instruments

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

Trade and other payables

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

Equity instruments

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

Borrowings

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

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

Revenue from contracts with customers

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

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

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

— the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

— the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

Other revenue

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

Interest income is recognised using the effective interest method.

Employee benefits

(a) Employee leave entitlements

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

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

(b) Pension obligations

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

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

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

(d) Termination benefits

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

Government grants

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

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

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Taxation

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

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

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets except deferred tax assets, inventories and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Provisions and contingent liabilities

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

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

Events after the reporting period

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

5. KEY ESTIMATES AND JUDGEMENTS

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

(a) Property, plant and equipment and depreciation

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

(b) Impairment loss for bad and doubtful debts

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

(c) Allowance for slow-moving inventories

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

(d) Income taxes

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

(e) Accounting for an interest in an investee

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

6. FINANCIAL RISK MANAGEMENT

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

(a) Foreign currency risk

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

(b) Credit risk

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

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

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

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

— internal credit rating;

— external credit rating (if available);

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

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

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

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

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

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

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

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

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

(c) Liquidity risk

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

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

The maturity profile of the Group's financial liabilities as at 31 December 2021, 2022 and 2023, based on the contractual undiscounted payments, is as follows:

At 31 December 2023

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

At 31 December 2022

	On demand or within 1 year	**1 to 2 years**	**2 to 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and notes payables	126,794	—	—	126,794
Bank and other borrowings	56,731	24,873	—	81,604
Financial liabilities included in other payables and accruals	3,611	—	—	3,611
Total	187,136	24,873	—	212,009

At 31 December 2021

	On demand or within 1 year	**1 to 2 years**	**2 to 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and notes payables	106,598	—	—	106,598
Bank and other borrowings	34,918	19,313	15,018	69,249
Financial liabilities included in other payables and accruals	1,506	—	—	1,506
Total	143,022	19,313	15,018	177,353

(d) Capital management

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

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

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

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Total liabilities	215,945	352,033	400,482
Total equity	205,886	240,490	295,155
Ratio	104.89%	146.38%	135.69%

(e) Interest rate risk

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

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

(f) Categories of financial instruments

	As at 31 December		
Financial assets	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets at amortised cost:			
Trade and notes receivables	160,176	309,758	326,916
Financial assets included in other receivables and other assets	13,485	18,785	25,650
Pledged deposits	16,230	5,810	21,457
Cash and bank balances	13,172	21,390	45,670
	203,063	355,743	419,693
Financial assets at fair value through profit or loss	7,000	—	—
Financial assets at fair value through other comprehensive income	17,000	14,684	14,355

Financial liabilities	**As at 31 December**		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Financial liabilities at amortised cost:			
Trade and notes payables	106,598	126,794	149,347
Lease liabilities	—	—	4,408
Bank and other borrowings	65,748	78,600	121,836
Financial liabilities included in other payables and accruals	1,506	3,611	8,107
	173,852	209,005	283,698

(g) Fair values

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

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

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

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

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

7. FAIR VALUE MEASUREMENTS

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

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

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

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

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

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

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

Disclosures of level in fair value hierarchy at 31 December 2022:

Description	**Fair value measurements using:** Level 1	Level 2	Level 3	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurements:				
Financial assets at fair value through other comprehensive income				
— Unlisted equity investments	—	—	14,684	14,684

Disclosures of level in fair value hierarchy at 31 December 2021:

Description	**Fair value measurements using:** Level 1	Level 2	Level 3	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurements:				
Financial assets at fair value through other comprehensive income				
— Unlisted equity investments	—	—	17,000	17,000
Financial assets at fair value through profit or loss				
— Investments in financial products	7,000	—	—	7,000
Total recurring fair value measurements	7,000	—	17,000	24,000

During the Relevant Periods, there was no transfer between Level 1 and 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

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

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

Description	Financial assets at fair value through other comprehensive income Unlisted equity investment *RMB'000*
At 1 January 2022	17,000
Total gains or losses recognised in other comprehensive income	(2,316)
At 31 December 2022	14,684

Description	Financial assets at fair value through other comprehensive income Unlisted equity investment *RMB'000*
At 1 January 2021	—
Purchases	17,000
At 31 December 2021	17,000

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

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

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

Level 3 fair value measurements

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

Description	Valuation technique	Unobservable inputs	Effect on fair value for increase of inputs	Fair value As at 31 December 2022 *RMB'000*
Financial assets at fair value through other comprehensive income				
— Unlisted equity investments	Share of net assets	*(Note)*	*(Note)*	14,684

Description	Valuation technique	Unobservable inputs	Effect on fair value for increase of inputs	Fair value As at 31 December 2021 *RMB'000*
Financial assets at fair value through other comprehensive income				
— Unlisted equity investments	Share of net assets	*(Note)*	*(Note)*	17,000

During the Relevant Periods, there were no changes in the valuation techniques used.

Note: The Group's investment in unlisted equity investment funds which were classified as financial assets at fair value through other comprehensive income ("FVTOCI"). The significant unobservable input is the net assets value of the underlying investments made by the funds. The higher the net assets value of the underlying investment, the higher the fair value of the financial assets at FVTOCI will be. A 5% increase/decrease in the net assets value of the underlying investments, holding all other variable constant, would increase/decrease the carrying amounts of these investments by RMB850,000, RMB734,000 and RMB718,000 as at 31 December 2021, 2022 and 2023, respectively.

8. REVENUE

The Group's revenue for the Relevant Periods are as follows:

	Year ended 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Revenue from contracts with customers			
Manufacturing and sale of equipment			
SRU and VOCs incineration equipment	101,719	72,854	77,218
Catalytic cracking equipment	63,273	251,625	319,266
Process burners	29,971	45,046	114,264
Heat exchangers	50,832	45,767	33,381
	245,795	415,292	544,129
Installation services	2,249	3,781	—
	248,044	419,073	544,129

Disaggregation of revenue from contracts with customers

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Timing of revenue recognition			
Goods transferred at a point of time	245,795	415,292	544,129
Services transferred over time	2,249	3,781	—
	248,044	419,073	544,129

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

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Customer A	51,694	253,406	191,671
Customer H	*Note (i)*	*Note (i)*	57,024
Customer G	*Note (ii)*	*Note (ii)*	62,456

Note:

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

(ii) No contribution for the relevant year.

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

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Sales of products	13,314	10,455	86,130

There was no revenue recognised during the Relevant Periods that was recognised from performance obligations satisfied in previous years.

Performance obligations

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

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

9. SEGMENT INFORMATION

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

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

Geographical information

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

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

10. OTHER INCOME AND GAINS, NET

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Government grant[(1)]	4,153	713	1,097
Interest income	286	242	576
Litigation compensation	3,100	—	—
Rental income, net	338	343	325
Others[(2)]	700	526	2,357
	8,577	1,824	4,355

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

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

11. FINANCE COSTS

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Interest on bank and other borrowings	3,287	3,746	5,716
Interest on lease liabilities	—	—	205
	3,287	3,746	5,921

12. DIRECTORS' EMOLUMENTS

Mr. Lu Bo and Ms. Lu Xiaojing were appointed as Directors of the Company on 6 February 2020.

During the Relevant Periods, Mr. Lu Bo and Ms. Lu Xiaojing were re-designated as executive directors of the Company on 15 March 2023, respectively. Ms. Bai Wei, Mr. Shao Song and Ms. Wu Rui were appointed as executive directors of the Company on 15 March 2023, respectively. Mr. Tu Shenwei, Mr. Zhang Shengjie, and Mr. Bau Siu Fung were appointed as independent non-executive directors of the Company on 15 March 2023, respectively.

Certain of the directors received remuneration from the subsidiaries now comprising the Group for their appointment as directors of these subsidiaries. The remuneration of each of these directors during the Relevant Periods is set out below:

	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2023				
Executive directors:				
Mr. LU Bo	457	241	144	842
Ms. LU Xiaojing	325	105	144	574
Ms. BAI Wei	178	130	85	393
Mr. SHAO Song	299	35	113	447
Ms. WU Rui	280	100	—	380
	1,539	611	486	2,636
Independent non-executive directors:				
Mr. TU Shenwei	—	—	—	—
Mr. ZHANG Shengjie	—	—	—	—
Mr. BAU Siu Fung	—	—	—	—
	—	—	—	—
Year ended 31 December 2022				
Executive directors:				
Mr. LU Bo	472	241	134	847
Ms. LU Xiaojing	329	109	134	572
	801	350	268	1,419
Year ended 31 December 2021				
Executive directors:				
Mr. LU Bo	416	300	121	837
Ms. LU Xiaojing	321	121	121	563
	737	421	242	1,400

The executive directors' emoluments are for their services in connection to the management of the affairs of the Company and the Group.

During the Relevant Periods, no remuneration was paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company has waived any remuneration during the Relevant Periods.

Five highest paid individuals' emoluments

The five highest paid individuals including 1, 1 and 1 director of the Company for the years ended 31 December 2021, 2022 and 2023 respectively, whose emoluments are included in the disclosures in (a) above. The emoluments of the remaining 4, 4 and 4 individuals for the years ended 31 December 2021, 2022 and 2023 are as follows:

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, allowances and benefits in kind	1,747	2,029	1,770
Performance related bonuses	1,175	918	918
Pension scheme contributions	364	345	338
	3,286	3,292	3,026

The emoluments fell within the following bands:

	Number of individuals Year ended 31 December		
	2021	**2022**	**2023**
Nil to HK$1,000,000	3	3	3
HK$1,000,001 to HK$1,500,000	1	1	1
	4	4	4

During the Relevant Periods, no emoluments were paid by the Group to any of the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

13. INCOME TAX EXPENSES

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Current income tax — Mainland China:			
Charge for the year	3,850	8,301	13,332
Deferred income tax *(note 23)*	547	(734)	(1,063)
	4,397	7,567	12,269

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

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

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

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

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

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

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Profit before tax	17,643	44,100	67,480
Tax at domestic income tax rate	4,411	11,025	16,870
Lower tax rate enacted by local authority	(1,418)	(3,303)	(5,317)
Tax effect of expenses not deductible and income not taxable for tax purpose	743	840	1,251
Tax incentives on eligible expenditures	(2,715)	(3,764)	(5,795)
Tax losses not recognised	1,877	2,769	5,260
Withholding tax	1,499	—	—
Income tax expenses	4,397	7,567	12,269

The Group has accumulated tax losses in PRC of RMB24,905,000, RMB42,205,000 and RMB75,919,000 as at 31 December 2021, 2022 and 2023, respectively, available for offset against future profits, which will expire in five years. No deferred tax asset has been recognised in respect of the tax losses and the deductible temporary differences due to unpredictability of future profit streams.

14. PROFIT FOR THE YEAR

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

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Cost of inventories sold	168,811	273,006	336,261
Depreciation of property, plant and equipment	5,489	5,606	6,098
Depreciation of investment property	479	479	479
Depreciation of right-of-use assets	953	953	3,302
Amortization of intangible assets	249	274	373
Research and development costs	18,658	25,084	37,963
Auditor's remuneration	61	61	127
Loss on disposal of property, plant and equipment	125	364	20
Short term leases exempt from capitalisation under HKFRS 16	443	431	375
Interest income	(286)	(242)	(576)
[REDACTED]	5,076	9,367	12,632
(Reversal of impairment losses)/impairment losses recognised on:			
— trade receivables	(2,867)	3,284	4,547
— financial assets included in prepayments, other receivables and other assets	39	38	(36)
— contract assets	(545)	549	1,374
	(3,373)	3,871	5,885
Staff costs including directors' emoluments			
— salaries. allowances and other benefits	34,422	46,043	61,487
— retirement benefit scheme contributions	4,229	7,610	10,101
Total staff costs, including directors' remunerations	38,651	53,653	71,588

15. EARNINGS PER SHARE

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

	Year ended 31 December		
	2021	**2022**	**2023**
Earnings:			
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share (RMB'000)	13,423	36,533	55,211
Number of shares:			
Number of ordinary shares for the purpose of basic earnings per share	500,000,000	500,000,000	500,000,000

The number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the Group Reorganisation and the **[REDACTED]** as described in Appendix V to the **[REDACTED]** had been effective on 1 January 2021.

No diluted earnings per share is presented for the Relevant Periods as there was no potential ordinary share in issue.

16. DIVIDENDS

For the year ended 31 December 2021, the Company declared dividends of US$2,804,000 (equivalent to RMB19,331,000) to shareholders. The dividends have been fully paid in April 2021.

No dividends have been declared for the years ended 31 December 2022 and 2023.

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Motor vehicles	Machinery and electronic equipment	Office equipment and others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost							
As at 1 January 2021	72,561	523	965	27,679	2,924	1,165	105,817
Additions	—	471	366	1,499	165	2,034	4,535
Disposals	(190)	—	—	(245)	(217)	—	(652)
As at 31 December 2021 and 1 January 2022	72,371	994	1,331	28,933	2,872	3,199	109,700
Additions	—	159	—	1,342	237	320	2,058
Transfer from CIP	—	—	—	2,120	—	(2,120)	—
Disposals	(21)	—	—	(1,094)	—	—	(1,115)
As at 31 December 2022 and 1 January 2023	72,350	1,153	1,331	31,301	3,109	1,399	110,643
Additions	—	366	254	3,358	329	407	4,714
Disposals	—	—	—	(561)	—	—	(561)
As at 31 December 2023	72,350	1,519	1,585	34,098	3,438	1,806	114,796
Accumulated depreciation							
As at 1 January 2021	24,186	103	482	18,513	2,082	—	45,366
Provided for the year	3,260	225	166	1,623	215	—	5,489
Disposals	(107)	—	—	(214)	(198)	—	(519)
As at 31 December 2021 and 1 January 2022	27,339	328	648	19,922	2,099	—	50,336
Provided for the year	3,256	239	172	1,702	237	—	5,606
Disposals	(11)	—	—	(734)	—	—	(745)
As at 31 December 2022 and 1 January 2023	30,584	567	820	20,890	2,336	—	55,197
Provided for the year	3,256	429	206	1,967	240	—	6,098
Disposals	—	—	—	(514)	—	—	(514)
As at 31 December 2023	33,840	996	1,026	22,343	2,576	—	60,781
Carrying amount							
As at 31 December 2021	45,032	666	683	9,011	773	3,199	59,364
As at 31 December 2022	41,766	586	511	10,411	773	1,399	55,446
As at 31 December 2023	38,510	523	559	11,755	862	1,806	54,015

At 31 December 2021, 2022 and 2023, the carrying amount of properties, plant and equipment pledged as security for the Company's bank loans amounted to RMB38,886,000, RMB36,199,000 and RMB33,512,000, respectively.

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

18. INVESTMENT PROPERTY

	RMB'000
Cost	
As at 1 January 2021, 31 December 2021, 2022 and 2023	15,287
Accumulated depreciation	
As at 1 January 2021	2,731
Charge for the year	479
As at 31 December 2021 and 1 January 2022	3,210
Charge for the year	479
As at 31 December 2022 and 1 January 2023	3,689
Charge for the year	479
As at 31 December 2023	4,168
Net book value	
As at 31 December 2021	12,077
As at 31 December 2022	11,598
As at 31 December 2023	11,119

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

The investment property is leased under an operating lease arrangement.

At 31 December 2021, 2022 and 2023, the carrying amount of investment properties pledged as security for the Company's bank loans amounted to RMB1,273,000, RMB1,194,000 and RMB1,115,000, respectively.

19. RIGHT-OF-USE ASSETS

	Prepaid land lease payments *RMB'000*	Properties leased for own use *RMB'000*	Total *RMB'000*
Cost			
As at 1 January 2021, 31 December 2021 and 2022	47,927	—	47,927
Additions	—	7,341	7,341
As at 31 December 2023	47,927	7,341	55,268
Accumulated depreciation			
As at 1 January 2021	7,945	—	7,945
Charge for the year	953	—	953
As at 31 December 2021 and 1 January 2022	8,898	—	8,898
Charge for the year	953	—	953
As at 31 December 2022 and 1 January 2023	9,851	—	9,851
Charge for the year	953	2,349	3,302
As at 31 December 2023	10,804	2,349	13,153
Net book value			
As at 31 December 2021	39,029	—	39,029
As at 31 December 2022	38,076	—	38,076
As at 31 December 2023	37,123	4,992	42,115

20. INTANGIBLE ASSETS

	Purchased software *RMB'000*
Cost	
As at 1 January 2021	2,205
Additions	369
Disposal	(13)
As at 31 December 2021 and 1 January 2022	2,561
Additions	215
As at 31 December 2022 and 1 January 2023	2,776
Additions	1,361
As at 31 December 2023	4,137
Accumulated depreciation	
As at 1 January 2021	1,112
Charge for the year	249
Disposal	(13)
As at 31 December 2021 and 1 January 2022	1,348
Charge for the year	274
As at 31 December 2022 and 1 January 2023	1,622
Charge for the year	373
As at 31 December 2023	1,995
Net book value	
As at 31 December 2021	1,213
As at 31 December 2022	1,154
As at 31 December 2023	2,142

21. INVESTMENT IN AN ASSOCIATE

	As at 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Share of net assets	44	50	110
Goodwill	612	612	612
	656	662	772

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

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

	As at 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount of the Group's investments in the associate	656	662	722

	Year ended 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Share of the associate's (loss)/profit for the year	(1)	6	60

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

		As at 31 December		
		2021	2022	2023
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted equity security				
Ningbo Bomijia Fund LP	*(a) (b)*	17,000	14,684	14,355

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

According to the terms of the Partnership Agreement, the Fund is managed by a fund manager, while limited partners of the Fund do not have rights to engage in the management of the Fund. The Group, as a limited partner in the Fund, does not have the power to involve and participate in the decision-making process and financial and operating policy decisions of the Fund. All investment decisions will be made by an Investment Committee, which composed with three members appointed by the general partner of the Fund. As such, the Group neither has control nor significant influence over the Fund and the Fund will not be considered as a subsidiary or an associated of the Group. Although the shares of the Fund held by the Group represent approximately 96.5% of the issued share capital of the Fund as at 31 December 2021, 2022, and 2023, the Group has no control over Ningbo Bomijia's investment decisions and has no significant influence over Ningbo Bomijia.

(b) The above investment is intended to be held for the medium to long-term. Designation of the investments as equity investment at fair value through other comprehensive income can avoid the volatility of the fair value changes of the investment to the profit or loss.

23. DEFERRED TAX ASSETS

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

Deferred tax assets	**Accruals**	**Provision for receivables**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
As at 1 January 2021	771	1,007	1,778
Charged to profit or loss during the year	(21)	(526)	(547)
As at 31 December 2021 and 1 January 2022	750	481	1,231
Credited to profit or loss during the year	217	517	734
As at 31 December 2022 and 1 January 2023	967	998	1,965
Credited to profit or loss during the year	274	789	1,063
As at 31 December 2023	1,241	1,787	3,028

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

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Net deferred tax assets recognised in the consolidated statement of financial position	1,231	1,965	3,028

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

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Tax losses	3,390	5,998	11,187

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

24. INVENTORIES

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Materials and components	4,275	7,089	6,409
Work in progress	9,086	19,340	55,629
Finished goods	31,686	26,216	3,983
Spare parts	285	483	721
	45,332	53,128	66,742

Inventories recognized as an expense were approximately RMB168,811,000, RMB273,006,000 and RMB336,261,000 during the years ended 31 December 2021, 2022 and 2023, respectively. These were included in cost of inventories.

25. TRADE AND NOTES RECEIVABLES

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	125,878	269,921	285,170
Provision for impairment	(2,338)	(5,155)	(9,193)
	123,540	264,766	275,977
Notes receivables	36,636	44,992	50,939
	160,176	309,758	326,916

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

Notes receivables

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

At 31 December 2021, 2022 and 2023, the carrying amount of note receivables pledged as security for the Company's bank loans amounted to RMB2,217,000, RMB12,687,000 and Nil, respectively.

Trade receivables

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

At 31 December 2022, and 2023, the carrying amount of trade receivables pledged as security for the Company's bank loans amounted to RMB18,312,000 and Nil respectively.

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

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Within 90 days	80,970	144,521	122,873
90 to 180 days	9,777	49,815	56,045
180 days to 1 year	11,040	47,620	72,707
1 year to 2 years	16,541	14,455	11,289
2 years to 3 years	4,514	7,475	10,673
3 years to 4 years	698	880	2,390
	123,540	264,766	275,977

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

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Opening balance	5,400	2,338	5,155
(Reversal of impairment losses)/impairment losses, net	(2,867)	3,284	4,547
Amount written off as uncollectible	(195)	(467)	(509)
Closing balance	2,338	5,155	9,193

The significant changes in the gross carrying amounts of trade receivables contributed to the change in the loss allowance during the years ended 31 December 2021, 2022 and 2023 are result of a decrease of RMB456,000, a decrease of RMB3,062,000, an increase of RMB2,817,000 and an increase of RMB4,038,000 in loss allowance, respectively. At 31 December 2021, the decrease in loss allowance was mainly attributable to the improvement of settlement of long aged trade receivables. At 31 December 2022, and 2023, the increase was mainly attributable to the increase of gross carrying amounts of trade receivables.

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

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

	Within 1 year	**1 to 2 years**	**2 to 3 years**	**3 to 4 years**	**Over 4 years**	**Total**
At 31 December 2023						
Weighted average expected credit loss rate	0.90%	9.93%	15.75%	46.60%	100.00%	3.22%
Gross carrying amount *(RMB'000)*	253,902	12,534	12,669	4,476	1,589	285,170
Expected credit losses *(RMB'000)*	2,277	1,245	1,996	2,086	1,589	9,193
At 31 December 2022						
Weighted average expected credit loss rate	0.90%	3.88%	10.00%	28.63%	100.00%	1.91%
Gross carrying amount *(RMB'000)*	244,149	15,038	8,306	1,233	1,195	269,921
Expected credit losses *(RMB'000)*	2,193	583	831	353	1,195	5,155
At 31 December 2021						
Weighted average expected credit loss rate	0.66%	2.48%	6.29%	43.57%	100.00%	1.86%
Gross carrying amount *(RMB'000)*	102,459	16,961	4,817	1,237	404	125,878
Expected credit losses *(RMB'000)*	672	420	303	539	404	2,338

The overall weighted average expected credit loss rate for the year ended 31 December 2022 of approximately 1.91% is similar to that of 2021. The overall weighted average expected credit loss rate increased to approximately 2.57% for the four months ended 31 December 2023 because the Group recorded an overall increase in the proportion of trade receivables aged over one year to the total gross trade receivables as at 31 December 2023 as compared to that as at 31 December 2022, in particular, as at 31 December 2023 and 2022, trade receivables aged between one to two years accounted for approximately 4.4% and 5.6%, respectively, of total gross trade receivables.

26. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Advance to staff	1,957	2,189	2,833
Deposits	6,798	7,816	7,228
Other receivables	4,263	2,926	3,556
Prepayments	8,203	16,262	22,286
Prepayments for **[REDACTED]**	5,105	7,577	10,422
Amount due from controlling shareholders (note 27)	510	5,909	9,847
Other current assets	413	446	2,650
	27,249	43,125	58,822
Impairment	(456)	(501)	(464)
	26,793	42,624	58,358

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at end of each of the Relevant Periods, the loss allowance was assessed to be minimal.

27. AMOUNT DUE FROM CONTROLLING SHAREHOLDERS

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

Name	**At 31 December 2023**	**Maximum amount outstanding during the year**
	RMB'000	*RMB'000*
Mr. Lu Bo	4,978	5,752
Ms. Lu Xiaojing	4,869	4,869
	9,847	10,621

Name	**At 31 December 2022**	**Maximum amount outstanding during the year**
	RMB'000	*RMB'000*
Mr. Lu Bo	5,454	5,454
Ms. Lu Xiaojing	454	454
	5,908	5,908

Name	At 31 December 2021	Maximum amount outstanding during the year
	RMB'000	*RMB'000*
Mr. Lu Bo	255	561
Ms. Lu Xiaojing	255	6,255
	510	6,816

The amount due from controlling shareholders of the Company is non-trade in nature, unsecured, non-interest bearing and repayable on demand. [The amount due from controlling shareholders will be settled prior to **[REDACTED]**.]

28. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Commercial bank's financing products	7,000	—	—

29. CASH AND BANK BALANCES AND PLEDGED DEPOSITS

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Cash and bank balances	29,402	27,200	67,127
Less: Pledged deposits	16,230	5,810	21,457
	13,172	21,390	45,670

At 31 December 2021, 2022 and 2023, the cash and bank balances of the Group denominated in Renminbi ("**RMB**") amounted to RMB23,196,000, RMB26,320,000 and RMB66,911,000, respectively. The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

30. TRADE AND NOTES PAYABLES

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	104,160	114,752	100,966
Notes payables	2,438	12,042	48,381
	106,598	126,794	149,347

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

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
0–90 days	73,479	46,094	102,127
90–180 days	14,803	44,017	20,433
181–365 days	9,990	21,484	13,341
Over 1 year	8,326	15,199	13,446
	106,598	126,794	149,347

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

31. CONTRACT ASSETS AND LIABILITIES

Disclosures of revenue-related items:

	At 1 January 2021	**At 31 December 2021**	**At 31 December 2022**	**At 31 December 2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract assets	20,241	22,579	37,097	51,189
Less: allowance for expected credit losses	(865)	(320)	(869)	(2,243)
	19,376	22,259	36,228	48,946
Contract liabilities	13,314	17,656	89,260	76,037

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

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

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Amounts expected to be recognised as revenue:			
Within one year	17,656	89,260	76,037

Significant changes in contract liabilities during the year

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Increase due to operations in the year	17,656	82,059	72,907
Transfer of contract liabilities to revenue	(13,314)	(10,455)	(86,130)

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

32. ACCRUALS AND OTHER PAYABLES

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Accrued salaries, wages and benefits	13,193	17,246	22,356
Amount due to controlling shareholders[1]	33	—	—
Other payables[2]	1,506	3,611	8,107
Other tax payables	7,260	27,625	10,731
	21,992	48,482	41,194

(1) Amount due to controlling shareholders are non-trade nature, non-interest-bearing and repayable on demand.

(2) Other payables are non-interest-bearing and repayable on demand.

33. BANK AND OTHER BORROWINGS

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Secured loans	63,000	78,000	97,982
Unsecured loans	2,748	600	23,854
	65,748	78,600	121,836
Current portion	(32,748)	(54,600)	(82,336)
Non-current portion	33,000	24,000	39,500

The effective interest rate of bank borrowings are as follows:

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

	31 December 2022		
	Effective interest rate	**Maturity**	
	(%)		*RMB'000*
Current			
Bank loans — secured	4.00%–4.70%	2023	54,000
Bank loans — unsecured	4.08%–4.50%	2023	600
			54,600
Non-current			
Bank loans — secured	3.70%–6.00%	2024	24,000
			78,600

	31 December 2021		
	Effective interest rate	**Maturity**	
	(%)		*RMB'000*
Current			
Bank loans — secured	4.35%–4.70%	2022	30,000
Bank loans — unsecured	4.09%–4.50%	2022	2,748
			32,748
Non-current			
Bank loans — secured	3.70%–6.00%	2023–2024	33,000
			65,748

Maturity profile of bank borrowings as at the end of each of the Relevant Periods is as follows:

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Within one year or on demand	32,748	54,600	82,336
In the second year	18,000	24,000	13,100
In the third to fifth years, inclusive	15,000	—	26,400
	65,748	78,600	121,836

Bank borrowings of approximately RMB43,000,000, RMB33,000,000 and RMB33,000,000 were guaranteed by Mr. Lu Bo, Ms. Lu Xiaojing and Mr. Shao Song, and secured by property, plant and equipment and investment property as at 31 December 2021, 2022 and 2023, respectively.

Bank borrowings of approximately RMB20,000,000 and RMB20,000,000 were guaranteed by Mr. Lu Bo and Ms. Lu Xiaojing and secured by property, plant and equipment as at 31 December 2021 and 2022, respectively.

Bank borrowings of approximately RMB10,000,000 were guaranteed by Mr. Lu Bo and Ms. Lu Xiaojing and secured by patents and trade receivables as at 31 December 2022.

Bank borrowings of approximately RMB10,000,000 were guaranteed by Mr. Lu Bo as at 31 December 2022.

Bank borrowings of approximately RMB30,000,000 were guaranteed by the Company as at 31 December 2023.

Bank borrowings of approximately RMB5,000,000 and RMB10,000,000 were secured by patents as at 31 December 2022 and 2023, respectively.

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

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

[The guarantees provided by the related parties of the Group will be released upon the **[REDACTED]**.]

34. LEASE LIABILITIES

	As at 31 December 2023
	RMB'000
Within one year	2,504
After 1 year but within 2 years	1,482
After 2 years but within 5 years	422
	1,904
	4,408

The weighted average incremental borrowing rate applied to lease liabilities is 4.75% per annum for the six months ended 31 December 2023.

35. SHARE CAPITAL

	As at 31 December		
	2021	**2022**	**2023**
	USD	*USD*	*USD*
Authorised:			
5,000,000,000 ordinary shares of US$0.00001 each	50,000	50,000	50,000

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Issued and fully paid:			
Ordinary shares of US$0.00001 each	—	—	—

	Number of shares	**Paid-up capital**
		RMB
Issued:		
At 1 January 2021 (note A)	10,000	7
— issue of preferred shares (note B)	10,740	—
— re-designation (note C)	90,000	—
— issue of ordinary shares (note D)	3,470	1
At 31 December 2021, 2022 and 31 December 2023	114,210	8

Note A: The Company was incorporated in the Cayman Islands on 6 February 2020 with an authorised share capital of US$50,000 divided into 500,000,000 shares of a par value of US$0.0001 each. On the same day, 5,000 ordinary shares were issued to Richen Development Holdings Limited, which was owned by Ms. Lu Xiaojing, and 5,000 ordinary shares were issued to Riches Development Holdings Limited, which was owned by Mr. Lu Bo.

Note B: On 20 April 2021 and 13 May 2021, the Company had entered into Subscription Agreements, and issued 10,740 preferred shares at a total consideration of HK$23,651,000.

Note C: On 17 May 2021, the Company increased its authorised share capital from US$50,000 divided into 500,000,000 shares of US$0.0001 each to US$50,000 divided into 5,000,000,000 shares of US$0.00001 each.

Note D: On 26 May 2021, 3,470 ordinary shares were issued to Risen Development Holdings Limited for a total consideration of US$919,000.

Note E: Upon completion of the Pre-**[REDACTED]** Investment, the authorised share capital of the Company was changed to USD$1.14, divided into 114,210 shares, consisting of (i) 103,470 ordinary shares of par value US$0.00001 each and (ii) 10,740 preferred shares of par value of US$0.00001 each.

36. RESERVES

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

(a) Capital reserve

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

(b) Statutory surplus reserve

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

(c) Reserves of the Company

	Capital reserve	**Foreign currency translation reserve**	**Retained profits**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2021	—	(533)	249	(284)
Total comprehensive income for the year	—	1,637	17,467	19,104
Dividend declared and paid	—	—	(19,331)	(19,331)
Issue of shares	24,405	—	—	24,405
At 31 December 2021 and 1 January 2022	24,405	1,104	(1,615)	23,894
Total comprehensive loss for the year	—	170	(8,794)	(8,624)
At 31 December 2022 and 1 January 2023	24,405	1,274	(10,409)	15,270
Total comprehensive loss for the year	—	(106)	(10,546)	(10,652)
At 31 December 2023	24,405	1,168	(20,955)	4,618

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

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

	Bank and other borrowings *RMB'000*	Lease liabilities *RMB'000*
At 1 January 2021	43,000	—
Changes in cash flows		
— Borrowing raised	59,748	—
— Repayment of borrowings	(37,000)	—
— Interest paid	(3,287)	—
Non-cash changes		
— interest charged	3,287	—
At 31 December 2021 and 1 January 2022	65,748	—
Changes in cash flows		
— Borrowing raised	66,709	—
— Repayment of borrowings	(53,857)	—
— Interest paid	(3,746)	—
Non-cash changes		
— interest charged	3,746	—
At 31 December 2022 and 1 January 2023	78,600	—
Changes in cash flows		
— Borrowing raised	122,854	—
— Repayment of borrowings	(79,618)	—
— Changes from financing activities	—	(2,933)
— New lease entered	—	7,341
— Interest paid	(5,716)	(205)
Non-cash changes		
— interest charged	5,716	205
At 31 December 2023	121,836	4,408

38. CONTINGENT LIABILITIES

At the end of Relevant Periods, the Group did not have any significant contingent liabilities.

39. RELATED PARTY TRANSACTIONS

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

Name of related parties	Relationship with the Company
Mr. Lu Bo	The ultimate controlling shareholder
Ms. Lu Xiaojing	The ultimate controlling shareholder
Shanghai Lanrui Environmental Protection Energy Technology Co. Ltd. ("**Shanghai Lanrui**")	An entity controlled by the ultimate controlling shareholder

(b) Related party balances

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Non-Trade nature			
Amount due from controlling shareholders			
Mr. Lu Bo	255	5,454	4,978
Ms. Lu Xiaojing	255	454	4,869
	510	5,908	9,847
Amount due to controlling shareholders			
Mr. Lu Bo	33	—	—

[All outstanding balance of the amounts due from controlling shareholders will be settled upon the **[REDACTED]**.]

(c) Related party transactions

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

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Lease payment	29	314	200

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

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. Further details of directors' and supervisors' emoluments are included in note 12 to the Historical Financial Information.

40. NOTES TO STATEMENT OF FINANCIAL POSITION OF THE COMPANY

(a) Investment in a subsidiary

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Equity investment, at cost	19,128	19,128	19,128

(b) Prepayments, other receivables and other assets

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Amount due from a subsidiary	861	807	821
Others	85	370	297
	946	1,177	1,118

(c) Cash and bank balances

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Cash and bank balances	4,102	667	182

(d) Accruals and other payables

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Amount due to fellow subsidiaries	282	5,435	15,490
Others	—	267	320
	282	5,702	15,810

41. EVENTS AFTER THE RELEVANT PERIODS

There is no material subsequent event undertaken by the Group after the Relevant Periods.

42. SUBSEQUENT HISTORICAL FINANCIAL INFORMATION

No audited Historical Financial Information have been prepared by the Company or any of its subsidiaries in respect of any period subsequent to 31 December 2023 and up to the date of this report.

43. CAPITAL COMMITMENTS

The Group did not have any capital commitments as at 31 December 2021, 2022 and 2023.