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

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

OVERVIEW

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

The petroleum refinery and petrochemical equipment industry is fragmented with over a hundred types of petroleum refinery and petrochemical equipment and each of the product category represented a relatively small subset of the overall petroleum refinery and petrochemical equipment industry. Our Group has accounted for approximately 0.08% market share in the overall petroleum refinery and petrochemical equipment industry in the PRC in terms of total revenue in 2023. We were the third largest catalytic cracking equipment manufacturer for petroleum refinery and petrochemical operations in the PRC with a market share of approximately 6.3% in terms of revenue in 2022; we were also the second largest SRU and VOCs incineration equipment manufacturers in petroleum refinery and petrochemical operation in the PRC with a market share of approximately 3.1% in terms of revenue in 2022.

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

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

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

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

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

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

COMPETITIVE STRENGTHS

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

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

BUSINESS STRATEGIES

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

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

OUR CUSTOMERS

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

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

Note:

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

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

OUR SUPPLIERS AND PROCUREMENT

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

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

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

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

SALES AND MARKETING AND PRICING POLICY

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

MAJOR COST COMPONENTS

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

MARKET COMPETITION

The PRC market of petroleum refinery and petrochemical equipment is fragmented. In 2022, there were over 40,000 petroleum refinery and petrochemical equipment manufacturers in China's petroleum and petrochemical equipment markets. There were over a hundred types of petroleum refinery and petrochemical equipment and each of the product category represented a relatively small subset of the overall petroleum refinery and petrochemical equipment industry.

The total market value of overall petroleum refinery and petrochemical equipment market in the PRC was approximately RMB715.2 billion in 2023. For 2023, our total revenue recorded approximately RMB544.1 million. As such, based on our revenue reported in 2023, we have accounted for approximately 0.08% market share in this industry for 2023. Our Group was the third largest catalytic cracking equipment manufacturer for petroleum refinery and petrochemical operations in the PRC with a market share of approximately 6.3% in terms of revenue in 2022; we were also the second largest SRU and VOCs equipment manufacturers in petroleum refinery and petrochemical operation in the PRC with a market share of approximately 3.1% in terms of revenue in 2022. Based on our past performance and the fact that we are one of the few equipment manufacturers in the industry that possess both design engineering and manufacturing capabilities in China's petroleum refinery and petrochemical equipment industry, we believe we are one of the key market players in the PRC petroleum refinery and petrochemical equipment industry with a focus in the provision of SRU and VOCs incineration equipment, catalytic cracking equipment, process burners and heat exchangers; and we also set certain national standards and codes in the industry.

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

PRINCIPAL RISK FACTORS

Our business and the **[REDACTED]** involve certain risks, which are set out in "Risk Factors" in this document. You should read that section in its entirety before you decide to invest in the **[REDACTED]**. Some of the major risks we face include:

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

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

- we are subject to liquidity and credit risks resulting from delays and/or defaults in payments by our customers and recoverability of our contract assets. Our negative operating cash flow may also expose us to certain liquidity risk;

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

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

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

KEY FINANCIAL INFORMATION

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

Selected consolidated statements of profit or loss and other comprehensive income

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

Non-HKFRS measure

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

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

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

Notes:

(1) Our **[REDACTED]** are arising from activities relating to the **[REDACTED]**.

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

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

Revenue

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

We recorded further increase of revenue to approximately RMB544.1 million for the year ended 31 December 2023, representing a growth of approximately RMB125.0 million or 29.8% as compared to that of 2022. Such increase was mainly due to increase in revenue from manufacturing and sale of equipment by approximately RMB128.8 million; and partially offset by the decrease in revenue from installation services by approximately RMB3.8 million during the year ended 31 December 2023. Our increase in revenue from manufacturing and sale of equipment was a combining result of increase in revenue from sales of catalytic cracking equipment and process burners by approximately RMB67.6 million and RMB69.3 million, respectively, and partially offset by the decrease in revenue from sales of heat exchangers by approximately RMB12.4 million, during the year ended 31 December 2023. Increase in revenue from sales of catalytic cracking equipment and process burners was mainly attributable to increased demand and overall increased sales to our five largest customers for the year ended 31 December 2023 which is in line with the growth of PRC petroleum refinery and petrochemical equipment market; while our decrease in revenue from sales of heat exchangers was mainly due to the completion of certain significant contracts related to sales of heat exchangers in 2022.

Other income and gains, net

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

Gross profit and gross profit margin

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

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

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

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

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

For a more detailed discussion, see "Financial Information" in this document.

Selected consolidated statements of financial positions

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

Our net current assets increased by approximately RMB32.9 million from approximately RMB108.0 million as at 31 December 2021 to approximately RMB140.9 million as at 31 December 2022, mainly attributable to (i) increase of approximately RMB149.6 million and RMB14.0 million in the balances of our trade and notes receivables and contract assets, respectively, as a result of our revenue growth during 2022; and (ii) increase of prepayments, other receivables and other assets of approximately RMB15.8 million, mainly attributable to increase in prepayment for purchase of materials and components and increase in balances with our Controlling Shareholders; and partially offset by the (i) increase of trade and notes payables and contract liabilities of approximately RMB20.2 million and RMB71.6 million, respectively; (ii) increase of accruals and other payables of approximately RMB26.5 million, mainly arising from the increase of other tax payables; and (iii) increase of current portion of bank and other borrowings of approximately RMB21.9 million. Our net current asset increased by approximately RMB68.1 million to approximately RMB209.0 million as at 31 December 2023. Such increase is a combined effect of (i) increase in inventories of approximately RMB13.6 million; (ii) increase in prepayment, other receivables and other assets of approximately RMB15.7 million; (iii) increase in trade and note receivables of approximately RMB17.2 million; and (iv) increase in trade and note payables of approximately RMB22.6 million. In addition, the increase in current portions of bank and other borrowings and lease liabilities of approximately RMB30.2 million, in aggregate, was partially offset by the increase in cash and bank balance and pledged deposits of approximately RMB24.3 million and RMB15.6 million, respectively. Please refer to "Financial Information — Net Current Assets" in this document for more details.

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

Selected consolidated statements of cash flow

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

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

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

Key financial ratios

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

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

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

RESEARCH AND DEVELOPMENT

Our Directors believe that our established industry knowhow and research and development capabilities contribute significantly to our success in the industry. We have been participating in the preparation and drafting of national industry codes such as the "Testing and Measurements Codes of Burner Tubular Heater in Petrochemical Industry" (石油化工管式爐用燃燒器試驗檢測程) and "Technical Specification for Burners of Tubular Heater in Petrochemical Industry" (石油化工管式爐燃燒器工程技術條件) and our research and development teams is led by Mr. Shao Song, our executive Director, Mr. Zhang Xian and Mr. Jin Xuli, our senior management team, who have more than 20 years of experience in the petroleum refinery and petrochemical equipment industry. As of the Latest Practicable Date, we (i) have collaborated with and established one testing and research center with Honeywell China and one research and development center with Huazhong University of Science and Technology, respectively; (ii) have had approximately nine senior engineers, 54 engineers and 11 assistant engineers; and (iii) have possessed (including co-owned) 212 registered patents which comprised of 160 utility patents, 49 invention patents and three design patents in the PRC, as well as four international patents.

OUR CONTROLLING SHAREHOLDERS

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

PRE-[REDACTED] INVESTMENTS

We undertook Pre-**[REDACTED]** Investments in preparation for the **[REDACTED]**. Immediately following completion of the **[REDACTED]** and the **[REDACTED]** (assuming the **[REDACTED]** is not exercise), the issued share capital of our Company is owned as to the Pre-**[REDACTED]** Investors, namely, Mr. Tang Yinsheng and Mr. Li Yijun by approximately **[REDACTED]**% and **[REDACTED]**%. See "History, Reorganisation and Corporate Structure — Pre-**[REDACTED]** Investments" to this document for further details.

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

Prior to our Track Record Period, we had revenue generated from sales within China of products to unaffiliated Chinese customers that were subsequently resold to Sanction Persons in Iran (the "**Indirect Iran Sales**"). During the Track Record Period, we sold our products fully including process burners and SRU and VOCs incineration equipment to four customers located in Russia who were operating in the engineering and manufacturing sectors of the Russian economy. The revenue generated from our sales to them was approximately RMB6.8 million, RMB0.2 million and RMB63.4 million, representing approximately 2.8%, 0.06% and 11.7% of our total revenue for the years ended 31 December 2021, 2022 and 2023, respectively. Among those, there was one sale where the relevant contract was signed in November 2022 with an agent assigned by one of our customer located in Russia. The agent is a private company registered in Turkey in June 2022. We have completed the relevant sales during the year ended 31 December 2023 with revenue recognized of approximately RMB62.5 million. As advised by the International Sanctions Legal Adviser, Iran is subject to comprehensive U.S. economic sanctions; and Russia (excluding Crimea region) and Turkey were not subject to a general and comprehensive export, import, financial or investment embargo under sanction-related laws or regulations of a Relevant Jurisdiction.

Our International Sanctions Legal Adviser has advised us, that for purposes of the 2019 Guidance Letter, the U.S. may be a Relevant Jurisdiction with respect to certain activities of our Company, and our Indirect Iran Sales and sales to customers in Russia (a) did not constitute Primary Sanctioned Activity under U.S. law; and (b) did include certain transactions that might potentially qualify as Secondary Sanctioned Activity under U.S. law, and the risks that such conduct described in (b) might result in the imposition of significant penalties are low. Our International Sanctions Legal Adviser has also advised that the risks that our Company might become subject to secondary sanctions under U.S. law as a result of the Indirect Iran Sales alone and our sales to customers in Russia alone are determined to be low. Nevertheless, because the U.S. executive branch has substantial discretion in determining whether or not to impose secondary sanctions in order to advance broader policy objectives, such risks cannot be excluded but may be further reduced to the extent that our Company can demonstrate compliance with the undertakings to the Exchange. Our International Sanctions Legal Adviser has further advised our export of products manufactured in China to customers outside of China without any connected sales, marketing, or financing activity occurring in the European Union, the United Kingdom and Australia, or involvement of any our employees who are citizens or permanent residents of such jurisdictions, including our direct and indirect business dealings in Russia and Iran, will not satisfy the jurisdictional requirements of offenses under national sanctions measures adopted by European Union, the United Kingdom and Australia.

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

LEGAL PROCEEDINGS AND REGULATORY COMPLIANCE

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

FUTURE PLANS AND [REDACTED]

We estimate that the net **[REDACTED]** from the **[REDACTED]** (after deducting **[REDACTED]**, fees and estimated expenses payable by us in connection with the **[REDACTED]**), assuming an **[REDACTED]** of HK$**[REDACTED]**, being the mid-point of the indicative **[REDACTED]** range of HK$**[REDACTED]** and HK$**[REDACTED]** per Share as stated in the **[REDACTED]**, and that the **[REDACTED]** is not exercised, will be approximately HK$**[REDACTED]** (equivalent to approximately RMB**[REDACTED]**). We currently intend to apply the net **[REDACTED]** from the **[REDACTED]** in the following manner:

- approximately HK$**[REDACTED]** (equivalent to RMB**[REDACTED]**), representing approximately **[REDACTED]**% of the net **[REDACTED]** from the **[REDACTED]**, will be used to partially finance the construction of the New Production Facility to increase our production capacity and capabilities

- approximately HK$**[REDACTED]** (equivalent to approximately RMB**[REDACTED]**), representing approximately **[REDACTED]**% of the net **[REDACTED]** from the **[REDACTED]**, will be used to further strengthen our design and research and development capabilities

- approximately HK$**[REDACTED]** (equivalent to approximately RMB**[REDACTED]**), representing approximately **[REDACTED]**% of the net **[REDACTED]** from the **[REDACTED]** will be used for our general working capital and general corporate purposes.

Please refer to the section headed "Future Plans and **[REDACTED] — [REDACTED]**" in this document for further details.

[REDACTED]

DIVIDENDS

For the year ended 31 December 2021, our Company declared dividends of approximately USD2.8 million (equivalent to approximately RMB19.3 million) to shareholders. All of such declared dividends have been fully paid as at the Latest Practicable Date.

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

IMPACT OF OUTBREAK OF COVID-19 ON OUR OPERATIONS

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

RECENT DEVELOPMENTS

Recent Development in Our Business Operations and No Material Adverse Change

Subsequent to the Track Record Period and up to the Latest Practicable Date, our Directors confirm that our business model remained stable which was in line with our expectations. As at the Latest Practicable Date, the aggregate contract value (exclusive of VAT) of our contract backlog was approximately RMB440.0 million.

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

Recent Regulatory Developments Relating to Overseas Listing

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

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