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RUICHANG INTERNATIONAL HOLDINGS LIMITED

瑞昌國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1334)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2024

The board (the “**Board**”) of directors (the “**Directors**”) of RUICHANG INTERNATIONAL HOLDINGS LIMITED (the “**Company**”) is pleased to announce the consolidated annual results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2024 (the “**Reporting Period**” or the “**Year**”), together with comparative figures for the year ended 31 December 2023, which has been reviewed by the audit committee of the Company (the “**Audit Committee**”) and was authorised for issue on 28 March 2025.

In this announcement, “we” and “our” refer to the Company and where the context otherwise requires, the Group. Certain amounts and percentage figures included in this announcement have been subject to rounding adjustments or have been rounded to one or two decimal places. Any discrepancies in any table, chart or elsewhere between totals and sums of amounts listed therein are due to rounding issues.

FINANCIAL HIGHLIGHTS

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Revenue	444,188	544,129
Gross profit	142,974	191,548
Gross profit margin	32.2%	35.2%
Net profit for the year	10,329	55,211
Adjusted net profit for the year (non-HKFRS measure) ^{Note}	25,238	67,843
Basic and diluted earnings per Share (RMB cents)	2.38	14.72

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

NON-HKFRS MEASURES

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

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

	Year ended 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year	10,329	55,211
Adjusted for:		
Listing expenses	14,909	12,632
Adjusted net profit for the year (non-HKFRS measure)	25,238	67,843

**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 31 DECEMBER 2024

	<i>Notes</i>	2024 RMB'000	2023 <i>RMB'000</i>
Revenue	3	444,188	544,129
Cost of sales		<u>(301,214)</u>	<u>(352,581)</u>
Gross profit		142,974	191,548
Other income and gains, net	5	7,934	4,355
Selling expenses		(27,408)	(24,803)
Administrative expenses		(50,350)	(41,279)
Research and development expenses		(31,561)	(37,963)
Listing expenses		(14,909)	(12,632)
Impairment losses of financial assets and contract assets		(5,696)	(5,885)
Share of results of an associate		71	60
Finance costs	6	<u>(6,187)</u>	<u>(5,921)</u>
Profit before tax		14,868	67,480
Income tax expenses	7	<u>(4,539)</u>	<u>(12,269)</u>
Profit for the year		10,329	55,211
Other comprehensive income/(loss) after tax:			
<i>Items that will not be reclassified to profit or loss:</i>			
Fair value changes of financial assets at fair value through other comprehensive income ("FVTOCI")		2,567	(329)
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<u>122</u>	<u>(217)</u>
Total comprehensive income for the year		<u>13,018</u>	<u>54,665</u>

	<i>Notes</i>	2024 RMB'000	2023 <i>RMB'000</i>
Profit for the year attributable to:			
Owners of the Company		10,329	55,211
Non-controlling interests		—	—
		<u>10,329</u>	<u>55,211</u>
Total comprehensive income for the year attributable to:			
Owners of the Company		13,018	54,665
Non-controlling interests		—	—
		<u>13,018</u>	<u>54,665</u>
Earnings per share attributable to owners of the Company			
Basic and diluted (RMB cents)	8	<u>2.38</u>	<u>14.72</u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2024

	<i>Notes</i>	2024 RMB'000	2023 <i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		58,674	54,015
Investment property		10,639	11,119
Right-of-use assets		44,820	42,115
Intangible assets		4,446	2,142
Investment in an associate		793	722
Financial assets at fair value through other comprehensive income		18,632	14,355
Deferred tax assets		3,276	3,028
Prepayment for property, plant and equipment		–	52
		141,280	127,548
CURRENT ASSETS			
Inventories		52,040	66,742
Trade and notes receivables	<i>10</i>	252,606	326,916
Prepayments, other receivables and other assets		80,958	58,358
Financial assets at fair value through profit or loss		9,350	–
Contract assets		41,177	48,946
Pledged deposits		19,629	21,457
Cash and bank balances		129,910	45,670
		585,670	568,089
CURRENT LIABILITIES			
Trade and notes payables	<i>11</i>	154,430	149,347
Contract liabilities		31,564	76,037
Accruals and other payables		34,837	41,194
Bank and other borrowings		105,158	82,336
Lease liabilities		1,575	2,504
Tax payable		3,636	7,660
		331,200	359,078
NET CURRENT ASSETS		254,470	209,011
TOTAL ASSETS LESS CURRENT LIABILITIES		395,750	336,559

	<i>Notes</i>	2024 RMB'000	2023 <i>RMB'000</i>
NON-CURRENT LIABILITIES			
Bank and other borrowings		–	39,500
Lease liabilities		<u>7,404</u>	<u>1,904</u>
		<u>7,404</u>	<u>41,404</u>
NET ASSETS		<u>388,346</u>	<u>295,155</u>
CAPITAL AND RESERVES			
Share capital	<i>12</i>	36	–
Reserves		<u>388,010</u>	<u>295,155</u>
Equity attributable to owners of the Company		388,046	295,155
Non-controlling interests		<u>300</u>	<u>–</u>
TOTAL EQUITY		<u>388,346</u>	<u>295,155</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

1. GENERAL INFORMATION

RUICHANG INTERNATIONAL HOLDINGS LIMITED (the “**Company**”) is a limited liability company incorporated in the Cayman Islands. The registered office of the Company is located at P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 10 July 2024 (the “**Listing**”).

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

The consolidated financial statements are presented in Renminbi (“**RMB**”) which is also the functional currency of the principal operating subsidiaries of the Group.

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

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

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

3. REVENUE

An analysis of revenue is as follows:

	Year ended 31 December	
	2024	2023
	RMB’000	RMB’000
<i>Revenue from contracts with customers</i>		
<u>Manufacturing and sale of equipment</u>		
SRU and VOCs incineration equipment	158,060	77,218
Catalytic cracking equipment	194,446	319,266
Process burners	64,576	114,264
Heat exchangers	27,106	33,381
	444,188	544,129

Disaggregation of revenue from contracts with customers

	Year ended 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
<i>Timing of revenue recognition</i>		
Goods transferred at a point of time	444,188	544,129

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	Year ended 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Sales of products	69,761	86,130

There was no revenue 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.

4. 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

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.

5. OTHER INCOME AND GAINS, NET

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Government grant ⁽¹⁾	385	1,097
Additional tax credit for input VAT	3,589	–
Interest income	1,038	576
Rental income, net	204	325
Fair value gain on investments at fair value through profit or loss	163	–
Others ⁽²⁾	2,555	2,357
	<u>7,934</u>	<u>4,355</u>

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

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

6. FINANCE COSTS

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Interest on bank and other borrowings	5,886	5,716
Interest on lease liabilities	301	205
	<u>6,187</u>	<u>5,921</u>

7. INCOME TAX EXPENSES

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Current income tax — Mainland China:		
Charge for the year	3,787	13,332
Withholding tax	1,000	—
Deferred income tax	(248)	(1,063)
	<u>4,539</u>	<u>12,269</u>

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 British Virgin Islands (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 for the years ended 31 December 2024 and 2023.

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 2024 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 Petrochemical 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 2021, 2022 and 2023. Shanghai Ruiqieer renews its HNTe certification in December 2024 and is eligible for 15% preferential tax rate effective for three consecutive years ended 31 December 2024, 2025 and 2026.

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.

8. 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	
	2024	2023
Earnings:		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share (RMB'000)	<u>10,329</u>	<u>55,211</u>
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>434,767,760</u>	<u>375,000,000</u>

The weighted average number of ordinary shares had been adjusted for the effect of the capitalisation issue for the years ended 31 December 2024 and 2023, as stated in Note 12.

The diluted earnings per share is the same as basic earnings per share for the years ended 31 December 2024 and 2023 as there was no potential ordinary share in issue.

9. DIVIDENDS

On 29 May 2024, the Company distributed a dividend amounting to RMB20,000,000. During the year of 2024, RMB10,102,000 had been paid in cash and RMB9,898,000 was settled by offsetting with Group's receivables due from controlling shareholders.

A proposed final dividend of RMB0.04 per share, totalling RMB20,000,000 for the year of 2024 is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

10. TRADE AND NOTES RECEIVABLES

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Trade receivables	253,817	285,170
Provision for impairment	<u>(16,908)</u>	<u>(9,193)</u>
	236,909	275,977
Notes receivables	<u>15,697</u>	<u>50,939</u>
	<u>252,606</u>	<u>326,916</u>

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 year, the loss allowance was assessed to be minimal.

Trade receivables

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

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

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Within 90 days	88,150	122,873
91 to 180 days	12,290	56,045
181 days to 1 year	93,571	72,707
Over 1 year but within 2 years	33,244	11,289
Over 2 years but within 3 years	6,017	10,673
Over 3 years but within 4 years	3,637	2,390
	<u>236,909</u>	<u>275,977</u>

11. TRADE AND NOTES PAYABLES

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Trade payables	134,786	100,966
Notes payables	19,644	48,381
	<u>154,430</u>	<u>149,347</u>

An ageing analysis of the trade and notes payables, based on the invoice date, is as follows:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Within 90 days	100,887	102,127
91 to 180 days	17,005	20,433
181 to 365 days	14,974	13,341
Over 1 year	21,564	13,446
	<u>154,430</u>	<u>149,347</u>

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

During the year, the Group uses certain notes payables as its supplier finance arrangement. The notes payables are issued by the Group with its bankers to its suppliers. These notes are transferable by its holders. The bank will settle the notes payables and the Group will repay to the bank on due day of the notes. Certain deposits are pledged for notes payables which is due within six months.

12. SHARE CAPITAL

	As at 31 December	
	2024	2023
	USD	USD
Authorised:		
5,000,000,000 ordinary shares of US\$0.00001 each	<u>50,000</u>	<u>50,000</u>
	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Issued and fully paid:		
Ordinary shares of US\$0.00001 each	<u>36</u>	<u>–</u>
	Number of	Paid-up
	shares	capital
		RMB
Issued:		
At 1 January 2023, 31 December 2023 and 1 January 2024	114,210	8
— Capitalisation issue (<i>note A</i>)	374,885,790	26,745
— Issue of ordinary shares pursuant to IPO (<i>note B</i>)	<u>125,000,000</u>	<u>8,918</u>
At 31 December 2024	<u>500,000,000</u>	<u>35,671</u>

Note A: Pursuant to the board resolution on 24 June 2024, the directors of the Company were authorised to capitalise USD3,749 (equivalent to RMB26,745) standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 374,885,790 Shares for allotment (“**Capitalisation Issue**”) and issue to holders of shares whose name appear on the register of members of the Company on that day.

Note B: On 10 July 2024, the Company successfully completed the initial public offering (“**IPO**”) on the Stock Exchange. In connection with the IPO, 125,000,000 ordinary shares were issued at an offer price of HKD1.05 per share, for the total gross cash consideration of HKD131,250,000 (equivalent to RMB118,828,000).

13. CAPITAL COMMITMENT

	As at 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Property and equipment		
— Contracted but not provided for	<u>11,194</u>	<u>—</u>

14. EVENTS AFTER THE REPORTING PERIODS

On 5 February 2025, the extraordinary general meeting of the Company (the “EGM”) approved the major transaction in relation to formation of a joint venture company in Huangshan, China. The Group will hold 80% of its registered capital, and the Group is expected to have a total capital commitment of RMB120 million pursuant to the joint venture agreement entered into on 9 December 2024. The Group will finance the capital commitment from its internal resources and the formation of the joint venture company will not be expected to have any material effect on the assets, liabilities and earnings of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2024, due to the complex and ever-changing international political environment as well as the intensifying regional turbulence, global economic growth remained sluggish. The International Monetary Fund (IMF) forecasted a 3.2% growth in global economy in 2024, lower than both the 3.3% for 2023 and the average growth of 3.7% for the first two decades of the 21st century. In 2024, in the face of the severe situation featuring growing external pressures and increasing internal challenges, China's national economy remained generally stable. According to preliminary calculations by the National Bureau of Statistics of China, China's gross domestic product recorded a 5.0% year-on-year increase for the year, continuing to contribute to global economic growth with approximately 30%.

In 2024, the prices of crude oil and major petrochemical products continued to show a trend of decline, failing to meet the price rebound expected at the beginning of the year. The prices of the majority of chemical products decreased during the year, and particularly dropping significantly in the second half of the year. Taking Brent crude oil prices as an example, the average price of Brent crude oil in 2023 was USD82.6/barrel, representing a year-on-year decrease of 18.3% compared to 2022. In 2024, the average price of Brent crude oil was USD80.8/barrel, representing a year-on-year decrease of 2.3%, with quarter-on-quarter declines persisting in the second half of the year.

In 2024, China's petrochemical industry overcame challenges such as insufficient downstream market demand, persistent low product prices, and significant declines in profitability of enterprises, maintaining basic stability in its economic performance and achieving new breakthroughs. According to data from the National Bureau of Statistics of China, in 2024, the petrochemical industry achieved operating revenue of RMB16.3 trillion, representing a year-on-year increase of 2.1%; the total profit was RMB789.7 billion, representing a year-on-year decrease of 8.8%; the total import and export volume was USD948.81 billion, representing a year-on-year decrease of 2.4%. According to data from the China Petroleum and Chemical Industry Federation, on a quarter-on-quarter basis, the operating revenue of China's petrochemical industry fluctuated in an N-shaped trend, while total profit experienced a higher performance first and then lower. Both economic indicators showed an inverted "V"-shaped trend in the first three quarters, with a divergence appearing in the fourth quarter: the operating revenue saw a slight quarter-on-quarter rebound, while the total profit continued to decline quarter-on-quarter.

At the same time, in recent years, China's petrochemical industry has firmly seized the new opportunities brought about by the prosperous cycle of the world economy and the global petrochemical industry. The new refining and chemical integration plant and new petrochemical base have expanded the layout and concentrated in construction, promoting the scale concentration and overall competitiveness of China's petrochemical industry to a new level and achieving new breakthroughs, and the investment in the petrochemical industry has grown by double digits over the years. Despite all these, in 2024, the growth rate of investment in China's petrochemical industry slowed down. According to data from the National Bureau of Statistics of China, investment in chemical raw materials and chemical manufacturing increased by 8.6% year-on-year, compared to an increase of 13.0% for 2023; and the investment in oil and gas production decreased by 1.8% year-on-year, compared to an increase of 15.2% for 2023.

In 2024, the Group achieved revenue of RMB444.2 million (2023: RMB544.1 million), representing a year-on-year decrease of 18.4%; gross profit was RMB143.0 million (2023: RMB191.5 million), representing a year-on-year decrease of 25.3%; and net profit for the year was RMB10.3 million (2023: RMB55.2 million), representing a year-on-year decrease of 81.3%.

THE COMPANY'S DEVELOPMENT STRATEGY

Focusing on the main business and consolidating the petrochemical equipment market

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

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

While our business has been impacted by industry-wide factors, we have also identified room and potential for cost reduction and profitability improvement in our main business. Therefore, while emphasising focus on our main business, continuously expanding the market, and achieving steady growth, we will also drive cost reduction and profitability improvement initiatives to ensure the stability of our profitability.

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

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

We are also exploring emerging technologies and fields to further adopt the trend of green, energy conservation, and environmental protection, striving to diversify the industries and scenarios in which our products are utilised, and finding new business growth points in conjunction with our market strategies. On 9 December 2024, Ruicheng Huangshan Engineering (Huangshan) Co., Ltd. (瑞晟環境工程(黃山)有限公司), a wholly-owned subsidiary of the Company, entered into a joint venture agreement with Shanghai Lanrui Environmental Protection Energy Technology Co., Ltd. (上海藍瑞環保能源科技有限公司) and Huangshan Ecological and Environmental Protection Group Co., Ltd. (黃山市生態環保集團有限公司) for the establishment, operation and management of a joint venture company, which intends to be primarily engaged in the deployment of phosphorus pollution control, phosphorus-containing waste treatment technologies and recycling of relevant waste products. The business leverages on entrained flow technology which is used in the Group's existing businesses in the manufacturing and production of energy saving equipment.

Global development and expansion into the international market

Despite the current downturn of global economy, the international petrochemical market is still experiencing upgrade and development through innovation, adjustment and transformation, with immense potential and abundant business opportunities, and the number of overseas customers sourcing equipment in the Chinese market is also on the rise due to China's extensive manufacturing capacity and competitive prices. Chinese equipment manufacturers offer a wide range of refinery and petrochemical equipment options to cater to the specific needs and requirements of their customers. These trends allow overseas customers to access cost-effective solutions and a wider range of equipment options than they do locally in their own countries when purchasing.

We intend to strengthen our marketing efforts in key regions and strive to work with local enterprises to enhance the Group's business coverage and influence. We have established an office in Dubai at the end of 2024 to comprehensively plan for the development of our client network, relationship maintenance and project opportunity follow-up in the Group's key regions in the Middle East. We believe that by leveraging on our advanced technology and R&D capabilities, and by stepping up our efforts to expand into international markets, we will be able to gain new business growth points which will continue to foster a rapid development in our performance and lay a solid foundation for the long-term development of the Group.

FINANCIAL REVIEW

The following discussion is based on, and should be read in conjunction with, the financial information and notes included elsewhere in this announcement.

Revenue

The Group's revenue decreased by 18.4% from RMB544.1 million for the year ended 31 December 2023 to RMB444.2 million during the Year. The Group generates revenue primarily through the manufacturing and sale of the equipment as detailed below.

	Year ended 31 December			
	2024		2023	
	RMB'000	%	RMB'000	%
Sulphur recovery unit ("SRU") and volatile organic compounds ("VOCs") incineration equipment	158,060	35.6	77,218	14.2
Catalytic cracking equipment	194,446	43.8	319,266	58.7
Process burners	64,576	14.5	114,264	21.0
Heat exchangers	27,106	6.1	33,381	6.1
Total	<u>444,188</u>	<u>100.0</u>	<u>544,129</u>	<u>100.0</u>

SRU and VOCs incineration equipment

The Group's revenue from SRU and VOCs incineration equipment increased by 104.7% from RMB77.2 million for the year ended 31 December 2023 to RMB158.1 million for the year ended 31 December 2024, which was primarily attributable to the increase in sales orders of SRU and VOCs incineration equipment.

Catalytic cracking equipment

The Group's revenue from catalytic cracking equipment decreased from RMB319.3 million for the year ended 31 December 2023 to RMB194.4 million for the year ended 31 December 2024, primarily due to temporary delays and postponement of certain sale orders at the customers' instructions, taking into account the current industry situation.

Process burners

The Group's revenue from process burners decreased by 43.5% from RMB114.3 million for the year ended 31 December 2023 to RMB64.6 million for the year ended 31 December 2024, primarily due to the absence of comparable large-scale orders in 2024 following the completion of certain significant sales orders in 2023.

Heat exchangers

The Group's revenue from heat exchangers decreased by 18.8% from RMB33.4 million for the year ended 31 December 2023 to RMB27.1 million for the year ended 31 December 2024, primarily due to the decrease in overall sales order, influenced by the market demand.

Cost of sales

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

	Year ended 31 December			
	2024		2023	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Materials and components used	257,231	85.4	289,608	82.1
Outsourcing service fees	14,958	5.0	29,883	8.5
Direct labour costs	10,009	3.3	12,338	3.5
Taxes and levies	3,208	1.1	5,018	1.4
Manufacturing overhead	15,808	5.2	15,734	4.5
Total	301,214	100.0	352,581	100.0

The cost of sales of the Group decreased from RMB352.6 million for the year ended 31 December 2023 to RMB301.2 million for the year ended 31 December 2024, which generally aligns with the decrease of revenue driven by the market demand fluctuation.

Gross profit and gross profit margin

The gross profit of the Group decreased by 25.3% from RMB191.5 million for the year ended 31 December 2023 to RMB143.0 million for the year ended 31 December 2024.

The gross profit margin decreased by 3.0 percentage point from 35.2% for the year ended 31 December 2023 to 32.2% for the year ended 31 December 2024, mainly attributable to the growing market competition, resulting in our Group obtains sales orders at a relatively lower price.

Other income and gains, net

Other income and gains consist primarily of government grants, additional tax credit for input value-added tax (“VAT”), rental income, net, interest income and others.

The other income and gains increased from RMB4.4 million for the year ended 31 December 2023 to RMB7.9 million for the year ended 31 December 2024, primarily attributable to additional tax credit for input VAT for advanced manufacturing companies.

Selling expenses

Our selling expenses mainly consist of staff costs, entertainment expenses, travelling and related expenses, promotional expenses and office expenses.

The selling expenses of the Group increased from RMB24.8 million for the year ended 31 December 2023 to RMB27.4 million for the year ended 31 December 2024, primarily due to the increase of headcount of sales staff and general increase of salary level of our sales team during the Year.

Administrative expenses

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

The general and administrative expenses increased from RMB41.3 million for the year ended 31 December 2023 to RMB50.4 million for the year ended 31 December 2024, primarily due to the increase of headcount of managerial and administrative staff, which led to the increase in salary and benefit expenses.

Research and development expenses

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

The research and development expenses decreased from RMB38.0 million for the year ended 31 December 2023 to RMB31.6 million for the year ended 31 December 2024, mainly due to the transfer of some engineers to design and execution posts for overseas sale contracts which has not been completed by the end of 2024.

Reversal of impairment/(impairment losses) of financial assets and contract assets

The impairment losses or reversal of impairment of financial assets and contract assets primarily include provisions for and reversal of impairment losses of trade receivables and contract assets. The impairment losses for trade receivables increased from RMB4.5 million for the year ended 31 December 2023 to RMB7.7 million for the year ended 31 December 2024, primarily due to a weakening trend in the aging structure of trade receivables, with a rise in the proportion of trade receivables aged over one year.

The total impairment losses on financial assets and contract assets decreased from RMB5.9 million for the year ended 31 December 2023 to RMB5.7 million for the year ended 31 December 2024, primarily due to a reduction in contract assets, as a portion of these assets matured and were reclassified to trade receivables.

Finance costs

The finance costs mainly consist of interest on bank and other borrowings and interest on lease liabilities. The finance costs increased from RMB5.9 million for the year ended 31 December 2023 to RMB6.2 million for the year ended 31 December 2024, primarily due to an increase in the scale of average annual borrowing.

Income tax expenses

The taxation comprised of (i) EIT; and (ii) deferred tax expenses. The income tax expenses decreased from RMB12.3 million for the year ended 31 December 2023 to RMB4.5 million for the year ended 31 December 2024, primarily due to the decrease in taxable income of our PRC subsidiaries.

Profit for the Year

The net profit decreased from RMB55.2 million for the year ended 31 December 2023 to RMB10.3 million for the year ended 31 December 2024, primarily due to (a) the decrease in revenue, which was mainly due to temporary delays and postponement of certain sale orders, (b) the decrease in gross profit margin driven by pricing pressures amid growing market competition, and (c) the increase in selling and administrative expenses.

Liquidity and Financial Resources

The Group's principal use of cash was to fund our operations, capital expenditures and payments of principal and interest due on our bank and other borrowings. The main source of the Group's liquidity was generated from cash flows from operations. Going forward, the Group believes that its liquidity requirements will be satisfied with a combination of cash flows generated from operating activities, bank facilities and net proceeds from the Global Offering. As of 31 December 2024, the Group had cash and cash equivalents of RMB129.9 million. A significant portion of the Group's cash and cash equivalents and term deposits are held in RMB.

Exchange Rate Policy

The Group has minimal exposure to foreign currency risk as most of its transactions, assets and liabilities are principally denominated in 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.

Bank and other borrowings

The Group's total bank and other borrowings decreased by 13.7% from RMB121.8 million as of 31 December 2023 to RMB105.2 million as of 31 December 2024, mainly due to repayment of bank borrowings of RMB152.0 million which were partially offset by additional bank borrowings of RMB135.4 million.

All borrowings were fixed-rate borrowings as of 31 December 2024, which were denominated in RMB.

Current ratio

Current ratio (calculated by current assets divided by current liabilities) of the Group as of 31 December 2024, was 1.8 (31 December 2023: 1.6).

Gearing ratio

The gearing ratio is calculated by dividing the total debts (including bank and other borrowings and lease liabilities) by total equity as at the end of the Reporting Period. As of 31 December 2024, the gearing ratio of the Group was 29.4% (31 December 2023: 42.8%). Such decrease is mainly attributable to the repayment of bank and other borrowings during the Year.

Charges on the Group's Assets

As of 31 December 2024, we did not have any pledged assets.

Employees and Remuneration Policies

As of 31 December 2024, the Group had a total of 445 full-time employees and the total staff costs (including directors' emoluments) for the Year were RMB70.4 million. Remuneration of our employees is determined with reference to market conditions and individual employees' performance, qualification and experience. In line with the performance of the Group and individual employees, a competitive remuneration package is offered to retain employees, including salaries, allowance and benefits and retirement benefit scheme contribution. During the Year, the relationship between the Group and our employees has been stable. We provide training programmes to employees, including new hire orientation and continuous on-the-job training, in order to accelerate the learning progress and improve the knowledge and skill levels of our employees.

Capital Commitments

As of 31 December 2024, the Group had RMB11.2 million in capital commitment to fixed asset, which had been contracted but not provided for (31 December 2023: Nil).

Contingent Liabilities

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

EVENTS AFTER THE REPORTING PERIOD

On 9 December 2024, Ruicheng Environmental Engineering (Huangshan) Co., Ltd. (瑞晟環境工程(黃山)有限公司) (“**Ruicheng Huangshan**”), a wholly-owned subsidiary of the Company, entered into the joint venture agreement with Shanghai Lanrui Environmental Protection Energy Technology Co., Ltd. (上海藍瑞環保能源科技有限公司) and Huangshan Ecological and Environmental Protection Group Co., Ltd. (黃山市生態環保集團有限公司) for the establishment, operation and management of the joint venture company (the “**JV Company**”). Ruicheng Huangshan will hold 80% of the registered capital of the JV Company with each of the other cooperating partners holding 10% of its registered capital (the “**Joint Venture Agreement**”). The JV Company intends to be primarily engaged in the deployment of phosphorus pollution control, phosphorus-containing waste treatment technologies and recycling of relevant waste products.

On 5 February 2025, an extraordinary general meeting of the Company was convened and the Shareholders approved the Joint Venture Agreement and the transactions contemplated thereunder.

For details, please refer to the Company’s announcement dated 9 December 2024, 9 January 2025 and 5 February 2025 and the Company’s circular dated 9 January 2025.

Save as disclosed above, the Company is not aware of any material of subsequent events from 31 December 2024 to the date of this announcement.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Save as disclosed in this announcement, there was no significant investment, material acquisition and disposal of subsidiaries and associated companies by the Company during the Year.

USE OF PROCEEDS FROM THE LISTING

The Company were listed on the Main Board of the Stock Exchange on 10 July 2024 (the “Listing Date”) and 125,000,000 new Shares were issued at an offer price of HK\$1.05 per Share. After deducting the underwriting fees and expenses payable by the Company in connection with the Global Offering as recognised in the audited financial statements, the net proceeds from the Listing amounted to approximately HK\$60.6 million (equivalent to approximately RMB55.6 million).

The Company intends to use the net proceeds in the same matter and in the proportion as set out in the section headed “Future Plans and Use of Proceeds” of the Company’s listing prospectus dated 28 June 2024.

The below table sets out the proposed and actual applications of the net proceeds from the Listing Date to 31 December 2024:

Intended use of net proceeds	Net proceeds (RMB million)	Approximate % of total net proceeds	Utilized net proceeds from the Listing Date to 31 December 2024 (RMB million)	Unutilized net proceeds as of 31 December 2024 (RMB million)	Expected timeline of full utilization of the unutilized net proceeds ⁽¹⁾
Increasing our production capacity and capabilities in the New Production Facility to expand our scale of operation	40.6	73.0%	6.2	34.4	On or before 30 June 2026
Further strengthening our design and research and development capabilities	9.7	17.5%	3.0	6.7	On or before 31 December 2025
General working capital	5.3	9.5%	1.8	3.5	On or before 30 June 2026
Total	<u>55.6</u>	<u>100.0%</u>	<u>11.0</u>	<u>44.6</u>	

Note:

- (1) The expected timeline is based on the best estimation made by the Group on future market condition and may change with the current market condition and future development.

CORPORATE GOVERNANCE RELATED INFORMATION

Compliance with Corporate Governance Code

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

The Company has adopted the principles and code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange (the “**Listing Rules**”) as the basis of the Company’s corporate governance practices, and the CG Code has been applicable to the Company with effect from the Listing Date.

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

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

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

Compliance with the Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules (the “**Model Code**”) as its own code of conduct regarding dealings in the securities of the Company by the Directors and the Company’s senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Company or its securities. The provisions of the Listing Rules regarding directors’ compliance with the code of conduct for securities transactions shall apply to the Company from the Listing Date.

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

Independent Non-executive Directors

As disclosed in the announcement of the Company dated 5 September 2024, following the resignation of Mr. ZHANG Shengjie (the former independent non-executive Director and member of each of the audit committee, remuneration committee and nomination committee) on 5 September 2024, the Company had only two independent non-executive Directors, and resulted in non-compliance with the requirements under Rules 3.10(1), 3.10A, 3.21 and 3.27A of the Listing Rules. With the appointment of Mr. SHEN Cheng as an independent non-executive Director on 4 December 2024, the Board now comprises three independent non-executive Directors representing at least one-third of the members of the Board, a minimum of three members in the audit committee, and a nomination committee with a majority of independent non-executive Directors, which fulfills the requirements under Rules 3.10(1), 3.10A, 3.21 and 3.27A of the Listing Rules. For details, please refer to the Company’s announcement dated 4 December 2024.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

None of the Company or any of its subsidiaries has made any purchase, sale or redemption of the listed securities of the Company (including sales of treasury shares) from the Listing Date to 31 December 2024.

As at the Listing Date and up to the date of this announcement, the Company did not hold any treasury shares.

AUDIT COMMITTEE AND REVIEW OF ANNUAL RESULTS

The Company has established an Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code. The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of the Group, overseeing the audit process and performing other duties and responsibilities as assigned by the Board. The Audit Committee currently consists of three independent non-executive Directors being Mr. BAU Siu Fung, Mr. TU Shenwei and Mr. SHEN Cheng. The chairman of the Audit Committee is Mr. TU Shenwei. Mr. BAU Siu Fung holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing rules.

The Audit Committee had reviewed, together with the management, the accounting principles and policies adopted by the Group and discussed internal controls and financial reporting matters including a review of the consolidated financial statements and annual results of the Group for the year ended 31 December 2024.

SCOPE OF WORK OF AUDITOR

The financial figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2024 as set out in the preliminary announcement have been agreed by the Group's auditor, ZHONGHUI ANDA CPA Limited (“ZHONGHUI”), to the amounts set out in the Group's consolidated financial statements for the Year. The work performed by ZHONGHUI in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by ZHONGHUI on the preliminary announcement.

FINAL DIVIDEND

The Board proposed to distribute a final dividend of RMB0.04 per share (inclusive of applicable taxes) for the year ended 31 December 2024, subject to the approval of shareholders of the Company (the “Shareholders”) at the forthcoming annual general meeting. The payment is expected to be made on or around Tuesday, 10 June 2025. The final dividend will be denominated and declared in RMB. The Group is not aware of any arrangement by which any Shareholder has waived or agreed to waive any dividend.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the “2025 AGM”) will be held on Friday, 16 May 2025. Notice of the 2025 AGM will be published and issued to the Shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining the eligibility of the Company's Shareholders to attend and vote at the 2025 AGM, the record date will be Friday, 16 May 2025 and the register of members of the Company will be closed from Tuesday, 13 May 2025, to Friday, 16 May 2025 (both days inclusive), during which period no transfer of Shares will be registered. All properly completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, no later than 4:30 p.m. on Monday, 12 May 2025, for registration.

For the purpose of determining the entitlement of the Shareholders to the proposed final dividend, the record date will be Tuesday, 27 May 2025 and the register of members of the Company will be closed from Friday, 23 May 2025 to Tuesday, 27 May 2025 (both days inclusive), during which period no transfers of Shares will be registered. In order to qualify for the proposed final dividend, which is subject to approval of the Shareholders at the 2025 AGM, all transfers documents accompanied by the relevant share certificate(s) must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at the same address mentioned above before 4:30 p.m. on Thursday, 22 May 2025.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.ruichang.com.cn. The annual report of the Company for the year ended 31 December 2024 containing all the information required by the Listing Rules will be published on the same websites and dispatched (if requested) to the Shareholders in due course.

By order of the Board
RUICHANG INTERNATIONAL HOLDINGS LIMITED
Mr. LU Bo
*Chairman of the Board, chief executive officer
and executive Director*

Hong Kong, 28 March 2025

As at the date of this announcement, the Board comprises Mr. LU Bo, Ms. LU Xiaojing, Ms. BAI Wei, Mr. SHAO Song and Ms. WU Rui as executive Directors; and Mr. BAU Siu Fung, Mr. TU Shenwei and Mr. SHEN Cheng as independent non-executive Directors.