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HONGCHENG ENVIRONMENTAL TECHNOLOGY COMPANY LIMITED

鴻承環保科技有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2265)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2024
AND UPDATE IN EXPECTED TIMELINE FOR USE OF PROCEEDS**

The Board is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2024 together with the comparative figures for the year ended 31 December 2023.

RESULTS HIGHLIGHTS

For the year ended 31 December 2024, the Group's total revenue was approximately RMB233.9 million, representing an increase by approximately 116.6% as compared to total revenue of approximately RMB108.0 million for the year ended 31 December 2023.

For the year ended 31 December 2024, the Group's gross profit was approximately RMB131.8 million, representing an increase by approximately 121.1% as compared to gross profit of approximately RMB59.6 million for the year ended 31 December 2023. The overall gross profit margin increased from approximately 55.2% for the year ended 31 December 2023 to approximately 56.3% for the year ended 31 December 2024.

For the year ended 31 December 2024, the Group's profit for the year attributable to owners of the Company was approximately RMB60.0 million, representing an increase by approximately 242.9% as compared to the profit for the year attributable to owners of the Company of approximately RMB17.5 million for the year ended 31 December 2023.

For the year ended 31 December 2024, basic earnings per share attributable to the owners of the Company were approximately RMB0.060 (31 December 2023: approximately RMB0.017).

No final dividend for the year ended 31 December 2024 was recommended.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 31 December 2024

	<i>Notes</i>	Year ended 31 December	
		2024	2023
		<i>RMB'000</i>	<i>RMB'000</i>
Revenue	3	233,908	107,988
Cost of sales	6	<u>(102,122)</u>	<u>(48,354)</u>
Gross profit		131,786	59,634
Other income	4	1,254	5,358
Other losses — net	5	(521)	(454)
Reversal of provision on financial assets		355	2,439
Selling expenses	6	(2,121)	(1,496)
Administrative expenses	6	<u>(51,965)</u>	<u>(36,712)</u>
Operating profit		78,788	28,769
Finance income	7	99	128
Finance costs	7	<u>(5,643)</u>	<u>(7,751)</u>
Finance costs — net	7	<u>(5,544)</u>	<u>(7,623)</u>
Profit before income tax		73,244	21,146
Income tax expense	8	<u>(13,472)</u>	<u>(3,653)</u>
Profit for the year		<u>59,772</u>	<u>17,493</u>

	Year ended 31 December	
<i>Notes</i>	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Other comprehensive income:		
<i>Item that may be reclassified to profit or loss</i>		
— Currency translation differences on foreign operation	(251)	(17)
<i>Item that will not be reclassified to profit or loss</i>		
— Currency translation differences on translation from functional currency of the Company to presentation currency	(58)	97
	<u>(309)</u>	<u>80</u>
Total comprehensive income for the year	<u>59,463</u>	<u>17,573</u>
Profit for the year attributable to:		
Owners of the Company	60,012	17,493
Non-controlling interests	(240)	—
	<u>59,772</u>	<u>17,493</u>
Total comprehensive income for the year, attributable to:		
Owners of the Company	59,703	17,573
Non-controlling interests	(240)	—
	<u>59,463</u>	<u>17,573</u>
Earnings per share for the year attributable to owners of the Company		
Basic and diluted (expressed in RMB per share)	9	
	<u>0.060</u>	<u>0.017</u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 31 December 2024

		As at 31 December	
	Notes	2024	2023
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Right-of-use assets	11	76,020	77,406
Property, plant and equipment	12	488,831	384,860
Investment properties		116,433	120,819
Intangible assets		28	30
Prepayment for non-current assets		44,032	5,779
Deferred income tax assets		4,150	4,207
		<u>729,494</u>	<u>593,101</u>
Current assets			
Inventories	13	21,558	34,348
Trade receivables	14	24,208	40,642
Other receivables and prepayments	15	75,033	49,103
Financial assets at fair value through other comprehensive income		5,687	3,342
Cash and cash equivalents		65,213	76,119
		<u>191,699</u>	<u>203,554</u>
Total assets		<u>921,193</u>	<u>796,655</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital		8,208	8,208
Share premium		517,965	517,965
Other reserves		(299,428)	(299,119)
Retained earnings		304,148	244,136
		<u>530,893</u>	<u>471,190</u>
Non-controlling interests		12,010	–
Total equity		<u>542,903</u>	<u>471,190</u>

		As at 31 December	
	<i>Notes</i>	2024	2023
		<i>RMB'000</i>	<i>RMB'000</i>
LIABILITIES			
Non-current liabilities			
Borrowings	<i>19</i>	33,800	49,827
Deferred income tax liabilities		6,167	5,039
Lease liabilities	<i>11</i>	413	–
Other long-term payables		265	–
Other liabilities	<i>18</i>	89,183	92,902
		<u>129,828</u>	<u>147,768</u>
Current liabilities			
Trade payables	<i>16</i>	3,991	3,882
Other payables and accruals	<i>17</i>	75,312	76,845
Borrowings	<i>19</i>	104,847	67,352
Current income tax liabilities		20,438	13,197
Contract liabilities	<i>3</i>	16,422	6,863
Lease liabilities	<i>11</i>	394	–
Other liabilities	<i>18</i>	27,058	9,558
		<u>248,462</u>	<u>177,697</u>
Total liabilities		<u>378,290</u>	<u>325,465</u>
Total equity and liabilities		<u>921,193</u>	<u>796,655</u>

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 12 January 2021 as an exempted company with limited liability under the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “**Companies Act**”). The address of its registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. During the year ended 31 December 2024, the Group is engaged in (i) the provision of gold mine hazardous waste treatment services and sales of pyrite concentrate and (ii) the production and sales of sulphuric acid, iron powder, electricity by reprocessing pyrite concentrate from the waste treatment services in Laizhou city, Shandong province of the PRC. The Group’s headquarter is in Laizhou city, Shandong province of the PRC.

The ultimate controlling party of the Company is Mr. Liu Zeming.

To prepare for the initial listing of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Listing**”), the Group has undertaken a reorganisation (the “**Reorganisation**”) pursuant to which the Company became the holdings company of the subsidiaries comprising the Group. Details of the Reorganisation are set out in the prospectus of the Company dated 29 October 2021.

The shares of the Company have been listed on the Stock Exchange since 12 November 2021 by way of initial public offering.

The consolidated financial statements are presented in RMB and rounded to the nearest thousand RMB (“**RMB’000**”), unless otherwise stated.

2 BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

2.1 Basis of preparation

2.1.1 Compliance with IFRS Accounting Standards and HKCO (as defined below)

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“**IFRS Accounting Standards**”) and requirements of the Hong Kong Companies Ordinance (“**HKCO**”) Cap. 622.

2.1.2 Historical cost convention

The consolidated financial statements have been prepared on the historical cost convention, except for Financial assets at fair value through other comprehensive income (FVOCI), which are carried out at fair value.

2.1.3 Going concern

As at 31 December 2024, the Group had net current liability of RMB56,763,000. The Group's cash and bank balances amounted to RMB65,213,000 and total amount of borrowings was RMB138,647,000, including RMB104,847,000 current borrowings and RMB33,800,000 non-current borrowings as at 31 December 2024. The Group meets its day-to-day working capital requirements mainly through its operating cash flows and bank borrowings. In preparing the financial statements, the directors of the Company have considered the Group's net cash inflows from operating activities and the available financing from bank borrowings under the existing revolving loan agreements and available bank credit quotas. Having considered the above, the directors of the Company believe that the Group has adequate resources to continue operation for the foreseeable future of not less than twelve months from period end date of these financial statements. The directors, therefore, are of the opinion that it is appropriate to adopt the going concern basis in preparing its consolidated financial statements.

2.1.4 New and amended standards adopted by the Group

The following new and amended accounting standards and interpretations become applicable for annual reporting periods commencing on or after 1 January 2024, and have been adopted by the Group in current period:

Standards and amendments	Key requirements	Effective for annual periods beginning on or after
IAS 1 (Amendment)	Non-current liabilities with covenants	1 January 2024
IAS 1 (Amendment)	Classification of Liabilities as Current or Non-current	1 January 2024
IFRS 16 (Amendment)	Lease Liability in a Sale and Leaseback	1 January 2024
IFRS 7 and IAS 7 (Amendment)	Supplier Finance Arrangements	1 January 2024

As a result of the adoption of the amendments to IAS 7 and IFRS 7, the Group provided new disclosures for liabilities under supplier finance arrangements.

2.1.5 Certain new accounting standards and interpretations have been published that are not mandatory for the year ended 31 December 2024 and have not been early adopted by the Group. Those new standards, amendments of standards and interpretations are as follows:

Standards and amendments	Key requirements	Effective for annual periods beginning on or after
IAS 21 (Amendment)	Lack of Exchange ability	1 January 2025
IFRS 9 and IFRS 7 (Amendment)	Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
IFRS 9 and IFRS 7 (Amendment)	Contracts Referencing Nature-dependent Electricity	1 January 2026
	Annual improvements to IFRS Accounting Standards	1 January 2026
IFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
IFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027
IFRS 10 (Amendment) and IAS 28 (Amendment)	Sale or contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The directors have performed assessment on the new standards, and amendments, and has concluded on a preliminary basis that these new standards and amendments would not have a significant impact on the Group's consolidated financial statements when they become effective, except for IFRS 18 which will mainly impact the presentation of statement of profit and loss. The Group is still in the process of evaluating the impact of adoption of IFRS 18.

3 REVENUE AND SEGMENT INFORMATION

(a) Description of segments and principal activities

The executive directors of the Board and the chief financial controller have been identified as the Group's chief operating decision-maker (the "CODM").

The Group is principally engaged (i) the provision of gold mine hazardous waste treatment services and sales of pyrite concentrate and (ii) the sales of products from reprocessing of pyrite concentrate (including sulphuric acid, iron powder and electricity) in Laizhou city, Shandong province of the PRC. The process of the treatment services and production of pyrite concentrate are in one integral process, and the production of sulphuric acid, iron powder and electricity is another integrated process, therefore the CODM assesses the performance of the Group now from these two segments: hazardous waste treatment and recycling and reprocessing of pyrite concentrate and others. Unallocated cost mainly includes administrative expenses incurred by the Company and inter-mediate holding companies of the Group. Management of the Group assesses the performance of operating segments based on segment profit or loss.

Assets grouped under unallocated category comprise cash and bank balances and other receivables held by the Company and intermediate holding companies of the Group.

Liabilities grouped under unallocated category comprise payroll payables, deferred income tax, other payables and accruals of the Company and intermediate holding companies of the Group.

Additions to non-current assets comprise additions to property, plant and equipment, right-of-use assets and intangible assets.

The Group's principal market, where majority of revenue and operating profit and all operations and non-current assets, are in Laizhou city of Shandong province of the PRC. Accordingly, no geographical segment information is presented.

The segment information for the year ended 31 December 2024 and 2023 is as follows:

	Hazardous waste treatment and recycling <i>RMB'000</i>	Reprocessing of pyrite concentrate and others <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
For the year ended 31 December 2024				
Segment revenue	172,793	117,111	–	289,904
Inter-segment revenue	<u>(54,066)</u>	<u>(1,930)</u>	–	<u>(55,996)</u>
Revenue from external customers	<u>118,727</u>	<u>115,181</u>	–	<u>233,908</u>
Segment profit/(loss)	42,208	39,085	(2,505)	78,788
Finance costs — net	(4,401)	(1,143)	–	<u>(5,544)</u>
Profit before income tax				73,244
Income tax expense				<u>(13,472)</u>
Profit for the year				<u><u>59,772</u></u>
Other information				
Depreciation and amortisation	<u>17,107</u>	<u>16,414</u>	–	<u>33,521</u>
Additions to non-current assets	<u>69,385</u>	<u>64,165</u>	–	<u>133,550</u>
As at 31 December 2024				
Segment assets	<u>486,288</u>	<u>432,723</u>	<u>2,182</u>	<u>921,193</u>
Segment liabilities	<u>249,685</u>	<u>124,246</u>	<u>4,359</u>	<u>378,290</u>

	Hazardous waste treatment and recycling <i>RMB'000</i>	Reprocessing of pyrite concentrate and others <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
For the year ended 31 December 2023				
Segment revenue	110,538	10,326	–	120,864
Inter-segment revenue	<u>(12,871)</u>	<u>(5)</u>	<u>–</u>	<u>(12,876)</u>
Revenue from external customers	<u>97,667</u>	<u>10,321</u>	<u>–</u>	<u>107,988</u>
Segment profit/(loss)	39,505	(7,999)	(2,737)	28,769
Finance costs — net	(6,743)	(873)	(7)	<u>(7,623)</u>
Profit before income tax				21,146
Income tax expense				<u>(3,653)</u>
Profit for the year				<u><u>17,493</u></u>
Other information				
Depreciation and amortisation	<u>15,658</u>	<u>3,958</u>	<u>323</u>	<u>19,939</u>
Additions to non-current assets	<u>3,645</u>	<u>74,561</u>	<u>–</u>	<u>78,206</u>
As at 31 December 2023				
Segment assets	<u>398,732</u>	<u>395,738</u>	<u>2,185</u>	<u>796,655</u>
Segment liabilities	<u>191,299</u>	<u>104,624</u>	<u>29,542</u>	<u>325,465</u>

(b) Revenue during the years

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Revenue from contract with customers within the scope of IFRS 15		
Recognized over time		
Revenue from provision of gold mine hazardous waste treatment services	41,506	49,373
Recognized at a point in time		
Revenue from sales of pyrite concentrate	67,663	34,775
Revenue from sales of products from the reprocessing of pyrite concentrate (including sulphuric acid, iron powder and electricity)	115,181	10,321
	<u>224,350</u>	<u>94,469</u>
Other revenue		
Rental income	9,558	13,519
	<u>233,908</u>	<u>107,988</u>

(c) Contract liabilities

The Group recognised the following contract liabilities:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Contract liabilities related to provision of gold mine hazardous waste treatment services	84	–
Contract liabilities related to sales of pyrite concentrate	12,151	558
Contract liabilities related to sales of products from the reprocessing of pyrite concentrate (including sulphuric acid, iron powder)	4,187	6,305
	<u>16,422</u>	<u>6,863</u>

The following table shows how much of the revenue recognised during the years ended 31 December 2024 and 2023 relates to carried-forward contract liabilities:

	Year ended 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue recognized that was included in the balance of contract liabilities at the beginning of the year		
Provision of gold mine hazardous waste treatment services	–	740
Sales of pyrite concentrate	6,242	–
Sales of products from the reprocessing of pyrite concentrate (including sulphuric acid, iron powder)	414	–
	<u>6,656</u>	<u>–</u>
	<u>6,656</u>	<u>740</u>

(d) Unsatisfied contracts

The following table shows unsatisfied performance obligations resulting from contracts with customers:

	As at 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Expected to be recognised within one year		
Provision of gold mine hazardous waste treatment services	84	–
Sales of pyrite concentrate	12,151	558
Sales of products from the reprocessing of pyrite concentrate (including sulphuric acid, iron powder)	4,187	6,305
	<u>16,422</u>	<u>6,305</u>
	<u>16,422</u>	<u>6,863</u>

(e) **Information about major customers**

Revenue from individual customers which individually accounted for 10% or more of the Group's total revenue during the years ended 31 December 2024 and 2023 is set out below:

	Year ended 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Customer A	35,642	40,867
Customer B	N/A*	15,210
Customer C	N/A*	13,519

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

4 OTHER INCOME

	Year ended 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Agency service income	758	5,001
Government grants	492	300
Others	4	57
	<u>1,254</u>	<u>5,358</u>

The Group's subsidiaries acted effectively as agents for trading of magnesite materials and stones. The subsidiaries bought the magnesite and stones from the supplier and sold to the customers. The Group recognises income from these transactions on net basis. As at 31 December 2024, prepayment to the supplier and other payables to the customers of magnesite amounted to Nil (31 December 2023: RMB5,380,000) and RMB58,000 (31 December 2023: RMB16,004,000), respectively.

The Directors confirm that the Group is not actively pursuing business opportunities in such agency business and does not regard it as an ordinary continuing business that generates continuing revenue to the Group and therefore recorded the net gain in other income.

5 OTHER LOSSES — NET

	Year ended 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Net losses on disposal of property, plant and equipment	<u>(521)</u>	<u>(454)</u>

6 EXPENSES BY NATURE

The analysis of cost of sales, selling expenses and administrative expenses is as follow:

	Year ended 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials and consumables used	32,980	17,455
Changes in inventories of finished goods and work-in-progress	8,865	(10,679)
Employee benefit expenses	28,751	21,823
Amortisation of right-of-use assets	1,900	2,258
Depreciation of property, plant and equipment	27,227	13,282
Depreciation of investment properties	4,386	4,386
Amortisation of intangible assets	8	13
Electricity and water expenses	15,447	10,787
Taxes and levies	7,505	5,688
Transportation expenses	5,326	6,219
Consultation and professional fees	3,219	3,682
Research and development materials	2,806	247
Auditor's remuneration — audit services	1,852	1,887
Repair and maintenance fee	1,278	1,632
Production safety cost	665	1,072
Donations	165	110
Others	<u>13,828</u>	<u>6,700</u>
Total	<u>156,208</u>	<u>86,562</u>

7 FINANCE COSTS — NET

	Year ended 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Finance income		
— Interest income derived from bank balances	<u>(99)</u>	<u>(128)</u>
Finance costs		
— Interest expenses on bank borrowings	2,335	2,296
— Interest expenses on borrowings under finance lease arrangement	2,485	1,294
— Interest expenses relating to warehouse lease arrangements	2,340	4,571
— Interest expenses on lease liabilities	<u>44</u>	<u>12</u>
	7,204	8,173
Less: borrowing costs capitalised in property, plant and equipment	<u>(1,561)</u>	<u>(422)</u>
	5,643	7,751
Finance costs — net	<u><u>5,544</u></u>	<u><u>7,623</u></u>

8 INCOME TAX EXPENSE

	Year ended 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
PRC income tax		
— Current income tax expense	12,288	5,001
— Deferred income tax expense	<u>1,184</u>	<u>(1,348)</u>
	<u><u>13,472</u></u>	<u><u>3,653</u></u>

9 EARNINGS PER SHARE

(a) Basic

The basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the years.

	Year ended 31 December	
	2024	2023
Profit attributable to owners of the Company (<i>RMB'000</i>)	60,012	17,493
Weighted average number of ordinary shares in issue	<u>1,000,000,000</u>	<u>1,000,000,000</u>
Basic earnings per share (<i>RMB</i>)	<u>0.060</u>	<u>0.017</u>

(b) Diluted

During the years ended 31 December 2024 and 2023, the diluted earnings per share presented is the same as the basic earnings per share as there were no instruments outstanding that could have a dilutive effect on the Company's ordinary shares.

10 DIVIDEND

No final dividend was recommended for the year ended 31 December 2024 and 31 December 2023.

11 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(a) Amounts recognised in the consolidated statement of financial position

	As at 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Right-of-use assets		
Land use rights	75,231	77,406
Lease of building	<u>789</u>	<u>—</u>
	<u>76,020</u>	<u>77,406</u>
Lease liabilities		
Lease of building		
— Current	(394)	—
— Non-current	<u>(413)</u>	<u>—</u>
	<u>(807)</u>	<u>—</u>

12 PROPERTY, PLANT AND EQUIPMENT

	Buildings <i>RMB'000</i>	Machineries <i>RMB'000</i>	Furniture, fixtures and equipment <i>RMB'000</i>	Vehicles <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
As at 1 January 2023						
Cost	137,820	41,187	4,428	6,816	169,987	360,238
Accumulated depreciation	(19,193)	(14,459)	(2,829)	(2,002)	–	(38,483)
Net book amount	<u>118,627</u>	<u>26,728</u>	<u>1,599</u>	<u>4,814</u>	<u>169,987</u>	<u>321,755</u>
Year ended 31 December 2023						
Opening net book amount	118,627	26,728	1,599	4,814	169,987	321,755
Additions	171	729	527	2,354	74,389	78,170
Transfer upon completion	64,499	121,084	3,779	493	(189,855)	–
Disposals	–	(200)	–	(1,294)	–	(1,494)
Depreciation	(6,059)	(6,009)	(740)	(763)	–	(13,571)
Closing net book amount	<u>177,238</u>	<u>142,332</u>	<u>5,165</u>	<u>5,604</u>	<u>54,521</u>	<u>384,860</u>
As at 31 December 2023						
Cost	202,490	162,678	8,734	7,869	54,521	436,292
Accumulated depreciation	(25,252)	(20,346)	(3,569)	(2,265)	–	(51,432)
Net book amount	<u>177,238</u>	<u>142,332</u>	<u>5,165</u>	<u>5,604</u>	<u>54,521</u>	<u>384,860</u>
Year ended 31 December 2024						
Opening net book amount	177,238	142,332	5,165	5,604	54,521	384,860
Additions	–	1,837	2,604	1,036	126,884	132,361
Transfer upon completion	1,095	204	–	–	(1,299)	–
Disposals	–	(600)	–	(563)	–	(1,163)
Depreciation	(10,246)	(15,409)	(708)	(864)	–	(27,227)
Closing net book amount	<u>168,087</u>	<u>128,364</u>	<u>7,061</u>	<u>5,213</u>	<u>180,106</u>	<u>488,831</u>
As at 31 December 2024						
Cost	203,585	163,015	11,338	8,032	180,106	566,076
Accumulated depreciation	(35,498)	(34,651)	(4,277)	(2,819)	–	(77,245)
Net book amount	<u>168,087</u>	<u>128,364</u>	<u>7,061</u>	<u>5,213</u>	<u>180,106</u>	<u>488,831</u>

13 INVENTORIES

	As at 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials	1,644	5,569
Work-in-progress	187	248
Finished goods	19,727	28,531
	<u> </u>	<u> </u>
Total	<u>21,558</u>	<u>34,348</u>

During the years ended 31 December 2024 and 2023, the cost of inventories recognised in “cost of sales” amounted to RMB41,845,000 and RMB6,776,000, respectively.

14 TRADE RECEIVABLES

	As at 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables		
— related to provision of gold mine hazardous waste treatment services	23,356	40,234
— related to sales of sulfuric acid and electricity	914	825
	<u> </u>	<u> </u>
	24,270	41,059
Less: provision for impairment	(62)	(417)
	<u> </u>	<u> </u>
	<u>24,208</u>	<u>40,642</u>

(a) Ageing analysis of the trade receivables

The trade receivables represent receivable relating to provision of gold mine hazardous waste treatment services and receivable mainly relating to sales of pyrite concentrate. The credit terms grant to customers are generally from 30 to 60 days. The sales of products from reprocessing pyrite concentrate (including sulphuric acid, iron powder and electricity) were mainly with advance receipts from customers.

As at 31 December 2024 and 2023, the ageing analysis of the trade receivables based on the invoice date is as follows:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
1–90 days	8,394	10,088
91–180 days	11,258	7,612
181–270 days	4,618	16,149
271–360 days	–	7,210
	<u>24,270</u>	<u>41,059</u>

(b) Impairment of the trade receivables

The Group applies the simplified approach to provide for expected credit loss which was a lifetime expected loss allowance for all trade receivables and retention receivables as prescribed by IFRS 9.

The movements in provision for impairment of trade receivables were as follows:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
As at 1 January	417	2,856
Loss allowance (reversed)/recognised in profit or loss during the year	<u>(355)</u>	<u>(2,439)</u>
As at 31 December	<u>62</u>	<u>417</u>

The carrying amounts of trade receivables approximated their fair values as at the balance sheet dates and were dominated in RMB.

15 OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Prepayments for purchase of raw materials, transportation cost and other expenses	28,287	11,847
Value-added tax receivables	22,348	23,714
Deposits with financial institutions under finance lease arrangements	3,570	3,500
Deposits for bidding and performance	2,600	2,875
Amount due from a related party	12	620
Other receivable in relation to trading of mineral materials	14,770	5,380
Others	3,446	1,167
	<u>75,033</u>	<u>49,103</u>

The carrying amounts of other receivables approximated their fair values as at the balance sheet dates and were dominated in RMB.

16 TRADE PAYABLES

	As at 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables		
— related to transportation costs	1,220	1,266
— related to raw materials	2,771	2,616
	<u>3,991</u>	<u>3,882</u>

The ageing analysis of trade payables based on the invoice date is as follows:

	As at 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
1–30 days	1,794	2,509
31–60 days	658	586
61–90 days	178	536
91–180 days	967	218
Over 180 days	394	33
	<u>3,991</u>	<u>3,882</u>

The carrying amounts of trade payables approximated their fair values as at the balance sheet dates and were dominated in RMB.

17 OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Payables for purchase of property, plant and equipment	31,451	36,425
Other taxes payable	16,606	13,778
Other payables to third parties	14,828	16,004
Employee benefits payables	5,632	4,769
Amounts due to related parties	2,458	2,603
Others	4,337	3,266
	<u>75,312</u>	<u>76,845</u>
Total	<u>75,312</u>	<u>76,845</u>

The carrying amounts of other payables and accruals approximated their fair values as at the balance sheet dates and were denominated in RMB.

18 OTHER LIABILITIES

	As at 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Deferred income — asset related government grants <i>(a)</i>		
— Non-current portion	<u>3,498</u>	<u>—</u>
Warehouse lease arrangements <i>(b)</i>		
(i) Advances from lessee		
— Current portion	9,558	9,558
— Non-current portion	<u>27,583</u>	<u>37,140</u>
	<u>37,141</u>	<u>46,698</u>
(ii) Payables to LZ Assets		
Non-current		
— First warehouse	26,245	25,187
— Second warehouse	<u>31,857</u>	<u>30,575</u>
	<u>58,102</u>	<u>55,762</u>
Advances to gold-bearing roasted cyanide tailings	<u>17,500</u>	<u>—</u>
Total	<u>116,241</u>	<u>102,460</u>
Presented on the statement of financial position as:		
Other liabilities — current portion	27,058	9,558
Other liabilities — non-current portion	<u>89,183</u>	<u>92,902</u>
	<u>116,241</u>	<u>102,460</u>

(a) Deferred income — asset related government grants

These mainly represent asset related government grants received from certain municipal government of the PRC as an encouragement for the Group's construction of production sulphuric acid and iron powder.

(b) Warehouse lease arrangements

In October and December 2018, HC Mining entered into two gold mine hazardous waste storage warehouse lease agreements with LZ Assets, a state-owned enterprise, for the storage of cyanide tailings hazardous waste. Pursuant to the lease agreements, LZ Assets advanced RMB72 million in the fourth quarter of 2018 and RMB88 million in the first half year of 2019, totalling RMB160 million, to HC Mining for leases of two warehouses at an annual rental of RMB3.6 million from 1 November 2018 for the first warehouse, and RMB4.4 million from 1 January 2019 for the second warehouse, totalling RMB8 million per annum (inclusive of value added tax on rental income), for a twenty years term.

Pursuant to the lease agreements, (i) the minimum term of the lease period shall be five years from the respective lease commencement dates, unless the cyanide tailings hazardous waste in the warehouses is put for tender for detoxing treatment during the five year term, and in the event that HC Mining won the tender, the lease term would terminate and the future treatment fee would then be deducted from the remaining amount of the advanced payments made by LZ Assets, after deduction of rental income up to the date of termination; (ii) from the sixth year, either LZ Assets or HC Mining has the right to terminate the lease arrangement by paying an amount equivalent to one year rental, being RMB8 million, as compensation to the other party, and HC Mining will be required to repay the remaining balance of the advances to LZ Assets within three years, being 20% for the first year, 30% for the second year and the remaining repayment in the third year, from the receipt of the notice of termination of the lease agreements.

At inception of the lease arrangement in 2018, the Group considered there is a likelihood that LZ Assets would exercise the right to terminate the lease agreements upon the expiry of the five years committed lease term by December 2023, by then the Group would have an obligation to pay back LZ Assets the remaining balances of the advanced payments from LZ Assets, being in total RMB112 million, representing the total advances of RMB160 million less five years' rental income of RMB40 million and compensation of RMB8 million. Accordingly, on initial recognition of the two warehouse lease arrangements in October and December 2018, the Group recorded "Other liabilities — payables to LZ Assets" of RMB84.2 million, being the present value by discounting the obligations to pay back LZ Assets by December 2023 of RMB112 million by instalments as mentioned above. The discount rate applied in deriving the present value of the amounts payable to LZ Assets was the market rate available to the Group for similar financial instruments, which is 4.65% per annum.

In November 2023, the lease agreements were modified to extend the committed and non-cancellable lease term for another five years after the expiry of the first five-year lease term in October and December 2023, with other terms of the original agreements remain unchanged. The Group accounted for the leases as a five year lease contract at inception of the lease in 2018, and extended it to another five years based on the modified contract terms. According to the revised lease term, the Group applied the same accounting treatment as the first five years lease term. The discount rate applied in deriving the present value of the amounts payable to LZ Assets was the market rate available to the Group for similar financial instruments, which is 4.2%. The Group recognised rental income of RMB9,558,000 (2023: RMB13,519,000) for the year ended 31 December 2024, and the resultant payable to LZ Assets amounted to RMB58,102,000 (2023: RMB55,762,000) as at 31 December 2024.

Interest expenses from other liabilities — payables to LZ Assets are recognised using the aforementioned discount rate. The amount of interest expenses relating to the two warehouse lease arrangements during the years ended 31 December 2024 and 2023 were RMB2,340,000 and RMB4,571,000, respectively.

19 BORROWINGS

	As at 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Non-current:		
Long term bank borrowings, secured and guaranteed	26,600	26,800
Borrowing under finance lease arrangement	37,247	55,479
Less: Current portion of long-term bank borrowings, secured and guaranteed	(200)	(200)
Current portion of borrowings under finance lease arrangement	(29,847)	(32,252)
Total non-current borrowings	<u>33,800</u>	<u>49,827</u>
Current:		
Short term bank borrowings, secured and guaranteed	59,800	34,900
Current portion of long-term bank borrowings, secured and guaranteed	200	200
Current portion of borrowings under finance lease arrangement	29,847	32,252
Other borrowings — liabilities under supplier finance arrangement	15,000	—
Total current borrowings	<u>104,847</u>	<u>67,352</u>
Total borrowings	<u><u>138,647</u></u>	<u><u>117,179</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Consolidate the Leading Position in the Industry Based on Our Own Strengths

The Group, based in Shandong province, the PRC, has been focusing on gold mine hazardous waste treatment and resource recovery, and comprehensive utilisation of gold mine hazardous wastes. We collect cyanide tailings, which is a kind of gold mine hazardous waste resulting from smelting of gold, from the Group's upstream customers, which are mainly comprised of gold smelting companies under gold mining companies with mine operations in Shandong province and in particular, in Yantai city, which we, leveraging on our experience and expertise, detoxify the cyanide tailings and recover therefrom resources with economic value such as pyrite concentrate. In order to expand the Group's profit margins and strengthen its capacity for integrated utilization, starting from the end of 2023, the Group commenced the reprocessing of pyrite concentrate, with the addition of other raw materials, to produce sulphuric acid, iron powder and electricity (the **"New Production Line"**) for sale to downstream customers, which are mainly comprised of chemical manufacturing companies and trading companies of chemicals in the PRC, in order to attain comprehensive utilisation of gold mine hazardous wastes.

The Group is the only company in Laizhou city, Shandong province that has obtained the Hazardous Waste Business Licence issued by Yantai Municipal Ecology and Environment Bureau.

In 2024, under the combined influence of multiple structural factors, the global economy is facing significant pressure on its growth momentum. On the one hand, the persistently high interest rate policy has curbed economic activities, geopolitical risks have exacerbated market uncertainties, and the challenges of climate change have had a profound impact on the global supply chain and resource allocation. On the other hand, although the inflation level has declined compared with the previous period, it still remains at a historically high level, posing a continuous constraint on consumption and investment.

In 2024, the hazardous waste industry still faces fierce competition, and the industry's development was experiencing a relatively severe competitive landscape and challenges. The price volatility in the commodity market has significantly intensified. The global economy still faces demand contraction and supply shocks, and the upstream and downstream enterprises in the industry where the company is located have been affected to varying degrees. During the reporting period, despite facing a severe industry and business situation, with the full cooperation of all parties and the effective implementation of business strategies, the revenue and net profit of the Group still achieved year-on-year growth.

The Group's revenue and profit for the year attributable to owners of the Company for the year ended 31 December 2024 amounted to approximately RMB233.9 million and approximately RMB60.0 million respectively, representing an increase of approximately 116.6% and an increase of approximately 242.9% as compared with the year ended 31 December 2023, respectively.

Meanwhile, the gross profit of the Group increased from approximately RMB59.6 million for the year ended 31 December 2023 to approximately RMB131.8 million for the year ended 31 December 2024. The increase in gross profit was mainly attributable to the increase in revenue. For the year ended 31 December 2024, the Group's gross profit margin of 56.3% representing a slight increase comparing to 55.2% for the year ended 31 December 2023.

Make forward-looking arrangements, build an industrial ecosystem of the circular economy for gold resources, and steadily promote the extension of the product value chain

In 2024, with the extension of the industrial chain as the main line and comprehensive management as the guarantee, the Group solidly promoted project construction, and paid close attention to production and operation, comprehensive management, and safety and environmental protection work, achieving remarkable results in all-round construction. The construction project of the Group was awarded the "2024 Outstanding Practice Cases of Enterprise Integrity Construction" (2024年企業誠信建設優秀實踐案例) by the China Enterprise Confederation (中國企業聯合會) and the China Entrepreneurs Association (中國企業家協會). During the reporting period, the sales of the Group's reprocessed products from sulfur concentrate, including sulfuric acid, iron powder, and electricity, officially began to contribute significantly to the Group's revenue. This marked a milestone in the Group's industrial chain extension projects. Meanwhile, while steadily increasing the production capacity of original products and hazardous waste treatment, the Group also achieved phased results in the research and development and construction of new products such as amidosulfonic acid and magnesium fertilizers. These new projects make full use of the sulfuric acid produced within the Group and the steam generated during its production process as raw materials, further strengthening the extension of the industrial chain and the efficient utilization of resources. In the future, with the smooth progress and implementation of relevant projects, this will not only help the Group further expand its product portfolio but also significantly enhance profit stability, achieving the dual goals of ecological and economic benefits and providing a solid support for sustainable development.

OUTLOOK

In 2025, as the “the Fourteenth Five-Year Plan and Vision 2035 Outline” (《第十四個五年規劃和2035年遠景目標綱要》) is continuously and deeply promoted and the national green development strategy is constantly strengthened, the Group will uphold the spirit of pragmatism and progress, seize the opportunities of the times, take the initiative to integrate into the overall situation of national development, and actively promote green transformation and upgrading. To this end, the Group will focus on the following strategic deployments:

Drive diversified development through innovation and build a new pattern of the full resource — based industrial chain

The Group will continue to strengthen its scientific and technological innovation capabilities, focus on the research and development of comprehensive utilization technologies for solid waste resourceization, and accelerate the transformation of scientific and technological achievements. Meanwhile, we will optimize the existing product structure, expand product diversity, extend the industrial chain layout, and achieve horizontal and vertical collaborative development in multiple fields, various product categories, and deep resourceization. We will comprehensively enhance the comprehensive service capabilities of the entire industrial chain for the utilization of solid waste and hazardous waste resources. We will actively deepen cooperation with scientific research institutions and industry partners, strengthen information exchanges, and take resource reuse and resourceization as the core objectives. Through continuous scientific research innovation and technological upgrading, we will promote the optimization of the product structure and enhance product quality and market competitiveness. Meanwhile, the Group will make great efforts to improve the efficiency of resource recycling and utilization, further deepen the development model of the circular economy, and maximize the value of resources. In the future, we will take innovation as the driving force to empower business development, comprehensively enhance our comprehensive competitiveness, provide a solid guarantee for the high-quality development of the industry, and contribute to the realization of sustainable development goals.

Integrate the ESG Strategy, Lead the Circular Economy, and Facilitate Sustainable and High — Quality Development

The Group will deeply integrate ESG (Environment, Social and Governance) into the corporate strategy, fully penetrate it into daily operations, and actively promote the integration of ESG governance into the corporate governance system, aiming to build a high — quality sustainable development model. With the growing global demand for resource recycling and the continuous advancement of the national “dual carbon” goals, the circular economy industry is embracing unprecedented development opportunities. As an important participant in the industry, the Group will firmly seize this historic opportunity. Guided by the core concept of sustainable development, we will accelerate technological innovation, business expansion and green transformation, ensuring steady progress in the new era and achieving long — term development.

It is worth mentioning that the Group’s New Production Line, as a negative energy consumption project, fully demonstrates the advantages of efficient resource utilization and green production. During the reporting period, the electricity generated by the New Production Line far exceeded the electricity consumed in its production process, providing solid support for the Company’s energy conservation, emission reduction, and the realization of a circular economy. Meanwhile, this further consolidates the Group’s leading technological position within the industry and reflects our commitment to an environmentally friendly economy.

Looking ahead, we will continue to uphold the concept of sustainable development, unswervingly implement the ESG strategy, and constantly improve the green production and operation models. We are committed to contributing to the healthy development of the industry, the realization of the country’s “dual carbon” goals, and the creation of long-term value for our shareholders.

FINANCIAL REVIEW

Revenue

	For the year ended 31 December			
	2024		2023	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Provision of gold mine hazardous waste treatment services	41,506	17.8	49,373	45.7
Sales of pyrite concentrate	67,663	28.9	34,775	32.2
Provision of hazardous waste storage rental services	9,558	4.1	13,519	12.5
Sales of products from the reprocessing of pyrite concentrate (including sulphuric acid, iron powder and electricity)	115,181	49.2	10,321	9.6
	<u>233,908</u>	<u>100</u>	<u>107,988</u>	<u>100.0</u>

The Group principally collects cyanide tailings, which is a kind of gold mine hazardous waste, from the Group's upstream customers and applied our technical know-how to (i) detoxify those wastes to meet the required safety standards; (ii) recover and recycle therefrom resources with economic value for sale and recycling, such as pyrite concentrate; and (iii) reuse the pyrite concentrate produced by the Group through addition of other raw materials to produce products (including sulphuric acid, iron powder and electricity) for sale. Therefore, revenue of the Group is mainly derived from (i) provision of gold mine hazardous waste treatment services; (ii) sale of pyrite concentrate; and (iii) sale of products derived from the reprocessing of pyrite concentrate.

For the year ended 31 December 2024, revenues from provision of gold mine hazardous waste treatment services, sales of pyrite concentrate and sales of products from the reprocessing of pyrite concentrate accounted for approximately 95.9% of our total revenues (31 December 2023: 87.5%). The Group also derived revenue from the provision of hazardous waste storage rental services, which accounted for approximately 4.1% (31 December 2023: 12.5%) of our total revenue for the year ended 31 December 2024.

For the year ended 31 December 2024, the Group's total revenue was approximately RMB233.9 million, representing an increase by approximately 116.6% as compared to that of approximately RMB108.0 million for the year ended 31 December 2023. In particular, the revenue from sales of pyrite concentrate and sales of products from the reprocessing of pyrite concentrate recorded a year-on-year increase of approximately 94.6% and 1,016.0%, respectively.

The significant increase in revenue was primarily and collectively attributable to: (i) the increase in both sales volume and unit price of pyrite concentrate which was driven by increased demand from industries that rely on pyrite concentrate as a key raw material for their production processes. For instance, the market price of products within the sulfuric acid-related market saw a significant increase compared to the previous year; and (ii) the sales of the products produced by the New Production Line, including sulphuric acid, iron powder and electricity that generated revenue of approximately RMB115.2 million during the year ended 31 December 2024 and contributed significantly to the Group's total revenue for the year ended 31 December 2024. Especially, both sales volume and unit price of sulphuric acid and iron powder increased significantly compared to the previous year. Moreover, the sales from the New Production Line only commenced in the fourth quarter of 2023. As a result, the revenue contribution from the New Production Line was for the full year in 2024, whereas it was only for a partial year in 2023. Meanwhile, the increase in revenue for the year ended 31 December 2024 was partially offset by the decrease in the rate of service fees charged for the gold mine hazardous waste treatment services as compared to the previous year.

Gross profit and gross profit margin

For the year ended 31 December 2024, the Group's gross profit was approximately RMB131.8 million, representing an increase of approximately 121.1% as compared to gross profit of approximately RMB59.6 million for the year ended 31 December 2023. This growth was in line with the increase in revenue during the same period.

The overall gross profit margin slightly increased from approximately 55.2% for the year ended 31 December 2023 to approximately 56.3% for the year ended 31 December 2024. Such fluctuation was a combined effect of (i) the increase in gross profit margin of sales of pyrite concentrate from approximately 45.1% for the year ended 31 December 2023 to approximately 60.4% for the year ended 31 December 2024; (ii) the increase in gross profit margin of sales of products (including sulphuric acid, iron powder and electricity) derived from the reprocessing of pyrite concentrate from approximately 22.3% for the year ended 31 December 2023 to approximately 52.8% for the year ended 31 December 2024. However, the

increase was partially offset by (i) the decrease of gross profit margin for provision of gold mine hazardous waste treatment services from approximately 65.8% for the year ended 31 December 2023 to approximately 60.2% for the year ended 31 December 2024; and (ii) the decrease in gross profit margin of provision of the hazardous waste storage rental services from approximately 67.6% for the year ended 31 December 2023 to approximately 54.1% for the year ended 31 December 2024.

Other income

Our other income mainly comprised (i) agency service income from acting as an agent that facilitates the trading of magnesite materials and stones between a third-party supplier and customers; and (ii) government grants. Other income decreased significantly from approximately RMB5.4 million for the year ended 31 December 2023 to approximately RMB1.3 million for the year ended 31 December 2024. Such decrease was mainly attributable to the decrease in agency service income by approximately RMB4.2 million as compared to the previous year.

Selling expenses

Our selling expenses mainly consist of (i) entertainment expense; and (ii) employee salary and benefit expenses for our sales team. For the year ended 31 December 2024, the Group's selling expenses were approximately RMB2.1 million, representing an increase of approximately 40.0% as compared to that of selling expenses of approximately RMB1.5 million for the year ended 31 December 2023. The increase was mainly due to the increase of approximately RMB0.6 million in entertainment expenses as compared to the previous year.

Administrative expenses

The administrative expenses of the Group mainly represent (i) employee benefit expenses, including salaries and wages and staff welfare for administrative and management staff; (ii) taxes and levies which primarily represented various kinds of government levies or taxes such as real estate tax, urban construction tax, tenure tax and stamp duty; (iii) depreciation and amortisation of right-of-use assets, administrative facilities and technology research and development related facilities; (iv) office expenses and utilities; (v) entertainment expense; (vi) professional and consultation fee; (vii) transportation and related expenses, including those incurred in business travels of administrative and management staff and business use of vehicles expenses; (viii) research and development costs; and (ix) other expenses of similar nature.

For the year ended 31 December 2024, the Group's administrative expenses were approximately RMB52.0 million, representing an increase of approximately 41.7% as compared to administrative expenses of approximately RMB36.7 million for the year ended 31 December 2023.

The increase in the Group's administrative expenses was the combined effect of (i) the increase in salaries and wages and staff welfare of approximately RMB3.1 million which was due to the commencement of production of New Production Line and research and development projects; (ii) the increase in depreciation of property, plant and equipment of approximately RMB3.9 million, resulting from additional property, plant and equipment established for the research and development and the Group's expansion; (iii) the increase of taxes and levies, entertainment expense in line with the overall growth in revenue; and (iv) additional costs were incurred due to the expansion of research and development activities.

Net finance costs

Our net finance costs reflected interest expenses on bank borrowings, borrowings under finance lease arrangement, lease liabilities and other liabilities after offsetting interest income we received from bank balances. For the year ended 31 December 2024, the Group's net finance costs were approximately RMB5.5 million, representing a decrease of approximately 27.6% as compared to the net finance costs of approximately RMB7.6 million for the year ended 31 December 2023. The decrease in net finance costs was mainly due to the decrease in interest expenses relating to warehouse lease arrangements of approximately RMB2.2 million as compared to the previous year.

Income tax expense

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Act and accordingly is exempted from Cayman Islands income tax. Our Company's direct wholly owned subsidiary was incorporated in the BVI as a business company with limited liability under the BVI Companies Act 2004 and accordingly is exempted from BVI income tax.

Hong Kong profits tax

No Hong Kong profits tax has been provided for as the Group did not generate any assessable profit in Hong Kong for the years ended 31 December 2024 and 2023.

PRC corporate income tax (“CIT”)

The tax rate of our subsidiaries established in the PRC is 25%. HC Mining, engaging in comprehensive utilisation of resources is entitled to a reduction of 10% revenue from sales of pyrite concentrate from the taxable income of the companies in the calculation of CIT.

For the year ended 31 December 2024, the Group’s income tax expense was approximately RMB13.5 million, representing an increase of approximately 264.9% as compared to income tax expenses of approximately RMB3.7 million for the year ended 31 December 2023, reflecting effective tax rate (equivalent to income tax expense divided by profit before income tax) of approximately 18.4% and 17.3% for the year ended 31 December 2024 and the year ended 31 December 2023, respectively.

The increase in the effective tax rate from approximately 17.3% for the year ended 31 December 2023 to approximately 18.4% for the year ended 31 December 2024 was mainly due to the sales of pyrite concentrate which were entitled to a reduction of 10% of revenue in the calculation of CIT accounted for less portion of the total revenue when comparing with that in previous year.

PRC withholding income tax

According to the CIT Law, a 10% withholding tax on dividends received/receivable will be levied on the PRC companies’ immediate holding companies established out of the PRC. A lower withholding tax rate may be applied if there is a tax treaty arrangement between the PRC and the jurisdiction of the foreign immediate holding companies and simultaneously certain conditions are satisfied.

Capital Expenditures

Our capital expenditure mainly comprised of the acquisition of items of property, plant and equipment and right-of-use assets. During the year ended 31 December 2024, we incurred capital expenditure of approximately RMB133.6 million (31 December 2023: RMB78.2 million).

Capital Commitments

As at 31 December 2024, the Group had capital commitments of approximately RMB47.4 million (31 December 2023: approximately RMB17.5 million).

Pledge of Assets

As at 31 December 2024, the total net book value of assets pledged to secure the Group's bank borrowings and finance lease borrowings amounted to approximately RMB25.1 million (31 December 2023: approximately RMB29.1 million) for land use rights, approximately RMB74.2 million (31 December 2023: approximately RMB52.3 million) for buildings, approximately RMB73.7 million (31 December 2023: approximately RMB57.1 million) for machinery and approximately RMB116.4 million (31 December 2023: approximately RMB120.1 million) for investment properties.

Contingent Liabilities

As at 31 December 2024, we did not have any material contingent liabilities. We are not currently involved in any material legal proceedings, nor are we aware of any pending or potential material legal proceedings, to the knowledge of the Board, threatened against the Group and could have a material adverse effect on our business or operations.

Treasury Policy

The Group adopts a prudent approach towards its treasury policies. To manage the liquidity risk, the Group closely monitors its liquidity position to ensure the liquidity structure of the Group's assets, liabilities and commitments and to ensure the fulfilment of its funding requirements for business development.

Foreign Exchange Risk Management

The Group carries out its business operations in the PRC with most of the transactions denominated and settled in RMB save for certain fees payable to professional parties and miscellaneous administrative expenses that are denominated in Hong Kong dollars. Hence the Group does not currently have a hedging policy on foreign exchange risk as the Board does not consider the Group's exposure to foreign exchange fluctuations (primarily in the HKD) to be significant, and that any fluctuation thereof will not have any material impact on the Group's business operations or its financial results. The management will, however, closely monitor its foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

Liquidity, Finance Resources and Capital Structure

As at 31 December 2024, the Group had net current liabilities of approximately RMB56.8 million (31 December 2023: net current assets of approximately RMB25.9 million). As at 31 December 2024, the gearing ratio was approximately 47.1% (31 December 2023: approximately 46.6%). The gearing ratio is calculated by dividing total debt by total equity at the end of the relevant year and multiplying by 100%. Debt is defined as amounts payable that are not incurred in the ordinary course of business and includes bank and other borrowings, lease liabilities and other liabilities relating to warehouse lease arrangements.

As at 31 December 2024, the Group maintained a strong financial position with cash and cash equivalents of approximately RMB65.2 million (31 December 2023: approximately RMB76.1 million). The Group met and expects to continue meeting its operating capital, capital expenditure and other capital needs with cash generated from operations and proceeds from the Listing.

During the Reporting Period, the Company had no material change in its capital structure. The capital of the Company comprised only ordinary shares.

OTHER INFORMATION

AGM AND CLOSURE OF REGISTER OF MEMBERS

The AGM is expected to be held on Thursday, 26 June 2025. A notice convening the AGM will be published and despatched in the manner as required by the Listing Rules in due course. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 23 June 2025 to Thursday, 26 June 2025, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited, on 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Friday, 20 June 2025.

FINAL DIVIDEND

No final dividend for the year ended 31 December 2024 was recommended by the Board.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed under the section headed "Future Plans and Use of Proceeds" in the Prospectus, "Management Discussion and Analysis" section of this announcement and the transactions disclosed in the announcement of the Company dated 6 January 2022, the Group does not have any other plans for material investments or capital assets.

USE OF NET PROCEEDS FROM THE LISTING AND UPDATE IN EXPECTED TIMELINE FOR FULL UTILISATION

The shares of the Company were listed on the Main Board of the Stock Exchange on the Listing Date by way of global offering, upon which 250,000,000 shares were issued, raising the total net proceeds (after deducting underwriting commissions and other related listing expenses) of approximately RMB177.3 million (equivalent to approximately HKD217.3 million).

The Board would like to provide an update in relation to the expected timeline of the use of net proceeds as disclosed in the interim report of the Company for the six months ended 30 June 2024 (the “**Interim Report**”). As at the date of this announcement, the Group had utilised approximately RMB169.3 million of the net proceeds, representing approximately 95.5% of the total net proceeds. The amount of the unutilised net proceeds is approximately RMB8.0 million, representing approximately 4.5% of the total net proceeds.

The table below sets forth the allocation and status of utilisation of the net proceeds during the year ended 31 December 2024 and the updated expected timeline of the use of the unutilised proceeds:

	Percentage to total amount	Planned use of net proceeds <i>HKD million</i>	Planned use of net proceeds <i>RMB million</i>	Net proceeds unutilised as at 31 December 2023 <i>RMB million</i>	Net proceeds utilised during the year ended 31 December 2024 <i>RMB million</i>	Net proceeds unutilised as at 31 December 2024 <i>RMB million</i>	Expected timeline for full utilisation of the unutilised proceeds (as disclosed in the Interim Report)	Updated expected timeline for full utilisation of the unutilised proceeds as at the date of this announcement
Establish the New Production Facility, comprising two production compartments, with a permitted annual treatment capacity of 600,000 tonnes, and diversification of our product offerings	86.7%	188.4	153.7	30.1	22.1	8.0	Will be fully utilised by 31 December 2024	Will be fully utilised by 30 June 2026
Strengthen our research and development capabilities to enhance existing products and diversify our product offering	3.9%	8.5	6.9	-	-	-		
General working capital purpose	9.4%	20.4	16.7	-	-	-		
	<u>100%</u>	<u>217.3</u>	<u>177.3</u>	<u>30.1</u>	<u>22.1</u>	<u>8.0</u>		

During the year ended 31 December 2024, the net proceeds were utilised in accordance with the purposes as disclosed in the section headed “Future Plans and Use of Proceeds” in the Prospectus. The unutilised net proceeds have been deposited as short-term deposits in the bank account maintained by the Group.

The updated timeline for the full utilisation of the net proceeds is due to the additional time required by the Company to complete the construction of the facility for the expanded hazardous waste treatment capacity, undergo all necessary procedures, and obtain approval from the relevant authorities for obtaining the additional capacity under the Hazardous Waste Business License. It is expected that the updated timeline for the full utilisation of the net proceeds will not have significant impact on the business of the Group as the Group’s existing capacity is sufficient to meet the existing needs of our current customers.

The expected timeline for utilising the unutilised net proceeds is based on the best estimation of the Directors barring unforeseen circumstances, and would be subject to change based on the future development of market conditions. Further details of the breakdown and description of the proceeds are set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the Reporting Period, the Group did not hold any significant investments, nor did it have any material acquisitions or disposals of any subsidiaries, associates or joint ventures.

EVENTS AFTER THE REPORTING PERIOD

There were no other significant events affecting the Group between 31 December 2024 and the date of this announcement.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2024, the Group had 277 employees. For the year ended 31 December 2024, the staff cost of the Group was approximately RMB28.8 million.

The remuneration packages for our employees include salary, bonuses and allowances. The Group participates in social insurance schemes operated by the relevant local government authorities and maintain mandatory pension contribution plans, medical insurance, work-related injury insurance, unemployment insurance, housing accumulation funds and maternity insurance for some of our employees. The Group has also participated in the mandatory provident fund retirement benefit scheme in Hong Kong.

The Group's employee remuneration policy is determined by reference to factors such as remuneration standard of the local market, the overall remuneration standard in the industry, market condition, operating efficiency and employee performance. The Group provides sufficient training to our employees depending on their roles.

The emoluments of the Directors are first reviewed by the Remuneration Committee and then approved by the Board, with regard to the Directors' skill, knowledge, involvement in the Group's affairs and the performance of each Director, together with reference to the profitability of the Group, remuneration benchmarks in the industry, and prevailing market conditions.

The Company has adopted a share option scheme (the "**Share Option Scheme**") as an incentive to the Directors and eligible employees, details of which are set out in the Prospectus. No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption and up to the date of this announcement.

During the Reporting Period, the Group has not experienced any significant problems with its employees due to labour disputes nor has it experienced any difficulty in the recruitment and retention of experienced staff.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor its subsidiaries had purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2024.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding transactions of securities of the Company by the Directors on terms no less exacting than the required standard set out in the Model Code.

Having made specific enquiry with each of the Directors, the Directors have confirmed that they have complied with the required standards as set out in the Model Code and the Company's code of conduct for the year ended 31 December 2024.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the principles and complied with the applicable code provisions in the Corporate Governance Code contained in Appendix C1 to the Listing Rules during the year ended 31 December 2024. The Group is committed to maintaining a high standard of corporate governance to safeguard the interests of Shareholders and to enhance corporate value and accountability.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance functions set out in code provision A.2.1 of the Corporate Governance Code. The Board has reviewed and monitored: (i) the Company's corporate governance policies and practices; (ii) training and continuous professional development of directors and senior management; (iii) the Company's policies and practices on compliance with legal and regulatory requirements; (iv) the Company's code of conduct; and (v) the Company's compliance with the Corporate Governance Code disclosures requirements. The Company's corporate governance practices have complied with the Corporate Governance Code for the year ended 31 December 2024.

AUDIT COMMITTEE

We established the Audit Committee with written terms of reference in compliance with Rule 3.21 and the Corporate Governance Code as set out in Appendix C1 to the Listing Rules on 23 October 2021. The primary duties of the Audit Committee include ensuring that effective financial reporting, internal control and risk management systems are in place and compliance of the Listing Rules, controlling the completeness of our Company's financial statements, selecting external auditors and assessing their independence and qualifications, and ensuring the effective communication between our internal and external auditors.

The Audit Committee comprises three members, namely Mr. Lau Chung Wai, Mr. Zhang Shijun and Ms. Liu Ye. Mr. Lau Chung Wai is the chairman of the Audit Committee who holds the appropriate professional qualifications as required under Rule 3.10(2) of the Listing Rules.

The Audit Committee has reviewed together with the management and the Board the accounting principles and practices adopted by the Group and discussed matters concerning the audit, internal control and risk management and financial reporting, including reviewing the Group's annual results and the audited consolidated financial statements for the year ended 31 December 2024. The Audit Committee also recommended and submitted the annual results and the consolidated financial statements for the year ended 31 December 2024 to the Board for approval.

AUDITOR'S SCOPE OF WORK FOR THE ANNUAL RESULTS ANNOUNCEMENT

The financial information in respect of the Group's consolidated statement of comprehensive income, consolidated statement of financial position, and the related notes thereto for the year ended 31 December 2024 as set out in this results announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) as well as the website of the Company (www.sdhcgroup.cn). The annual report of the Company for the year ended 31 December 2024 along with the AGM circular, the notice of AGM, the proxy form and such documents will be published on the aforementioned websites and despatched to Shareholders in due course.

APPRECIATION

The Group's continued success depends on all its staff's commitment, dedication and professionalism. The Board would like to thank every member of staff for their diligence and dedication and to express its sincere appreciation to the Group's shareholders, clients and suppliers for their continuous and valuable support.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms have the meanings set out below, and words in plural shall include the singular and vice versa, as applicable:

“AGM”	the forthcoming annual general meeting of the Company
“Audit Committee”	the audit committee of the Board
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“CIT Law”	PRC Corporate Income Tax Law (《中華人民共和國企業所得稅法》) issued by the NPC on 16 March 2007, and subsequently amended on 24 February 2017 and 29 December 2018
“Companies Act”	the Companies Act (As Revised) of the Cayman Islands
“Company” or “our Company”	HONGCHENG ENVIRONMENTAL TECHNOLOGY COMPANY LIMITED (鴻承環保科技有限公司), a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 2265)
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
“Director(s)”	the director(s) of the Company

“Hazardous Waste Business License”	the permit for operation of hazardous wastes within the territory of the PRC under the Measures for the Administration of Permit for Operation of Hazardous Wastes (《危險廢物經營許可證管理辦法》)
“HC Mining”	Shandong Hongcheng Mining (Group) Co., Ltd. (山東鴻承礦業(集團)有限公司) (formerly known as Shandong Hongcheng Mining Co., Ltd. (山東鴻承礦業有限公司) and Shandong Hongcheng Mining Co., Ltd. (山東鴻承礦業有限公司)), a limited liability company established under the laws of the PRC on 28 April 2011 and an indirect wholly owned subsidiary of our Company
“HKD”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited, the Hong Kong branch share registrar and transfer office of our Company
“IFRSs”	International Financial Reporting Standards
“Listing”	the listing of the Shares on the Main Board
“Listing Date”	12 November 2021, on which the Shares are listed and from which dealings therein are permitted to take place on the Main Board
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“LZ Assets”	Laizhou City State-owned Assets Management Company Limited (萊州市國有資產經營有限公司)
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange

“Model Code”	the Model Code of Securities Transactions by Directors of the Listed Issuers as set out in Appendix C3 to the Listing Rules
“New Production Facility”	has the meaning ascribed to it in the Prospectus
“PRC” and “China”	the People’s Republic of China
“Prospectus”	the prospectus of the Company dated 29 October 2021
“Remuneration Committee”	the remuneration committee of the Board
“Reporting Period”	the year ended 31 December 2024
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) in the share capital of our Company with a nominal value of HK\$0.01 each
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“VAT”	value-added tax
“we”, “us”, “our”, “Group” and “our Group”	the Company and its subsidiaries
“%”	per cent

By order of the Board
HONGCHENG ENVIRONMENTAL TECHNOLOGY COMPANY LIMITED
Liu Zeming
Chairman and Executive Director

Hong Kong, 28 March 2025

As at the date of this announcement, the Board comprises Mr. Liu Zeming, Mr. Zhan Yirong and Mr. Sheng Haiyan as the executive Directors; and Mr. Zhang Shijun, Ms. Liu Ye and Mr. Lau Chung Wai as the independent non-executive Directors.