上海匯舸環保科技集團股份有限公司
CONTIOCEAN ENVIRONMENT TECH GROUP CO., LTD.

(A joint stock company incorporated in the People's Republic of China with limited liability)

Stock Code: 2613

2024 Annual Report

Contents

Definitions

In this Annual Report, the following expressions shall have the meanings set out below, unless the context otherwise requires:

"AGM"	the annual general meeting of the Company to be held on 16 May 2025
"Alfaback Automation"	Alfaback Automation Co., Ltd. (安佰科(南通)電氣設備有限公司), a company incorporated in the PRC on 30 September 2019 and a wholly-owned subsidiary of our Company
"Annual Report"	the annual report of the Group for the financial year ended 31 December 2024
"Articles of Association" or "Articles"	the articles of association of the Company adopted on 27 July 2024, as amended from time to time
"Audit Committee"	the audit committee of the Board
"Board Diversity Policy"	the diversity policy of the Board
"Board of Directors" or "Board"	the board of Directors of the Company
"CG Code"	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
"Chairman"	the chairman of the Board
"Co-founders"	Mr. Zhou Yang, Mr. Zhao Mingzhu, and Mr. Chen Zhiyuan
"Company" or "our Company" or "the Company"	ContiOcean Environment Tech Group Co., Ltd. (上海匯舸環保科技集團股份有限公司) (stock code: 2613), a joint stock company incorporated in the People's Republic of China with limited liability
"Concert Party Agreement"	the concert party agreement (一致行動人協議書) dated 13 October 2022 entered into among Mr. Zhou Yang, Mr. Zhao Mingzhu, and Mr. Chen Zhiyuan
"ContiOcean Development"	ContiOcean Corporate Development LLP (上海匯舸企業發展合夥企業(有限合夥)), formerly known as Huzhou ContiOcean Equity Investment Partnership (LP) (湖州匯舸股權投資合夥企業(有限合夥)) and ContiOcean (Huzhou) Corporate Management Partnership (LP) (匯舸(湖州)企業管理合夥企業(有限合夥)), a limited partnership established in the PRC on 21 May 2021 and our employee shareholding platform, with its general partner being ContiOcean Industrial

"ContiOcean Hong Kong"	ContiOcean Environment Tech Co., Limited, a company incorporated in Hong Kong with limited liability on 28 December 2017 and a wholly-owned subsidiary of our Company
"ContiOcean Industrial"	ContiOcean (Nantong) Environment Industrial Holdings Co., Ltd. (匯舸(南通)環保產業控股有限公司), a limited liability company established in the PRC on 14 May 2021 and controlled by our Co-founders
"ContiOcean International"	ContiOcean International Development Co., Ltd. (上海匯舸國際貿易發展有限公司), a limited liability company established in the PRC on 15 March 2023 and a wholly-owned subsidiary of our Company
"ContiOcean Nantong"	ContiOcean (Nantong) E.P. Equipment Co., Ltd. (匯舸(南通)環保設備有限公司), formerly known as ContiOcean (Nantong) Environmental Technology Co., Ltd. (匯舸(南通)環保科技有限公司), a limited liability company established in the PRC on 28 January 2019 and a wholly-owned subsidiary of our Company
"ContiOcean Singapore"	ContiOcean Pte. Ltd., a company incorporated in the Republic of Singapore with limited liability on 20 July 2018 and a wholly-owned subsidiary of our Company
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules, and unless the context otherwise requires, refers to Mr. Zhou Yang, Mr. Zhao Mingzhu, Mr. Chen Zhiyuan, and ContiOcean Development for the purpose of the Listing Rules
"Director(s)"	the directors of our Company, including all executive, non-executive, and independent non-executive Directors
"ECL"	expected credit loss
"ESG"	environment, social and governance
"ESG Committee"	the environmental, social and governance committee of our Board
"EUR" or "Euro"	the lawful currency of the European Union
"Global Offering"	the Hong Kong Public Offering and International Offering

"Group", "our Group", "our", "we", or "us"	the Company and its subsidiaries, or any one of them as the context may require or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, the businesses operated by such subsidiaries or their predecessors (as the case may be)
"H Share(s)"	ordinary share(s) in the share capital of our Company with a nominal value of RMB1.00 each, which is/are listed on the Stock Exchange
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars", "HKD" or "HK$"	Hong Kong dollars the lawful currency of Hong Kong
"Hong Kong Public Offering"	has the meaning ascribed to it in the Prospectus
"IFRS"	IFRS Accounting Standards, as issued from time to time by the International Accounting Standards Board
"IMO"	the International Maritime Organization
"International Offering"	has the meaning ascribed to it in the Prospectus
"Jiangsu ContiOcean Electronic Ltd"	Jiangsu ContiOcean Electronic Ltd. (江蘇匯舸電力有限公司), a limited liability company established in the PRC on 4 July 2022
"Latest Practicable Date"	24 April 2025, being the latest practicable date for the purpose of ascertaining certain information contained in this Annual Report prior to its publication
"LEG"	liquefied ethylene gas, which is ethylene that has been cooled or pressurized to transition from its gaseous state into a liquid form.This process allows for easier storage and transport of ethylene
"LFSS"	low-flashpoint fuel supply system
"Listing"	listing of the H Shares on the Main Board of the Hong Kong Stock Exchange
"Listing Date"	9 January 2025, the date on which the H Shares were initially listed on the Hong Kong Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented, or otherwise modified from time to time

"LPG"	liquefied petroleum gas, which is a term used to describe two hydrocarbon gases, propane (C_3H_8) and butane (C_4H_{10}), which are most commonly used as fuel
"MEPC"	the Marine Environment Protection Committee
"Ministry of Commerce"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
"NEEQ"	National Equities Exchange and Quotations
"Nomination Committee"	the nomination committee of the Board
"Nomination Policy"	the nomination policy of the Board
"Non-H Share(s)"	ordinary Share(s) with a nominal value of RMB1.00 each, other than our H Shares (namely, the Share(s) currently quoted on NEEQ)
"Participants"	the participants of the Pre-IPO Share Option Scheme
"PCTC"	Pure Car and Truck Carriers
"PRC", "China" or "Mainland China"	the People's Republic of China, but for the purpose of this annual report and for geographical reference only and except where the context requires otherwise, references in this annual report to "China" and "the PRC" do not apply to Hong Kong, the Macau Special Administrative Region of the People's Republic of China, and Taiwan
"PRC Company Law"	the Company Law of the People's Republic of China (中華人民共和國公司法), as amended, supplemented, or otherwise modified from time to time
"Pre-IPO Share Option Scheme"	the pre-IPO share option scheme which came into effect on 27 July 2024
"Prospectus"	the prospectus of the Company dated 31 December 2024
"R&D"	research and development

"Remuneration Committee"	the remuneration committee of the Board
"Reporting Period" or the "Year" or "2024"	the year ended 31 December 2024
"RMB"	Renminbi, the lawful currency of the PRC
"Securities Transaction Code for Directors, Supervisors and Senior Management"	the securities transaction code formulated by the Company for Directors, Supervisors and senior management of the Company
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented, or otherwise modified from time to time
"Share(s)"	ordinary shares in the share capital of our Company with a nominal value of RMB1.00 each
"Shareholder(s)"	holder(s) of our Share(s)
"Shareholders Communication Policy"	the shareholders communication policy of the Company
"Stock Exchange" or "Hong Kong Stock Exchange"	the Stock Exchange of Hong Kong Limited
"Supervisor(s)"	the supervisors of our Company
"Supervisory Committee"	the supervisory committee of the Board
"Texhong"	Texhong International Group Limited, a company listed on the Main Board of the Hong Kong Stock Exchange (stock code: 2678)
"U.S." or "United States"	the United States of America, its territories, its possessions, and all areas subject to its jurisdiction
"USD" or "US$"	United States dollars, the lawful currency of the United States
"VAT"	value-added-tax
"WTC"	Wavelength Technology Center, LDA, a company with limited liability incorporated in Madeira on 21 April 2022 and a subsidiary of our Company indirectly owned as to 51%
"%"	per cent

Corporate information

BOARD OF DIRECTORS

Executive Directors

Mr. Zhou Yang *(Chairman)*
Mr. Zhao Mingzhu
Mr. Chen Zhiyuan
Mr. Shu Wa Tung, Laurence
Mr. Chen Rui

Independent Non-executive Directors

Mr. Zhu Rongyuan
Dr. Guan Yanmin
Ms. Ng Sin Kiu

AUDIT COMMITTEE

Mr. Zhu Rongyuan *(Chairman)*
Dr. Guan Yanmin
Ms. Ng Sin Kiu

REMUNERATION COMMITTEE

Dr. Guan Yanmin *(Chairman)*
Mr. Shu Wa Tung, Laurence
Mr. Zhu Rongyuan

NOMINATION COMMITTEE

Mr. Zhu Rongyuan *(Chairman)*
Mr. Zhou Yang
Ms. Ng Sin Kiu

STOCK CODE

2613

LISTING DATE

9 January 2025

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

Mr. Zhao Mingzhu *(Chairman)*
Mr. Chen Zhiyuan
Mr. Chen Rui
Mr. Zhu Rongyuan

REGISTERED OFFICE

Room 1101, No. 2 Maji Road
China (Shanghai) Pilot
Free Trade Zone Shanghai

COMPANY'S WEBSITE

www.contioceangroup.com

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Unit 3002, 30/F, South Tower
Shanghai International Fortune Center
No. 36 Xin Jin Qiao Road
Pudong New District, Shanghai

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

20/F, Silver Fortune Plaza
1 Wellington Street
Central, Hong Kong

H SHARE REGISTRAR

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

Corporate information *(Continued)*

COMPANY SECRETARY

Mr. Shu Wa Tung, Laurence

SUPERVISORS

Mr. Shen Xiaowei
Mr. Yu Yuanyang
Mr. Wu Yunfeng

AUTHORIZED REPRESENTATIVES

Mr. Shu Wa Tung, Laurence
Mr. Chen Rui

COMPLIANCE ADVISER

China Galaxy International Securities
(Hong Kong) Co., Limited

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
Registered Public Interest Entity Auditor
35/F, One Pacific Place
88 Queensway
Hong Kong

HONG KONG LEGAL ADVISER

Allen Overy Shearman Sterling

PRINCIPAL BANKS

China Merchants Bank Co., Ltd.
Shanghai Branch, Changle Sub-branch
No. 801 Changle Road Shanghai PRC

Bank of Communications Co., Ltd.
Shanghai Municipal Branch
10th Floor, 99 South Zhong Shan Road
Shanghai PRC

Chairman's Statement

Dear Shareholders:

On behalf of the Board, I am pleased to present the Annual Report of the Group for the financial year ended 31 December 2024.

2024 marked a milestone year for the Group. In 2017, driven by passion, we founded the Group with a mission to leverage technological innovation in providing comprehensive environmental protection equipment and system solutions to our clients, empowering them to achieve more efficient and sustainable business operations. Upholding a globalization strategy and international approach, the Group has established service networks across Asia, Europe, the Americas, the Middle East, and other regions. Over seven years of development, we have grown into a leading supplier of marine environmental protection equipment and systems in China and globally. Our core products — marine exhaust gas cleaning systems, marine energy-saving devices, marine clean-energy supply systems, and maritime services — have become the preferred choice for numerous shipowners and shipyards. These solutions comprehensively address clients' ESG needs, enabling them to pursue greener and more efficient maritime operations.

Our H Shares were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited on 9 January 2025. This entry into Hong Kong's capital market has infused a powerful new impetus into the Company's future growth. As an international financial hub, Hong Kong's strategic location and open market environment will provide robust support for our global expansion. We firmly believe that leveraging this global platform will propel the Group to achieve transformative growth.

Looking ahead, we remain committed to driving technological innovation, deepening our presence in global markets, and delivering superior products and services to our clients. Simultaneously, we will continue to focus on the marine environmental protection sector, contributing to society through tangible actions and advancing progress toward carbon neutrality. We recognize that this journey is fraught with challenges, but with unwavering vision and steadfast dedication, we are confident in reaching greater heights and broader horizons.

Finally, on behalf of the Board, I would like to extend our heartfelt gratitude to all shareholders, business partners, and stakeholders for your enduring trust and support. Special thanks go to the Group's management and employees for their relentless dedication over the past year.

Mr. Zhou Yang
Chairman and Executive Director
Shanghai, 28 March 2025

Financial Highlights

	For the year ended 31 December		
	2024	2023	Change
	RMB'000	RMB'000	(%)
Revenue	**614,395**	510,255	20.4
Gross profit	**245,770**	241,737	1.7
Profit for the year	**120,266**	120,534	-0.2
Profit for the year attributable to owners of the Company	**120,891**	120,556	0.3
	RMB	RMB	%
Basic earnings per share	**4.03**	4.02	0.2
Diluted earnings per share	**4.03**	N/A	N/A
	RMB'000	RMB'000	%
Total assets	**453,619**	522,500	-13.2
Total liabilities	**169,387**	267,709	-36.7
Net assets	**284,232**	254,791	11.6

Four Years Financial Summary

	For the year ended 31 December			
	2024	2023	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**614,395**	510,255	267,233	140,521
Gross profit	**245,770**	241,737	100,082	47,509
Profit for the year	**120,266**	120,534	36,777	12,769
Assets				
Non-current assets	**67,080**	70,702	65,618	65,658
Current assets	**386,539**	451,798	311,098	292,747
Total Assets	**453,619**	522,500	376,716	358,405
Liabilities				
Non-current liabilities	**30,544**	1,493	622	1,547
Current liabilities	**138,843**	266,216	240,191	243,258
Total Liabilities	**169,387**	267,709	240,813	244,805
Total Equity	**284,232**	254,791	135,903	113,600

Management Discussion and Analysis

OVERVIEW

The Group's revenue and profit for the Reporting Period were approximately RMB614.4 million (2023: RMB510.3 million) and RMB120.3 million (2023: RMB120.5 million), respectively. Basic earnings per share attributable to owners of the Company for the Year was RMB4.03 (2023: RMB4.02). The Board has resolved to recommend the payment of final dividend of RMB1.5 per Share for the Year (2023: RMB1.6 per Share).

OUR BUSINESS

The Group is a world leading maritime environmental protection equipment and system provider serving customers from different regions.

We have a suite of maritime environmental protection equipment and systems, helping our customers to pursue more effective and sustainable business operations while meeting various requirements set by the IMO. The equipment and systems include marine exhaust gas cleaning systems, marine energy-saving devices, marine clean-energy supply systems and maritime services. We customize our equipment and systems to tailor to the unique needs of each customer. Our marine exhaust gas cleaning systems provide an option to our customers to reduce sulfur emission and we also offer other equipment and systems to cater for ESG needs such as compliance with various requirements set by the IMO in the long term. Our major customers generally procure multiple equipment and systems from us.

The following table sets forth our business segments and respective key products or services in response to various customer demand:

Customer demand	Our business segments	Our key products or services under each business segment
Pursuit of maritime environmental protection and compliance with IMO requirement on sulfur content (2016) to reduce the sulfur content in ships' fuel from 3.5% to 0.5%[1]	Marine exhaust gas cleaning systems (which aims to reduce sulfur emissions from ships and mitigate the impact of shipping on air quality)	Ship exhaust gas cleaning systems (including openloop and hybrid types)
Pursuit of maritime environmental protection as well as compliance with IMO requirement and target on decarbonization (2021) to achieve a minimum reduction of 40% in GHG emissions per transport work by 2030, relative to the baseline figures of 2008[2]	Marine energy-saving devices (which encompasses a suite of devices to reduce fuel consumption for ships and lowers the carbon emissions in maritime operations)	Energy saving devices including rudder bulb, preshrouded vanes, hub vortex absorbed fins, wind deflector, etc.

Customer demand	Our business segments	Our key products or services under each business segment
Pursuit of maritime environmental protection and compliance with IMO requirement and target on decarbonization (2023) to achieve net-zero GHG emissions from international shipping by around 2050[3]	Marine clean-energy supply systems (which assists ships to utilize clean energy to power their operation)	(i) Low-flashpoint fuel supply system (for methanol) (ii) Fuel gas supply system (for LNG/LEG)
Pursuit of environmental sustainability, operational efficiency, and social engagement, among others	Maritime services (which improve the onboard living environment and streamline maritime operations)	(i) Ship accommodation interior design and construction, including and provision of relevant equipment (ii) Container ship and PCTC lashing gears (iii) Other maritime services, including the provision of maritime equipment and spare parts, such as hydro blasting machines, personal protective equipment for crew members, ship cyber security software and hardware, etc.

Notes:

(1) The IMO's MEPC meeting in 2016 reduced the upper limit of sulfur content in ships' fuel from 3.5% to 0.5%, effective from 1 January 2020. Ships that have installed ship exhaust gas cleaning systems using high-sulfur fuel can also use low-sulfur fuel.

(2) The IMO's MEPC meeting in 2021 updated the targets for GHG emission reduction from ships, aiming to achieve a minimum reduction of 40% in GHG emissions per transport work by 2030, relative to the baseline figures of 2008.

(3) The IMO's MEPC meeting in 2023 updated the targets for GHG emission reduction from ships, aiming to peak and then achieve net-zero GHG emissions from international shipping by around 2050.

OUR STRENGTHS

We believe the following strengths have contributed to our success and differentiate us from other competitors.

- A maritime environmental protection equipment and system provider benefited by a growing global market driven by the heightened and evolving ESG regulatory framework and initiatives related to maritime environmental protection
- R&D and innovation capability to capture fast changing market demand
- A strong global service network serving a diversified and quality customer base
- Comprehensive and customized maritime environmental protection equipment and systems
- Strong supply chain management capability and stringent quality control
- A management team with extensive industry experience and proven track record

GEOGRAPHICAL MARKET ANALYSIS

Set out below is a breakdown of revenue by geographical areas:

	2024 (RMB'000)	2023 (RMB'000)	**Approximate percentage change**	**Approximate percentage of total revenue in 2024**	Approximate percentage of total revenue in 2023
Mainland China	**311,662**	105,276	196.0%	**50.7%**	20.6%
Overseas	**302,733**	404,979	-25.2%	**49.3%**	79.4%
	614,395	510,255	20.4%	**100.0%**	100.0%

The Group's revenue from Mainland China increased by approximately RMB206.4 million or 196.0% from 2023 to 2024, which was mainly due to the increase in investment demand in the global new shipbuilding market, a large number of new shipbuilding orders for shipyards in China, and expansion of customer base of domestic shipyard by the Company.

The Group's revenue from overseas decreased by approximately RMB102.2 million or 25.2% from 2023 to 2024, which was mainly due to (i) many overseas clients' preference to sign contracts with us through domestic shipyards for new shipbuilding orders, resulting in a decrease in overseas revenue; and (ii) our overseas clients' preference not to suspend ships' operations for the installation of our products when freight rates were relatively high.

We will keep strengthening marketing capabilities and expand customer outreach globally.

BUSINESS SEGMENT ANALYSIS

Set out below is a breakdown of revenue by different streams:

	2024 (RMB'000)	2023 (RMB'000)	**Approximate percentage change**	**Approximate percentage of total revenue in 2024**	Approximate percentage of total revenue in 2023
Marine exhaust gas cleaning systems	**287,814**	341,180	-15.6%	**46.8%**	66.8%
Marine energy-saving devices	**64,360**	58,031	10.9%	**10.5%**	11.4%
Marine clean-energy supply systems	**67,040**	5,552	1,107.5%	**10.9%**	1.1%
Maritime services	**195,181**	105,492	85.0%	**31.8%**	20.7%
	614,395	510,255	20.4%	**100.0%**	100.0%

Marine exhaust gas cleaning systems serves as a mature revenue stream for the Company, generating revenues of approximately RMB341.2 million in 2023 and RMB287.8 million in 2024. Revenue from marine exhaust gas cleaning system decreased by about 15.6% year-on- year in the Reporting Period, primarily due to the following reasons:

(i) the favorable conditions in the shipping market that have reduced the willingness of operational vessels to halt operations for retrofitting, leading to lower demand for desulfurization systems compared to the previous year;

(ii) the cost reductions of marine exhaust gas cleaning systems that enabled us to pass on benefits to our clients through more competitive pricing; and

(iii) the proportion of newbuilding orders among delivered projects increased significantly in 2024 and the lower price of marine exhaust gas cleaning systems of newbuilding than that of the retrofit under the same specification in normal circumstances.

Marine energy-saving devices revenue increased from RMB58.0 million in 2023 to RMB64.4 million in 2024, which was mainly driven by the heightened and evolving ESG regulatory framework and initiatives related to maritime environmental protection.

Marine clean-energy supply systems revenue increased significantly by about 11 times, from RMB5.6 million in 2023 to RMB67.0 million in 2024, due to (i) the surge in revenue from nitrogen generation systems, the orders of which in 2024 increased by 130.0% as compared to 2023; and (ii) the introduction of high-capacity nitrogen generation systems since 2023, the unit price of which is higher, therefore driving revenue growth at a faster rate in 2024.

Maritime services revenue increased from RMB105.5 million in 2023 to RMB195.2 million in 2024. The 85.0% increase was mainly due to the following reasons:

(i) post-pandemic demands for improved crew working conditions, coupled with intensified competition in seafarer recruitment. These drive shipowners to enhance investments in talent retention and welfare programs, which boosted the demand for the maritime services; and

(ii) soaring container freight rates which reach historic highs, spurring corresponding increases in newbuild investments and driving sales growth of lashing equipment for container ships and PCTC.

We will continue to seize market opportunities arising from the regulatory framework of IMO and initiatives related to marine environmental protection in order to increase our revenue from different equipment and systems.

CUSTOMER ANALYSIS

Below is a breakdown of revenue by customers:

	2024 (RMB'000)	2023 (RMB'000)	**Approximate percentage change**	**Approximate percentage of total revenue in 2024**	Approximate percentage of total revenue in 2023
Customer A	**139,522**	136,834	2.0%	**22.7%**	26.8%
Customer B	**113,595**	N/A	N/A	**18.5%**	N/A
Customer C	**104,294**	N/A	N/A	**17.0%**	N/A
Customer D	**75,532**	190,318	-60.3%	**12.3%**	37.3%
Other customers	**181,452**	183,103	-0.9%	**29.5%**	35.9%
	614,395	510,255	20.4%	**100.0%**	100.0%

N/A: not disclosed as the revenue from such customers was less than 10.0% of total revenue during the corresponding year.

During the Reporting Period, a majority part of our revenue was derived from our top four customers. Concentration in the customer base in the maritime environmental protection equipment and system industry is in line with the industry norm. Our top customers vary significantly year-over-year, primarily because maritime environmental equipment and systems require non-recurring capital expenditure from shipowners rather than constituting repeat-purchase consumables.

The revenue from Customer A remained relatively stable and increased by 2.0% while the revenue from Customer B and Customer C increased significantly to reach RMB113.6 million and RMB104.3 million respectively in 2024. The revenue from Customer D decreased by 60.3% mainly because its capital expenditure was mainly carried out in 2023.

We are seeking to mitigate the concentration risks by fostering relationships with emerging markets and broadening our equipment and system offerings in order to appeal to a wider customer base. Additionally, we are investing in market development and sales initiatives to enhance our brand visibility and attract new customers. We are also leveraging technological advancements to innovate our equipment and systems, thereby increasing our competitive edge and reducing dependency on any single customer or market segment.

Above all, we aim to achieve a more balanced revenue stream and fortify our market position in the long term.

RESEARCH AND DEVELOPMENT

As a global leading maritime environmental protection equipment and system provider, the Group attaches great importance to technology, and prides itself on introducing innovative and new products and services as below:

Marine exhaust gas cleaning system

— Urea Solution Production Systems: Developed our first-generation urea solution production plant and delivered it to our Japanese client, which diversified our product portfolio. On the basis of the Marine AUS40 urea solution production plant, the Company has also successfully developed AUS32 for vehicles, which integrates the form of pure water generator and urea solution quantitative filling device, the urban water input, and AUS40/AUS32 output mode, to meet the market demand.

Marine energy-saving devices

— Waste Heat Recovery Systems: Under our research and development in 2024, the Company successfully delivered its first 7,000-PCTC vessel waste heat recovery system in January 2025, adding new impetus to the green transformation of the marine industry. The system recovers waste heat generated during the operation of the ship's main engine and converts it into electrical energy. It can effectively reduce energy consumption during ship operation and contribute to energy-saving and emission-reduction efforts in the shipping sector.

Marine clean-energy supply systems

— High-capacity Industrial Nitrogen Systems: Developed high-capacity industrial-grade nitrogen generation systems to meet demanding operational requirements in complex environments and the Company has received more than 100 orders. The Company also successfully developed its first containerized nitrogen generation system in 2024.

Patent Achievements

The Group was successfully granted 23 new patents (including 22 invention patents) in 2024, bringing the total portfolio to 80 patents (including 42 invention patents).

Awards and Recognitions

In the Reporting Period, we have been honored with the following awards and accolades:

ContiOcean Environment Tech Group Co., Ltd.	Presenting Authority/Association
The LFSS won the "Top 10 Energy — Saving and Low-Carbon Technology Products"	Shanghai Energy Saving Engineering and Technology Association
Benchmark enterprise for brand cultivation in Shanghai	Shanghai Commission of Economy and Information Technology
Shanghai Municipal High-Tech Commercialization Project Certification	Shanghai Municipal Science and Technology Commission

ContiOcean (Nantong) E.P. Equipment Co., Ltd.	Presenting Authority/Association
Specialized, Refined, Distinctive, and Innovative Enterprise in Jiangsu	Industry and Information Technology Department of Jiangsu
2024 Technology-based SME of Jiangsu Province	Jiangsu Provincial Department of Science and Technology
2024 Jiangsu Gazelle Enterprise	Jiangsu Provincial Productivity Promotion Center

OUTLOOK

The global macroeconomic environment in 2025 continues to present a complex landscape of strategic opportunities intertwined with risk challenges. As the primary carrier of international trade cargo transportation, maritime shipping accounts for over 80.0% of global freight volume, with its sustainable development being pivotal to stabilizing global supply chains. Notably, driven by carbon neutrality goals, ESG principles have become deeply embedded in maritime industry evolution — the compounding effects of the IMO's latest emission regulations and national decarbonization policies have significantly amplified market demand for ship related environmental protection systems. The global marine environmental equipment market is forecasted to expand at a 29.7% compound annual growth rate from 2024 to 2028, reaching USD11.4 billion by 2028. This growth trajectory not only reflects the industry's urgent need for low-carbon transition but also validates the substantial market dividends created by regulatory frameworks like the IMO 2030 Carbon Intensity Indicator.

The implementation of the FeulEU Maritime in 2025 will catalyze profound structural reforms in the shipping industry.

Big shipping company Maersk Group is going to invest €15.0 billion over five years to construct 50 LNG-powered container vessels.

It reveals that the green shipping technology revolution has entered an implementation phase, creating diversified application scenarios for environmental solution providers.

As an industry leader, the Company is positioned to garner heightened market recognition. Following the Company's successful listing of its H shares on the Stock Exchange on 9 January 2025, the intensified focus from capital markets has unlocked new growth opportunities. Concurrently, the Company will further increase R&D investments to pioneer innovative solutions in maritime environmental protection equipment and systems. We remain committed to developing cutting-edge products and system-level offerings that comprehensively address evolving client needs, thereby advancing global marine environmental protection initiatives.

Looking ahead, we will remain steadfast in our technology-driven approach, deepening our global market presence to deliver premium products and services to clients worldwide. The Group will continue to capitalize market opportunities by maintaining strategic focus on the ship related environmental protection sector, sustainably grow its business operations while continuing to ramp up R&D investments, strengthen corporate governance frameworks, maintain equitable balance among shareholder interests, actively fulfill social responsibilities, and achieve mutual advancement that benefits both social and corporate development.

FINANCIAL REVIEW

Revenue

During the Year, the Group's revenue amounted to RMB614.4 million, increased by RMB104.1 million or 20.4% as compared to that of RMB510.3 million in 2023. The increase in revenue was mainly from the increase in revenue from marine clean-energy supply systems and maritime services as discussed in the section headed "Business Segment Analysis" in this Annual Report.

Gross profit and gross profit margin

During the Year, the Group's gross profit amounted to RMB245.8 million, increased by RMB4.1 million or 1.7%, mainly due to the increases in gross profit of (i) marine energy-saving devices from RMB27.7 million in 2023 to RMB34.6 million in 2024; (ii) marine clean-energy supply systems from RMB1.3 million in 2023 to RMB16.6 million in 2024; and (iii) maritime services from RMB29.8 million in 2023 to RMB52.4 million in 2024. These were mainly attributable to the increased number of orders the Group completed.

Our overall gross profit margin decreased from 47.4% in 2023 to 40.0% in 2024, mainly due to the substantial rise in the revenue share of marine clean-energy supply systems and maritime services. These emerging business segments, which have not yet achieved complete independent production capabilities, carry higher cost ratios, thereby decreased the profit margin.

Other income

The Group's other income amounted to RMB7.4 million in 2024, increased by approximately RMB3.8 million or 103.9% as compared to that of RMB3.6 million in 2023, mainly due to the increased interest income on bank deposits from RMB0.8 million in 2023 to RMB4.9 million in 2024, as (i) the Group made time deposits denominated in USD in late 2023 and 2024, which generated higher interest rates, and (ii) the average bank and cash balance during the period increased, partially offset by the decrease in government grants from RMB2.8 million in 2023 to RMB2.5 million in 2024.

Please refer to the below table and note 7 to the consolidated financial statements for details.

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Government grants related income	**2,451**	2,767
Interest income on bank deposits	**4,914**	845
	7,365	3,612

Other gains and losses

The Group recorded a loss of RMB6.6 million in 2023 and a gain of RMB4.3 million in 2024 for other gains and losses, primarily due to net foreign exchange gains of RMB4.4 million recorded in 2024, compared to the net foreign exchange losses of RMB8.2 million incurred in 2023. This was mainly due to foreign exchange rate fluctuation impacting the sales proceeds from our sales to overseas customers that were denominated in USD.

For details, please refer to the below table:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Net foreign exchange gains (losses)	**4,371**	(8,241)
Gain on early termination of lease arrangements	**–**	55
Loss on disposal of equipment	**(158)**	–
Fair value losses of financial assets at FVTPL	**–**	(127)
Gain on deemed disposal of investments in an associate	**–**	4,794
Others	**117**	(3,057)
	4,330	(6,576)

Distribution and selling expenses

The Group's distribution and selling expenses amounted to approximately RMB40.0 million in 2024, increased by RMB12.3 million or 44.2% from that of RMB27.7 million in 2023. The increase was primarily due to (i) the increase in sales commission from RMB17.5 million incurred in 2023 to RMB25.5 million incurred in 2024, mainly because our revenue generated from sales promoted by sales agents increased from RMB278.7 million in 2023 to RMB373.0 million in 2024; (ii) the increase in the staff compensation cost due to the marketing team expansion to support surging business opportunities in the emerging business segments, especially for the clean-energy supply systems; and (iii) the consolidation of European sales team.

Administrative expenses

The Group's administrative expenses amounted to RMB43.8 million in 2024, decreased by RMB3.5 million or 7.5% from that of RMB47.3 million in 2023, primarily due to the decrease in share-based payment expenses from RMB5.5 million in 2023 to RMB1.7 million in 2024. The drop in the share-based payment expenses was mainly due to the Company's one-off share-based payment of about RMB4.8 million in 2023 for granting of incentive shares to a selected executive in 2023, leading to a decrease in the total amount of the share-based payments from RMB5.5 million in 2023 to RMB1.7 million in 2024. Staff salary amounted to RMB21.1 million in 2024, increased by RMB1.5 million or 7.7%, as compared to RMB19.6 million in 2023.

Research and development expenses

The Group's research and development expenses amounted to RMB27.2 million in 2024, increased by RMB8.3 million or 43.5% from RMB18.9 million in 2023. This increase was primarily due to the increases in (i) cost of purchase from RMB6.1 million in 2023 to RMB11.4 million in 2024, mainly because certain R&D projects entered the prototype trial production stage, resulting in greater demand for raw materials and product components, and (ii) staff cost from RMB8.2 million in 2023 to RMB12.3 million in 2024, as our then-associate, Wavelength Technology Center, LDA, became our subsidiary at the end of 2023, leading to increased number of our R&D personnel.

Share of results of associates

Our share of results of associates was a loss of RMB1.7 million in 2023 and nil in 2024, primarily because (i) our then-associate, WTC, became our subsidiary at the end of 2023 after we increased our investment, which incurred net losses, in 2023 as it was still in the ramp-up phase, and (ii) we disposed of the entire interest of Jiangsu ContiOcean Electronic Ltd. (江蘇匯舸電力有限公司) in April 2023. Therefore, we had no associates in 2024.

Impairment losses under expected credit loss model, net of reversal

The Group's impairment losses under the ECL model, net of reversal, amounted to RMB2.2 million in 2024, increased by RMB0.5 million or 30.5% as compared to RMB1.7 million in 2023. The increase was mainly due to the increase in our trade and other receivables.

Finance costs

The Group's finance costs amounted to RMB1.0 million in 2024, increased by RMB0.4 million or 82.3% as compared to approximately RMB0.6 million in 2023. The increase in finance costs was primarily due to the higher average balance of our bank borrowings in 2024 as compared to 2023.

Income tax expense

Our income tax expense increased by 11.7% from RMB20.3 million in 2023 to RMB22.6 million in 2024, representing an increase in effective tax rate from 14.4% in 2023 to 15.8% in 2024. The increase in the effective tax rate was mainly due to the increase in tax expenses of the Group's overseas operating subsidiaries, which are subject to higher income tax rates.

Profit for the Year

As a result of the foregoing, the Group's profit for the Year amounted to RMB120.3 million, decreased by RMB0.2 million or 0.2% as compared to RMB120.5 million in 2023.

Property, plant and equipment

Our property, plant and equipment mainly consisted of (i) buildings, (ii) machinery and equipment, (iii) office equipment and furniture, (iv) transportation equipment, (v) leasehold improvements and (vi) construction in progress. As at 31 December 2024, the Group's property, plant and equipment amounted to RMB46.8 million, decreased by RMB2.3 million or 4.7% from RMB49.1 million as at 31 December 2023. The decrease was mainly due to depreciation in 2024.

Inventories

Our inventories primarily consisted of (i) raw materials and consumables such as stainless-steel plates and stainless-steel pipes, (ii) work in progress from production lines, and (iii) finished goods, i.e. products that were manufacturing, completed quality inspection processes and were ready to be delivered.

	At 31 December	
	2024	2023
	RMB'000	RMB'000
Raw materials and consumables	**1,143**	1,432
Work in progress	**3,329**	1,561
Finished goods	**24,177**	84,389
	28,649	87,382

The Group's inventories amounted to RMB28.6 million as at 31 December 2024, decreased by RMB58.8 million or 67.3% as compared to RMB87.4 million as at 31 December 2023. The decrease was primarily due to the following reasons:

(i) onsite installation and commissioning schedules for some marine exhaust gas cleaning systems under newbuild contracts concentrated in late 2023 and the first quarter of 2024. This led to a high level of goods in transit (shipped but not yet recognized) by the end of the 2023, which had been significantly reduced in 2024 as customer orders were fulfilled and deliveries completed; and

(ii) the use of our enhanced inventory optimization initiatives, including just-in-time procurement aligned with confirmed delivery schedules, resulted in the marked reduction in finished goods inventory and goods in transit.

Trade and other receivables

Our trade and other receivables mainly consisted of (i) trade receivables, less allowance for expected credit losses, in connection with the outstanding amounts due from customers, and (ii) other receivables comprising prepayments, deferred issue costs, VAT recoverable, VAT export refund receivable, rental deposits, and letter of credit deposits.

The Group's trade and other receivables amounted to RMB165.6 million as at 31 December 2024, increased by RMB77.4 million or 87.8% as compared to RMB88.2 million as at 31 December 2023, which was mainly due to the following reasons:

(i) the increase in trade receivable from RMB42.2 million to RMB84.4 million given the rapid growth in the Company's marine clean-energy supply systems and maritime services. These segments predominantly served newbuild orders with an extended 30–90 days credit terms;

(ii) the balance of deferred issue costs of 27.4 million as at 31 December 2024 for the capitalization of listing fee for the H share listing, whereas there was nil balance as at 31 December 2023; and

(iii) the balance of deposits amounting RMB13.9 million paid for issuing letter of credits for the settlement of the purchases from European suppliers, whereas there was nil balance as at 31 December 2023.

Financial assets at fair value through profit or loss

The Group's financial assets amounted to RMB19.8 million as at 31 December 2024. The financial assets represented a subscription of US$2.75 million of a wealth management product issued by Prudent Wealth Global Fund SPC, which is an independent third party. The underlying investments of the wealth management products are high liquidity, low risk financial instruments including US treasury notes with remaining maturity within one year and other cash and cash equivalents with committed return ranged from 1% to 4.5% per annum. The investment in the wealth management product can be redeemed within five working days upon request and at the full discretion of the Group. There was no such financial assets held by the Group as at 31 December 2023.

Restricted bank deposits

Our restricted bank deposits referred to the security deposits we made at banks for the issuance of bank guarantees, letter of credits, bankers' acceptance and foreign exchange contracts. The Group's restricted bank deposits decreased by RMB33.3 million or 81.7% from RMB40.8 million as at 31 December 2023 to RMB7.5 million as of 31 December 2024. This decrease was mainly due to (i) the release of the deposits upon the expiration of certain bank guarantees, (ii) the increased orders related to newbuildings that did not require bank guarantees; and (iii) the lower requirement of security deposits due to our cooperation with banks over the years.

Cash and cash equivalents

The Group's cash and cash equivalents decreased by RMB44.0 million or 24.8% from RMB177.4 million as at 31 December 2023 to RMB133.4 million as at 31 December 2024. The decrease was mainly attributable to the cash of approximately RMB42.5 million generated from the operating activities during the Year which was offset by aggregate payments of dividends of RMB96.0 million in 2024.

Trade and other payables

Our trade and other payables mainly consisted of (i) trade payables, (ii) notes payables, (iii) other payables, (iv) payroll payables, (v) accrued expenses, and (vi) other tax payables.

	At 31 December	
	2024	2023
	(RMB'000)	(RMB'000)
Trade payables — third parties	**40,822**	29,472
Notes payables	**14,862**	1,044
Other payables — third parties	**17,627**	6,245
Payroll payables	**7,608**	8,068
Accrued expenses	**5,776**	9,115
Other tax payables	**1,177**	1,637
	87,872	55,581

The average credit period on purchases of goods and services of the Group is within 120 days (2023: 120 days).

The Group's trade and other payables increased by RMB32.3 million or 58.1% from RMB55.6 million as at 31 December 2023 to RMB87.9 million as at 31 December 2024. The increase was mainly due to the increases in trade payables and notes payables. During the Year, the Group's accounts payables increased from RMB29.5 million as at 31 December 2023 to RMB40.8 million as at 31 December 2024, and the Group's notes payables increased from RMB1.0 million as at 31 December 2023 to RMB14.9 million as at 31 December 2024. The increase was mainly due to the negotiation with suppliers which led to the adoption of trade financing instruments such as letters of credit and bank acceptance notes for settlements. This has led to a corresponding increase in the balance of notes payables at 31 December 2024.

Contract liabilities

The Group's contract liabilities amounted to RMB31.2 million as at 31 December 2024, decreased by 82.2% as compared to RMB174.9 million as at 31 December 2023. As of 31 December 2023, the payments were received from customers based on the contract term before the relevant products were delivered and accepted by customers. The substantial drop in the contract liabilities during the Year were mainly due to the recognition of contract liabilities as revenue during the Year. Another reason for the decrease was due to the change of settlement method by some of our customers since there were more prepayments by them in the past.

LIQUIDITY AND FINANCIAL RESOURCES

During the Reporting Period, we have sufficient working capital to meet our requirement for business operation. Our cash and cash equivalents decreased from RMB177.4 million as of 31 December 2023 to RMB133.4 million as of 31 December 2024. The decrease was primarily attributable to the dividend distribution in 2024.

CASH FLOW GENERATED FROM OPERATING ACTIVITIES

For the year ended 31 December 2024, the net cash generated from operating activities by the Group amounted to RMB42.5 million (2023: RMB151.1 million), the decrease was mainly due to (i) a significant portion of the marine exhaust gas cleaning system orders delivered in the current period were shipped to shipyards for installation and commissioning in the prior year, with advance payments received during that period. Consequently, cash received from sales of goods and rendering of services has decreased substantially in the current period; (ii) domestic clients accounted for a significantly increased proportion of the Company's 2024 contracts, with differing payment terms stipulated in the sales agreements;

CASH FLOW GENERATED IN INVESTING ACTIVITIES

For the year ended 31 December 2024, the net cash generated from investing activities by the Group amounted to RMB6.5 million, primarily due to the withdraw of the time deposit.

CASH FLOW USED IN FINANCING ACTIVITIES

For the year ended 31 December 2024, the net cash used in financing activities by the Group amounted to RMB93.6 million, which was primarily due to the dividend distribution.

CAPITAL EXPENDITURES AND INVESTMENT

For the year ended 31 December 2024, the Group's total capital expenditures amounted to RMB2.7 million. Save as disclosed above, the Group did not make any significant investments during the year ended 31 December 2024.

ORDER BOOK

Our order backlog (by order number and value) as at 31 December 2024 are as follows:

(i) Marine exhaust gas cleaning systems: we had 185 orders on hand as of 31 December 2024, including 20 orders for ship exhaust gas cleaning systems and 165 orders for spare parts, with a total contract value of RMB140.4 million.

(ii) Marine energy-saving devices: we had 32 orders on hand with a total contract value of RMB20.9 million as of 31 December 2024.

(iii) Marine clean-energy supply systems: we had 70 orders on hand with a total contract value of RMB148.6 million as of 31 December 2024.

(iv) Maritime services: we had 649 orders on hand with a total contract value of RMB273.2 million as of 31 December 2024.

INDEBTEDNESS

Our indebtedness mainly included bank borrowings and lease liabilities. Our indebtedness increased from RMB22.8 million as of 31 December 2023 to RMB41.9 million as of 31 December 2024. It was primarily attributable to increase of bank borrowings.

As at 31 December 2024, the Group's bank loans amounted to RMB40.0 million (31 December 2023: RMB19.9 million), and lease liabilities amounted to RMB1.9 million (31 December 2023: RMB2.9 million). The annual interest rates of the bank loans ranged from 3.00% to 3.40%.

PLEDGE OF ASSETS

As of 31 December 2024, the Group did not pledge any assets.

GEARING RATIO

The gearing ratio is total liabilities divided by total asset at the end of year and multiplied by 100%. As of 31 December 2024, the gearing ratio of the Group was 37.3% (as of 31 December 2023: 51.2%).

CONTINGENT LIABILITIES

As of 31 December 2024, we did not have any material contingent liabilities.

MATERIAL ACQUISITIONS AND DISPOSALS

For the year ended 31 December 2024, the Group did not have any material acquisition or disposal transactions.

FOREIGN EXCHANGE RISK

We mainly operate in mainland China and are exposed to foreign exchange risk arising from currency exposures with respect to USD. To mitigate the impact of exchange rate fluctuations resulting from a large number of orders denominated in USD, we entered into foreign exchange forward and option contracts in relation to USD against RMB with reputable financial institutions for hedging purpose. However, we have not yet established a foreign currency hedging policy. Instead, we have formulated risk management strategies and policies with respect to the foreign exchange forward and option contracts we enter into.

EMPLOYEES AND REMUNERATION

As at 31 December 2024, the Group had a total workforce of 111 employees (31 December 2023: 88 employees).

The total remuneration cost for 2024 was RMB49.3 million, as compared to RMB44.3 million for 2023, which remained relatively stable.

The remuneration package of our employees includes salaries, allowances, performance-based bonus and retirement benefit scheme contributions. The Group formulates employee remuneration plans based on the overall market remuneration situation, industry practices and the Group's remuneration strategy.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in the Prospectus and this Annual Report, the Group currently does not have other plans for material investments or capital assets investments.

FINAL DIVIDEND

The Board has recommended a final dividend on ordinary shares for 2024 of RMB15 per 10 shares (before tax), subject to the approval of shareholders at the forthcoming AGM of the Company.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Company completed the Global Offering of its H Shares on 9 January 2025. The net proceeds received by the Group from the Global Offering after deducting underwriting fee and relevant expenses amounted to approximately HK$273.4 million (equivalent to RMB253.2 million). The Company intends to apply such net proceeds in accordance with the purposes as set out in the Prospectus.

For details, please refer to the section headed "Use of Proceeds from the Global Offering" in the Report of Directors in this Annual Report.

Directors, Supervisors and Senior Management

DIRECTORS

The powers and duties of our Board include determining our business and investment plans, preparing our annual financial budgets and final reports, and exercising other powers, functions and duties as conferred by the Articles. Our Board of Directors comprises eight Directors, including five executive Directors and three independent non-executive Directors.

Executive Directors

Mr. Zhou Yang (周洋), aged 47, one of the Co-founders of our Company, was appointed as a Director on 20 July 2019 and re-designated as our executive Director on 27 July 2024. Mr. Zhou is also Chairman of our Board. He is responsible for overseeing corporate governance and our Company's strategic position, safeguarding the interests of the Shareholders, managing the senior management, engaging in business development on behalf of our Group and overseeing our Board. He is also a core technical personnel of our Company, and is responsible for the strategic planning of technological initiatives, oversight of R&D, quality assurance, improving internal processes, driving advancement in and enhancement of efficiencies and competitiveness of our technologies. Mr. Zhou is also a director of ContiOcean Hong Kong.

Mr. Zhou has over 22 years of experience in the shipbuilding industry and heavy industry. Prior to joining our Group, from September 2001 to February 2005, he worked as a quality personnel at Shanghai Waigaoqiao Shipbuilding Co., Ltd. (上海外高橋造船有限公司), a company principally engaged in the design and construction of civilian ships, marine constructions, ship equipment, where he was primarily responsible for maintaining the quality assurance system, product quality assurance, overseeing the manufacturing process, driving continuous improvement in overall product quality. From March 2005 to February 2006, he worked as a ship surveyor for Bureau Veritas Marine (China) Co., Ltd., a company principally engaged in the classification of shipbuilding and marine engineering projects, statutory inspections, certification of safety and quality management systems, inspection and certification of shipbuilding materials and equipment, and providing comprehensive technical support for shipbuilding and marine engineering projects, where he was primarily responsible for conducting ship surveys to ensure compliance with safety and environmental standards, supervising engineering projects, on-voyage inspections and providing recommendations for improvement. From April 2006 to August 2018, he worked as an assistant president at Jiangsu Rongsheng Heavy Industry Co., Ltd. (江蘇熔盛重工有限公司), a company principally engaged in the manufacturing of equipment for shipbuilding and marine engineering, where he was primarily responsible for quality control, painting and dock assembly work. Mr. Zhou was also appointed as a representative at the 18th People's Congress of Rugao City (如皋市第十八屆人民代表大會) in 2022.

Mr. Zhou received a bachelor's degree in ship engineering from Dalian Ocean University (大連海洋大學) in Dalian in July 2001. He also holds a qualification of senior engineer issued by the Jiangsu Bureau of the Ministry of Human Resources and Social Security (江蘇省人力資源社會保障局) since December 2012.

Mr. Zhou is one of our Controlling Shareholders.

Mr. Zhao Mingzhu (趙明珠), aged 46, one of the Co-founders of our Company, was appointed as a Director on 20 July 2019 and re-designated as our executive Director on 27 July 2024. Mr. Zhao is also the chief executive officer of our Company. Mr. Zhao joined our Company on 6 September 2017 and became the financial person-in-charge of our Company in October 2017 and was primarily responsible for the global marketing and sales of our Company's products and global customer relationship management. Since December 2022, he has been responsible for overseeing the overall operations and management, setting and taking the lead in executing strategic goals, facilitating profit growth, optimizing resource allocation, coordinating internal and external relations, and promoting the development of our Company. He also holds directorships in various subsidiaries of our Company, including ContiOcean Hong Kong, ContiLashing Pte. Ltd., WTC, and ContiOcean International, and is a supervisor of ContiOcean Industrial. Mr. Zhao has over 20 years of experience in the shipping and shipbuilding industries. Prior to joining our Group, from July 2003 to June 2004, he worked as a technician at Dalian COSCO Shipping Engineering Co., Ltd. (大連中遠船務工程有限公司), a company principally engaged in the sales of equipment and spare parts for ship and marine engineering, and mechanical and electrical equipment, where he was primarily responsible for project planning. From June 2004 to March 2010, he worked as a manager at Zhoushan COSCO Shipping Engineering Co., Ltd. (舟山中遠船務工程有限公司), a company principally engaged in the sales of equipment and spare parts for ship and marine engineering, as well as mechanical and electrical equipment, where he was primarily responsible for overseeing the projects undertaken by the shipyard and the day-to-day affairs of the operations department. From March 2010 to January 2017, he worked as a manager of the operations department at COSCO Shipping Heavy Industry Co., Ltd. (中遠海運重工有限公司), a company principally engaged in the sales of equipment and spare parts for ship and marine engineering, and mechanical and electrical equipment, where he was primarily responsible for overseeing the company's ship repair and refit business, marketing and sales, and customer relationship management.

Mr. Zhao received a bachelor's degree in ship and marine engineering from Dalian University of Technology (大連理工大學) in Dalian in July 2003.

Mr. Zhao is one of our Controlling Shareholders.

Mr. Chen Zhiyuan (陳志遠), aged 43, one of the Co-founders of our Company, was appointed as a Director on 20 July 2019 and re-designated as our executive Director on 27 July 2024. Mr. Chen is also the chief technology officer of our Company. Mr. Chen joined our Company on 10 May 2018 as the chief technology officer of our Company. He is responsible for leading R&D initiatives, enhancing the technology embedded in our products, solving key technical challenges, facilitating progress in our projects, leading the technical team, cultivating technical talents, and ensuring competitiveness of our technologies. He is also the general manager of ContiOcean Industrial. Additionally, he is a director of each of ContiOcean Hong Kong and ContiOcean Singapore, and a supervisor of ContiOcean International, all of which are subsidiaries of our Company. Mr. Chen has approximately 20 years of experience in the shipping and shipbuilding industries.

Prior to joining our Group, from October 2004 to March 2006, he worked as an assistant project manager at China Navigation Co Pte. Ltd (太古輪船有限公司), a company under Swire Pacific Limited (a company listed on the Main Board of the Hong Kong Stock Exchange, stock codes: 19 (A-shares) and 87 (B-shares)) and principally engaged in shipping services and ship management, where he was primarily responsible for assisting the project manager in project planning, progress tracking, resource coordination, document management, internal and external communication, and risk monitoring to support the smooth implementation and delivery of projects. From May 2006 to September 2008, he worked as a superintendent engineer at Man B&W Diesel (Shanghai) Co., Ltd (曼恩柴油機有限公司(上海)), a company principally engaged in diesel engine and fuel engine manufacturing, where he was primarily responsible for the maintenance, fault diagnosis, regular inspection, and updating maintenance logs for vessels or mechanical equipment, to ensure the safety of equipment and fulfillment of industry standards and regulatory requirements. From November 2008 to May 2018, Mr. Chen rejoined China Navigation Co Pte. Ltd as a newbuilding and projects manager, where he was primarily responsible for overall project planning, schedule control, budget management, team coordination and customer communication to ensure the timing and quality completion projects.

Mr. Chen received a bachelor's degree in engineering from Dalian Ocean University (大連海洋大學) in Dalian in July 2001. He also received a master of science in marine technology from Newcastle University the United Kingdom in December 2005.

Mr. Chen is one of our Controlling Shareholders.

Mr. Shu Wa Tung, Laurence (舒華東), aged 52, has been the chief financial officer of our Company since September 2020. He was appointed as a Director on 20 December 2022 and redesignated as our executive Director on 27 July 2024. He was also appointed as the company secretary of our Company on 10 July 2024. He is responsible for formulating our Company's financial strategies, capital management, budgeting, financial reporting, risk control and tax planning to ensure our Company's financial health and compliance with relevant regulations. He is also the chief financial officer of ContiOcean Hong Kong and WTC, both of which are subsidiaries of our Company. He discharges these duties with the support of our senior management, as well as other staff of the Company for daily management.

Mr. Shu has over 30 years of experience in audit, corporate finance and financial management. He was an independent non-executive Director of Chengdu Expressway Co., Ltd. (a company listed on the Main Board of the Hong Kong Stock Exchange, stock code: 1785) from November 2016 to September 2022, Riverine China Holdings Limited (a company listed on the Main Board of the Hong Kong Stock Exchange, stock code: 1417) since November 2017, Twintek Investment Holdings Limited (a company listed on the Main Board of the Hong Kong Stock Exchange, stock code: 6182) since December 2017, Goldstream Investment Limited (a company listed on the Main Board of the Hong Kong Stock Exchange, stock code: 1328) since December 2019; Zero Fintech Group Limited (formerly known as Termbray Industries International (Holdings) Limited) (a company listed on the Main Board of the Hong Kong Stock Exchange, stock code: 00093) since April 2022, and Texhong since May 2023.

Mr. Shu started as a staff accountant at Deloitte Touche Tohmatsu from March 1994 and left the same group in October 2000, and became a manager at Deloitte & Touche Corporate Finance Co. Ltd (a corporate finance service company of Deloitte Touche Tohmatsu) from July 2001 to November 2002. Mr. Shu was an associate director of Piper Jaffray Asia Limited (formerly known as Goldbond Capital (Asia) Limited) from November 2002 to April 2005. Mr. Shu was the chief financial officer and the company secretary of Texhong from May 2005 to July 2008. He served as the chief financial officer of Rongsheng Heavy Industries Holding Co., Ltd (熔盛重工控股有限公司) from July 2008 to June 2010, the chief financial officer of Petro-king Oilfield Services Limited (formerly known as Termbray Petroking Oilfield Services Limited) (a company listed on the Main Board of the Stock Exchange, stock code: 2178) from July 2010 to July 2018, and the chief financial officer of Brainhole Technology Limited (formerly known as Top Dynamic International Holdings Limited) (a company listed on the Main Board of the Stock Exchange, stock code: 2203) from August 2018 to November 2019.

Mr. Shu graduated from Deakin University in Australia, in September 1994 and obtained his bachelor's degree in accounting, and completed his CFO Programme at China Europe International Business School (中歐國際工商學院) in November 2009. He also received an executive Master of Business Administration degree from Washington University in St. Louis in the United States in May 2022. Mr. Shu was accredited as a certified public accountant associate by Hong Kong Institute of Certified Public Accountants in September 1997. Mr. Shu was admitted as a member to the Hong Kong Independent Non-executive Director Association in May 2019.

Mr. Chen Rui (陳睿), aged 46, was appointed as a Director on 20 December 2022 and redesignated as our executive Director on 27 July 2024. He has also been the secretary to our Board since 6 January 2020. He is responsible for organizing meetings of the Board and meetings of the Shareholders, corporate documentation, coordinating internal and external communications, corporate governance and compliance, information disclosure, and maintaining investor relations. He is also a senior engineer of our Company responsible for leading complex engineering projects, research and development, resolving technical hurdles, coaching intermediate and junior engineers, improving the technical expertise of our engineer team, and ensuring the quality of completed projects. He is also an executive director of Alfaback Automation. Mr. Chen has over 22 years of experience in the shipbuilding industry. Prior to joining our Group, from August 2001 to June 2005 he worked at Shanghai Waigaoqiao Shipbuilding Co., Ltd. (上海外高橋造船有限公司), a company principally engaged in the design and construction of civilian ships, marine construction and ship equipment, where he was primarily responsible for planning and executing shipbuilding projects. From June 2005 to March 2006, he worked for Shanghai Wangdong Electrical Equipment Co., Ltd. (上海旺東電氣設備有限公司), a company principally engaged in distributing bearing, where he was primarily responsible for providing technical support. From April 2006 to September 2018, he worked as a head of planning management at Jiangsu Rongsheng Heavy Industries Co., Ltd. (江蘇熔盛重工有限公司), where he was primarily responsible for planning and management of shipbuilding projects.

Mr. Chen was also recognized as one of the Top Ten Outstanding Youths of Rugao City (如皋市十大傑出青年) in May 2009. Mr. Chen received a bachelor's degree in engineering from Shenyang University of Technology (瀋陽工業大學) in Shenyang in June 2001. He also received a master's degree in engineering from Shanghai Jiao Tong University (上海交通大學) in Shanghai in September 2013. He also obtained a qualification of senior engineer issued by the Jiangsu Bureau of the Ministry of Human Resources and Social Security (江蘇省人力資源社會保障局) in December 2014.

Independent Non-Executive Directors

Dr. Guan Yanmin (管延敏), aged 42, was appointed as an independent non-executive Director on 27 July 2024, with effect from the Listing Date. Dr. Guan is responsible for providing oversight of the Board and independent advice on the operation and management of our Group. From March 2012 to June 2016, Dr. Guan was the deputy director of the ship design institute of Jiangsu Rongsheng Heavy Industries Co., Ltd. (江蘇熔盛重工有限公司). He has been a lecturer at the School of Naval Architecture and Ocean Engineering of Jiangsu University of Science and Technology (江蘇科技大學) since November 2016. Dr. Guan received a bachelor's degree in ship and marine engineering in June 2007 and a doctor of philosophy in the design and manufacture of ships and marine structures in June 2011, both from Huazhong University of Science and Technology (華中科技大學) in Wuhan. He also obtained a qualification of senior engineer issued by the Jiangsu Bureau of the Ministry of Human Resources and Social Security (江蘇省人力資源社會保障局) in December 2015.

Mr. Zhu Rongyuan (朱榮元), aged 45, was appointed as an independent non-executive Director on 27 July 2024, with effect from the Listing Date. Mr. Zhu is responsible for providing oversight of the Board and independent advice on the operation and management of our Group. Mr. Zhu has over 21 years of experience in accounting, finance, and corporate governance. From September 2002 to November 2004, he was an auditor of Ernst & Young Dahua Certified Public Accountants (Special General Partnership) (安永大華會計師事務所). From December 2004 to May 2011, he was a senior manager of BDO China Shu Lun Pan Certified Public Accountants LLP (立信會計師事務所(特殊普通合夥)). From June 2011 to December 2014, he was a salary partner of Dahua Certified Public Accountants (Special General Partnership) (大華會計師事務所(特殊普通合夥)) From November 2014 to June 2016, Mr. Zhu served as a board secretary and an assistant to general manager at OTEC Technology (SHANGHAI) Co., Ltd. (上海澳潤信息科技有限公司). From July 2017 to September 2019, he served as a board secretary at Shanghai Golden Education Technology Co., Ltd. (上海高頓教育科技有限公司). Since April 2020, he has served as a director, secretary to the board, and chief financial officer at Bestudy (Shanghai) Medical Technology Co., Ltd. (百試達(上海)醫藥科技股份有限公司).

Mr. Zhu received a bachelor's degree in management, majoring in accounting, from Shanghai University of Finance and Economics (上海財經大學) in Shanghai in July 2002. Mr. Zhu was accredited as a certified public accountant by the Chinese Institute of Certified Public Accountants in October 2016.

Ms. Ng Sin Kiu (吳先僑), aged 51, was appointed as an independent non-executive Director on 27 July 2024, with effect from the Listing Date. Ms. Ng is responsible for providing oversight of the Board and independent advice on the operation and management of our Group.

Ms. Ng has over 20 years of experience in legal practice and, in particular, substantial experience in corporate finance matters, and has advised on a broad spectrum of matters, including initial public offerings, secondary equity and equity-linked offerings, mergers and acquisitions, transactional and compliance matters, and other commercial matters. She has been a partner of Watson Farley & Williams LLP since December 2015. From August 1998 to March 1999, Ms. Ng last served as an assistant solicitor at Chiu & Partners. From April 1999 to August 1999, she was an assistant solicitor at Siao, Wen & Leung. From August 1999 to February 2000, she was an assistant solicitor at Pun & Associates. From February 2000 to April 2001, she was an assistant solicitor at Gallant Y. T. Ho & Co. (now known as Gallant). From May 2001 to December 2007, she was an assistant solicitor at Sidley Austin. From January 2008 to October 2008, she was an assistant solicitor at Paul Hastings. From October 2008 to December 2009, she was an assistant solicitor at Sidley Austin. From January 2010 to March 2012, Ms. Ng was a consultant at Sidley Austin. From April 2012 to December 2015, she was a partner of Squire Patton Boggs. Ms. Ng has served as an independent non-executive director of Palasino Holdings Limited (a company listed on the Main Board of the Hong Kong Stock Exchange, stock code: 2536 and principally engaged in gaming and leisure business) since March 2024, Zhongmiao Holdings (Qingdao) Co., Ltd. (a company listed on the Main Board of the Hong Kong Stock Exchange, stock code: 1471 and principally engaged in the insurance business) since August 2024, and Perfect Group International Holdings Limited (a company listed on the Main Board of the Hong Kong Stock Exchange, stock code: 3326 and principally engaged in the jewelery, property, and photovoltaic power generation businesses) since September 2024, respectively.

Ms. Ng obtained her Bachelor of Laws degree and Postgraduate Certificate in Laws from The University of Hong Kong in November 1995 and in June 1996, respectively. She was awarded a Master of Laws degree from The University of Hong Kong in December 1999. Ms. Ng was qualified as a solicitor in Hong Kong and England and Wales in August 1998 and March 1999, respectively, as well as a lawyer of the Greater Bay Area in May 2023.

Ms. Ng was a director of Gain Pacific Investment Limited (裕國投資有限公司), a company incorporated in Hong Kong with limited liability and dissolved by way of striking off on 8 May 2020. The company had no business prior to its dissolution and was dissolved because of failure to pay annual registration fee. Ms. Ng confirmed that she has not been involved in any dispute with such company's creditors, shareholders and directors in respect of the dissolution, that such company has been dissolved with no outstanding liability or claim in relation thereto, had no material non-compliances or litigations before the dissolution and was solvent at the time of dissolution, that the dissolution of such company had not resulted in any liability or obligation being imposed against her, that her involvement in such company was in relation to her appointment as a director of such company and that no misconduct or misfeasance on her part had been involved in the dissolution.

SUPERVISORS

In accordance with the PRC Company Law, with certain exceptions, all joint stock companies are generally required to establish a supervisory committee, which is responsible for supervising the Board and senior management on fulfilling their respective duties, financial performance, internal control management and risk management of the corporation. Our supervisory committee consists of three members comprising one employee representative Supervisor and two Supervisors representing Shareholders.

Mr. Shen Xiaowei (沈小偉), aged 38, was appointed as a Supervisor and chairman of our supervisory committee on 20 December 2022. He is responsible for supervising the overall operation of the supervisory committee, our Board, senior management and the financial management of our Group. Mr. Shen also holds the position of general manager of our marketing department, where he is primarily responsible for overseeing the day-to-day affairs of our marketing department and the sales of our products.

Mr. Shen has over 16 years of experience in the shipbuilding industry. Prior to joining our Group, from February 2008 to November 2017, he worked as an inspector in the quality assurance department, section chief and then assistant to the department head at Jiangsu Rongsheng Heavy Industries Co., Ltd. (江蘇熔盛重工有限公司), where he was primarily responsible for quality assurance. Mr. Shen joined our Group in August 2018 and has worked as a manager and executive director.

Mr. Shen received a bachelor's degree in engineering from Nanjing University of Aeronautics and Astronautics (南京航空航天大學) in Nanjing in July 2020 via distance learning. He also obtained a qualification of marine and ocean engineer (船舶與海洋工程系列工程師) issued by the Nantong Municipal Human Resources and Social Security Bureau (南通市人力資源社會保障局) in Jiangsu on 27 November 2014.

Mr. Yu Yuanyang (于遠洋), aged 37, was appointed as a Supervisor on 20 December 2022. Mr. Yu has also been an electrical engineer of our Company since joining our Company on 14 September 2017, primarily responsible for providing technical support to our Company's marketing activities, and the technical design of our existing projects, including formulating working principles, production design and software design.

Mr. Yu has over 13 years of experience in the shipbuilding industry. Prior to joining our Group, from August 2010 to July 2016, he worked as an electrical engineer at Hudong Zhonghua Shipbuilding (Group) Co., Ltd. (滬東中華造船(集團)有限公司), a company principally engaged in shipbuilding, where he was primarily responsible for electricity plan design. From July 2016 to August 2017, he worked as an electrical engineer at Eurostar Ship Design Co., Ltd. (歐之星船舶設計有限公司), a company principally engaged in shipbuilding, where he was primarily responsible for electricity plan design.

Mr. Yu is also a supervisor of ContiOcean Nantong and Alfaback Automation. Mr. Yu obtained a bachelor's degree in engineering, majoring in automation from Dalian Ocean University (大連海洋大學) in Dalian in July 2010.

Mr. Wu Yunfeng (吳雲峰), aged 39, was appointed as our employee representative Supervisor on 1 April 2024. He is responsible for supervising and providing independent advice to the Board. Mr. Wu has held the position of department manager with our Company since 19 October 2020, primarily responsible for overseeing the operation and management of our Company's production management system.

Mr. Wu has over 14 years of experience in the shipbuilding industry. Prior to joining our Group, from June 2009 to September 2016, he worked as a production planning manager at Jiangsu Rongsheng Heavy Industries Co., Ltd. (江蘇熔盛重工有限公司), a company principally engaged in shipbuilding, where he was primarily responsible for production planning. From October 2016 to March 2019, he has worked as the assistant to manager of engineering department, the manager of engineering department and the assistant to the general manager at Jiangsu Biaolong Mechanical and Electrical Installation Engineering Co., Ltd. (江蘇標龍機電安裝工程有限公司), where he was responsible for construction management and assisting the general manger in daily affairs, and from April 2019 to June 2020, he worked as a planning manager at Nantong Xiangyu Shipbuilding & Offshore Engineering Co., Ltd. (南通象嶼海洋裝備有限責任公司), where he was responsible for corporate management. From June 2020 to October 2020, Mr. Wu worked at Xinda Yang Shipbuilding Co., Ltd. (新大洋造船有限公司) as the production planning chief and was responsible for production management. Mr. Wu joined ContiOcean Nantong, a subsidiary of our Company in October 2020 as the head of production management, overseeing production management.

Mr. Wu obtained a bachelor's degree in measurement and control technologies and instrument from Nanjing University of Science and Technology ZiJin College (南京理工大學紫金學院) in Jiangsu in June 2008. He also obtained a qualification of assistant engineer issued by Nantong Bureau of the Ministry of Human Resources and Social Security (南通市人力資源和社會保障局) in Jiangsu since June 30, 2012.

SENIOR MANAGEMENT

Our senior management comprises our executive Directors (see "— Board of Directors — Executive Directors" in this section for further details) together with Ms. Shen Xiaojiao and Mr. Qu Shixiang.

Ms. Shen Xiaojiao (申小嬌), aged 31, joined our Group in 19 July 2021 and became the general manager of the finance department of our Company on 4 April 2023. She is responsible for overseeing financial planning and strategy, managing financial risks, supervising financial reporting, and ensuring our Company's financial health and compliance with regulations.

Ms. Shen has over 7 years of experience in the audit and accounting field. Prior to joining our Group, from September 2016 to May 2021, Ms. Shen served as a staff auditor then a senior auditor at Ernst & Young Hua Ming LLP, Shanghai Branch, where she was primarily responsible for auditing.

Ms. Shen obtained a bachelor's degree in international economics and trade from the Shanghai University of International Business and Economics (上海對外經貿大學) in Shanghai in June 2016. She also obtained a qualification of certified public accountant issued by the Certified Public Accountant Examination Committee of the Ministry of Finance (財政部註冊會計師考試委員會) of the PRC in December 2019.

Mr. Qu Shixiang (曲世祥), aged 39, joined our Group became the general manager of the R&D department of our Company on 1 June 2018. He is responsible for leading the development of new products based on market demands and our Company's market positioning, optimizing and upgrading existing products based on operational data, and assisting in devising the direction for future product development.

Mr. Qu has over 10 years of experience in R&D. Prior to joining our Group, from July 2013 to May 2018, Mr. Qu served as a research assistant at the Shanghai Institute of Applied Physics, Chinese Academy of Sciences, where he was primarily responsible for the identification of safety-related accidents for a molten salt reactor and conducting core thermal-hydraulic simulation experiments.

Mr. Qu obtained a bachelor's degree in engineering from Jiangsu University (江蘇大學) in China in June 2008. He also obtained a master's degree in engineering from Shanghai Jiao Tong University (上海交通大學) in China in March 2013, majoring in reactor thermal-hydraulics and reactor physics.

COMPANY SECRETARIES

Mr. Shu Wa Tung, Laurence (舒華東) was appointed as the company secretary of our Company on 10 July 2024. For the biographic details of Mr. Shu, see pages 32 and 33 above.

Corporate Governance Report

The Board is pleased to present the corporate governance report of the Company for the year ended 31 December 2024.

COMPANY'S CULTURE

The Board believes that corporate culture serves as the cornerstone of the Group's development, fostering long-term business growth, economic success, and sustained value creation. It is through this profound cultural foundation that the Company achieves enduring sustainable development while fulfilling its responsibilities as a corporate citizen. We are committed to cultivating a dynamic and forward-looking culture rooted in our purpose, vision and mission, ensuring alignment across all endeavors to drive both business excellence and societal impact.

In 2024, the Company continued to strengthen its cultural framework, focusing on the following pillars: Vision and Mission: empower customers with our technology, enable the effective adoption of green energy across all ships; propel green energy, protect blue planet.

Annually, the Company organizes multiple training sessions for employees to deepen their understanding of our corporate culture, structure, and policies, as well as to enhance their professional knowledge, compliance with company regulations, legal awareness, and quality standards. Additionally, we periodically invite external experts to conduct specialized training, further elevating employees' expertise and skills.

The Board emphasizes that corporate culture must align with the Group's purpose, values, and strategies. For further details on our vision, mission, and related initiatives, please refer to the ESG Report published concurrently with this document.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard shareholder interests and enhance corporate value and accountability. The Company has adopted the CG Code as its own governance framework.

Prior to the listing of H Shares on the Main Board of the Stock Exchange on 9 January 2025, the Code was not applicable to the Company. To the best of the Board's knowledge, from the Listing Date to the date of this Annual Report, the Company has complied with all code provisions set out in part 2 of the CG Code. The Company will continuously review and strengthen its corporate governance practices to ensure ongoing adherence to the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code and has also formulated the Securities Transaction Code for Directors, Supervisors and Senior Management which is stricter than Model Code as its own code of conduct regarding dealings in the securities of the Company by the Directors, Supervisors and senior management who, because of his/her office or employment, is likely to possess inside information in relation to Company or its securities.

Having made specific enquiries of all the Directors and Supervisors, they have confirmed that they have complied with the Model Code and Securities Transaction Code for Directors, Supervisors and Senior Management since the Listing Date and up to the date of this Annual Report. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Group since the Listing Date and up to the date of this Annual Report.

BOARD OF DIRECTORS

As of the date of this Annual Report, the Board comprises five executive Directors and three independent non-executive Directors.

Executive Directors

Mr. Zhou Yang *(Chairman)*
Mr. Zhao Mingzhu *(Chief executive officer)*
Mr. Chen Zhiyuan
Mr. Shu Wa Tung, Laurence
Mr. Chen Rui

Independent Non-executive Directors

Mr. Zhu Rongyuan
Dr. Guan Yanmin
Ms. Ng Sin Kiu

The biographical details of the current Directors are set out in the section headed "Directors, Supervisors and Senior Management" of this Annual Report. To the best knowledge of the Directors, there is no relationship (including, financial, business, family or other material/relevant relationship(s)) between the Board members.

RESPONSIBILITIES OF THE DIRECTORS

The Board is responsible for, and has general powers for, the management and conduct of our business. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established four Board committees including the Audit Committee, the Remuneration Committee, the Nomination Committee and the ESG Committee. The Board has delegated to the Board committees responsibilities as set out in their respective terms of reference. All Board committees are provided with sufficient resources to perform their duties. All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and the Shareholders at all times.

BOARD INDEPENDENCE

The Company recognizes that Board independence is key to good corporate governance. The Company has in place effective mechanisms to support an independent Board and ensure independent views. The current composition of the Board includes more than one third independent non-executive Directors. The remuneration of independent non-executive Directors is subject to a regular review to maintain competitiveness and commensurate with their responsibilities and workload. The independence of each independent non-executive Director is assessed upon his or her appointment and annually.

Directors are requested to declare their direct or indirect interests, if any, in proposals or transactions to be considered by the Board at the Board meetings and abstain from voting, where appropriate. External independent professional advice is available to all Directors, including independent non-executive Directors, whenever deemed necessary. The independent non-executive Directors have consistently demonstrated strong commitment and the ability to devote sufficient time to discharge their responsibilities at the Board.

Pursuant to the Board's independence assessment mechanism, the Board conducts an annual review of its independence. The Company has also established channels through formal and informal means whereby independent non-executive Directors can express their views in an open manner, and in a confidential manner, should circumstances requires. From the Listing date to the date of this Annual Report, the Board reviewed the implementation and effectiveness of the Board's independence assessment mechanism and found the results satisfactory.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

The Board at all times met the requirements of Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise and the appointment of independent non-executive Directors representing at least one-third of the Board. Among the three independent non-executive Directors, Mr. Zhu Rongyuan has appropriate professional qualifications or accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules.

DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S LIABILITY INSURANCE AND INDEMNITY

The Company has arranged Corporate Liability Insurance and Public Offering of Securities Insurance to indemnify the Directors, Supervisors and senior management of the Company for their liabilities arising out of corporate activities. The insurance coverage will be reviewed on an annual basis.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

All Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant. Every newly appointed Director should receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

During the Reporting Period, all Directors namely Mr. Zhou Yang, Mr. Zhao Mingzhu, Mr. Chen Zhiyuan, Mr. Shu Wa Tung, Laurence, Mr. Chen Rui, Mr. Zhu Rongyuan, Dr. Guan Yanmin and Ms. Ng Sin Kiu were regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. All Directors have been updated with the latest developments regarding the Listing Rules and other applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices. In addition, continuing briefing and professional development to Directors will be arranged whenever necessary. All Directors are encouraged to attend relevant training courses at the Company's expenses and required to submit a signed training records to the Company on an annual basis.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

All executive Directors and independent non-executive Directors of the Company have entered into service contracts with the Company, which include provisions for compliance with applicable laws and regulations, adherence to the Company's Articles of Association. Pursuant to the Articles of Association, the term of office for all Directors is three years. The procedures and processes governing the appointment, re-election, and removal of Directors are set out in the Articles of Association.

The Nomination Committee is responsible for reviewing the composition of the Board, overseeing the appointment, re-election, and succession planning of Directors (particularly the Chairman and senior executives of the Company), and providing recommendations to the Board.

BOARD COMMITTEES

The Board delegates certain responsibilities to various Board committees. In accordance with the relevant PRC laws and regulations and the Listing Rules, we have established the Audit Committee, the Remuneration Committee, the Nomination Committee and the ESG Committee, for overseeing particular aspects of the Company's affairs. Each of these committees is established with defined written terms of reference. The terms of reference of each of these committees are available on the websites of the Company and the Stock Exchange.

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph D.3 of the CG Code. The Audit Committee consists of Mr. Zhu Rongyuan, Dr. Guan Yanmin and Ms. Ng Sin Kiu, with Mr. Zhu Rongyuan being the chairperson of the committee.

Director name	Roles
Mr. Zhu Rongyuan *(independent non-executive Director)*	Chairperson
Dr. Guan Yanmin *(independent non-executive Director)*	Member
Ms. Ng Sin Kiu *(independent non-executive Director)*	Member

The primary duties of the Audit Committee include, but not limited to, the following:

(I) to supervise and evaluate the work of the external auditor;

(II) to guide the internal audit work;

(III) to oversee the effectiveness of financial reporting system, risk management and internal control system;

(IV) to review the Company's financial report and express opinions thereon;

(V) to perform the corporate governance functions of the Company;

(VI) to coordinate the communication between the management, internal audit department and relevant departments and the external auditor; and

(VII) other matters as authorized by the board of directors of the Company and as required with relevant laws and regulations.

The following is a summary of work performed by the Audit Committee from the Listing Date and up to the date of this Annual Report:

(i) reviewed the report communicated by the external auditor for matters including the planned scope and timing of the audit for the Annual Report ending 31 December 2024;

(ii) reviewed the consolidated financial statements for the year ended 31 December 2024 and the annual results announcement and the annual report for the year ended 31 December 2024, the related accounting principles and practices adopted by the Group;

(iii) reviewed the risk management and internal control systems, and recommendation of the appointment and re-appointment of the external auditor;

(iv) reviewed the nature and scope of the audit services provided or to be provided by external auditor and assessed the respective implication on the auditor's independence; and

(v) reviewed the anticipated guarantee for the Company's subsidiaries in 2025.

As the Company was listed on 9 January 2025, the Audit Committee did not hold any meetings during the financial year ended 31 December 2024. From the Listing Date and up to the date of this Annual Report, 2 Audit Committee meetings were held and the attendance of each committee member is set out below:

Director name	Attendance/Number of meetings form the Listing Date to the date of the Annual Report
Mr. Zhu Rongyuan *(Chairperson)*	2/2
Dr. Guan Yanmin	2/2
Ms. Ng Sin Kiu	2/2

REMUNERATION COMMITTEE

The Company has established the Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the CG Code. The remuneration committee consists of Dr. Guan Yanmin, Mr. Zhu Rongyuan and Mr. Shu Wa Tung, Laurence, with Dr. Guan Yanmin being the chairperson of the committee.

Director Name	Roles
Dr. Guan Yanmin *(independent non-executive Director)*	Chairperson
Mr. Zhu Rongyuan *(independent non-executive Director)*	Member
Mr. Shu Wa Tung, Laurence *(executive Director)*	Member

The primary duties of the Remuneration Committee include, but not limited to, the following:

(I) to make recommendations to the board of directors on the Company's remuneration policy and structure for all directors, supervisors and senior management and on the establishment of formal and transparent procedures for formulating the remuneration policy;

(II) to review and approve the management's remuneration proposals with reference to the corporate goals and objectives set by the board of directors (including benefits in kind, pensions and payment of compensation (including the compensation for losing or terminating the office or appointment));

(III) to determine the specific terms of the remuneration package for each executive director and senior management;

(IV) to make recommendations to the board of directors on the remuneration of non-executive directors;

(V) to make recommendations to the board of directors on the remuneration of supervisors;

(VI) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions for other positions within the group;

(VII) to review and approve the compensation payable to executive directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

(VIII) to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that they are consistent with the contractual terms and are otherwise reasonable and appropriate;

(IX) to ensure that no director or any of his or her associates is involved in determining his or her own remuneration;

(X) to evaluate the performance of executive directors and incorporate the evaluation into the annual work summary;

(XI) to review the terms of the service contracts of directors and supervisors;

(XII) to review, approve and handle matters relating to share schemes under the responsibility of the Remuneration Committee as referred to in Chapter 17 of the Listing Rules (where applicable); and

(XIII) other matters as authorized by the board of directors.

Details of the remuneration payable to each Director, Supervisor, and the five highest paid individuals for the Reporting Period are set out in note 13 to the consolidated financial statements. The remuneration of the Directors was determined with reference to their time commitment and responsibilities.

The following is a summary of work performed by the Remuneration Committee from the Listing Date and up to the date of this Annual Report:

(i) reviewed the remuneration of the Directors, Supervisors and senior management;

(ii) reviewed the performances of the Directors and their contracts; and

(iii) reviewed the Company's compensation policy and structure, and performance management system.

As the Company was listed on 9 January 2025, the Remuneration Committee did not hold any meetings during the financial year ended 31 December 2024. From the Listing Date and up to the date of this Annual Report, 1 Remuneration Committee meeting was held and the attendance of each committee member is set out below:

Director name	Attendance/Number of meetings form the Listing Date to the date of the Annual Report
Dr. Guan Yanmin *(Chairperson)*	1/1
Mr. Zhu Rongyuan	1/1
Mr. Shu Wa Tung, Laurence	1/1

NOMINATION COMMITTEE

Our Company has established the Nomination Committee with written terms of reference in compliance with Rule 3.27 of the Listing Rules and paragraph B.3 of the CG Code. The Nomination Committee consists of Mr. Zhu Rongyuan, Mr. Zhou Yang and Ms. Ng Sin Kiu, with Mr. Zhu Rongyuan being the chairperson of the committee.

Director name	Roles
Mr. Zhu Rongyuan *(independent non-executive Director)*	Chairperson
Mr. Zhou Yang *(executive Director)*	Member
Ms. Ng Sin Kiu *(independent non-executive Director)* (note)	Member
Dr. Guan Yanmin *(independent non-executive Director)* (note)	Member

Note: With effect from 28 March 2025, Dr. Guan Yanmin ceased to be a member of the Nomination Committee and Ms. Ng Sin Kiu was appointed as a member of the Nomination Committee.

The primary functions of the Nomination Committee include, but not limited to, the following:

(I) to review the structure, size and composition (including the skills, knowledge, experience and diversity) of the board of directors at least once a year, to assist the board of directors in maintaining the board skills matrix and to make recommendations on any proposed changes to the board of directors to implement the Company's strategies;

(II) to extensively identify individuals qualified to serve as directors, and select and nominate relevant individuals to serve as directors, or advise the board of directors on such nomination;

(III) to review the independence of the independent non-executive directors;

(IV) to make recommendations to the board of directors on appointment or reappointment of directors as well as the succession plan of directors, in particular that of the chairman/chairlady of the board of directors and the chief executive officer;

(V) to assist the Company in regularly assessing the performance of the board of directors;

(VI) to review the Board Diversity Policy as well as any measurable objectives for implementing such Board Diversity Policy as may be adopted by the board of directors from time to time and the progress on achieving such objectives, and to disclose the Board Diversity Policy or the highlights thereof in the corporate governance report;

(VII) where the board of directors proposes to put forward a resolution to elect an individual as an independent non-executive director at the general meeting, it shall set out in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting the following details: (1) the process used for identifying the individual and why the board of directors believes the individual should be elected and the reasons why it considers the individual to be independent; (2) if the proposed independent non-executive director will be holding his or her seventh (or more) listed company directorship, why the board of directors believes the individual would still be able to devote sufficient time to the board of directors; (3) the views, perspectives, skills and experience that the individual can bring to the board of directors; and (4) how the individual contributes to the diversity of the board of directors;

(VIII) to review the implementation and effectiveness of the corporate mechanism(s) to ensure independent views and opinions are available to the board of directors;

(IX) to report its decisions or suggestions to the board of directors, except where it is prohibited to do so under laws or regulatory requirements;

(X) other requirements on the duties and authorities of the Nomination Committee according to the Listing Rules, as amended from time to time; and

(XI) other duties and powers authorized by the board of directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning board diversity as set out in the Company's Board Diversity Policy. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption. In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the Nomination Policy that are necessary to complement the corporate strategy and achieve board diversity, where appropriate, before making recommendation to the Board.

The following is a summary of work performed by the Nomination Committee from the Listing Date and up to the date of this Annual Report:

(i) reviewed the independence of the independent non-executive Directors;

(ii) reviewed the Board Diversity Policy;

(iii) reviewed the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board; and

(iv) reviewed the implementation and effectiveness of the corporate mechanism(s) to ensure independent views and opinions are available to the Board.

As the Company was listed on 9 January 2025, the Nomination Committee did not hold any meetings during the financial year ended 31 December 2024. From the Listing Date and up to the date of this Annual Report, 1 Nomination Committee meeting was held and the attendance of each committee member is set out below:

Director name	Attendance/Number of meetings form the Listing Date to the date of the Annual Report
Mr. Zhu Rongyuan *(Chairperson)*	1/1
Mr. Zhou Yang	1/1
Ms. Ng Sin Kiu (note)	1/1
Dr. Guan Yanmin (note)	N/A

Note: With effect from 28 March 2025, Dr. Guan Yanmin ceased to be a member of the Nomination Committee and Ms. Ng Sin Kiu was appointed as a member of the Nomination Committee.

ESG COMMITTEE

Our Company has established the ESG Committee with written terms of reference in compliance with the CG Code. The ESG committee consists of Mr. Zhao Mingzhu , Mr. Chen Zhiyuan, Mr. Chen Rui and Mr. Zhu Rongyuan, with Mr. Zhao Mingzhu being the chairperson of the committee.

Director name	Roles
Mr. Zhao Mingzhu *(executive Director)*	Chairperson
Mr. Chen Zhiyuan *(executive Director)*	Member
Mr. Chen Rui *(executive Director)*	Member
Mr. Zhu Rongyuan *(independent non-executive Director)*	Member

The primary functions of the ESG committee include, but not limited to, the following:

(I) To pay active attention to the research of the laws, regulations and policies related to the ESG, and to conduct research and make recommendations on the work direction regarding environmental protection, social responsibility and standardised governance of the Company;

(II) To study and formulate the strategic planning, structure of management, system and details of implementation of the Company's management of ESG;

(III) To identify and supervise risks and opportunities related to ESG that may significantly affect the business of the Company, and guide the management to take appropriate countermeasures against such risks and opportunities;

(IV) To guide, supervise and review the implementation of environmental, social responsibility and corporate governance efforts of the Company, and to make recommendations accordingly following assessing the Company's overall performance in the ESG;

(V) To review the environmental, social and corporate governance (ESG) related reports of the Company and other significant matters related to the ESG; and

(VI) Other matters as delegated by the board of directors.

The following is a summary of work performed by the ESG Committee from the Listing Date and up to the date of this Annual Report:

(i) reviewed the ESG report of the Company and other significant matters related to the ESG;

(ii) reviewed the implementation of environmental, social responsibility and corporate governance efforts of the Company, and to make recommendations accordingly following assessing the Company's overall performance in the ESG; and

(iii) identified and supervised risks and opportunities related to ESG that may significantly affect the business of the Company, and guide the management to take appropriate countermeasures against such risks and opportunities.

As the Company was listed on 9 January 2025, the ESG Committee did not hold any meetings during the financial year ended 31 December 2024.

From the Listing Date and up to the date of this Annual Report, 1 ESG committee meeting was held and the attendance of each committee member is set out below:

Director name	Attendance/Number of meetings form the Listing Date to the date of the Annual Report
Mr. Zhao Mingzhu *(Chairperson)*	1/1
Mr. Chen Zhiyuan	1/1
Mr. Chen Rui	1/1
Mr. Zhu Rongyuan	1/1

NOMINATION POLICY

The Company has adopted a Nomination Policy in accordance with the CG Code.

In accordance with the requirements under relevant laws and regulations, the Listing Rules and the Articles of Association, and in view of the actual condition of the Company, the Nomination Committee shall analyze the selection criteria, selection procedures and terms of office of directors and senior management of the Company to form a resolution and submit it to the board of directors for approval upon filing, and, if approved, implement the same accordingly.

The selection procedures of directors and senior management are as follows:

(I) the Nomination Committee shall actively communicate with the relevant departments of the Company to study the demand of the Company for new directors and senior management and to produce the result in writing;

(II) the Nomination Committee may extensively identify candidates for directors and senior management within the Company and its controlling (investee) enterprises as well as in the labor market;

(III) the Nomination Committee shall gather information about the occupation, education background, job title, detailed information in relation to the work experience and all the part-time positions of the preliminary proposed candidates, and to formulate written materials thereon;

(IV) the nominee shall not be deemed as the candidate for director or senior management unless his or her consent for nomination is obtained;

(V) the Nomination Committee shall convene a Nomination Committee meeting to review the qualifications of the candidates in accordance with the requirements for directors and senior management;

(VI) the Nomination Committee shall make suggestion to the board of directors regarding the candidates for the director and senior management position and submit relevant information to the board of directors one to two months prior to the election of new directors and appointment of new senior management;

(VII) the Nomination Committee shall carry out other follow-up work according to the decision of and feedback from the board of directors.

The Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- Diversity in all aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;
- Requirements of independent non-executive Directors on the Board and independence of the proposed independent non-executive Directors in accordance with the Listing Rules; and
- Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

The Nomination Committee shall also monitor and review the implementation of the Nomination Policy, as appropriate from time to time, and will report to the Board annually.

BOARD DIVERSITY POLICY

Pursuant to Rule 13.92 of the Listing Rules, the Nomination Committee shall have a policy concerning diversity of board members, and shall disclose the policy on diversity or a summary of the policy in the corporate governance report.

In order to achieve sustainable and balanced growth, the Company considers the enhancement of diversity at the Board level as a key element to support the achievement of its strategic objectives and its sustainable development.

The Company recognizes and welcomes the benefits of a diverse board and considers the increasing diversity of the Board as a key factor in supporting the Company's strategic objectives and sustainable development. In determining the composition of the Board, the Company will take into account the diversity of the Board from various perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, talents, skills, independence, knowledge and length of service, as well as any other factors that the Board may from time to time deem relevant and applicable. The Company will select potential candidates for election to the Board on the basis of their calibre and potential contribution to the Board, taking into account its business model and specific needs from time to time. The Company places great emphasis on ensuring that the Board has a balanced mix of skills and experience to provide a variety of views and perspectives, insights and inquiries to enable the Board to effectively discharge its duties, formulate sound policies on the core business and strategies of the Company and its subsidiaries and complement the succession planning and development of the Board. In order for the Board to be effective, the Company may set additional measurable objectives/specific diversification targets and review them from time to time to ensure that the relevant targets are appropriate and feasible.

The Nomination Committee will review this Board Diversity Policy, as and when appropriate, to ensure the effectiveness of it. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval. The Board will review the implementation and effectiveness of the board diversity policy on an annual basis. The Nomination Committee will monitor the implementation of this Board Diversity Policy.

As at the date of this Annual Report, our Board consists of seven male members and one female member with six Director of age 41 to 50 years old, two Directors of age 51 to 60 years old. Our Company has reviewed the membership, structure and composition of the Board, and is of the opinion that the structure of the Board is reasonable, and the experiences and skills of the Directors in various aspects and fields can enable our Company to maintain a high standard of operation.

The Board will take the opportunity to progressively increase the proportion of female directors in the selection and election of suitable candidates for electing to the Board. The Board will endeavour to ensure an appropriate balance between male and female members of the Board, taking into account the expectations of stakeholders and the best practices of international and local recommendations, with the ultimate goal of moving towards gender parity on the Board. The Board will also strive to have an appropriate proportion of Board members with direct experience of the Group's core markets, of different ethnic backgrounds and reflective of the Group's strategy. The Board of Directors shall include at least one (1) female director. The Company shall also ensure that gender diversity is maintained in the recruitment of mid-to-senior level employees, thereby enabling the Company to cultivate a talent pipeline for future female senior management and potential Board successors. The Company aims to maintain an appropriate gender diversity balance in alignment with stakeholder expectations and international and locally recommended best practices.

WORKFORCE DIVERSITY

The gender ratio of male to female in the workforce (including senior management) for Reporting Period is 65:35.

Diversity is a core value of the Company. The Company is committed to creating an inclusive and supportive work environment for its employees, where individual differences are respected and employees are treated with dignity. The Company is further committed to promoting gender empowerment, gender equality and gender diversity in its workforce and to providing equal opportunities in recruitment, training and development, compensation, career and promotion opportunities. The Company also recognizes the importance of gender diversity and will ensure that gender diversity is maintained in the recruitment of middle and senior level employees so that the Company will have a talent pool of female senior management and potential successors to the Board in the future. The Company aims to maintain an appropriate gender balance in line with stakeholder expectations and recommended international and local best practice.

For further details of gender ratio and initiatives taken to improve gender diversity together with the relevant data, please refer to the disclosure in the "Environmental, Social and Governance Report" which is to be published on the same day with this Annual Report.

CORPORATE GOVERNANCE FUNCTION

The Board is responsible for performing the functions set out in code provision A.2.1 of the CG Code. The Board had reviewed:

- the Company's policies and practices on corporate governance, compliance with legal and regulatory requirements;
- code of conduct and compliance manual (if any) applicable to employees and Directors;
- the Company's compliance with the CG Code and disclosure in the Corporate Governance Report; and
- training and continuous professional development of Directors and senior management relating to the roles, functions and duties of a director of a company listed on the Stock Exchange.

BOARD MEETINGS, COMMITTEE MEETINGS

The Company's H Shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited on 9 January 2025. The Company hold Board meetings at least four times annually, approximately once per quarter. The Nomination Committee, the Remuneration Committee and the ESG Committee hold meetings at least once a year, while the Audit Committee meets at least twice annually.

Sufficient notice in accordance with all applicable requirements shall be provided for all scheduled Board meetings and ad hoc Board or Committee meetings, ensuring all Directors or Committee members have adequate opportunity to attend and include matters on the meeting agenda. Agendas and accompanying Board materials are distributed to Directors or Committee members before the scheduled meeting date, allowing sufficient time for review and preparation.

If a Director or Committee member is unable to attend a meeting, they are informed of the agenda items in advance and provided an opportunity to raise comments or concerns to the Chairman or Committee members. Minutes of meetings are maintained by the company secretary, with copies distributed to the relevant Board or Committee for review and record-keeping.

The minutes of Board and Committee meetings comprehensively document the matters discussed, decisions made, and any concerns or dissenting views raised by members. Draft minutes of each Board or Committee meeting are circulated to relevant members for feedback within a reasonable timeframe following the meeting date. Finalized minutes are available for review by Directors at all times.

Code provision C.2.7 of the CG Code stipulates that the chairman of the Board should at least annually hold meeting with the independent non-executive Directors without the presence of other Directors. Due to the fact that the H Shares of the Company were listed on the Main Board of the Stock Exchange on 9 January 2025, there had not been any meeting held by the chairman of the Board with the independent non-executive Directors without the presence of other Directors from the Listing Date to the Latest Practicable Date.

Although the H Shares of the Company were listed on the Main Board of the Stock Exchange on 9 January 2025, the independent non-executive Directors attended two Board meetings during the financial year ended 31 December 2024 as required by the NEEQ.

The table below sets forth the details of the attendance at the Board meetings:

Director name	Attendance/ Number of Board Meetings before the Listing Date	Attendance/ Number of Board Meetings from the Listing Date to the date of the Annual Report
Mr. Zhou Yang	9/9	1/1
Mr. Zhao Mingzhu	9/9	1/1
Mr. Chen Zhiyuan	9/9	1/1
Mr. Shu Wa Tung, Laurence	9/9	1/1
Mr. Chen Rui	9/9	1/1
Mr. Zhu Rongyuan	2/2[(1)]	1/1
Dr. Guan Yanmin	2/2[(1)]	1/1
Ms. Ng Sin Kiu	2/2[(1)]	1/1

Note 1: Mr. Zhu Rongyuan, Dr. Guan Yanmin and Ms, Ng Sin Kiu (each an independent non-executive Director) attended two of the board meetings in 2024 before the Listing Date as required by the NEEQ.

RISKS AND UNCERTAINTIES RELATING TO THE COMPANY'S BUSINESS

The Company's financial condition, results of operations and business prospects may be affected by a number of risks and uncertainties related directly or indirectly to the Company's business. Below sets out the main risks and uncertainties of which the Company is aware. In addition to those listed below, there may be other risks and uncertainties not known to the Company or which may not be material at present but may become material in the future.

Macroeconomic Risk

Since shipping market conditions and fuel prices are heavily influenced by macroeconomic trends, changes in the global macroeconomic environment could lead to volatility in the Company's order volumes and product prices. The Company will continuously increase product diversity and service levels, intensify brand promotion and awareness campaigns, and actively expand domestic and international clientele. These efforts aim to effectively mitigate risks arising from macroeconomic fluctuations in China and maintain the Company's stable and sustainable operations.

Policy Risk

The promulgation and implementation of the MARPOL Convention have been a key driver behind the rapid growth of markets such as ship desulfurization, new energy applications, and decarbonization. Specific zones like Emission Control Areas (ECAs) impose stricter emission standards, requiring vessels navigating within them to install more efficient desulfurization and decarbonization equipment. Therefore, policy-driven factors are the fundamental cause of market development. If significant changes occur in regulatory standards or their enforcement zones in the future, it may adversely impact the development of the ship environmental protection market. The Company will monitor policy developments in real-time, thoroughly interpret regulatory requirements, diversify market and business strategies, and maintain competitive advantages.

Customer Concentration Risk

During the Reporting Period, the sales revenue from the Company's top four customers accounted for 70.5% of its total operating income. This high customer concentration is closely tied to the consolidated nature of the downstream industries, particularly the shipping industry, which exhibits large-scale and centralized characteristics. If the Company fails to meet clients' customized needs or adapt to other downstream market demands through product innovation, or if major customers experience significant declines in demand due to market downturns or operational challenges, the Company's financial performance may be adversely affected, leading to heightened volatility risks. The Company will expand domestic and international clientele to diversify revenue sources and reduce reliance on key accounts and optimize products and services, offering customized solutions tailored to client requirements to strengthen partnerships and enhance customer stickiness.

Foreign Exchange Loss Risk

The Company's overseas sales are primarily settled in US dollars. During the Reporting Period, significant fluctuations in the RMB-USD exchange rate led to substantial changes in foreign exchange gains/losses. If exchange rates continue to experience high volatility in the future, the company may face increased risks of exchange losses due to currency fluctuations. The Company will closely monitor international exchange rate movements, implement risk controls in accordance with its established Foreign Exchange Risk Management Policy and Capital Planning Management System, optimize capital allocation, and effectively mitigate exchange loss risk.

Changes in Tax Incentive Policies Risk

During the Reporting Period, the Company has benefited from tax incentive policies such as those for high-tech enterprises. If future changes in national tax policies render the Company's business ineligible for these preferential treatments, or if the Company fails to meet the legally mandated tax-related conditions, its tax burden may increase, adversely affecting financial performance. The Company will closely monitor policy updates, proactively analyze the latest tax incentive policies to ensure compliance and strategic alignment and optimize tax planning. We will also strengthen financial resilience by enhancing cash flow management and reserve buffers to mitigate potential tax-related volatility,

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it is responsible for maintaining appropriate and effective risk management and internal control systems. The systems are designed to manage rather than eliminate risks of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has established and implemented a comprehensive risk management mechanism, clarifies requirements for business process control, authorization control, financing control, prevention of conflicts of interest, investment control, and accounting system control, etc.

The Board confirmed that the systems were in place and were effective throughout the Reporting Period.

Internal Control System

The Company has established an internal control system which enables to prevent and control the risks, and improve the Company's risk management level. The components of the internal control system framework are set out below:

- the establishment of the Audit Committee responsible for overseeing our financial records, internal control procedures and risk management systems.

- the appointment of Mr. Shu Wa Tung, Laurence as the company secretary of our Company to ensure the compliance of our operation with relevant laws and regulations.

- the appointment of China Galaxy International Securities (Hong Kong) Co., Limited as our compliance adviser to advise us on compliance with the Listing Rules.

- the engagement of external legal advisers to advise us on compliance with the Listing Rules and to ensure our compliance with relevant regulatory requirements and applicable laws, where necessary.

Based on the internal monitoring review conducted as of the date of this Annual Report, no material internal monitoring deficiencies were identified.

Effectiveness of Risk Management and Internal Control Systems

The Board of Directors confirms its responsibility for maintaining appropriate and effective risk management and internal control systems. These systems are designed to manage, rather than eliminate, the risk of failing to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatements or losses. The Board affirms that the systems operated effectively throughout the reporting period.

The Board, through its annual review and the annual review conducted by its internal audit department and the Audit Committee which covered all the significant controls of the Group including financial, operational and compliance controls during the Reporting Period, concluded that the risk management and internal control systems were effective and adequate during the Reporting Period.

Internal Audit Function

The Audit Committee is responsible for overseeing our financial records, internal control procedures and risk management systems. At the same time, the internal audit department assists the Audit Committee in handling the daily internal audit practices and directly report to the Audit Committee on the progress, quality and execution of the internal audit work.

Anti-corruption

Our company maintains a zero-tolerance stance against bribery, corruption, extortion, and similar misconduct. To uphold this principle, we have established a robust anti-corruption framework, including:

- Internal Policies: The *Employee Handbook* and *Anti-Fraud and Anti-Corruption Policies* clearly define prohibited conduct (e.g., fraud, bribery, corruption) and outline our internal control programs targeting fraud and corruption.

- Governance Oversight: The Board of Directors oversees the implementation of these measures and fosters a culture of integrity through:

    - Ethics Training: In 2024, mandatory anti-corruption training sessions (totaling two hours) were provided to all directors and employees, emphasizing compliance and ethical business practices.

    - Cultural Initiatives: Promoting an internal culture of integrity and accountability.

Whistle-blowing Policies

We have put in place a whistle-blowing channel where employees and other relevant parties can file complaint or report violation acts.

DISSEMINATION OF INSIDE INFORMATION

The Group regulates the handling and dissemination of inside information according to internal procedures and policy so as to ensure inside information remains confidential until the disclosure and publication of such information is appropriately approved, and the dissemination of such information is efficiently and consistently made.

The Board is responsible for approving the *Measures for the Prevention of Insider Dealing and the Reporting of Material Information*, which are intended to provide guidelines, practices and procedures to assist the Group's elite and senior officers in conveying inside information to the Board to enable it to make timely disclosure decisions (if necessary); and communicate with the Group's shareholders in a manner consistent with the SFO and the Listing Rules.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Company for the Reporting Period.

The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

AUDITOR'S REMUNERATION

The Company appointed Deloitte Touche Tohmatsu, Certified Public Accountants and Registered Public Interest Entity Auditor as the auditors under the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange for the Reporting Period. A statement by Deloitte Touche Tohmatsu about their reporting responsibilities for the financial statements is included in the Independent Auditor's Report of this Annual Report.

Details of the fees paid or payable to the Company's auditors, in respect of the audit and non-audit services for the Reporting Period are set out in the table below:

Services rendered for the Company	RMB '000
Audit and audit related services including IPO audit service	4,660
Non-audit services: Compliance service	370
TOTAL	5,030

COMPANY SECRETARY

Mr. Shu Wa Tung, Laurence is the company secretary of the Company. In compliance with Rule 3.29 of the Listing Rules, Mr. Shu Wa Tung, Laurence undertook the relevant professional training to update their skills and knowledge during the Reporting Period.

SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, a separate resolution will be proposed by the chairman of that meeting for each substantially separate issue at Shareholder meetings, including nomination and election of individual directors. All resolutions put forward at Shareholder meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each Shareholder meeting in accordance with the Listing Rules.

Procedures for Shareholders to convene an extraordinary general meeting

Pursuant to the Article 53 of the Articles of Association, shareholders individually or jointly holding 10% or more of the Company's shares have the right to request the Board of Directors to convene an extraordinary general meeting, and shall submit such request to the Board of Directors in writing. The Board of Directors shall, in accordance with the provisions of laws, administrative regulations and the Articles of Association, give written feedback on whether it agrees or disagrees with the convening of the extraordinary general meeting within 10 days upon receipt of the request.

If the Board of Directors agrees to convene an extraordinary general meeting, the Board of Directors will issue a notice of convening the shareholders' meeting within five days after the Board of Directors' resolution is made, and any changes to the original request contained in the notice shall be approved by the shareholders concerned.

If the Board of Directors disagrees to convene an extraordinary general meeting or fails to provide feedback within 10 days upon receipt of the request, shareholders individually or jointly holding 10% or more of the Company's shares shall have the right to propose to the board of supervisors to convene an extraordinary general meeting and shall submit such request to the board of supervisors in writing.

If the board of supervisors agrees to convene an extraordinary general meeting, the board of supervisors will issue a notice of convening the shareholders' meeting within five days upon receipt of the request, and any changes to the original request contained in the notice shall be approved by the shareholders concerned.

If the board of supervisors fails to issue the notice of convening the extraordinary general meeting within the prescribed period, it shall be deemed that the board of supervisors does not convene and preside over the shareholders' meeting, in which case shareholders individually or jointly holding 10% or more of the Company's shares for more than 90 consecutive days can convene and preside over the shareholders' meeting of its own accord Prior to the announcement of the resolution adopted at the shareholders' meeting, shareholders convening the shareholders' meeting shall jointly hold 10% or more of the Company's shares.

When shareholders individually or jointly holding 10% or more of the Company's shares request to convene an extraordinary general meeting, the Board of Directors and the board of supervisors shall make a decision on whether to convene the extraordinary general meeting and reply to the shareholders in writing within 10 days upon receipt of the request.

Procedures for putting forward proposals at general meeting

Pursuant to the Article 58 of the Articles of Association, when the Company convenes a shareholders' meeting, the Board of Directors, the board of supervisors and shareholders individually or jointly holding 1% or more of the Company's shares are entitled to submit proposals to the Company. Shareholders individually or jointly holding 1% or more of the Company's shares may make a provisional proposal and submit it in writing to the convener 10 days prior to the convening of the shareholders' meeting. The convener of the shareholders' meeting shall issue a supplemental notice of shareholders' meeting within two days upon receipt of such proposal, setting out the content of the provisional proposal and submitting such provisional proposal to the shareholders' meeting for consideration; provided, however, that the provisional proposal shall be in compliance with the provisions of the laws, administrative regulations or the Articles of Association or shall fall within the scope of functions and powers of the shareholders' meeting.

Except as provided in the preceding paragraph, the convener shall not modify or add new proposals after issuing the notice of shareholders' meeting. No vote or resolutions shall be cast or passed in the shareholders' meeting on proposals that are not listed in the notice of shareholders' meeting or that do not comply with laws, regulations and the Articles of Association.

In the notices of shareholders' meetings and their supplementary notices, the specific content of the proposal as well as all the information or explanations needed to enable shareholders to make reasonable judgments on the matters to be discussed should be adequately and completely disclosed.

Inquiries to the Board or Proposals at Company's General Meetings

Shareholders and investors may send written enquiries or requests to the Company and proposals at general meetings of the Company as follows:

Address: Unit 3002, 30/F, South Tower, Shanghai International Fortune Center, No. 36 Xin Jin Qiao Road, Pudong New District, Shanghai

Email: ir@contioceangroup.com
Telephone: (+86) 21-50315500
Fax: (+86) 21-50310066

Enquiries will be dealt with in a timely and informative manner.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and understanding of the Group's business performance and strategies. The Company recognizes the importance of timely and non-selective disclosure of information, which will enable Shareholders and investors to make the informed investment decisions.

The Company adopted the Shareholders' Communication Policy, which sets out the framework the Company has put in place to promote effective communication with shareholders so as to enable them to engage actively with the Company and exercise their rights as shareholders in an informed manner. The Shareholders' Communication Policy will be reviewed on a regular basis by the Board.

The Company also has a website at http://www.contioceangroup.com with a dedicated "Investor Relations" section containing corporate communications documents, Listings documents, announcements, reports, company information and other documents published by the Company on the website of the Hong Kong Stock Exchange for public inspection. The Company's website serves as a platform for communication with shareholders and investors.

Shareholders and investors may also write to the Company's principal place of business and headquarters in the PRC at Unit 3002, 30/F, South Tower, Shanghai International Fortune Center, No. 36 Xin Jin Qiao Road, Pudong New District, Shanghai or email to ir@contioceangroup.com for enquiries. Such enquiries will be responded to as soon as possible.

Information shall be provided to the Shareholders and the investment community mainly through the following communication channels:

(a) the Company's announcements, circulars, interim reports and annual reports etc.;

(b) the Company's annual general meetings and extraordinary general meetings;

(c) investors and analysts meetings;

(d) press releases; and

(e) the Company's website at http://www.contioceangroup.com and the HKEX news website of the Stock Exchange at https://www.hkexnews.hk.

The Board regularly reviews the Shareholders' Communication Policy on an annual basis to ensure its effectiveness. After reviewing the various measures, the Board is of the view that the Shareholders' Communication Policy for the year ended 31 December 2024 has been properly implemented and effective.

DIVIDEND POLICY

Subject to Articles of Association and the PRC Company Law, we have adopted the dividend policy as below:

(1) The Company shall prioritize reasonable investment returns for shareholders, ensuring the continuity and stability of its profit distribution policy.

(2) The principles for dividend distribution shall include:

  (i) Compliance with applicable laws, regulations, and our articles of association, including adherence to prescribed conditions and procedures;

  (ii) Balancing long-term corporate development with equitable returns to investors;

  (iii) Equal rights and benefits for shares of the same class.

(3) The Company may adopt cash dividends, stock dividends, or a combination of cash and stock for profit distribution.

Upon approval of the profit distribution plan at the shareholders' meeting, the Board of Directors must complete the dividend (or stock) distribution procedures within 2 months after the shareholders' meeting.

CHANGES IN ARTICLES OF ASSOCIATION

The Articles of Association has been amended and restated with effect from the Listing Date, and are available on the respective websites of the Stock Exchange and the Company. On 28 March 2025, the Board further proposed amendments to the Articles of Association to reflect the changes as a result of the listing of the H shares of the Company on the Stock Exchange. The proposed amendments are to be approved by the shareholders of the Company by way of special resolution at the AGM. For details, please refer to the Company’s announcement dated 28 March 2025. Save as disclosed above, there have been no other changes in constitutional documents of the Company after Listing.

Report of Directors

The Board of Directors is pleased to submit this Annual Report together with the audited financial statements of the Group for the Reporting Period.

BOARD OF DIRECTORS

The Board currently comprises five executive Directors and three independent non-executive Directors.

The Directors, from the Listing Date and up to the date of this Annual Report were:

Executive Directors

Mr. Zhou Yang *(Chairman)*
Mr. Zhao Mingzhu
Mr. Chen Zhiyuan
Mr. Shu Wa Tung, Laurence
Mr. Chen Rui

Independent Non-executive Directors

Mr. Zhu Rongyuan
Dr. Guan Yanmin
Ms. Ng Sin Kiu

The biographical details of the current Directors are set out in the section of "Directors, Supervisors and Senior Management" of this Annual Report. The Company has received written confirmation from all independent non-executive Directors regarding their independence as required under Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors to be independent.

GENERAL INFORMATION

The Company was established as a limited liability company in the PRC on 31 May 2017 and was converted into a joint stock company with limited liability on 28 December 2022 under the laws of the PRC. The Company's H Shares were initially listed on the Main Board of the Stock Exchange on 9 January 2025.

PRINCIPAL ACTIVITIES

We are a world leading maritime environmental protection equipment and system provider serving customers from different region.

An analysis of the Company's revenue and operating profit for the year by principal activities is set out in the section of "Management Discussion and Analysis" in this Annual Report.

Corporate Risk Disclosure Statement

The Board of Directors is aware that the Group's financial position, operating performance, business operations, and future prospects may be impacted by various risks and uncertainties. Key risks are set out in the Corporate Governance Report in this Annual Report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Company is committed to operating its business in compliance with applicable environmental protection laws and regulations and has implemented relevant environmental protection measures in compliance with the required standards under applicable PRC laws and regulations. Further details of the Company's environmental policies and performance are disclosed in the "Environmental, Social and Governance Report" which is to be published on the same day with this Annual Report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended 31 December 2024, there was no material breach of, or non-compliance with, applicable laws and regulations by the Group.

EMPLOYEES AND REMUNERATION POLICIES

The Company enters into employment contracts with employees, establishes a standardized compensation system, and contributes to employees' social insurance and housing provident fund. The Company continuously optimizes institutional documents such as the *Personnel Management System* and the *Employee Handbook*, implementing them in strict accordance with established regulations. Meanwhile, tailored to distinct business requirements across different departments, the Company implements position-based incentive policies, effectively enhancing employees' work motivation.

RETIREMENT BENEFITS SCHEME

The employees of the Group's subsidiary in PRC are members of a state-managed retirement benefit scheme organized by the relevant local government authority in the PRC. The subsidiary is required to contribute, based on a certain percentage of the payroll costs of its employees, to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions. There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions. For details on pension contributions, please refer to note 36 to the consolidated financial statements.

MAJOR SUPPLIERS AND CUSTOMERS

For the year ended 31 December 2024, the revenue contributed by the Group's largest customer accounted for approximately 23% of the Group's total revenue for the same year, while the total revenue contributed by its top five customers accounted for approximately 76% of the Group's total revenue for the same year.

For the year ended 31 December 2024, the procurement from the top five suppliers accounted for 43% of the Group's total amount, with the largest supplier accounted for approximately 16% of the Group's total procurement.

Save as disclosed above, the Directors, their close associates or any Shareholders (which to the knowledge of the Directors own more than 5% of the Company's issued share capital) do not have any interest in any of the abovementioned major customers.

BIOGRAPHIES OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The biographical details of the Directors, Supervisors and senior management of the Company during the Reporting Period are set out in the section of "Directors, Supervisors and Senior Management" of this annual report.

CHANGES IN INFORMATION OF DIRECTORS AND SUPERVISORS

Save as disclosed in this Annual Report, the Directors and Supervisors confirm that there is no information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules as at the date of this Annual Report.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of our Directors and Supervisors has entered into a service contract with our Company. The principal particulars of these service contracts comprise (a) a term of three years commencing from the date of appointment; and (b) termination provisions in accordance with their respective terms. Our Directors may be re-appointed subject to Shareholders' approval.

None of the Directors has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this Annual Report, at no time during the year ended 31 December 2024 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors and the Supervisors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate; and none of the Directors and the Supervisors, or any of their spouse or children under the age of 18, had any right to subscribe for equity or debt securities of the Company or any other body corporate, or had exercised any such right.

REMUNERATION OF THE DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND FIVE HIGHEST PAID INDIVIDUALS

The Remuneration Committee is set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance of the Directors and senior management and comparable market practices.

The Company has adopted the Pre-IPO Share Option Scheme as incentive to eligible employees, details of the scheme are set out in the paragraph headed "Share Option Scheme" below.

Details of the Directors' Supervisors', senior management's emoluments and emoluments of the five highest paid individuals in the Group are set out in note 13 to the consolidated financial statements.

In accordance with code provision E.1.5 of the CG Code, the remuneration range of the Group's senior management during the Reporting Period are set out in the table below:

	Year ended 31 December	
	2024	2023
	No. of employees	No. of employees
HK$1,000,001 to HK$1,500,000	**–**	2
HK$1,500,001 to HK$2,000,000	**2**	–
HK$2,000,001 to HK$2,500,000	**1**	–
HK$2,500,001 to HK$3,000,000	**2**	2
HK$7,500,001 to HK$8,000,000	**–**	1
	5	5

INTERESTS OF THE DIRECTORS, SUPERVISORS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACT OF SIGNIFICANCE

The Directors have confirmed that other than business of the Group, none of the Directors, Supervisors and entities connected with the Directors or Supervisors had a material interest, directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the Reporting Period.

CONTROLLING SHAREHOLDERS' INTEREST IN CONTRACT OF SIGNIFICANCE

No contract of significance was entered into between the Company or any of its subsidiaries and the Controlling Shareholders or any of their subsidiaries, and no contract of significance for the provision of services to the Company or any of its subsidiaries by Controlling Shareholders or any of their subsidiaries was entered into during the Reporting Period.

DIRECTORS INTERESTS IN COMPETING BUSINESS

During the Reporting Period, none of the Directors or their respective close associates (as defined in the Listing Rules) had any interest in a business that competed or was likely to compete, either directly or indirectly, with the business of the Group, other than being a director of the Company and/or its subsidiaries.

MANAGEMENT CONTRACTS

No contract, concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended 31 December 2024.

DEED OF NON-COMPETITION

The deed of non-competition dated 12 October 2023 (the "Deed of Non-Competition") was entered into by each of the Controlling Shareholders in favor of the Company, as further described under the section headed "Relationship with our Controlling Shareholders — Non-competition Undertaking" in the Prospectus. The Company has received an annual declaration in writing from each Controlling Shareholder confirming that it had complied with the non-competition undertakings provided to the Company under the Deed of Non-Competition. The independent non-executive Directors reviewed the status of compliance and enforcement of the Deed of Non-Competition and confirmed that all the undertakings thereunder have been complied with for the year ended 31 December 2024.

RELATIONS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The success of the Group relies on the support of important relations such as employees, suppliers and customers.

The Company maintains a good relationship with its employees, customers, suppliers and investors in order to ensure our business continues to develop.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

No related party transactions and connected transactions occurred during the Reporting Period.

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

As at the Latest Practicable Date, so far as the Directors are aware, the following persons (other than the Directors, Supervisors or chief executive of the Company) had or were deemed or taken to have interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in the Shares or underlying Shares of the Company

Name	Nature of Interest	Class of Shares	Number of Shares [1]	Approximate percentage of relevant class of share capital (%)	Approximate shareholding percentage in total share capital of the Company (%)
Mr. Zhou Yang[2]	Beneficial owner	Non-H Share	9,787,500 (L)	32.63	24.47
		H Share	250,000 (L)[4]	2.50	0.63
	Interest in controlled corporation	Non-H Share	2,400,000 (L)	8.00	6.00
	Interest held jointly with another person	Non-H Share	16,312,500 (L)	54.38	40.78
		H Share	500,000 (L)	5.00	1.25
Mr. Zhao Mingzhu[2]	Beneficial owner	Non-H Share	8,156,250 (L)	27.19	20.39
		H Share	250,000 (L)[4]	2.50	0.63
	Interest in controlled corporation	Non-H Share	2,400,000 (L)	8.00	6.00
	Interest held jointly with another person	Non-H Share	17,943,750 (L)	59.81	44.86
		H Share	500,000 (L)	5.00	1.25
Mr. Chen Zhiyuan[2]	Beneficial owner	Non-H Share	8,156,250 (L)	27.19	20.39
		H Share	250,000 (L)[4]	2.50	0.63
	Interest in a controlled corporation	Non-H Share	2,400,000 (L)	8.00	6.00
	Interest held jointly with another person	Non-H Share	17,943,750 (L)	59.81	44.86
		H Share	500,000 (L)	5.00	1.25
Mr. Shu Wa Tung, Laurence	Beneficial owner	Non-H Share	1,500,000 (L)	5.00	3.75
		H Share	200,000 (L)[4]	2.00	0.50
Mr. Chen Rui	Interest in a controlled corporation[3]	Non-H Share	300,000 (L)	1.00	0.75
	Beneficial owner	H Share	300,000 (L)[4]	3.00	0.75
Mr. Shen Xiaowei	Interest in a controlled corporation[3]	Non-H Share	600,000 (L)	2.00	1.50
Mr. Yu Yuanyang	Interest in a controlled corporation[3]	Non-H Share	300,000 (L)	1.00	0.75

Notes:

(1) The letter "L" denotes respectively a "long position" (as defined under Part XV of the SFO) in such Shares.

(2) Mr. Zhou Yang, Mr. Zhao Mingzhu, and Mr. Chen Zhiyuan are parties acting in concert. Please see "Relationship with Our Controlling Shareholders — Controlling Shareholders — The Concert Party Agreement" in the Prospectus for further details. In addition, for the purpose of Part XV of the SFO, each of them is deemed to be interested in the 2,400,000 Shares held by ContiOcean Development, whose general partner is ContiOcean Industrial, a company owned by Mr. Zhou Yang, Mr. Zhao Mingzhu and Mr. Chen Zhiyuan.

(3) Pursuant to the partnership agreement among the partners of ContiOcean Development (a limited partnership that holds 2,400,000 Shares), each of Mr. Chen Rui, Mr. Shen Xiaowei and Mr. Yu Yuanyang is interested in 12.50%, 25.00% and 12.50% interest in the partnership, respectively. Each of Mr. Chen Rui, Mr. Shen Xiaowei and Mr. Yu Yuanyang is deemed to be proportionately interested in the corresponding 300,000 Shares, 600,000 Shares and 300,000 Shares, respectively, held by ContiOcean Development.

(4) Each of Mr. Zhou Yang, Mr. Zhao Mingzhu, Mr. Chen Zhiyuan, Mr. Shu Wa Tung, Laurence and Mr. Chen Rui was granted share options under the Pre-IPO Share Option Scheme to each subscribe for 250,000 Shares, 250,000 Shares, 250,000 Shares, 200,000 Shares and 300,000 Shares.

Save as disclosed above, as at the Latest Practicable Date, there were no other persons (other than the Directors, Supervisor and chief executives of the Company) had or was deemed to have any interests or short positions in the shares, underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified the Company or the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or which were required to be entered in the register required to be kept by the Company pursuant to Section 336 of the SFO.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at the Latest Practicable Date, so far as the Directors are aware, the following persons (other than the Directors, Supervisors or chief executive of the Company) had or were deemed or taken to have interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Nature of Interest	Class of Share	Number of Shares[1]	Approximate percentage of relevant class of share capital (%)	Approximate shareholding percentage in total share capital of the Company (%)
Ms. Sun Xin[2]	Interest of spouse	Non-H Share	28,500,000 (L)	95.00	71.25
		H Share	750,000 (L)	7.50	1.88
Ms. Sun Wenting[3]	Interest of spouse	Non-H Share	28,500,000 (L)	95.00	71.25
		H Share	750,000 (L)	7.50	1.88
Ms. Sun Yuanyuan[4]	Interest of spouse	Non-H Share	28,500,000 (L)	95.00	71.25
		H Share	750,000 (L)	7.50	1.88
Ms. Ko Ming Mei Joanna[5]	Interest of spouse	Non-H Share	1,500,000 (L)	5.00	3.75
China Credit Trust Co., Ltd[6]	Interest in a controlled corporation	H Share	2,443,000 (L)	24.43	6.11
Harvest Fund Management Co., Ltd.[6]	Interest in a controlled corporation	H Share	2,443,000 (L)	24.43	6.11
ContiOcean Industrial[7]	Interest in a controlled corporation	Non-H Share	2,400,000 (L)	24.00	6.00
ContiOcean Development[7]	Beneficial owner	Non-H Share	2,400,000 (L)	24.00	6.00
Matrix Income SPC — Matrix Income SP[8]	Investment manager	H Share	1,170,500 (L)	11.71	2.93
Invincible Investment SPC — Invincible Stable Growth SP[9]	Investment manager	H Share	870,000 (L)	8.70	2.18
Mr. Liu Zhile[10]	Beneficial owner	H Share	732,900 (L)	7.33	1.83

Notes:

(1) The letter "L" denotes a "long position" (as defined under Part XV of the SFO) in such Shares.

(2) Ms. Sun Xin, who is the spouse of Mr. Zhou Yang, is deemed to be interested in all the Shares in which Mr. Zhou Yang is interested.

(3) Ms. Sun Wenting, who is the spouse of Mr. Zhao Mingzhu, is deemed to be interested in all the Shares in which Mr. Zhao Mingzhu is interested.

(4) Ms. Sun Yuanyuan, who is the spouse of Mr. Chen Zhiyuan, is deemed to be interested in all the Shares in which Mr. Chen Zhiyuan is interested.

(5) Ms. Ko Ming Mei Joanna, who is the spouse of Mr. Shu Wa Tung, Laurence, is deemed to be interested in all the Shares in which Mr. Shu Wa Tung Laurance, is interested.

(6) According to the disclosure of interests form submitted by China Credit Trust Co., Ltd and Harvest Fund Management Co., Ltd. dated 9 January 2025, Harvest International Premium Value (Secondary Market) Fund SPC on behalf of Harvest Oriental SP is owned as to 91% by Harvest Global Investments Limited. Harvest Global Investments Limited is in turn owned as to 100% by Harvest Fund Management Co., Ltd. Harvest Fund Management Co., Ltd. is in turn owned as to 40% by China Credit Trust Co., Ltd. China Credit Trust Co., Ltd. and Harvest Fund Management Co., Ltd. are therefore deemed to be interested in 2,443,000 H Shares beneficially owned by Harvest International Premium Value (Secondary Market) Fund SPC on behalf of Harvest Oriental SP.

(7) ContiOcean Industrial is the general partner of ContiOcean Development. ContiOcean Industrial is therefore deemed to be interested in the 2,400,000 Non-H Shares held by ContiOcean Development.

(8) According to the disclosure of interests form submitted by Matrix Income SPC — Matrix Income SP dated 9 January 2025, Matrix Income SPC — Matrix Income SP is interested in 1,170,500 H Shares in the capacity of investment manager.

(9) According to the disclosure of interests form submitted by Invincible Investment SPC — Invincible Stable Growth SP dated 9 January 2025, Invincible Investment SPC — Invincible Stable Growth SP is interested in 870,000 H Shares in the capacity of investment manager.

(10) According to the disclosure of interests form submitted by Mr. Liu Zhile dated 9 January 2025, he is the beneficial owner of 732,900 H Shares.

Save as disclosed above, as at the Latest Practicable Date, there were no other persons (other than the Directors, Supervisor and chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified the Company or the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or which were required to be entered in the register required to be kept by the Company pursuant to Section 336 of the SFO.

PRE-IPO SHARE OPTION SCHEME

The following is a summary of the principal terms of the Pre-IPO Share Option Scheme which became effective on 27 July 2024. The terms of the Pre-IPO Share Option Scheme are not subject to the provisions of Chapter 17 of the Listing Rules as it does not involve the grant of options by the Company after the Listing.

(a) Purpose

The purpose of the Pre-IPO Share Option Scheme is to improve our Company's incentive mechanism to attract and retain outstanding talents, to better align the interests of our Company's employees and senior management with those of the Shareholders and our Company, and to promote the long-term, sustainable and healthy development of our Company.

(b) Number of Shares

The maximum number of Shares underlying the options under the Pre-IPO Share Option Scheme shall be 3,930,000 H Shares, representing approximately 13.1% of the issued share capital of the Company on 27 July 2024 (being the date of approval of the scheme). Each option entitles the purchase of one H Share. There is no reserved entitlement under the Pre-IPO Share Option Scheme. No further options will be granted under the Pre-IPO Share Option Scheme after Listing.

(c) Participants

The Participants of the Pre-IPO Share Option Scheme are our executive Directors, senior managements (as defined under the Articles of Association) and core employees working for our Group as approved by the shareholders' meeting of the Company.

(d) Administration

The Board is responsible for the implementation of the Pre-IPO Share Option Scheme.

(e) Implementation

Adjustment of the number of share options and the exercise price: In the event of any conversion of capital reserve into share capital, distribution of stock dividends, share split, reduction of share capital, allotment of shares or distribution of dividends by the Company before exercise of share options, the number of share options and the exercise price shall be adjusted accordingly pursuant to the terms of the Pre-IPO Share Option Scheme.

Alternation and termination of the Pre-IPO Share Option Scheme: Shareholders' approval is required for considering and approving the implementation, alteration and termination of the Pre-IPO Share Option Scheme and authorizing the Board for handling certain matters relating to the Pre-IPO Share Option Scheme. Upon the termination of the Pre-IPO Share Option Scheme, the Company shall cancel any outstanding share options. The total number of share options available for grant under the Pre-IPO Share Option Scheme is 3,930,000 H Shares, which have been granted on 29 July 2024.

(f) Date of grant of options

All options under the Pre-IPO Share Option Scheme have been granted on 29 July 2024. No consideration was paid for the grant of such options, which is to align with the purpose of the Pre-IPO Share Option Scheme as disclosed above. No further options will be granted under the Pre-IPO Share Option Scheme.

(g) Exercising Arrangement

The options granted under the Pre-IPO Share Option Scheme shall be exercised in tranches as per the agreed proportions upon satisfaction of the exercising conditions. The exercising date must be a trading day within the validity period of the Pre-IPO Share Option Scheme. Details of the exercising period and exercising arrangements for all options granted under the Pre-IPO Share Option Scheme are as follows:

Exercising period	Exercising time	Exercising proportion
First exercising period	From the first trading day after 12 months from the Listing Date to the last trading day within 24 months from the Listing Date	33%
Second exercising period	From the first trading day after 24 months from the Listing Date to the last trading day within 36 months from the Listing Date	33%
Third exercising period	From the first trading day after 36 months from the Listing Date to the last trading day within 48 months from the Listing Date	34%

(h) Exercise of Options

The Board shall consider whether the exercising conditions stipulated in the Pre-IPO Share Option Scheme are satisfied. The exercising conditions stipulated in the Pre-IPO Share Options Scheme include performance targets at both Company-level and grantee-level. The Company-level performance target is based on the net profit of the Company during the exercising period. The grantee-level performance target is based on the annual grantee-level performance appraisal of the relevant grantee. Only those grantees who achieve at least a grantee-level performance appraisal of satisfactory standard are qualified to exercise their options. For grantees who satisfy the exercising conditions, the Company may make centralized arrangements for the exercise of share options and handle relevant matters of the exercise. For grantees who fail to satisfy the conditions, the Company shall cancel their share options with respect to such exercise that they have applied for.

Exercise price of share options: The exercise price of all share options granted under the Pre-IPO Share Option Scheme is RMB25 per H Share. The exercise price was determined by reference to the fair value per share established in the issuer's asset valuation report as of 30 November 2023.

Cancellation of options: If a grantee fails to apply for exercise of options within the requisite period or is unable to apply for exercise of options due to the failure to meet exercising conditions, the Company shall cancel the corresponding options that have not been exercised according to the specified rules under the Pre-IPO Share Option Scheme.

(i) Expiry of options

The validity period for all of the options granted under the Pre-IPO Share Option Scheme shall be from 29 July 2024 (being the date of grant) to the date on which the relevant share option granted are exercised or cancelled, which in any event will not be longer than 10 years from the date of grant. The Participants of the Pre-IPO Share Option Scheme may only exercise their options within the validity period in accordance with relevant rules. After the expiry of the validity period, all outstanding share options will lapse and be cancelled.

(j) Rights and restrictions attached to the Pre-IPO Share Option Scheme

The Participants who are granted options under the Pre-IPO Share Option Scheme shall abide by the rights and obligations under the Pre-IPO Share Option Scheme and relevant laws and regulations. Share options under the Pre-IPO Share Option Scheme shall not be transferred, used as security or to repay debts. If a Participant leaves the Group for any reason other than death, disability, retirement or redeployment, that Participant's unexercised and unvested options under the Pre-IPO Share Option Scheme will be cancelled by the Company. Such Participant's exercised options under the Pre-IPO Share Option Scheme will not be affected. If a Participant retires and continues to provide services to the Group, the Participant's options under the Pre-IPO Share Option Scheme will remain valid and the individual performance target in relation to exercising conditions will be based on the combined performance of the original and new positions. If a Participant retires and does not continue to provide services to the Group, that Participant's unexercised and unvested options under the Pre-IPO Share Option Scheme will be cancelled by the Company.

(k) Summary of Grantees

On 29 July 2024, our Company granted share options for an aggregate of 3,930,000 H Shares (being the maximum number of H Shares underlying the options under the Pre-IPO Share Option Scheme), representing 9.83% of the issued share capital of the Company immediately following completion of the Global Offering to 50 grantees.

Details of the share options under the Pre-IPO Share Option Scheme during the Year are as follows:

Grantee	Number of outstanding share options as at 1 January 2024	Number of share options granted during the Reporting Period	Number of share options exercised during the Reporting Period	Number of share options cancellled during the Reporting Period	Number of outstanding share options lapsed in accordance with the terms of the scheme during the Reporting Period	Number of outstanding share options as at the end of the Reporting Period
Directors						
Zhou Yang	0	250,000	0	0	82,500(Note)	167,500
Zhao Mingzhu	0	250,000	0	0	82,500(Note)	167,500
Chen Zhiyuan	0	250,000	0	0	82,500(Note)	167,500
Shu Wa Tung, Laurence	0	200,000	0	0	66,000(Note)	134,000
Chen Rui	0	300,000	0	0	99,000(Note)	201,000
Employees (Other than Directors)						
45 other company's employees	0	2,680,000	0	0	904,500(Note)	1,775,500
Total	0	3,930,000	0	0	1,317,000	2,613,000

Note:

These options were regarded as lapsed during the year ended 31 December 2024 in accordance with the terms of the scheme.

The number of Shares that may be issued in respect of share options granted during the Year under the Pre-IPO Share Option Scheme divided by the weighted average number of Shares of the relevant class in issue for the year ended 31 December 2024 was nil as no H Share was issued before the Listing Date.

The vesting period of the Pre-IPO Share Option Scheme is from the date of grant until the commencement of the period during which they are exercisable.

The Pre-IPO Share Option Scheme will expire on 28 July 2034 unless otherwise cancelled or amended. As at the date of this Annual Report, the remaining period of validity of the Pre-IPO Share Option Scheme is approximately 9 years.

MATERIAL LITIGATION

The Company was not involved in any litigation, arbitration or claim of material importance, during the year ended 31 December 2024 The Directors are also not aware of any litigation, arbitration or claim of material importance that are pending or threatened against the Group which would have a material adverse effect on our financial condition or results of operations, taken as a whole, during the year ended 31 December 2024.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the Reporting Period.

SHARE CAPITAL AND SHARES ISSUED

On 9 January 2025, the Company was listed on the Main Board of the Stock Exchange of Hong Kong Limited. Base on the offer price HK$31.8 per share, the net proceeds with 10,000,000 H Shares offered from the Global Offering received by the Company, after deduction of the underwriting commission and relevant expenses by the Company in connection with the Global Offering were HK$273.4 million.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans of the Group as at 31 December 2024 are set out in notes 28 respectively to the consolidated financial statements.

LOAN AND GUARANTEE

As of 31 December 2024, we have not made any loan or provided any guarantee for loan, directly or indirectly, to the Directors, Supervisors and senior management of the Company, the Controlling Shareholders of the Company or their respective connected persons.

CONVERTIBLE BONDS

The Group did not issue any convertible bonds during the year ended 31 December 2024.

DIVIDENDS

Subsequent to the end of the Reporting Period, a final dividend in respect of the year ended 31 December 2024 of RMB1.5 per ordinary share, in an aggregate amount of RMB60,000,000, has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming AGM.

Particulars of dividend are set out in note 15 to the consolidated financial statements.

PERMITTED INDEMNITY

The Company has purchased appropriate liability insurance for its Directors, Supervisors and senior management in January 2025, and such permitted indemnity provision for the benefit of Directors, Supervisors and senior management still in force and continued to be in force till the date of this Annual Report.

RESERVES

Details of movements in the reserves of the Company during the year ended 31 December 2024 are set out in the note 39 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2024, the Company has distributable reserves of RMB95,252,000 in total available for distribution, of which RMB60,000,000 has been proposed as final dividend for the Year.

CHARITABLE DONATIONS

For the year ended 31 December 2024, the donations made by the Group is set out in the section headed "Fostering Harmonious Communities" of the ESG report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the Reporting Period are set out in note 16 to the consolidated financial statements.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Company completed the Global Offering of its H Shares on 9 January 2025. After deducting underwriting commissions and related listing expenses, the net proceeds received by the Group from the Global Offering amounted to approximately HKD273.4 million (equivalent to RMB253.2 million). As at the Latest Practicable Date, there has been no change to the intended application of the net proceeds from the Global Offering according to the intentions previously disclosed in the "Future Plans and Use of Proceeds" section of the Prospectus, and that the Company had used, and proposed to use, the net proceeds from the Global Offering according to the intentions disclosed therein in the Prospectus.

Further details of the usage as at the Latest Practicable Date were as follows:

	Percentage of the total net proceeds as previously disclosed in the Prospectus %	Approximate allocation of net proceeds as previously disclosed in the Prospects (RMB million)	Approximate amount of net proceeds unutilized as at the Lastest Practicable Date (RMB million)	Approximate utilization amount of proceeds from the Listing Date to the Lastest Practicable Date (RMB million)	Estimated timeline for untilization of net proceeds
Acquire the controlling stake in a company holding an ocean-going ship as our maritime R&D platform and a mobile exhibition platform to showcase our equipment and system offering and pipeline products	35.8%	90.7	90.7	0.0	Before end of 2025
Development of prototype products such as the LFSS (for ammonia), optimization development of the carbon capture system and the waste heat recovery system	7.7%	19.5	12.2	7.3	Before end of 2026
Recruitment of and retaining around 13 new R&D staff	4.1%	10.4	10.3	0.1	Before end of 2025

	Percentage of the total net proceeds as previously disclosed in the Prospectus %	Approximate allocation of net proceeds as previously disclosed in the Prospects (RMB million)	Approximate amount of net proceeds unutilized as at the Lastest Practicable Date (RMB million)	Approximate utilization amount of proceeds from the Listing Date to the Lastest Practicable Date (RMB million)	Estimated timeline for untilization of net proceeds
Cooperative R&D with universities, enterprises, or R&D institutions	2.4%	6.1	5.5	0.6	In 2025 and 2026
Potential mergers and acquisitions	15.0%	37.9	37.9	0.0	Before end of 2026
Leasing a production facility in mainland China or Southeast Asia	15.0%	37.9	37.9	0.0	The location to be determined by 2025 following an extensive research
Establishing four service centers internationally	8.0%	20.3	20.3	0.0	In 2025 and 2026
Upgrading our service centers	2.0%	5.1	4.1	1.0	Before end of 2026
Working capital and other general corporate purposes	10.0%	25.3	0.0	25.3	N/A
Total	100%	253.2	218.9	34.3	

PARTICULARS OF SUBSIDIARIES

Details of the Company's principal subsidiaries are set out in note 38 to the consolidated financial statements.

SIGNIFICANT EVENTS AFTER REPORTING PERIOD

The Company's H Shares were successfully listed on the Main Board of the Stock Exchange on 9 January 2025, with stock code 2613.HK. Save for the above, no significant event of the Group occurred subsequent to the Reporting Period.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The forthcoming AGM is scheduled to be held on 16 May 2025. A notice convening the AGM will be published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.contioceangroup.com, and dispatched to the Shareholders of the Company in the manner required by the Listing Rules in due course.

In order to qualify for attending and voting at the AGM, the register of members of H Shares of the Company will be closed from 13 May 2025 to 16 May 2025 (both days inclusive), during which no share transfer will be registered. All transfer documents accompanied by the relevant share certificate(s) must be lodged with the Company's H Share registrar, Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong before 4:30 p.m. on 12 May 2025.

Shareholders of unlisted shares may contact the secretary of the Board for details of the transfer registration of unlisted shares. The contact information of the secretary of the Board is Unit 3002, 30/F, South Tower, Shanghai International Fortune Center, No.36 Xin Jin Qiao Road, Pudong New District, Shanghai.

CORPORATE GOVERNANCE

A report on the principle corporate governance practices adopted by the Company is set out in the "Corporate Governance Report" of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available and within the knowledge of the Directors, the Company maintained the prescribed public float as required under the Listing Rules as at the date of this Annual Report.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the relevant laws of the People's Republic of China that would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

AUDIT COMMITTEE

The Audit Committee has reviewed together with the management and external auditors the accounting principles and policies adopted by the Company, the audited consolidated financial statements for the Reporting Period, and discussed internal control, risk management and financial reporting matters.

AUDITORS

The financial statements have been audited by Deloitte Touche Tohmatsu who will retire at the forthcoming AGM and, being eligible, offer themselves for re-appointment. There has been no change in auditor of the Group since the Listing Date.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

The Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules. All references above to other sections, reports or notes in this report form part of this Annual Report.

By order of the Board
ContiOcean Environment Tech Group Co., Ltd.
Zhou Yang
Chairman and Executive Director

Shanghai, PRC, 28 March 2025

Report of the Supervisory Committee

SUPERVISORY COMMITTEE

The Supervisory Committee currently comprises three Supervisors. From the Listing Date and up to the date of this annual report, the Supervisory Committee consists:

Mr. Shen Xiaowei *(chairman of the Supervisory Committee)*
Mr. Yu Yuanyang
Mr. Wu Yunfeng

Mr. Wang Zhenkang was appointed as the Supervisor on 27 March 2023 and resigned on 31 March 2024. Mr.Wu Yunfeng was appointed as a Supervisor on 1 April 2024.

The biographical details of the current Supervisors are set out in the section headed "Directors, Supervisors and Senior Management" of the Annual Report.

WORKS OF THE SUPERVISORY COMMITTEE DURING THE REPORTING PERIOD

During the Reporting Period, the Supervisory Committee of the Company held five meetings in accordance with relevant rules:

(1) On 24 March 2024, the Company's Supervisory Committee convened an on-site meeting, during which the following proposals were reviewed and approved: (i) "2023 Annual Report of the Supervisory Committee"; (ii) "2023 Annual Financial Report"; (iii) "2024 Financial Budget Report"; (iv) "Proposal on the Company's 2023 Annual Report and Its Summary"; (v) "Proposal on Anticipated Routine Connected Transactions for 2024"; (vi) "Proposal on Reappointing the Company's 2024 Audit Firm"; (vii) "Proposal on the Company's 2023 Profit Distribution Plan"; (viii) "Proposal on the Company's 2023 Internal Control Self-Assessment Report".

(2) On 11 June 2024, the Company's Supervisory Committee convened an on-site meeting, during which the "Proposal on the Company's Second 2023 Profit Distribution Plan" was reviewed and approved.

(3) On 10 July 2024, the Company's Supervisory Committee convened an on-site meeting, during which the following proposals were reviewed and approved: (i) "Proposal on the Company's Overseas Initial Public Offering of H Shares and Listing on the Main Board of The Stock Exchange of Hong Kong Limited"; (ii) "Proposal on the Plan for the Company's Overseas Initial Public Offering of H-Shares and Listing on the Main Board of The Stock Exchange of Hong Kong Limited"; (iii) "Proposal on the Validity Period of the Resolution for the Company's H-Share Issuance and Listing"; (iv) "Proposal on the Allocation Plan for Accumulated Undistributed Profits Prior to the Company's Overseas Initial Public Offering of H-Shares and Listing on the Main Board of The Stock Exchange of Hong Kong Limited"; (v) "Proposal on Amending the Rules of Procedure for the Supervisory Committee of ContiOcean Environment Tech Group Co., Ltd."; (vi) "Proposal on Formulating the Draft Rules of Procedure for the Supervisory Committee of ContiOcean Environment Tech Group Co., Ltd. to Be Effective Post H-Share Issuance and Listing"; (vii) "Proposal on the Use of Proceeds from the Company's Overseas Initial Public Offering of H-Shares"; (viii) "Proposal on Engaging an Audit Firm for the H-Share Issuance and Listing"; (ix) "Proposal on the 2024 Stock Option Incentive Plan (Draft) of ContiOcean Environment Tech Group Co., Ltd."

(4) On 22 July 2024, the Company's Supervisory Committee convened an on-site meeting, during which the following proposals were reviewed and approved: (i) "Proposal on Identifying the Company's Core Employees"; (ii) "Proposal on the List of Grantees under the Company's 2024 Stock Option Incentive Plan";

(5) On 26 August 2024, the Company's Supervisory Committee convened an on-site meeting, during which the following proposal was reviewed and approved: (i) "2024 Interim Report".

During the Reporting Period, the attendance of Supervisors at meetings of the Supervisory Committee is as follows:

Name	Attendance/ Number of meetings
Mr. Shen Xiaowei	5/5
Mr. Yu Yuanyang	5/5
Mr. Wang Zhenkang (Note)	1/5
Mr. Wu Yunfeng (Note)	4/5

Note: Mr. Wang Zhenkang was appointed as the Supervisor on 27 March 2023 and resigned on 31 March 2024. Mr. Wu Yunfeng was appointed as the Supervisor on 1 April 2024.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

During the Reporting Period, there were no related party transactions and connected transactions.

2025 OUTLOOK

In 2025, the Supervisory Committee will continue to strictly implement relevant provisions such as the Company Law of the People's Republic of China and the Articles of Association, faithfully perform the duties of the Supervisory Committee, and supervise and inspect the operational activities of the Board of Directors and senior management in accordance with the law. At the same time, the Supervisory Committee will further strengthen the implementation of its supervisory functions, diligently fulfill its responsibilities, attend meetings of the Board of Directors and Shareholders' General Meetings as non-voting participants as required by law, promptly ascertain the legality and compliance of the Company's major decision-making matters and procedures, further promote standardized operations of the Company, enhance risk prevention awareness, and protect the rights and interests of Shareholders, the Company, employees, and other stakeholders.

On behalf of the Supervisory Committee
ContiOcean Environment Tech Group Co., Ltd.
Shen Xiaowei
Chairman

Shanghai, PRC, 28 March 2025

TO THE SHAREHOLDERS OF CONTIOCEAN ENVIRONMENT TECH GROUP CO., LTD.
（上海匯舸環保科技集團股份有限公司）
(incorporated in People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of ContiOcean Environment Tech Group Co., Ltd. ("上海匯舸環保科技集團股份有限公司") (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 92 to 176, which comprise the consolidated statement of financial position of the Group as at December 31, 2024, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended December 31, 2024 and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTER

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

KEY AUDIT MATTER *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Revenue recognition As disclosed in Note 5 to the consolidated financial statements, the Group recognised revenue generated from providing goods and services amounting to Renminbi ("RMB") 614 million for the year ended 31 December 2024. Revenue has a significant impact on the Group's consolidated financial statements and is one of the Group's key performance indicators, which has an inherent risk of manipulation to achieve the expected goals. Therefore, we identify the occurrence of revenue recognition as a key audit matter.	The major audit procedures we performed in relation to the occurrence of revenue recognition include: • Obtaining an understanding of the key controls relevant to the occurrence of revenue recognition process, evaluating design and implementation of these controls and performing operating effectiveness test; • Inquiring of the management of the Group about its revenue recognition policy. Based on the key terms stipulated in the sales contracts obtained on a sample basis, evaluating whether the revenue recognition policy of the Group complies with IFRS 15 *Revenue from Contracts with Customers*; • Performing test of details by selecting samples from revenue recorded and vouching to relevant acceptance from the customers or where the performance tests are required, the award of the sea trial reports, so to test whether the revenue transaction occurred; and • For the samples selected above, obtaining and inspecting evidence of payments received from customers or letters of credit issued by the customers as agreed in the contracts, as appropriate.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards as issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine the matter that was of most significance in the audit of the consolidated financial statements of the current period and is therefore the key audit matter. We describe the matter in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Li Jiali.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
March 28, 2025

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2024

	NOTES	Year ended 31 December 2024 RMB'000	2023 RMB'000
Revenue	5	**614,395**	510,255
Cost of sales		**(368,625)**	(268,518)
Gross profit		**245,770**	241,737
Other income	7	**7,365**	3,612
Other gains and losses	8	**4,330**	(6,576)
Distribution and selling expenses		**(40,003)**	(27,744)
Administrative expenses		**(43,788)**	(47,336)
Research and development expenses		**(27,169)**	(18,929)
Listing expenses		**(377)**	–
Share of results of associates	9	**–**	(1,722)
Impairment losses under expected credit loss ("ECL") model, net of reversal		**(2,218)**	(1,700)
Finance costs	10	**(1,017)**	(558)
Profit before tax	11	**142,893**	140,784
Income tax expense	12	**(22,627)**	(20,250)
Profit for the year		**120,266**	120,534
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
Share of other comprehensive expense of an associate		**–**	(117)
Exchange differences arising on translation of foreign operations		**412**	(350)
Other comprehensive income (expense) for the year, net of income tax		**412**	(467)
Total comprehensive income for the year		**120,678**	120,067

Consolidated Statement of Profit or Loss and Other Comprehensive Income *(Continued)*

For the year ended 31 December 2024

	NOTES	Year ended 31 December 2024 RMB'000	2023 RMB'000
Profit (loss) for the year attributable to:			
Owners of the Company		**120,891**	120,556
Non-controlling interests		**(625)**	(22)
Profit for the year		**120,266**	120,534
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**121,530**	119,977
Non-controlling interests		**(852)**	90
		120,678	120,067
EARNINGS PER SHARE			
Basic (in RMB)	14	**4.03**	4.02
Diluted (in RMB)	14	**4.03**	N/A

Consolidated Statement of Financial Position

As at December 31, 2024

	NOTES	At December 31, 2024 RMB'000	2023 RMB'000
Non-Current Assets			
Property, plant and equipment	16	**46,781**	49,103
Right-of-use assets	17	**8,412**	9,460
Goodwill	18	**8,710**	8,524
Other intangible assets	19	**303**	94
Deferred tax assets	20	**1,702**	3,433
Prepayment for purchase of property, plant and equipment		**–**	88
Restricted bank deposits	26	**1,172**	–
		67,080	70,702
Current Assets			
Inventories	21	**28,649**	87,382
Trade and other receivables	22	**165,617**	88,193
Contract assets	23	**1,776**	719
Contract costs	24	**9,459**	11,900
Financial assets at fair value through profit or loss ("FVTPL")	25	**19,768**	–
Term deposits with an original maturity over three months but within one year	26	**21,565**	35,414
Term deposits with an original maturity over one year	26	**–**	10,000
Restricted bank deposits	26	**6,303**	40,776
Cash and cash equivalents	26	**133,402**	177,414
		386,539	451,798
Current Liabilities			
Trade and other payables	27	**87,872**	55,581
Bank borrowings	28	**9,950**	19,900
Income tax payable		**4,335**	9,934
Lease liabilities	29	**1,396**	1,395
Provisions	30	**4,109**	4,539
Contract liabilities	23	**31,181**	174,862
Other current liabilities		**–**	5
		138,843	266,216
Net Current Assets		**247,696**	185,582
Total Assets Less Current Liabilities		**314,776**	256,284

Consolidated Statement of Financial Position *(Continued)*

As at December 31, 2024

	NOTES	At December 31, 2024 RMB'000	2023 RMB'000
Capital and Reserves			
Share capital	31	**30,000**	30,000
Reserves		**252,422**	222,129
Equity attributable to owners of the Company		**282,422**	252,129
Non-controlling interests		**1,810**	2,662
Total Equity		**284,232**	254,791
Non-Current Liabilities			
Bank borrowings	28	**30,000**	–
Lease liabilities	29	**544**	1,493
		30,544	1,493
		314,776	256,284

The consolidated financial statements on pages 92 to 176 were approved and authorised for issue by the board of directors of the Company on March 28, 2025 and signed on its behalf by:

Zhou Yang
Director

Shu Wa Tung, Laurence
Director

Consolidated Statement of Changes in Equity

For the year ended December 31, 2024

	Attributable to the Owners of the Company								
	Share capital RMB'000 (Note 31)	Share premium RMB'000	Foreign currency translation reserve RMB'000	Other reserves RMB'000 (Note a)	Share-based payment reserve RMB'000	Retained profits RMB'000 (Note c)	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
At January 1, 2023	20,000	45,459	3,990	4,429	5,366	54,878	134,122	1,781	135,903
Profit (loss) for the year	–	–	–	–	–	120,556	120,556	(22)	120,534
Other comprehensive (expense) income for the year	–	–	(579)	–	–	–	(579)	112	(467)
Total comprehensive (expense) income for the year	–	–	(579)	–	–	120,556	119,977	90	120,067
Acquisition of a subsidiary (Note 37)	–	–	–	–	–	–	–	791	791
Recognition of equity settled share-based payments (Note 32)	–	–	–	–	7,036	–	7,036	–	7,036
Appropriation to surplus reserve	–	–	–	9,381	–	(9,381)	–	–	–
Distribution to the shareholders (Note 15)	–	–	–	–	–	(5,000)	(5,000)	–	(5,000)
Provision of safety fund surplus reserve	–	–	–	1,175	–	(1,175)	–	–	–
Utilisation of safety fund surplus reserve	–	–	–	(509)	–	509	–	–	–
Conversion of share premium into share capital	10,000	(10,000)	–	–	–	–	–	–	–
Vested Restricted Shares (Note 32)	–	4,776	–	–	(4,776)	–	–	–	–
Deemed distribution to the shareholders (Note b)	–	(4,006)	–	–	–	–	(4,006)	–	(4,006)
At December 31, 2023	**30,000**	**36,229**	**3,411**	**14,476**	**7,626**	**160,387**	**252,129**	**2,662**	**254,791**
Profit (loss) for the year	**–**	**–**	**–**	**–**	**–**	**120,891**	**120,891**	**(625)**	**120,266**
Other comprehensive income (expense) for the year	**–**	**–**	**639**	**–**	**–**	**–**	**639**	**(227)**	**412**
Total comprehensive income (expense) for the year	**–**	**–**	**639**	**–**	**–**	**120,891**	**121,530**	**(852)**	**120,678**
Recognition of equity settled share-based payments (Note 32)	**–**	**–**	**–**	**–**	**4,763**	**–**	**4,763**	**–**	**4,763**
Appropriation to surplus reserve	**–**	**–**	**–**	**2,803**	**–**	**(2,803)**	**–**	**–**	**–**
Distribution to the shareholders (Note 15)	**–**	**–**	**–**	**–**	**–**	**(96,000)**	**(96,000)**	**–**	**(96,000)**
Provision of safety fund surplus reserve	**–**	**–**	**–**	**1,505**	**–**	**(1,505)**	**–**	**–**	**–**
Utilisation of safety fund surplus reserve	**–**	**–**	**–**	**(301)**	**–**	**301**	**–**	**–**	**–**
At December 31, 2024	**30,000**	**36,229**	**4,050**	**18,483**	**12,389**	**181,271**	**282,422**	**1,810**	**284,232**

Notes:

a. The other reserves mainly consist of surplus reserve and safety fund surplus reserve.

b. On August 31, 2023, the Company acquired the entire business of Conti Marine Services Pte. Ltd. ("CMS"), a company controlled by Mr. Zhou Yang, Mr. Zhao Mingzhu and Mr. Chen Zhiyuan, who act in concert in accordance with the Concert Party Agreement entered into among them on October 13, 2022 (the "Controlling Shareholders"), at nil consideration. The acquisitions are accounted for as business combination under common control by applying merger accounting principle and the difference of RMB4,006,000 between assets and liabilities not retained by the Group at the acquisition date was recognised as deemed distribution to the Controlling shareholders.

c. As at December 31, 2024 and 2023, the retained earnings of RMB2,052,000 and RMB1,463,000 are surplus reserve of a subsidiary, which is undistributable.

Consolidated Statement of Cash Flows

For the year ended December 31, 2024

	Year ended December 31, 2024 RMB'000	2023 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**142,893**	140,784
Adjustments for:		
Interest income	**(4,914)**	(845)
Interest expenses on borrowings	**905**	442
Interest expenses on lease liabilities	**112**	116
Depreciation of property, plant and equipment	**4,662**	4,343
Depreciation of right-of-use assets	**1,558**	1,430
Amortisation of other intangible assets	**74**	14
Share of results of associates	**–**	1,722
Loss on changes in fair value of financial assets at FVTPL	**–**	127
Impairment loss, net of reversal-financial assets and other items under ECL	**2,218**	1,700
Provision for inventories	**(1,570)**	2,352
Gain on deemed disposal of investments in an associate	**–**	(4,794)
Net foreign exchange losses (gains)	**676**	(1,723)
Gain on early termination of lease arrangements	**–**	(55)
Loss on disposal of equipment	**158**	–
Share-based payment expenses	**4,763**	7,036
Operating cash flow before movements in working capital	**151,535**	152,649
Decrease (increase) in contract costs	**2,441**	(8,970)
(Increase) decrease in contract assets	**(1,153)**	421
(Increase) decrease in trade and other receivables	**(51,879)**	1,104
Decrease in restricted bank deposits	**33,301**	18,068
(Decrease) increase in provisions	**(430)**	4,036
Increase (decrease) in trade and other payables	**18,673**	(5,465)
(Decrease) increase in contract liabilities	**(143,681)**	13,752
Decrease (increase) in inventories	**60,197**	(1,993)
Cash generated from operations	**69,004**	173,602
Income tax paid	**(26,493)**	(22,495)
NET CASH FROM OPERATING ACTIVITIES	**42,511**	151,107

Consolidated Statement of Cash Flows *(Continued)*

For the year ended December 31, 2024

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
INVESTING ACTIVITIES		
Interest received	**4,914**	845
Rental deposits paid	**(80)**	(356)
Refund of rental deposits	**157**	484
Purchase of property, plant and equipment	**(2,395)**	(3,467)
Proceeds from disposal of property, plant and equipment	**91**	–
Purchase of intangible assets	**(283)**	(8,379)
Purchase of financial assets at FVTPL	**(19,768)**	(30,000)
Net cash outflow on acquisition of a subsidiary	**–**	(2,307)
Proceeds received upon disposal of financial assets at FVTPL	**–**	29,873
Withdrawal of term deposits	**45,414**	–
Placement of term deposits	**(21,565)**	(45,414)
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**6,485**	(58,721)
FINANCING ACTIVITIES		
Repayment of lease liabilities	**(1,573)**	(1,175)
Net cash outflow on acquisition of subsidiaries under common control	**–**	(281)
Net cash outflow on deemed distribution to the shareholders	**–**	(2,480)
Proceeds from bank borrowings	**51,900**	35,818
Repayment of bank borrowings	**(31,850)**	(20,036)
Bank interest paid	**(905)**	(442)
Proceeds from investors	**–**	10,528
Deferred issue cost paid	**(15,218)**	–
Dividends paid	**(96,000)**	(5,000)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(93,646)**	16,932
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(44,650)**	109,318
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**177,414**	66,723
Effects of exchange rate changes	**638**	1,373
TOTAL CASH AND CASH EQUIVALENTS AT END OF YEAR	**133,402**	177,414

1. GENERAL INFORMATION

ContiOcean Environment Tech Group Co., Ltd. ("上海匯舸環保科技集團股份有限公司") (the "Company") was established in the People's Republic of China (the "PRC") on May 31, 2017, as a limited liability company. On December 28, 2022, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC. The Non-H Shares of the Company became quoted on National Equities Exchange and Quotations ("NEEQ") (stock code: 874207.NQ) in February 2024. On January 9, 2025, the Company's H shares became listed on The Stock Exchange of Hong Kong Limited. The respective address of the registered office and the principal place of business of the Company are Room 1101, No. 2 Maji Road, China (Shanghai) Pilot Free Trade Zone, Shanghai. As at the date of this report, the Company is controlled by Controlling Shareholders.

The Company and its subsidiaries (collectively referred to as the "Group"), is a marine exhaust gas cleaning system, marine energy-saving devices, marine clean-energy supply systems and maritime services provider. Particulars and principal activities of the subsidiaries are disclosed in Note 38.

The consolidated financial statements are presented in RMB, which is also the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS

New and amendments to IFRS Accounting Standards in issue but not yet effective

The Group has not early applied the following new and amendments to IFRS Accounting Standards that have been issued but are not yet effective:

Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments[3]
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity[3]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to IFRS Accounting Standards	Annual Improvements to IFRS Accounting Standards — Volume 11[3]
Amendments to IAS 21	Lack of Exchangeability[2]
IFRS 18	Presentation and Disclosure in Financial Statements[4]

1 Effective for annual periods beginning on or after a date to be determined.
2 Effective for annual periods beginning on or after January 1, 2025.
3 Effective for annual periods beginning on or after January 1, 2026.
4 Effective for annual periods beginning on or after January 1, 2027.

Except for the new IFRS Accounting Standard mentioned below, the directors of the Company anticipate that the application of these amendments to IFRS Accounting Standards will have no material impact on the Group's financial position and performance in foreseeable future.

2. APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS (Continued)

New and amendments to IFRS Accounting Standards in issue but not yet effective (Continued)

IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 *Presentation and Disclosure in Financial Statements*, which sets out requirements on presentation and disclosures in financial statements, will replace IAS 1 *Presentation of Financial Statements*. This new IFRS Accounting Standard, while carrying forward many of the requirements in IAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some IAS 1 paragraphs have been moved to IAS 8 and IFRS 7. Minor amendments to IAS 7 *Statement of Cash Flows* and IAS 33 *Earnings per Share* are also made.

IFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after January 1, 2027, with early application permitted. The application of the new standard is expected to affect the presentation of the statement of profit or loss and disclosures in the future financial statements.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards issued by the IASB and the principle of merger accounting conventions applicable for business combination under common control (details are set out below). For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

During the year ended December 31, 2023, the Company acquired the entire business of CMS. Since CMS was incorporated and controlled by the Controlling Shareholders, such business acquisitions are accounted for as business combination under common control by applying merger accounting principle. As a result, the consolidated financial statements have been prepared as if the Company had always controlled the business of CMS since the incorporation of the entity.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, incomes, expenses and cash flows relating to transactions between members of the Group are eliminated in full on combination.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Business combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Acquisitions of businesses, other than business combination under common control, are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

The identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Conceptual Framework for Financial Reporting (the "Conceptual Framework") except for transactions and events within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC-Int 21 *Levies*, in which the Group applies IAS 37 or IFRIC-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits*, respectively;

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in IFRS 16 *Lease*) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Business combinations *(Continued)*

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e., the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under IFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

Merger accounting for business combination involving businesses under common control

The consolidated financial statements incorporate the financial statements items of the combining businesses in which the common control combination occurs as if they had been combined from the date when the combining businesses first came under the control of the controlling party.

The net assets of the combining businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

Expenditure incurred in relation to a common control combination that is to be accounted for by using merger accounting is recognised as an expense in the period in which it is incurred.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Merger accounting for business combination involving businesses under common control *(Continued)*

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where this is a shorter period.

The comparative amounts in the consolidated financial statements are presented as if the businesses had been combined at the beginning of the previous reporting period or when they first came under common control, whichever is shorter.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGUs") (or group of CGUs) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of CGUs).

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal (or any of the CGU within group of CGUs in which the Group monitors goodwill). When the Group disposes of an operation within the CGUs (or a group of CGUs), the amount of goodwill disposed of is measured on the basis of the relative values of the CGUs disposed of and the portion of the CGUs (or the group of CGUs) retained.

The Group's policy for goodwill arising on the acquisition of an associate is described below.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Investments in associates *(Continued)*

The Group applies IFRS 9, including the impairment requirements, to long-term interests in an associate to which the equity method is not applied and which form part of the net investment in the investee. Furthermore, in applying IFRS 9 to long-term interests, the Group does not take into account adjustments to their carrying amount required by IAS 28 (i.e., adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).

Revenue from contracts with customers

Information about the Group's accounting policies relating to contracts with customers is provided in Notes 5, 23 and 24.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets and financial liabilities are initially measured at fair value except for receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments *(Continued)*

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

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

All other financial assets the Group held are subsequently measured FVTPL.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or fair value through other comprehensive income ("FVTOCI") or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

Impairment of financial assets and other items subject to impairment assessment under IFRS 9.

The Group performs impairment assessment under ECL model on financial assets (including trade and other receivables, financial assets at FVTPL, cash and cash equivalents, restricted bank deposits and term deposits), and other items (contract assets) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment is done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognised lifetime ECL for trade receivables and contract assets.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognised lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, for example, a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Significant increase in credit risk *(Continued)*

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

For internal credit risk management, the Group considers an event of default to have occurred when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over three years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e., the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for trade receivables and contract assets are considered on a collective basis taking into consideration past due information and relevant credit information such as forward-looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Measurement and recognition of ECL *(Continued)*

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount through a loss allowance account.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- For financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the "other gains and losses" line item as part of the net foreign exchange gains or losses;

- For financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the "other gains and losses" line item as part of the fair value gains or losses of the financial assets.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity (Continued)

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities the Group held are subsequently measured at amortised cost using the effective interest method.

Financial liabilities subsequently measured at amortised cost

Financial liabilities, including trade and other payables and bank borrowings, are subsequently measured at amortised cost, using the effective interest method.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the "other gains and losses" line item in profit or loss.

Derecognition of financial liabilities

The Group derecognised financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liabilities derecognised and the consideration paid and payable is recognised in profit or loss.

Leases

Definition of a lease

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

For contracts entered into or modified on or after the date of initial application of IFRS 16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Leases *(Continued)*

Definition of a lease (Continued)

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

Short-term leases

The Group applies the short-term lease recognition exemption to leases of offices that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The Group presents right-of-use assets as a separate line item on the consolidated statements of financial position.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Leases *(Continued)*

Definition of a lease (Continued)

The Group as a lessee *(Continued)*

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognised and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments (including in-substance fixed payments).

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group presents lease liabilities as a separate line item on the consolidated statements of financial position.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- a lease contract is modified and the lease modification is not accounted for as a separate lease (see below for the accounting policy for "lease modifications").

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Leases *(Continued)*

Definition of a lease (Continued)

The Group as a lessee *(Continued)*

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use assets. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Foreign currencies *(Continued)*

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e., RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Employee benefits

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Share-based payment

Equity-settled share-based payment transactions

Shares/Share options granted to employees

Equity-settled share-based payments to employees (including directors of the Company) are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payment reserve). At the end of each reporting period, the Group revises its estimates of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimates, with a corresponding adjustment to the share-based payment reserve. For shares that vest immediately at the date of grant, the fair value of the shares granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share-based payments reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payments reserve will continue to be held in share-based payments reserve.

When shares granted are vested, the amount previously recognised in the share-based payment reserve will transfer to share premium.

Taxation

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Taxation *(Continued)*

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries or associates except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset recognize, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

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

For the purposes of measuring deferred tax for leasing transactions in which the Group recognised the right- of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Taxation *(Continued)*

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the lease liabilities and the related assets separately. The Group recognised a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes other than construction in progress as described below. Property, plant and equipment are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy.

Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Property, plant and equipment *(Continued)*

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortization and any accumulated impairment losses. Amortization for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Internally-generated intangible assets — research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Intangible assets *(Continued)*

Internally-generated intangible assets — research and development expenditure (Continued)

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

Impairment on property, plant and equipment, right-of-use assets, contract costs and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, intangible assets with finite useful lives and contract costs to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the CGU to which the asset belongs.

In testing a CGU for impairment, corporate assets are allocated to the relevant CGU when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the CGU or group of CGUs to which the corporate asset belongs, and is compared with the carrying amount of the relevant CGU or group of CGUs.

Before the Group recognizes an impairment loss for assets capitalised as contract costs under IFRS 15, the Group assesses and recognizes any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalised as contract costs is recognised to the extent the carrying amounts exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services that have not been recognised as expenses. The assets capitalised as contract costs are then included in the carrying amount of the CGUs to which they belong for the purpose of evaluating impairment of that CGU.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Impairment on property, plant and equipment, right-of-use assets, contract costs and intangible assets other than goodwill *(Continued)*

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a CGU) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of CGUs. An impairment loss is recognised immediately in profit or loss. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or CGU or a group of CGUs) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a CGU or a group of CGUs) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definitions of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on a weighted average method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Warranties

Provisions for the expected cost of assurance-type warranty obligations under the relevant contracts with customers for sales of Sulphur oxide exhaust gas cleaning systems are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCE OF ESTIMATION UNCERTAINTIES

In applying the Group's accounting policies, which are described in Note 3, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the coming twelve months, are described below.

Impairment assessment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the group of CGUs to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows being expected to arise from the group of CGUs and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected or change in facts and circumstances results in a downward revision of future cash flows or upward revision of discount rate, a material impairment loss may arise. As at December 31, 2024, the carrying amount of goodwill is RMB8,710,000 (2023: RMB8,524,000).

Recognition of share-based payment expenses

The share-based compensation expense is measured based on the fair value of the share awards/options as calculated under the discounted cash flow model. The directors of the Company are responsible for determining the fair value of the share awards/options granted to directors and employees. The key assumptions used to determine the fair value of the share awards/options at the grant date include discount rate, expected volatility and risk-free interest rate. Changes in these assumptions could significantly affect the fair value of share awards and hence the amount of compensation expenses the Group recognised in the consolidated financial statements. Details of the share-based payment expenses are disclosed in Note 32.

Provision of ECL for trade receivables

Trade receivables with significant balances and credit-impaired are assessed for ECL individually.

In addition, the Group uses practical expedient in estimating ECL on trade receivables which are not assessed individually using a provision matrix. The provision rates are based on aging of debtors as groupings of various debtors taking into consideration the Group's historical default rates and forward-looking information that is reasonable and supportable available without undue costs or effort. At each reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in Note 22 and Note 35.

5. REVENUE

Disaggregation of revenue from contracts with customers

The Group's revenue streams are categorised as follows:

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Type of goods or services		
Marine exhaust gas cleaning systems	**287,814**	341,180
Marine energy-saving devices	**64,360**	58,031
Marine clean-energy supply systems	**67,040**	5,552
Maritime services	**195,181**	105,492
	614,395	510,255

(i) Performance obligations for contracts with customers and revenue recognition policies

Information about the Group's performance obligations and their corresponding revenue recognition policies are summarised as below:

Marine exhaust gas cleaning systems, marine energy-saving devices and marine clean-energy supply systems

These marine equipment and systems revenue streams are individually available to the customers. Each of the equipment and systems involves design, manufacture, delivery, installation and commissioning and system testing of tailor-made products to the customers. Since the customers are not able to have benefit from part of the process, each of the equipment and systems is accounted for as a single performance obligation. Revenue is recognised at a point in time when the control of the tailor-made products has been transferred to the customers. When a performance test including the commissioning tests and sea trials is required to be conducted, the control is transferred upon the award of the sea trial report following the completion of commissioning being obtained representing the timing when the customers can direct the use of the products and the Group entitles the enforceable rights to the considerations. In other cases, the control is transferred when the related equipment and systems is accepted by the customer.

5. REVENUE *(Continued)*

Disaggregation of revenue from contracts with customers *(Continued)*

(i) Performance obligations for contracts with customers and revenue recognition policies *(Continued)*

Maritime services

This revenue stream consists of a series of different service and product offerings to customers, mainly including ship interior decoration services and container fixed and loose fittings related equipment and systems.

Ship interior decoration services include the design and decoration of the ship's living quarters, as well as the supply of maritime equipment and spare parts to customers. Revenue from ship interior decoration services is recognised at a point in time whenever the interior decoration projects are completed, including the delivery of maritime equipment and spare parts, and accepted by the customers since this is the timing when the customers can direct the use of the maritime equipment and spare parts and the Group entitles the enforceable rights to the considerations. For the container fixed and loose fittings related equipment and systems, it involves design, manufacture and supply of products in accordance with the requirements of technical specifications, industry practices or standards and classification society rules and regulations. Revenue is recognised at a point in time when the control of the products has been transferred to the customers.

The Group normally requires advance and progress payments at a particular percentage as agreed with customers, such advance payment schemes result in contract liabilities until the control of the promised goods and services has been transferred to the customer.

A receivable is recognised by the Group when the revenue recognised is in excess of the advance and progress payments received before the revenue recognition except when the Group's right to consideration is conditional on the fulfilment of warranty obligations in an agreed period. In such case, a contract asset is recognised by the Group.

Contracts with customers normally include warranties period of 12 to 60 months from the point the goods or services being accepted by customers. This type of warranties is an assurance-type warranty that ensures that the goods and services fulfil the established quality standards and cannot be purchased separately, which does not constitute a single performance obligation. Accordingly, the Group accounts for warranties in accordance with IAS 37.

5. REVENUE *(Continued)*

Disaggregation of revenue from contracts with customers *(Continued)*

(ii) Geographical markets

The Group's revenue from external customers, based on the respective country/region of the external customers' operations are as follows:

	Year ended December 31, 2024 RMB'000	2023 RMB'000
Mainland China	**311,662**	105,276
Overseas	**302,733**	404,979
	614,395	510,255

Timing of revenue recognition	Year ended December 31, 2024 RMB'000	2023 RMB'000
At a point in time	**614,395**	510,255

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at December 31, 2024 and the expected timing of recognising revenue are as follows:

	Marine exhaust gas cleaning systems RMB'000	Marine energy-saving devices RMB'000	Marine clean-energy supply systems RMB'000	Maritime service RMB'000
Within one year	**119,205**	**11,872**	**96,343**	**108,789**
More than one year but not more than two years	**21,211**	**6,425**	**52,205**	**85,038**
More than two years	**–**	**2,579**	**–**	**79,338**
	140,416	**20,876**	**148,548**	**273,165**

5. REVENUE *(Continued)*

Disaggregation of revenue from contracts with customers *(Continued)*

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers *(Continued)*

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at December 31, 2023 and the expected timing of recognising revenue are as follows:

	Marine exhaust gas cleaning systems RMB'000	Marine energy-saving devices RMB'000	Marine clean-energy supply systems RMB'000	Maritime service RMB'000
Within one year	183,327	36,717	53,519	142,843
More than one year but not more than two years	40,335	–	33,597	32,155
More than two years	6,342	–	–	9,264
	230,004	36,717	87,116	184,262

Based on management's estimate as at December 31, 2024 and 2023, these remaining performance obligations are expected to be recognised as revenue within three years since the end of each year.

6. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker ("CODM"), who is also identified as the chief executive officer of the Group, in order to allocate resources to segments and to assess their performance. During the reporting period, the CODM assesses the operating performance and allocates the resources of the Group as a whole. Therefore, the CODM considers the Group only has one operating segment.

The CODM reviews the overall results and financial position of the Group as a whole prepared based on the same accounting policies as set out in Note 3 and no further analysis of the single segment is presented.

Information about major customers

During each of the reporting periods, revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Customer A	**139,522**	136,834
Customer B	**113,595**	N/A
Customer C	**104,294**	N/A
Customer D	**75,532**	190,318
	432,943	327,152

N/A: not disclosed as the revenue from such customers was less than 10% of total revenue during the corresponding year.

Geographical information

Information about the Group's non-current assets is presented based on the geographical location of the assets. Non-current assets excluded deferred tax assets and restricted bank deposits.

	At December 31,	
	2024	2023
	RMB'000	RMB'000
Mainland China	**64,179**	66,953
Overseas	**27**	316
	64,206	67,269

7. OTHER INCOME

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Government grants related to income (Note)	**2,451**	2,767
Interest income on bank deposits	**4,914**	845
	7,365	3,612

Note: The amount mainly represents various subsidies granted by the PRC local government authorities to group entities as incentives for the Group's operating activities. The government grants were unconditional and had been approved by the PRC local government authorities, which are recognised when payments were received.

8. OTHER GAINS AND LOSSES

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Net foreign exchange gains (losses)	**4,371**	(8,241)
Gain on early termination of lease arrangements	**–**	55
Loss on disposal of equipment	**(158)**	–
Fair value losses of financial assets at FVTPL	**–**	(127)
Gain on deemed disposal of investments in an associate (Note 37)	**–**	4,794
Others	**117**	(3,057)
	4,330	(6,576)

9. SHARE OF RESULTS OF ASSOCIATES

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Share of losses of associates	**–**	1,722

Notes:

(i) On June 20, 2022, ContiOcean Environment Tech Co., Limited ("ContiOcean Hong Kong"), a wholly owned subsidiary of the Company, made a capital injection amounting to Euro ("EUR") 500,000 (equivalent to RMB3,616,000) into Wavelength Technology Center, LDA ("WTC"). After the injection, the Group obtained 33.78% of the equity interests in WTC and had significant influence over WTC. As a result, WTC was accounted for as an associate using equity.

ContiOcean Hong Kong injected an additional EUR400,000 (equivalent to RMB3,156,000) into WTC, which was fully settled in 2023. After the completion of the injection, the equity interests in WTC held by the Group increased from 33.78% to 51% and the Group obtained control over WTC. As a result, WTC became a subsidiary of the Group in December 2023. A gain on deemed disposal of WTC amounting to RMB4,794,000 was recognised. Details are disclosed in Note 37.

(ii) Jiangsu ContiOcean Electronic Ltd. ("Jiangsu ContiOcean") was established on July 4, 2022. ContiOcean (Nantong) E.P. Equipment Co., Ltd ("ContiOcean Nantong") held 40% equity interest in Jiangsu ContiOcean since its establishment with an investment cost of RMB400,000. On April 7, 2023, ContiOcean Nantong disposed the entire interest of Jiangsu ContiOcean at nil consideration to an independent third party.

10. FINANCE COSTS

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Interest expenses on borrowings	**905**	442
Interest expenses on lease liabilities	**112**	116
	1,017	558

11. PROFIT BEFORE TAX

Profit before tax has been charged by the following:

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Profit before tax for the year has been arrived at after charging:		
Depreciation of property, plant and equipment	**4,556**	4,798
Depreciation of right-of-use assets	**1,558**	1,431
Amortisation of other intangible assets	**74**	14
	6,188	6,243
Changes in amount capitalised in inventories	**106**	(456)
	6,294	5,787
Auditor's remuneration	**4,660**	–
— capitalised in deferred issue cost	**2,980**	–
Directors and supervisors' remuneration	**13,685**	16,883
Other staff costs:		
— Salaries, bonus and other allowances	**30,349**	24,197
— Retirement benefit scheme contributions	**2,077**	1,672
— Equity-settled share-based payment expenses	**3,195**	1,508
	49,306	44,260
Changes in amount capitalised in inventories	**1,704**	(619)
	51,010	43,641
Amortisation of contract costs	**34,043**	27,278
Cost of inventories recognised as an expense (excluding write-down of inventories)	**367,960**	259,018
(Reversal) write-down of inventories,net	**(1,570)**	2,352

12. INCOME TAX EXPENSE

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Income tax expenses comprise:		
Current tax:		
PRC Enterprise Income Tax ("EIT")	**14,279**	17,333
Hong Kong Profits tax	**2,023**	3,855
Singapore Income tax	**1,582**	27
	17,884	21,215
Under provision in respect of prior years	**3,010**	–
Deferred tax (Note 20)	**1,733**	(965)
	22,627	20,250

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the Company has been accredited as a High-New Technology Enterprise (the "HNTE") by the Science and Technology Bureau of Shanghai and relevant authorities and enjoyed a preferential income tax rate of 15% from year 2019 to 2024. Besides, ContiOcean Nantong, a wholly-owned subsidiary of the Company, has been accredited as a HNTE in October 2022, and subjected to the preferential income tax rate of 15% from 2022 to 2024.

ContiOcean International Development Co., Ltd. ("ContiOcean International") has been recognised as small and micro enterprise. According to the relevant provisions of Announcement by the State Administration of Taxation, a preferential EIT rate of 20% was applied to small and micro enterprise and discounts on taxable income were further applicable for the portion of annual taxable income not exceeding RMB3,000,000 ranged from 50% to 87.5% during the years ended December 31, 2024 and 2023.

Under the two-tiered profits tax rates regime in Hong Kong, the first Hong Kong Dollar ("HK$") 2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5% for the years ended December 31, 2024 and 2023.

The tax rate used by the subsidiaries in Singapore is 17% during the years ended December 31, 2024 and 2023. The subsidiaries in Singapore enjoy a 75% exemption on the first Singapore dollar ("SGD") 10,000 of taxable income and a further 50% exemption on the next SGD190,000 of taxable income during the years ended December 31, 2024 and 2023.

12. INCOME TAX EXPENSE (Continued)

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The tax charge for the reporting periods can be reconciled to the profit before tax per consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Profit before tax	**142,893**	140,784
Tax at the domestic income tax rate of 15% (Note i)	**21,434**	21,118
Tax effect of expenses that are not deductible for tax purpose	**718**	1,564
Tax effect of extra deduction of research and development expenses (Note ii)	**(2,652)**	(2,550)
Tax effect of tax losses not recognised	**304**	–
Utilization of tax losses previously not recognised	**(12)**	–
Income tax at concessionary rate	**(601)**	(167)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**426**	285
Under provision in respect of prior years	**3,010**	–
Income tax expenses recognised in profit or loss	**22,627**	20,250

Notes:

i. The domestic tax rate (which is PRC EIT preferential tax rate) in the jurisdiction where the operation of the Group is substantially based is used.

ii. Pursuant to Caishui 2023 circular No. 7, the Company enjoyed super deduction of 200% on qualified research and development expenditures throughout the years ended December 31, 2024 and 2023. ContiOcean Nantong enjoyed super deduction of 200% on qualified research and development expenditures throughout the years ended December 31, 2024 and 2023.

13. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES

Details of the emoluments paid or payable to the individuals who were appointed as directors, supervisors and the chief executive officer of the Company (including emoluments for services as employees/directors of the group entities prior to becoming the directors and supervisors of the Company) during the reporting periods are as follows:

	Date of appointment	Director's fee RMB'000	Salaries and other benefits RMB'000	Retirement benefit scheme RMB'000	Share-based payments RMB'000 (Note 32)	Discretionary bonus RMB'000	Total RMB'000
For the year ended December 31, 2024							
Executive directors:							
Mr. Zhou Yang *(Chairman)*	July 20, 2019	–	1,836	71	101	537	2,545
Mr. Zhao Mingzhu	July 20, 2019	–	1,800	89	101	476	2,466
Mr. Chen Zhiyuan	July 20, 2019	–	1,800	89	101	162	2,152
Mr. Shu Wa Tung, Laurence	December 20, 2022	–	1,184	16	81	481	1,762
Mr. Chen Rui	December 20, 2022	–	389	60	387	973	1,809
		–	7,009	325	771	2,629	10,734
Independent non-executive directors:							
Dr. Guan Yanmin	July 27, 2024	–	–	–	–	–	–
Mr. Zhu Rongyuan	July 27, 2024	–	–	–	–	–	–
Ms. Ng Sin Kiu	July 27, 2024	–	–	–	–	–	–
		–	–	–	–	–	–
Supervisors:							
Mr. Shen Xiaowei	December 20, 2022	–	436	64	531	482	1,513
Mr. Yu Yuanyang	December 20, 2022	–	447	65	266	198	976
Mr. Wang Zhenkang (note v)	March 27, 2023	–	42	18	–	–	60
Mr. Wu Yunfeng (note v)	April 1, 2024	–	326	20	–	56	402
		–	1,251	167	797	736	2,951

13. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES *(Continued)*

	Date of appointment	Director's fee RMB'000	Salaries and other benefits RMB'000	Retirement benefit scheme RMB'000	Share-based payments RMB'000 (Note 32)	Discretionary bonus RMB'000	Total RMB'000
For the year ended December 31, 2023							
Executive directors:							
Mr. Zhou Yang *(Chairman)*	July 20, 2019	–	1,921	68	4,776	427	7,192
Mr. Zhao Mingzhu	July 20, 2019	–	1,849	82	–	459	2,390
Mr. Chen Zhiyuan	July 20, 2019	–	1,792	82	–	729	2,603
Mr. Shu Wa Tung, Laurence	December 20, 2022	–	850	14	–	240	1,104
Mr. Chen Rui	December 20, 2022	–	381	68	188	–	637
		–	6,793	314	4,964	1,855	13,926
Independent non-executive directors:							
Dr. Guan Yanmin	July 27, 2024	–	–	–	–	–	–
Mr. Zhu Rongyuan	July 27, 2024	–	–	–	–	–	–
Ms. Ng Sin Kiu	July 27, 2024	–	–	–	–	–	–
		–	–	–	–	–	–
Supervisors:							
Mr. Shen Xiaowei	December 20, 2022	–	438	68	376	216	1,098
Mr. Yu Yuanyang	December 20, 2022	–	451	68	188	225	932
Mr. Wang Zhenkang (note v)	March 27, 2023	–	389	52	–	95	536
Mr. Wu Yunfeng (note v)	April 1, 2024	–	301	20	–	70	391
		–	1,579	208	564	606	2,957

13. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES *(Continued)*

Notes:

(i) None of the directors nor the chairman of the Company waived or agreed to waive any emoluments during the years ended December 31, 2024 and 2023.

(ii) During the years ended December 31, 2024 and 2023, no emoluments were paid by the Group to any of the directors nor the chairman of the Company as an inducement to join or upon joining the Group or as compensation for loss of office.

(iii) The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Group and the Company, respectively.

(iv) The discretionary bonuses were determined with reference to their duties and responsibilities of the relevant individuals within the Group and the Group's performance.

(v) Mr. Wang Zhenkang was appointed as supervisor of the Company on March 27, 2023 and resigned on March 31, 2024. Afterwards Mr. Wu Yunfeng was appointed as supervisor of the Company on April 1, 2024.

Other dealings in favour of directors and supervisors

Amounts due from directors and supervisors

	As at December 31,		Maximum amount outstanding during the Year ended December 31,	
	2024	2023	**2024**	2023
	RMB'000	RMB'000	**RMB'000**	RMB'000
Mr. Zhou Yang	**–**	–	**–**	3,842
Mr. Zhao Mingzhu	**–**	–	**–**	3,359
Mr. Chen Zhiyuan	**–**	–	**–**	3,201
Mr. Shu Wa Tung, Laurence	**–**	–	**–**	1,833
Mr. Chen Rui	**–**	–	**–**	232
Mr. Shen Xiaowei	**–**	–	**–**	185
Mr. Yu Yuanyang	**–**	–	**–**	252
	–	–		

These amounts are non-trade related, unsecured, interest free and repayable on demand.

13. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES *(Continued)*

Five highest paid employees

The five highest paid individuals of the Group are directors and supervisors of the Company for the years ended December 31, 2024 and 2023, details of whose remuneration are set out above. The emoluments of these employees are within the following bands:

	Year ended December 31,	
	2024	2023
	No. of employees	No. of employees
HK$1,000,001 to HK$1,500,000	**–**	2
HK$1,500,001 to HK$2,000,000	**2**	–
HK$2,000,001 to HK$2,500,000	**1**	–
HK$2,500,001 to HK$3,000,000	**2**	2
HK$7,500,001 to HK$8,000,000	**–**	1
	5	5

14. EARNINGS PER SHARE

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

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Profit for the year attributable to owners of the Company	**120,891**	120,556

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Weighted average number of ordinary shares in issue	**30,000**	30,000

14. EARNINGS PER SHARE *(Continued)*

The weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted the 10,000,000 shares issued in 2023 by conversion of the share premium into the share capital of the Company, as if 30,000,000 shares were in issue as at January 1, 2023.

The computation of diluted earnings per share for the year ended December 31, 2024 does not assume the exercise of the Company's options granted under a share option scheme adopted in 2024 (the "Pre-IPO Share Option Scheme"), because the performance conditions included were not satisfied as at December 31, 2024.

No diluted earnings per share for the ended December 31, 2023 was presented as there were no potential ordinary shares in issue during the year ended December 31, 2023.

15. DIVIDENDS

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2023 final dividend: RMB1.6 per ordinary share (2023: 2022 final dividend of RMB0.17 per ordinary share)	**48,000**	5,000
2024 special dividend: RMB1.6 per ordinary share	**48,000**	–
	96,000	5,000

Subsequent to the end of the reporting period, a final dividend in respect of the year ended December 31, 2024 of RMB1.5 per ordinary share, in an aggregate amount of RMB60,000,000, has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

The number of shares used in the calculation of dividend per share is adjusted retrospectively for the 10,000,000 shares issued in 2023 by conversion of the share premium into the share capital of the Company, as if 30,000,000 shares were in issue as at January 1, 2023.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machinery and equipment RMB'000	Office equipment and furniture RMB'000	Transportation equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
As at January 1, 2023	46,174	4,962	2,710	4,682	250	–	58,778
Additions	–	193	251	668	677	942	2,731
Acquisition of subsidiaries (Note 37)	–	–	6	–	–	–	6
As at December 31, 2023	**46,174**	**5,155**	**2,967**	**5,350**	**927**	**942**	**61,515**
Additions	**–**	**–**	**871**	**670**	**144**	**798**	**2,483**
Disposal	**–**	**–**	**(96)**	**(293)**	**–**	**–**	**(389)**
Transfer	**710**	**–**	**–**	**–**	**–**	**(710)**	**–**
As at December 31, 2024	**46,884**	**5,155**	**3,742**	**5,727**	**1,071**	**1,030**	**63,609**
ACCUMULATED DEPRECIATION							
As at January 1, 2023	3,487	769	888	2,407	63	–	7,614
Provided for the year	2,195	540	680	1,102	281	–	4,798
As at December 31, 2023	**5,682**	**1,309**	**1,568**	**3,509**	**344**	**–**	**12,412**
Provided for the year	**2,240**	**539**	**683**	**855**	**239**	**–**	**4,556**
Eliminated on disposals	**–**	**–**	**(58)**	**(82)**	**–**	**–**	**(140)**
As at December 31, 2024	**7,922**	**1,848**	**2,193**	**4,282**	**583**	**–**	**16,828**
CARRYING VALUES							
As at December 31, 2023	40,492	3,846	1,399	1,841	583	942	49,103
As at December 31, 2024	**38,962**	**3,307**	**1,549**	**1,445**	**488**	**1,030**	**46,781**

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Buildings with carrying amount of approximately nil as at December 31, 2024, were pledged to banks to secure the bank borrowing facilities (2023: RMB40,492,000).

The above items of property, plant and equipment, except for construction in progress, are depreciated on a straight-line basis after taking into account of the residual value as follows:

Buildings	5.00% per annum
Machinery and equipment	9.50%–19.00% per annum
Office equipment and furniture	19.00%–31.67% per annum
Transportation equipment	9.50%–23.75% per annum
Leasehold improvements	Over the shorter of the lease term or 5 years

17. RIGHT-OF-USE ASSETS

	Office equipment and furniture RMB'000	Land use right RMB'000	Shoreline use right RMB'000	Total RMB'000
Carrying amount				
As at January 1, 2023	1,430	4,897	2,136	8,463
Additions	2,893	–	–	2,893
Depreciation charge	(1,280)	(105)	(46)	(1,431)
Derecognition	(480)	–	–	(480)
Exchange realignment	15	–	–	15
As at December 31, 2023	**2,578**	**4,792**	**2,090**	**9,460**
Additions	**513**	**–**	**–**	**513**
Depreciation charge	**(1,408)**	**(105)**	**(45)**	**(1,558)**
Exchange realignment	**(3)**	**–**	**–**	**(3)**
As at December 31, 2024	**1,680**	**4,687**	**2,045**	**8,412**

17. RIGHT-OF-USE ASSETS *(Continued)*

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Expense relating to short-term leases	**67**	160
Total cash outflow for leases	**1,640**	1,335

The Group regularly entered into short-term leases for office properties. As at December 31, 2024 and 2023, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

During the years ended December 31, 2024 and 2023, the Group leases various properties for its operations. Lease contracts are entered into for fixed term of 21 months to 72 months. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Restrictions or covenants on leases

There were no extension or termination options in the lease contracts. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definitions of a contract and determines the period for which the contract is enforceable.

The lump sum payments for land use right and shoreline use right were made upfront and with fixed terms of 50 years and 50 years respectively and depreciated on a straight line basis since the date of acquisition to the end of the contract terms.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

In addition, lease liabilities of RMB1,940,000 (2023: RMB2,888,000) are recognised with related right-of-use assets of RMB1,680,000 as at December 31, 2024 (2023: RMB2,578,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. These leased assets may not be used as security for borrowing purposes.

18. GOODWILL

	WTC Group RMB'000
COST AND CARRYING AMOUNT	
As at January 1, 2023	–
Goodwill arising on acquisition (Note 37)	8,524
As at December 31, 2023	**8,524**
Exchange realignment	**186**
As at December 31, 2024	**8,710**

For the purpose of goodwill impairment assessment as at December 31, 2024, the recoverable amount of the group of CGUs that are expected to benefit from the synergies of the acquisition of WTC was determined based on a value-in-use calculation using the discounted cashflow method. The value-in-use calculation is based on the financial budgets of relevant business prepared by the management of the Company covering a five-year period. The cash flows beyond the five-year period were extrapolated by using a steady 2.0% growth rate, which was estimated with reference to the relevant industry growth forecasts and did not exceed the average long-term growth rate for the relevant industry. The estimated revenue, cost and expenses were based on the past performance and the management's expectation of future market development. Pre-tax discount rate of 14.72% was used to reflect market assessment of time value and the specific risks relating to the CGUs for the impairment assessment as at December 31, 2024.

As at December 31, 2024, the recoverable amount of the group of CGUs exceeded its carrying amount by RMB21,875,000. The management of the Group was in the view that there was sufficient headroom in respect of the reasonably possible changes in the key parameters, and had not identified that as reasonably possible changes in the key parameters would cause the carrying amount of the group of CGUs to exceed the recoverable amount as at December 31, 2024.

The impairment test was performed by engaging an independent qualified professional valuer, 藍策亞洲(北京)企業管理諮詢有限公司 ValueLink Asia (Beijing) Enterprise Management Consulting Co., Ltd. ("ValueLink"). The address of ValueLink is Room 301–3068, No. 16 West Sihuan Middle Road, Haidian District, Beijing, PRC.

19. OTHER INTANGIBLE ASSETS

	Intellectual properties RMB'000
COST	
As at January 1, 2023 and December 31, 2023	147
Additions	283
As at December 31, 2024	**430**
ACCUMULATED AMORTISATION	
As at January 1, 2023	39
Provided for the year	14
As at December 31, 2023	**53**
Provided for the year	**74**
As at December 31, 2024	**127**
CARRYING VALUES	
As at December 31, 2023	94
As at December 31, 2024	**303**

The above intangible assets have finite useful lives. Such intangible assets are amortised on a straight-line basis over 10 years.

20. DEFERRED TAX ASSETS/LIABILITIES

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

	At December 31, 2024 RMB'000	2023 RMB'000
Deferred tax assets	**1,702**	3,433

The following are the major deferred tax assets/(liabilities) recognised and movements thereon during the years:

	Accrued expenses RMB'000	Provision for impairment of assets RMB'000	Right-of-use assets RMB'000	Lease liabilities RMB'000	Unrealised profit on internal transactions RMB'000	Tax losses RMB'000	Provision RMB'000	ECL provision RMB'000	Others RMB'000	Total RMB'000
As at January 1, 2023	237	69	(226)	241	1,065	704	81	221	38	2,430
(Charged) credited to profit or loss	(158)	373	(164)	197	(382)	333	599	205	(38)	965
Exchange adjustments	–	2	(3)	3	–	31	1	4	–	38
As at December 31, 2023	**79**	**444**	**(393)**	**441**	**683**	**1,068**	**681**	**430**	**–**	**3,433**
(Charged) credited to profit or loss	**(24)**	**(251)**	**144**	**(153)**	**(353)**	**(1,069)**	**(65)**	**38**	**–**	**(1,733)**
Exchange adjustments	**–**	**1**	**–**	**(1)**	**–**	**1**	**–**	**1**	**–**	**2**
As at December 31, 2024	**55**	**194**	**(249)**	**287**	**330**	**–**	**616**	**469**	**–**	**1,702**

20. DEFERRED TAX ASSETS/LIABILITIES *(Continued)*

As at December 31, 2024, the Group has unrecognised tax losses of approximately RMB7,142,000 and (2023: RMB5,196,000).

	At December 31,	
	2024	2023
	RMB'000	RMB'000
Indefinite	**7,142**	5,196

No deferred tax liability is recognised on temporary differences of RMB66,650,000 as at December 31, 2024 (2023: RMB44,780,000) relating to the unremitted earnings of overseas subsidiaries as the Group is able to control the timings of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future.

21. INVENTORIES

	At December 31,	
	2024	2023
	RMB'000	RMB'000
Raw materials and consumables	**1,143**	1,432
Work in progress	**3,329**	1,561
Finished goods	**24,177**	84,389
	28,649	87,382

Finished goods are net of a write-down of approximately RMB360,000 as at December 31, 2024 (2023: RMB1,930,000).

Raw materials are net of a write-down of approximately RMB841,000 as at December 31, 2024 (2023: RMB841,000).

22. TRADE AND OTHER RECEIVABLES

	At December 31, 2024 RMB'000	2023 RMB'000
Trade receivables	**84,446**	42,153
Less: allowance for ECL (Note 35)	**(4,226)**	(2,054)
	80,220	40,099
Prepayments	**31,571**	42,982
Notes receivables	**9,262**	–
Deferred issue costs	**27,449**	–
Value-added-tax ("VAT") recoverable	**1,413**	1,146
Prepaid income tax	**410**	–
VAT export refund receivable	**28**	2,734
Rental deposits	**1,073**	1,071
Less: allowance for ECL (Note 35)	**(638)**	(638)
	435	433
Custom deposits	**–**	326
Letter of credit and bank guarantee deposits	**13,934**	–
Advance to employees	**498**	333
Others	**397**	140
	165,617	88,193

As at January 1, 2023, trade receivables from contracts with customers amounting to RMB19,423,000.

The Group normally grants a credit period of 30 to 90 days or a particular period agreed with customers effective from the date when the revenue were recognised.

22. TRADE AND OTHER RECEIVABLES *(Continued)*

The following is an aging analysis of trade receivables net of allowance for credit losses presented based on revenue recognition dates at the end of each reporting period:

	At December 31,	
	2024	2023
	RMB'000	RMB'000
0–30 days	**47,232**	21,041
31–90 days	**30,035**	17,453
91–180 days	**2,775**	1,017
181–365 days	**151**	584
Over 365 days	**27**	4
	80,220	40,099

As at December 31, 2024, the aging of notes receivables is within 30 days.

Details of the assessment on the provision of ECL of trade receivables are set out in Note 35.

The Group does not hold any collateral over these balances.

Trade and other receivables that are denominated in currencies other than the functional currencies of the respective group entities are set out below:

	At December 31,	
	2024	2023
	RMB'000	RMB'000
EUR	**11,058**	–
SGD	**61**	61
HK$	**20**	–
United States dollar("US$")	**–**	2,155
	11,139	2,216

23. CONTRACT ASSETS AND CONTRACT LIABILITIES

Contract Assets

Certain marine services contracts of the Company and its subsidiaries include terms that require certain portion of the payments to be withheld by the customers until the expiry of the warranty period.

The Group typically agrees to a retention period of 12 months for a percentage ranging from 2% to 5% of the contract value. This amount is included in contract assets until the end of the retention period as the Group's entitlement to this final payment is conditioned on the marine services not having any quality issues. The contract assets are transferred to trade receivables when the warranty obligations expire.

The Group classifies these contract assets as current because the Group expects to realize them in its normal operating cycle.

Contract Liabilities

For the contracts which require prepayments from the customers, the Group typically receive a deposit up to 80% of the total contract sum based on the different stage of the projects.

Revenue of RMB160,813,000 of the Group was recognised during the years ended December 31, 2024 (2023: RMB95,881,000), that was included in the contract liabilities at the beginning of the relevant years.

Contract liabilities that are expected to be settled within the Group's normal operating cycle are classified as current liabilities.

The significant decrease in contract liabilities of the Group was mainly due to the delivery of projects, resulting in the contract liabilities being recognised as revenue during the year ended December 31, 2024. In addition, certain new orders obtained during the year ended December 31, 2024 were secured by letter of credits instead of receiving deposits in advance.

24. CONTRACT COSTS

Details of contract cost are as follows:

	At December 31, 2024 RMB'000	2023 RMB'000
Incremental costs to obtain contracts (Note i)	**8,204**	10,425
Costs to fulfil contracts (Note ii)	**1,255**	1,475
	9,459	11,900

Notes:

i. Contract costs capitalised relate to the incremental sales commissions to sales agents whose selling activities resulted in customers entering into sale and purchase agreements whose revenue has not yet been recognised at each of the end of the reporting period.

ii. Costs to fulfill contracts are mainly in relation to the design review fees of ongoing projects at each of the end of the reporting period.

Contract costs are recognised as expenses in the consolidated statement of profit or loss in the period in which the corresponding revenue is recognised.

There was no impairment in relation to the opening balance of capitalised costs or the costs capitalised during the years ended December 31, 2024 (2023: nil).

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS("FVTPL")

	At December 31, 2024 RMB'000	2023 RMB'000
Financial assets at FVTPL	**19,768**	–

During the year ended December 31, 2024, ContiOcean HK subscribed a wealth management product issued by Prudent Wealth Global Fund SPC, which is an independent third party, amounted to US$2,750,000 (equivalent to RMB19,768,000). The underlying investments of the wealth management products are high liquidity, low risk financial instruments including US treasury notes with remaining maturity within one year and other cash and cash equivalents with committed return ranged from 1% to 4.5% per annum. The investment in the wealth management product can be redeemed within 5 working days upon request and at the full discretion of the Group. As at December 31, the Group has not pledged the investment in the wealth management product.

26. CASH AND CASH EQUIVALENTS/RESTRICTED BANK DEPOSITS/TERM DEPOSITS

Cash and cash equivalents comprise demand deposits and short-term bank deposits held by the Group. Bank balances carry interests at market rates which was from 0.05% to 1.13% as at December 31, 2024 (2023: from 0.0001% to 5.30%).

Restricted bank deposits are for issuance of letters of guarantee and letters of credit, carrying interests at market rates which was from 0.1% to 0.8% as at December 31, 2024 (2023: 0.20% to 2.90%).

As at December 31, 2024, term deposits with an original maturity over three months but within one year carry interests at market rates which were 4.25% (2023: 5.43%). As at December 31, 2023, term deposits with an original maturity over one year carry interests at market rates which were 2.7%.

Cash and cash equivalents, restricted bank deposits and term deposits that are denominated in currencies other than functional currencies of the relevant group entities are set out below:

	At December 31,	
	2024	2023
	RMB'000	RMB'000
RMB	**14,290**	38,687
EUR	**2,047**	–
US$	**8,104**	56,071
SGD	**1,261**	600
HK$	**130**	240
	25,832	95,598

27. TRADE AND OTHER PAYABLES

	At December 31, 2024 RMB'000	At December 31, 2023 RMB'000
Trade payables		
— third parties	**40,822**	29,472
Notes payables	**14,862**	1,044
Other payables		
— third parties	**17,627**	6,245
Payroll payables	**7,608**	8,068
Accrued expenses	**5,776**	9,115
Other tax payables	**1,177**	1,637
	87,872	55,581

The average credit period on purchases of goods and services of the Group is within 120 days (2023: 120 days).

The following is an aged analysis of trade payables, presented based on earlier of the date of goods and services received and the invoice dates at the end of each reporting period:

	At December 31, 2024 RMB'000	At December 31, 2023 RMB'000
0–90 days	**8,986**	26,017
91–180 days	**19,394**	493
181–365 days	**9,204**	1,108
Over 365 days	**3,238**	1,854
	40,822	29,472

As at December 31, 2024, the aging of notes payables is within 90 days.

27. TRADE AND OTHER PAYABLES *(Continued)*

Trade and other payables that are denominated in currencies other than the functional currencies of the respective group entities are set out below:

	At December 31,	
	2024	2023
	RMB'000	RMB'000
HK$	**3,981**	5,491
SGD	**57**	680
EUR	**91**	83
US$	**7,166**	–
RMB	**–**	308

The other payables are unsecured, interest-free and repayable on demand.

28. BANK BORROWINGS

As at December 31, 2024, bank borrowings of nil are unsecured but guaranteed by the Controlling Shareholders of the Company (2023: RMB9,900,000).

As at December 31, 2024, bank borrowings of nil are unsecured but guaranteed by the Company, Mr. Yang Zhifu, the general manager of a subsidiary, and Mr. Zhou Yang (2023: RMB10,000,000).

As at December 31, 2024, bank borrowings of RMB30,000,000 are unsecured but guaranteed by the Company (2023: nil).

As at December 31, 2024, bank borrowings of RMB9,950,000 are unsecured and unguaranteed (2023: nil).

While the Controlling Shareholders provided guarantees for all of the bank borrowings as of December 31, 2023, such guarantees had been released by the relevant banks on December 20, 2024.

28. BANK BORROWINGS *(Continued)*

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	At December 31, 2024	2023
Fixed-rate borrowings	**3.00%–3.40%**	3.80%–3.85%

	At December 31, 2024 RMB'000	2023 RMB'000
The carrying amounts of the above borrowings are repayable		
Within one year	**9,950**	19,900
Over one years but within two years	**30,000**	–
	39,950	19,900

29. LEASE LIABILITIES

	At December 31, 2024 RMB'000	2023 RMB'000
Lease liabilities payable:		
Within one year	**1,396**	1,395
Within a period of more than one year but not exceeding two years	**544**	1,118
Within a period of more than two years but not exceeding five years	**–**	375
	1,940	2,888
Less: Amount due for settlement with 12 months shown under current liabilities	**(1,396)**	(1,395)
Amount due for settlement after 12 months shown under non-current liabilities	**544**	1,493

The weighted average incremental borrowing rates applied to lease liabilities is 4.75% (2023: 4.75%).

30. PROVISIONS

	Warranty provision RMB'000
At January 1, 2023	503
Additional provision during the year	4,380
Utilisation of provision	(319)
Exchange realignment	(25)
At December 31, 2023	**4,539**
Additional provision during the year	**353**
Utilisation of provision	**(783)**
At December 31, 2024	**4,109**

The warranty provision represents management's best estimate of the Group's and the Company's liability under 12 to 60 months assurance-type warranty granted on products, based on prior experience and industry averages for defective products.

31. SHARE CAPITAL

	Number of shares	Nominal value of shares RMB'000
Ordinary shares of RMB1 each		
Authorised and issued		
As at January 1, 2023	20,000,000	20,000
Conversion of share premium to share capital (Note)	10,000,000	10,000
As at December 31, 2023 and 2024	30,000,000	30,000

Note: In July 2023, the Company converted share premium amounting to RMB10,000,000 to 10,000,000 ordinary shares with nominal value of RMB1.00 each.

32. SHARE-BASED PAYMENT TRANSACTIONS

(a) Equity-settled restricted shares scheme of the Company

In February 2019, the shareholders' meeting of the Company passed a resolution to transfer 8% of the equity interests in the Company to six key employees at the price of RMB1.00 per the then paid-in capital, in order to attract and retain the employees for the continual operation and development of the Group. The fair value of the equity interests of the Company at the grant date was RMB24.84 per the then paid-in capital. The equity interests vested over a three-year period with 1/3 of the equity interests granted vesting on each of the first, second and third anniversary of the grant date. The vesting of the equity interests is also subject to the performance condition of the Company's successful listing at a recognised stock exchange. The difference between the fair value of the equity interests transferred to these employees at the grant date and the price paid by them for such transfer was accounted for as equity settled share-based payment and the relevant expenses were recognised over the expected vesting period.

In May 2021, one of the six key employees resigned and the shares granted to this employee were transferred to Mr. Zhou Yang at cost and Mr. Zhou Yang, Mr. Zhao Mingzhu, Mr. Chen Zhiyuan and the other five key employees transferred 8% equity interests of the Company to ContiOcean Corporate Development LLP ("ContiOcean Development").

In January 2022, in order to attract and retain the employees for the continual operation and development of the Group, Mr. Zhou Yang transferred 12.50% of the interest in ContiOcean Development to ten employees, which represented 1% of the equity interests in the Company indirectly at the price of RMB0.55 per the then paid-in capital. The fair value of the Company's equity interests at the grant date was RMB24.70 per the then paid-in capital. The equity interests will vest over a three-year period with 1/3 of the equity interests granted vesting on each of the first, second and third anniversary of the grant date. The vesting of the equity interests is also subject to the performance condition of the Company's successful listing at a recognised stock exchange. The difference between the fair value of the equity interests transferred to these employees at the grant date and the price paid by them for such transfer was accounted for as equity settled share-based payment and the relevant expenses were recognised over the expected vesting period.

In November 2023, 0.7% of the shares of the Company were granted to Mr. Zhou Yang indirectly through the shares of ContiOcean Development, in order to retain and motivate Mr. Zhou Yang for the continual operation and development of the Group. These shares were vested immediately. As a result, the difference between the fair value of the shares at the grant date and the price paid by Mr. Zhou Yang was accounted for as equity settled share-based payment and the relevant expenses were recognised during the year ended December 31, 2023.

32. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

(a) Equity-settled restricted shares scheme of the Company *(Continued)*

Set out below are details of the movements of the outstanding unvested shares granted under the share-based payment arrangements during the years ended December 31, 2024 and 2023. The number of shares listed below is adjusted retrospectively for the Company's conversion into a joint stock company in 2022 and the 10,000,000 shares issued in 2023 by conversion of the share premium into the share capital of the Company, as if 30,000,000 shares were in issue as at January 1, 2023.

	At December 31, 2024	2023
Directors		
At the beginning of the year	**75,000**	75,000
Granted during the year	**–**	210,000
Vested during the year	**–**	(210,000)
At the end of the year	**75,000**	75,000
Supervisors		
At the beginning and end of the year	**225,000**	225,000
Other employees		
At the beginning of the year	**390,000**	450,000
Forfeited during the year	**–**	(60,000)
At the end of the year	**390,000**	390,000

32. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

(b) Equity-settled share option scheme of the Company

On July 27, 2024, to improve the Company's incentive mechanism to attract and retain outstanding talents and to promote the long-term development of the Company, the Company adopted a share option scheme pursuant to which a maximum of 3,930,000 options shall be granted to its directors, supervisors, senior management and core employees of the Group, subject to the accomplishment of certain non-market performance conditions. The exercise price for each option is RMB25. On July 29, 2024, the Company granted 3,930,000 options.

The options granted under the Pre-IPO Share Option Scheme may be vested in tranches: (1) 33% vested on the first anniversary of the listing date of the H Shares of the Company on the Stock Exchange (the "Listing Date"), and exercisable from the first trading day after 12 months from the Listing Date to the last trading day within 24 months from the Listing Date, subject to the performance condition to be fulfilled; (2) 33% vested on the second anniversary of the Listing Date, and exercisable from the first trading day after 24 months from the Listing Date to the last trading day within 36 months from the Listing Date, subject to the performance condition to be fulfilled; and (3) 34% vested on the third anniversary of the Listing Date, and exercisable from the first trading day after 36 months from the Listing Date to the last trading day within 48 months from the Listing Date, subject to the performance condition to be fulfilled.

Set out below are details of the movements of the outstanding shares options granted under the share-based payment arrangements during both years.

	At December 31,	
	2024	2023
Directors		
At the beginning of the year	**–**	–
Granted during the year	**1,250,000**	–
Forfeited during the year	**(412,500)**	–
At the end of the year	**837,500**	–
Other employees		
At the beginning of the year	**–**	–
Granted during the year	**2,680,000**	–
Forfeited during the year	**(904,500)**	–
At the end of the year	**1,775,500**	–

32. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(b) Equity-settled share option scheme of the Company (Continued)

The first batch, which is 33% of the total granted share options, were forfeited due to the performance condition was not fulfilled.

The share option outstanding of December 31, 2024 had a weighted average remaining contractual life of 3 years.

The Group has applied discounted cash flow method to determine the fair value of the underlying shares of RMB24.84 per the then paid-in capital granted in February 2019, RMB24.70 per the then paid-in capital granted in January 2022, RMB23.58 per share granted in November 2023 and RMB24.06 per share option granted in July 2024. Best estimates of key assumptions, such as discount rate and projections of future performance, are required to be determined by management. Key assumptions used in determining the fair value of shares under the share-based payment arrangements are as follows:

	Shares granted at			
	February 2019	January 2022	November 2023	**July 2024**
	%	%	%	**%**
Discount rate	14.76	13.38	11.41	**10.72**
Risk-free interest rate	3.17	2.78	2.67	**1.84**
Volatility	50	45	40	**44**

The fair value of the share option was valued by directors of the Company with reference to valuation reports prepared by ValueLink.

During the year ended December 31, 2024, equity-settled share-based payment compensation expenses of RMB4,763,000 (2023: RMB7,036,000), in relation to the above-mentioned share-based payment arrangements were charged to profit or loss.

33. RELATED PARTY TRANSACTIONS

(a) Related party transactions

Save for disclosed elsewhere in these consolidated financial statements, the Group has following transactions and balances with related parties:

Name	Relationships	Nature of transactions	Year ended December 31, 2024 RMB'000	2023 RMB'000
WTC	An associate, in which the Group had a 33.78% equity interest (Note)	Other service received	**N/A**	1,168

Note: The associate was previously held by the Group and subsequent to the additional capital injection as disclosed in Note 37, it has become a subsidiary of the Company on December 31, 2023. The transaction amount disclosed for the year ended December 31, 2023 is from January 1, 2023 to the date of acquisition.

(b) Compensation of key management personnel

The remuneration of the directors, supervisors and senior management of the Group during the reporting periods were as follows:

	Year ended December 31, 2024 RMB'000	2023 RMB'000
Short-term benefits	**9,172**	9,146
Discretionary bonus (Note)	**3,842**	2,995
Retirement benefit scheme contributions	**609**	656
Share-based payments	**1,948**	5,716
	15,571	18,513

Note: Discretionary bonus is determined based on their duties and responsibilities of the relevant individuals within the Group and the Group's performance.

34. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the group will be able to continue as going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net assets, which includes cash and cash equivalents, restricted bank deposits and term deposits, net of bank borrowings and lease liabilities, and equity attributable to owners of the Company, comprising issued share capital, retained profits, other reserves and non-controlling interests.

The management of the Group regularly reviews the capital structure on a continuous basis taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through the new shares issues as well as the issue of new debts and redemption of existing debts.

35. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	At December 31,	
	2024	2023
	RMB'000	RMB'000
Financial assets		
Amortised cost (including cash and cash equivalents)	**267,216**	308,304
FVTPL	**19,768**	–
	286,984	308,304
Financial liabilities		
Amortised cost	**113,261**	56,661

(b) Financial risk management objectives and policies

The Group's major financial assets and liabilities include trade and other receivables, financial assets at FVTPL, cash and cash equivalents, restricted bank deposits, term deposits, trade and other payables and bank borrowings. Details of these financial assets and liabilities are disclosed in respective notes.

The risks associated with these financial assets and liabilities include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The directors manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

35. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk

The Group's activities expose it primarily to currency risk and interest rate risk. There has been no change in the Group's exposure to these risks or the manner in which it manages and measures the risks.

(i) Currency risk

Cash and cash equivalents, trade and other receivables, and trade and other payables are denominated in foreign currency of respective group entities which are exposed to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of each reporting period are mainly as follows:

The Group

	At December 31,	
	2024	2023
	RMB'000	RMB'000
Assets		
US$	**8,104**	58,226
HK$	**150**	240
SGD	**1,322**	661
EUR	**13,105**	–
RMB	**14,290**	38,687
	36,971	97,814
Liabilities		
US$	**7,166**	–
HK$	**3,981**	5,491
SGD	**57**	680
EUR	**91**	83
RMB	**–**	308
	11,295	6,562

35. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(i) Currency risk (Continued)

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in foreign currencies against respective entities' functional currencies, with which the Group may have a material exposure. 5% represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis uses outstanding foreign currency denominated monetary items as a base and adjusts their translation at the end of each reporting period for a 5% change in foreign currency rates. A positive/negative number below indicates an increase/decrease in profit where foreign currencies strengthen 5% against functional currencies. For a 5% weakening of foreign currencies against functional currencies, there would be an equal and opposite impact on profit for the year.

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Impact on profit or loss	**1,091**	3,854

(ii) Interest rate risk

The Group are exposed to fair value interest rate risk in relation to restricted bank deposits, term deposits with an original maturity over three months but within one year, term deposits with an original maturity over one year, fixed rate bank borrowings and lease liabilities. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances. The directors of the Company consider that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant, therefore no sensitivity analysis on such risk has been prepared.

Credit risk

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

35. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk *(Continued)*

For trade receivables and contract assets, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The ECL on trade receivables and contract assets are assessed collectively, based on the past default experience of the debtor, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forward-looking information that is available without undue cost or effort at the end of each reporting period.

According to assessment of the management, since the majority of the trade receivables and contract assets balance is still within the credit term and there's no indicator that the credit risk would significantly increase in the foreseeable future, in the opinion of the management, the impairment loss for the trade receivables and contract assets is insignificant.

In order to minimize the credit risk with customers, the management of the Group has delegated its finance team responsible for determination of credit limits and credit approvals. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts.

The Group has concentration of credit risk of the trade receivables amounting to RMB14,649,000 (2023: RMB17,832,000), representing 17.35% (2023: 42.30%) of total trade receivables from the Group's largest debtors as at December 31, 2024. RMB42,336,000 (2023: RMB34,402,000) of the trade receivables was due from the five largest debtors, representing 50.13% (2023: 81.61%) of total trade receivables as at December 31, 2024.

As at December 31, 2024, the credit loss rate of trade receivable is 5.00% (2023: 4.87%).

For other receivables, the Group has applied ECL model in accordance to IFRS 9 to measure the loss allowance. The ECL on other receivables are assessed individually based on historical settlement records and past default experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the end of each year. The management of the Group believes that the Group's credit risk in other receivables is insignificant and therefore, the credit loss rate is nil as at December 31, 2024 (2023: nil).

The credit risk on cash and cash equivalents, restricted bank deposits and term deposits are limited because the counterparties are reputable financial institutions. The Group assesses 12m ECL for bank balances, restricted bank deposits and term deposits, and considered the ECL allowance is insignificant at the end of each reporting period.

The following tables shows the movement in lifetime ECL that has been recognised for trade receivables and contract assets under the simplified approach and credit impaired other receivable.

35. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk *(Continued)*

	Trade receivables (Lifetime ECL) RMB'000	Contract assets (Lifetime ECL) RMB'000	Other receivable (Lifetime ECL) RMB'000	Total RMB'000
As at January 1, 2023	1,010	26	638	1,674
— Impairment losses recognised, net of reversal	1,689	11	–	1,700
— Write off	(637)	–	–	(637)
— Exchange differences	(8)	–	–	(8)
As at December 31, 2023	**2,054**	**37**	**638**	**2,729**
— Impairment losses recognised, net of reversal	**2,130**	**88**	**–**	**2,218**
— Write off	**–**	**(32)**	**–**	**(32)**
— Exchange differences	**42**	**–**	**–**	**42**
As at December 31, 2024	**4,226**	**93**	**638**	**4,957**

35. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's and the Company's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate	Within 1 year or on demand	1 to 2 years	2 to 5 years	Total	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At December 31, 2024						
Trade and other payables	**–**	**73,311**	**–**	**–**	**73,311**	**73,311**
Bank borrowings	**3.25**	**9,964**	**31,992**	**–**	**41,956**	**39,950**
Lease liabilities	**4.75**	**1,456**	**550**	**–**	**2,006**	**1,940**
		84,731	**32,542**	**–**	**117,273**	**115,201**
At December 31, 2023						
Trade and other payables	–	36,761	–	–	36,761	36,761
Bank borrowings	3.83	20,058	–	–	20,058	19,900
Lease liabilities	4.75	1,797	1,163	379	3,339	2,888
		58,616	1,163	379	60,158	59,549

35. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value measurements of financial instruments

Fair value of the Group's financial asset that is measured at fair value on a recurring basis

A financial asset of the Group is measured at fair value at December 31, 2024. The following table gives information about how the fair value of the financial asset is determined (in particular, the valuation techniques and inputs used).

Financial asset	Fair value as at December 31, 2024 RMB'000	Fair value as at December 31, 2023 RMB'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input
Financial assets at FVTPL	**19,768**	–	Level 2	Based on the net asset values of the products, which are determined with reference to observable and quoted prices of underlying investment portfolio and adjustments of related expenses.	N/A

There were no transfers between Level 1 and Level 2 during the years ended December 31, 2024 and 2023.

Fair value of financial assets and financial liabilities that are not measured at fair value

The directors of the Company consider that the carrying amount of the Group's financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis.

36. RETIREMENT BENEFIT PLANS

The employees of the Group's subsidiary in PRC are members of a state-managed retirement benefit scheme organised by the relevant local government authority in the PRC. The subsidiary is required to contribute, based on a certain percentage of the payroll costs of its employees, to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions. The total amount provided by the Group to the scheme in the PRC is RMB2,569,000 for the years ended December 31, 2024 (2023: RMB2,194,000).

37. ACQUISITION OF A SUBSIDIARY

On June 20, 2022, ContiOcean Hong Kong a wholly owned subsidiary of the Company, made a capital injection amounting to EUR500,000 (equivalent to RMB3,616,000) into WTC. After the injection, the Group obtained 33.78% of the equity interests in WTC and had significant influence over WTC.

In 2023, ContiOcean Hong Kong injected an additional EUR400,000 (equivalent to RMB3,156,000) into WTC. After the completion of the injection, the equity interests in WTC held by the Group increased from 33.78% to 51.00% and the Group obtained control over WTC. The acquisition has been accounted for as acquisition of business using the acquisition method. The total consideration for the acquisition consisted of the cash amounting to EUR400,000 (equivalent to RMB3,156,000) further injected and the fair value of the Group's original interests in WTC before acquisition amounting to RMB6,191,000. The difference between the fair value and the carrying amount of the Group's original interests in WTC before the acquisition amounting to RMB4,794,000 was recognised as a gain on deemed disposal of an associate of the Group.

The principal activities of WTC and its subsidiary are engaged in research and development of the clean energy technology and market expansion in Europe.

Fair value of consideration transferred

	Amount RMB'000
Cash	3,156
Fair value of 33.78% interest in WTC previously held	6,191
	9,347

37. ACQUISITION OF A SUBSIDIARY *(Continued)*

Assets acquired and liabilities assumed at the date of acquisition

	Amount RMB'000
Net assets recognised:	
Property and equipment	6
Trade and other receivables	1,230
Cash and cash equivalents	849
Contract liabilities	(5)
Trade and other payables	(466)
	1,614

The fair value of trade and other receivables at the date of acquisition amounted to RMB1,230,000. The gross contractual amounts of those receivables acquired amounted to RMB1,230,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected is nil. The management of the Group considers that the carrying amount of assets and liabilities of WTC and its subsidiary approximate to their fair values at the date of acquisition.

Non-controlling interests

The non-controlling interests (49%) in WTC recognised at the acquisition date was measured by reference to the fair value of the proportionate share of recognised amounts of net assets of WTC and amounted to RMB791,000.

Goodwill arising on acquisition

	Amount RMB'000
Cash consideration transferred	3,156
Fair value of interest in WTC previously held	6,191
Plus: non-controlling interests	791
Less: fair value of net assets acquired	(1,614)
Goodwill arising on acquisition	8,524

37. ACQUISITION OF A SUBSIDIARY *(Continued)*

Goodwill arising on acquisition *(Continued)*

Goodwill arose on the acquisition of WTC because the acquisition consolidated and expanded the capacity of the Group's research and development and marketing capability of clean energy technology as at the date of acquisition. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. Goodwill arising from this acquisition is not expected to be deductible for tax purposes.

Gain on deemed disposal of an associate

	Amount RMB'000
Fair value of 33.78% interest in WTC previously held	6,191
Less: carrying amount of interest in an associate	(1,397)
	4,794

Net cash outflow on acquisition of a subsidiary

	Amount RMB'000
Cash consideration	3,156
Less: Cash and cash equivalents acquired	(849)
	2,307

WTC did not contribute any revenue or profit during the year ended December 31, 2023. If the acquisition had been completed on January 1, 2023, the total revenue of the Group for the year ended December 31, 2023 would have been RMB513,175,000 and the profit for the year of the Group ended December 31, 2023 would have been RMB117,571,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of the Group that actually would have been achieved had the acquisition been completed on January 1, 2023, nor is it intended to be a projection of future results.

38. PARTICULARS OF SUBSIDIARIES

As at December 31, 2024 and 2023, the Group's subsidiaries are as follows:

Name of subsidiaries	Place/Country and date of establishment/ incorporations	Issued and fully paid share/registered capital as at December 31, 2024	Issued and fully paid share/registered capital as at December 31, 2023	Equity interest attributable to the Group as at December 31, 2024 %	Equity interest attributable to the Group as at December 31, 2023 %	Principal activities
ContiOcean Nantong	PRC, January 28, 2019	**RMB30,000,000**	RMB30,000,000	**100**	100	Manufacturing of marine environmental protection-related equipment
ContiOcean Hong Kong	Hong Kong, December 28, 2017	**HK$10,000,000**	HK$10,000,000	**100**	100	Marine environmental protection-related business and marine services
ContiOcean International	PRC, March 15, 2023	**RMB10,000,000**	RMB10,000,000	**100**	100	Marine environmental protection-related business and marine services
ContiOcean Pte. Ltd.	Singapore, July 20, 2018	**SGD10**	SGD10	**100**	100	Marine environmental protection-related business and marine services
ContiLashing Pte. Ltd.	Singapore, August 1, 2019	**SGD100**	SGD100	**100**	100	Ship lashing fitting service
ContiOcean Global Energy Solution Pte. Ltd.	Singapore, January 3, 2019	**SGD1,200,000**	SGD1,200,000	**70**	70	Marine environmental protection-related business and marine services
WTC	The Portuguese Republic, April 14, 2022	**EUR1,020**	EUR1,020	**51**	51	R&D of marine environmental protection-related equipment, systems and service
Wavelength Technology Center AS	Norway, June 29, 2022	**NOK30,000**	NOK30,000	**51**	51	R&D of marine environmental protection-related equipment, systems and service
Alfaback Automation Co., Ltd	PRC, September 30, 2019	**RMB1,000,000**	RMB1,000,000	**100**	100	Inactive

All of the subsidiaries adopted December 31 as financial year end.

None of the subsidiaries has issued any debt securities as at December 31, 2024 and 2023.

39. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	At December 31,	
	2024	2023
	RMB'000	RMB'000
Non-Current Assets		
Property, plant and equipment	**2,221**	2,450
Right-of-use assets	**1,656**	2,268
Investments in subsidiaries	**68,976**	46,355
Other intangible assets	**303**	94
Deferred tax assets	**505**	450
Restricted bank deposits	**1,172**	–
	74,833	51,617
Current Assets		
Inventories	**468**	17,842
Trade and other receivables	**86,476**	131,747
Contract assets	**606**	–
Contract costs	**518**	2,656
Amounts due from subsidiaries	**27,671**	9,219
Term deposits with an original maturity over one year	**–**	10,000
Restricted bank deposits	**1,677**	40,776
Cash and cash equivalents	**85,466**	84,044
	202,882	296,284
Current Liabilities		
Trade and other payables	**59,436**	20,715
Amounts due to subsidiaries	**5,263**	61,603
Bank borrowings	**9,950**	9,900
Income tax payable	**–**	4,191
Lease liabilities	**1,370**	1,081
Provisions	**1,398**	1,499
Contract liabilities	**–**	49,109
	77,417	148,098
Net Current Assets	**125,465**	148,186
Total Assets Less Current Liabilities	**200,298**	199,803

39. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(Continued)*

	At December 31,	
	2024	2023
	RMB'000	RMB'000
Capital and Reserves		
Share capital	**30,000**	30,000
Reserves	**169,754**	168,337
Total Equity	**199,754**	198,337
Non-Current Liabilities		
Lease liabilities	**544**	1,466
	544	1,466
	200,298	199,803

39. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(Continued)*

The movement of the reserves of the Company are as follows:

	Share premium RMB'000	Other reserves RMB'000	Share-based payment reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At January 1, 2023	45,661	9,492	5,366	21,968	82,487
Profit and total comprehensive income for the year	–	–	–	93,814	93,814
Appropriation of surplus reserve	–	9,381	–	(9,381)	–
Distribution to the shareholders	–	–	–	(5,000)	(5,000)
Conversion of share premium into share capital	(10,000)	–	–	–	(10,000)
Recognition of equity settled share — based payments	–	–	7,036	–	7,036
Vested Restricted Shares	4,776	–	(4,776)	–	–
At December 31, 2023	**40,437**	**18,873**	**7,626**	**101,401**	**168,337**
Profit and total comprehensive income for the year	**–**	**–**	**–**	**92,654**	**92,654**
Appropriation of surplus reserve	**–**	**2,803**	**–**	**(2,803)**	**–**
Distribution to the shareholders	**–**	**–**	**–**	**(96,000)**	**(96,000)**
Recognition of equity settled share — based payments	**–**	**–**	**4,763**	**–**	**4,763**
At December 31, 2024	**40,437**	**21,676**	**12,389**	**95,252**	**169,754**

40. MAJOR NON-CASH TRANSACTIONS

Other than the deemed disposal of WTC as disclosed in Note 37, there are no other major non-cash transactions during the years ended December 31, 2024 and 2023.

41. RECONCILIATION OF ASSETS AND LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Amounts due from directors and supervisors RMB'000	Amounts due to related parties RMB'000	Other payables RMB'000	Lease liabilities RMB'000	Bank Borrowings RMB'000	Total RMB'000
At January 1, 2023	(10,907)	275	–	1,521	4,118	(4,993)
Financing cash flows	10,528	(281)	(5,442)	(1,175)	15,782	19,412
Non-cash changes:						
New lease entered	–	–	–	2,893	–	2,893
Early termination of lease arrangements	–	–	–	(535)	–	(535)
Exchange adjustments	379	6	–	68	–	453
Dividend declared	–	–	5,000	–	–	5,000
Interest expenses	–	–	442	116	–	558
At December 31, 2023	**–**	**–**	**–**	**2,888**	**19,900**	**22,788**
Financing cash flows	**–**	**–**	**(112,123)**	**(1,573)**	**20,050**	**(93,646)**
Non-cash changes:						
New lease entered	**–**	**–**	**–**	**513**	**–**	**513**
Dividend declared	**–**	**–**	**96,000**	**–**	**–**	**96,000**
Accrued issue costs	**–**	**–**	**27,449**	**–**	**–**	**27,449**
Interest expenses	**–**	**–**	**905**	**112**	**–**	**1,017**
At December 31, 2024	**–**	**–**	**12,231**	**1,940**	**39,950**	**54,121**

42. SUBSEQUENT EVENTS

The Group was successfully listed on the Main Board of The Hong Kong Stock Exchange on January 9, 2025, with stock code 2613.HK.