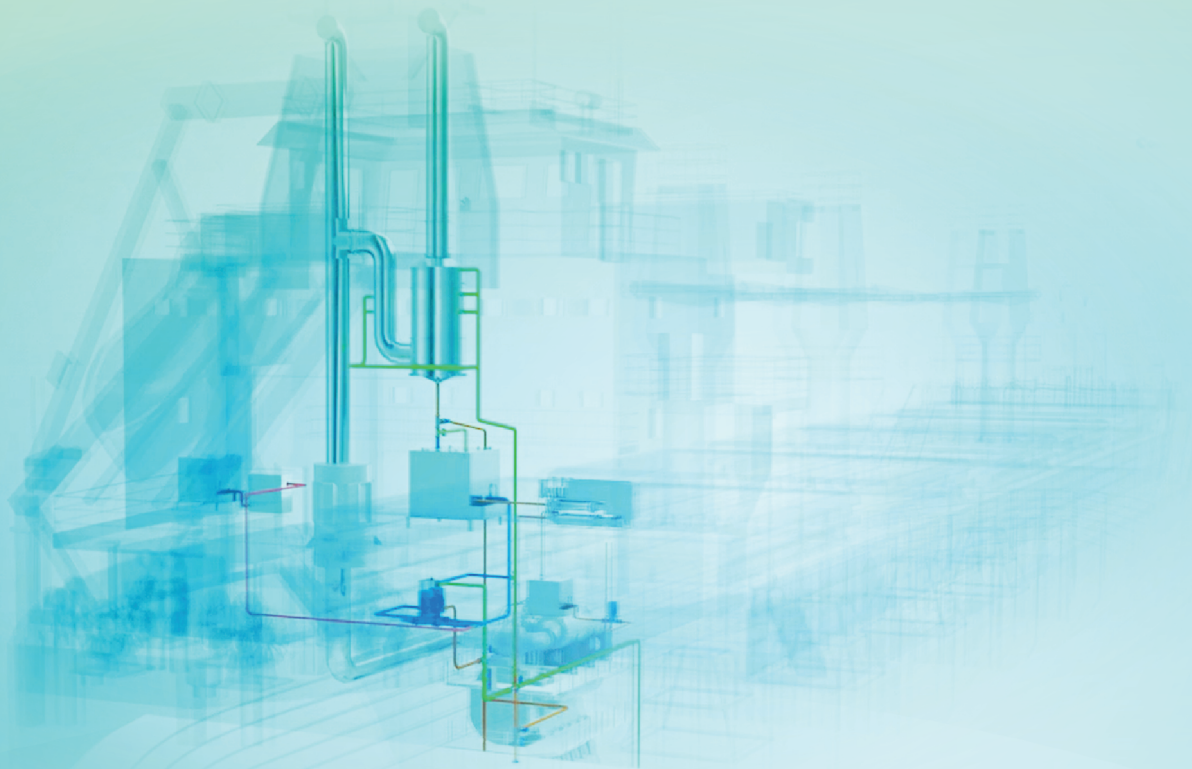




上海匯舸環保科技集團股份有限公司
CONTIOCEAN ENVIRONMENT TECH GROUP CO., LTD.

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

Stock Code: 2613



GLOBAL OFFERING

Joint Sponsors, Overall Coordinators, Joint Global Coordinators,
Joint Bookrunners, and Joint Lead Managers

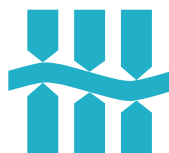


Overall Coordinator, Joint Global Coordinator,
Joint Bookrunner, and Joint Lead Manager



IMPORTANT

IMPORTANT: If you are in any doubt about any of the contents of this prospectus, you should seek independent professional advice.



ContiOcean

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)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering : 10,000,000 H Shares
Number of Hong Kong Offer Shares : 1,000,000 H Shares (subject to reallocation)
Number of International Offer Shares : 9,000,000 H Shares (subject to reallocation)
Maximum Offer Price : HK\$39.8 per H Share plus brokerage of 1.0%,
SFC transaction levy of 0.0027%, AFRC
transaction levy of 0.00015%, and Hong Kong
Stock Exchange trading fee of 0.00565%
(payable in full on application in Hong Kong
dollars and subject to refund)
Nominal value : RMB1.00 per H Share
Stock code : 2613

Joint Sponsors, Overall Coordinators, Joint Global Coordinators,
Joint Bookrunners, and Joint Lead Managers



CITIC SECURITIES



中國銀河國際
CHINA GALAXY INTERNATIONAL

Overall Coordinator, Joint Global Coordinator,
Joint Bookrunner, and Joint Lead Manager



BNP PARIBAS

Joint Bookrunners and Joint Lead Managers



中銀國際 BOCI



建銀國際
CIB International



光銀國際
CEB International



光大證券 | 國際
EVERBRIGHT SECURITIES INTERNATIONAL



華升證券
CHINA SUNRISE SECURITIES



富中證券有限公司
FORTUNE ORIGIN SECURITIES LIMITED



工銀國際
ICBC



Lego Securities Limited
力高證券有限公司



華富建業證券
QUAM SECURITIES



浦銀國際
SIB INTERNATIONAL

Joint Lead Managers



富途證券



利弗莫尔证券
LEVERMORE HOLDINGS LIMITED



老虎證券



TradeGo Markets

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited, and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus with the documents specified in "Documents delivered to the Registrar of Companies and Documents on Display — A. Documents delivered to the Registrar of Companies" in Appendix VII to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The Offer Price is expected to be fixed by agreement among the Joint Representatives (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Tuesday, January 7, 2025 and, in any event, not later than 12:00 noon on Tuesday, January 7, 2025. The Offer Price will not be more than HK\$39.8 and is currently expected to be not less than HK\$31.8. Investors applying for the Hong Kong Offer Shares may be required to pay, on application (subject to application channels), the maximum Offer Price of HK\$39.8 for each Offer Share together with brokerage of 1.0%, SFC transaction levy of 0.0027%, Hong Kong trading fee of 0.00565%, and AFRC transaction levy of 0.00015%, subject to refund if the Offer Price is lower than HK\$39.8 (subject to application channels). If, for any reason, the Joint Representatives (for themselves and on behalf of the Underwriters) and we are unable to reach an agreement on the Offer Price on or before 12:00 noon on Tuesday, January 7, 2025, the Global Offering will not proceed and will lapse.

The Joint Representatives (for themselves and on behalf of the Underwriters) with our consent, may reduce the number of Offer Shares and/or the indicative offer price range below that stated in this prospectus (which is HK\$31.8 to HK\$39.8 per Offer Share) at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction will be posted on the website of the Hong Kong Stock Exchange at www.hkexnews.hk and our website at www.contioceangroup.com not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Further details are set out in "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in "Risk Factors".

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure subscribers for, the Hong Kong Offer Shares, are subject to termination by the Joint Representatives (for themselves and on behalf of the Underwriters) if certain events shall occur prior to 8:00 a.m. on Thursday, January 9, 2025. Such grounds are set out in "Underwriting". It is important that you refer to that section for further details. The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may be offered and sold only outside the United States in offshore transactions in accordance with Regulation S.

ATTENTION

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus to the public in relation to the Hong Kong Public Offering. This prospectus is available at the website of the Hong Kong Stock Exchange at www.hkexnews.hk and our website at www.contioceangroup.com. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

December 31, 2024

IMPORTANT

IMPORTANT NOTICE TO INVESTORS OF HONG KONG OFFER SHARES FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering.

This prospectus is available at the website of the Hong Kong Stock Exchange at www.hkexnews.hk under the “HKEXnews > New Listings > New Listing Information” section, and our website at www.contioceangroup.com.

We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public. The contents of the electronic version of this prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

To apply for the Hong Kong Offer Shares, you may:

- (1) apply online through the **HK eIPO White Form** service at www.hkeipo.hk; or
- (2) apply electronically through the HKSCC EIPO channel and cause HKSCC Nominees to apply on your behalf by instructing your broker or custodian who is a HKSCC Participant to give electronic application instructions via HKSCC’s FINI system to apply for the Hong Kong Offer Shares on your behalf.

If you are an intermediary, broker or agent, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses stated above.

See the section headed “How to Apply for Hong Kong Offer Shares” for further details of the procedures through which you can apply for the Hong Kong Offer Shares.

EXPECTED TIMETABLE

If there is any change in the following expected timetable of the Global Offering, we will issue an announcement on the website of our Company at www.contioceangroup.com and the website of the Stock Exchange at www.hkexnews.hk.

Hong Kong Public Offering commences..... 9:00 a.m. on Tuesday, December 31, 2024

Latest time for completing electronic applications via the

HK eIPO White Form service through

the designated website at www.hkeipo.hk⁽²⁾ 11:30 a.m. on Monday,
January 6, 2025

Application lists of the Hong Kong Public Offering open⁽³⁾ 11:45 a.m. on Monday,
January 6, 2025

Latest time for (a) completing payment of **HK eIPO White Form**

applications by effecting internet banking transfer(s) or

PPS payment transfer(s) or; (b) giving **electronic application**

instructions to HKSCC⁽⁴⁾ 12:00 noon on Monday,
January 6, 2025

If you are instructing your **broker** or **custodian** who is a HKSCC Participant to submit HKSCC EIPO applications on your behalf through HKSCC's FINI system in accordance with your instruction, you are advised to contact your **broker** or **custodian** for the latest time for giving such instructions which may be different from the latest time as stated above.

Application lists of the Hong Kong Public Offering close⁽³⁾ 12:00 noon on Monday,
January 6, 2025

Expected Price Determination Date⁽⁵⁾ on or before 12:00 noon Tuesday,
January 7, 2025

Announcement of:

- the final Offer Price;
- the level of indications of interest in the International Offering;
- the level of applications in the Hong Kong Public Offering; and
- the basis of allocations of the Hong Kong Offer Shares.

to be published on the website of our Company at www.contioceangroup.com⁽⁶⁾

and the website of the Stock Exchange at www.hkexnews.hk no later than 11:00 p.m.
on Wednesday, January 8, 2025

EXPECTED TIMETABLE

Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels, including:

- from the designated results of allocations website at the "Allotment Results" page at **www.tricor.com.hk/ipo/result** (or **www.hkeipo.hk/IPOResult**) with a "search by ID" function from⁽⁷⁾ 11:00 p.m. on Wednesday, January 8, 2025 to 12:00 midnight Tuesday, January 14, 2025

- The Stock Exchange's website at **www.hkexnews.hk** and our website at **www.contioceangroup.com**⁽⁶⁾ which will provide links to the above mentioned websites of the H Share Registrar no later than 11:00 p.m. on Wednesday, January 8, 2025

- from the allocation results telephone enquiry line provided by the H Share Registrar by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Thursday, January 9, 2025 to Tuesday, January 14, 2025 (excluding Saturday, Sunday and public holidays in Hong Kong)

- For those applying through HKSCC EIPO channel, you may also check with your broker or custodian from 6:00 p.m. on Tuesday, January 7, 2025

H Share certificates in respect of wholly or partially successful applications to be despatched or deposited into CCASS in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering. on or before Wednesday, January 8, 2025

HK eIPO White Form e-Auto Refund payment instructions/refund checks in respect of wholly or partially successful applications if the final Offer Price is less than the maximum Offer Price per Offer Share initially paid on application (if applicable), or wholly/partially unsuccessful applications to be dispatched on or before⁽¹⁰⁾ on or before Thursday, January 9, 2025

Dealings in the Shares on the Stock Exchange expected to commence at⁽⁹⁾ 9:00 a.m. on Thursday, January 9, 2025

EXPECTED TIMETABLE

Notes:

- (1) Unless otherwise stated, all times and dates refer to Hong Kong local times and dates.
- (2) You will not be permitted to submit your application through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above and/or Extreme Conditions (collectively, “**Severe Weather Signal**”) in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, January 6, 2025, the application lists will not open or close on that day. For further details, see “How to Apply for Hong Kong Offer Shares — E. Severe Weather Arrangements”.
- (4) Applicants who apply via HKSCC EIPO channel shall contact their broker or custodian for the earliest and latest time for giving such instructions, as this may vary by broker or custodian.
- (5) The Price Determination Date is expected to be on or about Tuesday, January 7, 2025. If, for any reason, the Offer Price is not agreed between the Joint Representatives (for themselves and on behalf of the other Underwriters) and us by 12:00 noon on Tuesday, January 7, 2025, the Global Offering will not proceed and will lapse.
- (6) Neither of the websites nor any of the information contained on the websites forms part of this prospectus.
- (7) The full list of (i) wholly or partially successful applicants using the **HK eIPO White Form** service and HKSCC EIPO channel; and (ii) the number of Hong Kong Offer Shares conditionally allotted to them, among other things, will be displayed at www.hkeipo.hk/IPOResult or www.tricor.com.hk/ipo/result.
- (8) H Share certificates will only become valid at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional and the right of termination described in “Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination” has not been exercised. Investors who trade the H Shares on the basis of publicly available allocation details prior to the receipt of H Share certificates or prior to the H Share certificates becoming valid evidence of title do so entirely at their own risk.
- (9) If a Severe Weather Signal in force is hoisted on Wednesday, January 8, 2025, the H Share Registrar will make appropriate arrangements for the delivery of the H Share certificates to the HKSCC Depository’s service counter so that they would be available for trading on Thursday, January 9, 2025.
- (10) Refund mechanism for surplus application monies paid by application via HKSCC EIPO channel is subject to the arrangement between applicants and their broker or custodian.

Applicants who have applied for Hong Kong Offer Shares through the HKSCC EIPO channel should refer to “How to Apply for Hong Kong Offer Shares — D. Dispatch/Collection of H Share Certificates and Refund of Application Monies” for details.

Applicants who have applied through the **HK eIPO White Form** service and paid their applications monies through single bank accounts may have refund monies (if any) dispatched to the designated bank account in the form of **HK eIPO White Form** e-Auto Refund payment instructions. Applicants who have applied through the **HK eIPO White Form** service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions in the form of refund cheques in favor of the applicant (or, in the case of joint applications, the first-named applicant) by ordinary post at their own risk.

Further information is set out in “How to Apply for Hong Kong Offer Shares — D. Dispatch/Collection of H Share Certificates and Refund of Application Monies”.

EXPECTED TIMETABLE

The above expected timetable is a summary only. For further details of the structure of the Global Offering, including its conditions, and the procedures for applications for Hong Kong Offer Shares, see “Structure of the Global Offering” and “How to Apply for Hong Kong Offer Shares” in this prospectus.

If the Global Offering does not become unconditional or is terminated in accordance with its terms, the Global Offering will not proceed. In such case, our Company will make an announcement as soon as practicable thereafter.

CONTENTS

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by us solely in connection with the Hong Kong Public Offering and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or a solicitation of an offer to subscribe for or buy, any security in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Joint Sponsors, the Joint Representatives, the Overall Coordinators, Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers, the Capital Market Intermediaries, the Underwriters, any of our or their respective directors, officers or representatives, or any other person or party involved in the Global Offering.

	<i>Page</i>
EXPECTED TIMETABLE	ii
CONTENTS	vi
SUMMARY	1
DEFINITIONS	26
GLOSSARY OF TECHNICAL TERMS	37
FORWARD-LOOKING STATEMENTS	41
RISK FACTORS	43
INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING	82
DIRECTORS, SUPERVISORS, AND PARTIES INVOLVED IN THE GLOBAL OFFERING	87
CORPORATE INFORMATION	98
INDUSTRY OVERVIEW	100
REGULATORY OVERVIEW	122

CONTENTS

	<i>Page</i>
HISTORY, DEVELOPMENT, AND CORPORATE STRUCTURE	144
BUSINESS	160
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS	279
DIRECTORS, SUPERVISORS, AND SENIOR MANAGEMENT	284
SHARE CAPITAL	301
SUBSTANTIAL SHAREHOLDERS	303
CORNERSTONE INVESTOR	304
FINANCIAL INFORMATION	310
FUTURE PLANS AND USE OF PROCEEDS	375
UNDERWRITING	383
STRUCTURE OF THE GLOBAL OFFERING	396
HOW TO APPLY FOR HONG KONG OFFER SHARES	406
APPENDIX I — ACCOUNTANTS’ REPORT	I-1
APPENDIX II — UNAUDITED PRO FORMA FINANCIAL INFORMATION	II-1
APPENDIX III — TAXATION AND FOREIGN EXCHANGE	III-1
APPENDIX IV — SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS	IV-1
APPENDIX V — SUMMARY OF THE ARTICLES OF ASSOCIATION	V-1
APPENDIX VI — STATUTORY AND GENERAL INFORMATION	VI-1
APPENDIX VII — DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND DOCUMENTS ON DISPLAY	VII-1

SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary it does not contain all the information that may be important to you. You should read the entire prospectus before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are a PRC-based maritime environmental protection equipment and system provider serving customers from different regions. We ranked third among ship exhaust gas cleaning system providers based in China and fourth among all ship exhaust gas cleaning system providers in the world in terms of the volume of total number of completed orders during 2023 and the cumulative on-hand orders as of December 31, 2023 for ship exhaust gas cleaning systems according to Frost & Sullivan. Our marine exhaust gas cleaning systems (which mostly includes the ship exhaust gas cleaning systems) contributed to the majority of our revenue during each year or period of the Track Record Period representing approximately 78.7%, 64.7%, 66.8%, 79.9% and 60.7% of our total revenue, respectively, in 2021, 2022 and 2023 and for the six months ended June 30, 2023 and 2024. In addition, a significant portion of our revenue was derived from a limited number of customers during each year or period of the Track Record Period. Our five largest customers for each of the years ended December 31, 2021, 2022 and 2023 and for the six months ended June 30, 2024 contributed to approximately 90.5%, 76.1%, 84.3% and 89.4% of our total revenue, respectively.

We commenced our business in 2017 by offering our first product, the ship exhaust gas cleaning system. We have now developed and commercialized various maritime environmental protection equipment and systems. In particular, our equipment and systems aim to help customers such as shipowners in reducing sulfur and GHG emissions. In addition, we aim to help our customers in upgrading the life quality for their ship crew members, by offering interior design and supplying equipment and systems that improve the onboard living conditions and enhance maritime operations.

Furthermore, the demand on the Group’s equipment and systems is stimulated by various requirements. For example, the IMO set a sulfur cap of 0.5% on fuel oil, effective from 2020, and introduced measures such as the EEXI and CII, effective from 2023. On July 7, 2023, the IMO revised its GHG emission reduction strategy, targeting net-zero emissions by 2050 with interim milestones. In addition, the European Union has introduced the EU Emissions Trading System for shipping, starting in 2024, and the upcoming FuelEU Maritime regulations for 2025. The ever-evolving ESG regulatory framework contributed, and will continue to contribute, to the growth of the maritime environmental protection equipment and system market.

According to Frost & Sullivan, the global maritime environmental protection equipment and system market increased from US\$753.4 million in 2017 to US\$3,102.2 million in 2023, representing a CAGR of 26.6%, and is expected to increase to US\$11,384.1 million in 2028, representing a CAGR of 29.7% from 2023 to 2028. We believe that our equipment and systems and business can benefit from the potential growth in the global maritime environmental protection equipment and system market.

SUMMARY

OUR BUSINESS MODEL

Our equipment and systems

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:

<u>Customer demand</u>	<u>Our business segments</u>	<u>Our key products or services under each business segment</u>
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 open-loop 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, pre-shrouded vanes, hub vortex absorbed fins, wind deflector, etc.
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 (“LFSS”) (for methanol) (ii) Fuel gas supply system (for LNG/LEG) (“FGSS”)

SUMMARY

<u>Customer demand</u>	<u>Our business segments</u>	<u>Our key products or services under each business segment</u>
Pursuit of environmental sustainability, operational efficiency, and social engagement, among others	Maritime services (which improve the onboard living environment and streamline maritime operations)	<ul style="list-style-type: none"> (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 Marine Environment Protection Committee ("MEPC") meeting in 2016 reduced the upper limit of sulfur content in ships' fuel from 3.5% to 0.5%, effective from January 1, 2020. According to Frost & Sullivan, the price of low-sulfur fuel was higher than that of high-sulfur fuel from 2016 to 2023, and this price spread is expected to be maintained from 2024 to 2028. 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.

SUMMARY

The following table sets forth our revenue generated from different business segments by ship types and their corresponding percentages of total revenue for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2021		2022		2023		2023		2024	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	<i>(Unaudited)</i>									
Marine exhaust gas cleaning systems	110,528	78.7	172,835	64.7	341,180	66.8	175,383	79.9	204,402	60.7
Ship exhaust gas cleaning systems	98,960	70.4	148,282	55.5	318,987	62.5	167,016	76.1	193,628	57.5
— Retrofit in-service ships	85,600	60.9	114,933	43.0	205,029	40.2	151,183	68.9	26,977	8.0
— Newbuildings	13,360	9.5	33,349	12.5	113,958	22.3	15,833	7.2	166,651	49.5
Spare parts ⁽¹⁾	11,568	8.3	24,553	9.2	22,193	4.3	8,367	3.8	10,774	3.2
— Retrofit in-service ships	11,568	8.3	24,553	9.2	21,998	4.3	8,367	3.8	10,232	3.0
— Newbuildings	—	—	—	—	195	0.0	—	—	542	0.2
Marine energy-saving devices⁽²⁾	—	—	14,961	5.6	58,031	11.4	16,361	7.4	22,557	6.7
— Retrofit in-service ships	—	—	14,961	5.6	56,759	11.2	16,361	7.4	20,861	6.2
— Newbuildings	—	—	—	—	1,272	0.2	—	—	1,696	0.5
Marine clean-energy supply systems	—	—	7,736	2.9	5,552	1.1	1,079	0.5	13,288	4.0
— Retrofit in-service ships	—	—	—	—	—	—	—	—	—	—
— Newbuildings	—	—	7,736	2.9	5,552	1.1	1,079	0.5	13,288	4.0
Maritime services	29,993	21.3	71,701	26.8	105,492	20.7	26,733	12.2	96,219	28.6
Ship accommodation interior design and construction	17,701	12.6	37,375	13.9	50,761	9.9	12,732	5.8	60,338	17.9
— Retrofit in-service ships	13,743	9.8	21,939	8.2	8,688	1.7	2,990	1.4	10,638	3.2
— Newbuildings	3,958	2.8	15,436	5.7	42,073	8.2	9,742	4.4	49,700	14.7
Container ship and PCTC lashing gears	11,155	7.9	22,388	8.4	33,408	6.6	9,542	4.3	30,869	9.2
— Retrofit in-service ships	11,155	7.9	22,388	8.4	4,032	0.8	2,228	1.0	3,610	1.1
— Newbuildings	—	—	—	—	29,376	5.8	7,314	3.3	27,259	8.1
Other maritime services ⁽³⁾	1,137	0.8	11,938	4.5	21,323	4.2	4,459	2.1	5,012	1.5
Total	140,521	100.0	267,233	100.0	510,255	100.0	219,556	100.0	336,466	100.0

SUMMARY

Notes:

- (1) Spare parts include parts of the ship exhaust gas cleaning systems purchased by customers as spares or for product replacement beyond the warranty period.
- (2) Other than energy-saving devices, we have developed carbon reduction systems. However, we did not generate revenue from carbon reduction systems during the Track Record Period and up to the Latest Practicable Date.
- (3) Other maritime services include (i) maritime equipment and spare parts, including hydro blasting machines, hydroponic vegetable cabinets, flue gas valves, prefabricated cabin transformers, etc., (ii) personal protective equipment for crew members, (iii) ship retrofitting and ship repair supervision services, and (iv) ship cyber security software and hardware, etc. Other maritime services refer to products we mostly sold to equipment manufacturer customers, the final use of which were unknown to us. Due to the lack of knowledge, we are unable to provide breakdown by types of ships.

The following table sets forth our revenue generated from different business segments by customer types and their corresponding percentages of total revenue for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2021		2022		2023		2023		2024	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	<i>(Unaudited)</i>									
Marine exhaust gas cleaning systems	110,528	78.7	172,835	64.7	341,180	66.8	175,383	79.9	204,402	60.7
Ship exhaust gas cleaning systems	98,960	70.4	148,282	55.5	318,987	62.5	167,016	76.1	193,628	57.5
— Ship builders	13,360	9.5	—	—	41,929	8.2	10,110	4.6	129,158	38.3
— Shipowners/Ship management companies ⁽¹⁾	85,600	60.9	148,282	55.5	277,058	54.3	156,906	71.5	64,470	19.2
Spare parts ⁽²⁾	11,568	8.3	24,553	9.2	22,193	4.3	8,367	3.8	10,774	3.2
— Ship builders	55	0.0	—	—	1	0.0	231	0.1	102	0.0
— Shipowners/Ship management companies ⁽¹⁾	11,174	8.1	23,644	8.9	22,052	4.3	8,043	3.7	10,668	3.2
— Others ⁽³⁾	339	0.2	909	0.3	140	0.0	93	0.0	4	0.0
Marine energy-saving devices⁽⁴⁾	—	—	14,961	5.6	58,031	11.4	16,361	7.4	22,557	6.7
— Ship builders	—	—	—	—	1,272	0.2	—	—	1,696	0.5
— Shipowners/Ship management companies ⁽¹⁾	—	—	14,961	5.6	56,759	11.2	16,361	7.4	20,861	6.2

SUMMARY

	For the year ended December 31,						For the six months ended June 30,			
	2021		2022		2023		2023		2024	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(Unaudited)</i>									
Marine clean-energy supply systems	—	—	7,736	2.9	5,552	1.1	1,079	0.5	13,288	4.0
— Ship builders	—	—	6,130	2.3	4,141	0.9	870	0.4	11,876	3.6
— Shipowners/Ship management companies ⁽¹⁾	—	—	1,005	0.4	679	0.1	209	0.1	346	0.1
— Others ⁽³⁾	—	—	601	0.2	732	0.1	—	—	1,066	0.3
Maritime services	29,993	21.3	71,701	26.8	105,492	20.7	26,733	12.2	96,219	28.6
Ship accommodation interior design and construction	17,701	12.6	37,375	13.9	50,761	9.9	12,732	5.8	60,338	17.9
— Ship builders	6,230	4.4	21,532	8.0	34,131	6.6	7,739	3.5	43,016	12.8
— Shipowners/Ship management companies ⁽¹⁾	11,468	8.2	15,838	5.9	16,614	3.3	4,993	2.3	15,518	4.6
— Others ⁽³⁾	3	0.0	5	0.0	16	0.0	—	—	1,804	0.5
Container ship and PCTC lashing gear	11,155	7.9	22,388	8.4	33,408	6.6	9,542	4.3	30,869	9.2
— Ship builders	—	—	—	—	—	—	—	—	—	—
— Shipowners/Ship management companies ⁽¹⁾	11,155	7.9	19,534	7.3	31,292	6.2	7,469	3.4	30,858	9.2
— Others ⁽³⁾	—	—	2,854	1.1	2,116	0.4	2,073	0.9	11	0.0
Other maritime services ⁽⁵⁾	1,137	0.8	11,938	4.5	21,323	4.2	4,459	2.1	5,012	1.5
— Ship builders	—	—	80	0.0	5,986	1.2	—	—	—	—
— Shipowners/Ship management companies ⁽¹⁾	—	—	—	—	—	—	—	—	938	0.3
— Others ⁽³⁾	1,137	0.8	11,858	4.5	15,337	3.0	4,459	2.1	4,074	1.2
Total	140,521	100.0	267,233	100.0	510,255	100.0	219,556	100.0	336,466	100.0

SUMMARY

Notes:

- (1) Because ship management companies manage the ships for the shipowners and in some cases on behalf of the shipowners enter into the contracts with us, we did not distinguish revenue from shipowners and revenue from ship management companies during the Track Record Period. The daily operations of the ships are either managed by the shipowners or the ship management companies, which do not affect the way we provide or charge for our products and services.
- (2) Spare parts include parts of the ship exhaust gas cleaning systems purchased by customers as spares or for product replacement beyond the warranty period.
- (3) Others mainly include the revenue from the sales to equipment manufacturers.
- (4) Other than energy-saving devices, we have developed carbon reduction systems. However, we did not generate revenue from carbon reduction systems during the Track Record Period and up to the Latest Practicable Date.
- (5) Other maritime services include (i) maritime equipment and spare parts, including hydro blasting machines, hydroponic vegetable cabinets, flue gas valves, prefabricated cabin transformers, etc., (ii) personal protective equipment for crew members, (iii) ship retrofitting and ship repair supervision services, and (iv) ship cyber security software and hardware, etc.

The following table sets forth our gross profit generated from different business segments and their corresponding gross profit margin for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2021		2022		2023		2023		2024	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(Unaudited)</i>									
Marine exhaust gas cleaning systems	40,703	36.8	78,410	45.4	182,856	53.6	87,860	50.1	107,172	52.4
Marine energy-saving devices	—	—	6,141	41.1	27,673	47.7	7,096	43.4	11,210	49.7
Marine clean-energy supply systems	—	—	1,740	22.5	1,272	22.9	247	22.9	3,022	22.7
Maritime services	6,806	22.7	13,791	19.2	29,936	28.4	5,975	22.4	21,378	22.2
— Ship accommodation interior design and construction	6,038	34.1	12,402	33.2	20,270	39.9	4,505	35.4	15,208	25.2
— Container ship and PCTC lashing gears	627	5.6	1,039	4.6	5,508	16.5	1,397	14.6	5,394	17.5
— Other maritime services ⁽¹⁾	141	12.4	350	2.9	4,158	19.5	73	1.6	776	15.5
Total	47,509	33.8	100,082	37.5	241,737	47.4	101,178	46.1	142,782	42.4

Notes:

- (1) Other maritime services include (i) maritime equipment and spare parts, including hydro blasting machines, hydroponic vegetable cabinets, flue gas valves, prefabricated cabin transformers, etc., (ii) personal protective equipment for crew members, (iii) ship retrofitting and ship repair supervision services, and (iv) ship cyber security software and hardware, etc.

SUMMARY

Our ship exhaust gas cleaning systems contributed to the majority of our revenue during each year or period of the Track Record Period. The following table sets forth our revenue, the number of orders we completed, and the average selling price of our ship exhaust gas cleaning systems during the Track Record Period:

	<u>For the year ended December 31,</u>			<u>For the six months ended</u>	
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>June 30,</u>	<u>2024</u>
				<i>(Unaudited)</i>	
Revenue					
Retrofit in-service ships <i>(RMB'000)</i>	85,600	114,933	205,029	151,183	26,977
Newbuildings <i>(RMB'000)</i>	<u>13,360</u>	<u>33,349</u>	<u>113,958</u>	<u>15,833</u>	<u>166,651</u>
Total	<u>98,960</u>	<u>148,282</u>	<u>318,987</u>	<u>167,016</u>	<u>193,628</u>
Gross Profit					
Retrofit in-service ships <i>(RMB'000)</i>	29,111	46,691	106,916	74,951	10,063
Newbuildings <i>(RMB'000)</i>	<u>5,002</u>	<u>18,181</u>	<u>63,066</u>	<u>9,438</u>	<u>91,981</u>
Total	<u>34,113</u>	<u>64,872</u>	<u>169,982</u>	<u>84,389</u>	<u>102,044</u>
Gross Profit Margin					
Retrofit in-service ships (%)	34.0	40.6	52.1	49.6	37.3
Newbuildings (%)	<u>37.4</u>	<u>54.5</u>	<u>55.3</u>	<u>59.6</u>	<u>55.2</u>
Total	<u>34.5</u>	<u>43.7</u>	<u>53.3</u>	<u>50.5</u>	<u>52.7</u>
The number of completed orders					
Retrofit in-service ships <i>(unit)</i>	7	10	24	17	4
Newbuildings <i>(unit)</i>	<u>2</u>	<u>4</u>	<u>13</u>	<u>2</u>	<u>21</u>
Total	<u>9</u>	<u>14</u>	<u>37</u>	<u>19</u>	<u>25</u>
Average selling price					
Retrofit in-service ships <i>(RMB'000)</i>	12,229	11,493	8,543	8,893	6,744
Newbuildings <i>(RMB'000)</i>	<u>6,680</u>	<u>8,337</u>	<u>8,766</u>	<u>7,917</u>	<u>7,936</u>
Average selling price	10,996	10,592	8,621	8,790	7,745

SUMMARY

During the Track Record Period, the gross profit margin of our ship exhaust gas cleaning systems for newbuildings was generally higher than that for retrofit in-service ships, mainly because newbuildings often came in series with similar design, allowing us to share and save on design costs, as opposed to retrofit in-service ships, which may incur design costs such as those related to 3D scanning provided by external suppliers and modification designs.

In 2022, the gross profit margin of our ship exhaust gas cleaning systems for retrofit in-service ships was much lower than that for newbuildings, mainly because we procured the tower bodies from the OEMs for certain orders related to retrofit in-service ships we obtained in 2020 rather than manufacturing ourselves. We have commenced our commercial production only since June 2021, so we placed orders with OEMs to meet the original delivery schedule for certain orders related to retrofit in-service ships before such production. However, delays in the delivery and installation schedules of such ships led to the completion of these orders in 2022 along with the relevant revenue recognition, resulting in a relatively lower gross profit margin for the year.

In 2023, the gross profit margin of our ship exhaust gas cleaning systems for retrofit in-service ships was similar to that for newbuildings, mainly because (i) we completed several orders related to retrofit in-service ships with tight delivery schedule and charged higher sales prices, leading to relatively higher gross profit margin, and (ii) in the second half of 2023 we completed several orders related to retrofit in-service ships with similar design, which allowed us to share and save on design costs.

For the six months ended June 30, 2024, the gross profit margin of our ship exhaust gas cleaning systems for retrofit in-service ships was much lower than that for newbuildings, mainly because we only completed four orders for retrofit in-service ships, which involved scrubbers with unique diameter size pursuant to customers' request, thereby increasing the design costs. Without a corresponding material adjustment in the selling price to maintain competitiveness, the gross profit margin of such orders was lowered as a result.

The average selling price of our ship exhaust gas cleaning systems for newbuildings in 2021 and 2022 and for the six months ended June 30, 2023 was lower than that for retrofit in-service ships mainly because the orders for retrofit in-service ships involved additional modification costs (including on-site 3D scanning and modification designs, etc.), which led to a higher average selling price.

Although usually orders related to retrofit in-service ships have higher unit selling price due to the involvement of modification costs, the average selling price of our ship exhaust gas cleaning systems for retrofit in-service ships in 2023 and for the six months ended June 30, 2024 was lower than that for newbuildings mainly because the orders we completed for retrofit in-service ships involved the scrubbers with smaller diameters pursuant to customers' request, which have lower costs and lower average selling prices compared to those for newbuildings. As the diameter of the scrubber increases, the amount of steel used in the scrubber also increases, leading to a rise in the cost of the scrubber. Additionally, the configuration of related system equipment, such as seawater pumps and variable frequency drives (including their quantity and power), will also need to be enhanced.

SUMMARY

The decrease in the average selling price of our ship exhaust gas cleaning systems during the Track Record Period was primarily caused by the decrease in the average selling price of our ship exhaust gas cleaning systems for retrofit in-service ships during the same period. The decrease in the average selling price of our ship exhaust gas cleaning systems for retrofit in-service ships in 2022 was primarily due to one completed order which involved a smaller scrubber with a 2.8-meter diameter while the completed orders in 2021 did not involve such small size scrubbers. In 2023, the decrease in the average selling price of our ship exhaust gas cleaning systems for retrofit in-service ships was mainly because the completed orders predominantly involved scrubbers with smaller diameters as requested by our customers compared to the completed orders in 2022. For the six months ended June 30, 2023, we provided the installation services for two orders involving ship exhaust gas cleaning systems which were normally provided by third-party shipyards or shipbuilder customers and one order involving dual scrubbers as per customers' request and therefore they had a higher average selling price due to the additional installation services and one more scrubber provided. However, we did not provide such special request from customers in the completed orders for the six months ended June 30, 2024, resulting in the decrease in the average selling price of our ship exhaust gas cleaning systems for retrofit in-service ships for the same period. The average selling price of our ship exhaust gas cleaning systems for the six months ended June 30, 2024 was the lowest during the Track Record Period mainly due to an increase in the portion of revenue from newbuilding orders along with their decreased relevant average selling price as a result of smaller diameters of scrubbers delivered for the same period.

We had the movement of order backlog (by order number and value) and amounts to be recognized as revenue subsequent to November 27, 2024 as follows:

- (i) Marine exhaust gas cleaning systems: we had 263 orders on hand as of November 27, 2024, including 24 orders for ship exhaust gas cleaning systems and 239 orders for spare parts, with a total contract value of RMB174.4 million, of which 188 orders, including four orders for ship exhaust gas cleaning systems and 184 orders for spare parts, with a total contract value of RMB45.2 million are estimated to be completed for the two months ending December 31, 2024. The rest of 64 orders (consisting of 18 orders for systems and 46 orders for spare parts) and 11 orders (consisting of two orders for systems and nine orders for spare parts) with a total contract value of RMB113.9 million and RMB15.3 million are estimated to be completed in 2025 and 2026, respectively.
- (ii) Marine energy-saving devices: we had 27 orders on hand with a total contract value of RMB35.4 million as of November 27, 2024, of which 19 orders with a total contract value of RMB24.5 million are estimated to be completed for the two months ending December 31, 2024. The rest of eight orders with a total contract value of RMB10.9 million are estimated to be completed in 2025.
- (iii) Marine clean-energy supply systems: we had 70 orders on hand with a total contract value of RMB134.5 million as of November 27, 2024, of which 16 orders with a total contract value of RMB30.9 million are estimated to be completed for the two months ending December 31, 2024. The rest of 41 and 13 orders with a total contract value of RMB79.7 million and RMB23.9 million are estimated to be completed in 2025 and 2026, respectively.

SUMMARY

- (iv) Maritime services: we had 1,297 orders on hand with a total contract value of RMB258.1 million as of November 27, 2024, of which 577 orders with a total contract value of RMB35.8 million are estimated to be completed for the two months ending December 31, 2024. The rest of 488, 222, eight and two orders with a total contract value of RMB124.4 million, RMB59.0 million, RMB30.2 million and RMB8.7 million are estimated to be completed in 2025, 2026, 2027 and 2028, respectively.

Our R&D Capability

We are recognized as a national high-tech enterprise (國家級高新技術企業) and a specialized, refined, distinctive, and innovative enterprise in Shanghai (上海市專精特新企業). Our R&D teams based in Shanghai and Lisbon, averaging 10 years of experience in the industry and generally holding degrees in various engineering disciplines, are integral to our project lifecycle, from conception to execution. The application and feedback accumulated from our projects help us to improve and refine our R&D strategies. With our R&D teams based in Shanghai and Lisbon, we capitalize on domestic maritime expertise and the mature European maritime environmental protection equipment and system industry. Our products have received certifications from major maritime classification societies, ensuring compliance with international standards.

Our production facility

Our production facility is strategically located in Nantong, Jiangsu, near Shanghai, and is part of the Yangtze River Delta, one of the largest global economic zones. We employ a “sales-oriented production” model, which is a demand-driven approach intended to align our production planning with sales order volumes and minimizes the risk of overproduction and excess inventory. We produce essential and core components of our ship exhaust gas cleaning systems in our production facility, including scrubbers, control systems, water quality analyzers and flue gas valves, among others, and certain components of our other equipment and systems. With our own production facility, we believe we improve both product quality control and cost efficiencies through better control on the production process.

Our service network and customer base

We offer customers comprehensive services, from pre-sale technical consultations to after-sale maintenance through our global service network. Our global service network includes the service centers based in Shanghai and Singapore, and we also provide services worldwide through our service contractor. In addition, we have built an expanding global customer base leveraging our global service network.

COMPETITION

We operate in a competitive industry and generally compete with maritime environmental protection equipment and system providers. Competition largely focuses on advancement of technology, price of services, quality and variety of services provided, financial capacity and access to customers. In addition, when we enter into a new market, we may face intense competition from companies with an established presence in the relevant geographical areas and from other companies with similar expansion targets.

SUMMARY

Compared to overseas companies, Chinese maritime environmental protection equipment and system providers excel in delivery speed, typically completing projects two months faster than international competitors. In addition, we are one of the very few companies in the world that focuses exclusively on maritime environmental protection equipment and systems, while most competitors treat this area as just one part of their broader product portfolios. This dedicated focus enables us to deliver more specialized, professional, and customized solutions tailored to specific customer needs. Furthermore, compared to overseas companies, due to the lower costs of labor and raw materials, we can offer more competitive pricing for our products.

Compared to the domestic competitors, we have expanded beyond our core business of maritime exhaust gas cleaning systems to include energy-saving devices and clean energy supply systems. This expansion aligns with both evolving customer demands and tightening global regulations, ensuring we remain relevant and competitive. In contrast, many domestic competitors have been slower to adapt to these market shifts. In addition, by building on our core maritime environmental and protection equipment and system business, we offer extended services, such as maritime services. Shipowners typically limit their retrofitting vendors to one to two service providers for cost efficiency. Our history of cooperation with customers and customer satisfaction makes us a preferred choice for these services. Furthermore, with our own production facility, we believe we improve both product quality control and cost efficiencies through better control on the production process compared to other domestic competitors. Lastly, compared to state-owned enterprises, we, as a private ship exhaust gas cleaning system provider, have more streamlined decision-making processes, allowing us to respond quickly to market changes and opportunities.

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

SUMMARY

OUR STRATEGIES

We plan to further strengthen our position as a maritime environmental protection equipment and system provider by implementing the following business strategies:

- Further expand investments in R&D and technological innovation and continue to enrich our equipment and systems
- Strengthen marketing capabilities and expand customer outreach globally
- Further strengthen our manufacturing capability
- Pursue strategic merger and acquisition or establish strategic partnerships to strengthen our market position or expand our equipment and systems

OUR CUSTOMERS AND SUPPLIERS

The customers for our equipment and systems primarily include (i) shipowners, (ii) ship management companies and (iii) ship builders. We actively pursue new markets and expand our customer base through various channels such as trade shows, channel promotion, online news, and visits to shipowners and ship builders. The revenue from our five largest customers for each of the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, represented approximately 90.5%, 76.1%, 84.3% and 89.4% of our total revenue for the respective year or period, and the revenue from the largest customer during each of the same year or period represented approximately 30.2%, 33.3%, 37.3% and 23.6% of our total revenue for the respective year or period. Our five largest customers during each year or period of the Track Record Period were not identical.

During each year or period of the Track Record Period, a majority part of our revenue was derived from our top five customers. According to Frost & Sullivan, concentration in the customer base in the maritime environmental protection equipment and system industry is in line with the industry norm. We are seeking to mitigate the concentration risks by fostering relationships with emerging markets and broadening our equipment and system offerings to appeal to a wider customer base. Additionally, we are investing in market development and sales 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. Through these concerted efforts, we aim to achieve a more balanced revenue stream and fortify our market position in the long term. In addition, customers have become accustomed to utilizing our equipment and systems, and a transition to alternative providers would incur switching costs. According to Frost & Sullivan, using different equipment and systems will incur additional time and costs to train their personnel to become familiar with new equipment and systems.

During the Track Record Period, our major suppliers included engineering equipment providers, components providers, stainless-steel plate providers, sales agents, OEMs and transportation service providers. The purchases from our five largest suppliers for each of the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, represented approximately 70.5%, 40.9%, 34.5% and 56.0% of our total purchases for the respective year or period, and the purchases from our largest supplier during each of the same year or period represented approximately 51.0%, 13.7%, 9.7% and 26.0% of our total purchases for the respective year or period.

SUMMARY

KEY RISK FACTORS

Our business operations and the Global Offering are subject to various risks, many of which are beyond our control. Such risks can be divided into: (i) risks relating to our business and industry; (ii) risks relating to conducting business in the PRC; and (iii) risks relating to the Global Offering.

We believe that the main risk factors we are exposed to include, without limitation:

- our future growth is dependent on the demand for maritime environmental protection equipment and systems and a supportive legal and regulatory framework;
- the decrease in the price spread between high-sulfur fuel and low-sulfur fuel and/or the introduction of alternative fuels may affect market demand for our ship exhaust gas cleaning systems;
- our business may be adversely affected if any of the current favorable regulatory policies for the maritime environmental protection equipment and system industry adversely change or discontinue;
- our historical growth rate may not be indicative of our future performance;
- the maritime environmental protection equipment and system industry is highly fragmented and competitive, and we cannot guarantee success in competing within the industries;
- we may not be able to adapt to rapidly changing technologies in a timely manner, or at all;
- the concentration in the sales of our marine exhaust gas cleaning systems and to a limited number of customers may affect our revenue and profitability;
- fluctuations in exchange rates could have a material adverse effect on our business, prospects, results of operations, and financial condition;
- our equipment and systems might not meet customers' expectations and could potentially contain defects;
- our business prospect hinges on our ability to successfully introduce and market new equipment and systems and execute our planned business initiatives. However, this endeavor may expose us to new and increased challenges and risks; and
- we may encounter cost increases or disruptions in the supply of raw materials or product components used in our equipment and systems.

See "Risk Factors" for further details.

SUMMARY

CONTROLLING SHAREHOLDERS

Our Controlling Shareholders (namely our Co-Founders, Mr. Zhou Yang, Mr. Zhao Mingzhu and Mr. Chen Zhiyuan, and ContiOcean Development) will be interested in an aggregate of 71.25% of the issued share capital of our Company immediately after the completion of the Global Offering (without taking into account any exercise of the share options granted under the Pre-IPO Share Option Scheme). As of the Latest Practicable Date, ContiOcean Development is a platform for employee shareholding and is regarded as one of our Controlling Shareholders for the purpose of the Listing Rules, given that its general partner is ContiOcean Industrial, a company owned as to 37.50% by Mr. Zhou Yang, 31.25% by Mr. Zhao Mingzhu, and 31.25% by Mr. Chen Zhiyuan.

Immediately following completion of the Global Offering (without taking into account any exercise of the share options granted under the Pre-IPO Share Option Scheme), our Company expects that 25.00% of its total issued share capital will be held by the public for the purpose of Rule 8.08(1) of the Listing Rules, which is approximately HK\$358.0 million of the market capitalization of our Company calculated based on the Offer Price of HK\$35.8, being the mid-point of the indicative Offer Price range stated in this prospectus.

In accordance with the PRC Company Law, the shares issued prior to any public offering of shares by a company cannot be transferred within one year from the date on which such publicly offered shares are listed and traded on the relevant stock exchange. As such, the Shares issued by our Company prior to the issue of H Shares pursuant to the Global Offering (including the Shares held by our Controlling Shareholders) will be subject to such statutory restriction on transfer within a period of one year from the Listing Date. Also, as our Non-H Shares are quoted on NEEQ, our Shareholders are subject to the transfer restrictions in the Business Rules of the NEEQ System (for Trial Implementation) (《全國中小企業股份轉讓系統業務規則(試行)》), meaning the shares directly or indirectly held by the controlling shareholders and the actual controllers of our Company quoted on the NEEQ prior to such quote on the NEEQ shall be released from transfer restrictions equally in three batches on each of the quoting date on the NEEQ, the first anniversary and the second anniversary after such quoting date on the NEEQ. In addition, each of our Controlling Shareholders will, prior to the Listing, provide a non-disposal undertaking pursuant to Rule 10.07 of the Listing Rules and the Hong Kong Underwriting Agreement. See “History, Development, and Corporate Structure — Share transfer restrictions and lock-up undertakings by our shareholders” and “Underwriting” sections of this prospectus for details. In accordance with the PRC Company Law, our Directors, Supervisors and members of the senior management (as defined under the Articles of Association) of our Company shall declare their shareholdings in our Company and any changes in their shareholdings. Shares transferred by such Directors, Supervisors and members of the senior management each year during their term of office determined at the time of assuming office shall not exceed 25% of their total respective shareholdings in our Company. The Shares that the aforementioned persons held in our Company cannot be transferred within one year from the date on which the Shares are listed, nor within half a year after they leave their positions in our Company.

SUMMARY

SUMMARY KEY FINANCIAL INFORMATION

This summary historical financial information set forth below have been derived from, and should be read in conjunction with, our consolidated audited financial statements and reviewed condensed consolidated financial statements, including the accompanying notes, set forth in the Accountants' Report set out in Appendix I to this prospectus, as well as the information set forth in "Financial Information" of this prospectus. Our financial information was prepared in accordance with IFRSs.

Consolidated statements of profit or loss

The following table sets forth our consolidated statement of profit or loss for the periods indicated:

	For the year ended December 31,			For the six months ended June 30,	
	2021	2022	2023	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Revenue	140,521	267,233	510,255	219,556	336,466
Cost of sales	<u>(93,012)</u>	<u>(167,151)</u>	<u>(268,518)</u>	<u>(118,378)</u>	<u>(193,684)</u>
Gross profit	47,509	100,082	241,737	101,178	142,782
Other income	2,233	702	3,612	1,279	2,631
Other gains and losses	4,033	(5,219)	(6,576)	(7,527)	5,345
Distribution and selling expenses	(13,152)	(16,188)	(27,744)	(12,163)	(20,550)
Administrative expenses	(18,277)	(24,907)	(47,336)	(17,306)	(23,495)
Research and development expenses	(6,526)	(9,793)	(18,929)	(5,566)	(10,148)
Share of results of associates	—	(897)	(1,722)	(767)	—
Impairment losses under ECL model, net of reversal	(924)	(709)	(1,700)	(521)	(304)
Finance costs	<u>(132)</u>	<u>(176)</u>	<u>(558)</u>	<u>(119)</u>	<u>(443)</u>
Profit before tax	14,764	42,895	140,784	58,488	95,818
Income tax expense	<u>(1,995)</u>	<u>(6,118)</u>	<u>(20,250)</u>	<u>(8,760)</u>	<u>(13,736)</u>
Profit for the year/period	<u>12,769</u>	<u>36,777</u>	<u>120,534</u>	<u>49,728</u>	<u>82,082</u>

SUMMARY

Our revenue was RMB140.5 million, RMB267.2 million and RMB510.3 million, respectively, for the years ended December 31, 2021, 2022 and 2023, and RMB219.6 million and RMB336.5 million for the six months ended June 30, 2023 and 2024, respectively. The increases in our revenue during the Track Record Period were mainly attributable to the increased demand for our maritime environmental protection equipment and systems and maritime services driven by the evolving global and national requirements and initiatives since 2020, including the regulation introduced by the IMO to limit the fuel oil used by ships with a maximum sulfur content of 0.5% from the beginning of 2020, and the revised GHG emission reduction strategy aiming for net-zero emissions by around 2050 agreed by IMO member states. Additionally, the recent focus on improving ship crews' onboard living conditions and the surge in container shipping freight rates resulted in increased demand for our maritime services.

See “Financial Information — Description of major components in our consolidated statements of profit or loss” for further details.

Summary of consolidated statements of financial position

The following table sets forth selected information from our consolidated statements of financial position as of the dates indicated:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total current assets	292,747	311,098	451,798	343,090
Total non-current assets	65,658	65,618	70,702	67,633
Total assets	358,405	376,716	522,500	410,723
Total current liabilities	243,258	240,191	266,216	155,387
Total non-current liabilities	1,547	622	1,493	15,927
Total liabilities	244,805	240,813	267,709	171,314
Net current assets	49,489	70,907	185,582	187,703
Net assets	113,600	135,903	254,791	239,409
Share capital/paid-in capital	20,000	20,000	30,000	30,000
Reserves	92,019	114,122	222,129	207,405
Equity attributable to owners of the Company	112,019	134,122	252,129	237,405
Non-controlling interests	1,581	1,781	2,662	2,004
TOTAL EQUITY	113,600	135,903	254,791	239,409

SUMMARY

Our net current assets maintained relatively stable and amounted to RMB185.6 million and RMB187.7 million, respectively, as of December 31, 2023 and June 30, 2024.

Our net current assets increased from RMB70.9 million as of December 31, 2022 to RMB185.6 million as of December 31, 2023, primarily due to an increase in cash and cash equivalents from RMB66.7 million as of December 31, 2022 to RMB177.4 million as of December 31, 2023, mainly attributable to the profit for the year in 2023.

Our net current assets increased from RMB49.5 million as of December 31, 2021 to RMB70.9 million as of December 31, 2022, primarily due to an increase in inventories from RMB32.3 million as of December 31, 2021 to RMB87.3 million as of December 31, 2022, mainly because (i) we accelerated our production progress towards the end of 2022 to meet the tight delivery schedules of multiple orders for our marine exhaust gas cleaning systems and (ii) we procured certain raw materials, such as stainless-steel plates and stainless-steel pipes, before the end of 2022, partially offset by a decrease in cash and cash equivalents from RMB100.1 million as of December 31, 2021 to RMB66.7 million as of December 31, 2022, mainly attributable to (i) dividends paid and (ii) the net cash outflow on acquisition of subsidiaries under common control.

Summary of consolidated cash flow statements

The following table sets forth selected cash flow data from our consolidated cash flow statements for the periods indicated:

	For the year ended December 31,			For the six months ended June 30,	
	2021	2022	2023	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Net cash (used in) from operating activities	(46,765)	(10,385)	151,107	62,890	(14,908)
Net cash from (used in) investing activities	32,520	(7,240)	(58,721)	(21,764)	36,469
Net cash (used in) from financing activities	(11,942)	(22,715)	16,932	34,340	(43,951)
Net (decrease) increase in cash and cash equivalents	(26,187)	(40,340)	109,318	75,466	(22,390)
Cash and cash equivalents at beginning of the year/period	128,688	100,082	66,723	66,723	177,414
Effects of exchange rate changes	(2,419)	6,981	1,373	403	610
Total cash and cash equivalents at end of year/period	<u>100,082</u>	<u>66,723</u>	<u>177,414</u>	<u>142,592</u>	<u>155,634</u>

SUMMARY

We recorded net operating cash outflows in 2021, 2022, and for the six months ended June 30, 2024.

For the six months ended June 30, 2024, we had net cash used in operating activities of RMB14.9 million, mainly due to the decrease in contract liabilities of RMB153.1 million, reflecting customer installment payments we had previously received before revenue recognition. The decrease was mainly because we completed a significant amount of orders and concurrently recognized the customer installment payments we had previously received for the same orders as revenue. Nonetheless, the said revenue recognition did not generate any cash inflow for us.

In 2022, we had net cash used in operating activities of RMB10.4 million, primarily because we procured more raw materials in advance before the end of 2022 considering an early Spring Festival holiday in January 2023 and to accelerate our production progress towards the end of 2022 to meet the tight completion schedules of multiple orders, and as a result of our business expansion.

In 2021, we had net cash used in operating activities of RMB46.8 million, mainly due to the additional security deposits we made, settlement of trade and other receivables and procurement of inventories as a result of our increased number of orders and business expansion.

In view of the aforesaid net operating cash outflows situation, we plan to improve our operating cash outflows through (i) negotiation with suppliers to waive their prepayment requirement and strengthening cooperation with banks to lower their requirement of security deposits, (ii) extending the credit period with suppliers by establishing long-term cooperation relationships with them, implementing periodic payments, and utilizing financing tools for settlement such as bank acceptance bills and letters of credit, (iii) strengthening inventory management by optimizing the procurement, production, and delivery arrangements to accelerate inventory turnover, and (iv) accelerating the collection of receivables.

Key Financial Ratios

The following table sets forth our key financial ratios as of the date or for the period indicated:

	<u>As of/For the year ended December 31,</u>			<u>As of/ For the six months ended June 30,</u>
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Net profit margin ⁽¹⁾ (%)	9.1	13.8	23.6	24.4
Current ratio ⁽²⁾ (Times)	1.2	1.3	1.7	2.2
Quick ratio ⁽³⁾ (Times)	1.1	0.9	1.4	2.0
Gearing ratio ⁽⁴⁾ (%)	2.3	4.1	8.9	12.2

SUMMARY

Notes:

- (1) Net profit margin equals to net profit for the year/period divided by revenue for the year/period and multiplied by 100%.
- (2) Current ratio is calculated based on total current assets divided by total current liabilities.
- (3) Quick ratio is calculated based on total current assets less inventories divided by total current liabilities.
- (4) Gearing ratio is calculated based on total indebtedness (including bank borrowings and lease liabilities) divided by total equity and multiplied by 100%.

GLOBAL OFFERING STATISTICS

The statistics in the following table are based on the assumptions that: (i) the Global Offering is completed and 10,000,000 Shares are issued and sold in the Global Offering; (ii) the share options granted under the Pre-IPO Share Option Scheme are not exercised; and (iii) 40,000,000 Shares in issue upon completion of the Global Offering.

	Based on the Offer Price of HK\$31.8 per Share	Based on the Offer Price of HK\$39.8 per Share
Market capitalization of our Shares (approximately) ⁽¹⁾	HK\$1,272.0 million	HK\$1,592.0 million
Unaudited pro forma adjusted consolidated net tangible asset of our Group attributable to owners of our Company per Share as of June 30, 2024 ⁽²⁾	HK\$13.01	HK\$14.94

Notes:

- (1) The calculation is based on the assumption that 40,000,000 Shares is expected to be in issue immediately following the completion of the Global Offering without taking into account any exercise of the share options granted under the Pre-IPO Share Option Scheme.
- (2) The unaudited pro forma adjusted consolidated net tangible asset value per Share is calculated after the adjustment referred to in “Unaudited Pro Forma Financial Information” in Appendix II to this prospectus and on the basis of 40,000,000 Shares in issue immediately following the completion of the Global Offering, without taking into account any exercise of the share options granted under the Pre-IPO Share Option Scheme.
- (3) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets attributable to our equity shareholders to reflect our any trading result or other transactions entered into subsequent to June 30, 2024.

SUMMARY

FUTURE PLANS AND USE OF PROCEEDS

See “Business — Our strategies” for a detailed description of our future plans and strategies.

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$312.0 million, after deducting underwriting commissions, fees and estimated expenses payable by us in connection with the Global Offering, and assuming an Offer Price of HK\$35.8 per Share, being the mid-point of the indicative Offer Price range stated in this prospectus.

We intend to use the net proceeds we will receive from the Global Offering for the following purposes and in the amounts set out below, subject to changes in light of our evolving business needs and changing market condition:

- Approximately 50.0%, or HK\$156.0 million, will be used in connection with our R&D.
- Approximately 15.0%, or HK\$46.8 million, will be used for potential mergers and acquisitions.
- Approximately 15.0%, or HK\$46.8 million, will be used for leasing a production facility in Mainland China or Southeast Asia. In addition, we will also purchase or lease manufacturing and warehousing logistics equipment, and acquire information technology software and hardware for the production facility.
- Approximately 10.0%, or HK\$31.2 million, will be used for establishing four service centers internationally, including Asia, Europe and the Middle East. We will also upgrade our service centers.
- Approximately 10.0%, or HK\$31.2 million, will be used for working capital and other general corporate purposes.

For further details, see “Future Plans and Use of Proceeds”.

SUMMARY

DIVIDENDS AND DIVIDEND POLICY

We may distribute dividends by way of cash or by other means that we consider appropriate. For the years ended December 31, 2021, 2022 and 2023 and six months ended June 30, 2024, our Company declared cash dividends of RMB11.0 million, RMB20.0 million, RMB5.0 million and RMB96.0 million, respectively, and paid cash dividends of RMB11.0 million, RMB20.0 million, RMB5.0 million and RMB48.0 million, respectively, to our Shareholders. On July 23, 2024, we paid the remaining cash dividends of RMB48.0 million and fully settled all the dividends we declared to distribute in the past. Subject to our articles of association and the PRC Company Law, we have adopted a general annual dividend policy, according to which (i) we should place importance on providing reasonable investment returns to our investors by adopting a profit distribution policy with continuity and stability; (ii) when distributing dividends, we comply with relevant laws, regulations, and our constitutional documents, balance our long-term development plan while providing reasonable returns to shareholders, and ensure that shareholders with the same type of shares receive the same benefits; and (iii) we may declare dividend by way of cash dividends, stock dividends, or a combination of cash and stock dividends. The general annual dividend policy does not provide for a fixed dividend payout ratio, and any final dividends for a financial year will be subject to our Shareholders' approval. Any future determination to declare and pay any dividends will be at the discretion of our Board and will depend on, among other things, our earnings, financial condition, capital requirements, level of indebtedness, statutory and contractual restrictions applying to the payment of dividends and other considerations that our Board deems relevant.

Dividends may be paid only out of our distributable profits as permitted under the relevant laws. There can be no assurance that we will be able to declare or distribute any dividend in the amount set forth in any plan to our Board or at all. Furthermore, if we or any of our subsidiaries incur debt on our or its own behalf in the future, the instruments governing the debt may restrict our ability to pay dividends. The past dividend distribution record may not be used as a reference or basis in determining the level of dividends that may be declared or paid by us in the future.

LISTING EXPENSES

Listing expenses represent professional fees, underwriting commissions and other fees incurred in connection with the Global Offering. For the years ended December 31, 2021, 2022 and 2023, and six months ended June 30, 2024, the listing expenses incurred amounted to nil, nil, nil, and RMB6.8 million, respectively. We expect to incur total listing expenses of approximately RMB42.6 million (based on the Offer Price of HK\$35.8 per Offer Share, being the mid-point of the Offer Price range), of which nil was charged to profit or loss for the Track Record Period. The total listing expenses consist of approximately RMB11.6 million underwriting related fees (including SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy) and approximately RMB31.0 million non-underwriting fees mainly including (i) fees of Joint Sponsors, legal adviser(s) and reporting accountant of approximately RMB23.6 million; and (ii) other fees and expenses of approximately RMB7.4 million. Among the total listing expenses, approximately RMB0.4 million is expected to be charged to profit or loss for the year ending December 31, 2024, and approximately RMB42.2 million directly attributable to the issue of the H Shares is expected to be deducted from equity upon the completion of the Global Offering. Our total listing expenses are estimated to account for 8.9% of the gross proceeds of the Global Offering. The listing expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

SUMMARY

IMPACT OF COVID-19 PANDEMIC

During the Track Record Period, COVID-19 pandemic had an impact on us and the entire industry. Factors such as workforce reductions, container shortages, supply chain disruptions, and increased demand for goods caused by COVID-19 significantly increased ocean freight prices between 2021 and 2022. On the one hand, shipping companies benefited from a sharp increase in freight rates and achieved record-high performance, and they in turn expanded their capital expenditures, including those on procurement of newbuilding and our equipment and systems relating to newbuilding orders. On the other hand, many shipowners postponed the installation of equipment and systems of their ships in operation so as not to interrupt their shipping business' operations to benefit from the high ocean freight rates. As a result, the market size of the marine exhaust gas cleaning system industry decreased to US\$1,137.8 million in 2022, leading to a decline in the overall global maritime environmental protection equipment and system market. See "Industry Overview" for further details.

In addition, our business operations faced certain challenges due to the COVID-19 pandemic. Due to various quarantine measures in the Mainland China, our production, delivery of equipment and systems, installation and commissioning, and other daily operations were temporarily affected. In addition, various quarantine measures adopted by different jurisdictions hampered our communication with our customers. However, these short-term disruptions were mitigated by our efforts to ensure the timely delivery of orders while complying with the local government's pandemic prevention policies. We also took various measures to safeguard the health and safety of our employees, including temporarily closing our offices, facilitating remote work arrangements for research and development activities as well as supporting work, and suspending certain on-site projects when required.

Our Directors confirmed that the COVID-19 pandemic did not have any material adverse impact on our business operations or financial performance during the Track Record Period and up to the Latest Practicable Date, primarily because: (i) there had been no material disruption of our operations; (ii) there had been no material disruption of our sales and marketing activities; and (iii) we had not encountered any material supply chain disruption.

RECENT DEVELOPMENTS

Subsequent to the Track Record Period, we continue to focus on developing and promoting our maritime environmental protection equipment and systems including identifying business opportunities with shipowners and ship builders.

SUMMARY

As of the Latest Practicable Date, some of our pipeline products had made further progress, including:

Pipeline products	Stage of development	Benefits to our business
Waste heat recovery system	It was undergoing system design in the project implementation phase.	Once developed, we are able to provide one more choice for energy saving needs of customers, through recovery and reuse of waste heat from ships. In addition, the waste heat recovery system can be installed with other systems and equipment provided by us. It will effectively reduce operating costs.
PCTC thermal run-away detector system	It was in the project implementation phase and had finished the system design.	Safety during transportation of new energy vehicles is crucial, as a fire can cause catastrophic damage to a ship. Therefore, shipping companies are highly concerned about PCTC vehicle fire monitoring. The successful development of this project will address market pain points and has market potential.

For further details, see “Business — Pipeline products”.

In addition, we also achieved positive results in our operations subsequent to the Track Record Period. For the four months ended October 31, 2024, we received new orders with a contract value of approximately RMB199.3 million, including a contract value of approximately RMB33.9 million for marine exhaust gas cleaning systems, a contract value of approximately RMB7.3 million for marine energy-saving devices, a contract value of approximately RMB36.4 million for marine clean-energy supply systems and a contract value of RMB121.7 million for maritime services.

The number of orders we completed for the four months ended October 31, 2024 for the ship exhaust gas cleaning systems and spare parts of marine exhaust gas cleaning systems was four and 239, respectively. The number of orders we completed for the same period for marine energy-saving devices, marine clean-energy supply systems, and maritime services was 19, 14 and 725, respectively.

The contracts entered into and orders completed for the four months ended October 31, 2024 were at arm’s length terms and the profit margin were comparable to those entered during the Track Record Period.

The average selling price of our ship exhaust gas cleaning systems, marine energy-saving devices and marine clean-energy supply systems for the four months ended October 31, 2024 was RMB7.8 million, RMB1.2 million and RMB2.0 million, respectively, compared to RMB8.3 million, RMB2.0 million and RMB1.0 million, respectively, for the same period in 2023. The average selling price of ship accommodation interior design, container ship and PCTC lashing gears and other maritime services of our maritime services for the four months ended October 31, 2024 was RMB109.6 thousand, RMB305.5 thousand and RMB21.2 thousand, respectively, compared to RMB67.0 thousand, RMB259.0 thousand and RMB110.0 thousand, respectively, for the same period in 2023. The average selling prices of our products for the four months ended October 31, 2024 were not materially different from those for the same period in 2023 while the aforesaid fluctuation in the average selling prices of each business segment was principally due to the different combination of various products within corresponding segments.

SUMMARY

For the ten months ended October 31, 2024, based on our unaudited management accounts, we experienced an increase in revenue as compared to the same period in the previous year.

After due and careful consideration, our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial and trading position or prospects since June 30, 2024, and there is no event since June 30, 2024 which would materially affect the information shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below. Certain other terms are explained in “Glossary of Technical Terms” in this prospectus.

“Accountants’ Report”	the accountants’ report of our Company for the periods comprising the three financial years ended December 31, 2021, 2022, and 2023 and six months ended June 30, 2024, the text of which is set out in Appendix I in this prospectus
“AFRC”	the Accounting and Financial Reporting Council
“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 September 30, 2019 and a wholly-owned subsidiary of our Company
“Articles of Association” or “Articles”	the articles of association of our Company adopted on July 27, 2024 which shall become effective as of the date on which the H Shares are listed on the Hong Kong Stock Exchange, as amended from time to time, a summary of which is set out in “Summary of the Articles of Association” in Appendix V in this prospectus
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the audit committee of the Board
“Board” or “Board of Directors”	the board of directors of our Company
“business day”	a day on which banks in Hong Kong are generally open for normal banking business to the public for normal banking business and which is not a Saturday, Sunday or public holiday in Hong Kong
“BVI”	British Virgin Islands
“CAGR”	compound annual growth rate
“Capital Market Intermediaries”	the capital market intermediaries participating in the Global Offering and has the meaning ascribed thereto under the Listing Rules
“CCASS”	the Central Clearing and Settlement System operated by HKSCC
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual, joint individuals or a corporation
“Chairman”	the chairman of our Board

DEFINITIONS

“China”, “Mainland China”, or “PRC”	the People’s Republic of China, but for the purpose of this prospectus and for geographical reference only and except where the context requires otherwise, references in this prospectus 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
“close associate(s)”	has the meaning ascribed thereto under the Listing Rules
“CMS”	Conti Marine Services Pte. Ltd, a company incorporated in the Republic of Singapore with limited liability on August 1, 2019 and wholly-owned by one of our Co-founders, Mr. Zhao Mingzhu
“Co-founders”	Mr. Zhou Yang, Mr. Zhao Mingzhu, and Mr. Chen Zhiyuan
“COGES”	ContiOcean Global Energy Solution Pte. Ltd., a company incorporated in the Republic of Singapore with limited liability on January 3, 2019 and a subsidiary of our Company indirectly owned as to 70%
“Companies Ordinance”	Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented, or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented, or otherwise modified from time to time
“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), formerly known as ContiOcean Environment Tech Co., Ltd. (上海匯舸環保科技集團股份有限公司), a limited liability company established in the PRC on May 31, 2017 and converted into a joint stock company with limited liability on December 28, 2022
“Concert Party Agreement”	the concert party agreement (一致行動人協議書) dated October 13, 2022 entered into among Mr. Zhou Yang, Mr. Zhao Mingzhu, and Mr. Chen Zhiyuan
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“connected transaction(s)”	has the meaning ascribed thereto under the Listing Rules

DEFINITIONS

“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 May 21, 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 December 28, 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 May 14, 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 March 15, 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 January 28, 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 July 20, 2018 and a wholly-owned subsidiary of our Company
“Contipilot”	Contipilot Limited, a company incorporated in the BVI with limited liability on May 21, 2019 and controlled by our Co-Founders
“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
“core connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)

DEFINITIONS

“CTL”	ContiLashing Pte. Ltd., a company incorporated in the Republic of Singapore with limited liability on August 1, 2019 and a wholly-owned subsidiary of our Company
“Designated Bank”	HKSCC Participant’s EIPO Designated Bank
“Director(s)”	the directors of our Company, including all executive, non-executive, and independent non-executive Directors
“EIT Law”	the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法), as enacted by the NPC on March 16, 2007 and effective on January 1, 2008, as amended, supplemented, or otherwise modified from time to time
“ESG Committee”	the environmental, social and governance committee of our Board
“EUR” or “Euro”	the lawful currency of the European Union
“Exchange Participant(s)”	a person (a) who, in accordance with the Rules of the Hong Kong Stock Exchange, may trade on or through the Hong Kong Stock Exchange; and (b) whose name is entered in a list, register or roll kept by the Hong Kong Stock Exchange as a person who may trade on or through the Hong Kong Stock Exchange
“Extreme Conditions”	the occurrence of “extreme conditions” as announced by any government authority of Hong Kong due to serious disruption of public transport services, extensive flooding, major landslides, large-scale power outage or any other adverse conditions before Typhoon Signal No. 8 or above is replaced with Typhoon Signal No. 3 or below
“FINI”	Fast Interface for New Issuance, an online platform operated by HKSCC that is mandatory for admission to trading and, where applicable, the collection and processing of specified information on subscription in and settlement for all new issues
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., our independent industry consultant
“Frost & Sullivan Report”	an industry report prepared by Frost & Sullivan which was commissioned by our Company, the content of which is quoted in this prospectus
“Global Offering”	the Hong Kong Public Offering and the International Offering

DEFINITIONS

“Group”, “our Group”, “our”, “we” or “us”	our Company and all of our subsidiaries 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)
“Guide”	Guide for New Listing Applicants issued by the Hong Kong Stock Exchange on November 29, 2023 and became effective on January 1, 2024, as amended or supplemented from time to time
“H Share(s)”	ordinary share(s) in the share capital of our Company with a nominal value of RMB1.00 each, which is/are to be listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars
“H Share Registrar”	Tricor Investor Services Limited
“ HK eIPO White Form ”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name, submitted online through the designated website at www.hkeipo.hk
“ HK eIPO White Form Service Provider”	the HK eIPO White Form service provider designated by our Company as specified on the designated website at www.hkeipo.hk
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“HKSCC Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“HKSCC EIPO”	the application for the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your designated HKSCC Participant’s stock account through causing HKSCC Nominees to apply on your behalf, including by instructing your broker or custodian who is a HKSCC Participant to give electronic application instructions via HKSCC’s FINI system to apply for the Hong Kong Offer Shares on your behalf
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC

DEFINITIONS

“HKSCC Operational Procedures”	the operational procedures of HKSCC, containing the practices, procedures and administrative or other requirements relating to HKSCC’s services and the operations and functions of CCASS, FINI or any other platform, facility or system established, operated and/or otherwise provided by or through HKSCC, as from time to time in force
“HKSCC Participant”	a participant admitted to participate in CCASS as a direct clearing participant, a general clearing participant or a custodian participant
“HKSCC Rules”	the General Rules of HKSCC as may be amended or modified from time to time and where the context so permits, shall include the HKSCC Operational Procedures
“HKSCC Systems”	CCASS, FINI or any other platform, facility or system established, operated and/or otherwise provided by or through HKSCC
“HK\$”, “Hong Kong Dollars”, or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Offer Shares”	the 1,000,000 H Shares being initially offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering (subject to reallocation as described in the section headed “Structure of the Global Offering” in this prospectus)
“Hong Kong Public Offering”	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong (subject to reallocation as described in “Structure of the Global Offering” in this prospectus) at the Offer Price (plus brokerage, SFC transaction levies, AFRC transaction levy and Hong Kong Stock Exchange trading fees), on and subject to the terms and conditions as further described in “Structure of the Global Offering — The Hong Kong Public Offering” in this prospectus
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchange and Clearing Limited
“Hong Kong Takeovers Code” or “Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented, or otherwise modified from time to time
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering whose names are set out in the section headed “Underwriting — Hong Kong Underwriters” in this prospectus

DEFINITIONS

“Hong Kong Underwriting Agreement”	the underwriting agreement dated December 30, 2024 relating to the Hong Kong Public Offering entered into by our Company, our Controlling Shareholders, the Joint Sponsors, the Joint Representatives and the Hong Kong Underwriters
“IFRSs”	International Financial Reporting Standards as issued by the International Accounting Standards Board
“Independent Third Party(ies)”	party or parties that, to the best of our Directors’ knowledge, information and belief, having made all reasonable enquiries, is or are not a connected person or connected persons of our Company within the meaning of the Listing Rules
“International Offer Shares”	the 9,000,000 H Shares initially offered by our Company for subscription pursuant to the International Offering (subject to reallocation as described in “Structure of the Global Offering” in this prospectus)
“International Offering”	the offer of the International Offer Shares at the Offer Price, outside the United States in accordance with Regulation S, as further described in the section headed “Structure of the Global Offering” in this prospectus
“International Underwriters”	the group of international underwriters expected to enter into the International Underwriting Agreement relating to the International Offering
“International Underwriting Agreement”	the international underwriting agreement relating to the International Offering to be entered into by, among other parties, our Company, our Controlling Shareholders, the Joint Sponsors, the Joint Representatives and the International Underwriters on or around the Price Determination Date, as further described in the section headed “Underwriting” in this prospectus
“Investor Share”	the number of H Shares to be subscribed for by Harvest International Premium Value (Secondary Market) Fund SPC on behalf of Harvest Oriental SP in the International Offering in accordance with the terms and conditions set out in its cornerstone investment agreement with, among others, the Company
“Jiangsu ContiOcean”	Jiangsu ContiOcean Electronic Ltd. (江蘇匯舸電力有限公司), a limited liability company established in the PRC on July 4, 2022

DEFINITIONS

“Joint Bookrunners”	the joint bookrunners as named in “Directors, Supervisors, and Parties Involved in the Global Offering” in this prospectus
“Joint Global Coordinators”	the joint global coordinators as named in “Directors, Supervisors, and Parties Involved in the Global Offering” in this prospectus
“Joint Lead Managers”	the joint lead managers as named in “Directors, Supervisors, and Parties Involved in the Global Offering” in this prospectus
“Joint Representatives”	the joint representatives as named in “Directors, Supervisors, and Parties Involved in the Global Offering” in this prospectus
“Joint Sponsors”	CITIC Securities (Hong Kong) Limited and China Galaxy International Securities (Hong Kong) Co., Limited
“Latest Practicable Date”	December 21, 2024, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
“Listing”	the listing of our H Shares on the Main Board of the Hong Kong Stock Exchange
“Listing Date”	the date, expected to be on or around Thursday, January 9, 2025, on which our H Shares are listed and on which dealings of our H Shares first commences dealings therein are permitted to take place 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
“Main Board”	the stock exchange (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the GEM of the Hong Kong Stock Exchange
“MOFCOM” or “Ministry of Commerce”	the Ministry of Commerce of the PRC (中華人民共和國商務部)
“NDRC”	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“NEEQ”	National Equities Exchange and Quotations (全國中小企業股份轉讓系統)
“NEEQ Quoting”	the quoting of our Non-H Shares on the NEEQ
“NPC”	the National People’s Congress (全國人民代表大會)

DEFINITIONS

“Nomination Committee”	the nomination committee 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)
“Offer Price”	the final offer price per Offer Share (exclusive of brokerage fee of 1.0%, SFC transaction levy of 0.0027%, Hong Kong Stock Exchange trading fee of 0.00565%, and AFRC transaction levy of 0.00015%) of not more than HK\$39.8 and expected to be not less than HK\$31.8, at which Offer Shares are to be subscribed, to be determined in the manner further described in “Structure of the Global Offering — Pricing and Allocation” in this prospectus
“Offer Shares”	the Hong Kong Offer Shares and the International Offer Shares
“Overall Coordinators”	the overall coordinators as named in “Directors, Supervisors, and Parties Involved in the Global Offering” in this prospectus
“PBOC”	the People’s Bank of China (中國人民銀行)
“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
“PRC Legal Adviser”	Jingtian & Gongcheng, our legal adviser as to PRC laws
“PRC Securities Law”	the Securities Law of the PRC (中華人民共和國證券法), 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 July 27, 2024, the principal terms of which are summarized in “Statutory and General Information — C. Further information about Directors, Supervisors and Substantial Shareholders — 4. Pre-IPO Share Option Scheme” in Appendix VI in this prospectus
“Price Determination Agreement”	the agreement to be entered into between our Company and the Joint Representatives (for themselves and on behalf of the Underwriters) on the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date, expected to be on or around Tuesday, January 7, 2025 (Hong Kong time) on which the Offer Price is determined, or such later time as the Joint Representatives (for itself and on behalf of the Underwriters) and our Company may agree
“R&D”	research and development

DEFINITIONS

“Regulation S”	Regulation S under the U.S. Securities Act
“Remuneration Committee”	the remuneration committee of the Board
“RMB”	Renminbi, the lawful currency of the PRC
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAIC”	the State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
“SAT”	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented, or otherwise modified from time to time
“SGD” or “SG\$”	Singapore dollars, the lawful currency of the Republic of Singapore
“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)
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“subsidiary(ies)”	has the meaning ascribed to it in section 15 of the Companies Ordinance
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Supervisors”	the supervisors of our Company
“Track Record Period”	the period comprising the three financial years ended December 31, 2021, 2022, and 2023 and the six months ended June 30, 2024
“U.S.” or “United States”	the United States of America, its territories, its possessions, and all areas subject to its jurisdiction
“U.S. persons”	U.S. persons as defined in Regulation S
“U.S. Securities Act”	United States Securities Act of 1933, as amended
“Underwriters”	the Hong Kong Underwriters and the International Underwriters

DEFINITIONS

“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“US\$” or “USD”	United States dollars, the lawful currency of the United States
“Wavelength Technology Center AS”	Wavelength Technology Center AS, a company incorporated in Norway on June 29, 2022, a subsidiary of our Company indirectly owned as to 51%
“WTC”	Wavelength Technology Center, LDA, a company with limited liability incorporated in Madeira on April 21, 2022 and a subsidiary of our Company indirectly owned as to 51%
“%”	per cent

In this prospectus, unless expressly stated or the context requires otherwise:

- *all information and data is as of the Latest Practicable Date;*
- *certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them;*
- *all references to any shareholdings in our Company assume no exercise of the share options granted under the Pre-IPO Share Option Scheme unless otherwise specified;*
- *for ease of reference, the names of Chinese laws and regulations, governmental authorities, institutions, natural persons, or other entities (including certain of our subsidiaries) have been included in the prospectus in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail. English translations of company names and other terms from the Chinese language are provided for identification purposes only; and*
- *references to “provinces” of China include provinces, municipalities under direct administration of the central government, and provincial-level autonomous regions.*

GLOSSARY OF TECHNICAL TERMS

Unless the context otherwise requires, explanations and definitions of certain terms used in this prospectus in connection with our Group and our business shall have the meanings set out below. The terms and their meanings may not correspond to standard industry meaning or usage of these terms.

“American Bureau of Shipping”	American Bureau of Shipping (ABS), one of the major maritime classification societies
“ammonia”	a colorless gas with a pungent smell, made by the direct synthesis of nitrogen and hydrogen, and widely used in electronics, food, chemical industry, scientific research industry and other fields
“Bureau Veritas”	Bureau Veritas Marine & Offshore (BV), one of the major maritime classification societies
“Carbon Intensity Indicator” or “CII”	it is a measure of the carbon emission intensity in the process of shipping. It calculates a ship’s carbon intensity by collecting data on its fuel consumption and distance travelled
“China Classification Society”	China Classification Society (CCS), one of the major maritime classification societies
“classification society”	an organization that establishes and maintains technical standards for the construction and operation of ships and offshore structures, ensuring their safety and environmental compliance
“Det Norske Veritas”	Det Norske Veritas of Norway (DNV), one of the major maritime classification societies
“ESG”	environmental, social and governance
“emission control areas”	also known as sulphur emission control areas (SECAs), are sea areas in which stricter controls were established to minimize airborne emissions from ships as a measure to protect human health and the environment. These emissions primarily include SO _x , NO _x , and other particulate matters
“Energy Efficiency Existing Ship Index” or “EEXI”	the number of grams of carbon dioxide emitted per capacity ton-mile under ship-specific reference conditions, a framework established by the IMO to assess the energy efficiency of existing ships and a part of a broader set of measures aimed at reducing GHG emissions from international shipping

GLOSSARY OF TECHNICAL TERMS

“GHG” or “greenhouse gas”	a gas that contributes to the greenhouse effect by absorbing infrared radiation. It includes more than 30 kinds of gases, such as carbon dioxide (CO ₂), methane (CH ₄), nitrous oxide (N ₂ O), and ozone (O ₃), which are transparent to solar short-wave radiation (very little absorption) and strongly absorb long-wave radiation
“high-sulfur fuel”	characterized by a higher sulfur content, often exceeding 2% by weight, which leads to greater emissions of sulfur dioxide when burned, contributing to air pollution and acid rain, and posing environmental and health challenges
“IMO”	International Maritime Organization, a specialized agency of the United Nations responsible for regulating shipping. Established in 1948 and headquartered in London, the IMO’s primary purpose is to develop and maintain a comprehensive regulatory framework for shipping, and its remit includes safety, environmental concerns, legal matters, technical cooperation, maritime security, and the efficiency of shipping
“inerting”	the process of introducing an inert gas, such as nitrogen, into a space to displace oxygen and other gases, thereby preventing the ignition of flammable substances or the corrosion of materials
“International Convention for the Prevention of Pollution from Ships” or “MARPOL”	a key international maritime convention designed to minimize pollution of the oceans and seas. It includes various measures aimed at preventing accidental and operational pollution from ships. Established by the IMO in 1973 and updated by the Protocol of 1978, MARPOL is one of the most important international marine environmental conventions. It has been ratified by the vast majority of countries involved in maritime shipping and covers not only accidental and operational oil pollution, but also pollution by chemicals, goods in packaged form, sewage, garbage, and air pollution from ships
“in-service ship(s)”	ships that are currently operational and engaged in active service
“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
“Lloyd’s Register”	Lloyd’s Register Group Limited (LR), one of the major maritime classification societies
“Lloyd’s Register Classification Society”	Lloyd’s Register Classification Society (China) Co., Ltd., a subsidiary of Lloyd’s Register
“Lloyd’s Register EMEA”	Lloyd’s Register EMEA, a member of Lloyd’s Register

GLOSSARY OF TECHNICAL TERMS

“LNG”	liquefied natural gas, a natural gas that has been cooled down to liquid form for ease and safety of non-pressurized storage or transport. It takes up about 1/600th the volume of natural gas in the gaseous state
“low-flashpoint fuel”	gaseous or liquid fuels with a flash point below 60°C, such as LNG, methanol, liquid ammonia, and other marine fuels
“low-sulfur fuel”	a type of fuel that contains a reduced amount of sulfur, typically less than 0.5% by weight, which helps in minimizing sulfur dioxide emissions upon combustion, thereby reducing air pollution and mitigating the impact on the environment
“LPG”	liquefied petroleum gas, which is a term used to describe two hydrocarbon gases, propane (C ₃ H ₈) and butane (C ₄ H ₁₀), which are most commonly used as fuel
“maritime environmental protection equipment and system(s)”	include the marine exhaust gas cleaning systems, the marine energy-saving devices, the marine clean-energy supply systems, maritime services, and others
“MEA”	monoethanolamine, a weak base commonly used in chemical synthesis and gas treatment processes due to its ability to absorb acidic compounds
“methanol”	a colorless, volatile, flammable liquid with a distinctive alcoholic odor, commonly used as a solvent, antifreeze, fuel, and a feedstock for the synthesis of chemicals and plastics
“newbuilding(s)”	ships that are newly constructed and have recently been built or are currently under construction at a shipyard
“Nippon Kaiji Kyokai”	Nippon Kaiji Kyokai of Japan (NK), one of the major maritime classification societies
“NO _x ” or “nitrogen oxides”	two gases: nitric oxide (NO), which is a colorless, odorless gas, and nitrogen dioxide (NO ₂), which is a reddish-brown gas with a pungent odor
“OEM(s)”	original equipment manufacturer(s), which produce(s) parts and equipment that marketed by another manufacturer

GLOSSARY OF TECHNICAL TERMS

“Organic Rankine Cycle” or “ORC”	a type of thermodynamic cycle. It is a variation of the Rankine cycle named for its use of an organic, high-molecular-mass fluid (compared to water) whose vaporization temperature is lower than that of water. The fluid allows heat recovery from lower-temperature sources such as biomass combustion, industrial waste heat, geothermal heat, solar energy etc. The low-temperature heat is converted into useful work, that can be converted into electricity
“PCTC”	pure car and truck carrier
“private ship exhaust gas cleaning system providers”	ship exhaust gas cleaning system providers which are not owned by the state or governments
“RINA”	RINA Services S.p.A. of Italy (RINA), one of the major maritime classification societies
“selective catalytic reduction”	an advanced active emissions control technology system that injects a liquid-reductant agent through a special catalyst into the exhaust stream of a diesel engine
“ship-owning SPV”	entities specifically established for the purpose of owning a single ship to isolate financial and legal risks in ships operation

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements and information relating to our Company and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words “aim”, “anticipate”, “believe”, “can”, “continue”, “could”, “estimate”, “expect”, “going forward”, “intend”, “may”, “might”, “ought to”, “plan”, “potential”, “project”, “seek”, “should”, “will”, “would”, and the negative of these words and other similar expressions, as they relate to our Group or our management, are intended to identify forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our operations and business prospects;
- our strategies, plans, and goals and our ability to implement such strategies, plans, and goals;
- general political and economic conditions in China and other countries and regions in which we operate or plan to operate;
- the changes to the regulatory environment in the industries and markets in which we operate;
- the future developments and competitive environment in our industry;
- our dividend policy;
- projects under development;
- our future capital needs and capital expenditure plans;
- capital markets developments;
- volumes, operations, margins, overall market trends, and risk management;
- other statements in this prospectus that are not historical facts;
- exchange rate fluctuations and developing legal system, in each case pertaining to China and other countries and regions in which we operate or plan to operate;
- financial condition and performance;
- macroeconomic measures taken to manage economic growth, and
- other factors beyond our control.

Such statements reflect the current views of our management with respect to future events, operations, liquidity, and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties, and assumptions, including the other risk factors as described in this prospectus.

FORWARD-LOOKING STATEMENTS

You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties.

Subject to the requirements of applicable laws, rules, and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events, or otherwise. As a result of these and other risks, uncertainties, and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information.

In this prospectus, statements of or references to our intentions or those of our Directors are made as of the date of this prospectus. Any such information may change in light of future developments.

All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

RISK FACTORS

You should consider carefully all of the information set forth in this prospectus and, in particular, should consider the following risks and special considerations in connection with an investment in our Company before making any investment decision in relation to the H Shares. This includes (without limitation) the fact that we are a company established in the PRC and most of our operations are conducted in the PRC, the legal and regulatory environment of which in some respects may differ from that in Hong Kong. The occurrence of any of the following risks may have a material adverse effect on our business, financial condition, results of operations and future prospects. The trading price of the H Shares could decline significantly due to any of these risks and you may lose all or part of your investment. Additional risks and uncertainties not presently known to us or that we currently deem immaterial could also harm our business, results of operations, financial condition, or on the listing of our H Shares. Past performance is no guarantee of future results.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our future growth is dependent on the demand for maritime environmental protection equipment and systems and a supportive legal and regulatory framework.

We have a suite of maritime environmental protection equipment and systems, helping our customers to pursue more effective and sustainable business operations. Our future growth relies on the demand for maritime environmental protection equipment and systems as well as a supportive legal and regulatory framework. Our customers' adoption of our maritime environmental protection equipment and systems on their ships is often encouraged by legal and regulatory requirements. For example, the IMO set a sulfur cap of 0.5% on fuel oil, effective from 2020, which has driven the market demand for our marine exhaust gas cleaning systems. Absent such supportive legal and regulatory framework, the willingness of our customers to use our maritime environmental protection equipment and systems might be affected.

Our maritime environmental protection equipment and systems may be adopted at a slower pace than we expect. The maritime environmental protection equipment and system industry is characterized by rapidly developing technologies, intense price competition, evolving government regulations and industry standards, and shifting customer demands and preferences. Factors that may influence the demand of our maritime environmental protection equipment and systems include:

- government favorable policies for maritime environmental protection equipment and systems or potential future regulations mandating GHG emission reduction;
- the development of shipbuilding industry and shipping industry, which might influence the ship builders' and owners' demand, planning and views regarding the implementation of our maritime environmental protection equipment and systems;

RISK FACTORS

- perceived and actual costs difference between the high-sulfur fuel and the low-sulfur fuel. The greater the difference, the higher our customers' willingness to use our maritime environmental protection equipment and systems as a means to mitigate sulfur emissions, rather than resorting to the use of low-sulfur fuel;
- the environmental consciousness of our existing and potential customers, as well as the general public;
- perceptions about the cost, quality, design, safety, performance and lifespan of maritime environmental protection equipment and systems;
- the market penetration of maritime environmental protection equipment and systems;
- the accessibility of repair and maintenance services for maritime environmental protection equipment and systems;
- the emergence and popularization of non-oil-powered ships, which are driven by alternative energy sources such as nuclear power and electricity that fall outside the primary focus of our maritime environmental protection equipment and systems;
- the occurrence of negative incidents, or the perception of such incidents, involving our or our competitors' maritime environmental protection equipment and systems, leading to adverse publicity and affecting customer perceptions of the industries; and
- macroeconomic factors.

If any of the factors mentioned above, either individually or collectively, lead to a decrease in demand for our maritime environmental protection equipment and systems or hinder the overall progress of the maritime environmental protection equipment and system industry, we may fail to retain our existing customers and attract potential customers, which would have a material adverse effect on our business, prospects, results of operations, and financial condition.

In addition, various factors may directly or indirectly affect the sales prices of maritime environmental protection equipment and systems, as well as the costs related to their supply chain, operation and maintenance, including sales and financing incentives, the costs of raw materials and product components, tariffs and other taxes. It is difficult to predict the demand for our current and future equipment and systems, and fluctuations in demand could reduce sales, thereby exerting downward pressure on prices, and could adversely affect our business, prospects, results of operations, and financial condition.

RISK FACTORS

The decrease in the price spread between high-sulfur fuel and low-sulfur fuel and/or the introduction of alternative fuels may affect market demand for our ship exhaust gas cleaning systems.

The ship exhaust gas cleaning system industry in which we operate has benefited from the price spread between high-sulfur fuel and low-sulfur fuel. According to Frost & Sullivan, the price of low-sulfur fuel was higher than that of high-sulfur fuel from 2016 to 2023, and this price spread is expected to be maintained from 2024 to 2028. However, if the price spread narrows, the cost advantage of using high-sulfur fuel with our ship exhaust gas cleaning systems may diminish, potentially reducing the attractiveness of our products. Additionally, the emergence of alternative fuels that comply with environmental regulations without the need for exhaust gas cleaning systems could further impact customer demand. These factors could lead to decreased sales and negatively affect our financial performance. Furthermore, regulatory changes and advancements in fuel technology could accelerate the adoption of alternative fuels, thereby exacerbating the decline in demand for our ship exhaust gas cleaning systems.

Our business may be adversely affected if any of the current favorable regulatory policies for the maritime environmental protection equipment and system industry adversely change or discontinue.

The maritime environmental protection equipment and system industry in which we operate has significantly benefited from various global and national requirements and initiatives aimed at preserving the marine environment. The decision of our customers to use our maritime environmental protection equipment and systems is largely influenced by government policies. For example, the IMO set a sulfur cap of 0.5% on fuel oil, effective from 2020, which has driven the market demand for our marine exhaust gas cleaning systems, among others. The IMO also introduced decarbonization measures such as Energy Efficiency Existing Ship Index (EEXI) and Carbon Intensity Indicator (CII), effective from 2023. On July 7, 2023, the IMO revised its GHG emission reduction strategy, targeting net-zero emissions by 2050 with interim milestones. In addition, the European Union has introduced the EU Emissions Trading System for shipping, starting in 2024, and the upcoming FuelEU Maritime regulations for 2025. All such favorable regulatory policies encourage shipping companies to choose to install scrubbers with carbon capturing or decarbonization function or to invest in new ships which are powered by clean fuels.

The complexity of marine environmental regulations and requirements, which are often subject to change, requires a nimble and proactive approach to compliance. There remains uncertainty in our ability to adapt to the rapidly changing laws and regulations in a timely manner, or at all. For example, in response to the new GHG emission reduction requirement, it may take meticulous planning, strategic allocation of resources, and robust R&D capabilities for us to develop and launch new equipment and systems. There is no guarantee that we will be able to successfully launch or complete such new equipment and systems as planned, or they will be performed as expected. If they do not yield the positive results as expected, our business, financial condition, results of operations, cash flows, and prospects would be materially and adversely impacted.

RISK FACTORS

In addition, we cannot assure you that the IMO or the governments worldwide will continue to implement, and that it will not adjust or even abolish these favorable policies related to the GHG emission reduction. If these incentives were unexpectedly reduced or withdrawn, it could dissuade potential customers from using the maritime environmental protection equipment and systems, especially taking into consideration of the perception of high initial investment costs. Given the crucial role these incentives play in our industries, any adverse changes might materially and adversely affect our business, prospects, results of operations, financial condition, and cash flows.

Our historical growth rate may not be indicative of our future performance.

We have experienced significant growth during the Track Record Period. Our revenue increased significantly from RMB140.5 million in 2021 to RMB267.2 million in 2022 and further to RMB510.3 million in 2023, and from RMB219.6 million for the six months ended June 30, 2023 to RMB336.5 million for the six months ended June 30, 2024. We plan to further scale our business operations by, among other things, (i) further expanding investments in R&D and technological innovation and continue to enrich our equipment and systems, (ii) strengthening marketing capabilities and expanding customer outreach globally, (iii) further strengthening our manufacturing capability, and (iv) pursuing strategic merger and acquisition or establishing strategic partnerships. Our future operating results will depend to a large extent on our ability to manage our expansion and growth successfully.

However, we cannot assure you that we will be able to manage our future growth effectively and sustain our historical growth rates due to numerous risks associated with our business expansion efforts, including but not limited to:

- successfully maintaining and expanding our existing customer base, and maintaining relationships with suppliers to ensure timely and sufficient supply of raw materials, product components and services;
- successfully executing our growth strategies and business initiatives, such as the enrichment of our equipment and systems including LFSS (for ammonia), optimization development of carbon capture system and rotor sailing system;
- managing the increased complexity of a larger and expanding organization with a greater number of employees;
- controlling expenses and investments to accommodate the expected growth in operations in a cost-effective manner;
- establishing or expanding our design, manufacturing, as well as sales and service facilities; and
- enhancing our administrative infrastructure, systems and processes.

Any failure to manage our growth effectively could materially and adversely affect our business, prospects, results of operations, financial condition, and cash flows.

RISK FACTORS

The maritime environmental protection equipment and system industry is highly fragmented and competitive, and we cannot guarantee success in competing within the industries.

The global and China's maritime environmental protection equipment and system industry is highly fragmented and competitive, according to Frost & Sullivan, and we are one of the very few companies offering comprehensive and customized maritime environmental protection equipment and systems. We generally compete with global maritime environmental protection equipment and system providers. Potential new entrants to the market will also add to the competitiveness of these industries. In addition, when we enter into a new market, we may face intense competition from companies with an established presence in the relevant geographical areas and from other companies with similar expansion targets. Our current and potential competitors may have the capabilities to invest more financial, technical, manufacturing, marketing and other resources in designing, manufacturing and marketing their products. They may also be able to offer products or services at lower prices, with more advanced technological innovations or design features, thus forcing us to lower our prices to compete with them, which would adversely affect our business, prospects, results of operations, and financial condition.

The introduction of new equipment and systems by our competitors with superior quality and performance, or more satisfactory services, may have an adverse impact on our ability to retain a promising market share. Our failure to compete successfully may cause lower sales and increased marketing costs, which would adversely affect our business, prospects, results of operations, and financial condition.

We may not be able to adapt to rapidly changing technologies in a timely manner, or at all.

In order to maintain and enhance our current competitive position and grow our business, we need to continually introduce advanced and efficient equipment and systems with superior qualities and focus on technology developments and innovations to optimize the performance of our equipment and systems and address the increasingly complex market needs. However, we cannot assure you that we will be able to invest in directions that align with market demands or customer preferences at the time of product launch. This misalignment can result in equipment and systems that fail to gain market acceptance, leading to significant financial losses and potentially damaging our reputation.

New or alternative technologies in the maritime environmental protection equipment and system market may be adopted from time to time. There can be no assurance that we will be able to continue to enhance our technologies through R&D efforts, or that we will be able to keep up pace with technological changes in the markets where we operate. If any of our proprietary technologies for maritime environmental protection equipment and systems are outperformed or proven less cost-efficient than new, trending or alternative technologies, our business, results of operations and financial condition may be materially and adversely affected.

The advanced technologies we adopt, including mature technologies available overseas, may turn out to be not suitable or optimal for us due to unexpected compatibility issues with respect to the characteristics of the ships on which our maritime environmental protection equipment and systems are used, or we may have to invest in R&D and equipment and system design efforts to test, modify and customize such technologies for local conditions. If we fail to adapt to these changes in technologies and our business operations, we may not be able to maintain or improve our competitive position, which could have a material adverse impact on our business, financial condition, results of operations and prospects.

RISK FACTORS

The concentration in the sales of our marine exhaust gas cleaning systems and to a limited number of customers may affect our revenue and profitability.

During the Track Record Period, we primarily sold ship exhaust gas systems, with our major customers primarily being shipping companies, leading to a concentration of revenue sources. Our revenue and profitability are significantly dependent on the sales performance of our marine exhaust gas cleaning systems and the sales to a limited number of customers. Our revenue and profitability will be adversely affected if we cannot maintain or enhance the sales performance of our marine exhaust gas cleaning systems. Historically, we generated a majority of our revenue from our marine exhaust gas cleaning systems, representing approximately 78.7%, 64.7%, 66.8%, 79.9% and 60.7% of our total revenue, respectively, in 2021, 2022 and 2023 and for the six months ended June 30, 2023 and 2024. A significant portion of our revenue was derived from a limited number of customers during each year or period of the Track Record Period. Our five largest customers for each of the years ended December 31, 2021, 2022 and 2023 and for the six months ended June 30, 2024 contributed to approximately 90.5%, 76.1%, 84.3% and 89.4% of our total revenue, respectively. For further details on our relationship with our top five customers, see the section “Business — Our customers — Our major customers”.

Despite efforts to diversify our equipment and system portfolio, we cannot ensure the continuous successful launch and market acceptance of new products. A significant portion of our revenue is expected to come from our current offerings, particularly marine exhaust gas cleaning systems. Any delays or negative market reception of these systems could adversely impact our sales, business prospects, operations, and financial condition. Additionally, the lack of long-term contracts and purchase commitments from our top five customers, who are not exclusively reliant on us, poses a risk. If our prices are not competitive or our quality does not meet expectations, these customers may reduce or cease purchases, potentially negotiating lower prices. This could force us to lower prices to maintain relationships, impacting our profit margins and financial health. Furthermore, there is no guarantee that our relationships with these customers will be maintained or that we will successfully diversify our customer base. Loss of business from any major customer without securing new ones could negatively affect our profitability and financial stability.

Fluctuations in exchange rates could have a material adverse effect on our business, prospects, results of operations, and financial condition.

During each year or period of the Track Record Period, a significant portion of our revenue was generated overseas, which was generally denominated in U.S. dollars. In 2021, 2022, and 2023, and for the six months ended June 30, 2024, our revenue generated overseas amounted to RMB119.7 million, RMB224.6 million, RMB405.0 million, and RMB144.7 million, respectively, representing 85.2%, 84.0%, 79.4% and 43.0% of the total revenue, respectively. In addition, some of our oversea customer prepayments and sales proceeds are denominated in U.S. dollars. Because the majority of our revenue is denominated in U.S. dollars and a significant portion of our costs is incurred in Renminbi, the fluctuations in foreign exchange rates, particularly between the U.S. dollar and the Renminbi, will affect our results of operations and financial condition. When the U.S. dollars appreciate against the Renminbi, it will lead to a higher revenue amount in Renminbi, while costs denominated in Renminbi, which is also our reporting currency, remain unchanged, resulting in higher profit and profit margin. We recorded net foreign exchange gains of RMB2.8 million and RMB5.5 million, respectively, in 2021 and for the six months ended June 30, 2024, and recorded net foreign exchange losses of RMB3.6 million and RMB8.2 million, respectively, in 2022 and 2023, primarily attributable to the fluctuations in foreign exchange rates.

RISK FACTORS

The Renminbi has fluctuated against foreign currencies, sometimes significantly and unpredictably. The value of Renminbi against foreign currencies is affected by changes in China's economic conditions and by China's foreign exchange policies, among other things. We cannot assure you that Renminbi will not appreciate or depreciate significantly in value against foreign currencies in the future.

Any significant appreciation or depreciation of Renminbi may materially and adversely affect our revenues, earnings and financial position, and the value of, and any dividends payable on, our H Shares in foreign currency. For example, to the extent that we need to convert Hong Kong dollars we receive from the Global Offering into Renminbi to pay our operating expenses, appreciation of Renminbi against the Hong Kong dollars would have an adverse effect on the Renminbi amount we would receive from the conversion. Conversely, a significant depreciation of Renminbi against Hong Kong dollars may significantly reduce Hong Kong dollars equivalent of our earnings, which in turn could adversely affect the price of our H Shares.

While we may decide to enter into further hedging transactions, the availability and effectiveness of these hedges may be limited and we may not be able to adequately hedge our exposure or at all. As a result, fluctuations in exchange rates may have a material adverse effect on your investments.

Our equipment and systems might not meet customers' expectations and could potentially contain defects.

Our equipment and systems may not meet customers' performance expectations, and we cannot guarantee that they will be free from defects or operate without issues during their use. For example, customers may have specific expectations regarding prompt completion and installation of our equipment and systems and the practicality of our design, which is evident in aspects such as energy efficiency, desulfurization efficiency and durability. Meeting these expectations is crucial, as any shortfall of these expectations may lead to dissatisfaction, particularly if it affects the ships' exhaust gas emissions or the ships' scheduled services if we extend the time period at the docks for ships awaiting installation. Moreover, the stability and robustness of our equipment and systems might be influenced by various factors, including the operating skills of the operators, whether the operators maintain the product and replace the parts according to the product manual, the duration of usage, the length of time for which the product is used continuously, and the conditions under which it operates, such as extreme weather and rogue waves. If our equipment and systems exhibit a higher failure rate influenced by factors beyond our control, our customers may become dissatisfied. Any product defects or deviations from expected performance could lead to reputation damage, negative publicity, revenue loss, delays in completion, product recalls, product liability claims, and significant expenses such as warranty costs, which could materially and adversely affect our business, prospects, results of operations, and financial condition.

The design and manufacturing processes for our products are complex and may contain latent defects and errors that can lead to subpar performance or cause property damage or personal injuries. Furthermore, the quality of raw materials and product components sourced from third parties may have defects or quality issues that can substantially affect the overall mechanical structure and functionality of our equipment and systems. Due to the complexities associated with advanced and emerging technologies, defects and errors may emerge over time. We have limited control over the ongoing consistent performance of machinery components and third-party services, which may not align with our expectations. Although we conduct internal testing before the completion of our products, our ability to assess the long-term performance of our equipment and systems is constrained by a limited historical perspective. There is no assurance that we will be able to identify and rectify product defects in a timely manner or at all.

RISK FACTORS

Furthermore, at each stage of testing, delivering, and servicing of our products where manual operations are required, there exists the possibility of human errors, negligence, or non-compliance with protocols by our employees or third parties. Such human errors could result in our equipment and systems failing to perform or operate as expected. We cannot assure you that we will be able to entirely eliminate human errors from our operations.

Our business prospect hinges on our ability to successfully introduce and market new equipment and systems and execute our planned business initiatives. However, this endeavor may expose us to new and increased challenges and risks.

The success of our business expansion and sustained growth depends on our ability to broaden our range of equipment and system offerings, set competitive pricing for our equipment and systems, secure a substantial market share while maintaining cost efficiency in our design and manufacturing processes. Moreover, it is essential to advance our technological capabilities in relation to our pipeline products such as LFSS (for ammonia) and optimization development of carbon capture system. However, there is no guarantee that our introduction of new equipment and systems or enhancements to existing equipment and systems will attain the anticipated level of market acceptance or market share, if any. We cannot assure you that we will not encounter significant delays when entering new markets or launching new equipment and systems in the future.

Furthermore, our reliance on our suppliers and OEMs for raw materials and key product components introduces potential delays in meeting our production and commercialization timelines. There is no assurance that we will be able to do so without encountering substantial delays and cost overruns. Factors beyond our control, such as supplier or OEM issues, may exacerbate these difficulties, potentially impeding our ability to meet product commercialization schedules and customer requirements.

Delays in completing new equipment and systems, or their failure to perform as expected or their poor reception in the market, could result in negative publicity regarding our R&D capabilities or equipment and system offerings, which could have a material adverse effect on our growth prospects, potentially hindering our efforts to establish or expand our market share. As part of our strategy to introduce new equipment and systems and refine existing ones, we expect to allocate a substantial amount of capital towards R&D, product refinement, and sales and marketing. Failure to successfully execute our long-term growth strategy could materially and adversely affect our business, prospects, results of operations, financial condition, and cash flows.

We have continuously launched new equipment and systems since our incorporation. However, we have limited history in executing these initiatives. If we are not able to successfully execute these initiatives as planned, or if they do not yield the positive results as expected, our business, financial condition, results of operations, cash flows, and prospects would be materially and adversely impacted.

RISK FACTORS

We may encounter cost increases or disruptions in the supply of raw materials or product components used in our equipment and systems.

We incur substantial cost of purchase primarily related to (i) raw materials consumed during our production and (ii) product components we procured from suppliers or OEMs. The prices of these raw materials and product components are subject to fluctuations and influenced by factors beyond our control, including market conditions, inflation, supply chain shortages, and global demand for these materials and components, all of which could adversely affect our business and operating results.

Our operations are particularly dependent on a stable supply of certain raw materials and product components such as stainless-steel plates, stainless-steel pipes, rudder bulbs, N₂ generators, air compressors, interior accommodation and spares parts. We are exposed to multiple risks related to the availability and cost of such raw materials and product components, including but not limited to:

- the potential failure or reluctance of manufacturers to scale up production or establish facilities that can deliver the required quantities of raw materials and product components;
- disruption in the supply of key product components, such as rudder bulbs, N₂ generators and air compressors, due to manufacturing defects or recalls by manufacturers; and
- rising cost or reduced availability of raw materials such as stainless-steel plates and stainless-steel pipes.

Furthermore, currency fluctuations or tariffs, along with other economic or political conditions, may lead to significant increases in shipping costs and the prices of raw materials or product components. Any substantial increase in our cost of purchase would raise our operating expenses and could potentially reduce our profit margins.

The performance of shipbuilding industry and shipping industry can affect our business, prospects, and financial results.

Our business is significantly influenced by the development trends within the shipbuilding and shipping industries. A downturn in these industries could lead to reduced demand for new ships, which may adversely affect the demand for our equipment and systems. Conversely, when freight rates are relatively high, there is typically a surge in newbuilding orders. However, during such periods, shipowners may prefer not to suspend ship operations for the installation of our products, which can affect our business operations. Additionally, geopolitical tensions such as the Russia-Ukraine conflict and the Red Sea crisis may significantly impact the supply, demand, cost, and operation of global and regional shipping industry and shipbuilding industry. These tensions can negatively affect shipping companies' ability to adapt to changes in the cost, availability of bunker fuel and their shipping routes, which may in turn influence their decisions to purchase new ships, ultimately affecting the shipbuilding industry. The performance of the shipbuilding and shipping industries introduces a level of unpredictability on our business, prospects, and financial results and the composition of our on-hand orders for newbuildings and in-service ships.

RISK FACTORS

During the Track Record Period, there were significant increases in the number of orders we completed related to newbuildings primarily driven by a shortage of shipping capacity and higher ocean freight rates, largely attributable to the COVID-19 pandemic and the resulting supply chain disruptions. For example, for the years ended December 31, 2021, 2022 and 2023, and six months ended June 30, 2024, we completed two, four, 13 and 21 orders, respectively, related to newbuildings, and seven, 10, 24 and four orders, respectively, related to retrofit in-service ships, for our marine exhaust gas cleaning systems. As our revenues are recognized upon the completion of orders, there is an inherent mismatch between the time we receive orders and the time we recognize revenue. The mismatch can result in fluctuations in our revenues and profits, making it difficult to predict our financial performance accurately. The timely completion of orders can be influenced by a variety of factors beyond our control, including but not limited to disruptions or delays in the shipping schedule of retrofit in-service ships, changes in port availability, and delays in the shipbuilding process of newbuildings. Additionally, when a performance test, such as a commissioning test or sea trial, is required, our revenue will be recognized upon the award of the sea trial report. Severe weather conditions can delay the timing of tests and therefore delay the award of the sea trial report if ships cannot arrive at the designated test waters. Any such disruptions or delays in the timely completion of the orders could result in postponed revenue recognition, thereby adversely affecting our financial results and business prospects. Orders related to newbuildings generally take us a longer time to complete, meaning that revenue from newbuilding orders is recognized over a prolonged period, which can delay the realization of income and affect our short-term financial results. In addition, the extended order completion schedule also leads to a higher likelihood of order cancellations, which could disrupt our inventory management and cash flow, leading to increased operational costs. See “— Risks relating to our business and industry — We are exposed to risks of inventory write-down” in this section for further details on the impact of order cancellations. An increase in the number of on-hand orders related to newbuildings will require us to manage longer project timelines, which can impact our operational efficiency and ability to take on new projects. This can, in turn, affect our business, prospects, and financial results.

The design and use of maritime environmental protection equipment and systems are subject to project execution risks.

The installation of our systems is completed by the ship builders while we provide on-site technical guidance. Our business is subject to inherent project execution risks which may be beyond our control, including but not limited to:

- delays in deliveries of equipment or systems;
- shortage of skilled workforce and competent management to carry out the installation on time or to fully comply with our instructions regarding the installation;
- unforeseen engineering, design or environmental problems and unanticipated cost increases; and
- work strikes and labor disputes.

RISK FACTORS

Any material disruptions to our operations or failure to timely complete our work due to the foregoing factors or otherwise, may affect our ability to negotiate new contracts with potential customers. In the event of a delay, our existing customers may be entitled to receive liquidated damages as stipulated in the relevant contract or to terminate the contract. We cannot assure you that such terminations or similar events will not happen in the future with respect to our projects. Any of such events could materially and adversely affect our business, financial condition and results of operations.

Our business depends to a great extent on our R&D capabilities. Any underperformance in our technology and R&D endeavors may adversely affect our competitiveness and profitability.

Our business success depends to a great extent on our R&D capabilities. Our technical development personnel covers all business segments, including the engineering department, technical department, and R&D department.

The industries in which we operate are characterized by high technical complexity and rapid evolution, requiring significant resources to enhance our R&D capabilities to lead in technological innovations and sustain our competitiveness. Therefore, we expect that our R&D costs will continue to be significant.

Furthermore, R&D activities inherently involve uncertainties. The direction of our R&D efforts may not always align with market needs, technological advancements, or industry trends. There can be no assurance that our endeavors in R&D will yield viable outcomes. Failures could arise from shifts in market demand, technological challenges, or unforeseen trends in technological development. As a result, our significant investments in R&D may not always yield expected returns or contribute proportionally to our business growth.

In the event of underperformances in our technology and R&D initiatives, our competitive standing could be compromised, resulting in material adverse effects on our business, reputation, results of operations and prospects.

We had net cash used in operating activities during the Track Record Period.

We recorded net cash used in operating activities of RMB46.8 million, RMB10.4 million and RMB14.9 million in 2021, 2022, and for the six months ended June 30, 2024, respectively. For details, please refer to “Financial Information — Liquidity and Capital Resources — Cash flows — Net cash used in or from operating activities” in this prospectus.

RISK FACTORS

We cannot assure you that we will be able to generate net cash from operating activities in the future or the amounts of cash generated from operating activities will increase due to the expansion of our business. If we record net operating cash outflows in the future, our working capital may be constrained, which may adversely affect our liquidity and financial condition. If we do not have sufficient working capital and are unable to generate sufficient revenue or raise additional funds, we may delay the completion of or significantly reduce the scope of our current business plan or substantially curtail our operations, any of which could materially and adversely affect our business, financial condition and results of operations. In addition, if we determine that our cash requirements exceed our available cash on hand, we may seek to issue debt or equity securities or obtain a credit facility. We cannot assure you that we would be able to obtain debt or equity financing in the current economic environment. In addition, any issuance of equity or equity-linked securities could dilute our shareholders' ownership, while any incurrence of indebtedness could increase our debt service obligations and cause us to be subject to restrictive operating and finance covenants. As a result, we may face liquidity issues and our business, financial condition and results of operations may be materially and adversely affected.

Any issues or delays in scaling and maintaining operations at our existing production facility or leasing production facility could negatively affect the production of our equipment and systems.

We manage manufacturing and complete assemblies of our ship exhaust gas cleaning systems, among others, at our own production facility in Nantong, Jiangsu. We plan to lease a production facility in Mainland China or Southeast Asia, with the location to be determined by 2025 following an extensive research. Maintaining and expanding our production facility, as well as leasing new ones, will require substantial capital resources. There is no guarantee that we can complete these plans in a cost-effective manner or recoup these investments through our production and sales. Any project delays or budget overruns could adversely affect our financial condition, production capacity, and results of operations.

Our production facility, filled with engineering machinery, raw materials and components, exposes both employees and visitors to heightened risks related to workplace safety, including damage to, or destruction of, production equipment and facilities, or operational accidents, and could also result in personal injury, death, performance delays, monetary losses and legal liability. These risks arise from interactions with heavy equipment, the complex nature of mechanical operations, and potential exposure to hazardous materials. The conditions within these plants can lead to accidents unless safety protocols are strictly enforced and updated on a regular basis. There can be no assurance that serious accidents or fatalities would not occur in the future. If we fail to prevent serious accidents or fatalities, we will be held liable for damages arising out of or in connection with such incidents or facilities, which could have a material adverse effect on our results of operations, business, financial condition and prospects.

Additionally, in accordance with PRC laws and regulations, construction projects are subject to extensive government oversight and approval processes, including but not limited to project approvals or filings, approvals for construction land and project planning, environmental protection filings, fire protection clearances, and inspections and acceptance by relevant authorities. Entities operating these construction projects may face uncertainties on administrative approval procedures, fines or project use suspensions, any of which would materially and adversely affect our business operations.

RISK FACTORS

We rely on third parties in certain key aspects of our business and if any of such third parties fails to deliver quality products or services in a timely manner, or if our relationship with any of them deteriorates, our reputation or business operation may be adversely affected.

We rely on third parties in certain key aspects of our business, including, among other things, (i) the provision of raw materials and product components essential for our equipment and systems from suppliers and OEMs, (ii) the performance of certain non-core production processes by contractors and (iii) the engagement with sales agents who act on our behalf to facilitate the acquisition of new customers, among others. Our supply chain is exposed to various risks, including potential delivery failures or insufficient provision of raw materials, product components, and services from multiple sources including untimely performance of our contractors or unsatisfactory performance of our sales agents in acquiring new customers, identifying market demands, negotiating contracts, and facilitating the collection of payment on behalf of us. Failure to secure the necessary raw materials, product components, or services from the suppliers, OEMs, contractors and sales agents in accordance with our requirements, such as schedule, price, quality, and volume, would result in a loss of production capability or a loss of potential customers, thus materially and adversely affecting our business, prospects, results of operations, financial condition, and cash flows.

In our ordinary course of business we transact with suppliers, OEMs, contractors and sales agents, including those who were related to certain directors of our Group in the past on an arm's length basis and on normal commercial terms. Each of our existing suppliers, OEMs, contractors and sales agents is currently an Independent Third Party. As we have limited control over our suppliers, OEMs, contractors and sales agents, whether they are or were Independent Third Parties or otherwise, and their business practices, we cannot assure the consistent quality of the raw materials, product components, and services they provide. Any defects or quality issues with these raw materials, product components and services as well as non-compliance incidents involving our third-party suppliers, OEMs, contractors and sales agents, could lead to quality problems and negative publicity associated with our equipment and systems, potentially damaging our brand image and affecting our business, prospects, results of operations, financial condition, and cash flows. In particular, one of our five largest suppliers for the year ended December 31, 2022, Jiangsu ContiOcean, was disposed of by us to an Independent Third Party at nil consideration for our entire interest in Jiangsu ContiOcean pursuant to a share transfer agreement dated April 7, 2023. Please refer to the section headed "Business — Our suppliers — Our major suppliers" in this prospectus for further details. Jiangsu ContiOcean had signed an undertaking letter on November 6, 2024, where it undertakes not to engage in similar business activities or use similar trademarks as the Group, and to change its company name by August 31, 2025. Despite these undertakings, the continued use of "ContiOcean" in its name for the interim period poses a risk that any potential negative news or publicity associated with Jiangsu ContiOcean could adversely affect our reputation, business, and growth prospects. In addition, we cannot guarantee that our suppliers, OEMs, contractors and sales agents adhere to ethical business practices, including environmental responsibilities, fair wage practices, and compliance with child labor laws, among others. Failure to demonstrate compliance might compel us to seek alternative suppliers, OEMs, contractors or sales agents, which could increase our costs and result in delayed product completion, product shortages or disruptions in our operations.

RISK FACTORS

Furthermore, identifying alternative suppliers, OEMs, contractors and sales agents for raw materials, product components or services or developing replacements for highly customized product components can be time-consuming and costly. Any disruption in the supply of raw materials, product components, or services, whether from single or multiple sources, could temporarily halt production until we secure alternative supplies, or lead to loss of customers. There is no assurance that we would successfully secure alternative suppliers, OEMs, contractors and sales agents in a timely or acceptable manner, or at all. Changes in business conditions, force majeure events, government changes or other unforeseen factors beyond our control could also impact our suppliers, OEMs, contractors and sales agents' ability to deliver raw materials, product components, and services in a timely manner.

Moreover, if we experience a significant increase in demand or need to replace our existing suppliers, OEMs, contractors and sales agents, we cannot assure you that additional supplies or services will be readily available on favorable terms or at all, or that any supplier, OEM, contractor or sales agent will allocate sufficient resources to meet our requirements or fulfill our orders in a timely manner. Any of the foregoing could materially and adversely affect our business, financial condition, results of operations, and prospects.

Our operations may be subject to transfer pricing adjustments by competent authorities.

Our operations may be subject to transfer pricing adjustments by competent authorities. We have certain intercompany transactions that may be subject to audit or challenge by the relevant tax authorities. During the Track Record Period, our subsidiaries in the PRC, Hong Kong, Singapore, Portugal and Norway have engaged in the following five types of intercompany transactions, namely (i) product buy-sell transactions, (ii) technical services, (iii) sales support services, (iv) R&D support services and (v) administrative service. For details, please see "Business — Transfer pricing analysis" in this prospectus.

As such, we could face adverse tax consequences if the relevant tax authorities determine that some of our intercompany transactions do not represent arm's length negotiations and consequently adjust any of those entities' income in the form of a transfer pricing adjustment. A transfer pricing adjustment could, among other things, increase our tax liabilities. If we fail to rectify such incident within the limited timeframe required by the relevant tax authorities, the relevant tax authorities may impose late payment interest or surcharge and other penalties on us for any unpaid taxes. In addition, a transfer pricing arrangement may give rise to tax recoverable under double taxation relief arrangement (if applicable) in certain jurisdictions as a result of tax adjustments. There is no assurance that we could successfully recover the tax recoverable from the relevant tax authorities. Our business, financial condition and results of operation may therefore be materially and adversely affected.

RISK FACTORS

Further, we expect that the intercompany transactions will continue in the foreseeable future and we will determine transfer pricing arrangements that we believe to be the same as that transacted with unrelated third parties on an arms' length basis. However, there is no assurance that tax authorities would share the same view, or such transfer pricing laws and regulations will not be modified. In the event that an authority of any relevant jurisdiction determines that such intercompany transactions were not on an arm's length basis that affect taxable income, such authority could require our relevant subsidiaries to re-determine the transfer prices and thereby adjust revenue, deduct costs and expenses or adjust taxable income of the relevant subsidiary in order to accurately reflect the taxable income. Any such adjustment could result in higher overall tax liability for us, which may adversely affect our business, financial condition and results of operations.

If we are unable to adequately service our equipment and systems, or if future warranty claims arise, it could have a material adverse effect on our business, prospects, financial condition, results of operations, and cash flows.

Servicing and repairing maritime environmental protection equipment and systems demand specialized professional skills in marine electrical, marine engineering, structure, thermodynamics, chemistry, and interior design. There is no guarantee that our post-sale service arrangements will fully meet our customers' requirements and satisfaction.

As we continue to expand, our post-sale service team may face additional pressure, potentially making it challenging to respond promptly to short-term increases in customer demand for technical support. Customer behavior and usage patterns may result in higher-than-anticipated maintenance and repair costs, which could adversely affect our business, prospects, financial condition, results of operations, and cash flows. We may also struggle to adapt our technical support offerings to compete with changes in the support services provided by our competitors. Adjusting to heightened customer support needs without a commensurate increase in revenue could escalate expenses, potentially exerting an adverse impact on our operational outcomes. Failure to address our customers' service requirements adequately or failing to establish a market perception of high-quality support may lead to claims from customers, including revenue loss or damages, and our business, prospects, financial condition, results of operations, and cash flows may be materially and adversely affected.

Moreover, a significant portion of our customers are from overseas, which introduces additional risks associated with providing maintenance and repair services globally. Dispatching specialized technicians or shipping spare parts across borders can escalate costs and introduce delays. Cultural, linguistic and legal differences can complicate customer service interactions, increasing the risk of misunderstandings and potential legal repercussions, and damaging our brand reputation. Failure to adapt our services to these international complexities may result in reduced customer satisfaction and increased costs, thereby materially and adversely affecting our business, prospects, results of operations, and financial condition.

RISK FACTORS

We provide warranty periods for our products ranging from 12 to 60 months following order completion. We make warranty provisions, which represent the management's best estimate of expected settlement amounts under our sales agreements in respect of the sold products that remain within the warranty period. In 2021, 2022, and 2023, and for the six months ended June 30, 2024, our warranty expenses amounted to RMB0.4 million, RMB0.3 million, RMB4.4 million, and RMB2.6 million, respectively, each representing less than 1.0% of the total revenue for the same period. As of December 31, 2021, 2022, and 2023, and June 30, 2024, our warranty provisions amounted to RMB0.3 million, RMB0.5 million, RMB4.5 million, and RMB6.6 million, respectively.

There is no assurance that these reserves will be sufficient to cover future claims. In the future, we may face significant unexpected warranty claims, resulting in substantial expenses that could in turn materially and adversely affect our business, prospects, financial condition, results of operations, and cash flows.

We may not succeed in maintaining and strengthening our brand, which would materially and adversely affect customer acceptance of our equipment and systems, business, prospects, financial condition and results of operations.

Our business and prospects rely on our ability to establish, maintain and strengthen our brand. Failure to project a positive brand image could result in losing opportunities to cultivate a growing and loyal customer base. The success of our branding efforts depends on our ability to consistently complete and deliver high-quality equipment and systems. If we fail to meet customer expectations with our equipment and systems, our brand recognition and market acceptance will be eroded. Additionally, incidents involving our products and services, particularly those involving safety issues or defects, whether or not attributable to us, could generate adverse publicity. Any negative publicity, regardless of its accuracy, has the potential to rapidly spread, thereby undermining customer perceptions and confidence in our brand.

Our ability to build and strengthen our brand also relies on the effectiveness of our sales and marketing strategies, including, among others, establishing service centers in key international shipping hubs and ports, and along major trade routes. See “Business — Our strategies — Strengthen marketing capabilities and expand customer outreach globally” for details. While we seek to improve resource allocation through careful selection of sales and marketing channels, these efforts may not achieve the desired results.

We are exposed to credit risk from our customers, and any failure to collect our trade receivables in a timely manner may adversely affect our financial condition and results of operations.

Our trade receivables consist primarily of amounts due from our customers in the ordinary course of our business. As of December 31, 2021, 2022 and 2023, and June 30, 2024, our trade receivables amounted to RMB5.6 million, RMB19.4 million, RMB42.2 million and RMB45.8 million, respectively. Despite our efforts to assess the creditworthiness of our customers, we cannot assure you that our customers will fulfill their obligations to us in the future.

RISK FACTORS

Various factors beyond our control, such as economic downturns and customer insolvency, may hinder or prevent us from collecting our trade receivables in a timely manner or at all. Failure to effectively manage the credit risk associated with our trade receivables and collect payments in a timely manner would have material and adverse effects on our business, prospects, financial condition, results of operations, and cash flows.

We are exposed to risks of inventory write-down.

During the Track Record Period, our inventories primarily consisted of (i) raw materials and consumables such as stainless-steel plates and stainless-steel pipes, (ii) work in progress in production lines, and (iii) finished goods representing the products that had completed the manufacturing and quality inspection processes and were ready to be delivered. As of December 31, 2021, 2022 and 2023 and June 30, 2024, we had inventories of RMB32.3 million, RMB87.3 million, RMB87.4 million and RMB37.1 million, respectively.

Our raw materials are subject to write-down mainly due to the erosion of stainless steel, unusable steel remnants and outdated of product components. We had a write-down on our raw materials of approximately nil, RMB0.5 million, RMB0.8 million and RMB0.9 million, respectively, as of December 31, 2021, 2022 and 2023, and June 30, 2024. As our products are made on demand according to the requirements of our customers, our finished goods are attributable to designated customers. In the event of order cancellations, we will attempt to reconfigure or disassemble the finished products and recycle the parts for use in other products. Our management will assess when it is unfeasible for the remaining parts to be recycled, and when to write down any remaining parts. We had a write-down on our finished goods of approximately nil, nil, RMB1.9 million and RMB2.3 million, respectively, as of December 31, 2021, 2022 and 2023, and June 30, 2024. These write-downs on finished goods were primarily due to order cancellations in 2020, and our management concluded that certain remaining parts were unfeasible to be recycled in 2023 and the first half of 2024, respectively, leading to the write-down of the corresponding amount as of the end of the respective period.

As such, any unexpected change in storage conditions or significant technological developments may render our raw materials obsolete. In addition, we cannot guarantee that in the event of order cancellations, we will be able to recycle the parts for use in other products, which may adversely affect our profitability, results of operations and financial condition.

We may not be able to fulfill our obligations in respect of contract liabilities, which may have a material and adverse impact on our business, reputation and liquidity position.

We may not be able to fulfill our obligations in respect of contract liabilities. During the Track Record Period, our contract liabilities represented the deposits we received from the customers for certain contracts that required prepayments before we could recognize revenue based on contract terms. As of December 31, 2021, 2022 and 2023 and June 30, 2024, we recorded contract liabilities of RMB169.7 million, RMB161.1 million, RMB174.9 million, and RMB21.7 million, respectively. Our recognition of contract liabilities as revenue is subject to future performance obligations and may not be representative of revenues for future periods. After we complete relevant orders, contract liabilities will be recognized as revenue. For further details, see “Financial Information — Description of major line items in our consolidated statements of financial position — Contract liabilities”. If we fail to fulfill our obligations or if our customers dispute the products or the services we provided, we may not be able to recognize the full amount of contract liabilities as revenue, if at all, and may be required to return the deposits, which may have a material and adverse impact on our business, reputation and liquidity.

RISK FACTORS

Our business depends substantially on the efforts of our key employees and qualified personnel.

Our success depends substantially on the continued efforts of our key employees and qualified personnel, such as our key management, engineers and other R&D personnel. If one or more of our key employees and qualified personnel fail to devote sufficient time and resources in support of our operation and continued growth, or if they terminate their services with us, we might not be able to replace them easily, in a timely manner, or at all. The departure of these key personnel could cause disruption to our business and would incur additional expenses to recruit, train and retain qualified personnel to replace them.

Professionals with sufficient training in the maritime environmental protection equipment and systems industry may be difficult to hire, and we will need to expend significant time and expenses training our existing and prospective employees.

The industries in which we operate are characterized by high demand and intense competition for top talent. In recent years, the average labor cost, particularly for highly skilled and experienced personnel, has been rising steadily. We cannot assure you that there will be no significant increase in our labor costs, especially as we continue to expand our business and operations. Despite an increase in labor costs, we may still not be able to attract or retain qualified staff or other highly skilled employees. As our brand gains prominence, the risk of competitors or other companies attempting to recruit our talent increases. Each of our executive officers and key employees has entered into an employment agreement with us that includes confidentiality and non-compete clauses. However, we may be subject to legal proceedings arising from disputes over non-compete provisions. If any of our key management engineers and other R&D personnel joins a competitor or forms a competing company, we may lose customers, know-how and key professionals and staff members, which will adversely and materially impact our competitive position.

Our international operations expose us to various risks, including adverse regulatory, political, currency, tax and labor conditions, which could harm our business, prospects, results of operations, and financial condition.

We provided services worldwide, including Asia, Europe, Americas, and the Middle East. Our international business exposes our business operations to a variety of risks, including unfavorable regulatory environments, political instability, currency fluctuations, taxation challenges and labor conditions, which could materially and adversely affect our business, prospects, results of operations, and financial condition. In addition, we plan to allocate certain net proceeds from the Global Offering to our expansion plan, including leasing a production facility in Mainland China or Southeast Asia, with the location to be determined by 2025 following an extensive research. For further details of our expansion plan, please refer to “Future Plans and Use of Proceeds” in this prospectus. Operating in international markets requires the compliance with diverse legal, political, regulatory, and societal requirements, as well as adapting to varying economic conditions within these jurisdictions.

RISK FACTORS

Moreover, international operation or its expansion demand extensive coordination across various jurisdictions and time zones, placing significant requirements on our management resources. We will be subject to numerous risks associated with international business activities that may increase costs, affect our capacity to market and sell our equipment and systems, and require substantial managerial attention, including but not limited to:

- ensuring that our equipment and systems meet evolving international regulatory requirements;
- incurring expenses related to legal actions and liabilities in foreign jurisdictions;
- managing complexities related to staffing and foreign operations;
- establishing and maintaining relationships with international suppliers and managing potential supply chain disruptions;
- attracting customers in new international markets;
- complying with foreign government tax, regulatory, and permit requirements, including foreign taxes that may not be offset against taxes imposed on us in the PRC, as well as foreign tax and other laws limiting our ability to repatriate funds to the PRC;
- managing fluctuations in foreign currency exchange rates and interest rates;
- complying with trade restrictions, tariffs, and price or exchange regulation imposed by both the PRC and foreign governments;
- adapting to foreign labor laws, regulations, and restrictions;
- adjusting to changes in diplomatic and trade relationships;
- operating within legal frameworks and business practices that may favor local companies over international competitors;
- protecting or procuring intellectual property rights internationally;
- addressing geopolitical factors, natural disasters, conflicts, terrorism, health epidemics, and their potential impacts; and
- evaluating the resilience of international economies.

If we fail to effectively mitigate these risks, our business, prospects, financial condition, results of operations, and cash flows could be materially impacted.

RISK FACTORS

We may consider expanding our business through mergers and acquisitions, which may involve significant risks and uncertainties and we may not be able to identify suitable targets or successfully integrate acquired business.

We have in the past acquired equity interest of our subsidiaries and associates to further our business development. We will actively seek strategic mergers and acquisitions that align with our core competencies and strategic objectives to fortify our market position and broaden our equipment and systems. Concurrently, we will seek to establish strategic partnerships that can provide access to new markets, technologies, and expertise. We are particularly focused on the global market, with a keen interest in the Europe region, where we aim to acquire advanced maritime environmental technology companies. Merger and acquisition activities, however, involve significant risks and uncertainties, including difficulties in identifying suitable targets and competition from other potential buyers or bidders, difficulties in determining the appropriate purchase price of the target, which may result in potential impairment of goodwill, potential increases in debt, which may increase our finance costs, and exposure to unanticipated contingent liabilities of the target.

In addition, integration of a newly acquired business may be costly and time-consuming and could present us with significant risks and difficulties, including (i) integrating the operations and personnel of the acquired business within our corporate culture and management style and implementing uniform information technology systems, controls, procedures and policies; (ii) retaining relationships with key employees, customers, business partners and suppliers of the acquired business; (iii) successfully entering a business or geographic market in which we have limited prior experience; (iv) achieving the anticipated synergies and strategic or financial benefits from the acquisition; and (v) addressing the economic, political, regulatory and foreign exchange risks associated with any new jurisdiction in which the acquired business is located. As a result of the foregoing, we cannot assure you that any mergers and acquisitions that we will conduct in the future will be successful. Failure in executing our merger and acquisition plans could negatively affect our business, financial condition and results of operations.

We may have capital requirements and incur increased expenses in connection with our business strategy and there can be no assurance that we will be able to obtain the financing necessary to fund substantial capital expenditures or manage these increased expenses effectively.

We anticipate funding our capital expenditures with cash generated from operating activities, and debt financing, as well as the net proceeds from the Global Offering. We plan to allocate certain net proceeds from the Global Offering to our expansion plan, including potential mergers as well as leasing one production facility and establishment of four service centers internationally. We also plan to acquire the controlling stake in a company holding a ship as our maritime R&D platform. For further details of our expansion plan, please refer to “Future Plans and Use of Proceeds” in this prospectus. As part of our business strategy, such expansion plan may result in significantly increased expenses, which could adversely affect our financial condition and results of operations. For example, as part of our expansion plan, we expect to hire new employees and the recruitment, training, and retention of these employees will result in substantial staff costs. Additionally, the integration of new employees into our existing operations may require additional resources and time, potentially leading to inefficiencies and increased operational costs.

RISK FACTORS

Furthermore, the purchase of the ship and leasing a new production facility will also involve significant capital expenditures and increased depreciation costs and maintenance costs. Specifically, the operation of the ship requires crew members and other operational personnel, resulting in labor costs associated with their salaries, trainings and welfare. Additionally, the ship will incur fuel costs and other operational expenses, which can fluctuate based on market conditions. Although we may consider chartering out the ship to generate rental revenue, we cannot guarantee that we will be able to charter out the ship in a timely manner at favorable charter rates, or at all. There are various factors that may affect the rental income generated from the ship, which are beyond our control, including the fluctuations in market charter rates, the balance of demand and supply, and the financial ability of lessees to pay rent in full and on time. Furthermore, entering into charter agreements exposes us to various contractual and legal risks. Any disputes arising from the terms of the charter agreements, such as default on charter payments, maintenance responsibilities, or delivery schedules, can lead to costly legal proceedings and potential financial liabilities. If we charter out the ship, the labor costs and operational expenses are borne directly by the lessee, we will receive only the net rental income as other income for the period. If the ship is not chartered out, the corresponding labor costs, operational expenses and depreciation costs for the period will be fully accounted for as R&D expenses, which could negatively impact our financial statements. We would also incur increased operational costs and unforeseen expenses associated with our expansion plan into new geographic regions. In addition, in the event of adverse market conditions in the future or changes in our expansion plan, operational process, technologies, prices of machinery and equipment or interest rates, our actual expenditures may exceed our planned expenditures and we may not have sufficient sources of liquidity to effect our current operational plan and would need to secure additional financing from external sources.

Given these potential increased expenses, there is no assurance that external sources of liquidity will be available to fund our ongoing operations or our product development, without which our expansion plan will be unsuccessful, or that it will generate the expected returns on investment. Any failure to obtain the required financing or to manage these increased expenses effectively would hinder our ability to make continued investments in product development or carry out our business strategy, which could materially and adversely affect our business, results of operations and financial condition.

Our R&D, business, financial condition, and results of operations may be materially and adversely affected if our collaboration with a partner in purchasing a ship becomes unstable or is terminated.

We plan to purchase the ship with a partner. See “Future Plans and Use of Proceeds — Use of proceeds” for further details. Such collaboration is subject to risks and uncertainties. For example, although the partner will be a passive ship owner, it may have different business objectives which may make the collaboration unstable or subject to changes. Additionally, although we will enter into an agreement to ensure the partner will not affect our R&D work performed on the R&D platform, any disagreements or misalignments in strategic direction of future ship utilization could lead to operational inefficiencies or conflicts. Furthermore, the partner may become dissatisfied with the collaboration model, profit distribution, or other reasons, and may choose to terminate the collaboration. Such termination could disrupt our operations on the ship, lead to financial losses, and necessitate finding a new partner or alternative financing, which may not be available on commercially acceptable terms, or at all. These factors could materially and adversely affect our R&D, business, financial condition, and results of operations.

RISK FACTORS

Our operations may be materially and adversely affected if we fail to obtain, maintain and renew licenses, approvals, qualification and certifications that are material to, or we may otherwise fail to comply with the laws and regulations that are applicable to, our operations.

Our business operations in China are regulated by a number of PRC authorities, which jointly regulate major aspects of our industries in China. We are also required to obtain and maintain the requisite licenses and approvals required in China and other jurisdictions where we have business operations, such as port operating license, registration of pollutant discharge from fixed pollution sources and the record of the consignee and consignor of the import and export goods of the customs. See “Business — Licenses, permits and approvals” for details.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we had obtained all requisite licenses, permits and approvals from relevant authorities for, and had complied with the laws and regulations that are applicable to, our operations in all material respects. However, we cannot assure you that we can successfully renew current licenses required for our business in a timely manner or that these licenses are sufficient to conduct all of current or future business. As the interpretation and implementation of existing and future legislations, regulations and policies governing our business activities are evolving, we cannot assure you that we will not be found in violation of any future legislations, regulations and policies nor any of the legislations, regulations and policies in effect. If we fail to obtain, renew or maintain any of the requisite licenses or approvals or make necessary and appropriate filings in any of the jurisdictions where we have business operations or if we fail to comply with the laws and regulations applicable to us in a timely manner or at all, we may be subject to various penalties, including fines, discontinuation or restriction of our business operations. Any such penalties may damage our reputation, disrupt our business operations and even terminate our business operations in those jurisdictions. As such, our results of operations, financial conditions and business prospects could be materially and adversely affected.

We depend on information technology and other infrastructure that are exposed to certain risks, including cyber security risks.

We rely on a variety of information technology and automated operating systems to manage or support our operations, including protecting our intellectual property. The proper functioning of these systems is critical to the efficient operation and management of our business. In addition, these systems may require modifications or upgrades as a result of technological changes or growth in our business. These changes may be costly and disruptive to our operations and could impose substantial demands on management time. Our systems and those of third-party providers may be vulnerable to damage or disruption caused by circumstances beyond our control, such as catastrophic events, power outages, natural disasters, computer system or network failures, viruses or malware, physical or electronic break-ins, unauthorized access, cyber-attacks and thefts. We cannot assure you that the measures and steps we take to secure our systems and electronic information are adequate. Any significant disruption to our systems could result in unauthorized disclosure of confidential information and adversely affect our business and operating results.

RISK FACTORS

We had been, and may in the future become, subject to patent, trademark and/or other intellectual property infringement claims, which may be time-consuming, cause us to incur significant liability and increase our costs of doing business.

We had been involved in, and may in the future become party to, intellectual property infringement proceedings. Companies, organizations, or individuals, including our competitors, may hold or obtain patents, trademarks or other proprietary or intellectual property rights that would prevent, limit or interfere with our ability to make, use, develop, sell, or market our equipment and systems, which could make it more difficult for us to operate our business.

From time to time, we may receive communications from holders of patents, software copyrights, trademarks, trade secrets or other intellectual property or proprietary rights alleging that we are infringing, misappropriating, diluting or otherwise violating such rights. Such parties have brought and may in the future bring suits against us alleging infringement or other violation of such rights, or otherwise assert their rights and urge us to acquire licenses to their intellectual property. For example, we were involved in three litigations in 2023 concerning allegations of intellectual property infringements filed against one of our suppliers and us, with the relevant products being alleged to infringe the intellectual property rights of the plaintiff. The affected products were the pre-shrouded vanes and hub vortex absorbed fins for our marine energy-saving devices, which were designed, manufactured, and sold to us by our supplier. These disputes were settled in June 2024 with the supplier making a settlement payment of RMB2.4 million, among others, and the competent court approved the plaintiff's application to withdraw the three cases in July 2024.

Our Directors are of the view that such disputes have no material adverse impact on the Group's operations, on the basis that (i) the products involved are not our main products, with relatively small sales amount and revenue contribution, (ii) we were not required to make the settlement payment which was paid by the supplier and we did not incur any material expenses or loss as a result of this, and (iii) we have terminated our cooperation with the relevant supplier, and selected an alternative supplier for the aforementioned products who undertakes that the products are free from any infringement of intellectual property rights and agrees to indemnify us for any and all costs and losses arising out of or in connection with any intellectual property infringement claims related to the products. During the Track Record Period, we did not experience any loss of customers due to intellectual property infringement claims, and there were no other claims or disputes related to intellectual property infringement.

Despite our assessments and background checks prior to engaging with suppliers, and our standard practice of mandating that suppliers comply with applicable laws and regulations through contractual covenants, we cannot assure you that we will be able to uncover all potential issues that could indicate suppliers' non-compliance or malfeasance prior to entering into a contract with them. In addition, we may not be aware of existing patents or patent applications that could be pertinent to our business as many patent applications are filed confidentially in one country and are not published until months following the applicable filing date. Moreover, our applications for and uses of trademarks relating to our equipment and systems, services, or designs, could be found to infringe upon existing trademark rights owned by third parties.

RISK FACTORS

In the event that a claim relating to intellectual property is asserted against us, our suppliers or our third-party licensors, or if third parties not affiliated with us hold pending or issued patents that relate to our equipment and systems or technology, we may need to seek licenses to such intellectual property or seek to challenge those patents. Even if we are able to obtain a license, it could be non-exclusive, thereby giving our competitors and other third parties access to the same technologies licensed to us. In addition, we may be unable to obtain these licenses on commercially reasonable terms, if at all, and our challenge of third-party patents may be unsuccessful. Litigation or other legal proceedings relating to intellectual property claims, regardless of merit, may cause us to incur significant expenses and could distract our technical and management personnel from their normal responsibilities. Further, if we are determined to have infringed upon a third party's intellectual property rights, we may be required to do one or more of the following:

- cease selling, incorporating certain components into, or using products or offering services that incorporate or use the intellectual property that we allegedly infringe, misappropriate, dilute or otherwise violate;
- pay substantial royalty or license fees or other damages;
- seek a license from the holder of the infringed intellectual property right, which license may not be available on reasonable terms, or at all;
- redesign or reengineer our equipment and systems, services or technologies, which may be costly, time-consuming or impossible; or
- establish and maintain alternative branding for our equipment and systems and services.

In addition, we may not be able to prevent others from unauthorized use of our intellectual property, which could harm our business and competitive position. We rely on a combination of patent, trade secret (including those in our know-how), and other intellectual property rights, as well as confidentiality agreements, and non-competition clauses stipulated in the employee agreements with our senior management and certain key employees, intellectual property licenses, and other contractual rights to establish and protect our rights in our technology and intellectual property. Our patent or trademark applications may not be granted, any patents or trademark registrations that may be issued to us may not sufficiently protect our intellectual property and any of our issued patents, trademark registrations or other intellectual property rights may be challenged by third parties. Any of these scenarios may result in limitations in the scope of our intellectual property or restrictions on our use of our intellectual property or may adversely affect the conduct of our business. Despite our efforts to protect our intellectual property rights, third parties may attempt to copy or otherwise obtain and use our intellectual property or seek court declarations that they do not infringe upon our intellectual property rights. Monitoring unauthorized use of our intellectual property is difficult and costly, and the steps we have taken or will take to prevent misappropriation may not be successful. From time to time, we may have to resort to litigation to enforce our intellectual property rights, which could result in substantial costs and diversion of our resources.

RISK FACTORS

In the event of a successful claim of infringement against us, or our failure to prevent others from unauthorized use of our intellectual property right, our business, prospects, financial condition, results of operations, and cash flows could be materially and adversely affected. In addition, any litigation or claims, whether or not valid, could result in substantial costs, negative publicity and diversion of resources and management attention.

We have a concentrated supplier base and any increases in price of their services or products could materially and adversely affect our results of operations, financial position and prospects.

During each year or period of the Track Record Period, we procured a substantial portion of our purchases from major suppliers. In 2021, 2022 and 2023, and for the six months ended June 30, 2024, purchases from our top five suppliers accounted for 70.5%, 40.9%, 34.5% and 56.0% of our total purchases for the respective periods, and purchases from our largest supplier accounted for 51.0%, 13.7%, 9.7% and 26.0% of our total purchases for the same periods. These purchases are primarily associated with scrubbers, equipment under maritime services, container ship and PCTC lashing gears and components and raw materials of ship exhaust gas cleaning systems. This high dependency on major suppliers exposes us to concentration risks.

We expect to continue procuring raw materials, product components and services from these suppliers. Any difficulties in procuring these raw materials may impact our ability to promptly complete and deliver equipment and systems to our customers, which could lead to a loss of our competitive advantage and existing customer base.

While we expect to maintain a stable relationship with these suppliers, we cannot guarantee that we will be able to secure a consistent, high-quality supply from these suppliers. If any of our major suppliers decides to increase the price of their products or services, or terminate our business relationships, we may encounter difficulties in finding a replacement capable of providing materials or components of equivalent quality at a similar price. If we fail to secure new suppliers under similar commercial terms within a reasonable timeframe, or at all, it could adversely affect our business, financial condition, results of operations and profitability.

We are, and may in the future be, subject to legal and regulatory proceedings and/or investigations in the ordinary course of our business.

From time to time, we may face litigation, regulatory proceedings and government investigations which may be brought against us by customers, end-users, competitors, governmental entities conducting civil, regulatory or criminal investigations, or other parties, and may be brought by us against other parties. These claims could be asserted under a variety of laws, including but not limited to product liability laws, intellectual property laws, labor and employment laws, securities laws, tort laws, contract laws and property laws. There is no guarantee of our success in enforcing our rights under the relevant business or other agreements or arrangements which may involve multiple parties and/or jurisdictions, in asserting our rights thereunder or under applicable laws and regulations, or in defending against these legal and regulatory proceedings or investigations.

Even if we succeed in our defense or asserting our rights, the process can be expensive, time-consuming, and may not yield the desired outcome. Legal and regulatory proceedings can also expose us to negative publicity, substantial financial damages, legal defense expenses, injunctive orders, and criminal, civil and administrative fines and penalties.

RISK FACTORS

Our insurance coverage strategy may not be adequate to protect us from all business risks and cover all of our potential losses.

We maintain integrated insurance coverage on our properties and fixed assets, production facility and equipment against property damage. Further, we are required by relevant laws and regulations in the PRC to maintain employment injury insurance. We also make contributions to social security insurance for our employees in accordance with the relevant laws and regulations of the PRC. We also maintained product liability insurance coverage with respect to our sales. However, our insurance coverage strategy may not protect us from all business risks. If we were to incur substantial losses and liabilities stemming from uninsured occurrences such as business disruptions, litigation, or natural disasters, we could face significant costs and resource diversion, which could have a material adverse effect on our business, results of operations, financial conditions and prospects. We may be required to bear our losses to the extent that our insurance coverage is insufficient.

Our share-based compensation may result in increased share-based payment expenses and dilution to the shareholding of existing shareholders.

Our selected executives and employees have been granted shares or options to incentivize their performance and align their interests with ours. We recognize equity-settled share-based payment expenses in our consolidated financial statements in accordance with IFRSs, amounting to RMB1.1 million, RMB2.2 million, RMB7.0 million and RMB1.1 million in 2021, 2022 and 2023, and for the six months ended June 30, 2024, respectively.

We believe the granting of share-based compensation is important to attract and retain key personnel and employees, and our employees may continue to be granted shares or options in the future. As a result, our share-based compensation may have an adverse effect on our results of operations, and the shareholding of existing shareholders may experience further dilution.

Non-compliance with relevant regulations regarding the housing provident fund may result in penalties and have an adverse impact on our business, financial condition, results of operations and prospects.

In accordance with the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》) and other relevant laws and regulations, an employer is required to make contributions for the housing provident fund for its employees in accordance with the rates provided under relevant regulations and withhold the contribution amounts to be paid by the employees themselves. During the Track Record Period, we did not pay housing provident fund in full for certain of our employees. As a result, we may be required by competent authorities to pay the outstanding amount within a prescribed period. If the payment is not made within such time limit, an application may be made to the People's Courts for compulsory enforcement. For the years ended 2021, 2022 and 2023, and for the six months ended June 30, 2024, we estimate the shortfall in the aggregate amount of unpaid housing provident fund was approximately RMB0.4 million.

RISK FACTORS

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any penalties with respect to housing provident fund and had not received any notification from competent authorities requiring us to pay the shortfalls with respect to housing provident fund. However, we cannot assure you that the relevant government authorities will not require us to pay the outstanding amount and impose late fees or fines on us. If we are otherwise subject to investigations and are imposed severe penalties or incur significant legal fees in connection with labor law disputes or investigations, our business, prospects, results of operations, financial condition, and cash flows may be adversely affected.

Our risk management and internal control systems may not be adequate or effective.

We are dedicated to the establishment and maintenance of a robust risk management and internal control systems. We have adopted and continually improve our internal control mechanisms to ensure the compliance of our business operations. While we seek to improve our risk management and internal control systems on a continuous basis, we cannot assure you that these systems are sufficiently effective in ensuring, among other things, accurate reporting of our financial results and the prevention of fraud. See “Business — Risk management and internal control” for details. Since these systems depend on implementation by our employees, and even though we provide relevant internal training in this regard, we cannot assure you that our employees are sufficiently or fully trained to implement these systems, or that their implementation will be free from human error or mistakes. If we fail to timely update, implement and modify, or fail to deploy sufficient human resources to maintain our risk management policies and procedures, our business, financial condition, results of operations, and prospects could be materially and adversely affected.

We may be subject to anti-corruption, anti-bribery, anti-money laundering, financial and economic sanctions, and similar laws and regulations, and non-compliance with such laws and regulations can subject us to administrative, civil, and criminal penalties, collateral consequences, remedial measures, and legal expenses, all of which could adversely affect our business, prospects, results of operations, financial condition, and cash flows.

We may be subject to anti-corruption, anti-bribery, anti-money laundering, financial and economic sanctions, and similar laws and regulations in various jurisdictions in which we conduct activities, including the United States Foreign Corrupt Practices Act (“FCPA”), and other anti-corruption laws and regulations. The FCPA prohibits us and our officers, directors, employees, and business partners acting on our behalf, including agents, from corruptly offering, promising, authorizing, or providing anything of value to a “foreign official” for the purposes of influencing official decisions or obtaining or retaining business or otherwise obtaining favorable treatment. The FCPA also requires companies to make and keep books, records, and accounts that accurately reflect transactions and dispositions of assets and to maintain a system of adequate internal accounting controls. A violation of these laws or regulations could adversely affect our business, prospects, results of operations, financial condition, and cash flows.

RISK FACTORS

We have direct or indirect interactions with officials and employees of government agencies and state-owned affiliated entities in the ordinary course of business. We also have business collaborations with state-owned affiliated entities. These interactions subject us to an increasing level of compliance-related concerns. We are in the process of implementing policies and procedures designed to ensure compliance by us and our Directors, officers, employees, representatives, consultants, agents, and business partners with applicable anti-corruption, anti-bribery, anti-money laundering, financial and economic sanctions, and similar laws and regulations. However, our policies and procedures may not be sufficient and our directors, officers, employees, representatives, consultants, agents, and business partners could engage in improper conduct for which we may be held responsible.

Non-compliance with anti-corruption, anti-bribery, anti-money laundering, or financial and economic sanctions laws and regulations could subject us to whistleblower complaints, adverse media coverage, investigations, and severe administrative, civil and criminal sanctions, collateral consequences, remedial measures, and legal expenses, all of which could materially and adversely affect our business, prospects, results of operations, financial condition, and cash flows.

Certain countries or organizations, including the U.S., the European Union, the United Nations, the United Kingdom, and Australia, have, through executive order, legislations or other government means, implemented measures that impose economic sanctions against certain countries, regions or targeted industry sectors, groups of companies or persons, and/or organizations within such countries and regions. Sanctions laws and regulations are continually evolving, with new individuals and entities regularly being added to the list of sanctioned persons. Moreover, new requirements or restrictions may come into effect, potentially intensifying scrutiny on our business, particularly concerning our international expansion plans, or resulting in one or more of our business activities being deemed to have violated sanctions. Our business and reputation could be adversely affected if the authorities of relevant jurisdictions were to determine that any of our future activities constitutes a violation of the sanctions they impose.

Any misconduct by our employees or by business partners and/or their employees, could potentially expose us to significant legal liabilities, reputational harm, and other damages that may adversely affect our business.

We rely on our employees to maintain and operate our business and have implemented an internal code of conduct to guide the actions of our employees. However, we do not have control over the actions of our employees, and any misbehavior of our employees could materially and adversely affect our reputation and business. We also rely on our business partners, including, among others, sales agents, suppliers and OEMs for raw material and product components and contractors for certain production processing services for our business operations. Although we have implemented measures to select business partners, we may not be able to successfully monitor, maintain and improve the quality of their products and services. In the event of any unsatisfactory performance by our business partners and/or their employees, our business, prospects, results of operations, financial condition, and cash flows may be materially and adversely affected.

RISK FACTORS

We are subject to various environmental and safety laws and regulations that could impose potential costs upon us for environmental compliance or monetary damages, fines and other liabilities and damage to our brand name and reputation for non-compliance.

We are subject to multiple environmental and safety laws and regulations related to the manufacturing of our products and the operation of our production facility. Changes in these laws or other new environmental and safety laws and regulations may require us to change our operations, potentially resulting in a material adverse effect on our business, financial condition, results of operations, cash flows and prospects. These laws can give rise to liability for administrative oversight costs, cleanup costs, property damage, bodily injury, fines and penalties. Violations of these laws and regulations could result in substantial fines and penalties, third-party damages, suspension of production, remedial actions or a cessation of our operations. Contamination at properties we own or operate, or properties to which we send hazardous substances, may result in liability for us under environmental laws and regulations.

In addition, from time to time, the PRC government issues new regulations, which may require additional actions on us to comply. If our production facility or any of our other future constructions fail to comply with applicable regulations, we could be subject to substantial liability for clean-up efforts, personal injury or fines or be forced to close or temporarily cease the operations of our production facility or other relevant constructions, any of which could have a material adverse effect on our business, prospects, financial condition and results of operation.

Our operations are also subject to workplace safety laws and regulations, which require compliance with various workplace safety requirements, including requirements related to production safety. These laws and regulations can give rise to liability for oversight costs, compliance costs, bodily injury (including workers' compensation), fines, and penalties. Additionally, non-compliance could result in delay or suspension of production or cessation of operations. The costs required to comply with workplace safety laws can be significant, and non-compliance could adversely affect our production or other operations, which could have a material adverse effect on our business, prospects, results of operations, financial condition, and cash flows.

Moreover, there is a growing global focus on the environmental practices of manufacturers. Additionally, more stringent social responsibility laws and regulations may be adopted in the future, which may result in an increase in our cost of compliance. Compliance with such regulations is considered costly industrywide. As we expand into new markets, we will become subject to additional environmental and safety laws and regulations. We may incur additional costs to ensure compliance with such laws and regulations, as well as to manage local labor practices.

RISK FACTORS

If we do not continue to receive preferential tax treatments or government grants, our results of operations may be adversely affected.

We currently benefit from several preferential tax treatments. Under the PRC Enterprise Income Tax Law (the “EIT Law”) and Implementation Regulation of the EIT Law, we have been accredited as a high-tech enterprise by the Science and Technology Bureau of Shanghai and relevant authorities in December 2019 for a term of three years ended December 31, 2021. Our high-tech enterprise qualification was further renewed and extended to 2024. We were subject to a preferential income tax rate of 15% from year 2019 to 2024. Besides, our wholly-owned subsidiary, ContiOcean Nantong, has been accredited as a high-tech enterprise in October 2022, and subjected to the preferential income tax rate of 15% from 2022 to 2024. Our wholly-owned subsidiary, ContiOcean International, has been recognized as small and micro enterprise. According to the relevant provisions of the Announcement by the State Administration of Taxation, a preferential enterprise income tax rate of 20% was applied to small and micro enterprises and discounts on taxable income were further applicable to the portion of annual taxable income not exceeding RMB3,000,000, ranging from 50% to 87.5%, during the Track Record Period.

Furthermore, under the two-tiered profits tax rates regime in Hong Kong, the first 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% during the Track Record Period. In addition, the tax rate used by the subsidiaries in Singapore is 17% during the Track Record Period. The subsidiaries in Singapore enjoy a 75% exemption on the first SGD 10,000 of taxable income and a further 50% exemption on the next SGD190,000 of taxable income.

The discontinuation of any of the preferential income tax treatments that we currently enjoy could have a material adverse effect on our results of operations and financial condition. We cannot assure you that we will be able to maintain or lower our current effective tax rate in the future.

Additionally, we have received various government grants, representing subsidies granted by the PRC local government authorities as incentives for our operating activities. Any delay or uncertainty in collection or the discontinuation of these governmental subsidies or the imposition of any additional taxes could adversely affect our business, prospects, profitability, results of operations, financial condition, and cash flows.

Changes in tax laws may materially and adversely affect our business, prospects, financial condition, results of operations, and cash flows.

New income, sales, use or other tax laws, statutes, rules, regulation or ordinances could be enacted at any time, or interpreted, changed, modified or applied adversely to us, any of which could adversely affect our business operations and financial performance. We are currently unable to predict whether such changes will occur and, if so, the ultimate impact on our business. Should such changes exert a negative impact on us, our suppliers, manufacturers, or our customers, including due to associated uncertainties, these changes may materially and adversely affect our business, prospects, financial condition, results of operations, and cash flows.

RISK FACTORS

We face risks related to health epidemics, natural disaster, terrorist activities, political unrest, financial or economic crisis and other force majeure events, which could significantly disrupt our operations.

Our business could be adversely affected by the effects of health epidemics. In recent years, there have been outbreaks of COVID-19 globally. In response to the COVID-19 pandemic, various nations have adopted, among other measures, restrictions on mobility and travel, cancellation of public activities and temporary suspension on public transportation which may lead to delays or disruption in our operations, including but not limited to, business activities and R&D activities. A recurrence of an outbreak of COVID-19 and other health epidemics could restrict the level of economic activities generally and/or slow down or disrupt our business activities, which could in turn adversely affect our business, prospects, results of operations, financial condition, and cash flows.

In addition to the impact of health pandemics as described above, our business could be materially and adversely affected by natural disasters, such as snowstorms, earthquakes, fires or floods, or other events, such as wars, acts of terrorism, environmental accidents, power shortage or communication interruptions. The occurrence of such a disaster or prolonged outbreak of an epidemic illness or other adverse public health developments in the countries and regions where we have operations could materially disrupt our business and operations. Such events could also significantly affect our industries and cause a temporary closure of the facilities we use for our operations, which would severely disrupt our operations and have a material and adverse effect on our business, results of operations, financial conditions and prospects.

Any financial or economic crisis, or perceived threat of such a crisis, including a significant decrease in consumer confidence, may materially and adversely affect our business, financial condition and results of operations. With a deteriorating worldwide economy, consumer spendings and consumption of non-essential items may diminish, which in turn will affect the demand for our sales and marketing services. It is unclear whether these challenges will be contained and what effects they each may have. There is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies that have been adopted by the central banks and financial authorities of some of the economies where we operate our businesses. To the extent any fluctuations in the global economy significantly and adversely affect consumers' demand for our equipment and systems, our business, results of operations, financial conditions, and prospects may be materially and adversely affected.

RISKS RELATING TO OUR DOING BUSINESS IN CHINA

Changes in the economic and legal conditions, as well as the interpretation and implementation of the relevant laws, rules and regulations, may affect our business, prospects, results of operations, financial condition, and cash flows.

Due to our extensive operations in the PRC, our business, financial condition, results of operations and prospects are influenced by economic and legal developments within the PRC. Laws, rules and regulations in relation to economic matters are promulgated from time to time, including those related to such as foreign investment, corporate organization and governance, commerce, taxation, finance, foreign exchange and trade.

RISK FACTORS

Furthermore, the interpretation and application of the laws and regulations governing the maritime environmental protection equipment and system industry also undergo continuous evolution and revision. These dynamic changes in the legal landscape have the potential to significantly impact our operations and business environment.

We may be subject to additional regulatory requirements under new laws and regulations on overseas offerings and listings issued by PRC government authorities.

On July 6, 2021, the relevant PRC government authorities issued the Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law (《關於依法從嚴打擊證券違法活動的意見》). These opinions emphasize the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by China-based companies and propose to take effective measures, such as promoting the construction of relevant regulatory systems to deal with the risks and incidents faced by China-based overseas-listed companies.

On February 17, 2023, the CSRC promulgated the Trial Administrative Measures for Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the “**Overseas Listing Trial Measures**”) along with five relevant guidelines, which became effective on March 31, 2023. The Overseas Listing Trial Measures require, among others, that PRC domestic companies that seek to initially offer and list securities in overseas markets, either directly or indirectly, shall file the required documents with the CSRC within three business days after its application for overseas listing is submitted.

On February 24, 2023, the CSRC, the Ministry of Finance of the PRC, the National Administration of State Secrets Protection of China, and the National Archives Administration of China published the Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the “**Archives Rules**”), which came into effect on March 31, 2023. The Archives Rules require that, in relation to the overseas securities offering and listing activities of domestic enterprises, either in direct or indirect form, such domestic enterprises, as well as securities companies and securities service institutions providing relevant securities services, are required to strictly comply with relevant requirements on confidentiality and archives management, establish a sound confidentiality and archives system, and take necessary measures to implement their confidentiality and archives management responsibilities. The interpretation and implementation of the Archives Rules may keep evolving, failure to comply with which may materially affect our business, prospects, results of operations, financial condition, and cash flows. See “Regulatory Overview — Applicable laws and regulations to our business in the PRC — Regulations relating to overseas offering and listing”.

Given that the Overseas Listing Trial Measures and the Archives Rules were recently promulgated, their interpretation, application, and enforcement are still evolving and subject to change. We are closely monitoring how they will affect our operations and our future financing activities.

RISK FACTORS

Changes in international trade policies, and in relationships between the PRC and other countries, may adversely impact our business and operating results.

We are actively pursuing expansion of our international market. We also intend to establish service centers in key international shipping hubs and ports, and along major trade routes, including the cities in Asia, Europe and the Middle East. Specifically, we intend to apply part of the proceeds from the Global Offering for establishing new service centers and upgrading our own service centers. Concurrently, we will conduct thorough market research to identify new geographic regions.

Unfavorable government policies related to international trade, including capital controls or tariffs, or changes in diplomatic relations between China and foreign countries or regions, have the potential to impact the sales of our equipment and systems, in international markets. These factors may also affect our ability to recruit engineers and other R&D personnel and influence the import or export of raw materials essential to our international expansion efforts. The implementation of new tariffs, changes in legislation and regulations, or the renegotiation of existing trade agreements could result in a material adverse effect on our business, prospects, results of operations, financial condition, and cash flows.

We are subject to the currency exchange regulatory system.

The conversion of Renminbi is subject to applicable laws and regulations in the PRC. It cannot be guaranteed that under a certain exchange rate, we will have sufficient foreign exchange to meet our foreign exchange requirements. Under the current PRC foreign exchange regulatory system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require approval from the SAFE, but we are required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within China that have the licenses to carry out foreign exchange business.

Under existing foreign exchange regulations, following the completion of the Global Offering, we will be able to pay dividends in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, there is no assurance that these foreign exchange policies regarding payment of dividends in foreign currencies will continue in the future. In addition, any insufficiency of foreign exchange may restrict our ability to pay dividend to shareholders or to satisfy any other foreign exchange requirements, capitalize our capital expenditure plans, and even our business, prospects, results of operations, financial condition, and cash flows may be adversely affected.

Certain PRC regulations may make it more difficult for us to pursue growth through acquisitions.

The Anti-monopoly Law of the PRC (《中華人民共和國反壟斷法》) promulgated by the SCNPC on August 30, 2007, which amended on June 24, 2022 and became effective on August 1, 2022, and the Rules of the State Council on Declaration Threshold for Concentration of Undertakings (《關於經營者集中申報標準的規定》) promulgated by the State Council on August 3, 2008, and latest amended on January 22, 2024, require that where a concentration reaches certain thresholds, a declaration must be lodged in advance with the anti-monopoly law enforcement agency under the State Council, or otherwise the concentration shall not be implemented. Furthermore, under relevant PRC laws and regulations, we are required to obtain or complete approval, registration, filing and/or other procedural requirements from the MOFOM, the NDRC, the SAFE and/or their local counterparts or designated banks, with respect to our overseas investments and acquisitions. Any failure to do so or any delay in such process may subject us to suspension of overseas investments or acquisitions, timely rectification, warnings, fines and other legal sanctions, which may adversely affect our business operation.

RISK FACTORS

We may pursue potential strategic acquisitions that are complementary to our business and operations. Complying with the requirements of these regulations to complete such transactions could be time-consuming, and any required approval processes from relevant authorities, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

Our operations are subject to PRC tax laws and regulations.

We are subject to periodic examinations on the fulfillment of our tax obligation under the PRC tax laws and regulations by PRC tax authorities. The PRC tax laws and regulations might be subject to interpretations and adjustments by relevant authorities from time to time. Although we believe that in the past, we have acted in compliance with the requirements under the relevant PRC tax laws and regulations in all material aspects and established effective internal control measures in relation to accounting regularities, we cannot assure you that future examinations by PRC tax authorities would not result in fines, other penalties or actions that could materially and adversely affect our business, prospects, results of operations, financial condition, and cash flows.

Holders of H Shares may be subject to PRC income taxes.

Non-PRC resident individual or non-PRC resident enterprise holders of H Shares, whose names appear on the register of members of H Shares of our Company, are subject to PRC income tax in accordance with the applicable tax laws and regulations, on dividends received from us and gains realized through the sale or transfer by other means of H shares by such shareholders.

According to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) and the Implementation Regulations for the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法實施條例》), both came into effect on January 1, 2019, the tax applicable to non-PRC resident individuals is proportionate at a rate of 20% for any dividends obtained from within China or gains on transfer of shares and shall be withheld and paid by the withholding agent. Pursuant to the Arrangement between the Mainland and the Hong Kong Special Administrative Region (the “**Hong Kong SAR**”) for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (the “**Double Taxation Arrangements**”) executed on August 21, 2006, the PRC Government may levy taxes on the dividends paid by PRC companies to Hong Kong residents in accordance with the PRC laws, but the levied tax (in the case the beneficial owner of the dividends are not companies directly holding at least 25% of the equity interest in the company paying the dividends) shall not exceed 10% of the total dividends.

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), which was revised and implemented on December 29, 2018, and the Implementation Regulations for the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》), which was revised and implemented on April 23, 2019, if a non-resident enterprise has no presence or establishment within China, or if it has established a presence or establishment but the income obtained has no actual connection with such presence or establishment, it shall pay an enterprise income tax on its income derived from within China with a reduced rate of 10%. Pursuant to the Double Taxation Arrangements, dividends paid by PRC resident enterprises to Hong Kong residents can be taxed either in Hong Kong or in accordance with the PRC laws. However, if the beneficial owner of the dividends is a Hong Kong resident, the tax charged shall not exceed: (i) 5% of the total amount of dividends if the Hong Kong resident is a company that directly owns at least 25% of the capital of the PRC resident enterprise paying dividends; or (ii) otherwise, 10% of the total amount of dividends.

RISK FACTORS

Considering the foregoing, non-PRC resident holders of our H Shares should be aware that they may be obligated to pay PRC income tax on the dividends and gains realized through sales or transfers by other means of the H Shares.

While this may also apply to other jurisdictions, there might be difficulties in effecting service of legal process, enforcing foreign judgments against us or our Directors, Supervisors and senior management in the PRC.

We are a joint stock company incorporated in China. In addition, a majority of our Directors, Supervisors and senior management reside within Mainland China, and a substantial portion of our and their assets are located within the PRC. Therefore, it may be difficult for investors to directly effect service of legal process upon us or our Directors, Supervisors and senior management in the PRC.

On July 14, 2006, the Supreme People's Court of the PRC and the government of Hong Kong SAR entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the “**Arrangement**”), which was taken into effect on August 1, 2008.

Pursuant to the Arrangement, where any designated PRC court or any designated Hong Kong court has made an enforceable final judgment requiring payment of money in a civil or commercial case under a choice of court agreement in writing, any party concerned may apply to the relevant PRC court or Hong Kong court for recognition and enforcement of the judgment. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a mainland court is expressly selected as the court having sole jurisdiction for the dispute.

On January 18, 2019, the Supreme People's Court of the PRC and the government of Hong Kong SAR signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the “**New Arrangement**”), which seeks to establish a mechanism with greater clarity and certainty for recognition and enforcement of judgments in wider range of civil and commercial matters between Hong Kong SAR and the Mainland China. On January 29, 2024, the New Arrangement was declared effective jointly by the Supreme People's Court of the PRC and the government of Hong Kong SAR, which has replaced the Arrangement. However, the New Arrangement does not apply to certain judgments of civil and commercial matters. Furthermore, there remain uncertainties as to the outcome of any applications to recognize and enforce such judgments and arbitral awards in the PRC.

Although we will be subject to the Hong Kong Listing Rules and the Hong Kong Takeovers Code upon the listing of our H Shares on the Hong Kong Stock Exchange, the holders of H Shares will not be able to bring actions on the basis of violations of the Hong Kong Listing Rules and must rely on the Hong Kong Stock Exchange to enforce its rules. The Hong Kong Listing Rules and Hong Kong Takeovers Code do not have the force of law in Hong Kong.

RISK FACTORS

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our H Shares and an active trading market for our H Shares may not develop. Market performance of our Non-H Shares on the NEEQ may not be indicative of our H Shares.

No public market currently exists for our H Shares. The initial Offer Price for our H Shares to the public will be the result of negotiations between our Company and the Joint Representatives (on behalf of themselves and the Underwriters), and the Offer Price may differ significantly from the market price of the H Shares following the Global Offering. We have applied to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the H Shares. A listing on the Hong Kong Stock Exchange, however, does not guarantee that an active and liquid trading market for our H Shares will develop, or if it does develop, that it will be sustained following the Global Offering, or that the market price of the H Shares will rise following the Global Offering.

Our Non-H Shares are currently quoted on NEEQ. The market performance of Non-H Shares on NEEQ may not be indicative of the performance of our H Shares after the Global Offering due to different characteristics of the PRC capital markets and the Hong Kong capital market.

The market price and trading volume of our H Shares may be volatile, which could result in substantial losses for investors who purchase our H Shares in the Global Offering.

The market price and trading volume of our H Shares are subject to significant volatility in response to various factors beyond our control, including the general market conditions of the securities in Hong Kong and elsewhere in the world. In particular, the business and performance and the market price of the H shares of other companies engaging in similar business may affect the market price and trading volume of our H Shares. In addition to market and industry factors, the market price and trading volume of our H Shares may be highly volatile for specific business reasons, such as the fluctuations in our revenue, earnings and cash flow, our relationships with our major customers, any potential strategic alliances, the addition or departure of key personnel, litigation, volatility in market prices and changes in demand for our products. Furthermore, the market price of our H Shares could also decline as a result of future sales of a substantial number of our H Shares or other securities relating to our H Shares in the public market, or the issuance of new shares or other securities, or the perception that such sales or issuances may occur. New shares or share-linked securities issued by our Company may also confer rights and privileges that take priority over those conferred by the H Shares.

The Hong Kong Stock Exchange and other securities markets have, from time to time, experienced significant price and trading volume volatility that are not related to the operating performance of any particular company. This volatility may also materially and adversely affect the market price of our H Shares.

RISK FACTORS

Potential investors will experience immediate and substantial dilution and may experience further dilution if we issue additional Shares or other equity securities in the future.

The Offer Price of the H Shares is higher than the net tangible asset value per H Share immediately prior to the Global Offering. Therefore, purchasers of our H Shares in the Global Offering will experience a substantial immediate dilution in pro forma consolidated net tangible asset value. There can be no assurance that if we were to immediately liquidate after the Global Offering, any assets will be distributed to Shareholders after the creditors' claims. To expand our business, we may consider offering and issuing additional H Shares in the future. Purchasers of the H Shares may experience dilution in the net tangible asset value per H Share of their H Shares if we issue additional H Shares in the future at a price which is lower than the net tangible asset value per H Share at that time.

Any possible conversion of our Non-H Shares into H Shares in the future could increase the supply of our H Shares in the market and negatively impact the market price of our H Shares.

All of our Non-H Shares may be converted into H Shares and such converted Shares may be listed or traded on Hong Kong Stock Exchange. Any listing or trading of the converted Shares on Hong Kong Stock Exchange shall comply with its regulatory procedures, rules and requirements. However, the PRC Company Law provides that in relation to the public offering of a company, the shares of that company which are issued prior to the public offering shall not be transferred within one year from the date of the listing. Therefore, upon the completion of the relevant filing procedure, our Non-H Shares may be traded, after the conversion and subject to transfer restrictions under applicable laws and regulations, in the form of H Shares on the Stock Exchange after one year of the Global Offering, which could further increase the supply of our H Shares in the market and could negatively impact the market price of our H Shares.

We cannot guarantee the accuracy of facts, forecasts and other statistics relating to the maritime environmental protection equipment and system industry contained in this prospectus.

Certain facts, statistics and data contained in this prospectus relating to the maritime environmental protection equipment and system industry in and outside China have been derived from various official government publications, industry associations, independent research institutions, third party reports and/or other publicly available sources we generally believe to be reliable, as well as a report prepared by Frost & Sullivan that we commissioned. We believe that the sources of such information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. Nevertheless, the information from official government sources has not been independently verified by us or any other party involved in the Global Offering and no representation is given as to its accuracy.

RISK FACTORS

There is no assurance whether and when we will pay dividends, which is subject to restrictions under PRC law.

We declared and paid dividends during the Track Record Period. Under the applicable PRC laws, the payment of dividends may be subject to certain limitations. See “Financial Information — Dividends and dividend policy” for details of our distribution of dividends during the Track Record Period and the relevant laws and regulations regarding declaration and payment of dividends of our Company. The calculation of our profit under applicable accounting standards differs in certain respects from the calculation under IFRSs. As a result, we may not be able to pay a dividend in a given year even if we were profitable as determined under IFRSs. Our Board may declare dividends in the future after taking into account our results of operations, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the PRC laws and regulations. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution.

We have significant discretion as to how we will use the net proceeds of the Global Offering, and you may not necessarily agree with how we use them.

Our management may spend the net proceeds from the Global Offering in ways you may not agree with or that do not yield a favorable return to our Shareholders. We plan to use the net proceeds from the Global Offering for, among other things, our R&D activities, mergers and acquisitions, investing in leasing a production facility, establishing service centers internationally and supplementing working capital. For details, see “Future Plans and Use of Proceeds”. However, our management will have discretion as to the actual application of our net proceeds. You are entrusting your funds to our management, whose judgment you must depend on, for the specific uses we will make of the net proceeds from this Global Offering.

Forward-looking statements contained in this prospectus are subject to risks and uncertainties.

This prospectus contains certain forward-looking statements and information relating to us that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words “aim,” “anticipate,” “believe,” “can,” “continue,” “could,” “estimate,” “expect,” “going forward,” “intend,” “ought to,” “may,” “might,” “plan,” “potential,” “predict,” “project,” “seek,” “should,” “will,” “would” and similar expressions, as they relate to us or our business, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, business operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus. Should one or more of these risks or uncertainties materialize, or if any of the underlying assumptions prove incorrect, actual results may diverge significantly from the forward-looking statements in this prospectus. Whether actual results will conform to our expectations and predictions is subject to a number of risks and uncertainties, many of which are beyond our control, and reflect future business decisions that are subject to change. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations that our plans or objectives will be achieved, and investors should not place undue reliance on such forward-looking statements. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section. Subject to the ongoing disclosure obligations of the Listing Rules or other requirements of the Hong Kong Stock Exchange, we do not intend publicly to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise.

RISK FACTORS

You should read this entire prospectus carefully and should not consider or rely on any particular statements in published media reports without carefully considering the risks and other information contained in this prospectus.

Prior to the publication of this prospectus, and subsequent to the date of this prospectus but prior to the completion of the Global Offering, there may have been or may be press and media coverage regarding us, our business, our industry and the Global Offering. Such press and media coverage may include references to information that do not appear in this prospectus or is inaccurate. We do not have sufficient control over the press and media coverage, and analysts might issue negative views or recommendations on us, which could have an adverse effect on the market price of H Shares. We have not authorized the publication of any such information contained in such press and media coverage. Therefore, we make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the press or media and do not accept any responsibility for the accuracy or completeness of any financial information or forward-looking statements contained therein. To the extent that any of such information is inconsistent or conflicts with the contents of this prospectus, we expressly disclaim responsibility for them. Accordingly, prospective investors should only rely on information included in this prospectus and not on any of the information in press articles or other media coverage in deciding whether or not to invest in our Global Offering. By applying to purchase our H Shares in the Global Offering, you will be deemed to have agreed that you have not and will not rely on any information other than that contained in this prospectus, the Global Offering, and any formal announcements made by us in Hong Kong in relation to our Global Offering.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY STATEMENT

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

CSRC FILING

According to the Overseas Listing Trial Measures, we are required to complete the filing procedures with the CSRC in connection with the proposed Listing. On December 6, 2024, the CSRC issued a notification on our Company's completion of the CSRC filing procedures for the listing of our H Shares on the Hong Kong Stock Exchange, and the Global Offering. No other approvals from the CSRC are required to be obtained for the Listing. The CSRC accepts no responsibility for the financial soundness of us or for the accuracy of any of the statements made or opinions expressed in this prospectus.

THE HONG KONG PUBLIC OFFERING AND THIS PROSPECTUS

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. The Global Offering comprises the Hong Kong Public Offering of initially 1,000,000 H Shares and the International Offering of initially 9,000,000 H Shares (subject to reallocation on the basis referred to in the section headed "Structure of the Global Offering").

For applicants under the Hong Kong Public Offering, this prospectus contains the terms and conditions of the Hong Kong Public Offering.

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein and therein must not be relied upon as having been authorized by our Company or the Relevant Persons.

The Listing is sponsored by the Joint Sponsors and the Global Offering is managed by the Joint Representatives. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to us and the Joint Representatives (for themselves and on behalf of the Underwriters) agreeing on the Offer Price. The International Offering is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Underwriting Agreement, which is expected to be entered into on or around the Price Determination Date.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

The Offer Price is expected to be determined among the Joint Representatives (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Tuesday, January 7, 2025 and, in any event, not later than 12:00 noon on Tuesday, January 7, 2025 (unless otherwise determined between the Joint Representatives (for themselves and on behalf of the Underwriters) and our Company). If, for whatever reason, the Offer Price is not agreed between the Joint Representatives and our Company on or before 12:00 noon on Tuesday, January 7, 2025, the Global Offering will not proceed and will lapse. See “Underwriting” in this prospectus for further information about the Underwriters and the underwriting arrangements.

Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with our Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

The application procedures for the Hong Kong Offer Shares are set out in the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in “Structure of the Global Offering” in this prospectus.

RESTRICTIONS ON OFFERS AND SALE OF SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his/her/its acquisition of Offer Shares to, confirm that he/she/it is aware of the restrictions on offers for the Offer Shares described in this prospectus.

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

Prospective applicants for the Offer Shares should consult their financial advisers and seek legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws, rules, and regulations of any relevant jurisdiction. Prospective applicants for the Offer Shares should also inform themselves as to the relevant legal requirements and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence, or domicile.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

APPLICATION FOR LISTING ON THE HONG KONG STOCK EXCHANGE

We have applied to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the H Shares in issue and to be issued pursuant to the Global Offering, and any H Shares to be issued upon exercise of the options granted under the Pre-IPO Share Option Scheme.

Save for our Non-H Shares quoted on the NEEQ, no part of our share or loan capital is listed on, quoted or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future. All Offer Shares will be registered on our H Share register of members in order to enable them to be traded on the Hong Kong Stock Exchange.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the H Shares on the Hong Kong Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by the Hong Kong Stock Exchange.

COMMENCEMENT OF DEALINGS IN THE H SHARES

Dealings in the H Shares on the Main Board of the Hong Kong Stock Exchange are expected to commence on Thursday, January 9, 2025. The H Shares will be traded on the Main Board of the Hong Kong Stock Exchange in board lots of 100 H Shares each. The stock code of the H Shares will be 2613.

H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, our H Shares on the Hong Kong Stock Exchange and our compliance with the stock admission requirements of HKSCC, our H Shares will be accepted as eligible securities by HKSCC for deposit, clearance, and settlement in CCASS with effect from the Listing Date or on any other date as determined by HKSCC. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second settlement date after any trading day.

All activities under CCASS are subject to the HKSCC Rules and HKSCC Operational Procedures in effect from time to time.

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

H SHARE REGISTER AND STAMP DUTY

All of the H Shares issued pursuant to the applications made in the Global Offering will be registered on our H Share register of members to be maintained in Hong Kong by our H Share Registrar, Tricor Investor Services Limited. Our principal register of members will be maintained by us at our head office in Mainland China.

Dealings in the H Shares will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration of, if higher, of the fair value of the H Shares being sold or transferred.

Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of H Shares will be paid to the Shareholders listed on the H Share register of members of our Company, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder.

PROFESSIONAL TAX ADVICE RECOMMENDED

Applicants for the Offer Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of, or dealing in the H Shares or exercising any rights attaching to the H Shares. It is emphasized that none of us or the Relevant Persons accepts responsibility for any tax effects or liabilities of holders of the H Shares resulting from the subscription, purchase, holding, disposal of, dealing in, or the exercise of any rights in relation to the H Shares.

EXCHANGE RATE CONVERSION

Unless otherwise specified, this prospectus contains certain translations for the convenience of the reader at the following rates:

HK\$1.00: RMB0.9255

US\$1.00: RMB7.1901

SGD1.00: RMB5.3145

EUR1.00: RMB7.4984

These translations are provided for reference and convenience only, and no representation is made, and no representation should be construed as being made, that any amounts in RMB, US\$, HK\$, SGD or EUR can be or could have been at the relevant dates converted at the above rates or any other rates or at all.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail unless otherwise stated. However, if there is any inconsistency between the names of any of the entities mentioned in the English version of this prospectus which are not in the English language and their English translations, the names in their respective original language shall prevail.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments, or have been rounded to a set number of decimal places. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table in this prospectus between total and sum of amounts listed therein are due to rounding.

DIRECTORS, SUPERVISORS, AND PARTIES INVOLVED IN THE GLOBAL OFFERING
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DIRECTORS

For more information on our Directors and Supervisors, see “Directors, Supervisors, and Senior Management” in this prospectus.

<u>Name</u>	<u>Residential address</u>	<u>Nationality</u>
<i>Executive Directors</i>		
Mr. Zhou Yang (周洋)	20-902, Lane 1650, Yongtai Road, Pudong New Area, Shanghai, PRC	Chinese
Mr. Zhao Mingzhu (趙明珠)	Flat NC, 20/F, Tower 1, Phase 3, Festival City, 1 Mei Tin Road, Tai Wai, Shatin, New Territories, Hong Kong	Chinese
Mr. Chen Zhiyuan (陳志遠)	15-1201, Lane 600, Miao Pu Road, Pudong New Area, Shanghai, PRC	Chinese
Mr. Shu Wa Tung, Laurence (舒華東)	Flat B, 18/F, Block 3, Ocean View, 1 Po Tai Street, Shatin, New Territories, Hong Kong	Chinese (Hong Kong)
Mr. Chen Rui (陳睿)	16-202, Lane 630, Dingxi Road, Changning District, Shanghai, PRC	Chinese
<i>Independent non-executive Directors</i>		
Dr. Guan Yanmin (管延敏)	Room 103, Building 130, Phase IV, Vanke Blue Mountain, Runzhou District, Zhenjiang City, Jiangsu Province, PRC	Chinese
Mr. Zhu Rongyuan (朱榮元)	Room 21, Lane 1340, Xinzha Road, Huangpu District, Shanghai, PRC	Chinese
Ms. Ng Sin Kiu (吳先僑)	Flat E, 38/F, Tower 16, Ocean Shores, Tseung Kwan O, New Territories, Hong Kong	Chinese (Hong Kong)

SUPERVISORS

<u>Name</u>	<u>Residential address</u>	<u>Nationality</u>
Mr. Shen Xiaowei (沈小偉)	11-604 Chaohui Garden, Chongchuan District, Nantong City, Jiangsu Province, PRC	Chinese
Mr. Yu Yuanyang (于遠洋)	402, No. 40, Lane 1169, Songlan Road, Baoshan District, Shanghai, PRC	Chinese
Mr. Wu Yunfeng (吳雲峰)	405, Building 6, Haotian Huayuan, Changjiang Town, Rugao City, Nantong City, Jiangsu Province, PRC	Chinese

DIRECTORS, SUPERVISORS, AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors

CITIC Securities (Hong Kong) Limited

18/F, One Pacific Place
88 Queensway
Hong Kong

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

20th Floor, Wing On Centre
111 Connaught Road Central
Sheung Wan
Hong Kong

Sponsor-Overall Coordinators

CLSA Limited

18/F, One Pacific Place
88 Queensway
Hong Kong

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

20th Floor, Wing On Centre
111 Connaught Road Central
Sheung Wan
Hong Kong

Joint Representatives

CLSA Limited

18/F, One Pacific Place
88 Queensway
Hong Kong

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

20th Floor, Wing On Centre
111 Connaught Road Central
Sheung Wan
Hong Kong

Overall Coordinators

CLSA Limited

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88 Queensway
Hong Kong

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

20th Floor, Wing On Centre
111 Connaught Road Central
Sheung Wan
Hong Kong

DIRECTORS, SUPERVISORS, AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Global Coordinators

BNP Paribas Securities (Asia) Limited
60/F. and 63/F.,
Two International Finance Centre,
8 Finance Street,
Central,
Hong Kong

CLSA Limited
18/F, One Pacific Place
88 Queensway
Hong Kong

**China Galaxy International Securities (Hong Kong)
Co., Limited**
20th Floor, Wing On Centre
111 Connaught Road Central
Sheung Wan
Hong Kong

Joint Bookrunners

BNP Paribas Securities (Asia) Limited
60/F. and 63/F.,
Two International Finance Centre,
8 Finance Street,
Central,
Hong Kong

CLSA Limited
18/F, One Pacific Place
88 Queensway
Hong Kong

**China Galaxy International Securities (Hong Kong)
Co., Limited**
20th Floor, Wing On Centre
111 Connaught Road Central
Sheung Wan
Hong Kong

BNP Paribas Securities (Asia) Limited
60/F. and 63/F.,
Two International Finance Centre,
8 Finance Street,
Central,
Hong Kong

BOCI Asia Limited

26/F,
Bank of China Tower,
1 Garden Road,
Central,
Hong Kong

CCB International Capital Limited

12/F, CCB Tower
3 Connaught Road Central
Central
Hong Kong

CEB International Capital Corporation Limited

34/F–35/F,
Everbright Centre,
108 Gloucester Road,
Wan Chai,
Hong Kong

China Everbright Securities (HK) Limited

33/F,
Everbright Centre,
108 Gloucester Road,
Wan Chai,
Hong Kong

China Sunrise Securities (International) Limited

Unit 4502,
45/F,
The Center,
99 Queen's Road Central,
Hong Kong

Fortune Origin Securities Limited

Room 404–405,
Nan Fung Tower,
88 Connaught Road Central,
Central,
Hong Kong

ICBC International Securities Limited

37/F
ICBC Tower
3 Garden Road
Hong Kong

Lego Securities Limited

Room 1506,
15/F,
Wheelock House,
20 Pedder Street,
Central,
Hong Kong

Quam Securities Limited

5/F and 24/F (Rooms 2401 and 2412),
Wing On Centre,
111 Connaught Road Central,
Hong Kong

SPDB International Capital Limited

33/F,
SPD Bank Tower,
One Hennessy,
1 Hennessy Road,
Hong Kong

Joint Lead Managers

CLSA Limited

18/F, One Pacific Place
88 Queensway
Hong Kong

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

20th Floor, Wing On Centre
111 Connaught Road Central
Sheung Wan
Hong Kong

BNP Paribas Securities (Asia) Limited

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Central,
Hong Kong

BOCI Asia Limited

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Hong Kong

Fortune Origin Securities Limited

Room 404–405,
Nan Fung Tower,
88 Connaught Road Central,
Central,
Hong Kong

Futu Securities International (Hong Kong) Limited

34/F,
United Centre,
No. 95 Queensway,
Admiralty,
Hong Kong

ICBC International Securities Limited

37/F
ICBC Tower
3 Garden Road
Hong Kong

Lego Securities Limited

Room 1506,
15/F,
Wheelock House,
20 Pedder Street,
Central,
Hong Kong

Livermore Holdings Limited

Unit 1214A,
12/F,
Tower II Cheung Sha Wan Plaza,
833 Cheung Sha Wan Road,
Kowloon,
Hong Kong

Quam Securities Limited

5/F and 24/F (Rooms 2401 and 2412),
Wing On Centre,
111 Connaught Road Central,
Hong Kong

SPDB International Capital Limited

33/F,
SPD Bank Tower,
One Hennessy,
1 Hennessy Road,
Hong Kong

Tiger Brokers (HK) Global Limited

1/F,
No. 308 Des Voeux Road Central,
Sheung Wan,
Hong Kong

TradeGo Markets Limited

Room 3405,
West Tower, Shun Tak Centre,
168–200 Connaught Road,
Central,
Hong Kong

Capital Market Intermediaries

CLSA Limited

18/F, One Pacific Place
88 Queensway
Hong Kong

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

20th Floor, Wing On Centre
111 Connaught Road Central
Sheung Wan
Hong Kong

BNP Paribas Securities (Asia) Limited

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Hong Kong

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SPDB International Capital Limited

33/F,
SPD Bank Tower,
One Hennessy,
1 Hennessy Road,
Hong Kong

DIRECTORS, SUPERVISORS, AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Tiger Brokers (HK) Global Limited

1/F,
No. 308 Des Voeux Road Central,
Sheung Wan,
Hong Kong

TradeGo Markets Limited

Room 3405,
West Tower, Shun Tak Centre,
168–200 Connaught Road,
Central,
Hong Kong

Legal Advisers to our Company

as to Hong Kong and U.S. laws:

Allen Overy Shearman Sterling

9/F, Three Exchange Square
Central
Hong Kong

as to PRC law:

Jingtian & Gongcheng

45/F, K.Wah Centre, 1010 Huaihai Road (M)
Xuhui District, Shanghai

**Legal Advisers to the Joint Sponsors and
the Underwriters**

as to Hong Kong and U.S. laws:

Sidley Austin

Level 39, Two International Finance Centre
8 Finance Street
Central
Hong Kong

as to PRC law:

Sundial Law Firm

11–12F., Taiping Finance Tower
6001 Yitian Road
Futian District, Shenzhen

Auditors and Reporting Accountants

Deloitte Touche Tohmatsu

*Certified Public Accountants
Registered Public Interest Entity Auditor*

35/F, One Pacific Place
88 Queensway, Hong Kong

DIRECTORS, SUPERVISORS, AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Independent Industry Consultant

**Frost & Sullivan (Beijing) Inc., Shanghai
Branch Co.**
Room 2504
Wheelock Square
No. 1717 West Nanjing Road
Shanghai
PRC

**Independent Transfer Pricing Tax
Consultant**

BDO Tax Limited
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

Receiving Bank

CMB Wing Lung Bank Limited
45 Des Voeux Road Central
Hong Kong

CORPORATE INFORMATION

Registered office	Room 1101 No. 2 Maji Road China (Shanghai) Pilot Free Trade Zone Shanghai
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
Company's website	www.contioceangroup.com (<i>The information on the website does not form part of this prospectus</i>)
Company Secretary	Mr. Shu Wa Tung, Laurence (舒華東)
Authorized Representatives	Mr. Shu Wa Tung, Laurence (舒華東) Mr. Chen Rui (陳睿)
Audit Committee	Mr. Zhu Rongyuan (朱榮元) (<i>Chairperson</i>) Dr. Guan Yanmin (管延敏) Ms. Ng Sin Kiu (吳先僑)
Remuneration Committee	Dr. Guan Yanmin (管延敏) (<i>Chairperson</i>) Mr. Shu Wa Tung, Laurence (舒華東) Mr. Zhu Rongyuan (朱榮元)
Nomination Committee	Mr. Zhu Rongyuan (朱榮元) (<i>Chairperson</i>) Mr. Zhou Yang (周洋) Dr. Guan Yanmin (管延敏)
ESG Committee	Mr. Zhao Mingzhu (趙明珠) (<i>Chairperson</i>) Mr. Chen Zhiyuan (陳志遠) Mr. Chen Rui (陳睿) Mr. Zhu Rongyuan (朱榮元)
Compliance Adviser	China Galaxy International Securities (Hong Kong) Co., Limited 20th Floor, Wing On Centre 111 Connaught Road Central Sheung Wan Hong Kong

CORPORATE INFORMATION

H Share Registrar

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

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

INDUSTRY OVERVIEW

The information and statistics set out in this section and other sections of this prospectus were extracted from the Frost & Sullivan Report prepared by Frost & Sullivan, which was commissioned by us, and from various official government publications and other publicly available publications. We engaged Frost & Sullivan to prepare the Frost & Sullivan Report, an independent industry report, in connection with the Global Offering. Our Directors confirm that, after taking reasonable care, they are not aware of any adverse change in market information since the date of the Frost & Sullivan Report which may qualify, contradict or adversely impact the quality of the information in this section. The information from official government sources has not been independently verified by us, the Joint Sponsors, the Joint Representatives, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters or Capital Market Intermediaries, any of our and their respective directors, supervisors, officers, representatives, employees, advisers or any other persons or parties involved in the Global Offering, and no representation is given as to its accuracy.

SOURCE AND RELIABILITY OF INFORMATION

We have engaged Frost & Sullivan, an independent market research consultant, to analyze the global and China marine ship and maritime environmental protection equipment and system markets and prepare a report for use in this prospectus, for which we have agreed to pay an engagement fee of RMB500,000. Frost & Sullivan is an independent global consulting firm founded in 1961 in New York and its services include, among others, growth strategy consulting, market research and analysis and corporate training. Frost & Sullivan has conducted detailed primary research which involved discussing the status of the industry with certain leading industry participants and conducting interviews with relevant parties. Frost & Sullivan has also conducted secondary research which involved reviewing company reports, independent research reports and data based on its own research database. Unless otherwise stated, all data and forecasts contained in this section have been derived from the Frost & Sullivan Report and were based on desktop research, expert interviews, and analysis and estimates by Frost & Sullivan. Our Directors confirm that, having exercised reasonable care, there have been no adverse changes in market information, taken as a whole since the date of the Frost & Sullivan Report, that would materially limit, contradict, or adversely affect these data.

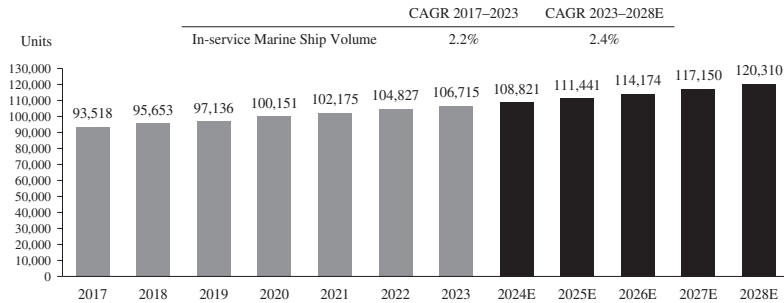
OVERVIEW OF GLOBAL MARINE SHIP INDUSTRY

The global marine ship market is a diverse industry encompassing the design, manufacturing, operation, maintenance, and marine conservation of various types of ships for commercial and other purposes. It plays a crucial role in supporting logistics, energy transportation, manufacturing, and tourism. Recognizing its importance, countries worldwide are implementing policies and regulations to promote technological upgrades and environmentally friendly changes in marine ship manufacturing. The goal is to establish a modern shipping system that fosters sustainable development by balancing economic growth with ecological and environmental protection.

INDUSTRY OVERVIEW

Maritime transport is the most important downstream application of marine ships and the primary mode of transportation in international logistics. In 2023, maritime transport accounted for more than 80% of the total volume of goods transported in international trade. Due to stable growth in shipping capacity and international trade demand, the total volume of global in-service marine ship volume increased steadily from 93,518 units in 2017 to 106,715 units in 2023, achieving a CAGR of 2.2%. Looking forward, this upward trend is expected to accelerate from 2023 to 2028, with the total volume of global in-service marine ship volume projected to reach 120,310 units in 2028, at a CAGR of 2.4%.

In-service marine ship volume (global), 2017–2028E



Source: Frost & Sullivan Report, China Association of the National Shipbuilding Industry, Lloyd's Register of Shipping, Clarkson, China Shipbuilding Industry Yearbook

Note: The number of in-service marine ship volume is based on the number of total ships in operation during the year.

From 2017 to 2023, global new marine shipbuilding volume exhibited a slightly fluctuating upward trend. Between 2017 and 2019, stricter environmental regulations and previous fleet expansions contributed to fluctuations in demand for new marine shipbuilding. From 2020 to 2022, the recurring waves of COVID-19 led to intermittent shutdowns and production halts in various countries, causing fluctuations in the volume of new shipbuilding during this period. However, from 2023 to 2028, the global new shipbuilding volume is projected to recover and grow significantly from 1,598 units to 3,107 units at a CAGR of 14.2%. This growth is driven by the post-pandemic recovery, rising global trade demand, technological advancements in shipbuilding, and increased investments in ships with environmental protection equipment and systems to meet regulatory and efficiency standards.

New marine shipbuilding volume (Global), 2017–2028E

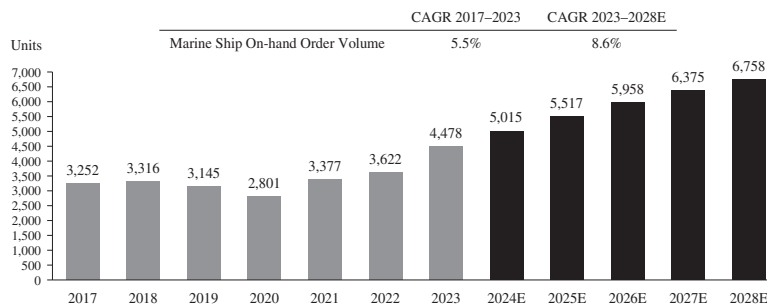


Source: Frost & Sullivan Report, China Association of the National Shipbuilding Industry, Lloyd's Register of Shipping, Clarkson, China Shipbuilding Industry Yearbook

INDUSTRY OVERVIEW

From 2017 to 2023, the global marine ship on-hand order volume displayed a fluctuating upward trend. In 2020, the COVID-19 pandemic caused intermittent shutdowns and production halts in various countries, disrupting the ocean freight supply chain and leading to a decline in new shipbuilding orders. However, these supply chain disruptions resulted in higher ocean freight rates and a shortage of shipping capacity. Consequently, many shipyards capitalized on these higher rates and subsequently placed new orders. From 2023 to 2028, the global marine ship order volume is projected to grow steadily from 4,478 units to 6,758 units, with a CAGR of 8.6%. This growth is driven by the post-pandemic recovery, rising global trade demand, technological advancements in shipbuilding, and increased investments in ships with clean-energy systems to meet regulatory and efficiency standards.

Marine ship on-hand order volume (global), 2017–2028E



Source: Frost & Sullivan Report, Lloyd's Register of Shipping, Clarkson, China Shipbuilding Industry Yearbook

Market drivers and trends in the global marine ship market

Global economic growth

Global economic growth significantly drives the marine ship market by increasing trade volumes, leading to higher demand for shipping services and fleet expansion. As economies grow, consumer spending and industrial production rise, boosting the need for ocean freight transportation. This demand fuels investment in new shipbuilding and fleet modernization. Improvements and expansion in global supply chains led by the growth of the global economy further stimulate shipping activity, solidifying the marine ship market's growth and modernization.

Tightening of environmental protection requirements

The global marine ship market is increasingly influenced by stringent environmental protection requirements, driven notably by regulations from the International Maritime Organization (IMO), various countries and regional governments. These regulations mandate substantial reductions in sulfur oxide and greenhouse gas (GHG) emissions, leading to the adoption of maritime environmental protection equipment and systems such as marine exhaust gas cleaning systems, marine energy-saving devices, or the reconstruction of ships' power systems to use alternative fuels like LNG, LPG, methanol and ammonia. Furthermore, the industry is embracing digitalization for enhanced emissions monitoring and reporting, with collaboration among stakeholders playing a crucial role in developing and implementing effective environmental protection equipment and systems.

INDUSTRY OVERVIEW

Technological advancement

Technological advancements in the marine ship industry are transforming ship operations by enhancing efficiency, reducing environmental impact, and improving safety. Marine exhaust gas cleaning technologies and marine energy-saving devices further enhance efficiency and mitigate exhaust emissions, ensuring compliance with stringent environmental regulations. Propulsion systems have evolved with the adoption of alternative fuels, offering cleaner energy options compared to traditional fossil fuels. Automation and digitalization also play pivotal roles, enabling the development of smart ships equipped with advanced intelligent management systems and real-time performance detection systems. These technologies optimize fuel consumption, lower emissions, and enhance operational reliability, underscoring a shift towards sustainable and efficient maritime operations driven by innovation and environmental responsibility.

Analysis of relationship between freight rates and global newly added marine shipbuilding order volume

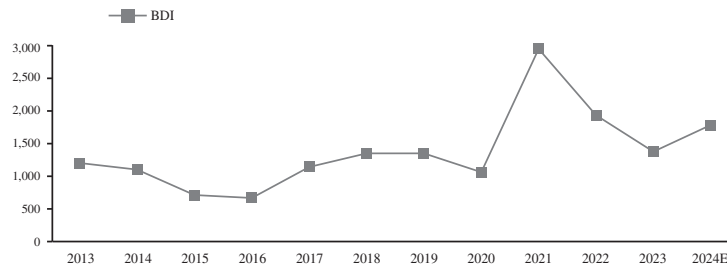
The Baltic Dry Index (BDI) serves as a key indicator of global shipping prices, reflecting the cost of transporting goods and closely tied to the demand for shipping services. Generally, there is a positive correlation between the BDI and new shipbuilding orders. A rising BDI indicates strong demand for shipping, often driven by increased global trade or supply chain pressures, prompting shipowners to order new vessels to expand fleets and capitalize on favorable market conditions.

During the COVID-19 pandemic, global maritime logistics faced severe disruptions, causing shipping prices to surge dramatically. From the second half of 2020 through 2021, the BDI rose to 2–3 times its 2013–2019 levels. However, operational halts at shipyards and component manufacturers, along with fully booked shipping capacities, limited some shipowners' ability to place new orders. As the pandemic was effectively controlled and operations resumed, the demand for new shipbuilding began to be gradually released starting in 2021. As a result, the volume of newly added marine ship on-hand orders in 2023 continued to show an upward trend, remaining significantly higher compared to the 2016–2020 period. This trend is expected to persist, driven by sustained demand for maritime shipping and fleet modernization.

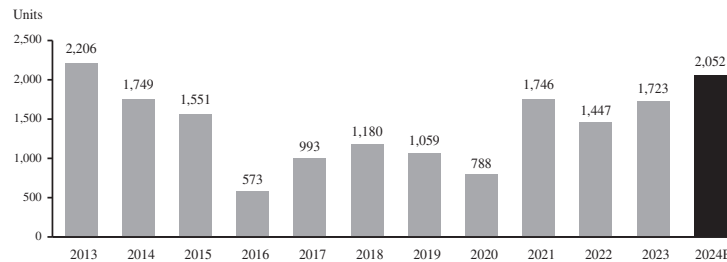
By 2022, as the pandemic's impact lessened and shipping prices stabilized, the BDI began to decline but stayed above pre-pandemic levels. A subsequent spike in 2023, driven by factors like the Red Sea Crisis, occurred. Revenue growth and long-term demand for new ships remain strong as shipowners, learning from pandemic challenges and other uncertainties, prioritize stability and capacity in their shipping supply chains. In the following years, new shipbuilding orders are forecast to rise steadily, supported by growing global trade, stricter environmental regulations, and the need for fleet modernization. This sustained demand, coupled with elevated shipping rates, is poised to drive continuous growth in newly added shipbuilding orders.

INDUSTRY OVERVIEW

Average Baltic Dry Index, 2013–2024E



Newly added marine ship on-hand order volume (global), 2013–2024E



Source: Frost & Sullivan Report, China Association of the National Shipbuilding Industry, Lloyd's Register of Shipping, Clarkson, China Shipbuilding Industry Yearbook

OVERVIEW OF GLOBAL MARITIME ENVIRONMENTAL PROTECTION EQUIPMENT AND SYSTEM INDUSTRY

Analysis of the impact of the shipping industry on our Group's business

The development of our Group's business is closely tied to the trends and drivers of the global shipping industry, including but not limited to the following:

Global Economic Growth

Our Group's business benefits from global economic growth, as increased trade volumes and fleet expansion drive demand for its innovative maritime environmental protection equipment and systems and technologies. Rising shipping activity stimulates investment in new shipbuilding and fleet modernization, creating a strong market for our Group's products and service such as EGCS and energy-saving devices. The industry's growing focus on efficient and sustainable operations aligns with our Group's portfolio, establishing it as a key enabler of fleet upgrades and an integral part of the global shipping industry's evolution.

INDUSTRY OVERVIEW

Tightening Environmental Protection Requirements

Stricter environmental regulations significantly boost the adoption of our Group's products and technologies. Its EGCSs assist ship operators in meeting IMO sulfur emission limits, while its energy-saving devices and clean-energy supply systems provide forward-thinking options for meeting decarbonization goals. The regulatory push for alternative fuels and emissions monitoring further increases demand for our Group's advanced systems, ensuring strong growth prospects as shipowners prioritize compliance and sustainability in their operations.

Technological Advancements

Our Group's commitment to innovation positions it at the forefront of the global shipping industry's transition towards advanced technologies. Its development of marine service, marine energy-saving devices, and clean-energy supply systems aligns with the increasing demand for smarter and more sustainable maritime operations. As environmental protection and digitalization continue to reshape the industry, our Group's products and service offer significant opportunities to enhance operational reliability, reduce fuel consumption, and meet evolving market needs. This technological progression strengthens our Group's competitive edge and reinforces its relevance in the global shipping industry.

Definition and classification of maritime environmental protection equipment and systems

International shipping, which transports over 80% of global trade, is facing increasing environmental challenges. Traditional fossil fuels emit harmful substances like sulfur oxides, nitrogen oxides, and particulate matter, significantly affecting air quality and human health. In response, the international communities and countries have imposed stricter environmental conventions and standards, raising emissions requirements for the shipping industry. For instance, the IMO's stringent requirements have increased the environmental and time pressures on shipbuilding and retrofitting industries, leading to a higher demand for maritime environmental protection equipment and systems. The maritime environmental protection equipment and systems effectively meet customers' needs through rapid response, comprehensive services, and innovative technologies, thereby improving the efficiency and quality of ships.

Simultaneously, ship-related environmental technologies are advancing rapidly, with new generations of energy-saving, emission-reducing, and highly efficient equipment and systems continuously emerging. By optimizing ship design, retrofitting energy and power systems, implementing intelligent ship operation management systems, and utilizing clean energy, these innovations enhance the sustainable development and competitiveness of the marine shipping industry. Maritime environmental protection equipment and systems focus on advanced technology and environmentally friendly transformations throughout a ship's lifecycle — from design and manufacturing to operation and recycling. These equipment and systems economically fulfill their intended functions and performance, improve energy efficiency, reduce or eliminate environmental pollution, and provide excellent protection for operators and users, steering the industry towards more sustainable development.

INDUSTRY OVERVIEW

According to the development history led by the IMO's industry environmental protection requirements, maritime environmental protection equipment and system market can be classified by four sectors:

- **Marine exhaust gas cleaning systems (EGCS):** refer to the installation of key environmental protection equipment on marine ships to harmlessly treat exhaust gases from main engines, generators, boilers, and other sources. This prevents atmospheric pollution caused by uncontrolled ship emissions and helps shipowners and operators comply with IMO and national environmental regulations. Adding ship exhaust gas cleaning systems is currently the primary and most cost-effective method of reducing sulfur oxides. By selecting the appropriate type of ship exhaust gas cleaning systems (including open-loop, closed-loop and hybrid types) and ensuring scientific design, installation, and maintenance, sulfur oxide emissions from ships can be significantly reduced, protecting the atmosphere. Additionally, effective cost management and operational training ensure optimal economic and environmental benefits throughout the marine ship's lifecycle.
- **Marine energy-saving devices:** integrate energy-saving devices (ESDs), carbon capture, utilization and storage systems (CCUS) including organic amine-based carbon capture systems and dual alkali-based carbon capture systems, and intelligent control technologies to optimize power performance, reduce fuel consumption, and lower emissions. This comprehensive approach enhances both the operational efficiency and environmental performance of ships, enabling shipowners and operators to reduce operational costs while meeting international and regional environmental regulations.
- **Marine clean-energy supply systems:** encompass the use of clean-energy supply systems and associated equipment, including but not limited to dual-fuel gas supply systems (FGSS) for liquefied natural gas (LNG)/liquefied ethane (LEG), low-flashpoint fuel supply systems (LFSS) for methanol/liquefied petroleum gas (LPG)/ammonia, and liquid cargo systems (CHS) for LNG/LPG/ammonia/liquid carbon dioxide (LCO₂). These systems aim to reduce emissions from ship fossil fuel combustion by replacing traditional fossil fuels with clean energy, thereby lowering carbon emissions and air pollution.
- **Maritime service and others:** encompass ship accommodation interior design and construction, ship cyber security software and hardware, ship retrofitting and ship repair supervision services, container ship and PCTC lashing gears etc., primarily focusing on eco-friendliness for ships.

INDUSTRY OVERVIEW

The following table shows the maritime environmental protection equipment and systems development history by the IMO's emission requirements:

Year	IMO Policy Background	Key Equipment and System to Achieve the Target	Feature
Since 2016	The global sulfur oxide emission limitation proposed by the IMO in 2016 marked the beginning of the development of the marine ship desulfurization industry. In 2020, the IMO further reduced the upper limit of sulfur oxide content in ships' fuel oil from 3.5% to 0.5%, serving as a critical catalyst that accelerated industry activities and drove significant growth. Consequently, the desulfurization of marine ships experienced rapid expansion to meet regulatory demands, positioning itself as a vital component of the marine ship industry's efforts to reduce sulfur oxide emissions and improve environmental compliance.	Marine exhaust gas cleaning systems	Effectively reduce sulfur oxide emissions with high cost-effectiveness
2021-2050			
Phase one: 2021–2030	In addition to the established regulations that have been released, the IMO's "GHG Strategy" in 2021 aimed to reduce GHG emissions per transport work by at least 40% by 2030 compared to 2008 levels. This period is critical for transitioning from the initial introduction of GHG reduction policies to their comprehensive adoption and enforcement across the marine ship industry. This phase is expected to drive significant advancements in GHG reduction technologies and strategies, promoting more sustainable practices. The timeline reflects a gradual scaling-up of efforts and investments in cleaner technologies, energy efficiency improvements, and alternative fuels, aiming for substantial reductions in GHG emissions by 2030. This period is essential for establishing long-term environmental compliance and sustainability in the marine ship industry.	Marine exhaust gas cleaning systems; Marine energy-saving devices	Effectively reduce sulfur oxide emissions with high cost-effectiveness Effectively reduce GHG emissions, but are unable to achieve net zero GHG emissions

INDUSTRY OVERVIEW

Year	IMO Policy Background	Key Equipment and System to Achieve the Target	Feature
Phase two: 2031–2050	The IMO’s “GHG Strategy” aims to peak and then achieve net-zero GHG emissions from international shipping by around 2050. This long-term goal signifies a transformative shift in the marine ship industry, necessitating substantial advancements in green ship technologies and sustainable practices. Achieving net-zero emissions involves extensive R&D and deployment of alternative fuels, such as LNG, LPG, methanol and ammonia, which have lower or no carbon footprints compared to traditional fossil fuels. Additionally, improvements in energy efficiency, through the optimization of ship design and operational practices, will be critical. By targeting net-zero emissions, the IMO strategy aims not only to mitigate the environmental impact of shipping but also to align the industry with global climate goals, ensuring its sustainability and resilience in the face of climate change.	Marine clean-energy supply systems	Aim to achieve net zero GHG emissions
Long-term continuing	Continuing trend in the global shipping industry to pursue environmental sustainability, operational efficiency, social engagement, among others.	Maritime service and others	Realize the healthy and environmental sustainability development of the industry

Source: Frost & Sullivan Report, IMO, Clarkson, China Association of the National Shipbuilding Industry, Lloyd’s Register of Shipping, China Shipbuilding Industry Yearbook

Cost analysis of marine exhaust gas cleaning systems

Since the initial proposal of the global sulfur oxide emission limitation by the IMO in 2016, marine exhaust gas cleaning systems have dominated the global maritime environmental protection equipment and system market, comprising around 50% of the industry in 2023. To address the IMO’s sulfur oxides emission limits, three strategies can be employed: 1) using low-sulfur fuel; 2) adopting ship exhaust gas cleaning systems; and 3) installing marine clean-energy supply systems, such as FGSS and LFSS. Although the transition to low-sulfur fuel offers a quick and straightforward approach to compliance, unstandardized mix during oil production may cause a relatively higher level of damage to a ship’s engine during sailing. In addition, low-sulfur fuel is generally more expensive than high-sulfur fuel used with ship exhaust gas cleaning systems. Also, the price of low-sulfur fuel was higher than that of high-sulfur fuel from 2016 to 2023, and this price spread is expected to be maintained from 2024 to 2028 due to several key factors, including but not limited to the following reasons that (i) the global sulfur oxide emission limitations first introduced by the IMO in 2016 spurred a rise in demand for low-sulfur fuel. As environmental awareness has grown, many countries and regions have implemented stringent regulations mandating the use of low-sulfur fuel or EGCS in response to the sulfur oxide emission limitations of IMO. This surge in demand, coupled with a relatively limited supply, has driven up prices of low-sulfur fuel; and (ii) the production cost of low-sulfur fuel is higher than that of high-sulfur fuel. Producing low-sulfur fuel requires advanced technologies, specialized equipment, and more stringent refining processes to reduce sulfur content. These additional costs are reflected in the higher

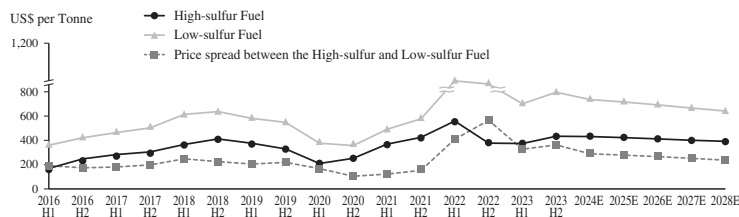
INDUSTRY OVERVIEW

price of low-sulfur fuel, making it more expensive compared to high-sulfur fuel, which requires simpler refining methods. In 2023, the global average price gap between high-sulfur and low-sulfur fuel was approximately US\$340–350 per tonne. The average payback period for installing ship exhaust gas cleaning systems ranges from 6 months to 15 months, while the lifespan of ship exhaust gas cleaning systems can reach 5–10 years. After reaching the break-even point, the advantages of adopting ship exhaust gas cleaning systems become more significant.

The global sulfur oxide emission limitations first proposed by the IMO in 2016 initiated the growth of the marine ship desulfurization industry. Since then, the rapid increase in demand for low-sulfur fuel has resulted in a significant price differential between high- and low-sulfur fuel, maintaining an elevated spread of around US\$200 per tonne from 2016 to 2020. Due to the impacts of COVID-19 on global economy, the imbalance in the supply of high- and low- sulfur has led to a narrowing of the price gap between the two. As a result, the price spread between high- and low-sulfur fuel fell to a low point of approximately US\$105 per tonne in 2020. Following the implementation of sulfur oxide emission limitation in 2020 and the impacts of COVID-19 on the global economy starting to subside, this price spread quickly recovered in 2021 and widened further to approximately US\$350 per tonne in 2023, prompting many shipowners to invest heavily in exhaust gas cleaning systems to continue using cheaper high-sulfur fuel while adhering to environmental standards. However, the rise in low-sulfur fuel production and enhanced refining efficiency have stabilized the supply of low-sulfur fuel.

Looking ahead to 2024–2028, the price spread is expected to remain relatively stable. As more refineries come online and ramp up low-sulfur fuel production, the supply-demand balance should stabilize. If external factors, such as political and macroeconomic conditions, remain stable, the price spread is likely to remain stable or reduce gradually, particularly if high-sulfur fuel prices remain steady. However, the price spread between high-sulfur and low-sulfur fuel is expected to remain around US\$240 per tonne through 2028, which is still relatively higher compared to 2016 levels. This sustained price spread makes the use of exhaust gas cleaning systems economically advantageous, allowing shipowners to continue using high-sulfur fuel while complying with environmental regulations.

Average price comparison of high-sulfur and low-sulfur fuel, 2016H1–2028E



Source: Frost & Sullivan Report, Organization of the Petroleum Exporting Countries, Clarkson, Platts, Bloomberg

Note:

- (1) Frost & Sullivan used the same calculation method to determine the average prices of high-sulfur and low-sulfur fuel above. The average price of high-sulfur fuel is derived from the average FOB spot prices of high sulfur fuel for the corresponding half-year periods in Singapore and Rotterdam. Meanwhile, the average price of low-sulfur fuel oil is calculated from the average FOB spot prices of VLSFO (Very Low Sulfur Fuel Oil) for the same corresponding half-year periods in Singapore and Rotterdam.
- (2) The above data forecasts are based on the assumption of a stable global economy and industry supply and demand, without the influence of unpredictable external uncertainties.

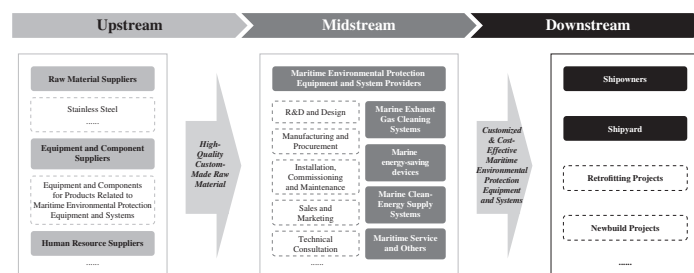
INDUSTRY OVERVIEW

Furthermore, installing marine clean-energy supply systems incurs significant costs due to necessary modifications to the ship’s power and fuel supply systems, such as converting diesel engines to dual-fuel engines and updating the energy supply systems, with the current cost six to eight times higher than implementing ship exhaust gas cleaning systems. Consequently, the cost advantage of adopting ship exhaust gas cleaning systems is more pronounced at this stage.

Value chain analysis of the global maritime environmental protection equipment and system industry

The maritime environmental protection equipment and system industry is a comprehensive and integrated supply chain which spans multiple stages and participants focused on developing and implementing environmentally friendly maritime technologies.

The upstream of the industry relies on raw material suppliers providing essential components such as stainless steel, and key equipment and component suppliers producing products related to maritime environmental protection equipment and systems. In the midstream of the industry, maritime environmental protection equipment and system providers offer a range of products and services including R&D and design, manufacturing and procurement, installation, commissioning and maintenance, sales and marketing, and technical consultation, etc. In the maritime environmental protection equipment and system industry, it is an industry norm to engage sales agents in addition to the in-house sales and marketing teams as the maritime environmental protection equipment and system providers can gain timely insights into market needs and expedite the contract signing process. Furthermore, sales agents in general have stronger relationships with shipowners or ship builders, therefore they can help in penetrating certain markets or networks of shipowners or ship builders where the providers do not have established relationships. In the downstream of the industry, shipowners and shipyards cooperate with maritime environmental protection equipment and system providers to integrate these customized and cost-effective equipment and systems to new ships or retrofit existing ships to meet environmental standards and improve efficiency. The following illustrates the value chain of the maritime environmental protection equipment and system industry:



Source: Frost & Sullivan Report

Market size of global maritime environmental protection equipment and system industry

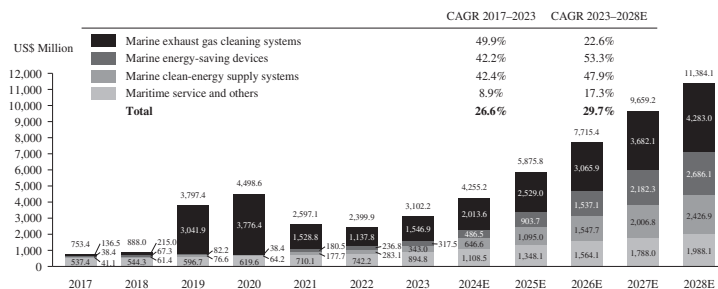
During the period from 2016 to 2021, the IMO proposed and set limitations on the sulfur oxide content in ships’ fuel oil applicable worldwide and issued the “GHG Strategy” targeting net-zero GHG emissions in the marine ship industry by around 2050. These measures served as critical catalysts, accelerating the development of the global green ship industry.

INDUSTRY OVERVIEW

As a major segment, the marine exhaust gas cleaning system market has dominated the global maritime environmental protection equipment and system market for the past five years, accounting for approximately 50% of the industry in 2023. It is expected to remain the largest segment from 2024 to 2028. Between 2017 to 2020, the primary drivers for the global marine exhaust gas cleaning system market were the IMO’s desulfurization regulations announced in 2016 and effective from 2020, prompting many shipowners to install ship exhaust gas cleaning systems on both newbuild and retrofit ships. This led to a surge in demand for marine exhaust gas cleaning systems in this period, increasing the market size from US\$136.5 million in 2017 to US\$3,776.4 million in 2020, with its market share of the maritime environmental protection equipment and system industry rising from 18.1% to 81.6%. However, factors such as workforce reductions, container shortages, supply chain disruptions, and increased demand for goods caused by COVID-19 significantly increased ocean freight prices between 2021 and 2022, indirectly reducing the willingness of shipowners to stop operations and install ship exhaust gas cleaning systems. As a result, the market size of the marine exhaust gas cleaning system industry decreased to US\$1,137.8 million in 2022, leading to a decline in the overall global maritime environmental protection equipment and system market. As the pandemic’s impact subsides and the supply chain recovers, the market size is expected to rebound from 2023 onwards, reaching US\$4,283.0 million in 2028, representing a CAGR of 22.6% between 2023 and 2028.

Due to stricter international regulations and growing environmental concerns, the demand for marine energy-saving devices, along with marine clean-energy supply systems, is also set to rise substantially. Technological advancements, economic incentives, and financial support make these equipment and systems more attractive, prompting companies to invest in them to comply with regulations, reduce costs, and enhance their competitiveness. The marine energy-saving devices and marine clean-energy supply systems segments are projected to reach US\$2,686.1 million and US\$2,426.9 million by 2028, respectively. Meanwhile, the market share of these segments is expected to increase from 10.2% and 11.1% in 2023 to 23.6% and 21.3% in 2028, respectively, providing strong support for the development of the maritime environmental protection equipment and system industry. Propelled by these factors, the global maritime environmental protection equipment and system industry is expected to reach US\$11,384.1 million by 2028, representing a CAGR of 29.7% between 2023 and 2028.

Market size of maritime environmental protection equipment and system industry by revenue by segment (global), 2017–2028E



Source: Frost & Sullivan Report, interviews with industry experts, IMO, Clarkson

INDUSTRY OVERVIEW

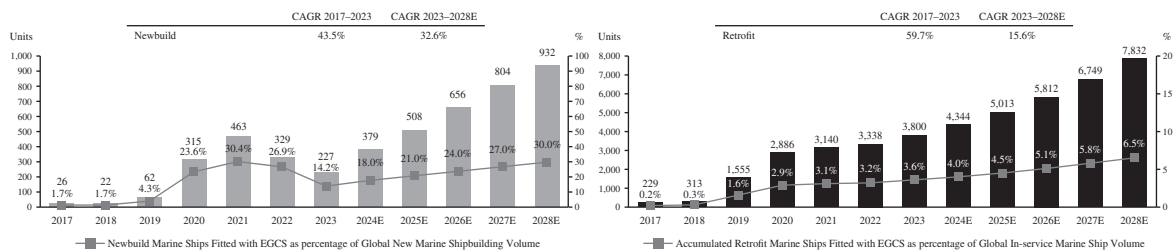
Ship exhaust gas cleaning systems serve as a crucial means to comply with IMO and regional regulations on sulfur oxide emissions from ships, offering stable economic benefits, straightforward installation, and a relatively short payback period compared to the volatile price gap between high and low-sulfur fuel. Consequently, the volume of global marine ships equipped with ship exhaust gas cleaning systems has grown significantly since the initial proposal of the global sulfur oxide emission limitation by IMO in 2016. The total number of marine ships installed with EGCS consists of two parts: (i) the number of newbuild marine ships equipped with EGCS, and (ii) the number of in-service marine ships retrofitted with EGCS. Together, these two factors drive the growth in market demand for EGCS.

The global added volume of newbuild marine ships fitted with EGCS increased from 26 units in 2017 to 227 units in 2023, at a remarkable CAGR of 43.5%. Looking ahead, in the newbuild segment, the global shift toward greener shipping practices has made it more common for ship builders to include exhaust gas cleaning systems in ship designs from the outset. With the IMO sulfur oxide emission limits and further regulations anticipated, shipowners are incentivized to address this issue early on when ordering new-buildings, resulting in steady demand for exhaust gas cleaning systems installations in newbuild ships.

In the retrofit market, the growth of the cumulative volume of retrofit marine ship fitted with EGCS is primarily driven by two factors: the significant fuel cost and increasingly stringent environmental regulations. The sustained price spread of high-sulfur and low-sulfur fuel makes the use of exhaust gas cleaning systems economically advantageous. Furthermore, by 2022, as the pandemic's impact lessened and shipping prices stabilized, freight rates began to decline but remained above pre-pandemic levels, and shipping capacity was no longer in extreme shortage. However, in 2023, freight rates experienced a subsequent increase, driven by factors such as the Red Sea Crisis. Many shipowners, having accumulated funds during the high freight rates since 2020, are now focusing on upgrading their fleets to comply with tightening environmental regulations. As a result, the number of retrofit marine ship fitted with EGCS is expected to rise, driven by the need to meet stricter emissions standards while managing fuel costs. Moreover, in light of the accumulated wealth, shipowners would continue to place new shipbuilding orders for catering the demand in the next cycle.

As a result, the global added volume of newbuild and accumulated retrofit marine ships fitted with ship exhaust gas cleaning systems is forecasted to reach 932 and 7,832 units in 2028, reflecting a CAGR of 32.6% and 15.6% from 2023, respectively, thereby advancing industrial upgrades and promoting the desulfurization development of traditional shipping practices.

Newbuild and accumulated retrofit volume of marine ships fitted with exhaust gas cleaning systems (global), 2017–2028E



Source: Frost & Sullivan Report, IMO, Clarkson, China Association of the National Shipbuilding Industry, Lloyd's Register of Shipping, China Shipbuilding Industry

Market drivers and trends in the global maritime environmental protection equipment and system market

Strengthened regulations and standards

The increasing emphasis on environmental protection globally is a significant driver for the maritime environmental protection equipment and system industry. Stricter environmental regulations and standards are being implemented, compelling the shipping industry to adopt cleaner energy products.

- *From the perspective of desulfurization of ships:*

The regulations and standards pertaining to ship desulfurization have undergone significant evolution driven by environmental concerns and regulatory frameworks. Since January 1, 2010, the EU has mandated that ships berthed in EU ports for over two hours use low-sulfur fuel with sulfur content not exceeding 0.1%; this measure is aimed at reducing sulfur oxide emissions in port areas. In October 2016, the IMO further decided that, starting from 2020, a global sulfur oxide limit of 0.5% would apply to ships sailing outside sulfur oxide emission control areas (ECA). This regulation has spurred the adoption of low-sulfur fuels and desulfurization technologies like EGC systems across the marine ship industry, marking a significant shift towards maritime environmental protection equipment and systems to meet global environmental standards. Countries worldwide have responded actively to IMO requirements with their own measures, such as South Korea's "Special Act on Improvement of Air Quality in Port Areas, etc." effective from January 1, 2020, imposing a 0.1% sulfur oxide cap and voluntary speed reductions. China's Ministry of Transport also mandated ships in emission control areas to use fuel with sulfur oxides content not exceeding 0.5% from January 1, 2019, and 0.1% from January 1, 2020, with stricter controls in specific areas from January 1, 2022, potentially extending nationwide by January 1, 2025.

- *From the perspective of ship decarbonization:*

The MEPC 76th meeting in 2021 introduced technical and operational measures effective from 2023, aimed at reducing the carbon intensity of international shipping. These measures include implementing the Energy Efficiency Existing Ship Index (EEXI), enhancing Ship Energy Efficiency Management Plans (SEEMP), emphasizing the Energy Efficiency Design Index (EEDI), and establishing a Carbon Intensity Indicator (CII) rating scheme. The CII system mandates ships to calculate and compare their carbon intensity performance against set standards, encouraging operational efficiencies and providing competitive advantages for higher-rated vessels. Ships with lower ratings must improve their energy management practices. The progressive annual increase in the carbon intensity reduction factor aims to significantly decrease the overall carbon intensity of the global maritime fleet. Additionally, the "IMO Strategy on Reduction of GHG Emissions from Ships" adopted in 2023 set ambitious targets, including a 40% reduction in greenhouse gas emissions by 2030 from the level of 2008 and achieving net-zero emissions by around 2050. Moreover, the EU Emissions Trading System (EU ETS) has been extended to include the shipping industry, starting January 2024, requiring companies operating within the EU to pay for their carbon emissions progressively, with full charges applicable by 2026. These regulatory advancements reflect a comprehensive effort to align the shipping sector with stringent environmental goals and global emissions reduction strategies. These policies incentivize investments in desulfurization and decarbonization of ships, encouraging shipowners to adopt maritime environmental protection equipment and systems and fostering a cleaner and more sustainable marine ship industry.

INDUSTRY OVERVIEW

Improved economic benefits along with technological innovations

To address the IMO's sulfur oxides emission limits, installing ship exhaust gas cleaning systems offers the most economic benefit due to cost control and the consideration of the ship's current operating performance. As countries worldwide set double-carbon targets, the IMO-introduced "GHG Strategy" controlling sulfur oxide emissions from ships is no longer sufficient to meet current environmental requirements. The importance of ship decarbonization is increasingly prominent. To comply with IMO's GHG emission targets, shipowners can consider adopting marine energy-saving devices or marine clean-energy supply systems. These equipment and systems help reduce payments from carbon taxes and trading and align with the IMO's GHG Emission Strategy in the long run, despite currently high installation costs.

Energy-saving and carbon-reduction technologies, such as propeller optimization systems, wind deflectors, and marine photovoltaic systems, provide multiple options for reducing energy consumption and emissions. Continuous advancements in these areas are driving the development of efficient equipment and systems, while carbon capture technologies are also being enhanced to effectively capture and store CO₂. However, these measures alone are insufficient to meet the IMO's targets of net-zero emissions by 2050. Marine clean-energy supply systems, which involve sustainable technologies like LNG, LPG, methanol, and clean energy for ammonia production, are currently less adopted, due to high equipment and construction costs. Most ships focus on energy-saving measures for long-term carbon reduction. With stricter GHG emission regulations, advancements in clean-energy technologies, and cost reductions, clean-energy supply systems are expected to become the primary pathway for achieving maritime environmental protection equipment and systems in the future.

Substitution from premium domestic Chinese products

In recent years, China has developed a comprehensive industrial value chain and demonstrated superior cost advantages compared to foreign competitors. Leading Chinese enterprises now exhibit strong and stable delivery and project management capabilities. As a result, their products are increasingly installed on a wider range of ships, with performance quickly verified and gaining customer trust. Turnkey engineering services also meet customers' one-stop service requirements, enabling these enterprises to establish a global service network. In 2023, three of the top ten global ship exhaust gas cleaning system providers in terms of completed and on-hand orders were Chinese enterprises. As Chinese companies deepen customized and integrated cooperation with various shipowners and the demand for marine decarbonization continues to grow, premium domestic products are expected to expand their market share. With enhanced factors such as superior performance, energy-saving effects, comprehensive equipment and system offerings, efficient construction cycles, longer service life, and higher overall project value, it is anticipated that both product deliveries and new orders for premium domestic products will rise continuously. This will accelerate the pace of domestic substitution, reinforcing the competitive edge of Chinese enterprises in the global market.

INDUSTRY OVERVIEW

Opportunity and challenge analysis of global maritime environmental protection equipment and system market

Short-Term Analysis:

Continued Role of Conventional Fuel-Powered Ships: In the short term, traditional fuel-powered ship will continue to play a significant role in maritime transportation. Fossil fuels remain the dominant energy source for ships, and the demand for exhaust gas cleaning systems will stay strong, especially given the widespread adoption of sulfur reduction systems to comply with current environmental regulations.

Limitations of Electric-Powered Ships: Electric-powered ships present a cleaner alternative but currently face significant limitations that reduce their immediate impact on the exhaust gas cleaning system market. Technological constraints restrict their ability to handle long-distance and large-tonnage shipping demands, while the high costs associated with large-capacity electric ships hinder their competitiveness. Additionally, the infrastructure for charging electric ships is underdeveloped, with insufficient charging facilities at ports, which further limits their operational range. The lengthy charging times also pose a challenge, as they reduce overall efficiency, making electric ships less viable for time-sensitive shipping. As a result, electric-powered ships are primarily suited for short-range, nearshore routes and are unlikely to replace large-tonnage ships in long-distance shipping in the short term. Consequently, these limitations mean that electric ships do not pose a substantial risk to the demand for exhaust gas cleaning systems in the short term.

Challenges from Other Alternative Fuels: Alternative fuels like green methanol and green ammonia are still in the early stages of development and adoption, with challenges in scaling production and establishing supply chains. Current estimates suggest that only 1–3% of demand can be met with these fuels, leaving fossil fuels as the dominant energy source for most ships. Furthermore, alternative fuels face significant hurdles compared to fossil fuels, such as lower energy conversion efficiency, meaning more fuel volume is needed to achieve the same power output. This limitation reduces the maximum range of ships.

Long-Term Outlook:

Technological Advancements and Market Opportunities: In the long run, technological advancements will shape the demand for EGCS products. The industry is expected to see the rise of more diverse ship propulsion technologies, such as nuclear-powered, green methanol, green ammonia, electric, and hydrogen-powered ships. These developments pose both challenges and opportunities. Companies involved in EGCS will need to innovate and expand their offerings to include clean-energy systems to remain competitive. While the shift toward cleaner energy sources may reduce demand for traditional EGCS, it opens the door for companies to invest in diverse products.

Clean Energy Competition: As clean energy technologies improve, the need for EGCS could decrease. Electric, nuclear-powered, green methanol, green ammonia, and hydrogen-powered ships, once they mature, may reduce the market size for EGCS. Companies in this space will face challenges in adapting their products to align with the changing energy landscape.

INDUSTRY OVERVIEW

Lower Price Spread between high and low-Sulfur Fuel: The price spread between high-sulfur and low-sulfur fuel may slump in the future, which creates more incentive for shipowners switching to low-sulfur fuels instead of installing scrubber. This unpredictability can influence demand for EGCS products. However, the price spread between high-sulfur and low-sulfur fuel is expected to remain relatively stable from 2024 to 2028, hovering around US\$250 per tonne, which continues to make exhaust gas cleaning systems economically advantageous for shipowners using high-sulfur fuels with EGCS.

Evolving Global Regulations: Regulatory standards for emissions vary significantly across regions, creating complexity and uncertainty for industries like shipping. While shipowners typically adhere to the strictest regulations to avoid penalties, the evolving nature of these standards is critical. If emission regulations continue to tighten globally, demand for EGCS will remain strong as companies seek compliance. However, if regulations stop tightening or even begin to relax, the demand for EGCS could weaken considerably, as shipowners may opt for less advanced technologies or reduce reliance on these systems, complicating investment decisions and creating long-term uncertainty in the market.

Entry barriers to the global maritime environmental protection equipment and system market

Technological barrier

The technological barrier in the global maritime environmental protection equipment and system market is substantial, driven by the necessity for expertise across multiple fields, including engineering design, materials science, and environmental science. Companies that possess advanced technologies and specialized knowledge gain a significant competitive edge, creating a formidable challenge for new entrants. This barrier is further reinforced by stringent international regulations, such as the IMO mandates on sulfur content and decarbonization targets, which impose high standards for emission reductions and energy efficiency. Compliance with these regulations requires sophisticated technologies and extensive R&D investments, elevating the entry threshold. Leading companies must integrate advanced clean-energy technologies and specialized hardware, with professional operational and maintenance skills to provide highly advanced products and services. This integration is critical to overcoming high initial investments, technical complexities, and market uncertainties, ultimately enabling suppliers to meet the diverse needs of shipping companies and maintain high-quality service delivery.

Regulation and qualification barrier

Compliance with international conventions in the marine shipping industry is mandatory. Ship classification societies, such as Lloyd's Register, Det Norske Veritas, American Bureau of Shipping and Bureau Veritas, set rigorous standards for environmental performance and safety which must be met for certification. Failing to meet ship classification society requirements can lead to non-certification, operational restrictions, insurance issues, legal and financial penalties, reputational damage, and costly operational interruptions. National environmental policies further complicate the regulatory landscape, requiring companies to navigate a complex web of legal requirements to operate. Companies failing to meet these standards face substantial fines, operational shutdowns, and loss of market credibility. Maritime environmental protection equipment and system market participants must invest substantial resources in understanding and adhering to these regulations to gain market access and operational legitimacy.

INDUSTRY OVERVIEW

Customer barrier

One of the main challenges in the global maritime environmental protection equipment and system industry is overcoming the high expectations and strict requirements set by its primary customers-large shipping companies. These clients demand that suppliers provide reliable, cost-effective, and highly efficient equipment and systems which align with their operational and environmental objectives. To meet these demands, industry participants need advanced technological capabilities, strong R&D, and proven performance records to gain the trust and business of these discerning customers. This high bar for quality and performance creates a challenging environment for new entrants or smaller firms lacking the necessary resources and expertise.

Comprehensive and customizable product offering barrier

The ability to deliver a comprehensive array of high-quality, customizable products is essential for maintaining a competitive edge. This capability demands substantial investment in R&D, manufacturing, and expertise, creating a formidable barrier for new entrants and smaller players. Leading industry participants must continuously adapt to policy changes, shifting market demands, and technological advancements to maintain a robust product portfolio. Moreover, the ability to foresee market trends and anticipate customer needs in order to develop new products ahead of demand is also crucial. This forward-thinking approach is reflected in a company's R&D capabilities and its proactive engagement in numerous customer collaborations. These customers expect equipment and systems that not only meet stringent environmental regulations but also enhance operational efficiency and cost-effectiveness.

Production barrier

Customization and flexibility in production face significant barriers due to the need for advanced manufacturing technologies and versatile production setups capable of handling bespoke orders. Integrating rapid technological advancements, complying with diverse regulatory standards, and maintaining seamless supply chain coordination add layers of complexity. Effective cost management and a skilled workforce are crucial, as these factors directly impact the ability to produce tailored equipment and systems efficiently. Companies must invest in cutting-edge technologies, robust quality control, and continuous workforce training to overcome these challenges and leverage their integrated supply chains to meet specific customer demands. Owning factories becomes increasingly important, as it allows firms to directly control production processes, ensure higher quality standards, and respond swiftly to market changes and regulatory requirements. This ownership fosters innovation, enhances operational efficiency, and strengthens the ability to offer customized, sustainable equipment and systems, positioning companies to better compete in the evolving maritime environmental protection equipment and system market landscape.

INDUSTRY OVERVIEW

COMPETITIVE LANDSCAPE

Since 2019, the marine exhaust gas cleaning system market has been the largest segment of the global maritime environmental protection equipment and system market, accounting for nearly 50% in 2023. Consequently, the competition within the global maritime environmental protection equipment and system market primarily revolves around the marine exhaust gas cleaning system sector. At present, the global marine exhaust gas cleaning system market is highly fragmented, with around 60–70 companies worldwide capable of providing ship exhaust gas cleaning systems. Our Group stands out as one of the very few companies offering comprehensive, customized maritime environmental protection equipment and systems.

During 2023, the global cumulative total of completed and on-hand orders for ship exhaust gas cleaning systems reached 985. The top 10 players collectively hold about 52.5% of the market share. Our Group has secured 57 orders, placing it fourth in the global maritime environmental protection equipment and system market.

Top 10 global ship exhaust gas cleaning system providers, 2023

Ranking	Company	Cumulative Number of Orders Completed and On-hand <i>(Units)</i>	Market share <i>(%)</i>
1	Company D	130	13.2%
2	Company E	85	8.6%
3	Company A	60	6.1%
4	Our Group	57	5.8%
5	Company B	50	5.1%
6	Company F	40	4.1%
7	Company C	35	3.6%
8	Company I	27	2.7%
9	Company H	18	1.8%
10	Company G	15	1.5%

Notes:

- (1) It is an industry norm to rank EGCS providers based on the number of orders rather than revenue. This method is considered more equitable because pricing can vary significantly based on factors like ship type, tonnage, and specific customer requirements, making revenue-based comparisons less reliable. Each order usually represents one scrubber, and typically, a single scrubber is installed per ship. Thus, order quantity serves as a more consistent and clearer indicator of market activity and supplier performance.
- (2) The cumulative number of orders completed and on-hand is calculated based on the cumulative orders on hand as of December 31, 2023, plus total number of orders completed during the year 2023.

Source: Frost & Sullivan Report, Clarkson, China Association of the National Shipbuilding Industry, interviews with industry experts

INDUSTRY OVERVIEW

The global maritime services market is highly fragmented, with thousands of players offering a wide array of services, making it difficult to establish clear competitive boundaries. Most players focus on delivering one or two specialized maritime services, resulting in a highly dispersed competitive landscape. In contrast, the maritime environmental protection equipment and systems market is relatively specialized, with only a small percentage of global suppliers capable of providing both the equipment and systems (such as EGCS, and clean-energy supply systems) as well as maritime services. Among the 90–100 companies offering environmental protection equipment and systems, only 30–35 are equipped to provide both, making this a more concentrated segment within the broader maritime services market. In 2023, our Group ranked as the third-largest maritime service provider among the 30–35 companies that offer both maritime environmental protection equipment and systems as well as maritime services in terms of revenue from maritime services for 2023. Our Group generated RMB0.1 billion in revenue from maritime services with a market share of 1.7% in 2023.

Top 3 maritime service providers in the global maritime environmental protection equipment and system market by revenue, 2023

Ranking	Company	Revenue <i>(RMB Billion)</i>	Market share <i>(%)</i>	Major Maritime Service Provided
1	Company A	2.0	31.7%	Ship retrofitting and ship repair supervision services, spare parts, technical support, etc.
2	Company B	1.5	23.8%	Crew training, ship retrofitting and ship repair supervision services, ship cyber security software and hardware, spare parts, technical support, etc.
3	Our Group	0.1	1.7%	Ship accommodation interior design and construction, the provision of maritime equipment and spare parts, ship cyber security software and hardware, etc.

Source: Frost & Sullivan Report, Clarkson, official websites and annual reports of comparable companies, interviews with industry experts

Note: The revenue above only includes the income generated from the group's maritime services segment.

Company A was founded in 1883 and is headquartered in Lund, Sweden. Its main business includes ship exhaust gas cleaning systems as well as clean-energy supply for the efficient purification, refining and recycling of natural resources. The company operates approximately 40 production sites and distribution centers across Europe, Asia, and the Americas. It is listed on the Stockholm Stock Exchange.

INDUSTRY OVERVIEW

Company B was founded in 1834 and is headquartered in Helsinki, Finland. Its main business includes ship exhaust gas cleaning systems, marine ship engines, electrification and propulsion systems, as well as hybrid and propulsion systems. The company operates in 79 countries, contributing to global decarbonization effort. It is listed on the Helsinki Stock Exchange.

Company C was founded in 1989 and is an unlisted company headquartered in Busan, South Korea. Its main business includes exhaust gas cleaning systems and technology for ships, pan-cross filter systems, water level control measuring devices, as well as the core components of in-house production systems such as towers, gas monitoring systems and water treatment systems. The company operates local offices in European, China and Japan.

Company D was founded in 2018 and is an unlisted company headquartered in Zhejiang province, China. Its main business focus on ship exhaust gas cleaning systems, dual-fuel power supply systems and marine carbon capture systems. The company's business covers Europe, America, Asia and other countries and regions in the world.

Company E as founded in 2015 and is an unlisted company headquartered in Shanghai, China. Its main business includes ship exhaust gas cleaning systems, selective catalytic reduction systems, fuel gas supply systems, onboard carbon capture and storage systems, etc. The company operates two independent after-sales service centers in Shanghai and Singapore, and cooperates with domestic and overseas service providers, covering major ports and routes around the world.

Company F was founded in 1997 and is an unlisted company headquartered in Singapore. Its main business includes inert gas systems, ship exhaust gas cleaning systems, nitrogen generators, as well as parts and service for sailing ships. The company's management and services operate in Indonesia, Singapore, China, Japan, and Norway, etc.

Company G was founded in 2005 and is an unlisted company headquartered in Alzano Scrivia, Italy. Its main business includes ship exhaust gas cleaning systems, wet electrostatic precipitator, biomethane liquefaction, CO₂ liquefaction system, and carbon capture and sequestration systems. The company's business covers Europe, America, China and other countries and regions in the world.

Company H was founded in 1905 and is an unlisted company headquartered in Oslo, Norway. Its main business includes exhaust gas cleaning systems, cleaner ammonia production, and marine battery technology. The company operates in approximately 60 countries.

Company I was founded in 1972 and is an unlisted company headquartered in Gyeonggi-do, South Korea. Its main business includes ship exhaust gas cleaning systems, heat recovery steam generators, etc. The company's business covers Asia, North America and other countries and regions in the world.

Compared to overseas companies, Chinese enterprises have a shorter establishment history yet have quickly captured significant market share. This is attributed to several factors. As a leading global shipbuilding nation, China boasts a well-established industrial chain that enhances the efficient production of exhaust gas cleaning systems. Since 2019, China has been the largest shipbuilding market worldwide, with its industry accounting for over 65% of global new orders by tonnage in 2023. This strong supply chain enables Chinese companies to outperform their foreign competitors in production efficiency, pricing, and after-sale services. On average, an exhaust gas cleaning system from a Chinese company costs 20–30% less than that from foreign firms, with even larger price disparities for complex systems on large tonnage ships. Furthermore, Chinese companies excel in delivery speed, typically completing projects two months faster than international competitors, due to their well-equipped teams.

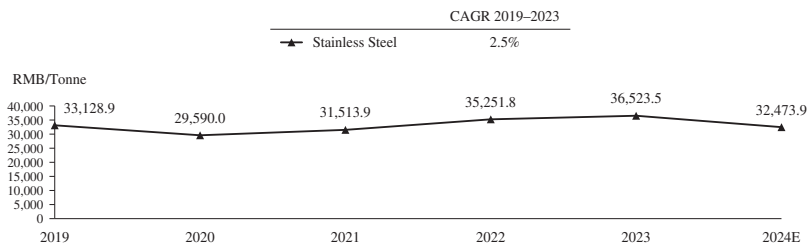
INDUSTRY OVERVIEW

Given these advantages above, the Group stands out in the global maritime environmental protection equipment and system market, particularly when compared to its peers. First, it is one of the very few companies in the world that focuses exclusively on maritime environmental protection equipment and systems, while most competitors treat this area as just one part of their broader product portfolios. This dedicated focus enables the Group to deliver more specialized, professional, and customized solutions tailored to specific customer needs. Second, the Group has expanded beyond its core business of maritime exhaust gas cleaning systems to include marine energy-saving devices and clean-energy supply systems. This expansion aligns with both evolving customer demands and tightening global regulations, ensuring the Group remains relevant and competitive. In contrast, many competitors have been slower to adapt to these market shifts. Lastly, by building on its core maritime environmental and protection equipment and system business, the Group offers extended services, such as maritime service, which strengthen customer loyalty and satisfaction. Given that shipowners typically limit their retrofitting vendors to one to two service providers for cost efficiency and with a strong history of successful cooperation and high customer satisfaction, downstream clients are increasingly inclined to select the Group for additional maritime services. The Group's ability to offer comprehensive solutions gives it a substantial competitive advantage.

RAW MATERIAL ANALYSIS

Stainless steel is one of the primary raw materials for the global maritime environmental protection equipment and system industry. Prices for stainless steel have experienced a slightly fluctuating increase from RMB33,128.9 per tonne in 2019 to RMB36,523.5 per tonne in 2023, reflecting a CAGR of 2.5%. This increase has been largely driven by strong demand from key industries like construction and automotive, along with supply chain disruptions caused by the COVID-19 pandemic, which tightened supply conditions and pushed prices higher. Looking ahead, it is anticipated that the average stainless steel price will decline, driven by increased production efficiencies, technological innovations, and potentially lower raw material costs, further boosting the economic feasibility of maritime environmental protection equipment and systems.

Average price of stainless steel (China), 2019–2024E



Source: Frost & Sullivan Report, China National Bureau of Statistics, BAIINFO

Note: The average price of stainless steel is based on the average price of type 2205 6.0mm stainless steel, which is commonly used as raw material of ship exhaust gas cleaning systems in the industry.

REGULATORY OVERVIEW

OVERVIEW

This section sets out a summary of the major relevant laws, regulations, rules and policies which may have a material impact on our business.

APPLICABLE LAWS AND REGULATIONS TO OUR BUSINESS IN THE PRC

We are subject to a variety of PRC laws, rules and regulations across a number of aspects of our business. This section sets out a summary of the main laws and regulations applicable to our business in the PRC.

Regulations relating to corporation and foreign investment

The establishment, operation and management of corporate entities in the PRC is governed by the Company Law of the PRC (《中華人民共和國公司法》), which was promulgated by the Standing Committee of the National People's Congress of the PRC (the “SCNPC”) on December 29, 1993 and came into effect on July 1, 1994, and was last amended on December 29, 2023 and became effect on July 1, 2024. The Company Law of the PRC generally governs two types of companies, namely limited liability companies and joint stock limited companies. Both types of companies have the status of legal persons, and the liability of shareholders of a limited liability company or a joint stock limited company is limited to the amount of registered capital they have contributed. The Company Law of the PRC shall also apply to foreign invested companies in form of limited liability company or joint stock limited company. Where laws on foreign investment have other stipulations, such stipulations shall apply.

On January 1, 2020, the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the “FIL”) and the Regulations on the Implementation of the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》) became effective and simultaneously replaced the trio of prior laws regulating foreign investment in China, namely, the Sino-foreign Equity Joint Venture Enterprise Law of the PRC (《中華人民共和國中外合資經營企業法》), the Sino-foreign Cooperative Joint Venture Enterprise Law of the PRC (《中華人民共和國中外合作經營企業法》) and the Wholly Foreign-invested Enterprise Law of the PRC (《中華人民共和國外資企業法》), together with their implementation rules and ancillary regulations. The FIL sets out the definition of foreign investment and the framework for promotion, protection and administration of foreign investment activities. On December 30, 2019, the Ministry of Commerce of the PRC (the “MOFCOM”) and the State Administration for Market Regulation (the “SAMR”) jointly promulgated the Measures for Reporting of Information on Foreign Investment (《外商投資信息報告辦法》), which came into effect on January 1, 2020 and pursuant to which, the establishment of the foreign invested enterprises by foreign investors and establishment through purchasing the equities of a non-foreign invested enterprise and its subsequent changes are required to submit an initial or change report through the Enterprise Registration System.

Pursuant to the FIL, China has adopted a system of national treatment which includes a negative list with respect to foreign investment administration. The negative list will be issued by, amended or released upon approval by the State Council, from time to time. The negative list will set forth industries in which foreign investments are prohibited and industries in which foreign investments are restricted. Foreign investment in prohibited industries is not allowed, while foreign investment in restricted industries must satisfy certain conditions stipulated in the negative list. Foreign investments and domestic investments in industries outside the scope of the prohibited industries and restricted industries stipulated in the negative list will be treated equally. The Special Administrative Measures (Negative

REGULATORY OVERVIEW

List) for the Access of Foreign Investment (2024 Version) (《外商投資准入特別管理措施(負面清單)(2024年版)》) (the “**Negative List**”), which were promulgated by the NDRC and the MOFCOM on September 6, 2024 and became effective on November 1, 2024 and the Catalog of Industries for Encouraging Foreign Investment (2022 Version) (《鼓勵外商投資產業目錄(2022年版)》) (the “**Encouraging Catalog**”), which was promulgated by the NDRC and the MOFCOM on October 26, 2022 and became effective on January 1, 2023, replaced previous negative list including the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2021 Version) (《外商投資准入特別管理措施(負面清單) (2021年版)》) and encouraging catalog and listed the categories of encouraged, restricted, and prohibited industries. Any industry not included in the Negative List shall be administered under the principle of equal treatment to domestic and foreign investment. According to the Negative List and the Encouraging Catalog, as of the Latest Practicable Date, our business does not fall within the scope of the Negative List and is not subject to special management measures.

Regulations relating to marine environment protection

Pursuant to the Marine Environment Protection Law of the PRC (《中華人民共和國海洋環境保護法》) which was promulgated on August 23, 1982, last amended on October 24, 2023 and implemented on January 1, 2024 by the SCNPC, no vessels and related operations are allowed to discharge pollutants, wastes and ballast water, ship garbage and other hazardous substances into the seas under the jurisdiction of the PRC in violation of the requirements thereunder. All vessels shall be equipped with adequate pollution prevention systems and equipment.

Pursuant to the Atmospheric Pollution Prevention and Control Law of the PRC (《中華人民共和國大氣污染防治法》), which was promulgated on September 5, 1987, last amended and implemented on October 26, 2018 by the SCNPC, vessel inspection institutions shall conduct emission inspections on vessel engines and related equipment. A vessel may operate only if it has met the State emission standards after inspection. International shipping vessels shall use marine fuel that satisfies the control requirements of atmospheric pollutants after berthing at ports.

Pursuant to the Administrative Provisions on the Prevention and Control of Marine Environmental Pollution Caused by Vessels (《防治船舶污染海洋環境管理條例》) which was promulgated on September 9, 2009, last amended and implemented on March 19, 2018 by the State Council, and the Administrative Regulations on the Prevention and Control of Marine Environmental Pollution Caused by Vessels and Their Relevant Operations of the PRC (《中華人民共和國船舶及其有關作業活動污染海洋環境防治管理規定》) which was last amended and implemented on May 23, 2017 by the Ministry of Transport, The structure, facilities and equipment of a vessel shall conform to the relevant vessel inspection rules of the state on the prevention and control of vessel-induced pollution to the marine environment and meet the requirements of the international treaties concluded or acceded to by the PRC, and for which corresponding certificates shall be obtained under relevant provisions of the state. A vessel shall, in accordance with the laws, administrative regulations, provisions of the transport administrative department under the State Council and the requirements of the international treaties concluded or acceded to by the PRC, obtain and carry on board the corresponding certificates and documents relating to the prevention and control of vessel-induced pollution to the marine environment.

REGULATORY OVERVIEW

In the 70th session of Marine Environment Protection Committee (MEPC) of IMO, IMO adopted the decision that January 1, 2020 was confirmed as the implementation date for a significant reduction in the sulphur content of the fuel oil used by ships and implement a global sulphur cap of 0.50% m/m (mass/mass). In order to effectively implement the global limits on sulphur content of the fuel oil used by ships, the Maritime Safety Administration of the PRC promulgated the Implementation Plan of 2020 Global Sulfur Limit of the Fuel Oil Used by Ships Order (《2020年全球船用燃油限硫令實施方案》) (the “**2020 Implementation Plan**”) on October 23, 2019, which specifies that international sailing ships (i) shall not use fuel oil with a sulfur content of more than 0.5% m/m in waters under the jurisdiction of the PRC from January 1, 2020, (ii) shall not use fuel oil with a sulfur content of more than 0.1% m/m when entering the ship air pollutant discharge control area of inland river in the PRC from January 1, 2020 (expanded to the ship air pollutant discharge control area of Hainan waters in January 1, 2022), (iii) and shall not carry self-use fuel oil with a sulfur content of more than 0.5% m/m when entering the waters under the jurisdiction of the PRC from March 1, 2020. The 2020 Implementation Plan further specifies that the above requirements would be exempted for the use of any device, equipment or alternative fuel by the ships that enable the ships to achieve the same or better effect in reducing the air pollution as is achieved as prescribed.

Pursuant to the Law on the Prevention and Control of Environmental Pollution Caused by Solid Waste of the PRC (《中華人民共和國固體廢物污染環境防治法》), which was promulgated by the SCNPC in 1995 and was latest amended on April 29, 2020, scientific research, technological development, advanced technology promotion and science dissemination in relation to the prevention and control of environmental pollution by solid wastes are encouraged and supported in China to strengthen scientific and technological support for the prevention and control of environmental pollution by solid wastes. And the government promotes the specialized and large-scale development of the industry of prevention and control of environmental pollution by solid wastes.

Regulations relating to customs declaration

The Customs Law of the PRC (《中華人民共和國海關法》) was promulgated by the SCNPC on January 22, 1987 and effective from July 1, 1987, and last amended on April 29, 2021, stipulate that the customs of the PRC is a governmental organization responsible for supervision and control over all arrivals in and departures from the customs territory. All the transports, goods and articles shall enter into or exit from the territory of the PRC at a place where a customs office is established. The customs declaration and duty payment formalities may be undergone by the consignees or consignors of imported and exported goods, or by the customs clearing enterprises entrusted by such consignees or consignors. The consignees or consignors of imported and exported goods and the customs clearing enterprises shall file records with the customs when undergoing customs declaration formalities, otherwise may be imposed fines by the customs.

REGULATORY OVERVIEW

According to the Administrative Provisions of the Customs of the PRC on Record-Filing of Customs Declaration Entities (《中華人民共和國海關報關單位備案管理規定》) issued by the General Administration of Customs of the PRC (the “GACC”) on 19 November 2021 and effective from 1 January 2022, the consignees or consignors of imported and exported goods and the customs clearing enterprise that apply for the filing of records with the customs shall obtain the status of a market entity; where the consignees or consignors of imported and exported goods apply for the filing of records with the customs, the filing of foreign trade dealers shall also be completed. According to the Announcement on Fully Including the Filing of Customs Declaration Entities in the Reform of “Integrating Multiple Certificates into One” (《關於報關單位備案全面納入“多證合一”改革的公告》) jointly issued by the GACC and the SAMR on 20 December 2021 and effective from 1 January 2022, where an applicant intends to be filed as a customs declaration entity when undergoing the registration formalities as a market entity with the market regulation authorities, it shall tick the box of filing as a customs declaration entity as required and fill in the relevant information for filing. The market regulation authorities will then complete the registration pursuant to procedures of “Integrating Multiple Certificates into One” and share the relevant information with the GACC on the SAMR level. Such applicants are no longer required to submit applications for filing as a customs declaration entity to the customs.

In addition, the Decision of the SCNPC on revising the Foreign Trade Law of the PRC (全國人民代表大會常務委員會關於修改《中華人民共和國對外貿易法》的決定) issued by the SCNPC on 30 December 2022 deleted the requirements on the foreign trade dealers engaged in the import and export of goods or technologies to be registered with the competent administrative departments of foreign trade of the State Council or any institutions authorized thereby, namely the filing of foreign trade dealers.

Regulations relating to services for means of transport entering or leaving the PRC and the ports

According to the Customs Law of the PRC, the customs of the PRC could exercise control over means of transport entering or leaving the customs territory in accordance with Customs Law of the PRC and other related laws and administrative regulations. On November 1, 2010, Supervision Measures of the Customs of the PRC on the Supervision of Means of Transport Entering or Leaving the PRC (《中華人民共和國海關進出境運輸工具監管辦法》) was promulgated by GACC, and was amended on May 29, 2018 and was implemented on July 1, 2018, pursuant to which, the service enterprises of means of transport entering or leaving the PRC shall be file their business operations with the customs office directly under the General Administration of Customs at the business operation place or at the customs authorized by the customs directly under the General Administration of Customs, and the above filing of service enterprises shall be subject to nationwide networked administration of the customs.

Pursuant to the Law on Ports of the PRC (《中華人民共和國港口法》) promulgated by the SCNPC on June 28, 2003 and effective from January 1, 2004, and last amended on December 29, 2018 and the Administrative Measures on Port Operations (《港口經營管理規定》) issued by the Ministry of Transport on 6 November 2009 and effective from 1 March 2010, and last amended on December 20, 2020, port operations include the operation of the wharfs and other port facilities, the operation of port passenger transport services, the loading, unloading, lightering and storage of goods within the port area and the operation of port tugs; entities applying for port operations shall apply to the administrative departments of the ports in writing for the permit for port operations. The administrative departments of the ports will review such applications and issue the port operations certificates. A port operations certificate shall be valid for three years. A port operator shall conduct its port operations within the scope as approved by the administrative departments of the ports.

REGULATORY OVERVIEW

The Administrative Measures on Port Operations (《港口經營管理規定》) also required that the entities providing port services for vessels such as supply of shore power, fuels and materials, and life necessities, transfer of crew members by water, receiving of vessel pollutants (including oily waste water, residual oil, tank washing water, domestic sewage and garbage) and supply of oil fences, the entities engaging in the rental and maintenance of port facilities, equipment and machinery, and port tally business operators shall undergo the recordation formalities with the port administrative departments. Port administrative departments shall establish the archives for the recordation information.

Regulations relating to use of coastlines

Pursuant to the Port Law and the Administrative Measures for the Examination and Approval of the Use of Port Coastline (《港口岸線使用審批管理辦法》) which was promulgated by the Ministry of Transport and the NDRC on May 22, 2012 and took effect on July 1, 2012, and last amended on December 23, 2021, construction of port facilities within the overall port planning zone which use the coastlines shall obtain approval for the use of coastline according to PRC laws. For the construction projects of port facilities which use coastlines, an application for the use of port shoreline shall be submitted to the port administrative department where the port is located before submitting the project application report or feasibility study report. Where the examination and approval authority for the use of port shorelines decides to approve the application for the use of port shorelines, it shall issue the approval document for the use of port shorelines. If projects of port facilities which require the use of coastlines have not obtained an approval for the use of coastlines at the port or the opinions from the Ministry of Transport on the use of coastlines at the port, approvals for the initial design and work commencement permit will not be granted in respect of the port facilities project. The use of port shoreline shall be valid for no more than 50 years.

Regulations relating to production safety, product quality, environment protection and fire safety

Production safety

The principal law on work safety is the PRC Production Safety Law (《中華人民共和國安全生產法》) (the “**Production Safety Law**”), which was promulgated by the SCNPC on June 29, 2002, and subsequently was amended on August 31, 2014 and became effective on December 1, 2014, and was amended on June 10, 2021, and became effective on September 1, 2021. Pursuant to the Production Safety Law, the production and operation entity shall satisfy the conditions for safe production stipulated in the Production Safety Law and the other relevant laws, administrative regulations and national standards or industry standards. If it does not satisfy the conditions for safe production, it shall not engage in production and operation activities.

Product quality

Pursuant to the provisions of the Product Quality Law of the PRC (《中華人民共和國產品質量法》) promulgated on 22 February 1993 and amended on 8 July 2000, 27 August 2009 and 29 December 2018 respectively, all producers and sellers who engage in production and sales activities in the PRC shall establish and improve the internal product quality management system, and strictly implement position-based quality regulations, quality responsibilities and corresponding assessment measures.

REGULATORY OVERVIEW

Where any producer or seller violates the above responsibilities and obligations, and cause losses or personal or property damages to consumers, it shall be liable for compensation. The competent authority may take administrative penalties against any illegal acts, such as ordering to suspend production, confiscating illegally produced or sold products, imposing a fine, confiscating illegal gains (if any), and revoking the business licence in case of a serious violation. If a crime is constituted, it shall be investigated for criminal liabilities in accordance with the law.

Environment protection

The Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) (the “**Environmental Protection Law**”) was promulgated by the SCNPC on December 26, 1989 and last amended on April 24, 2014, and became effective on January 1, 2015. The environmental protection department of the State Council supervises and administers the environmental protection work in the PRC and establishes national standards for the environmental quality and discharge of pollutants. Local environmental protection bureau are in turn responsible for the environmental protection work within their respective jurisdictions.

The Environmental Impact Appraisal Law of the PRC (《中華人民共和國環境影響評價法》) (the “**Environmental Impact Appraisal Law**”), which was promulgated by the SCNPC on October 28, 2002, and amended on July 2, 2016 and December 29, 2018, requires that the construction entities shall prepare report on environmental impacts, the report form of environmental impacts or the registration form of environmental impacts according to the seriousness of environmental impacts of the relevant construction projects. According to the Administration Rules on Environmental Protection of Construction Projects (《建設項目環境保護管理條例》), which was promulgated by the State Council on November 29, 1998, amended on July 16, 2017 and became effective on October 1, 2017, the project owner shall, after the completion of the construction project for which the environmental impact report or environmental impact report form is prepared, according to standards and procedures prescribed by the environmental protection administrative department of the State Council, conduct acceptance inspection of the constructed environmental protection facilities and prepare the acceptance inspection report.

Administrative measures for pollutant discharge licensing

Regulation on the Administration of Pollutant Discharge Licensing (《排污許可管理條例》), which was promulgated by the State Council on January 24, 2021 and took effect on March 1, 2021, and the Administrative Measures for Pollutant Discharge Licensing (《排污許可管理辦法》), which was promulgated by the Ministry of Ecology and Environment on April 1, 2024, and became effective on July 1, 2024, took place the Administrative Measures for Pollutant Discharge Licensing (For Trial Implementation) (《排污許可管理辦法(試行)》), stipulate that the enterprises, public institutions and other production operators (hereinafter referred to as the “**pollutant discharge entities**”) included in the classified management catalog of pollutant discharge permits for stationary sources of pollution shall apply for and obtain a pollutant discharge permit as per the prescribed time limit; and those are not included in the catalog are not required to do so for the time of being.

REGULATORY OVERVIEW

Pursuant to the Classified Management Catalogue of Pollutant Discharge Permits for Stationary Sources of Pollution (2019 Edition) (《固定污染源排污許可分類管理名錄(2019年版)》), which was promulgated by the Ministry of Ecology and Environment on December 20, 2019 and became effective on the same day, a pollutant discharge entity subject to registration management is not required to apply for a pollutant discharge permit. It shall fill in the pollutant discharge registration form on the management information platform of state pollutant discharge permits, and register with its basic information, pollutant discharge route, pollutant discharge standards implemented, pollution prevention and control measures adopted, and other information.

Fire safety

Pursuant to Fire Safety Law of the PRC (《中華人民共和國消防法》) (the “**Fire Safety Law**”) which was promulgated on April 29, 1998, amended on October 28, 2008 and April 23, 2019 and April 29, 2021, where a construction project which is required by law to carry out fire safety acceptance inspection fails to undergo or pass fire control acceptance inspection, the project shall be prohibited from commencing operation. Other construction projects which are found to be unqualified by random inspection conducted pursuant to the Fire Safety Law shall cease to operate.

Regulations on land and property

According to the Property Law of the PRC (《中華人民共和國物權法》), which was promulgated by NPC on March 16, 2007 and came into effect from October 1, 2007 to January 1, 2021, and the Civil Code of the People’s Republic of China (《中華人民共和國民法典》), which was promulgated by NPC on May 28, 2020 and came into effect on January 1, 2021, the creation, change, transfer or elimination of the real right of a real property shall become effective after it is registered according to law; it shall have no effect if it is not registered according to law, unless it is otherwise prescribed by any law.

According to the Land Administration Law of the PRC (《中華人民共和國土地管理法》), which was promulgated by the SCNPC on June 25, 1986 and last amended on August 26, 2019 and effective since January 1, 2020, state-owned land and land collectively owned by peasants may be determined in accordance with law to be used by units or individuals. Any entity and individual that is in need of land for construction shall apply for use of state-owned land according to the law. The right to use state-owned land may be granted by the government or be obtained by paying land use right transfer fund, and the government departments shall enter into registration in a register and issue certificates in confirmation of the use right. Pursuant to Interim Regulations of the People’s Republic of China Concerning the Assignment and Transfer of the Right to the Use of the State-owned Land in the Urban Areas (《中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例》) which were issued on May 19, 1990 became effective on the same day, and was amended on November 29, 2020, the maximum term of use of state-owned land is 40 years for commercial usage, 50 years for industrial usage and 70 years for residential usage.

REGULATORY OVERVIEW

According to the Urban and Rural Planning Law of the PRC (《中華人民共和國城鄉規劃法》) promulgated by the SCNPC on October 28, 2007 and last amended on April 23, 2019, a construction land planning permit is required for the use of both allocated land and granted land. And where construction work is conducted in a city or town planning area, the relevant construction entity or individual shall apply for a construction work planning permit from a competent urban and rural planning administrative department of the People's Government at the municipal or county level or the People's Government at the municipal or county level or to the People's Government of town as recognised by the People's Government of a province, autonomous region or municipality.

According to the Construction Law of the People's republic of China (《中華人民共和國建築法》) promulgated by the SCNPC on November 1, 1997 and last amended on April 23, 2019, a construction entity shall, prior to the commencement of a construction project, apply for a construction work commencement permit from a competent department of the Construction Administration of the People's Government at or above the county level of the place where the project is located pursuant to the relevant regulations, except for small projects below the threshold value set by the competent construction administrative department under the State Council. Construction projects which have obtained approval of construction commencement reports in accordance with the procedures stipulated by the State Council under its authority are no longer required to apply for construction licences.

According to the Rules of As-built Inspection of Housing, Building and Municipal Infrastructure Projects (《房屋建築和市政基礎設施工程竣工驗收規定》) promulgated by Ministry of Housing and Urban-Rural Development of the People's Republic of China ("MOHURD") on December 2, 2013, after completing the project, an inspection team comprising design, survey, construction, supervision units should be established. Each unit is required to report the compliance status of engineering contracts, the implementation of laws, regulations and mandatory standards for construction in various aspects of the construction.

According to the Administrative Measures for the Filing of As-built Inspection of Housing, Building and Municipal Infrastructure Projects (《房屋建築和市政基礎設施工程竣工驗收備案管理辦法》) promulgated by MOHURD on October 19, 2009, the filing of the as-built inspection of various housing, building and municipal infrastructure projects, including newbuilding, expansion and reconstruction projects, within the territory of the PRC shall be governed by the measures. A construction entity shall, in accordance with the measures, go through the filing formalities with the construction administrative department of the people's government at or above the county level at the place where the project is located within 15 days as of the date on which the as-built inspection of the project is passed.

The Interim Regulations on Real Estate Registration (《不動產登記暫行條例》) promulgated by the State Council on November 24, 2014, taking effect on March 1, 2015 and amended on March 24, 2019 and March 10, 2024, and the Implementing Rules of the Interim Regulations on Real Estate Registration (《不動產登記暫行條例實施細則》) promulgated by the Ministry of Land and Resources on January 1, 2016 and amended on July 24, 2019 and May 21, 2024, provide that, among other things, the State implements a uniform real estate registration system and real estate registration shall follow the principles of strict administration, stability, continuity, and convenience for the masses.

REGULATORY OVERVIEW

Laws and regulations related to intellectual property rights

Trademark

Pursuant to the Trademark Law of the PRC (《中華人民共和國商標法》) which became effective on March 1, 1983, and last amended on April 23, 2019 and took effect on November 1, 2019, and the Regulation for the Implementation of Trademark Law of the PRC (《中華人民共和國商標法實施條例》) which became effective on September 15, 2002 and was amended on April 29, 2014 and took effect on May 1, 2014, the Trademark Office of the administrative department for industry and commerce under the State Council is responsible for the registration and administration of trademarks in the PRC. A trademark registrant enjoys an exclusive right to the trademark. A trademark registrant may, by entering into a trademark licensing contract, license another party to use its registered trademark. Where another party is licensed to use a registered trademark, the licensor shall report the license to the Trademark Office for recordation, and the Trademark Office shall publish the same. An unrecorded license may not be used as a defence against a third party in good faith.

Domain name

On June 18, 2019, the China Internet Network Information Centre (the “CNNIC”) issued the Implementing Rules for the Registration of National Top-level Domain Names (《國家頂級域名註冊實施細則》) which took effect on June 18, 2019 setting forth the detailed rules for registration of domain names. Pursuant to the Measures for the Administration of Internet Domain Names (《互聯網域名管理辦法》) promulgated on August 24, 2017 and became effective on November 1, 2017, registration of domain name shall follow the principle of “first apply, first register”.

Patents

According to the Patent Law of the PRC (《中華人民共和國專利法》) promulgated by the SCNPC on March 12, 1984, which was last amended on October 17, 2020 and took into effect on June 1, 2021, and its Implementation Rules (Revision 2023) (《中華人民共和國專利法實施細則(2023年修訂)》) which were last amended by the State Council on December 11, 2023 and took into effect on January 20, 2024, the National Intellectual Property Administration is responsible for administering patents in the PRC. The patent administration departments of provincial, autonomous regions or municipal governments are responsible for administering patents within their respective jurisdictions. The Patent Law of the PRC and its implementation rules provide for three types of patents, “invention”, “utility model” and “design”.

Computer software copyright

The Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》), which was promulgated by the National Copyright Administration on February 20, 2002, and came into effect on the same day, regulates the registration of software copyright, the exclusive licensing contract and assignment contracts of software copyright. The National Copyright Administration is mainly responsible for the registration and management of national software copyright and designates the China Copyright Protection Center as the agency for software registration. The China Copyright Protection Center will grant certificates of registration to computer software copyright applicants.

Laws and regulations relating to labour protection

According to the (i) Labour Law of the PRC (《中華人民共和國勞動法》) effected on January 1, 1995 and amended on December 29, 2018, (ii) the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》) effected on January 1, 2008 and amended on December 28, 2012 and took effect on July 1, 2013, and (iii) the Regulations on the Implementation of the Labour Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》) issued and became effective on September 18, 2008, an employer must enter into a written labour contract with any employees and the wage or salary must not be lower than the local minimum wage or salary. In addition, an employer must establish a system related to occupation health and safety, provide job training for employees to avoid occupational hazards and protect the rights of employees. When an employer recruits any employees, such employer must inform the employees of the work content, work conditions, work place, occupational hazards, safety conditions and labour compensations.

According to (i) the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), which was implemented on July 1, 2011 and amended on December 29, 2018, (ii) the Provisional Regulations on Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》), issued and effected on January 22, 1999 and revised on March 24, 2019, (iii) the Provisional Measures on Maternity Insurance of Enterprise Employees (《企業職工生育保險試行辦法》), issued on December 14, 1994 and effected January 1, 1995, (iv) the Regulations on Unemployment Insurance (《失業保險條例》), issued and effective on January 22, 1999, and (v) the Regulations on Work Related Injuries (《工傷保險條例》), effected on January 1, 2004 and amended on December 20, 2010 and took effect on January 1, 2011, an employer must make contributions to a number of social security funds for its employees, including the basic pension insurance, basic medical insurance, maternity insurance, unemployment insurance and work-related injury insurance.

Pursuant to the Reform Plan of the State Tax and Local Tax Collection Administration System (《國稅地稅徵管體制改革方案》), which was promulgated by the General Office of the Communist Party of China and the General Office of the State Council of the PRC on July 20, 2018, from January 1, 2019, all the social insurance premiums including the premiums of the basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance will be collected by the tax authorities. According to the Notice of the General Office of the State Taxation Administration on Conducting the Relevant Work Concerning the Administration of Collection of Social Insurance Premiums in a Steady, Orderly and Effective Manner (《國家稅務總局辦公廳關於穩妥有序做好社會保險費徵管有關工作的通知》) promulgated on September 13, 2018 and the Urgent Notice of the General Office of the Ministry of Human Resources and Social Security on Implementing the Spirit of the Executive Meeting of the State Council in Stabilizing the Collection of Social Insurance Premiums (《人力資源社會保障部辦公廳關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知》) promulgated on September 21, 2018, all the local authorities responsible for the collection of social insurance are strictly forbidden to conduct self-collection of historical unpaid social insurance contributions from enterprises. Notice of the State Administration of Taxation on Implementing the Several Measures to Further Support and Serve the Development of Private Economy (《國家稅務總局關於實施進一步支持和服務民營經濟發展若干措施的通知》) promulgated on November 16, 2018, repeats that tax authorities at all levels may not organize self-collection of arrears of taxpayers including private enterprises in the previous years.

REGULATORY OVERVIEW

According to the Regulations on Management of Housing Provident Fund (《住房公積金管理條例》), effected on April 3, 1999 and last amended on March 24, 2019, an employer must open a housing fund account with the department responsible for the management of housing fund for its employees and make contributions to such housing fund.

Regulations relating to foreign exchange regulation

Pursuant to the Foreign Exchange Administrative Regulations of the PRC (《中華人民共和國外匯管理條例》) promulgated by the State Council on January 29, 1996, effective on April 1, 1996 and last amended on August 5, 2008, and the Administrative Regulations on Foreign Exchange Settlement, Sales and Payment (《結匯、售匯及付匯管理規定》) promulgated by the PBOC on June 20, 1996 and effective on July 1, 1996, Renminbi is freely convertible for payments of current account items such as trade and service-related foreign exchange transactions and dividend payments after the relevant financial institutions have reasonably examined the authenticity of the transactions and their consistency with foreign exchange receipts and payments, but are not freely convertible for capital expenditure items such as direct investment, loans or investments in securities outside the PRC unless the approval of the SAFE or its local counterparts is obtained in advance.

According to the Notice of the State Administration of Foreign Exchange on Issues concerning the Foreign Exchange Administration of Overseas Listing (《關於境外上市外匯管理有關問題的通知》) promulgated by the SAFE on December 26, 2014, a domestic company shall, within 15 working days after the completion of its overseas listing, go through the registration of overseas listing with the foreign exchange bureau at its place of registration. A domestic issuer may transfer the capital raised through overseas listing to its local bank account or deposit at its overseas account. The use of proceeds shall be consistent with the purposes disclosed in this prospectus or other public documents.

Regulations relating to overseas investment

According to the Measures for the Administration of Overseas Investment of Enterprises (《企業境外投資管理辦法》) promulgated by the NDRC on December 26, 2017 and implemented on March 1, 2018, an investor shall, in overseas investment, undergo the formalities for the confirmation or recordation, among others, of an overseas investment project, report the relevant information, and cooperate in supervisory inspection.

Pursuant to the Measures for the Administration of Overseas Investment (《境外投資管理辦法》) promulgated by the MOFCOM on March 16, 2009, lastly amended on September 6, 2014 and implemented on October 6, 2014, “overseas investment” means the acts of an enterprise legally formed in China to own a non-financial enterprise or obtain the ownership, control, or right of business management of or any other interest in an existing non-financial enterprise outside of China by formation, acquisition or merger, or other means. The MOFCOM and the provincial counterparts promulgate regulations providing that overseas investment of enterprises to be subject to recordation or confirmation management, depending on the actual circumstances of investment. Overseas investment involving any sensitive country or region or any sensitive industry shall be subject to confirmation management. Overseas investment under other circumstances shall be subject to recordation management. When an overseas enterprise invested by an enterprise conducts overseas reinvestment, the enterprise shall report to the commerce departments after completing the overseas legal procedures.

REGULATORY OVERVIEW

Pursuant to the Provisions on the Foreign Exchange Administration of the Overseas Direct Investment of Domestic Institutions (《境內機構境外直接投資外匯管理規定》) promulgated by the SAFE on July 13, 2009 and implemented on August 1, 2009 and the Notice on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》) promulgated by the SAFE on February 13, 2015, implemented on June 1, 2015 and was partially repealed on December 30, 2019, stipulates that, upon obtaining the approval for overseas investment, the overseas direct investment of PRC enterprises shall apply for foreign exchange registration to the banks at their places of registration.

Regulations relating to stock incentive plans

According to the Notice of the State Administration of Foreign Exchange on Issues Relating to the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Listed Company (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》), or the Share Incentive Rules, which was issued on February 15, 2012 and other regulations, directors, supervisors, senior management and other employees participating in any share incentive plan of an overseas publicly-listed company who are PRC citizens or non-PRC citizens residing in China for a continuous period of not less than one year, subject to certain exceptions, are required to register with SAFE. All such participants need to authorize a qualified PRC agent, such as a PRC subsidiary of the overseas publicly-listed company to register with SAFE and handle foreign exchange matters such as opening accounts, and transfer and settlement of the relevant proceeds. The Share Incentive Rules further require an offshore agent to be designated to handle matters in connection with the exercise of share options and sales of proceeds for the participants of the share incentive plans. Failure to complete the said SAFE registrations may subject the participating directors, supervisors, senior management and other employees to fines and other legal sanctions.

Regulations relating to taxation

Enterprise income tax

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the “**EIT Law**”) which was promulgated on March 16, 2007 and amended on February 24, 2017 and December 29, 2018, a unified income tax rate of 25% will be applied towards foreign investment and foreign enterprises which have set up institutions or facilities in the PRC as well as PRC enterprises. Under the EIT Law, enterprises established outside of China whose “de facto management bodies” are located in China are considered “resident enterprises” and will generally be subject to the unified 25% enterprise income tax rate as to their global income.

Enterprises that are recognized as high and new technology enterprises in accordance with the Administrative Measures for the Determination of High and New Tech Enterprises (《高新技術企業認定管理辦法》) issued by the Ministry of Science, the Ministry of Finance (the “**MOF**”) and the SAT are entitled to enjoy a preferential enterprise income tax rate of 15%, under which the validity period of the high and new technology enterprise qualification shall be three years from the date of issuance of the certificate. An enterprise can re-apply for such recognition as a high and new technology enterprise before or after the previous certificate expires.

REGULATORY OVERVIEW

Value-added tax

According to the Interim Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》), which were promulgated by the State Council on December 13, 1993, came into effect on January 1, 1994, and were last amended on November 19, 2017, and the Implementation Rules for the Interim Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例實施細則》) promulgated by the MOF on December 25, 1993 and amended on December 15, 2008 and October 28, 2011, organizations and individuals engaging in sale of goods or processing, repair and assembly services, sale of services, intangible assets, immovable and importation of goods in the PRC shall be taxpayers of Value-added Tax (the “VAT”), and all enterprises and individuals that engage in the sale of goods, the provision of processing, repair and replacement services, the sale of services, intangible assets or immovable properties and the importation of goods within the territory of the PRC must pay value-added tax.

Regulations relating to overseas offering and listing

On February 17, 2023, the CSRC promulgated the Trial Administrative Measures of the Overseas Securities Offering and Listing by Domestic Enterprises (《境內企業境外發行證券和上市管理試行辦法》) (the “**Overseas Listing Trial Measures**”) and relevant five guidelines, which came into effect on March 31, 2023. According to the Overseas Listing Trial Measures, PRC domestic enterprises that seek to offer and list securities in overseas markets, either in direct or indirect means (the “**Overseas Offering and Listing**”), are required to fulfill the filing procedure with the CSRC and submit filing reports, legal opinions, and other relevant documents. Subject to specific circumstances, the Overseas Listing Trial Measures require that, among other things, (i) initial public offerings or listings on overseas markets shall be filed with the CSRC within three working days after the relevant application is submitted overseas, (ii) subsequent securities offerings of an issuer on the same overseas market where it has previously offered and listed securities shall be filed with the CSRC within three working days after the offering is completed, and (iii) subsequent securities offerings or listings of an issuer on other overseas markets other than where it has offered and listed securities shall be filed with the CSRC within three working days after the relevant application is submitted overseas. If a PRC company fails to complete the filing procedure or the filing documents submitted by a PRC company contain misrepresentation, misleading statement or material omission, such PRC company may be subject to order to rectify, warnings and fines, and its controlling shareholders, actual controllers, the person directly in charge and other directly responsible persons may also be subject to fines.

The Overseas Listing Trial Measures also set forth the issuer’s reporting obligations in the event of occurrence of material events (the “**Material Events**”) after the Overseas Offering and Listing. If the overseas offering and listing has been deemed as indirect Overseas Offering and Listing by PRC domestic enterprises, the issuer shall make a detailed report to the CSRC within 3 working days after the occurrence and public announcement of the relevant event: (i) change in controlling rights; (ii) being subject to investigation, punishment or other measures by overseas securities regulatory authorities or the relevant authorities; (iii) changing listing status or changing the listing board; or (iv) voluntary or compulsory termination of listing. Besides, if any material change in the principal business and operation of the issuer after its Overseas Offering and Listing makes the issuer no longer within the scope of record-filing, the issuer shall submit a special report and a legal opinion issued by a PRC domestic law firm to the CSRC within 3 working days after the occurrence of the relevant change to provide an explanation of the relevant situation. According to the Overseas Listing Trial Measures, the

REGULATORY OVERVIEW

PRC domestic enterprises engaging in Overseas Offering and Listing activities shall strictly comply with the PRC laws, administrative regulations, and relevant provisions on foreign investment, state-owned assets, industry regulation, overseas investment, etc., shall not disrupt domestic market order, and shall not harm national interests, public interests and the legitimate rights and interests of domestic investors. The PRC domestic enterprise that conducts Overseas Offering and Listing shall (i) formulate its articles of association, improve its internal control system and standardize its corporate governance, financial affairs and accounting activities in accordance with the PRC Company Law, the PRC Accounting Law and other PRC laws, administrative regulations and applicable provisions; (ii) abide by the legal system of the PRC on confidentiality and take necessary measures to implement the confidentiality responsibility, shall not divulge any state secret or the work secrets of state authorities, and shall also comply with laws, administrative regulations and the relevant provisions of the PRC where involved in the overseas provisions of personal information and important data.

In addition, the Overseas Listing Trial Measures also provides the circumstances where the Overseas Offering and Listing is explicitly prohibited, including: (i) such securities offering and listing is explicitly prohibited by provisions in laws, administrative regulations and relevant state rules; (ii) the Overseas Offering and Listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with law; (iii) the PRC domestic enterprise, or its controlling shareholder(s) and the actual controller, have committed relevant crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (iv) the PRC domestic enterprise is currently under investigations for suspicion of criminal offenses or major violations of laws and regulations, and no conclusion has yet been made thereof; or (v) there are material ownership disputes over equity held by the controlling shareholder(s) or by other shareholder(s) that are controlled by the controlling shareholder(s) and/or actual controller.

On February 24, 2023, the CSRC together with National Administration of State Secrets Protection and National Archives Administration of China have promulgated the Provisions on Strengthening the Confidentiality and File Management of Domestic Enterprises Related to Overseas Issuance of Securities and Listing (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》), according to which, during the overseas offering and listing activities of domestic enterprises, domestic enterprises, securities companies and securities service providers providing corresponding services shall strictly abide by the relevant PRC laws and regulation as well as the requirements of the provisions, enhance legal awareness of guarding state secrets and strengthening the management of archives, establish and complete systems for confidentiality and archives work, employ necessary measures to implement the responsibility for confidentiality and archives management, and shall not divulge state secrets and work secrets of state organs, and shall not harm the interests of state and the public. If domestic enterprises provide or publicly disclose to relevant securities companies, securities service institutions, overseas regulatory agencies and other parties, or provide or publicly disclose documents and materials involving state secrets or state organ work secrets through the issuer, they shall report the matters to the competent authorities for examination and approval, and file them with the department for the administration and management of state secrets at the same level for the record.

REGULATORY OVERVIEW

APPLICABLE LAWS AND REGULATIONS TO OUR BUSINESS IN HONG KONG

Business Registration Ordinance

Section 5 of the Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong) requires every person (a company or an individual) carrying on a business in Hong Kong to register with the Inland Revenue Department (the “**IRD**”) and obtain a business registration certificate within one month of the commencement of the business. Business registration is a process based on application and does not involve government approval. Once the requisite criteria are met, a business registration certificate will be granted. Business registration serves to notify the IRD of the establishment of a business in Hong Kong and facilitate the collection of tax from businesses in Hong Kong.

Inland Revenue Ordinance

Hong Kong adopts a territorial basis for taxing profits derived from a trade, profession or business carried on in Hong Kong. Pursuant to Section 14(1) of the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the “**IRO**”), profits tax shall be charged for each year of assessment on every person carrying on a trade, profession or business in Hong Kong in respect of his assessable profits arising in or derived from Hong Kong for that year from such trade, profession or business (excluding profits arising from the sale of capital assets).

Section 51C of the IRO further requires every person carrying on a trade, business or profession in Hong Kong to keep sufficient records in the English or Chinese language of his income and expenditure to enable the assessable profits of his trade, business or profession to be readily ascertained. Such records have to be retained for a period of seven years after the completion of the transactions to which the records relate.

Employees’ Compensation Ordinance

The Employees’ Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) (the “**ECO**”) establishes a no-fault and non-contributory employee compensation system for work injuries and lays down the rights and obligations of employers and employees in respect of injuries or deaths caused by accidents arising out of and in the course of employment, or by prescribed occupational diseases. Pursuant to the ECO, an employer is liable to pay compensation in respect of injuries sustained by its employees as a result of accidents arising out of and in the course of employment or in respect of certain occupational diseases suffered by the employees. Section 40 of the ECO provides that an employer is not permitted to employ any employee in any employment unless there is in force, in relation to such employee, a policy of insurance issued by an insurer for an amount not less than that prescribed in the ECO.

REGULATORY OVERVIEW

Mandatory Provident Fund Scheme Ordinance

Section 7 of the Mandatory Provident Fund Scheme Ordinance (Chapter 485 of the Laws of Hong Kong) (the “**MPFSO**”) requires every employer of a relevant employee to take all practicable steps to ensure that the employee becomes a member of a registered scheme within the permitted period after the relevant time. Section 7A of the MPFSO requires an employer who is employing a relevant employee to, for each contribution period occurring after that commencement (i) from the employer’s own funds, contribute to the relevant registered scheme the amount determined in accordance with MPFSO; and (ii) deduct from the employee’s relevant income for that period as a contribution by the employee to that scheme the amount determined in accordance with MPFSO.

Sale of Goods Ordinance

The Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong) (“**SOGO**”) is the main governing law in Hong Kong in relation to sale of goods. Section 15 of SOGO provides that where there is a contract for the sale of goods by description, there is an implied condition that the goods shall correspond with the description.

Section 16 of SOGO provides that where a seller sells goods in the course of a business, there is an implied condition that the goods supplied under the contract are of merchantable quality, except that there is no such condition (i) as regards defects specifically drawn to the buyer’s attention before the contract is made; (ii) if the buyer examines the goods before the contract is made, as regards defects which that examination ought to reveal; or (iii) if the contract is a contract for sale by sample, as regards defects which would have been apparent on a reasonable examination of the sample.

Section 14 of SOGO provides certain implied undertakings on the seller for every contract of sale, unless there appears from the contract or is to be inferred from the circumstances of the contract an intention that the seller should transfer only such title as he or a third person may have. These undertakings include that: (i) the seller has a right to sell the goods, and in the case of an agreement to sell, he will have a right to sell the goods at the time when the property is to pass; and (ii) the goods are free, and will remain free until the time when the property is to pass, from any charge or encumbrance not disclosed or known to the buyer before the contract is made and that the buyer will enjoy quiet possession of the goods except so far as it may be disturbed by the owner or other person entitled to benefit of any charge or encumbrance so disclosed or known.

Supply of Services (Implied Terms) Ordinance

The supply of services by our Group in Hong Kong is regulated by the Supply of Services (Implied Terms) Ordinance (Chapter 457 of the Laws of Hong Kong) (“**SOSO**”). Section 5 of SOSO provides that in a contract for the supply of service where the supplier is acting in the course of a business, there is an implied terms that the supplier will carry out the service with reasonable care and skill.

Section 6 of SOSO provides that, where under a contract for the supply of a service where the supplier is acting in the course of a business, the time for the service to be carried out is not fixed by the contract, is not left to be fixed in a manner agreed by the contract or is not determined by the course of dealing between the parties, there is an implied term that the supplier will carry out the service within a reasonable time.

REGULATORY OVERVIEW

Merchant Shipping (Safety) Ordinance and Merchant Shipping (Prevention and Control of Pollution) Ordinance

Hong Kong is an Associate Member of the IMO and has accepted the international conventions relating to safety and protection of the marine environment. These conventions are implemented through regulations made under the Merchant Shipping (Safety) Ordinance (Chapter 369 of the Laws of Hong Kong) and the Merchant Shipping (Prevention and Control of Pollution) Ordinance (Chapter 413 of the Laws of Hong Kong) and regulates the safety and prevention and control of pollution issues of Hong Kong ships.

Merchant Shipping (Local Vessels) Ordinance

Under Section 47 of the Merchant Shipping (Local Vessels) Ordinance (Chapter 548 of the Laws of Hong Kong) (the “MS(LV)O”), if any oil or mixture containing oil is discharged into the waters of Hong Kong, the person by whom the oil or mixture containing oil is so discharged or caused to be discharged, and if the discharge is from a local vessel, the owner and coxswain of the vessel, subject to the circumstances of such discharge, commit an offence under this section and is liable on conviction to a fine of HK\$200,000.

Section 51(1) of the MS(LV)O stipulates that no local vessel in the waters of Hong Kong shall emit dark smoke for three minutes or more continuously at any one time. If this section is contravened, each of the owner of the local vessel, his agent and the coxswain of the vessel commits an offence and is liable to a fine at level 3 (currently at HK\$10,000) if the person has never committed the offence in relation to the vessel; or liable to a fine at level 4 (currently at HK\$25,000) if the person has previously committed the offence in relation to the vessel.

APPLICABLE LAWS AND REGULATIONS TO OUR BUSINESS IN SINGAPORE

The business operations in Singapore are not subject to any special legislation or regulatory controls other than those generally applicable to companies and/or business operating/incorporated in Singapore.

Laws and regulations in relation to business operations

Sale of Goods Act 1979

The domestic sale of goods in Singapore is governed by the Sale of Goods Act 1979 (Cap. 393, 2020 Rev Ed) (“SOGA”). The SOGA provides for, amongst other things, the laws that apply in relation to the formation of the sales contract of goods, the effect of the sales contract, the respective rights and duties of buyers and sellers during the performance of the contracts as well as the rights of buyers and sellers against one another when the sales contract is breached.

Sections 12 to 15 of SOGA contain terms that are implied in a contract for the sale of goods. Some are implied conditions while others are implied warranties. Section 13 provides that where there is a sale of goods by description, there is an implied condition that the goods correspond with the description. Even where the goods are exposed for sale and are selected by the buyer, it is still possible for this implied condition to apply.

REGULATORY OVERVIEW

Where a seller sells goods in the course of a business, section 14(2) provides that there is an implied condition that the goods are of satisfactory quality. In relation to the foregoing, it is stipulated in SOGA that goods are of satisfactory quality if they meet the standard that a reasonable person would regard as satisfactory, taking into account any description of the goods, the price (if relevant) and all other relevant circumstances.

SOGA confers on the buyer a right to claim for damages under Section 53 in the event the seller has breached a warranty of the sale contract, or where the buyer elects or is compelled to treat a breach of condition as a breach of warranty, the buyer can bring an action against the seller for damages for breach of warranty. The measure of damages is the estimated loss directly and naturally resulting, in the ordinary course of events, from the breach of warranty.

United Nations Convention on Contracts for the International Sale of Goods (“CISG”)

The international sale of goods in Singapore is governed by the United Nations Convention on Contracts for the International Sale of Goods (“CISG”), which is given the force of law in Singapore via the Sale of Goods (United Nations Convention) Act (Cap 283A, 2020 Rev Ed).

Articles 30 to 44 of the CISG set out the obligations of the seller under the sales contract governed by the CISG. Article 30 provides that the seller is obliged to deliver goods, hand over related documents and transfer the title in the goods as required by the sales contract. Article 31 states that if the sales contract does not state where the goods are to be delivered, they will be delivered by being handed over to the first carrier if the contracts involve the carriage of goods; if not, by being made available at the place of manufacturing if that place is known by the parties; and if not, then at the place of business of the seller. Under Article 35, the seller must deliver goods which are of the quantity, quality and description required by the contract and which are contained or packaged in the manner required by the contract. Under Article 36, the liability of the seller is for any lack of conformity at the time of the passing of the risks.

Pursuant to Articles 41 and 42, the seller must also guarantee that the goods are free from any rights or claims by third parties. Under Articles 39 and 43, the buyer must give notice within a reasonable time to exercise a recourse under these warranties and with respect to the warranty of conformity, must do so at the latest within two years.

If the seller breaches any of the above obligations, the CISG allows the buyer to exercise any rights provided for in Articles 46 to 52, as well as claim damages as provided in Articles 74 to 77. Under Article 45(2), the buyer is also not deprived of any right he may have to claim damages by exercising his right to other remedies.

Laws and regulations in relation to taxation

The summary below of certain taxes in Singapore is of a general nature and based on current tax laws in Singapore and regulations and decisions now in effect, all of which are subject to change (possibly with retroactive effect). These laws and regulations are also subject to various interpretations and the relevant tax authorities or the courts of Singapore could later disagree with the explanations or conclusions set out below. This summary is not intended to constitute a complete analysis of the taxes mentioned. It is not intended to be and does not constitute legal or tax advice.

REGULATORY OVERVIEW

Corporate Income Tax

A company is regarded as a tax resident in Singapore when the control and management of our company is exercised in Singapore. Corporate taxpayers (both Singapore tax residents and non-residents) are subject to Singapore income tax on income accruing in or derived from Singapore and income received in Singapore from outside Singapore, unless specifically exempt from income tax.

Pursuant to the Income Tax Act 1947, exemption will be granted to a Singapore tax resident corporate taxpayer on its foreign-sourced dividends, foreign branch profits and foreign-sourced service income received or deemed to be received in Singapore provided that the following qualifying conditions are met:

The foreign income has been subject to tax in the foreign jurisdiction from which it is received (known as the 'subject to tax' condition). The rate at which the foreign income was taxed can be different from the headline tax rate;

The highest Corporate Income Tax rate (i.e. foreign headline tax rate condition) of the foreign jurisdiction from which the income is received is at least 15% at the time the foreign income is received in Singapore; and

The Comptroller of Income Tax is satisfied that the tax exemption is beneficial to the Singapore tax resident company. Tax is satisfied that the tax exemption would be beneficial to the corporate taxpayer.

The prevailing corporate tax rate in Singapore is 17%. The first SGD200,000 of a company's normal chargeable income from the year of assessment, 2020, is partially exempted from tax as follows:

- (a) 75.0% of the first SGD10,000 of normal chargeable income; and
- (b) 50.0% of the next SGD190,000 of normal chargeable income.

The remaining chargeable income (after the tax exemption) will be fully taxable at the prevailing corporate tax rate.

Dividend distribution

Singapore has adopted a one-tier corporate tax system pursuant to which the tax paid by a Singapore resident company on its corporate profits is a final tax. Dividends payable by the Singapore resident company to its shareholders are exempt from Singapore income tax in the hands of the shareholders. There is no withholding tax on the dividend payments to both resident and non-resident shareholders.

TRANSFER PRICING

Hong Kong

On 13 July 2018, the Government of Hong Kong Special Administrative Region gazetted Inland Revenue (Amendment) (No. 6) Ordinance 2018 (“**the Amendment Ordinance**”). The Amendment Ordinance codifies transfer pricing principles into the Inland Revenue Ordinance (Cap. 112) (IRO). The effective dates for the regulations are staggered across the accounting period beginning on or after 1 January 2018 (for country-by-country report), 1 April 2018 (for Master File and Local File) and years of assessment beginning on or after 1 April 2018 (for the fundamental transfer pricing rule and advance pricing agreements).

A transfer price is the price charged in a transaction between two associated persons. Rule 1 in section 50AAF of the Amendment Ordinance, concerns the prices charged in transactions between associated persons as, in such circumstances, the prices charged may not necessarily be that which would have been charged if the persons had not been associated.

Section 50AAF(3) of the Amendment Ordinance, as a due process, provides that the assessor may give a notice requiring the advantaged person to prove that the amount of the person’s income or loss as stated in the person’s tax return is the arm’s length amount. Section 50AAF(5) provides that if the person fails to prove to the assessor’s satisfaction that the amount of income or loss stated in the persons’ tax return is the arm’s length amount, the assessor must estimate an amount as the arm’s length amount and, taking into account the estimated amount:

- (a) make an assessment or additional assessment on the person; or
- (b) issue a computation of loss, or revise a computation of loss resulting in a smaller amount of computed loss, in respect of the person.

The Hong Kong transfer pricing framework is largely based on the Organization for Economic Co-operation and Development Transfer Pricing Guidelines for Multinational Enterprise and Tax Administrations (“**OECD TPG**”), and the IRD generally will not differ from the transfer pricing methodologies recommended by the OECD TPG. Specifically, Section 50AAE of the Amendment Ordinance requires, Hong Kong transfer pricing regulations are to be construed in a way that best secures consistency with the OECD TPG.

PRC

Pursuant to the EIT Law, the business transactions between enterprises and their affiliates that reduce the taxable income or income of such enterprises and their affiliates are not in compliance with the arm’s length principle, the taxation authority has the right to make an adjustment with reasonable methods. Where enterprises submit to the tax authority the annual enterprise income tax return, they shall enclose a statement of the annual business transactions in respect of the business transactions of the enterprises and their affiliates.

REGULATORY OVERVIEW

If an enterprise fails to provide the information of business transactions with their affiliates, or provides false or incomplete information, which cannot faithfully reflect their affiliated business transactions, the tax authority has the right to verify its taxable income legally. The additional tax payment and the interest thereupon shall be collected when required by a tax authority in respect of the tax payment adjustment. In addition, in accordance with the Implementation Rules of the EIT Law, the taxation authorities shall have the right to make the aforesaid tax adjustment within 10 years as from the tax year when such transactions are happened.

According to the Administrative Measures for Special Tax Audits and Adjustments and the Mutual Agreement Procedure (《特別納稅調查調整及相互協商程序管理辦法》) promulgated by the SAT on March 17, 2017 and which became effective on May 1, 2017, tax authorities shall carry out special tax adjustments-focused monitoring and administration of enterprises, and may issue a Notice of Tax Matters to enterprises found with any special tax adjustment risks to prompt their existing tax risks. Enterprises can also make a self-adjustment and pay the underpaid tax, and the tax authorities can still perform special tax audits and adjustments thereafter.

Tax authorities shall initiate the special tax audit procedure upon request by an enterprise for confirmation of its tax position on special tax adjustment items, such as the pricing principle or method adopted for related-party transactions.

Pursuant to the Administration of Tax Collection Law of the PRC (《中華人民共和國稅收徵收管理法》) released on September 4, 1992 and last amended on April 24, 2015, if a taxpayer fails to pay taxes or a withholding agent fails to remit taxes within the time limit in accordance with the provisions, the relevant tax authorities may impose a fine on a daily basis at the rate of 0.05% of the amount of tax in arrears, commencing on the day the tax payment was defaulted. For taxpayers who evade taxes, the tax authorities may impose a fine not less than 50% of, and not more than five times, the amount of taxes unpaid or underpaid. Criminal liability may be incurred in serious cases.

Singapore

The Income Tax (Transfer Pricing Documentation) Rules 2018 (the “**TPD rules**”) was published by the Singapore Government on 22 February 2018, under the Singapore Income Tax Act (“**ITA**”). The TPD rules apply for the basis period for the year of assessment (YA) 2019 and thereafter.

On 23 February 2018 and 10 August 2021, the Inland Revenue Authority of Singapore (“**IRAS**”) released the updated editions of the Singapore transfer pricing guidelines. The guidelines incorporate the TPD rules into the guidelines, provide examples and explanations on certain aspects of the TPD rules, and reflect enforcement of arm’s length principle requirement.

Section 34D of the ITA empowers the IRAS to make transfer pricing adjustments in cases where a Singapore taxpayer’s transfer pricing practices are not consistent with the arm’s-length principle.

Section 34E of the ITA allows the IRAS to impose a surcharge of 5% on the transfer pricing adjustments made by the comptroller with effect from the YA 2019.

Section 34F of the ITA legislates the mandatory requirement for contemporaneous and adequate transfer pricing documentation, and penalties for non-compliance from the year of assessment 2019 onward.

REGULATORY OVERVIEW

Organization for Economic Co-operation and Development (“OECD”)

The OECD TPG provide guidance on the application of the “arm’s length principle”, which is the international consensus on transfer pricing, i.e. on the valuation for tax purposes of cross-border transactions between associated enterprises. OECD TPG aim to ensure that the taxable profits of MNEs are not artificially shifted out of their jurisdictions and that the tax base reported by MNEs in their country reflects the economic activity undertaken therein. OECD TPG address that it is essential for taxpayers to limit the risks of economic double taxation that may result from a dispute between two countries on the determination of the arm’s length remuneration for their cross-border transactions with associated enterprises.

HISTORY, DEVELOPMENT, AND CORPORATE STRUCTURE

OVERVIEW

Our Group was founded by our Co-founders, namely Mr. Zhou Yang, Mr. Zhao Mingzhu, and Mr. Chen Zhiyuan in 2017, when we commenced our business as we envisioned the market opportunities to help shipowners and ship builders worldwide to address the burgeoning and evolving global and national requirements and initiatives related to marine environment preservation. Prior to founding our Group, the Co-Founders have extensive experience in the shipbuilding industry for over 15 years, and with deep business connections across international markets in the industry. After the Company was founded in 2017, the ship exhaust gas cleaning system developed under the leadership of Mr. Chen Zhiyuan (one of our Co-founders who is also our chief technology officer) met the requirements of the IMO's regulations and obtained the approval of the Lloyd's Register EMEA, American Bureau of Shipping and Det Norske Veritas. Through the business connections accumulated by our Co-founders in the industry, the active promotion by the Company's marketing department to customers and the Company's utilization of sales agents, coupled with the IMO's introduction of the sulfur cap which increased shipping companies' demand for exhaust gas cleaning systems, the Company obtained and signed its first EGCS order in May 2018 through the joint efforts of the Company's marketing department and sales agents.

Prior to the Company's production facility commencing production in June 2021, the Company's main business segments were marine exhaust gas cleaning systems and maritime services. During this period, the Company commissioned a third party principally engaged in producing large industrial equipment, and which is a subsidiary of a company listed on the Shanghai Stock Exchange, to process and produce scrubbers, which is a core component of EGCSs. This third party manufacturer has strong at the time production and manufacturing capabilities, which could well meet the Company's manufacturing needs at the time. From June 2021 onwards, our Group commenced commercial production in our production facility in Nantong, Jiangsu province.

Our Company was also recognized as a high-tech enterprise (高新技術企業) in 2019. As part of the process for the Company to be recognized as a high-tech enterprise pursuant to the PRC "High-Tech Enterprise Recognition Management Measures" (高新技術企業認定管理辦法), the Company's application for high-tech enterprise recognition had to meet corresponding requirements in terms of registration establishment time, intellectual property rights, R&D expense ratio, high-tech product income ratio, safety, quality, and environmental requirements. The Company met the requisite requirements after professional evaluation and was therefore recognized as a national high-tech enterprise after professional evaluation.

Over the years, we have grown into a PRC-based maritime environmental protection equipment and system provider serving customers from different regions, ranking first among private ship exhaust gas cleaning system providers based in China and tenth among all ship exhaust gas cleaning system providers in the world in terms of the cumulative volume of completed and on-hand orders for ship exhaust gas cleaning systems by June 30, 2024, according to Frost & Sullivan.

HISTORY, DEVELOPMENT, AND CORPORATE STRUCTURE

BUSINESS MILESTONES

The following is a summary of our key business development milestones:

<u>Month/Year</u>	<u>Event</u>
May 2017	● Our Company was established.
December 2019	● Our Company was recognized as a high-tech enterprise (高新技術企業) in Shanghai.
June 2021	● Our Group commenced commercial production in our production facility in Nantong, Jiangsu province.
August 2022	● Our Company was recognized as a specialized, refined, featured and original enterprise (專精特新企業) by the Shanghai Municipal Economic and Informatization Commission (上海市經濟和信息化委員會).
October 2022	● ContiOcean Nantong was recognized as a high-tech enterprise (高新技術企業) in Jiangsu.
January 2024	● Our Group's LFSS product was awarded the title of "Top Ten Energy-Saving and Low-Carbon Technology Products" (十佳節能低碳技術產品) by the Shanghai Energy Conservation Engineering Technology Association (上海市節能工程技術協會).
February 2024	● Our Non-H Shares became quoted on NEEQ.
May 2024	● ContiOcean Nantong was recognized as a specialized, refined, featured and original small and medium-sized enterprise (專精特新中小企業) by the Industry and Information Technology Department of Jiangsu (江蘇省工業和信息化廳).
June 2024	● Our Group was honored as a benchmark enterprise for brand cultivation in Shanghai (上海市品牌培育標杆企業).

HISTORY, DEVELOPMENT, AND CORPORATE STRUCTURE

MAJOR SUBSIDIARIES

The principal business activities and date and place of establishment of each of the entities that we consider to be our key subsidiaries are set forth below:

<u>Name of subsidiary</u>	<u>Principal business activities</u>	<u>Place of establishment</u>	<u>Date of establishment</u>
ContiOcean Hong Kong	Marine environmental protection-related business and maritime service	Hong Kong	December 28, 2017
ContiOcean Singapore	Marine environmental protection-related business and maritime service	Singapore	July 20, 2018
COGES	Marine environmental protection-related business and maritime service	Singapore	January 3, 2019
ContiOcean Nantong	Manufacturing of marine environmental protection-related equipment	PRC	January 28, 2019
CTL	Ship lashing fitting service	Singapore	August 1, 2019
WTC	R&D of marine environmental protection-related equipment, systems and services	Madeira	April 21, 2022
ContiOcean International	Marine environmental protection-related business and maritime service	PRC	March 15, 2023

CORPORATE DEVELOPMENTS

Establishment of our Company

Our Company was established on May 31, 2017 as a limited liability company with an initial registered capital of RMB5 million. At the time, the entire share capital of our Company was issued to Ms. Sun Yuanyuan (孫婉婉) as nominee for our Co-founders, namely Mr. Zhou Yang, Mr. Zhao Mingzhu and Mr. Chen Zhiyuan. Ms. Sun Yuanyuan is the spouse of Mr. Chen Zhiyuan, who has a legal professional background, and she assisted in the industrial and commercial formalities involved in the early stage of establishment of our Group. In October 2017, in order to gradually unwind the nominee arrangement while continuing to maintain an actual controller, Ms. Sun Xin (孫鑫), the spouse of Mr. Zhou Yang, was introduced as another nominee Shareholder in October 2017, when Ms. Sun Yuanyuan transferred 51% of our issued Shares to Ms. Sun Xin (held on behalf of our Co-founders) and 24.5% of our issued Shares to Mr. Zhao Mingzhu. Since the establishment of our Company and prior to the full unwinding of the nominee arrangement which was completed on March 1, 2019, our Company had remained beneficially owned by Mr. Zhou Yang as to 37.5%, Mr. Zhao Mingzhu as to 31.25%, and Mr. Chen Zhiyuan as to 31.25%.

By September 2018, all our Co-founders had formally joined our Group, and they unwound the nominee arrangement by directing the transfer of the Shares held by the nominees to the beneficial owners, and also to six key employees of our Group as set out in the shareholding structure below. With the exception of Mr. Gao Yunpeng who left the Group in May 2021 for personal reasons, all the other individuals remained as employees of the Group as of the Latest Practicable Date.

HISTORY, DEVELOPMENT, AND CORPORATE STRUCTURE

As of March 1, 2019, the unwinding of the nominee arrangement had been completed, and the shareholding structure of our Company was as follows:

<u>Name of Shareholder</u>	<u>Shareholding percentage</u>
Zhou Yang	34.50%
Zhao Mingzhu	28.75%
Chen Zhiyuan	28.75%
Gao Yunpeng	2.00%
Shen Xiaowei	2.00%
Chen Rui	1.00%
Yu Yuanyang	1.00%
Qu Shixiang	1.00%
Tang Yanling	1.00%
Total	100.00%

Early Stage Share Transfers

In preparation for a then potential listing on the Hong Kong Stock Exchange by using an entity incorporated in the Cayman Islands as the listing vehicle, in November 2019, our Company was converted to a Sino-foreign equity joint venture as we introduced Mr. Subir Ghatak as a foreign investor and as our then Shareholder. Mr. Subir Ghatak is a minority shareholder of a non-wholly owned subsidiary, namely COGES, holding 30% interest therein, and also an employee of our Group and a director of certain subsidiaries of our Company. At that time, Mr. Subir Ghatak purchased a total of 5% of our issued share capital from our Co-founders for a consideration of approximately RMB551,000. The consideration was determined based on the appraised value of our Company, and was settled on November 25, 2020.

On April 17, 2020, our then domestic Shareholders, namely all the Shareholders set out in the table in “— Corporate developments — Establishment of our Company” in this section (collectively, the “**Domestic Shareholders**”), transferred their respective shareholdings in our Company to ContiOcean Hong Kong (being a company then indirectly controlled by our Co-founders) for an aggregate consideration of RMB10.5 million, as part of our reorganization in preparation for the then potential listing. The consideration was determined based on the appraised value of our Company, and was settled on September 28 and September 29, 2020, as the case may be.

As of April 17, 2020, following the completion of the above steps, our Company was held as to 95% by ContiOcean Hong Kong and 5% by Mr. Subir Ghatak.

HISTORY, DEVELOPMENT, AND CORPORATE STRUCTURE

Subsequent Capital Increase and Share Transfers

In the second half of 2020, as part of the shift in our development strategy, instead of targeting to list on the Hong Kong Stock Exchange, we targeted to list on an onshore exchange. Our then proposal to list on the Hong Kong Stock Exchange was preliminary in nature and no sponsor was engaged. Other than Jingtian & Gongcheng (namely, the Company's PRC Legal Adviser for the Listing) which was engaged for the sole purpose of assisting the Group's reorganization steps for the then proposal to list on the Hong Kong Stock Exchange, no other advisers or professional parties were engaged for the purpose of such proposal. In November 2020, our Company underwent a capital increase from RMB5 million to RMB20 million, and the relevant share capital was fully paid up by the Domestic Shareholders in December 2020.

Meanwhile, ContiOcean Hong Kong transferred its entire shareholding in our Company to the Domestic Shareholders and Mr. Shu Wa Tung, Laurence (who was then appointed as a Director and our chief financial officer) for an aggregate consideration of RMB10.45 million. The consideration was determined with reference to the original capital contribution of ContiOcean Hong Kong, and was settled by April 2023.

Mr. Subir Ghatak, as his personal decision, also divested his Shares in December 2020 by selling his Shares to Mr. Shu Wa Tung, Laurence for a consideration of RMB550,000. The consideration was determined by arm's length negotiation between the parties and with reference to the original capital contribution of Mr. Subir Ghatak, and was settled by February 2023.

As of December 1, 2020, after the completion of the above Share transfers, the shareholding structure of our Company was as follows:

Name of Shareholder of our Company	Shareholding percentage
Zhou Yang	32.78%
Zhao Mingzhu	27.31%
Chen Zhiyuan	27.31%
Shu Wa Tung, Laurence	5.00%
Gao Yunpeng	1.90%
Shen Xiaowei	1.90%
Chen Rui	0.95%
Yu Yuanyang	0.95%
Qu Shixiang	0.95%
Tang Yanling	0.95%
Total	100.00%

HISTORY, DEVELOPMENT, AND CORPORATE STRUCTURE

Transfers from our Shareholders

In order to eliminate any potential competition and to optimize the Group structure, our Co-founders have made a number of transfers to our Group. As our Co-founders confirmed in the Non-competition Undertaking, they were no longer directly or indirectly engaged in any business that may compete with our Group after such transfers. See “Relationship with our Controlling Shareholders” for more information.

ContiOcean Hong Kong

Our overseas subsidiaries are held through ContiOcean Hong Kong, a wholly-owned subsidiary of our Company. The issued share capital of ContiOcean Hong Kong is HK\$10 million. In December 2020, our Company and Contipilot, a company controlled by our Co-founders and the then parent company of ContiOcean Hong Kong, entered into an agreement pursuant to which Contipilot transferred the entire issued share capital of ContiOcean Hong Kong to our Company for a consideration of RMB15 million. The consideration for the transfer was determined with reference to the net asset of ContiOcean Hong Kong, and which was properly and legally completed and settled on November 1, 2022. We are advised that such transfer is lawful, valid and duly completed.

ContiOcean Singapore

On May 27, 2021, Mr. Chen Zhiyuan, one of our Co-founders, transferred the entire issued share capital of ContiOcean Singapore to ContiOcean Hong Kong for a consideration of SGD10,000. The consideration for the transfer was determined based on the appraised value of ContiOcean Singapore, which was properly and legally completed and settled on May 10, 2023. The issued share capital of ContiOcean Singapore is SGD10. We are advised that such transfer is lawful, valid and duly completed.

CTL

On March 24, 2022, Contipilot transferred the entire issued share capital of CTL to ContiOcean Hong Kong for a consideration of SGD43,000. The consideration for the transfer was determined based on the appraised value of CTL, which was properly and legally completed and settled on May 11, 2023. The issued share capital of CTL is SGD100. We are advised that such transfer is lawful, valid and duly completed.

Others

CMS is a company incorporated in the Republic of Singapore wholly-owned beneficially by one of our Co-founders, Mr. Zhao Mingzhu. Pursuant to a business transfer agreement dated December 30, 2022 and as supplemented, CMS transferred to our Company all its assets and liabilities as of August 31, 2023. Following the completion of such transfer, CMS has ceased to engage in any business operations. No monetary consideration was payable by either our Company or CMS in respect of such agreement as no transfer of specific physical asset was involved.

HISTORY, DEVELOPMENT, AND CORPORATE STRUCTURE

Disposal of interests in associate

Jiangsu ContiOcean was established on July 4, 2022. Prior to the disposal as described below, ContiOcean Nantong held a 40% equity interest in Jiangsu ContiOcean, while the remaining equity interests were held by an Independent Third Party. ContiOcean Nantong disposed its entire interest of Jiangsu ContiOcean to an Independent Third Party at nil consideration pursuant to a share transfer agreement dated April 7, 2023. Jiangsu ContiOcean engages in manufacturing and selling electrical and mechanical equipment, parts, and various metal products. The disposal in interests in Jiangsu ContiOcean was to align with our business focus on developing maritime environmental protection equipment and systems. The consideration was determined having considered the then loss-making financial position of Jiangsu ContiOcean. Jiangsu ContiOcean is one of our five largest suppliers for the year ended December 31, 2022. Please refer to the section headed “Business — Our suppliers — Our major suppliers” in this prospectus for further details.

Other subsidiaries

We also consider the following entities as our material subsidiaries:

COGES

In January 2019, COGES was established as our non-wholly owned subsidiary to conduct marine environmental protection-related business and maritime service, with the other shareholder being Mr. Subir Ghatak. The issued share capital of COGES is SGD1.2 million.

ContiOcean Nantong

In January 2019, ContiOcean Nantong was established as our wholly-owned subsidiary to manufacture marine environmental protection-related equipment. The registered share capital of ContiOcean Nantong is RMB30 million, which has been fully paid up.

WTC

On June 20, 2022, a capital investment agreement was entered into among ContiOcean Hong Kong, WTC, Mr. David Gunaseelan (a director of WTC and the sole director and chief executive officer of Wavelength Technology Center AS, a subsidiary of WTC) and Mr. Tiago Braz (a director of WTC), pursuant to which ContiOcean Hong Kong agreed to subscribe for the shares of WTC in tranches. Pursuant to such capital investment agreement, ContiOcean Hong Kong initially obtained approximately 33.78% shareholding in WTC through a capital injection consideration of EUR500,000, which was fully settled on June 22, 2022. Meanwhile, the shareholdings of Mr. Tiago Braz and Mr. David Gunaseelan in WTC each reduced from 50% to approximately 33.11%. As a result, WTC was accounted for as an associate using equity method by the Group at the time.

HISTORY, DEVELOPMENT, AND CORPORATE STRUCTURE

ContiOcean Hong Kong further injected an aggregate amount of EUR400,000 into WTC, which was fully settled on October 23, 2023. Pursuant to the aforesaid capital injections and as further agreed by the parties, ContiOcean has increased its shareholding in WTC to approximately 51.00% accordingly, and as a result WTC became one of our subsidiaries. Meanwhile, the shareholdings of Mr. Tiago Braz and Mr. David Gunaseelan in WTC each reduced from approximately 33.11% to approximately 24.5% accordingly. The consideration for such capital injections was determined by arm's length negotiation between the parties, which have been completed and settled.

The issued share capital of WTC became EUR1,020.41 following the completion of the capital injections.

ContiOcean International

In March 2023, ContiOcean International was established as our wholly-owned subsidiary to conduct marine environmental protection-related business and maritime service. The registered share capital of ContiOcean International is RMB10 million, which has been fully paid up.

Share Transfers Involving our Employee Shareholding Platform

ContiOcean Development was established as our employee shareholding platform. It is a limited partnership established in the PRC whose general partner is ContiOcean Industrial, a company owned by Mr. Zhou Yang as to 37.5%, Mr. Zhao Mingzhu as to 31.25%, and Mr. Chen Zhiyuan as to 31.25%, and whose limited partners consisted of Mr. Zhou Yang and 13 employee shareholders (the “**Employee Shareholders**”) as of the Latest Practicable Date.

In May 2021, Mr. Zhou Yang acquired Mr. Gao Yunpeng's entire shareholding in our Company for a consideration of RMB476,000 with reference to the original capital contribution of Mr. Gao Yunpeng, and the consideration was fully settled on September 3, 2021. In the same month, ContiOcean Development acquired at a total consideration of approximately RMB2 million for an aggregate of 8% of the then issued share capital of our Company, consisting of the entire shareholdings of Mr. Shen Xiaowei, Mr. Chen Rui, Mr. Yu Yuanyang, Mr. Qu Shixiang, and Ms. Tang Yanling (collectively, the “**ContiOcean Development Original Employee Shareholders**”), respectively, as well as 2.055%, 0.1225%, and 0.1225% of the then issued share capital of our Company held by Mr. Zhou Yang, Mr. Zhao Mingzhu, and Mr. Chen Zhiyuan, respectively. The consideration was settled as follows:

- (a) in the case of each of the ContiOcean Development Original Employee Shareholders, entirely in the form of a proportionate interest in ContiOcean Development;
- (b) in the case of Mr. Zhao Mingzhu and Mr. Chen Zhiyuan, entirely in the form of a proportionate interest in ContiOcean Development in the name of ContiOcean Industrial; and
- (c) in the case of Mr. Zhou Yang, partially in the form of an interest in ContiOcean Development in the name of ContiOcean Industrial as mentioned in paragraph (b) above, and the rest in the form of a proportionate interest in ContiOcean Development in Mr. Zhou Yang's own name.

The consideration for ContiOcean Development's acquisition of our Shares was determined with reference to the total original capital contribution of the transferors, and was settled on August 30, 2021.

HISTORY, DEVELOPMENT, AND CORPORATE STRUCTURE

After the completion of such share transfers, the shareholding structure of our Company was as follows:

Name of Shareholder of our Company	Shareholding percentage
Zhou Yang	32.6250%
Zhao Mingzhu	27.1875%
Chen Zhiyuan	27.1875%
Shu Wa Tung, Laurence	5.00%
ContiOcean Development	8.00%
Total	100.00%

On February 16, 2022, Mr. Zhou Yang transferred part of his equity interest in ContiOcean Development to 10 employees of our Group, corresponding to a 1% aggregate equity interest in our Company for an aggregate consideration of RMB110,000. In 2023, Mr. Zhou Yang and ContiOcean Industrial acquired certain interests in ContiOcean Development held by two departing Employee Shareholders at the price at which such Employee Shareholders originally acquired their respective interests, in accordance with the agreement with our Employee Shareholders for the participation in our employee shareholding platform.

As of October 2023, the ownership structure of ContiOcean Development was as follows:

Name of partner of ContiOcean Development	Contribution percentage
Zhou Yang	8.75%
Shen Xiaowei	25.00%
Tang Yanling	12.50%
Yu Yuanyang	12.50%
Chen Rui	12.50%
Qu Shixiang	12.50%
ContiOcean Industrial	6.25%
Gu Fengjie	1.25%
Hu Hong	1.25%
Yang Zhifu	1.25%
Wang Liqun	1.25%
Xie Jingjing	1.25%
Miao Hairui	1.25%
Tang Yu	1.25%
Lu Ping	1.25%
Total	100.00%

HISTORY, DEVELOPMENT, AND CORPORATE STRUCTURE

Conversion to a Joint Stock Company and Subsequent Capital Increase

On December 20, 2022, our then Shareholders passed resolutions approving, among other matters, the conversion of our Company from a limited liability company to a joint stock limited liability company. Pursuant to the promoters' agreement dated December 20, 2022 entered into by all the then Shareholders, all promoters approved the conversion of the net asset value of our Company as of August 31, 2022 to 20,000,000 Shares at a ratio of 4.4505217435:1.

Upon completion of such conversion, the registered capital of our Company became RMB20,000,000 divided into 20,000,000 Shares with a nominal value of RMB1 each, which were subscribed by all the then Shareholders. The conversion was completed on December 28, 2022 when our Company obtained our new business license.

In August 2023, we conducted a capital increase from RMB20 million to RMB30 million, which was funded by our Company's capital reserve and accordingly, our number of Shares increased to 30,000,000.

NEEQ Quoting

To improve our corporate image and governance as well as to gain access to the equity capital market, the Company planned for a potential application for listing on the Beijing Stock Exchange. According to the provisions of the listing rules of the Beijing Stock Exchange, one way of becoming eligible to apply for listing is for an applicant to be an innovative tier company that has been continuously quoted on the NEEQ for 12 months (the "**Eligibility Requirement**"). Therefore and in order to meet the Eligibility Requirement, our then Shareholders resolved to apply for our Non-H Shares to be quoted on the NEEQ in 2023.

On February 6, 2024, our Company received approval for quoting its Non-H Shares on the NEEQ. On February 27, 2024, all issued Non-H Shares became quoted on the NEEQ under the stock code of 874207. There was no Share transfer among our Shareholders since then and up to the Latest Practicable Date. The PRC Legal Adviser advised that from the date all issued Non-H Shares being quoted on NEEQ and up to the Latest Practicable Date, the Company had not been subject to administrative penalty or measures imposed by NEEQ or other competent securities regulatory authorities based on: (i) the online searches on the official websites of NEEQ and other competent securities regulatory of the Company conducted by PRC Legal Adviser, where no record of administrative penalty or measures imposed on the Company was identified, and (ii) the Company's confirmation that it had not received any administrative penalty, measures or sanction from NEEQ or any other competent securities regulatory as of the Latest Practicable Date. Given the Eligibility Requirement and that the Company believes that being quoted on NEEQ and listed on the Hong Kong Stock Exchange, while meeting the corporate governance requirements of both venues, will enhance market recognition and benefit its market expansion, the Company currently expects to continue with the NEEQ Quoting after the Listing. Considering that: (i) there is no mandatory requirement for pricing and/or trading of the Company's Non-H Shares on the NEEQ under applicable NEEQ regulatory rules, and (ii) the Company's confirmation that it had not received any notice from NEEQ for pricing or trading of its Non-H Shares nor been subject to administrative penalty or measures imposed by NEEQ or other competent securities regulatory authorities from the date all issued Non-H Shares are quoted on NEEQ and up to the Latest Practicable Date, the PRC Legal Adviser is of the view that the absence of pricing and/or trading of the Company's Non-H Shares on the NEEQ since the date our Non-H Shares became quoted on NEEQ does not give rise to any regulatory or compliance concerns of NEEQ or other competent securities regulatory authorities.

HISTORY, DEVELOPMENT, AND CORPORATE STRUCTURE

Adjustment of plan to list on the Beijing Stock Exchange

On December 18, 2023, the Company engaged China Galaxy Securities Co., Ltd. as its tutoring institution for a potential application for listing on the Beijing Stock Exchange. For the tutoring process, the Company also engaged Zhonghua Certified Public Accountants LLP (眾華會計師事務所(特殊普通合夥)) as its accountant, Jingtian & Gongcheng as its legal adviser, and Asia (Beijing) Asset Appraisal Co., Ltd. (藍策亞洲(北京)資產評估有限公司) as its valuer (together, the “**Tutoring Professional Parties**”). On December 20, 2023, the Company submitted the tutoring filing materials for the public offering of shares to unspecified qualified investors and listing on the Beijing Stock Exchange to the Shanghai Securities Regulatory Bureau of the CSRC (the “**Shanghai Securities Regulatory Bureau**”), no listing application was submitted. On December 25, 2023, the Shanghai Securities Regulatory Bureau accepted the Company’s tutoring application, and the Company then officially entered the tutoring process. As confirmed by the Directors, during the tutoring process, having considered factors including its funding needs for international expansion, the Company instead decided to plan for a listing on the Hong Kong Stock Exchange or other overseas markets. Therefore, the Company decided to temporarily suspend its plan for the public offering of shares and listing on the Beijing Stock Exchange. Accordingly, the Company and China Galaxy Securities Co., Ltd. terminated the tutoring engagement and submitted the relevant filings to the Shanghai Securities Regulatory Bureau, which confirmed the Company’s termination of tutoring on June 11, 2024. As of the date of termination of tutoring, no listing application was submitted to Shanghai Securities Regulatory Bureau or Beijing Stock Exchange. Both during the tutoring process and up to the Latest Practicable Date, the Shanghai Securities Regulatory Bureau has not raised any enquiries or comments to the Company or China Galaxy Securities Co., Ltd., and there were no disagreements between the Company and any of the Tutoring Professional Parties in connection with the tutoring. Our Directors have confirmed that there was no material disagreement between the Company and the Tutoring Professional Parties. Having considered the views of the Directors, along with the independent due diligence work conducted by the Joint Sponsors, nothing has come to the Joint Sponsors’ attention that would cause them to cast doubt on the reasonableness of the Directors’ views in respect of any material disagreement between the Company and the relevant Tutoring Professional Parties above. Our Directors further confirmed that there was no material adverse findings during assessment performed by relevant professional parties during the tutoring. The Company started incurring expenses specifically in respect of the tutoring during the Track Record Period from the year ended December 31, 2023. Such expenses incurred were RMB300,000 for the year ended December 31, 2023, and nil for the six months ended June 30, 2024.

As at the Latest Practicable Date, the Company does not have any plan to conduct any other or further listings on any other venues in the next twelve months from the date of the Listing.

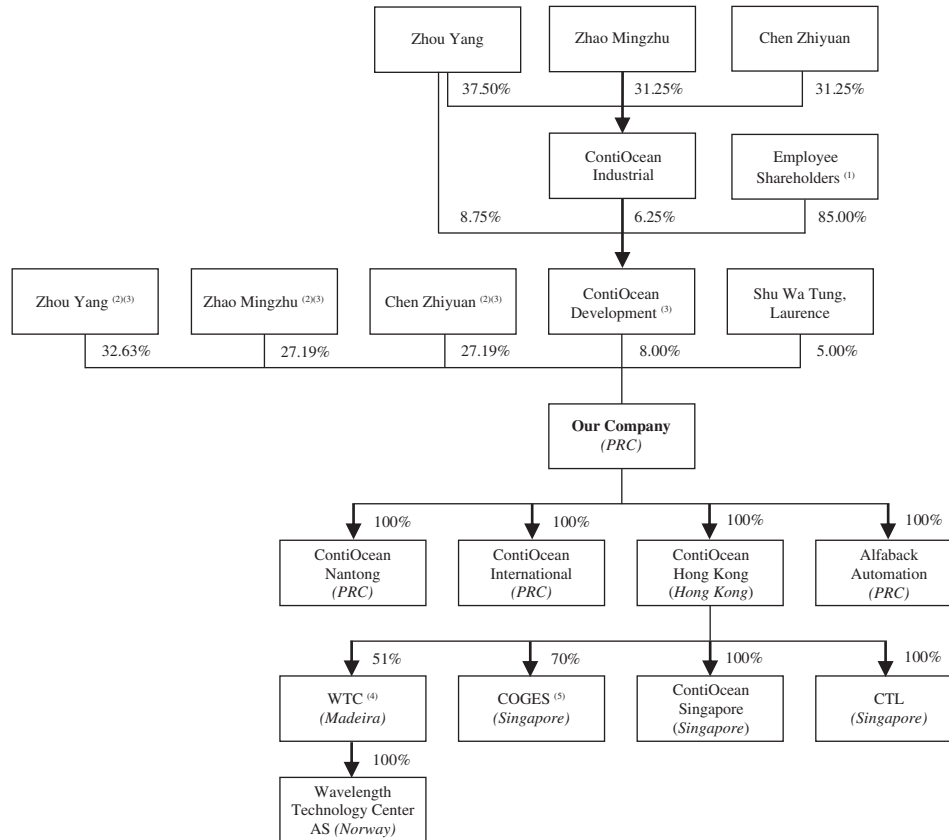
Pre-IPO Share Option Scheme

Our Company adopted the Pre-IPO Share Option Scheme, which became effective on July 27, 2024. See “Statutory and General Information — C. Further information about Directors, Supervisors and Substantial Shareholders — 4. Pre-IPO Share Option Scheme” in Appendix VI in this prospectus for further details.

HISTORY, DEVELOPMENT, AND CORPORATE STRUCTURE

SHAREHOLDING AND CORPORATE STRUCTURE BEFORE THE GLOBAL OFFERING

The following chart sets forth the approximate shareholding and corporate structure of our Group as of the Latest Practicable Date:



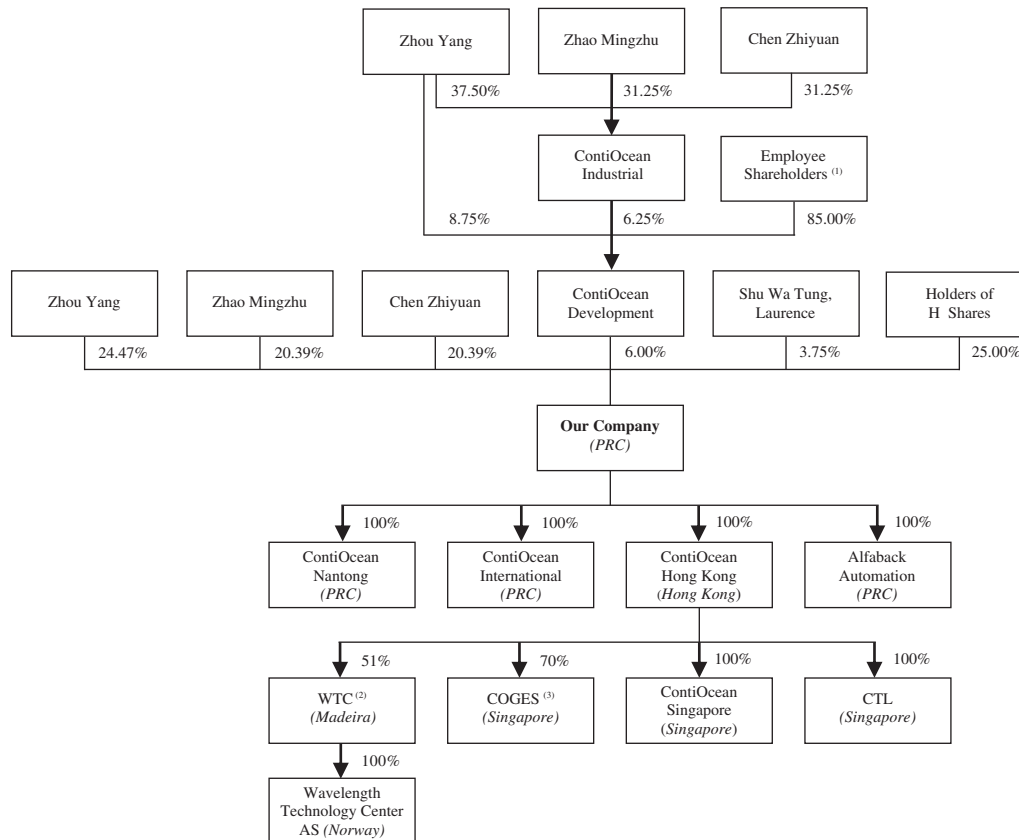
Notes:

- (1) See “— Corporate developments — Share transfers involving our employee shareholding platform” in this section for further details.
- (2) Pursuant to the Concert Party Agreement, Mr. Zhou Yang, Mr. Zhao Mingzhu and Mr. Chen Zhiyuan shall act in concert when exercising the right to propose and vote on relevant matters to the Board and the Shareholders’ meetings. In the event that no consensus is reached among them, the relevant matter shall be decided by the majority.
- (3) Mr. Zhou Yang, Mr. Zhao Mingzhu, Mr. Chen Zhiyuan, and ContiOcean Development are our Controlling Shareholders.
- (4) The remaining 49% of the issued share capital of WTC is held by Mr. Tiago Braz (24.5%) and Mr. David Gunaseelan (24.5%), both of whom are also directors of WTC.
- (5) The remaining 30% of the issued share capital of COGES is held by Mr. Subir Ghatak, who is also an employee of our Group and a director of certain subsidiaries of our Company.
- (6) The percentages may not add up to 100% due to rounding.

HISTORY, DEVELOPMENT, AND CORPORATE STRUCTURE

SHAREHOLDING AND CORPORATE STRUCTURE IMMEDIATELY AFTER THE GLOBAL OFFERING

The following chart sets forth the approximate shareholding and corporate structure of our Group immediately after completion of the Global Offering (without taking into account any exercise of the share options granted under the Pre-IPO Share Option Scheme):



Notes:

- (1) See “— Corporate developments — Share transfers involving our employee shareholding platform” in this section for further details.
- (2) The remaining 49% of the issued share capital of WTC is held by Mr. Tiago Braz (24.5%) and Mr. David Gunaseelan (24.5%), both of whom are also directors of WTC.
- (3) The remaining 30% of the issued share capital of COGES is held by Mr. Subir Ghatak, who is also an employee of our Group and a director of certain subsidiaries of our Company.
- (4) The percentages may not add up to 100% due to rounding.

HISTORY, DEVELOPMENT, AND CORPORATE STRUCTURE

REASONS FOR THE LISTING ON THE HONG KONG STOCK EXCHANGE

Our Non-H Shares are currently quoted on the NEEQ. We are seeking a listing of our H Shares on the Hong Kong Stock Exchange in order to utilize the overseas financing platform to enhance our international profile, raise capital for our business development, advance our international strategies, and further expand our capital structure. See “Future Plans and Use of Proceeds” and “Business” for further details.

Our Directors confirm that we have not experienced any material non-compliance of the rules and requirements of NEEQ (in respect of our Non-H Shares that are quoted on NEEQ) from the commencement of all issued Non-H Shares being quoted on the NEEQ and up to the Latest Practicable Date.

We had not been subject to administrative penalty, administrative supervision measures, or self-regulatory measures by the NEEQ or other competent securities regulatory authorities from the commencement of all issued Non-H Shares being quoted on the NEEQ and up to the Latest Practicable Date.

SHARE TRANSFER RESTRICTIONS AND LOCK-UP UNDERTAKINGS BY OUR SHAREHOLDERS

In accordance with the PRC Company Law, the shares issued prior to any public offering of shares by a company cannot be transferred within one year from the date on which such publicly offered shares are listed and traded on the relevant stock exchange. As such, the Shares issued by our Company prior to the issue of H Shares pursuant to the Global Offering (including the Shares held by our Controlling Shareholders) will be subject to such statutory restriction on transfer within a period of one year from the Listing Date.

As our Non-H Shares are quoted on NEEQ, our shareholders are subject to the transfer restrictions in the Business Rules of the NEEQ System (for Trial Implementation) (《全國中小企業股份轉讓系統業務規則(試行)》), which provide that our Shares directly or indirectly held by the controlling shareholders and the actual controllers of our Company prior to all issued Non-H Shares being quoted on the NEEQ shall be released from transfer restrictions equally in three batches on each of the quoting date on the NEEQ and the first and second anniversaries of the quoting date on the NEEQ.

In addition, each of our Controlling Shareholders will, prior to the Listing, provide a non-disposal undertaking pursuant to Rule 10.07 of the Listing Rules and the Hong Kong Underwriting Agreement. See “Underwriting” for further details. In accordance with the PRC Company Law, our Directors, Supervisors and members of the senior management (as defined under the Articles of Association) of our Company shall declare their shareholdings in our Company and any changes in their shareholdings. Shares transferred by such Directors, Supervisors and members of the senior management each year during their term of office determined at the time of assuming office shall not exceed 25% of their total respective shareholdings in our Company. The Shares that the aforementioned persons held in our Company cannot be transferred within one year from the date on which the Shares are listed, nor within half a year after they leave their positions in our Company.

HISTORY, DEVELOPMENT, AND CORPORATE STRUCTURE

PUBLIC FLOAT

Immediately following the Global Offering (without taking into account any exercise of the share options granted under the Pre-IPO Share Option Scheme):

- (a) Mr. Zhou Yang, Mr. Zhao Mingzhu, and Mr. Chen Zhiyuan, who are our executive Directors and Controlling Shareholders by virtue of the Concert Party Agreement, will be interested in an aggregate of 65.25% of the issued share capital of our Company (excluding their interest held through ContiOcean Development and their beneficial interests pursuant to the share options granted under the Pre-IPO Share Option Scheme);
- (b) ContiOcean Development, whose general partner is ContiOcean Industrial, a company owned by our Co-founders, namely Mr. Zhou Yang as to 37.5%, Mr. Zhao Mingzhu as to 31.25% and Mr. Chen Zhiyuan as to 31.25%, is a Controlling Shareholder and will be interested in 6.00% of the issued share capital of our Company; and
- (c) Mr. Shu Wa Tung, Laurence, an executive Director, will be interested in 3.75% of the issued share capital of our Company (excluding his beneficial interest pursuant to the share options granted under the Pre-IPO Share Option Scheme).

Immediately upon the Listing, for the purpose of the Listing Rules, the Shares held by each of Mr. Zhou Yang, Mr. Zhao Mingzhu, Mr. Chen Zhiyuan, ContiOcean Development and Mr. Shu Wa Tung, Laurence are not considered to be held by the public.

Except as stated above, all the other Shares held by other Shareholders upon Listing (representing 25.00% of the issued share capital of our Company, without taking into account any exercise of the share options granted under the Pre-IPO Share Option Scheme) will be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules. Therefore, our Company will be able to meet the minimum public float requirement under Rule 8.08 of the Listing Rules upon Listing.

COMPLIANCE WITH PRC LAWS AND REGULATIONS

Compliance with PRC laws and regulations

Our PRC Legal Adviser has confirmed that the shareholding structure and changes, capital increase and share transfers in respect of our Company and our subsidiaries in the PRC in “— Corporate Developments” above have been registered with local registration authorities of the PRC in accordance with applicable PRC laws and regulations.

Regulations on Overseas Listing

On February 17, 2023, the CSRC promulgated the Trial Administrative Measures of the Overseas Securities Offering and Listing by Domestic Enterprises (《境內企業境外發行證券和上市管理試行辦法》) (the “**Overseas Listing Trial Measures**”) and relevant five guidelines, which came into effect on March 31, 2023. According to the Overseas Listing Trial Measures, PRC domestic enterprises that seek to offer and list securities in overseas markets, either in direct or indirect means (the “**Overseas Offering and Listing**”), are required to fulfill the filing procedure with the CSRC and submit filing reports, legal opinions, and other relevant documents. Subject to specific circumstances, the Overseas Listing Trial Measures require that, among other things, (i) initial public offerings or listings on overseas markets shall be filed with the CSRC within three working days after the relevant listing application is submitted overseas, (ii) subsequent securities offerings of an issuer on the same overseas market where it has previously offered and listed securities shall be filed with the CSRC within three working days after the offering is completed, and (iii) subsequent securities offerings or listings of an issuer on other overseas markets other than where it has offered and listed securities shall be filed with the CSRC within three working days after the relevant application is submitted overseas.

Our PRC Legal Adviser is of the view that we are required to submit filings with the CSRC within three business days after we submit the listing application for the Offering. See “Information about this Prospectus and the Global Offering — CSRC filing” for further details.

OVERVIEW

We are a PRC-based maritime environmental protection equipment and system provider serving customers from different regions. We ranked third among ship exhaust gas cleaning system providers based in China and fourth among all ship exhaust gas cleaning system providers in the world in terms of the volume of total number of completed orders during 2023 and the cumulative on-hand orders as of December 31, 2023 for ship exhaust gas cleaning systems according to Frost & Sullivan. Our marine exhaust gas cleaning systems (which mostly includes the ship exhaust gas cleaning systems) contributed to the majority of our revenue during each year or period of the Track Record Period representing approximately 78.7%, 64.7%, 66.8%, 79.9% and 60.7% of our total revenue, respectively, in 2021, 2022 and 2023 and for the six months ended June 30, 2023 and 2024. In addition, a significant portion of our revenue was derived from a limited number of customers during each year or period of the Track Record Period. Our five largest customers for each of the years ended December 31, 2021, 2022 and 2023 and for the six months ended June 30, 2024 contributed to approximately 90.5%, 76.1%, 84.3% and 89.4% of our total revenue, respectively.

We commenced our business in 2017 by offering our first product, the ship exhaust gas cleaning system. We have now developed and commercialized various maritime environmental protection equipment and systems. In particular, our equipment and systems aim to help customers such as shipowners in reducing sulfur and GHG emissions. In addition, we aim to help our customers in upgrading the life quality for their ship crew members, by offering interior design and supplying equipment and systems that improve the onboard living conditions and enhance maritime operations.

Furthermore, the demand on the Group's equipment and systems is also stimulated by various requirements. For example, the IMO set a sulfur cap of 0.5% on fuel oil, effective from 2020, and introduced measures such as the EEXI and CII, effective from 2023. On July 7, 2023, the IMO revised its GHG emission reduction strategy, targeting net-zero emissions by 2050 with interim milestones. In addition, the European Union has introduced the EU Emissions Trading System for shipping, starting in 2024, and the upcoming FuelEU Maritime regulations for 2025. The ever-evolving ESG regulatory framework contributed, and will continue to contribute, to the growth of the maritime environmental protection equipment and system market.

According to Frost & Sullivan, the global maritime environmental protection equipment and system market increased from US\$753.4 million in 2017 to US\$3,102.2 million in 2023, representing a CAGR of 26.6%, and is expected to increase to US\$11,384.1 million in 2028, representing a CAGR of 29.7% from 2023 to 2028. We believe that our equipment and systems and business can benefit from the potential growth in the global maritime environmental protection equipment and system market.

Our equipment and systems

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.

BUSINESS

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

<u>Customer demand</u>	<u>Our business segments</u>	<u>Our key products or services under each business segment</u>
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 open-loop 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, pre-shrouded vanes, hub vortex absorbed fins, wind deflector, etc.
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)	<ul style="list-style-type: none"> (i) Low-flashpoint fuel supply system (“LFSS”) (for methanol) (ii) Fuel gas supply system (for LNG/LEG) (“FGSS”)
Pursuit of environmental sustainability, operational efficiency, and social engagement, among others	Maritime services (which improve the onboard living environment and streamline maritime operations)	<ul style="list-style-type: none"> (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.

BUSINESS

Notes:

- (1) The IMO's Marine Environment Protection Committee ("MEPC") meeting in 2016 reduced the upper limit of sulfur content in ships' fuel from 3.5% to 0.5%, effective from January 1, 2020. According to Frost & Sullivan, the price of low-sulfur fuel was higher than that of high-sulfur fuel from 2016 to 2023, and this price spread is expected to be maintained from 2024 to 2028. 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 R&D Capability

We are recognized as a national high-tech enterprise (國家級高新技術企業) and a specialized, refined, distinctive, and innovative enterprise in Shanghai (上海市專精特新企業). Our R&D teams based in Shanghai and Lisbon, averaging 10 years of experience in the industry and generally holding degrees in various engineering disciplines, are integral to our project lifecycle, from conception to execution. The application and feedback accumulated from our projects help us to improve and refine our R&D strategies. With our R&D teams based in Shanghai and Lisbon, we capitalize on domestic maritime expertise and the mature European maritime environmental protection equipment and system industry. Our products have received certifications from major maritime classification societies, ensuring compliance with international standards.

Our production facility

Our production facility is strategically located in Nantong, Jiangsu, near Shanghai, and is part of the Yangtze River Delta, one of the largest global economic zones. We employ a "sales-oriented production" model, which is a demand-driven approach intended to align our production planning with sales order volumes and aims to minimize the risk of overproduction and excess inventory. We produce essential and core components of our ship exhaust gas cleaning systems in our production facility, including scrubbers, control systems, water quality analyzers and flue gas valves, among others, and certain components of our other equipment and systems. With our own production facility, we believe we improve both product quality control and cost efficiencies through better control on the production process.

Our service network and customer base

We offer customers comprehensive services, from pre-sale technical consultations to after-sale maintenance through our global service network. Our global service network includes the service centers based in Shanghai and Singapore, and we also provide services worldwide through our service contractor. In addition, we have built an expanding global customer base leveraging our global service network.

BUSINESS

Our financial performance

During the Track Record Period, we have achieved strong financial growth. Our revenue increased by 90.2% from RMB140.5 million in 2021 to RMB267.2 million in 2022, and further increased by 90.9% to RMB510.3 million in 2023. Our revenue increased by 53.2% from RMB219.6 million for the six months ended June 30, 2023 to RMB336.5 million for the six months ended June 30, 2024. Our net profit increased from RMB12.8 million in 2021 to RMB36.8 million in 2022, and further significantly increased to RMB120.5 million in 2023. Our net profit increased by 65.1% from RMB49.7 million for the six months ended June 30, 2023, to RMB82.1 million for the six months ended June 30, 2024.

The following table sets forth our revenue generated from different business segments and their corresponding percentages of total revenue for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2021		2022		2023		2023		2024	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	<i>(Unaudited)</i>									
Marine exhaust gas cleaning systems	110,528	78.7	172,835	64.7	341,180	66.8	175,383	79.9	204,402	60.7
Marine energy-saving devices ⁽¹⁾	—	—	14,961	5.6	58,031	11.4	16,361	7.4	22,557	6.7
Marine clean-energy supply systems	—	—	7,736	2.9	5,552	1.1	1,079	0.5	13,288	4.0
Maritime services	29,993	21.3	71,701	26.8	105,492	20.7	26,733	12.2	96,219	28.6
Total	140,521	100.0	267,233	100.0	510,255	100.0	219,556	100.0	336,466	100.0

Note:

- (1) Other than energy-saving devices, we have developed carbon reduction systems. However, we did not generate revenue from carbon reduction systems during the Track Record Period and up to the Latest Practicable Date.

Market opportunities

The IMO and other global regulators play a pivotal role in shaping maritime ESG regulations, which most jurisdictions tend to adopt due to the international nature of shipping and the need for standardized practices. Failure to adhere can result in significant penalties, including denial of docking privileges, which can have severe financial and operational repercussions for shipping companies.

To align with these stringent regulations, shipowners and ship builders have several options at their disposal, which our equipment and systems mostly cover. First, the installation of ship exhaust gas cleaning systems allows ships to continue using the more economical high-sulfur fuel by cleaning emissions before they are released into the atmosphere. According to Frost & Sullivan, the price of low-sulfur fuel was higher than that of high-sulfur fuel from 2016 to 2023, and this price spread is expected to be maintained from 2024 to 2028. Besides, the cost-savings achieved from continuing use of the more economical high-sulfur fuel also far exceed the required upfront investment and future maintenance. Second, the transition to low-sulfur fuel is a straightforward approach to compliance, although with higher ongoing fuel costs and unstandardized mix during oil production, which may cause a relatively higher level of damage to the ship engine during sailing. Lastly, the adoption of new energy sources, such as LNG, methanol and ammonia, represents the most sustainable system yet it incurs significant costs due to necessary modifications to the ship's power and fuel supply systems, such as converting diesel engines to dual-fuel engines and updating the energy supply systems. Currently, shipowners and ship builders predominantly opt for installation of ship exhaust gas cleaning

BUSINESS

systems due to their cost-effectiveness and the ability to retrofit in-service ships, making it a more practical and efficient system for the short to medium term. However, as technology advances and regulations tighten, the long-term trend is expected to shift towards new energy sources. In addition to marine exhaust gas cleaning systems, we also offer marine energy-saving, marine clean-energy supply systems and maritime services. We believe we are well-positioned to seize the current and future significant market opportunities driven by the evolving maritime environmental protection requirements and initiatives.

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

We ranked third among ship exhaust gas cleaning system providers based in China and fourth among all ship exhaust gas cleaning system providers in the world in terms of the volume of total number of completed orders during 2023 and the cumulative on-hand orders as of December 31, 2023 for ship exhaust gas cleaning systems according to Frost & Sullivan.

Our equipment and systems help our customers to pursue more effective and sustainable business operations. In addition, the demand on the Group's equipment and systems is also stimulated by various requirements. For example, the IMO set a sulfur cap of 0.5% on fuel oil, effective from 2020, and introduced measures such as the EEXI and CII, effective from 2023. On July 7, 2023, the IMO revised its GHG emission reduction strategy, targeting net-zero emissions by 2050 with interim milestones. In addition, the European Union has introduced the EU Emissions Trading System for shipping, starting in 2024, and the upcoming FuelEU Maritime regulations for 2025. The ever-evolving ESG regulatory framework contributed, and will continue to contribute, to the sales growth of our equipment and systems.

The global maritime environmental protection equipment and system market increased from US\$753.4 million in 2017 to US\$3,102.2 million in 2023, representing a CAGR of 26.6%, and is expected to increase to US\$11,384.1 million in 2028, representing a CAGR of 29.7% from 2023 to 2028, according to Frost & Sullivan. As one of the players in this field, we are set to benefit from the growth potential in this market. Our revenue increased from RMB140.5 million for the year ended December 31, 2021, to RMB510.3 million for the year ended December 31, 2023, representing a CAGR of 90.6%, which significantly outpaced the industry average CAGR of 9.3%, according to Frost & Sullivan.

R&D and innovation capability to capture fast changing market demand

Our R&D and innovation capability allows us to develop equipment and systems to help shipowners and ship builders to address the evolving demand and their unique needs. For example, our core product, the ship exhaust gas cleaning systems, has undergone four generations of upgrades and each generation is characterized by improvements in desulfurization efficiency. Furthermore, the core component of our ship exhaust gas cleaning systems, the scrubber, features a lightweight design which reduces the power consumption of the ship. In addition, we have modularized our products to shorten the installation time, saving shipowners' time and cost on interruption in their ships' operation.

Our R&D team is deeply involved throughout the lifecycle of our new projects: from the outset, where it engages in the conception and development of equipment and systems tailored to customer specifications, to the ongoing execution, where it ensures alignment with project objectives. The application and feedback accumulated from these projects help us to improve and refine our R&D strategies. For example, during the N₂ generator system commissioning, our R&D team, after identifying various issues, added a smart pneumatic double-block and bleed unit to the design to prevent hazardous gas backflow and enable remote operation by crew members.

Our R&D center and R&D team in Shanghai are pivotal to our innovation strategy. Our Shanghai R&D Center participates in our project initiation and project implementation by providing their professional views and guidance. It also maintains close communication with our other departments, enabling us to offer tailored equipment and systems to meet the needs of our customers. Our Shanghai R&D team focuses on the development and implementation of advanced technologies, such as the N₂ generator project. Meanwhile, our R&D team based in Lisbon has engineering resources consisting of eight members as of June 30, 2024, including six R&D staff, one engineer in charge of providing technical services including on board inspections and maintenance and providing support to R&D staff and one administration staff who supported the R&D team. All the six R&D staff hold master's degrees, covering disciplines such as automation, control and instrumentation engineering, inorganic and biomedical chemistry, and science and chemical engineering. Each of the two R&D teams can conduct R&D work independently. In addition, our R&D teams based in Shanghai and Lisbon also collaborate in the creation of equipment and systems at different R&D stages and exchange R&D achievements, leveraging their respective strengths. For instance, our R&D team based in Shanghai was tasked with the production design and manufacturing of the LFSS, while our R&D team based in Lisbon was responsible for the principle design of the LFSS capitalizing on its technical capabilities in LFSS technology.

Furthermore, our production facility in Nantong allows us to incorporate our R&D efforts to work. For example, during the period of our development of the dual alkali-based carbon capture system, we were able to rapidly prototype and test the alkali-based carbon capture system in real-world conditions leveraging our production facility, which we believe significantly reduces the time from conception to the completion of development. We believe the approach to test new technologies under a real operating environment not only enhances our ability to innovate but also allows for continuous improvement of our products and services. Similar to the dual-alkali process, we have completed the construction, assembly, and testing of our organic amine-based carbon capture system using our production equipment by the combined efforts of our R&D team and our production facility.

BUSINESS

A strong global service network serving a diversified and quality customer base

Our service center based in Shanghai and our subsidiaries in the PRC provide services for the domestic and global market. Our service center based in Singapore provides services for the Southeast Asia market. In addition, we provide services worldwide through our service contractor, including Asia, Europe, Americas, and the Middle East. Our service centers are in charge of providing customer services and technical guidance in our global service network, and they also conduct marketing activities.

We offer customers services from pre-sale technical consultations to after-sale maintenance through our global service network. In addition, we have cultivated a global service network. Moreover, we are dedicated to maintaining a responsive communication channel, ensuring that customer feedback is acknowledged and addressed around the clock.

Our customer base now extends across multiple countries and regions, including Asia, Europe, Americas, and the Middle East, demonstrating our global reach and our customers' trust in our equipment and systems. Our customers include renowned shipowners and ship builders and their affiliates, such as Customer B as well as prominent Chinese enterprises like Shanghai Waigaoqiao Shipbuilding Co., Ltd (上海外高橋造船有限公司) and Customer D.

Comprehensive and customized maritime environmental protection equipment and systems

We are one of a few players that not only have a suite of equipment and systems consisting of marine exhaust gas cleaning systems, marine energy-saving devices as well as marine clean-energy supply systems, but also offering maritime services to cover the social aspects, including ship accommodation interior design and construction that enhance the work and living environments of the crew. With our comprehensive portfolio, we are positioned to offer our customers a customized package of equipment and systems depending on their unique needs. Our customization approach is beneficial to our customers because it allows us to tailor our equipment and systems to meet the diverse specifications and technical requirements of different ships. Each equipment and system may be customized to align with the individual ship type, customer needs, shipping routes, and ship registration. Our customization involves a process that starts with understanding the customers' needs, followed by on-site 3D scanning for modeling, leading to the development of technical proposals and drawings, which are then submitted for review and certification by maritime classification societies and customers, before proceeding to procurement, manufacturing, installation, and commissioning.

Our major customers usually procured multiple equipment and systems from us. For example, since 2018 when we first established our relationship with one of our major customers, Customer B, it has procured from us ship exhaust gas cleaning systems, energy-saving devices, and ship accommodation interior design and construction, and container ship and PCTC lashing gears under our maritime services. Another major customer who is known for its operations in the container feeder market facilitating the movement of goods from major international shipping routes to inland destinations, has also procured ship exhaust gas cleaning systems, wind deflectors and maritime services from us since we first established our relationship with it in 2021.

Strong supply chain management capability and stringent quality control

We have strong supply chain management capability which vertically integrates all key aspects of our equipment and systems. This in turn ensures our quality control. For example, we obtained from ABB Beijing Drive Systems Co., Ltd., a global electrical and automation technology supplier, an authorization for the Greater China region as a domestic motion control system integrator to use ABB's variable frequency drives (VFDs) to develop and produce electrical control systems, which is a critical part of our ship exhaust gas cleaning systems. Our development of electrical control systems in accordance with this process standard enables us to adapt to the marine application environment. Additionally, we source components and raw materials from renowned domestic and international suppliers, including seawater pumps, water quality analyzers, flue gas analyzers and nitrogen generator. Furthermore, we believe our supply chain capability grants us control over costs, quality, and scheduling, ensuring a reliable and cost-effective equipment and systems development and business operations.

In addition, our commitment to quality is facilitated through our stringent quality control. We have established a product quality control system and our production facility has received factory certifications from major maritime classification societies including Bureau Veritas RINA and Lloyd's Register for ship exhaust gas cleaning systems and related products. Our products received certifications from major maritime classification societies, including American Bureau of Shipping, Lloyd's Register, Det Norske Veritas, Bureau Veritas, Nippon Kaiji Kyokai and China Classification Society.

Through our production facility, we produce the core components of our equipment and systems including scrubbers, control systems, water quality analyzers and flue gas valves of ship exhaust gas cleaning systems, and marine and offshore gas skids in the marine clean-energy supply systems, among others. With our own production facility, we improve both product quality control and cost efficiencies through better control on the production process. We employ a "sales-oriented production" model, which is a demand-driven approach that aligns our production planning with sales order volumes. It minimizes the risk of overproduction and excess inventory.

A management team with extensive industry experience and proven track record

We have a management team with extensive experience in the maritime environmental protection equipment and system industry, which has been leading us to grow our business and market share. Our management team has an average industry experience of more than 20 years and, with its keen business insight, can accurately identify potential business opportunities. In particular, Mr. Zhou Yang, our Chairman, executive Director and one of our Co-founders, has a career that spans over two decades in the shipping and shipbuilding industries. Since September 2018, he has been leading our Company as chairman, overseeing our strategic position and corporate governance. Mr. Zhao Mingzhu, our chief executive officer, executive Director and one of our Co-founders, has had a career in the shipping and shipbuilding industries for over two decades, and is primarily responsible for the global marketing and sales of our products and global customer relationship management. In addition, Mr. Chen Zhiyuan, our executive Director, chief technology officer and one of our Co-founders, has approximately 20 years of experience in the shipping and shipbuilding industries. He oversees our technological strategy, R&D, quality control, process optimization, and the enhancement of technological efficiency and competitiveness. Our management team's proven track record is a testament to its vision and execution capabilities. It has consistently demonstrated its ability to identify and capitalize on business opportunities, particularly in the evolving landscape of maritime environmental protection equipment and systems. Its strategic foresight has been instrumental in maintaining our position in the industry.

BUSINESS

The foundation of our success is also attributed to our skilled engineers and technical staff who are dedicated to the research, design, integration, commissioning, and maintenance of our equipment and systems. Our experienced engineers and staff are critical to the efficient and effective execution of our projects.

OUR STRATEGIES

We plan to further strengthen our position as a maritime environmental protection equipment and system provider by implementing the following business strategies:

Further expand investments in R&D and technological innovation and continue to enrich our equipment and systems

As a maritime environmental protection equipment and system provider, the expansion of investments in R&D and technological innovation is pivotal for maintaining a competitive edge and fostering sustainable growth. We will continuously analyze market trends and forecast future developments in the maritime environmental protection equipment and system industry, which involves investing in market research to understand emerging technologies, evolving regulations, and customer needs.

- Marine energy-saving devices: We are developing the rotor sailing system, waste heat recovery system and optimizing the development of carbon capture system;
- Marine clean-energy supply systems: Building on our experience with low-carbon fuels such as LNG and methanol, we are expanding our development efforts to include zero-carbon fuels like ammonia. Our goal is to pioneer further applications of these cleaner energy sources and thereby capture market opportunities in the future. We will focus on the development of our marine clean-energy supply systems, particularly LFSS (for ammonia), aiming to finalize by 2026; and
- Maritime services: We are progressively investing in the development of maritime services that will enhance safety and efficiency, including the PCTC thermal run-away detector system.

By expanding our product and service offerings, we aim to capture market opportunities presented by the ESG regulatory framework and initiatives related to maritime environmental protection. For further details of our pipeline products, see “— Pipeline products” under this section.

BUSINESS

In addition, we plan to 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. Because our equipment and systems utilized on ships, it is critical to have a ship as our maritime R&D platform to demonstrate the safety, reliability and effectiveness of our equipment and systems in real life operation without having to install our equipment and systems on our customers' ships which may interrupt their shipping itinerary. Such maritime R&D platform will also enable us reach out potential customers worldwide in a more flexible way through reaching various ports. During calls at major ports, it can showcase our equipment and systems including pipeline products to both existing and potential customers. By showing the real operation of our equipment and systems on the ship, we expect to gain more customers' confidence and facilitate their decision-making process regarding the purchases on our new equipment and systems. The maritime R&D platform will be instrumental in the development, testing, and validation of our pipeline products, accelerating their market introduction. It will also enable customers to experience the features and advantages of our new equipment and systems in operation, rather than through viewing diagrams or models.

Furthermore, we will continue to develop our patent strategy to protect IP rights and invest in expanding the IP portfolio to include new inventions and improvements in maritime environmental protection equipment and system technologies.

We intend to apply part of the proceeds from the Global Offering for our R&D. See "Future Plans and Use of Proceeds — Use of proceeds" for further details.

Strengthen marketing capabilities and expand customer outreach globally

To fortify our competitive position, we plan to further penetrate the maritime environmental protection equipment and system market by, among others, leveraging our competitive advantages to attract new customers within and beyond our existing geographic coverage.

We intend to establish four service centers in key international shipping hubs and ports, and along major trade routes, including the cities in Asia, Europe and the Middle East, to facilitate market outreach and after-sales services to better serve our customers wherever they are. In addition, our new service centers can provide more comprehensive customer services and provide technical guidance in our global service network, and they can also conduct marketing activities. We will also upgrade our service centers, including recruiting more staff and relocating to new premises with similar size to accommodate showrooms to showcase our product models. We intend to apply part of the proceeds from the Global Offering for establishing new service centers and upgrading our existing service centers. See "Future Plans and Use of Proceeds — Use of proceeds" for further details.

Furthermore, we also plan to launch targeted marketing campaigns to enhance our visibility in the industry globally. We will actively participate in international maritime environmental protection, marine energy-saving and marine clean-energy conferences, trade shows, and exhibitions to showcase our offerings and global service network to potential customers and partners.

By implementing these strategies, we aim to not only strengthen our marketing capabilities but also to significantly expand our customer outreach on a global scale.

Further strengthen our manufacturing capability

In order to address the consistently high utilization rate at our production facility in Nantong as well as the potential launch of our new equipment and systems, we plan to lease a production facility in Mainland China or Southeast Asia, with the location to be determined by 2025 following an extensive research. The production facility will mainly be used for manufacturing our existing and future products under our marine energy-saving devices, marine clean-energy supply systems and maritime services. The selection criteria for the location include a stable political and trade environment, supportive policies, convenient transportation, competitive labor and energy costs, rich resources of competent personnel, a well-established supply chain, and easy access to ports. After the determination of the location, we will start to negotiate commercial terms with relevant parties and execute relevant necessary procedures before operation, such as obtaining the required permits and approvals from regulatory authorities, purchasing the production equipment and employing competent staffs. We intend to apply part of the proceeds from the Global Offering for leasing the production facility. See “Future Plans and Use of Proceeds — Use of proceeds” for further details.

Moreover, we plan to continue to explore the possibility of entering into long-term contracts with key suppliers, which could include volume commitments. To mitigate risks associated with supplier dependency, we will look to diversify our supplier base. This will involve identifying and qualifying additional suppliers who can meet our standards for quality and reliability. These arrangements can lead to cost savings and provide both parties with stability and predictability.

Pursue strategic merger and acquisition or establish strategic partnerships to strengthen our market position or expand our equipment and systems

To fortify our market position and broaden our equipment and systems, we will actively seek strategic merger and acquisition that align with our core competencies and strategic objectives. We will conduct a comprehensive analysis of the maritime environmental protection equipment and system sector to identify potential targets that complement or enhance our equipment and systems, as well as our R&D capability. Our selection criteria prioritize companies which possess the technologies of marine hydrogen energy-related technology. Additionally, the target should have a robust track record of innovation, and potential for synergistic integration with our existing maritime environmental protection equipment and systems. We intend to apply part of the proceeds from the Global Offering for mergers and acquisitions. See “Future Plans and Use of Proceeds — Use of proceeds” for further details. As at the Latest Practicable Date, we did not identify any potential target.

We will also seek to establish strategic partnerships that can provide access to new markets, technologies, and expertise. We aim to attract strategic investments from the shipping industry, and are also considering partnerships or potential acquisitions of European companies specializing in advanced maritime environmental protection equipment and system technologies. We will establish clear governance structures for our partnerships to ensure that both parties adhere to joint objectives and that there is accountability for delivering results.

By pursuing both strategic merger and acquisition and establishing strategic partnerships, we aim to solidify our market position and expand our equipment and systems. This dual approach will be executed with a focus on creating sustainable value for our Shareholders and customers.

BUSINESS

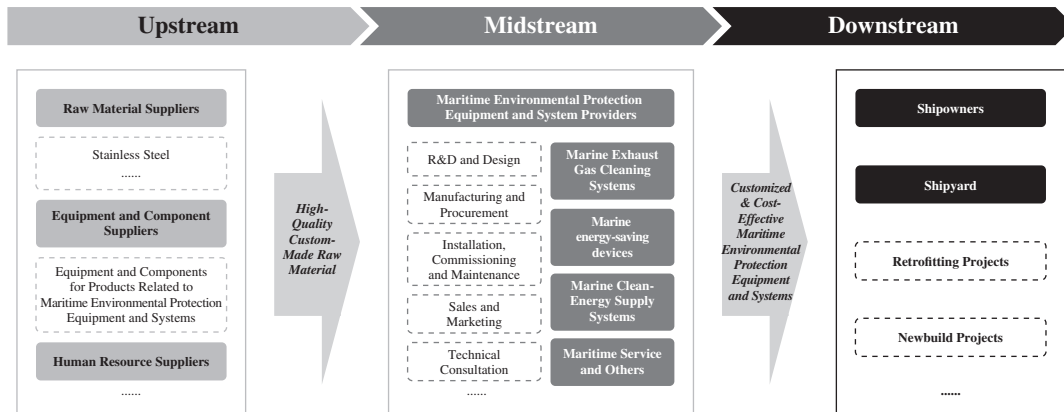
OUR BUSINESS MODEL

We are a PRC-based maritime environmental protection equipment and system provider serving customers from different regions. We provide customized maritime environmental protection equipment and systems to customers mainly including shipowners, ship management companies which manage the ships for the shipowners or ship-owning SPVs, as well as ship builders. We serve our customers through our service centers based in Shanghai and Singapore. In addition, we provide worldwide services through our service contractor.

We have a production facility in Nantong, Jiangsu province, through which we mainly produce equipment for our marine exhaust gas cleaning systems, and we source product components and other products from suppliers and OEMs.

The global maritime environmental protection equipment and system market is mainly driven by the global and national requirements related to maritime environmental protection and our equipment and systems empower our customers to comply with environmental regulations and improve their overall sustainability performance.

The following diagram shows our business activities in the maritime environmental protection equipment and system industry:



Source: Frost & Sullivan Report

BUSINESS

The upstream of the maritime environmental protection equipment and system industry relies on, among others, (i) raw material suppliers providing essential materials such as stainless steel; and (ii) equipment and component suppliers producing products related to maritime environmental protection equipment and systems such as scrubbers, carbon capture devices, fuel supply devices, fuel pipeline, etc.. In the midstream of the industry, maritime environmental protection equipment and system providers including us offer a range of products and services including R&D and design, manufacturing and procurement, installation, commissioning and maintenance, sales and marketing, and technical consultation, etc. In the downstream of the industry, shipowners, shipyards and maritime environmental protection equipment and system providers cooperate to integrate these customized and cost-effective maritime environmental protection equipment and systems into newbuildings or retrofit in-service ships to meet environmental standards and improve efficiency.

The following table sets forth our revenue generated from different business segments by ship types and their corresponding percentages of total revenue for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2021		2022		2023		2023		2024	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	<i>(Unaudited)</i>									
Marine exhaust gas cleaning systems	110,528	78.7	172,835	64.7	341,180	66.8	175,383	79.9	204,402	60.7
Ship exhaust gas cleaning systems	98,960	70.4	148,282	55.5	318,987	62.5	167,016	76.1	193,628	57.5
— Retrofit in-service ships	85,600	60.9	114,933	43.0	205,029	40.2	151,183	68.9	26,977	8.0
— Newbuildings	13,360	9.5	33,349	12.5	113,958	22.3	15,833	7.2	166,651	49.5
Spare parts ⁽¹⁾	11,568	8.3	24,553	9.2	22,193	4.3	8,367	3.8	10,774	3.2
— Retrofit in-service ships	11,568	8.3	24,553	9.2	21,998	4.3	8,367	3.8	10,232	3.0
— Newbuildings	—	—	—	—	195	0.0	—	—	542	0.2
Marine energy-saving devices⁽²⁾	—	—	14,961	5.6	58,031	11.4	16,361	7.4	22,557	6.7
— Retrofit in-service ships	—	—	14,961	5.6	56,759	11.2	16,361	7.4	20,861	6.2
— Newbuildings	—	—	—	—	1,272	0.2	—	—	1,696	0.5
Marine clean-energy supply systems	—	—	7,736	2.9	5,552	1.1	1,079	0.5	13,288	4.0
— Retrofit in-service ships	—	—	—	—	—	—	—	—	—	—
— Newbuildings	—	—	7,736	2.9	5,552	1.1	1,079	0.5	13,288	4.0
Maritime services	29,993	21.3	71,701	26.8	105,492	20.7	26,733	12.2	96,219	28.6
Ship accommodation interior design and construction	17,701	12.6	37,375	13.9	50,761	9.9	12,732	5.8	60,338	17.9
— Retrofit in-service ships	13,743	9.8	21,939	8.2	8,688	1.7	2,990	1.4	10,638	3.2
— Newbuildings	3,958	2.8	15,436	5.7	42,073	8.2	9,742	4.4	49,700	14.7
Container ship and PCTC lashing gears	11,155	7.9	22,388	8.4	33,408	6.6	9,542	4.3	30,869	9.2
— Retrofit in-service ships	11,155	7.9	22,388	8.4	4,032	0.8	2,228	1.0	3,610	1.1
— Newbuildings	—	—	—	—	29,376	5.8	7,314	3.3	27,259	8.1
Other maritime services ⁽³⁾	1,137	0.8	11,938	4.5	21,323	4.2	4,459	2.1	5,012	1.5
Total	140,521	100.0	267,233	100.0	510,255	100.0	219,556	100.0	336,466	100.0

BUSINESS

Notes:

- (1) Spare parts include parts of the ship exhaust gas cleaning systems purchased by customers as spares or for product replacement beyond the warranty period.
- (2) Other than energy-saving devices, we have developed carbon reduction systems. However, we did not generate revenue from carbon reduction systems during the Track Record Period and up to the Latest Practicable Date.
- (3) Other maritime services include (i) maritime equipment and spare parts, including hydro blasting machines, hydroponic vegetable cabinets, flue gas valves, prefabricated cabin transformers, etc., (ii) personal protective equipment for crew members, (iii) ship retrofitting and ship repair supervision services, and (iv) ship cyber security software and hardware, etc. Other maritime services refer to products we mostly sold to equipment manufacturer customers, the final use of which were unknown to us. Due to the lack of knowledge, we are unable to provide breakdown by types of ships.

The following table sets forth our revenue generated from different business segments by customer types and their corresponding percentages of total revenue for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2021		2022		2023		2023		2024	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	<i>(Unaudited)</i>									
Marine exhaust gas cleaning systems	110,528	78.7	172,835	64.7	341,180	66.8	175,383	79.9	204,402	60.7
Ship exhaust gas cleaning systems	98,960	70.4	148,282	55.5	318,987	62.5	167,016	76.1	193,628	57.5
— Ship builders	13,360	9.5	—	—	41,929	8.2	10,110	4.6	129,158	38.3
— Shipowners/Ship management companies ⁽¹⁾	85,600	60.9	148,282	55.5	277,058	54.3	156,906	71.5	64,470	19.2
Spare parts ⁽²⁾	11,568	8.3	24,553	9.2	22,193	4.3	8,367	3.8	10,774	3.2
— Ship builders	55	0.0	—	—	1	0.0	231	0.1	102	0.0
— Shipowners/Ship management companies ⁽¹⁾	11,174	8.1	23,644	8.9	22,052	4.3	8,043	3.7	10,668	3.2
— Others ⁽³⁾	339	0.2	909	0.3	140	0.0	93	0.0	4	0.0
Marine energy-saving devices⁽⁴⁾	—	—	14,961	5.6	58,031	11.4	16,361	7.4	22,557	6.7
— Ship builders	—	—	—	—	1,272	0.2	—	—	1,696	0.5
— Shipowners/Ship management companies ⁽¹⁾	—	—	14,961	5.6	56,759	11.2	16,361	7.4	20,861	6.2

BUSINESS

	For the year ended December 31,						For the six months ended June 30,			
	2021		2022		2023		2023		2024	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	<i>(Unaudited)</i>									
Marine clean-energy supply systems	—	—	7,736	2.9	5,552	1.1	1,079	0.5	13,288	4.0
— Ship builders	—	—	6,130	2.3	4,141	0.9	870	0.4	11,876	3.6
— Shipowners/Ship management companies ⁽¹⁾	—	—	1,005	0.4	679	0.1	209	0.1	346	0.1
— Others ⁽³⁾	—	—	601	0.2	732	0.1	—	—	1,066	0.3
Maritime services	29,993	21.3	71,701	26.8	105,492	20.7	26,733	12.2	96,219	28.6
Ship accommodation interior design and construction	17,701	12.6	37,375	13.9	50,761	9.9	12,732	5.8	60,338	17.9
— Ship builders	6,230	4.4	21,532	8.0	34,131	6.6	7,739	3.5	43,016	12.8
— Shipowners/Ship management companies ⁽¹⁾	11,468	8.2	15,838	5.9	16,614	3.3	4,993	2.3	15,518	4.6
— Others ⁽³⁾	3	0.0	5	0.0	16	0.0	—	—	1,804	0.5
Container ship and PCTC lashing gear	11,155	7.9	22,388	8.4	33,408	6.6	9,542	4.3	30,869	9.2
— Ship builders	—	—	—	—	—	—	—	—	—	—
— Shipowners/Ship management companies ⁽¹⁾	11,155	7.9	19,534	7.3	31,292	6.2	7,469	3.4	30,858	9.2
— Others ⁽³⁾	—	—	2,854	1.1	2,116	0.4	2,073	0.9	11	0.0
Other maritime services ⁽⁵⁾	1,137	0.8	11,938	4.5	21,323	4.2	4,459	2.1	5,012	1.5
— Ship builders	—	—	80	0.0	5,986	1.2	—	—	—	—
— Shipowners/Ship management companies ⁽¹⁾	—	—	—	—	—	—	—	—	938	0.3
— Others ⁽³⁾	1,137	0.8	11,858	4.5	15,337	3.0	4,459	2.1	4,074	1.2
Total	<u>140,521</u>	<u>100.0</u>	<u>267,233</u>	<u>100.0</u>	<u>510,255</u>	<u>100.0</u>	<u>219,556</u>	<u>100.0</u>	<u>336,466</u>	<u>100.0</u>

BUSINESS

Notes:

- (1) Because ship management companies manage the ships for the shipowners and in some cases on behalf of the shipowners enter into the contracts with us, we did not distinguish revenue from shipowners and revenue from ship management companies during the Track Record Period. The daily operations of the ships are either managed by the shipowners or the ship management companies, which do not affect the way we provide or charge for our products and services.
- (2) Spare parts include parts of the ship exhaust gas cleaning systems purchased by customers as spares or for product replacement beyond the warranty period.
- (3) Others mainly include the revenue from the sales to equipment manufacturers.
- (4) Other than energy-saving devices, we have developed carbon reduction systems. However, we did not generate revenue from carbon reduction systems during the Track Record Period and up to the Latest Practicable Date.
- (5) Other maritime services include (i) maritime equipment and spare parts, including hydro blasting machines, hydroponic vegetable cabinets, flue gas valves, prefabricated cabin transformers, etc., (ii) personal protective equipment for crew members, (iii) ship retrofitting and ship repair supervision services, and (iv) ship cyber security software and hardware, etc.

We were established in 2017 with primary focus on providing marine exhaust gas cleaning systems and we continued to expand into other maritime equipment and systems. During each year or period of the Track Record Period, our marine exhaust gas cleaning systems continued to account for the largest business segment, contributing 78.7%, 64.7%, 66.8% and 60.7%, respectively, of the total revenue for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024. Such decreasing revenue contribution reflects the implementation of our strategy to diversify our equipment and system portfolio.

Specifically, the revenue generated from maritime services accounted for 21.3%, 26.8%, 20.7% and 28.6%, respectively, of the total revenue for the years ended December 31, 2021, 2022 and 2023 and six months ended June 30, 2024. The increase in revenue contribution from maritime services during the Track Record Period was primarily attributed to (i) a rise in completed orders with higher sales prices, primarily due to the surge of newbuildings orders driven by a shortage of shipping capacity and higher ocean freight rates, necessitating more ship accommodation interior design and construction as well as lashing gears, (ii) an increased emphasis by ship builders and shipowners on improving onboard living conditions to attract and retain crew members amidst a labor shortage, leading to higher demand for our maritime services, and (iii) the historic surging container shipping freight rates and the corresponding rise in shipowners' investments in the container ships, leading to increased demand for our container ship and PCTC lashing gears.

During the Track Record Period, our strategy for securing contracts for maritime services primarily involved leveraging relationships with existing customers and actively seeking new business opportunities through trade shows, business negotiations and visits as appropriate. During the Track Record Period, the majority of our revenue from maritime service was generated from orders placed by several existing customers from marine exhaust gas cleaning system segment while the rest was placed by new customers. We aim to seize all opportunities to cross sell maritime services to our existing customers of the other business segments.

BUSINESS

We had the movement of order backlog (by order number and value) and amounts to be recognized as revenue subsequent to November 27, 2024 as follows:

- (i) Marine exhaust gas cleaning systems: we had 263 orders on hand as of November 27, 2024, including 24 orders for ship exhaust gas cleaning systems and 239 orders for spare parts, with a total contract value of RMB174.4 million, of which 188 orders, including four orders for ship exhaust gas cleaning systems and 184 orders for spare parts, with a total contract value of RMB45.2 million are estimated to be completed for the two months ending December 31, 2024. The rest of 64 orders (consisting of 18 orders for systems and 46 orders for spare parts) and 11 orders (consisting of two orders for systems and nine orders for spare parts) with a total contract value of RMB113.9 million and RMB15.3 million are estimated to be completed in 2025 and 2026, respectively.
- (ii) Marine energy-saving devices: we had 27 orders on hand with a total contract value of RMB35.4 million as of November 27, 2024, of which 19 orders with a total contract value of RMB24.5 million are estimated to be completed for the two months ending December 31, 2024. The rest of eight orders with a total contract value of RMB10.9 million are estimated to be completed in 2025.
- (iii) Marine clean-energy supply systems: we had 70 orders on hand with a total contract value of RMB134.5 million as of November 27, 2024, of which 16 orders with a total contract value of RMB30.9 million are estimated to be completed for the two months ending December 31, 2024. The rest of 41 and 13 orders with a total contract value of RMB79.7 million and RMB23.9 million are estimated to be completed in 2025 and 2026, respectively.
- (iv) Maritime services: we had 1,297 orders on hand with a total contract value of RMB258.1 million as of November 27, 2024, of which 577 orders with a total contract value of RMB35.8 million are estimated to be completed for the two months ending December 31, 2024. The rest of 488, 222, eight and two orders with a total contract value of RMB124.4 million, RMB59.0 million, RMB30.2 million and RMB8.7 million are estimated to be completed in 2025, 2026, 2027 and 2028, respectively.

OUR EQUIPMENT AND SYSTEMS

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 demand. The equipment and systems include marine exhaust gas cleaning systems, marine energy-saving devices, marine clean-energy supply systems, and maritime services. We also customize our equipment and systems to tailor to the unique needs of each customer. This approach is particularly advantageous because the specifications and technical requirements can vary significantly from one ship to another.

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

<u>Customer demand</u>	<u>Our business segments</u>	<u>Our key products or services under each business segment</u>
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 open-loop and hybrid types)

BUSINESS

<u>Customer demand</u>	<u>Our business segments</u>	<u>Our key products or services under each business segment</u>
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, pre-shrouded vanes, hub vortex absorbed fins, wind deflector, etc.
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) LFSS (for methanol) (ii) FGSS
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 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 January 1, 2020. According to Frost & Sullivan, the price of low-sulfur fuel was higher than that of high-sulfur fuel from 2016 to 2023, and this price spread is expected to be maintained from 2024 to 2028. 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.

BUSINESS

The following table sets forth the number of orders we completed under the relevant lines of business during the Track Record Period:

	For the year ended December 31,			For the six months ended June 30,	
	2021	2022	2023	2023	2024
	Marine exhaust gas cleaning systems⁽¹⁾	9	14	37	19
Marine energy-saving devices⁽²⁾	—	9	25	8	15
Marine clean-energy supply systems	—	9	6	2	10
Maritime services	258	462	989	324	728
— Ship accommodation interior design and construction	160	371	739	215	454
— Container ship and PCTC lashing gears	95	73	82	50	87
— Other maritime services ⁽³⁾	3	18	168	59	187

Notes:

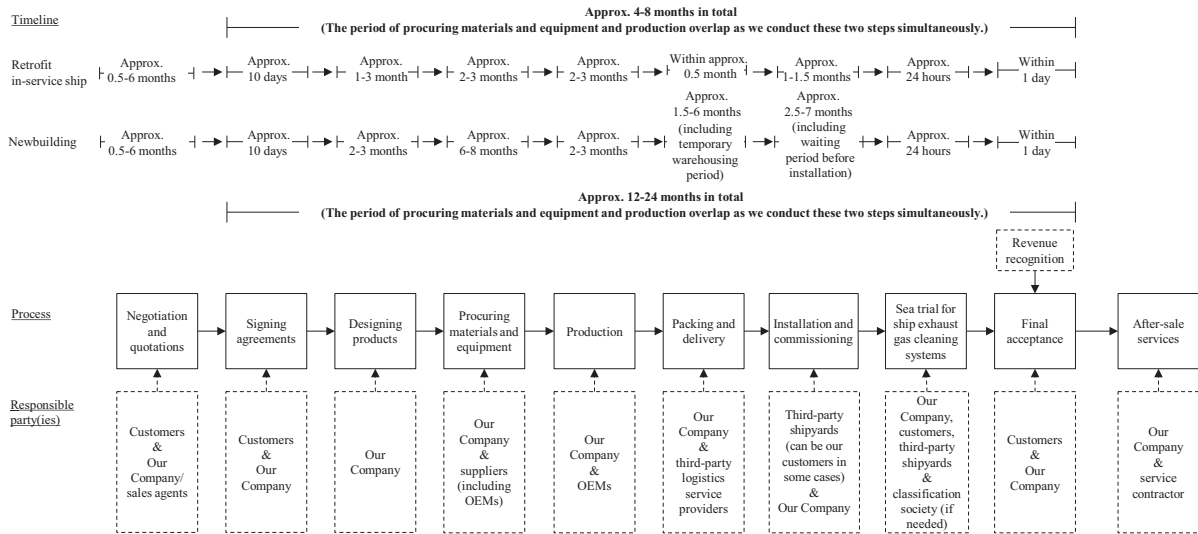
- (1) The number of completed orders only reflects those related to our ship exhaust gas cleaning systems because they accounted for the vast majority of our revenue from the marine exhaust gas cleaning systems while the rest of the completed orders mainly relate to spare parts of our systems.
- (2) Other than energy-saving devices, we have developed carbon reduction systems. However, no carbon reduction system was installed during the Track Record Period and up to the Latest Practicable Date.
- (3) Other maritime services include (i) maritime equipment and spare parts, including hydro blasting machines, hydroponic vegetable cabinets, flue gas valves, prefabricated cabin transformers, etc., (ii) personal protective equipment for crew members, (iii) ship retrofitting and ship repair supervision services, and (iv) ship cyber security software and hardware, etc.
- (4) In general, for marine exhaust gas cleaning systems, marine energy-saving devices and marine clean-energy supply systems, a single order involves only one ship. For our maritime services, including the ship accommodation interior design and construction sub-segment, a single order may involve one or multiple ships because customers may order the same equipment for their multiple ships in one order.

Marine exhaust gas cleaning systems

Our marine exhaust gas cleaning systems aim to reduce sulfur emissions from ships and mainly include ship exhaust gas cleaning systems and the spare parts of the products in the system which we mainly provide to our customers of the systems occasionally. Our marine exhaust gas cleaning systems accounted for the majority of our revenue, and represented 78.7%, 64.7%, 66.8% and 60.7% of our revenue for 2021, 2022 and 2023, and the six months ended June 30, 2024, respectively. Our ship exhaust gas cleaning systems have undergone four generations of upgrades to meet customer needs and are characterized by stability, reliability, low energy consumption, and high efficiency in desulfurization reactions. Furthermore, the core component of our ship exhaust gas cleaning systems, the scrubber, features a lightweight design which reduces the power consumption of the ship. In addition, when we design ship exhaust gas cleaning systems, we customize the products by taking into account each ship's operation patterns to make our systems more energy efficient.

BUSINESS

The following flowchart sets forth the operation and transaction workflow of marine exhaust gas cleaning systems:



Following the negotiations with our customers and in some cases with the help of sales agents, we organize the quotation with customers. Ultimately, we and customers sign the relevant agreements. Internally, we prepare a project plan, and begin product design, procurement, and production according to the plan. The products are then packaged and shipped by third-party logistics service providers. Subsequently, the products are installed by the third-party shipyards or shipbuilder customers under our guidance and commissioned by us.

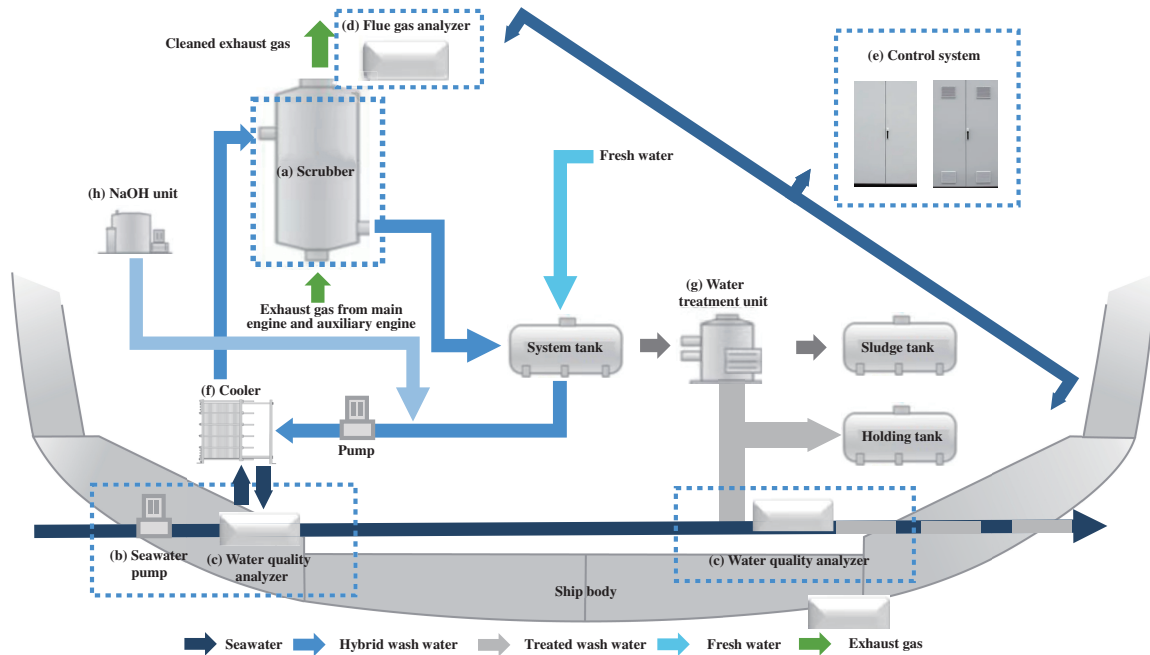
Revenue from marine exhaust gas cleaning systems is recognized when the control of the products is transferred to the customers. When a performance test, including the commissioning test and the sea trial, is required to be conducted, the control is transferred upon the award of the sea trial report. In other cases, control is transferred when the products are accepted by the customers. A sea trial is performed after we transport our products to the shipyard for installation and commissioning. The sea trial is usually attended by our engineers and customer representatives, and selectively participated in by the classification society, if needed, according to regulatory requirements. Parameters of the ship's exhaust emissions are recorded during the sea trial. Our engineers, customer representatives, and classification society (if participating) are required to jointly sign the sea trial report for confirmation. The sea trial generally takes 24 hours, excluding the round trip time for the ship to reach the designated test waters. If all parameters conform to the International Maritime Organization (IMO) requirements, the sea trial report will be signed and issued immediately after the sea trials end. However, if any parameters fail to meet the IMO requirements, we may not be able to obtain the sea trial report. As of the Latest Practicable Date, there had been no instances where we failed to obtain such a sea trial report. After final acceptance, we and service contractor provide after-sales service based on the warranty terms stipulated in the relevant agreements.

For newbuildings, the process from signing agreements to final acceptance generally takes approximately 12–24 months. For retrofit in-service ships, the process from signing agreements to final acceptance and delivery generally takes approximately four to eight months. According to Frost & Sullivan, the above project timespan is generally in line with industry norm.

Ship exhaust gas cleaning systems

Our ship exhaust gas cleaning systems are composed of various crucial components including scrubber, seawater pump, water quality analyzer, flue gas analyzer, control system, cooler, water treatment unit and NaOH unit.

The following diagram illustrates the operational process and crucial components ((a) to (h)) of our ship exhaust gas cleaning systems:



Source: Frost & Sullivan Report

Note:

- (1) All equipment within the blue dashed lines, i.e., the scrubber, the flue gas analyzer, the seawater pump, the water quality analyzer and control system, are used for all types of system (open-loop and hybrid), while the other equipment is only used for hybrid type system.

According to Frost & Sullivan, the price of low-sulfur fuel was higher than that of high-sulfur fuel from 2016 to 2023, and this price spread is expected to be maintained from 2024 to 2028. Ships that have installed ship exhaust gas cleaning systems using high-sulfur fuel can also use low-sulfur fuel. Our ship exhaust gas cleaning systems have two types: open-loop and hybrid, which target customers with different preferences of ship service patterns while ensuring that the sulfur content of the flue gas emissions meets the standards set by the International Convention for the Prevention of Pollution from Ships (“MARPOL”).

BUSINESS

Ship exhaust gas cleaning system (open-loop type)

The main product of our marine exhaust gas cleaning systems is the ship exhaust gas cleaning system (open-loop type), which primarily uses seawater as a medium. Seawater is used as an absorbent to neutralize the sulfides present in the flue gas. After the desulfurization treatment, the flue gas is released into the atmosphere, and the seawater, which has reacted with the sulfides, is discharged when the ship operates in the open sea during navigation. The open-loop type offers a cost-effective solution due to requiring fewer devices for installation and, subsequently, less device maintenance compared to the hybrid type system.

Ship exhaust gas cleaning system (hybrid type)

Our ship exhaust gas cleaning system (hybrid type) effectively combines the advantages of the “open-loop type” and “closed-loop type” systems, and can switch between different desulfurization modes according to the requirements of the navigation area. The open-loop mode of the hybrid system will be enabled when the ship is sailing in a non-emission control area, and the corresponding system operation can refer to the above-mentioned “open-loop type.” Additionally, the hybrid system will switch to closed-loop mode when the ship is sailing in an emission control area or other restricted areas; it utilizes a mixed alkaline solution as its washing medium. An alkaline solution is used as an absorbent. This absorbent neutralizes the sulfides present in the flue gas, reacting to form sulfate and water. After the desulfurization process, the cleaned flue gas is released into the atmosphere. The resulting washing waste liquid is stored in the ship’s holding tank. Ships equipped with this system can meet the stringent requirements for navigation within the emission control area, where discharging treated wash water directly into the sea is prohibited. Although we had not generated any revenue from ship exhaust gas cleaning system (hybrid type) during the Track Record Period, we received six orders of the product in November 2023, with a total contract value of approximately RMB39 million, which are expected to be completed from 2025 to 2026. All six orders are for newbuildings which take a longer time to reach final acceptance compared to retrofit in-service ships.

Crucial components of our ship exhaust gas cleaning systems

Our ship exhaust gas cleaning systems are composed of various crucial components:

<u>Device name</u>	<u>Main functions</u>
(a) Scrubber	It serves as a primary reaction unit where seawater or alkaline solution chemically interacts with exhaust gases to produce wastewater, which, after treatment, is either discharged or stored. Consequently, the cleaned flue gases are emitted into the atmosphere through the top of the tower.
(b) Seawater pump	It is utilized to supply seawater for use as washing water. The pump’s operational intensity is regulated automatically by the system. This intensity can be fine-tuned in response to variations in the volume of flue gas and the sulfur content present in high-sulfur fuel, ensuring that optimal treatment effect is achieved.

BUSINESS

<u>Device name</u>	<u>Main functions</u>
(c) Water quality analyzer	It is responsible for the continuous online monitoring and recording of water quality data at the seawater inlet and outlet. It measures parameters such as pH, turbidity, polycyclic aromatic hydrocarbons, and temperature to determine compliance with the relevant IMO standards and discharge requirements.
(d) Flue gas analyzer	It is responsible for the detection, sampling and analysis of flue gas at gas outlet.
(e) Control system	It functions to analyze and monitor the flow, pressure, temperature, and liquid level signals of seawater/alkaline solution and flue gas through intelligent sensors, automatically adjusting these sensors to ensure the desulfurization system operate stably and reliably under various working conditions. Additionally, the system is equipped to emit alarm signals in the event of a malfunction.
(f) Cooler	It serves a critical function in the cooling of washing water and the mixed alkaline solution.
(g) Water treatment unit	It activates when the concentration of the solution within the system tank and the level of residual contaminants reaches a predetermined threshold. It is responsible for separating the solution into its constituent parts.
(h) NaOH unit	It delivers lye to the ship exhaust gas cleaning system (hybrid type) accurately and quantitatively. Its primary function is to increase the alkalinity of the scrubbing solution.

Four generations of upgrades

Our ship exhaust gas cleaning systems have undergone four generations of upgrades to meet customer needs and are characterized by stability, reliability, low energy consumption, and high efficiency in desulfurization reactions. The details of each upgrade are set forth below:

	<u>First generation</u>	<u>Second generation</u>	<u>Third generation</u>	<u>Fourth generation</u>
Size	—	No change compared to the first generation	Compared to the second generation, the main tower body diameter is reduced by about 3–5%, and total height remains unchanged	Compared to the third generation, the main tower body diameter remains unchanged, and total height is reduced by about 10–15%

BUSINESS

	First generation	Second generation	Third generation	Fourth generation
Weight	—	No change compared to the first generation	Reduced by about 2–3% compared to the second generation	Reduced by about 8–12% compared to the third generation
Other equipment	—	<ul style="list-style-type: none"> The structure of the flue gas valve⁽²⁾ has been upgraded to improve the sealing performance. 	<ul style="list-style-type: none"> Freshwater pump is removed Optimized sensor, valve, and expansion joint design for a more streamlined system and easier operation 	<ul style="list-style-type: none"> Further optimized valve Flue gas valve⁽²⁾ structure is upgraded for better sealing performance Flue gas valve⁽²⁾ is added with valve seat, and purge pipe is removed
Desulfurization efficiency	>86%	>97%	>97%	>97%
Back pressure⁽¹⁾	<1500Pa	<1500Pa	<1200Pa	<1100Pa
Cost	—	Increased by about 10% compared to the first generation	Reduced by about 30% compared to the second generation	Reduced by about 10% compared to the third generation
Fillers	Single-layered	Double-layered fillers, which could enhance the capillary action, distribute the liquid evenly, improve the pressure and separation performance, and promote the desulfurization efficiency	Optimized the number and arrangement of nozzles in the scrubber, ensuring the efficiency of the desulfurization, while reducing the water consumption, and promoting energy saving	Replaced the upper layer filler of the scrubber, using a filler with a lower back pressure, which could help reduce the back pressure ⁽¹⁾

BUSINESS

Notes:

- (1) The main and auxiliary engines of ships have back pressure limits, and the total back pressure of the devices, pipes, valves, etc. connected to them must not exceed the upper limit of the engine back pressure. Properly controlling and reducing the back pressure in the ship exhaust gas cleaning systems can help decrease resistance and energy loss in the system, improving engine performance and reducing power consumption.
- (2) Flue gas valve manages the flow of exhaust gases from the ship's engines. It is not only used in ship exhaust gas cleaning systems, but also used in other equipment, such as carbon capture systems.

Desulfurization efficiency benchmarks in the market

The global maritime industry is undergoing regulatory shifts to reduce sulfur oxide emissions, driven by the IMO and regional governments. The IMO introduced the concept of “emission control areas” with the goal of regulating ship emissions by establishing specific maritime zones. Currently, there are multiple emission control areas globally, including the Baltic Sea, North Sea, the coastal waters of the United States and Canada, and the Caribbean. These areas impose a strict sulfur oxide emission limit of 0.1% m/m. On January 1, 2020, the IMO further limited sulfur content in marine fuels to no more than 0.5% m/m worldwide, outside of the emission control areas. This regulatory shift aims to reduce pollution from maritime shipping and encourages the adoption of cleaner fuels and technologies, such as exhaust gas cleaning systems, to meet the stringent emission standards.

Our ship exhaust gas cleaning systems play a crucial role in helping ships meet these stringent sulfur emission regulations. The industry generally uses high-sulfur fuel with a sulfur content of 2.5% to 3.5%. However, our ship exhaust gas cleaning systems achieve a desulfurization efficiency of 97%. This means that with the systems, the sulfur content in fuel can be reduced the most to approximately 0.1% or lower, meeting the toughest global emission requirements.

Frost & Sullivan compared the ship exhaust gas cleaning systems provided by the top 10 global providers, revealing that most leading products in the industry currently achieve a desulfurization efficiency of 97%. Therefore, in terms of product performance, our ship exhaust gas cleaning systems do not show significant differentiation from those of other comparable companies in the industry. Since a desulfurization efficiency of 97% already meets the strictest requirements in the industry, our systems align with the established standards.

Order amount range and average selling price per completed order

Our ship exhaust gas cleaning systems contributed to the majority of our revenue during each year or period of the Track Record Period. During the Track Record Period, the range of single completed order of our ship exhaust gas cleaning systems for retrofit in-service ships and newbuildings was approximately from RMB3.9 million to RMB16.4 million and from RMB6.3 million to RMB9.9 million, respectively.

BUSINESS

The following table sets forth our revenue, the number of orders we completed, and the average selling price of our ship exhaust gas cleaning systems during the Track Record Period:

	For the year ended December 31,			For the six months ended June 30,	
	2021	2022	2023	2023	2024
				<i>(Unaudited)</i>	
Revenue					
Retrofit in-service ships <i>(RMB'000)</i>	85,600	114,933	205,029	151,183	26,977
Newbuildings <i>(RMB'000)</i>	<u>13,360</u>	<u>33,349</u>	<u>113,958</u>	<u>15,833</u>	<u>166,651</u>
Total	<u><u>98,960</u></u>	<u><u>148,282</u></u>	<u><u>318,987</u></u>	<u><u>167,016</u></u>	<u><u>193,628</u></u>
Gross Profit					
Retrofit in-service ships <i>(RMB'000)</i>	29,111	46,691	106,916	74,951	10,063
Newbuildings <i>(RMB'000)</i>	<u>5,002</u>	<u>18,181</u>	<u>63,066</u>	<u>9,438</u>	<u>91,981</u>
Total	<u><u>34,113</u></u>	<u><u>64,872</u></u>	<u><u>169,982</u></u>	<u><u>84,389</u></u>	<u><u>102,044</u></u>
Gross Profit Margin					
Retrofit in-service ships <i>(%)</i>	34.0	40.6	52.1	49.6	37.3
Newbuildings <i>(%)</i>	<u>37.4</u>	<u>54.5</u>	<u>55.3</u>	<u>59.6</u>	<u>55.2</u>
Total	<u><u>34.5</u></u>	<u><u>43.7</u></u>	<u><u>53.3</u></u>	<u><u>50.5</u></u>	<u><u>52.7</u></u>
The number of completed orders					
Retrofit in-service ships <i>(unit)</i>	7	10	24	17	4
Newbuildings <i>(unit)</i>	<u>2</u>	<u>4</u>	<u>13</u>	<u>2</u>	<u>21</u>
Total	<u><u>9</u></u>	<u><u>14</u></u>	<u><u>37</u></u>	<u><u>19</u></u>	<u><u>25</u></u>
Average selling price					
Retrofit in-service ships <i>(RMB'000)</i>	12,229	11,493	8,543	8,893	6,744
Newbuildings <i>(RMB'000)</i>	<u>6,680</u>	<u>8,337</u>	<u>8,766</u>	<u>7,917</u>	<u>7,936</u>
Average selling price	10,996	10,592	8,621	8,790	7,745

During the Track Record Period, the gross profit margin of our ship exhaust gas cleaning systems for newbuildings was generally higher than that for retrofit in-service ships, mainly because newbuildings often came in series with similar design, allowing us to share and save on design costs, as opposed to retrofit in-service ships, which may incur design costs such as those related to 3D scanning provided by external suppliers and modification designs.

BUSINESS

In 2022, the gross profit margin of our ship exhaust gas cleaning systems for retrofit in-service ships was much lower than that for newbuildings, mainly because we procured the tower bodies from the OEMs for certain orders related to retrofit in-service ships we obtained in 2020 rather than manufacturing ourselves. We have commenced our commercial production only since June 2021, so we placed orders with OEMs to meet the original delivery schedule for certain orders related to retrofit in-service ships before such production. However, delays in the delivery and installation schedules of such ships led to the completion of these orders in 2022 along with the relevant revenue recognition, resulting in a relatively lower gross profit margin for the year.

In 2023, the gross profit margin of our ship exhaust gas cleaning systems for retrofit in-service ships was similar to that for newbuildings, mainly because (i) we completed several orders related to retrofit in-service ships with tight delivery schedule and charged higher sales prices, leading to relatively higher gross profit margin, and (ii) in the second half of 2023 we completed several orders related to retrofit in-service ships with similar design, which allowed us to share and save on design costs.

For the six months ended June 30, 2024, the gross profit margin of our ship exhaust gas cleaning systems for retrofit in-service ships was much lower than that for newbuildings, mainly because we only completed four orders for retrofit in-service ships, which involved scrubbers with unique diameter size pursuant to customers' request, thereby increasing the design costs. Without a corresponding material adjustment in the selling price to maintain competitiveness, the gross profit margin of such orders was lowered as a result.

The average selling price of our ship exhaust gas cleaning systems for newbuildings in 2021 and 2022 and for the six months ended June 30, 2023 was lower than that for retrofit in-service ships mainly because the orders for retrofit in-service ships involved additional modification costs (including on-site 3D scanning and modification designs, etc.), which led to a higher average selling price.

Although usually orders related to retrofit in-service ships have higher unit selling price due to the involvement of modification costs, the average selling price of our ship exhaust gas cleaning systems for retrofit in-service ships in 2023 and for the six months ended June 30, 2024 was lower than that for newbuildings mainly because the orders we completed for retrofit in-service ships involved the scrubbers with smaller diameters pursuant to customers' request, which have lower costs and lower average selling prices compared to those for newbuildings. As the diameter of the scrubber increases, the amount of steel used in the scrubber also increases, leading to a rise in the cost of the scrubber. Additionally, the configuration of related system equipment, such as seawater pumps and variable frequency drives (including their quantity and power), will also need to be enhanced.

The decrease in the average selling price of our ship exhaust gas cleaning systems during the Track Record Period was primarily caused by the decrease in the average selling price of our ship exhaust gas cleaning systems for retrofit in-service ships during the same period. The decrease in the average selling price of our ship exhaust gas cleaning systems for retrofit in-service ships in 2022 was primarily due to one completed order which involved a smaller scrubber with a 2.8-meter diameter while the completed orders in 2021 did not involve such small size scrubbers. In 2023, the decrease in the average selling price of our ship exhaust gas cleaning systems for retrofit in-service ships was mainly because the completed orders predominantly involved scrubbers with smaller diameters as requested by our customers compared to the completed orders in 2022. For the six months ended June 30, 2023, we provided the installation services for two orders involving ship exhaust gas cleaning systems which were normally provided by third-party shipyards or shipbuilder customers and one order involving dual scrubbers as per customers' request and therefore they had a higher average selling price due to the

BUSINESS

additional installation services and one more scrubber provided. However, we did not provide such special request from customers in the completed orders for the six months ended June 30, 2024, resulting in the decrease in the average selling price of our ship exhaust gas cleaning systems for retrofit in-service ships for the same period. The average selling price of our ship exhaust gas cleaning systems for the six months ended June 30, 2024 was the lowest during the Track Record Period mainly due to an increase in the portion of revenue from newbuilding orders along with their decreased relevant average selling price as a result of smaller diameters of scrubbers delivered for the same period.

The increase in the proportion of revenue from newbuilding orders during the Track Record Period was because of the surge of newbuildings orders driven by a shortage of shipping capacity and higher ocean freight rates, largely attributable to the COVID-19 pandemic which resulted in more newbuilding orders in order to increase the shipping capacity. In addition, the average selling price of our ship exhaust gas cleaning systems for newbuildings increased from the year ended December 31, 2021 to the year ended December 31, 2023 was because the larger diameters of scrubbers per customers' request in the orders we completed for newbuildings, which have higher costs and higher average selling prices.

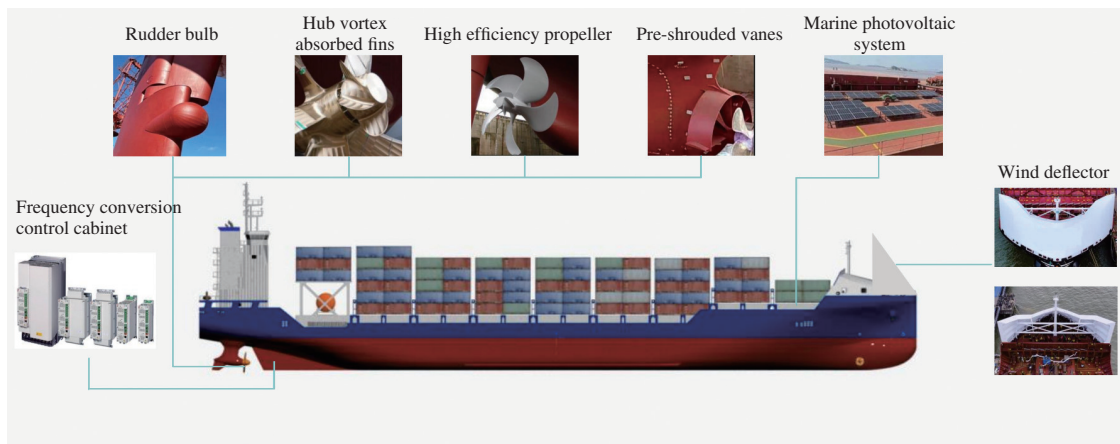
Marine energy-saving devices

Other than energy-saving devices, we have developed carbon reduction systems. However, We had not received any order or generated any revenue for carbon reduction systems during the Track Record Period and up to the Latest Practicable Date.

Energy-saving devices

Our energy-saving devices mainly include rudder bulb, pre-shrouded vanes, hub vortex absorbed fins, high efficiency propeller, wind deflector, marine photovoltaic system and frequency conversion control cabinet to help ships cruise with greater energy efficiency.

The following diagram illustrates the locations where these devices should be installed on a ship:



Source: Frost & Sullivan Report

Note:

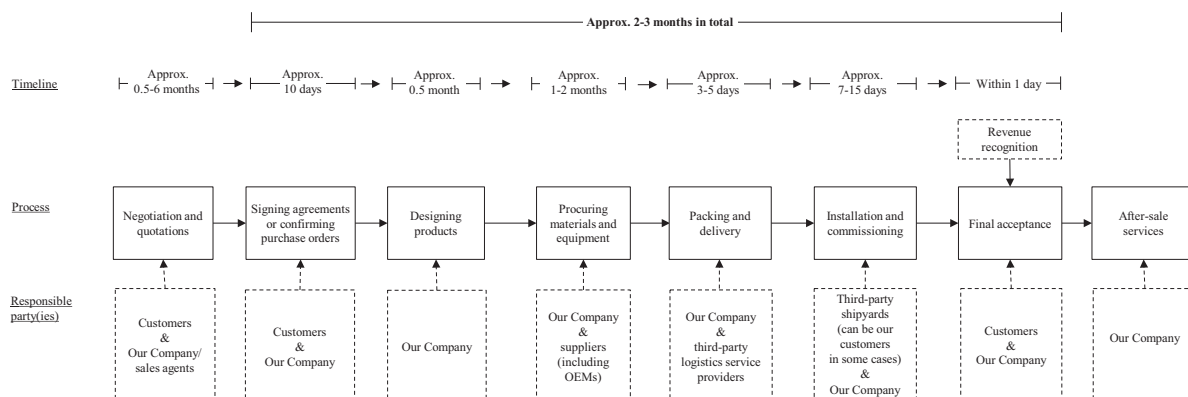
- (1) The ship type in the diagram above is used for illustrative purposes. Our energy-saving devices will be customized based on the requirements of each customer and different ship types. Marine photovoltaic systems are commonly installed on the deck surfaces of bulk carriers and oil tankers.

BUSINESS

Device name	Main functions
Rudder bulb	It can reduce drag and improve rudder efficiency. It can achieve energy saving ranging from 1% to 3%.
Pre-shrouded vanes	It introduces an additional guide vane feature, engineered to impart a pre-spin effect, thereby diminishing rotational energy loss associated with the propeller. This enhancement is pivotal in augmenting the propeller's propulsion efficiency, with an energy-saving potential ranging from 3% to 7%.
Hub vortex absorbed fins	It is a new type of propeller cap with fins installed behind the propeller and can effectively reduce the energy loss of the propeller hub vortex. It has the advantages of being a simple structure, light weight, easy installation, safe and practical, and it can achieve energy saving ranging from 2% to 5%.
High efficiency propeller	It has an energy saving potential ranging from 2% to 6%.
Wind deflector	It can reduce wind resistance of ships and ensure an effect of energy saving and emission reduction of approximately 2%. At the same time, it does not occupy the cargo space of a ship.
Marine photovoltaic system	It can adapt to the unique environment and requirements of maritime use. This enhancement can lead to a reduction in fuel consumption for the ship's electricity generators by about 20%, which, in turn, may decrease CO ₂ emissions by roughly 4 to 5%. It helps to address the issue of insufficient generator capacity on ships and to improve the overall reliability of ship operations.
Frequency conversion control cabinet	It utilizes remote intelligent control technology to adjust the motor frequency of pumps, thereby reducing the pump speed and avoiding energy loss caused by traditional flow control methods using valves. This allows the pump to operate at the most efficient speed under varying loads, minimizing unnecessary energy consumption.

BUSINESS

The following flowchart sets forth the operation and transaction workflow of marine energy-saving devices:



Following the negotiations with our customers and in some cases with the help of sales agents, we organize the quotation with customers. Ultimately, we and customers sign the relevant agreements or confirm the purchase orders. Internally, we prepare a project plan and begin product design and procurement according to the plan. The products are then packaged and shipped by third-party logistics service providers. Subsequently, the products are installed by the third-party shipyards or shipbuilder customers under our guidance and commissioned by us.

Revenue from energy-saving devices under the marine energy-saving devices is recognized when the control of the products is transferred to the customers. Control is transferred when the products are accepted by the customers upon the signing of the installation report and on-site worksheet. After final acceptance, we provide after-sales service based on the warranty terms stipulated in the relevant agreements or purchase orders. For retrofit in-service ships and newbuildings, the process from signing agreements or confirming purchase orders to final acceptance generally takes approximately two to three months. According to Frost & Sullivan, the above project timespan is generally in line with industry norm.

Order amount range and average selling price per completed order

During the Track Record Period, the range of single completed order of our marine energy-saving devices was approximately from RMB0.3 million to RMB5.9 million.

The following table sets forth our revenue, the number of orders we completed, and the average selling price of our marine energy-saving devices during the Track Record Period:

	For the year ended December 31,			For the six months ended June 30,	
	2021	2022	2023	2023	2024
Revenue (RMB'000)	—	14,961	58,031	16,361	22,557
The number of completed orders (Unit)	—	9	25	8	15
Average selling price (RMB'000)	—	1,662	2,321	2,045	1,504

(Unaudited)

BUSINESS

The average selling price of our marine energy-saving devices increased from 2022 to 2023 was because the completed orders in 2023 had higher unit selling prices, such as wind deflectors. In contrast, the completed orders in 2022 included products such as hub vortex absorbed fins, rudder bulbs and high efficiency propellers, which had lower unit selling prices. The average selling price of our marine energy-saving devices decreased from the six months ended June 30, 2023 to the same period in 2024 was because the orders completed for the six months ended June 30, 2024 had lower unit selling prices compared to the same period in 2023, such as marine photovoltaic system.

Other developed products — Carbon reduction systems

To comply with IMO's GHG emission targets, customers consider adopting marine energy-saving devices and carbon reduction systems. These equipment and systems help reduce payments from carbon taxes and trading and align with the IMO's GHG Emission Strategy in the long run. According to Frost & Sullivan, the marine energy-saving devices and carbon reduction systems are projected to reach US\$2,686.1 million by 2028. Meanwhile, the market share is expected to increase from 10.2% in 2023 to 23.6% in 2028, providing strong support for the development of the maritime environmental protection equipment and system industry.

Considering the market demand, we have developed carbon reduction systems and considered them as our key offerings. Our carbon reduction systems include: (i) organic amine-based carbon capture system, (ii) dual alkali-based carbon capture system and (iii) CO₂ flowmeter system. We have been developing the dual alkali-based carbon capture system, the CO₂ flowmeter system and the organic amine-based carbon capture system since 2021, 2022 and 2023, respectively, the development of which was completed in the fourth quarter of 2024, in the fourth quarter of 2023 and in the second quarter of 2024, respectively. Recognizing their potential to drive future growth, we have initiated comprehensive marketing and sales strategies to secure orders and build a strong customer base. Key efforts include direct outreach to potential customers, participating in industry conferences and exhibitions to showcase the advanced capabilities of the products. Going forward, we will focus on intensifying these promotional activities to drive market penetration.

Organic amine-based carbon capture system

Our organic amine-based carbon capture system meets the technical standards required for ship decarbonization and can be integrated with our ship exhaust gas cleaning systems. The integration allows for the operation of a single system that achieves both the desulfurization and the decarbonization objectives.

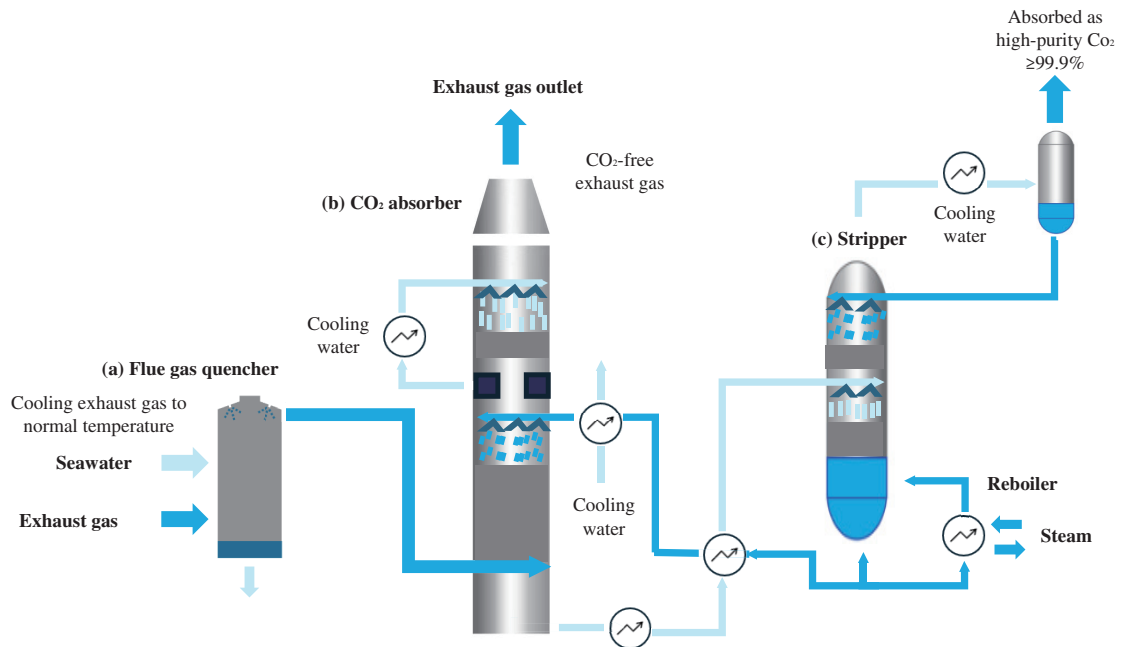
Our organic amine-based carbon capture system, captures carbon in the form of liquid CO₂. This method offers a high degree of flexibility in terms of space utilization on ships, as the captured CO₂ can be stored in tanks. Moreover, the desulfurization and decarbonization process can be realized simultaneously in organic amine-based carbon capture system, which can satisfy requirements of ship exhaust gas cleaning and carbon emission reduction at the same time.

The fundamental underlying principle of our organic amine-based carbon capture system is the exothermic and reversible reaction between a weak acid, such as CO₂, and a weak base, such as monoethanolamine (MEA), to form a soluble salt. The product obtained from the amine decarbonization process described above can be directly desorbed on board and then liquefied through pressurization and cooling to obtain liquid CO₂. This liquid CO₂ can be stored on board and transported to the shore.

BUSINESS

The organic amine-based carbon capture system has reached a commendable level of development with the completion of its prototype. This advancement was substantiated by the on-site verification conducted by a surveyor from the American Bureau of Shipping, which is a globally recognized maritime classification society. Our system demonstrated a carbon capture efficiency of 93%, a figure that not only reflects its high performance but also its potential to significantly reduce GHG emissions from ships.

The following diagram illustrates the process of our organic amine-based carbon capture system:



Source: Frost & Sullivan Report

Exhaust gases are introduced into a flue gas quencher (as illustrated in (a) in the diagram above) for desulfurization and cooling before entering a CO₂ absorber (as illustrated in (b) in the diagram above), where the flue gas flows upward while an amine-based absorbent is sprayed downward from the top of the tower, facilitating a counter-current contact and reaction that adsorbs and removes a portion of the carbon content, with the treated flue gas then being discharged from the top of the tower. Once the CO₂ is absorbed, the amine absorbent transitions from a “lean” to a “rich” solution and is conveyed to a stripper (as illustrated in (c) in the diagram above). Within the stripper, the rich solution is heated to a specific temperature to release CO₂, which is expelled from the top of the tower and, after treatment, is compressed, liquefied, and stored, while the regenerated lean solution is cooled via a heat exchanger before being recirculated back to the CO₂ absorber for continuous CO₂ absorption.

Carbon capture efficiency benchmarks in the market

The “IMO Strategy on Reduction of GHG Emissions from Ships,” adopted in 2023, outlines ambitious emissions reduction targets for the maritime industry, aiming for a 40% reduction in greenhouse gas emissions by 2030 and a 70% reduction by 2040, both compared to 2008 levels. To align with the IMO’s targets on GHG emissions in the shipping industry, we have developed an organic amine-based carbon capture system with a carbon capture efficiency of 93%. This system can help our customers comply with the IMO’s carbon emission regulations.

Currently, marine carbon reduction systems are still in the development phase within the industry, with various market participants actively working on the development to meet regulatory requirements for ship carbon emissions. The carbon reduction systems and technologies provided by different industry players vary. For example, Company E as mentioned in the Industry Overview section offers a decarbonization tower for carbon dioxide absorption, while Company B as mentioned in the Industry Overview section provides onboard carbon capture and storage systems.

The carbon reduction systems offered by leading industry players primarily achieve an average carbon capture efficiency of 70–90% currently. In comparison, the carbon capture efficiency of our organic amine-based carbon capture system provides a clear competitive advantage in the market. It gives us an edge in addressing the growing market need for high-performance carbon capture systems in the industry.

Dual alkali-based carbon capture system

The process of our dual alkali-based carbon capture system produces a solid product, CaCO_3 , which can be stored in designated storage spaces within the ship, and makes this method cost effective. The lower associated costs make the dual alkali-based method particularly suitable for in-service ships without significant alterations to the existing structure. We have obtained the Classification Society approval in principle from Lloyd’s Register for this system.

CO₂ flowmeter system

Our CO₂ flowmeter system is a real-time, online CO₂ monitoring system developed specifically for the maritime field. It calculates both real-time and cumulative carbon emission from ships. The primary components of the system include a flue gas flow measurement system, a flue gas analysis and detection system, and a data analytics and control unit.

Marine clean-energy supply systems

Our marine clean-energy supply systems primarily includes (i) the LFSS (for methanol) (ii) the FGSS, and (iii) the cargo handling system (for LNG/LPG/ammonia/LCO₂) (“CHS”). Our customers can purchase one or more of the systems depending on their need.

LFSS (for methanol)

Our LFSS (for methanol) mainly provides the main engine with low-flash point fuel in the appropriate temperature, pressure, and flow rate to meet the requirements for the main engine’s combustion. Only by meeting these requirements can the main engine operate normally.. The module mainly includes N₂ generator, bunkering station, LFSS skid, storage tank, service tank, double-filter, fuel valve train (“FVT”), etc.

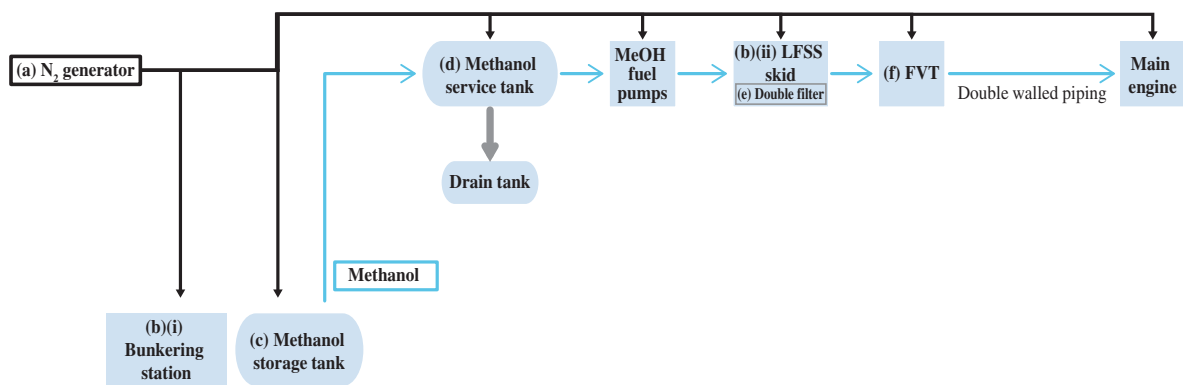
The LFSS injects liquid fuel into the storage tank via bunkering station. The fuel is then transferred to the service tank. Through the fuel pumps, LFSS skid, double-filter, and other related equipment, the liquid fuel is safely heated and pressurized. Once the fuel reaches the required temperature and pressure, it is transported to the terminal (such as the main engine) via the FVT.

FGSS

Our FGSS is a system that vaporizes, heats, and pressurizes the LNG/LEG stored on a ship, and provides it to the ship’s main engine or other gas-consuming equipment. Only by meeting these requirements can the main engine or other gas-consuming equipment operate normally. The module mainly includes N₂ generator, bunkering station, high and low pressure skid, storage tank, service tank, filter, FVT, cryogenic valves, etc.

The FGSS injects liquid fuel into storage tank via bunkering station. The system controls the pressure through high and low-pressure skid for FGSS and heats the liquid fuel to vaporize it. Once the fuel reaches the temperature required by the terminal (such as the main engine), it is transferred to service tank through filter and cryogenic valves. Depending on the need, the fuel is then supplied and transported to the terminal via the FVT.

The function of LFSS and FGSS are similar. The operating principle of LFSS primarily involves the provision of low flashpoint fuel to the main engine at ambient temperature, with appropriate temperature, pressure, and flow rate maintained. The following diagram illustrates the operational process and crucial components of our LFSS for methanol:



Source: Frost & Sullivan Report

BUSINESS

CHS

Our cargo handling system (for LNG/LPG/ammonia/LCO₂) provides customized system for liquefied cargo handling including loading, storage, transportation, and unloading. The system's main functions include:

Loading: Loading liquefied cargo from shore or another ship into the cargo tank.

Storage: Safely storing liquefied cargo within the cargo tank.

Transportation: Liquefying cargo tank vapors during transportation to ensure the stability of the liquefied cargo.

Unloading: Unloading liquefied cargo to the destination as required.

The CHS facilitates the loading of liquefied cargo from ports or other ships into the storage tanks of transport ships via bunkering stations. During transportation, the system heats and pressurizes the liquefied cargo as needed to maintain its fluidity. Additionally, it ensures normal operation of flow, pressure and cryogenic environment through cryogenic valves and manages the compression and re-liquefaction of the boil-off gas to enhance the efficiency and safety of liquefied gas transportation. Upon arrival at the destination, the system unloads the liquefied cargo. The entire loading and unloading process is conducted through a liquid-gas cross-connection method, ensuring operational flexibility and safety.

Crucial components of our marine clean-energy supply systems

Our marine clean-energy supply systems are composed of various crucial components:

Device name	Products of each device	Main functions
(a) N ₂ generator (for FGSS, LFSS and CHS)	Membrane nitrogen generator	Our membrane nitrogen generator produces nitrogen at maximum efficiency, tailored to meet our customers' specific requirements. It features an automatic on/off system equipped with a tank pressure interlock for enhanced safety and convenience. The optimal control system is finely tuned to manage the flow rate and purity of the nitrogen, which in turn maximizes the lifespan of the membrane cartridges. Additionally, the generator is virtually maintenance-free, as there are no moving parts involved in the nitrogen production process.

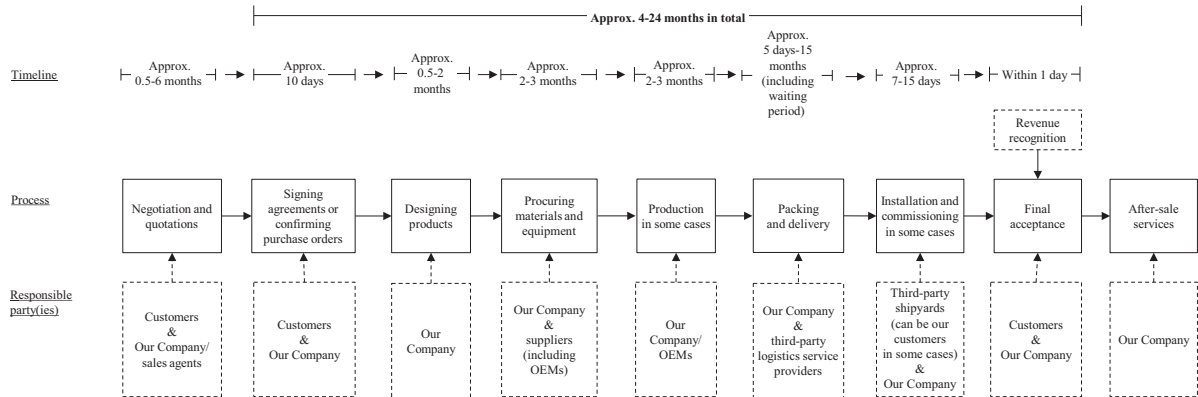
BUSINESS

<u>Device name</u>	<u>Products of each device</u>	<u>Main functions</u>
	PSA nitrogen generator	Our PSA nitrogen generator offers the lowest cost per unit of nitrogen generated due to the unique filling and compacting method employed in the carbon molecular sieve, which allows for greater compaction intensity and higher adsorption efficiency. The system automatically records and continuously monitors the progress of nitrogen preparation, which ensures that all operational data is captured for analysis and record-keeping. It is generally more cost-effective for applications with high flow demand for nitrogen generation.
(b) Marine and offshore gas skid and module	(i) Bunkering station for FGSS and LFSS (ii) LFSS skid (iii) High- and low-pressure skid for FGSS	It facilitates the safe and efficient filling of LNG or low flashpoint fuels, enabling the automated and secure control and monitoring of the entire process as natural gas is transferred into storage tanks. It provides methanol that meets the operating flow, pressure, and temperature requirements of the main engine, and automatically controls and regulates the fuel supply. It adjusts the pressure, temperature, and flow rate, and integrates each piece of retrofit equipment to match the ship's original automation system.
(c) Methanol storage tank for LFSS	N.A.	It is a larger tank designed for the long-term storage of methanol. It is a critical component of the methanol supply chain, providing a secure and stable environment for the bulk storage of methanol until it is needed.
(d) Methanol service tank for LFSS	N.A.	It is a tank used for the daily consumption and replenishment of methanol.
(e) Double-filter (for LFSS)	N.A.	Our double-filter is designed for use with various LFSS, including methanol systems. It contains double shut-off valves to ensure that the filter can be maintained and serviced continuously without interrupting the operation of the fuel supply system. Additionally, the shut-off system we provide for the double-filter prevents hazardous chemicals, such as methanol, from backflowing into the operational area during maintenance, thereby fully ensuring operator safety.

BUSINESS

Device name	Products of each device	Main functions
(f) FVT (for FGSS and LFSS)	N.A.	The methanol supply system is equipped with a fuel valve train that segregates the system from the main engine, facilitating functions such as standby and start-stop operations.
(g) Cryogenic valves for CHS and FGSS	(i) Ball valve (ii) Globe valve (iii) Check valve	They are designed and manufactured using low-temperature materials and special processing technology. This ensures that they can perform switching functions effectively at ultra-low temperatures while maintaining excellent sealing properties.

The following flowchart sets forth the operation and transaction workflow of marine clean-energy supply systems:



Following the negotiations with our customers and in some cases with the help of sales agents, we organize the quotation with customers. Ultimately, we and customers sign the relevant agreements or confirm the purchase orders. Internally, we prepare a project plan and begin product design, procurement and production in some cases according to the plan. The products are then packaged and shipped by third-party logistics service providers. Subsequently, the products are installed by the third-party shipyards or shipbuilder customers under our guidance and commissioned by us.

Revenue from marine clean-energy supply systems is recognized when the control of the products is transferred to the customers. Control is transferred when the products are accepted by the customers upon the signing of the acceptance form. After final acceptance, we provide after-sales service based on the warranty terms stipulated in the relevant agreements or purchase orders. For retrofit in-service ships and newbuildings, the process from signing agreements to final acceptance generally takes approximately four to 24 months. According to Frost & Sullivan, the above project timespan is generally in line with industry norm.

BUSINESS

Order amount range and average selling price per completed order

During the Track Record Period, the range of single completed order of our marine clean-energy supply systems was approximately from RMB0.2 million to RMB6.1 million.

The following table sets forth our revenue, the number of orders we completed, and the average selling price of our marine clean-energy supply systems during the Track Record Period:

	For the year ended December 31,			For the six months ended June 30,	
	2021	2022	2023	2023	2024
				<i>(Unaudited)</i>	
Revenue (RMB'000)	—	7,736	5,552	1,079	13,288
The number of completed orders (Unit)	—	9	6	2	10
Average selling price (RMB'000)	—	860	925	539	1,329

The average selling price of our marine clean-energy supply systems increased from 2022 to 2023 and from the six months ended June 30, 2023 to the same period in 2024 was attributed to the growing application of new energy sources. Specifically, there has been a significant rise in the demand for nitrogen from oil-chemical ships. The nitrogen requirements of oil-chemical ships are higher than those of new energy ships, leading to a higher average selling price.

Maritime services

Our maritime services include (i) ship accommodation interior design and construction, (ii) container ship and PCTC lashing gears, and (iii) other maritime services.

During the Track Record Period, we generally became acquainted with new customers including shipowners and ship builders under each sub-segment of maritime services through the trade shows and business negotiation. We also visit new customers as appropriate. We had three, three, six and two new customers for the year ended December 31, 2021, 2022 and 2023 and six months ended June 30, 2024. While it takes time to expand our customer base, we also adopted a cross-selling approach under the maritime services, aiming to enhance the stickiness of customers under this segment and maximize potential business opportunities with them. The provision of maritime services is not inter-conditional with the provision of equipment and systems under our other three business segments, namely maritime exhaust gas cleaning systems, marine energy-saving devices and marine clean-energy supply systems.

BUSINESS

Ship accommodation interior design and construction

We provide customers with a full range of high-standard ship interior decoration services, including the design and construction of the decoration of the ship's living quarters, as well as the supply of interior wall panels, flooring materials, fabrics, marine glue, door hardware and other decoration materials. In addition, we also provide relevant equipment, including galley and laundry equipment. The ship interior decoration services not only meet the aesthetic and functional requirements of a ship but also enhance the work environment for the crew.

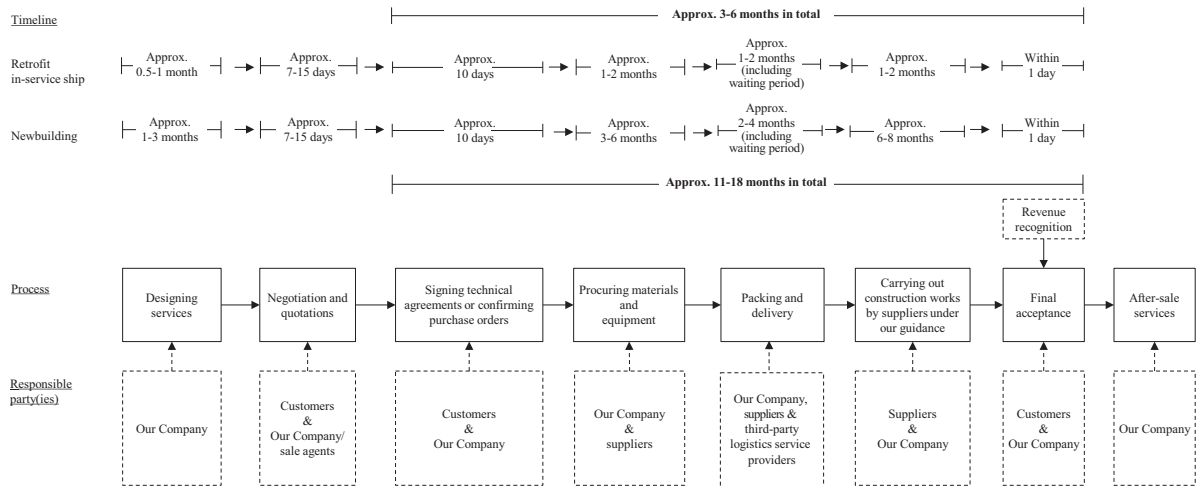
The following diagrams illustrate sample ship interior decorations we designed and installed:



BUSINESS

During the Track Record Period, there were 11 customers including three global shipping companies and eight APAC ship builders who purchased our ship accommodation interior design and construction services from us.

The following flowchart sets forth the operation and transaction workflow of ship accommodation interior design and construction services:



Considering the variety of customer needs for ship accommodation interior design and construction services, our quotation is based on our designing services that we tailor to each project after discussions with the customer. Thus, for ship accommodation interior design and construction services, we prepare the designing services for customers before quotations. We organize the design according to customers' requirements and prepare the plans and drawings to the customers for negotiation and confirmation. Following the negotiations with our customers and in some cases with the help of sales agents, we organize the quotation with customers. Ultimately, we and customers sign the relevant agreements or confirm the purchase orders. Internally, we prepare a project plan and begin procurement from suppliers according to the plan. The relevant materials and equipment are then packaged and shipped by the suppliers or third-party logistics service providers. Subsequently, the construction works are carried out by suppliers under our guidance. After final acceptance, we provide after-sales service based on the warranty terms stipulated in the relevant agreements or purchase orders.

For newbuildings, the process from design services to final acceptance generally takes approximately 11 to 18 months. For retrofit in-service ships, the process from design services to final acceptance generally takes approximately three to six months. According to Frost & Sullivan, the above project timespan is generally in line with industry norm.

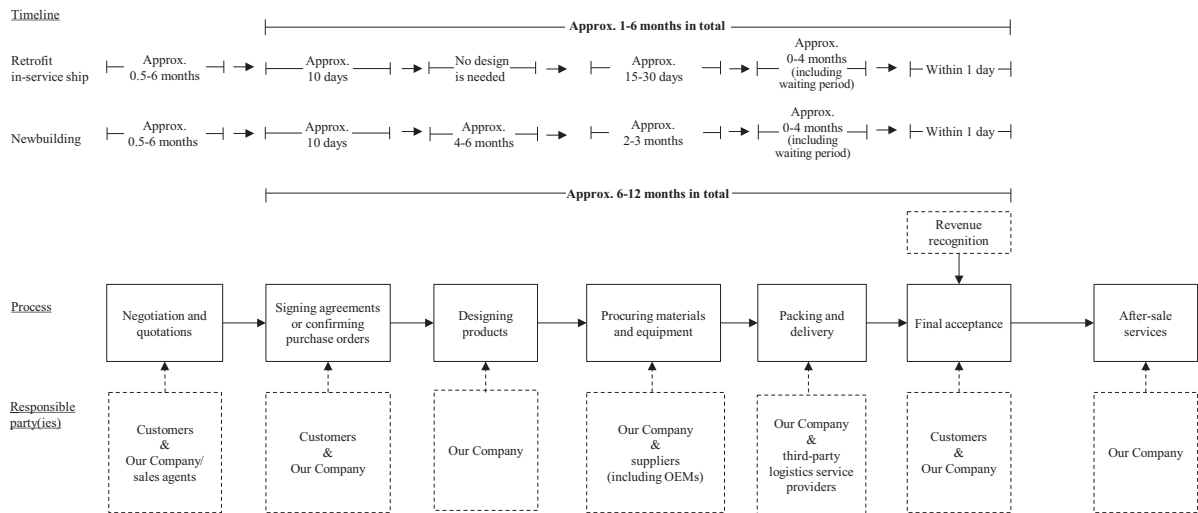
BUSINESS

Container ship and PCTC lashing gears

We provide design of container ship and PCTC lashing gears and related services. We design and supply products in accordance with the requirements of technical specifications, industry practices or standards and classification society rules and regulations.

During the Track Record Period, there were nine customers including six global shipping companies and three APAC ship builders who purchased container ship and PCTC lashing gears and related services from us.

The following flowchart sets forth the operation and transaction workflow of container ship and PCTC lashing gears and related services:



Following the negotiations with our customers and in some cases with the help of sales agents, we organize the quotation with customers. Ultimately, we and customers sign the relevant agreements or confirm the purchase orders. Internally, we prepare a project plan and begin product design and procurement according to the plan. The products are then packaged and shipped by third-party logistics service providers.

Revenue from container ship and PCTC lashing gears and related services is recognized upon final acceptance when the confirmation of receipt is signed. For newbuildings, the process from signing agreements to final acceptance and delivery generally takes approximately six to 12 months. After final acceptance, we provide after-sales service based on the warranty terms stipulated in the relevant agreements or purchase orders. For retrofit in-service ships, the process from signing agreements to final acceptance and delivery generally takes approximately one to six months. According to Frost & Sullivan, the above project timespan is generally in line with industry norm.

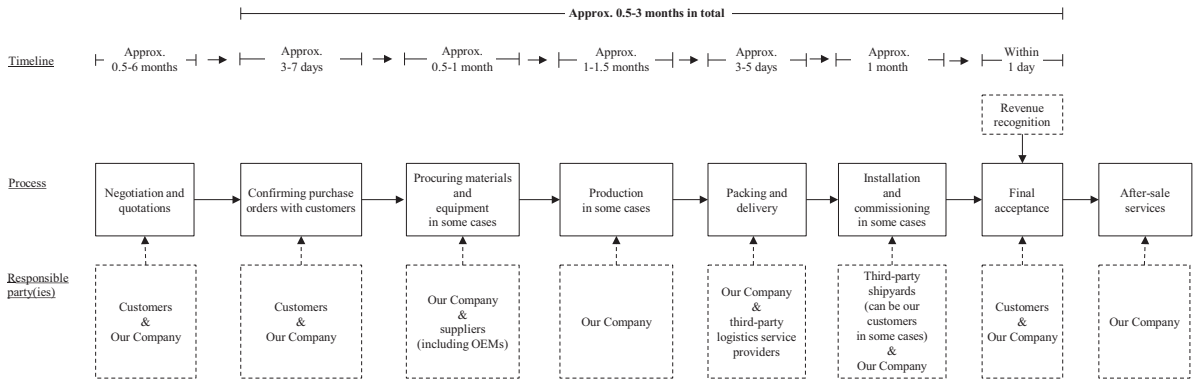
BUSINESS

Other maritime services

Our other maritime services include providing: (i) the maritime equipment and spare parts, including hydro blasting machines, hydroponic vegetable cabinets, flue gas valves, prefabricated cabin transformers, etc., (ii) personal protective equipment for crew members, (iii) ship retrofitting and ship repair supervision services, and (iv) ship cyber security software and hardware, etc.

During the Track Record Period, there were seven APAC ship builders who purchased other maritime services from us.

The following flowchart sets forth the operation and transaction workflow of other maritime services:



Following the negotiations with our customers, we organize the quotation with customers and ultimately we confirm the purchase orders with customers. Internally, in some cases, we prepare a project plan and begin procurement and production according to the plan. The products are then packaged and shipped by third-party logistics service providers. Subsequently, the products are installed by the third-party shipyards or shipbuilder customers under our guidance and commissioned by us.

Revenue from other maritime services is recognized upon final acceptance when the confirmation of receipt is signed. After final acceptance, we provide after-sales service based on the warranty terms stipulated in the relevant purchase orders. For both newbuildings and retrofit in-service ships, the entire process generally takes approximately two weeks to three months. According to Frost & Sullivan, the above project timespan is generally in line with industry norm.

BUSINESS

Roles and obligations of suppliers and us

We purchase materials and services from suppliers for our provision of maritime services during the Track Record Period, the details of which are set forth below:

	Materials and services provided by suppliers	Our roles and obligations
Ship accommodation interior design and construction:	Suppliers provide materials such as furniture, flooring, wall panels, and kitchen and laundry equipment and provide relevant installation services.	We prepare designs. We procure the materials and equipment from suppliers, and we provide guidance to suppliers for installation according to the standards of the relevant classification society and shipowners.
Container ship and PCTC lashing gears:	Suppliers provide fixed fitting and loose lashing equipment of container ship and PCTC lashing gears. The OEM suppliers follow our designs to manufacture the products.	We prepare designs and deliver products to customers.
Other maritime services:		
<i>Maritime equipment and spare parts</i>	Suppliers provide materials and parts.	We procure the materials and parts from suppliers, and we are responsible for installation and commissioning deliver the products to customers.
<i>Personal protective equipment for crew members</i>	Suppliers provide materials. The suppliers follow our designs to manufacture products.	We prepare designs and deliver products to customers.
<i>Ship retrofitting and ship repair supervision services</i>	Not applicable.	We provide ship retrofitting and ship repair supervision services to customers.

BUSINESS

	<u>Materials and services provided by suppliers</u>	<u>Our roles and obligations</u>
<i>Ship cyber security software and hardware</i>	Suppliers provide software, hardware and related services.	We prepare designs and guidance to suppliers for installation according to the standards of the relevant classification society and shipowners.

Order amount range and average selling price per completed order

Each sub-segment under our maritime services offers a wide range of products. Even within the same product category, the product prices can vary significantly due to differences in product models and other factors including but not limited to the expected time of completion, complexity of the project and scale of orders. As such, the range of the order amount per completed order of each sub-segment is extensive depending on customers' different requirements of the variety and quantity of products. During the Track Record Period, the range of single completed order of ship accommodation interior design, container ship and PCTC lashing gears and other maritime services was approximately from RMB210 to RMB5.9 million, from RMB780 to RMB4.6 million and from RMB460 to RMB2.9 million, respectively.

The following table sets forth the average selling price per completed order of the three sub-segments under the maritime services during the Track Record Period:

	For the year ended December 31,			For the six months ended June 30,	
	2021	2022	2023	2023	2024
	<i>(RMB'000)</i>				
Ship accommodation interior design	111	101	69	59	133
Container ship and PCTC lashing gears	117	307	407	191	355
Other maritime services	379	663	127	76	27

The overall average selling price for ship accommodation interior design and container ship and PCTC lashing gears sub-segments was lowered by miscellaneous spare parts orders, which accounted for a larger portion of the number of orders completed during the Track Record Period. If these miscellaneous orders are not taken into account, the average selling prices for these two sub-segments were generally much higher.

BUSINESS

PIPELINE PRODUCTS

Typically, our products under development go through the following stages before they are launched: (i) project initiation, including market research, the preparation of project proposals and budgets, as well as theoretical research to lay the groundwork for the product concept, (ii) project implementation, including trials and testing to refine its design and functionality, and (iii) project acceptance, which involves acceptance test confirming all envisioned aspects and objectives have been achieved. In some cases, this may also include validation through sea trials to test the product in real-world conditions.

The following chart summarizes the major pipeline products and their status as of the Latest Practicable Date:

<u>Name</u>	<u>Equipment and systems</u>	<u>Functions and key advantages</u>	<u>Stage of development and expected time of the completion of development</u>
LFSS (for ammonia)	Marine clean-energy supply systems	It is responsible for managing the entire operation; the fueling system pumps liquid ammonia into the storage system, and the supply system feeds the ammonia fuel to the ship's engines for combustion, with the whole process requiring careful control of pressure, temperature, and safety.	It is expected to start the project initiation phase in the first quarter of 2025. Acceptance test is expected to be finalized by 2026.
Optimization development of carbon capture system	Marine energy-saving devices	We have completed the preliminary development of a carbon capture technology tailored for maritime applications, capable of capturing over 90% of carbon dioxide emissions from ship exhaust gas. In response to competitive market demands, we aim to significantly enhance the system's overall performance through iterative development, integration, and compact structural design, coupled with the development of an intelligent control system, which is expected to reduce operational energy consumption by more than 30%, while also providing capabilities for automatic operation, self-diagnosis, and self-repair, thereby reducing the need for operational maintenance personnel.	It is expected to start the project initiation phase in the second quarter of 2025. Acceptance test is expected to be finalized by 2026.

BUSINESS

<u>Name</u>	<u>Equipment and systems</u>	<u>Functions and key advantages</u>	<u>Stage of development and expected time of the completion of development</u>
Rotor sailing system	Marine energy-saving devices	It enhances the propulsion efficiency of ships during navigation. Rotor sailing system can significantly reduce fuel consumption, thereby lowering carbon dioxide emissions, and help ships meet the CII and EEXI requirements set by the IMO.	It is expected to start the project initiation phase in the fourth quarter of 2024. Acceptance test is expected to be finalized by the third quarter of 2025.
Waste heat recovery system	Marine energy-saving devices	It employs Organic Rankine Cycle (“ORC”) technology to convert the waste heat generated during the operation of a ship into electrical energy. The aim is to enhance energy utilization efficiency, reduce fuel consumption, and decrease emissions. The substantial amount of high-temperature exhaust gases and the heat from the cooling water produced by the ship’s engines are converted into steam through a waste heat boiler and the ORC system, which then drives a turbine to generate electricity. This system not only effectively reduces fuel costs but also diminishes GHG emissions, complying with environmental regulations such as the CII and the EEXI.	It was undergoing system design in the project implementation phase. Acceptance test is expected to be finalized by the third quarter of 2025.
PCTC thermal run-away detector system	Maritime services	This system is capable of real-time monitoring of the temperature change at the nearby area of EVs, quickly detecting the possible occurrence of a fire, and promptly triggering alarms. It works in conjunction with the ship’s firefighting system to extinguish fires, thereby reducing the potential fire incidents as well as minimizing the risk of personal injury and property damage.	It was in the project implementation phase and has finished the system design. Acceptance test is expected to be finalized by the second quarter of 2025.

MANUFACTURING AND INSTALLATION

We employ a “sales-oriented production” model, which is a demand-driven approach that aligns our production planning with sales order volumes.

At our production facility, we produce essential and core components of our ship exhaust gas cleaning systems including scrubbers, control systems, water quality analyzers, flue gas valves, among others, marine and offshore gas skid and module in the marine clean-energy supply systems, and the hydro blasting machines and hydroponic vegetable cabinets in the maritime services, among others.

Our production facility

Our production facility, strategically located in Nantong, Jiangsu province, has convenient access to a nearby inland river port where we hold the port operating license, enabling us to conveniently and rapidly transport our large-scale products from the production facility to various third-party shipyards via an inland waterway that is merely 10 kilometers away from the Yangtze River estuary. For example, unlike other marine exhaust gas cleaning systems providers that design scrubbers with flange connections which need multiple times of transportation to ports for assembly at third-party shipyards, we fabricate scrubbers as fully welded units. This not only enhances the scrubbers’ seal integrity but also significantly reduces assembly time at the third-party shipyard, minimizing the leakage risk and providing a streamlined delivery process. Our production facility has a construction area of approximately 10,000 square meters and has been put into commercial production since June 2021, before which we mainly procured from OEMs. Our production facility focuses on manufacturing essential and core equipment or components of our ship exhaust gas cleaning systems, marine and offshore gas skid and module in the marine clean-energy supply systems, and the hydro blasting machines and hydroponic vegetable cabinets in the maritime services. We continue to outsource to

BUSINESS

OEMs for N₂ generators and energy-saving devices and other non-core products and equipment, such as container ship and PCTC lashing gearing, after the production facility commenced operations in 2021. We ceased to enter into procurement agreements with any OEMs in relation to scrubbers since our production facility was put into commercial production in June 2021. Both our employees and contracted workers work in our production facility. The following table sets forth the total production, annual production capacity, and utilization rate for the periods indicated:

	For the year ended December 31,			For the six months ended June 30,	For the period from January 1, 2024 to the Latest Practicable Date
	2021	2022	2023	2024	
	2021	2022	2023	2024	Date
Marine exhaust gas cleaning systems (working hours)	54,924	205,730	252,690	77,028	143,346
Marine energy-saving devices ⁽¹⁾ (working hours)	—	—	—	12,720	12,720
Marine clean-energy supply systems (working hours)	—	2,028	1,560	5,444	5,444
Maritime services (working hours)	7,060	9,212	4,742	1,286	21,548
Total production (working hours)	61,984	216,970	258,992	96,478	183,058
Production capacity (working hours)	128,333	220,000	220,000	110,000	188,142
Utilization rate (%)	48.3 ⁽²⁾	98.6	117.7 ⁽³⁾	87.7 ⁽²⁾	97.3

Notes:

- (1) We started our business of marine energy-saving devices in 2022. We did not produce any products under the marine energy-saving devices from 2022 to 2023 because we outsourced to OEMs the production of the relevant products. The working hours for the six months ended June 30, 2024 reflect the time spent on developing and prototyping our carbon capture systems.
- (2) We began commercial production in June 2021. The lower utilization rate in 2021 was attributable to the ramp-up phase of our production facility. The lower utilization rate for the six months ended June 30, 2024 was mainly because we reserved some of our capacity for an order from a customer for maritime services, the agreement for which was not signed until July 2024.
- (3) The utilization rate in 2023 was over 100% because we arranged labor resources during overtime work in order to meet the surging demand for our marine exhaust gas cleaning systems. According to Frost & Sullivan, the utilization rate exceeding 100% in 2023 was in line with the industry practice because the COVID-19 pandemic caused severe container shortages and supply chain disruptions from 2021 to 2022, which led to soaring ocean freight rates. As a result, many shipowners postponed the installation of equipment and systems so as not to interrupt their shipping business' operations to benefit from the high ocean freight rates. However, as the pandemic eased in 2023, the ocean freight rates declined, which increased shipowners' willingness to install our equipment and systems.

We measure our production utilization rate by dividing the actual working hours of various production line workers by the total working hours corresponding to the design annual production capacity of 50 sets of scrubbers due to the diverse and customized nature of our products, which differ significantly from standardized items. In order to produce one set of a normal type of scrubber that we used to sell, the production generally involves approximately 4,400 working hours of ten workers in general at the same time. The production cycle of one scrubber was around 55 working days, with around ten workers, each working eight working hours each day. Workers may work simultaneously on

BUSINESS

different production steps and functions. The number of workers working each day fluctuates depending on the task. Since each product requires a different unit of measure for production, working hours allows for a more direct reflection of our productivity. The design annual production capacity of 50 sets of scrubbers is used according to the investment project filing certificate, and therefore, the estimated working hours for producing 50 sets of scrubbers are used as the design annual production capacity of the production facility.

Our production facility helps to ensure product quality while at the same time achieving cost efficiencies by reducing the need to procure components from external suppliers. Furthermore, our production facility has received the factory certifications of Bureau Veritas, Lloyd's Register and RINA for ship exhaust gas cleaning systems and related products. See “— Licenses, permits and approvals” in this section for further details.

Production planning and production and installation process

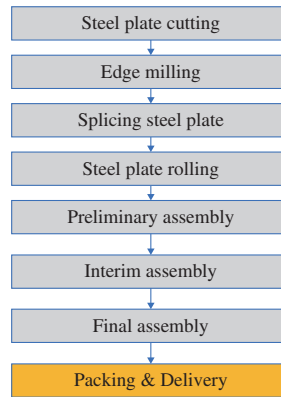
Given the complexity of ship exhaust gas cleaning systems, retrofitting an operational ship requires significant modifications to the ship's structure and its electrical and plumbing systems. Consequently, retrofit in-service ships must dock at shipyards for a certain period to undergo this retrofitting process. Shipowners typically coordinate the retrofitting schedule with us, taking into account factors such as the ship's itinerary and docking availability. For newbuildings, the installation schedule for ship exhaust gas cleaning systems is determined by the shipbuilding timeline.

For retrofit in-service ships, we communicate with shipowners or third-party shipyards in advance to discuss design and technical plans, organize the production of ship exhaust gas cleaning systems, and coordinate with third-party shipyards on docking and retrofitting plans. Throughout the retrofitting process, we are fully involved from the initial design modifications to the final commissioning. Prior to the ship entering the third-party shipyard for retrofitting, we complete the design modifications and organize briefings for all departments involved in the installation and commissioning. We then develop and execute a comprehensive project plan, in conjunction with the third-party shipyard's construction scheme and schedule. During installation, our project manager participates in daily meetings with the third-party shipyard, shipowner, and maritime inspectors, facilitating real-time communication and providing technical support through our engineers. Once installation is complete, the project manager and our commissioning personnel work together to carry out the commissioning process until successful sea trials are concluded.

Our marketing and technical departments organize business and technical briefings for new orders from time to time. The engineering department develops and releases product manufacturing plans, product delivery and project execution plans based on order requirements and organizes engineering briefings. The technical and procurement departments carry out their respective tasks such as procuring raw materials, equipment, spare parts and consumables according to these plans. Production management department then formulates a bi-monthly production plan based on the project plans released by the engineering department. The manufacturing department creates weekly/daily production schedules based on this plan and oversees production and storage. Concurrently, the quality assurance department establishes internal external inspection plans and conducts product inspections during production to ensure tasks are completed with the requisite quality and quantity. After production, the production management department organizes the drafting of monthly production reports to facilitate continuous improvement of the entire production process. See “— Quality control — Quality control in production process” in this section for the details of quality control.

BUSINESS

The following chart sets out a summary of our production process for the crucial part of our ship exhaust gas cleaning systems, namely, scrubbers, which was the main products that we produced during the Track Record Period:



Typically, the production cycle of scrubbers is approximately two to three months, including (i) the prefabrication process, which mainly encompasses steel plate cutting, edge milling, splicing steel plate and steel plate rolling, and takes approximately 30 days; (ii) assembly, including preliminary assembly which is welding the pre-processed steel plates together to form small components, interim assembly which is welding small components together to form big components, and final assembly which is further assembling components as a whole, which takes over a month; and (iii) packing which takes about 10 days. Finally, the completed product is delivered to the third-party shipyard.

We also produce control systems, water quality analyzers and other components for our ship exhaust gas cleaning systems. It takes from two weeks to 1.5 months to complete the production of these components, which can be produced with scrubbers and at the same time.

The time from production to order completion for our ship exhaust gas cleaning systems, including production (approximately two to three months), installation (approximately one to two months) and commissioning (approximately two weeks to one month), is approximately between four and six months, excluding the temporary warehousing period between the completion of production and the shipment (approximately one to six months) and the waiting period before installation (approximately one to four months). The production, installation and commissioning of our systems, equipment and products are subject to the shipping, construction, and repair and maintenance schedules of the shipowners or third-party shipyards. Usually there is a period of approximately one to 13 months between the completion of production and installation.

During the Track Record Period, we outsourced certain non-core production processes to contractors such as surface insulation treatment, machining, material cutting, drilling, and laser cutting for our ship exhaust gas cleaning systems. These processes are not considered key procedures or critical technologies. The core technology and value addition of our ship exhaust gas cleaning systems lie predominantly in our product design.

BUSINESS

Critical production machinery and equipment

During the Track Record Period, most of our production machinery and equipment were purchased in the PRC. We adopt a straight-line depreciation method for our production machinery and equipment.

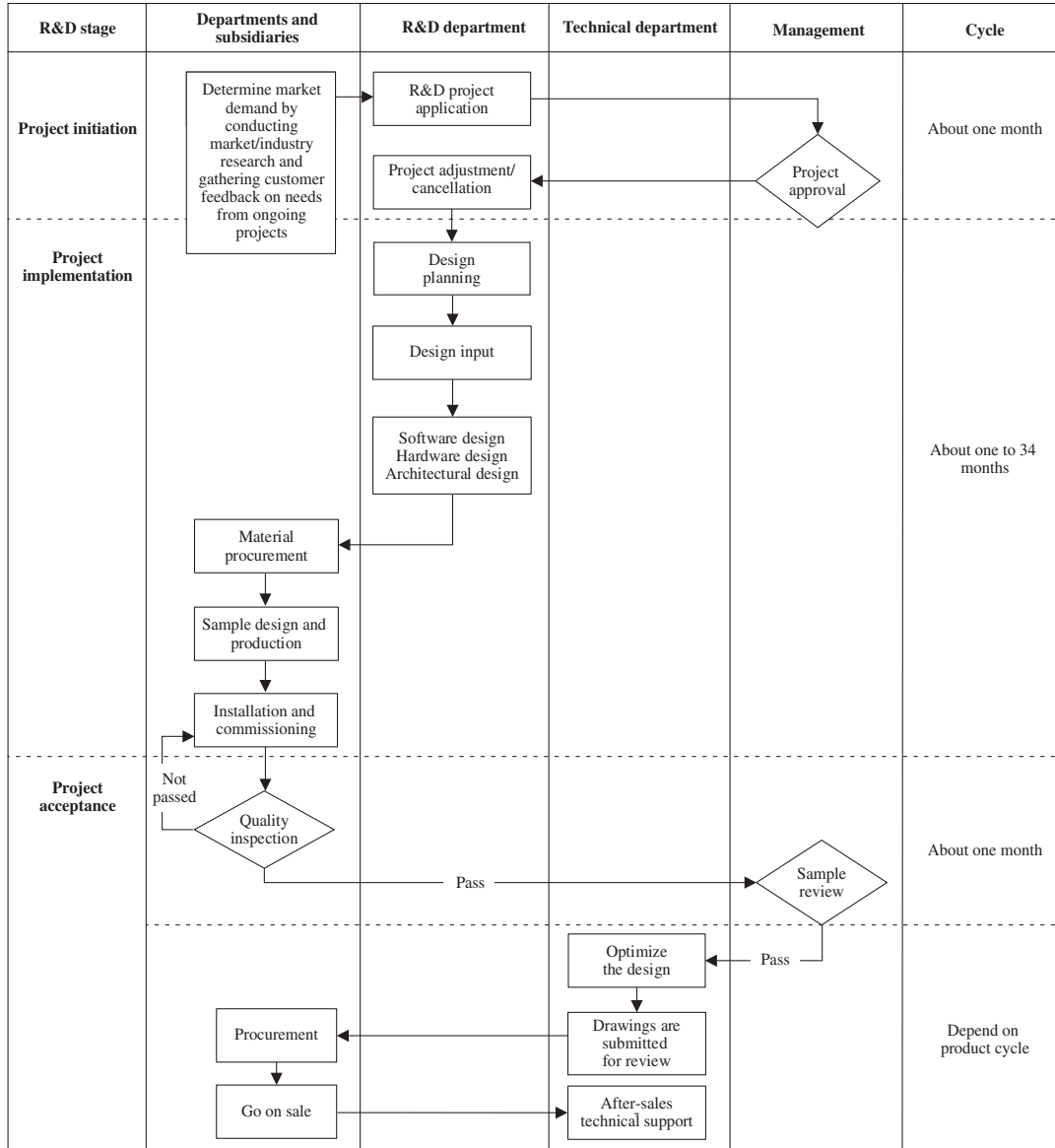
The table below sets forth information on our own major machinery and equipment as of June 30, 2024:

Machinery and equipment	Purpose/function	Age	Repair and maintenance history	Time for replacement or upgrade
Laser cutting machine	Steel plate cutting and blanking	3 years	Semi-annual maintenance	By 2026
Laser machine worktable	Cutting platform	3 years	Semi-annual maintenance	By 2026
Plate bending machine	Bending the sheet metal into shape	3 years	Semi-annual maintenance	By 2030
Multi-function busbar processing machine	Shearing, punching, large bending, small bending (foldback), embossing, pressing cable head, etc.	4 years	Semi-annual maintenance	By 2030
Plasma cutting machine	Steel plate cutting and blanking	3 years	Monthly maintenance	By 2026
Radial drilling machine	Drilling, reaming, plane and tapping of parts, etc.	3 years	Semi-annual maintenance	By 2026
Electric beveling machine	Punching grooves on metal components	3 years	Semi-annual maintenance	By 2026
Vacuum Lifter	Moving of workpieces with suction	3 years	Quarterly maintenance	By 2026
Edge milling machine	Opening the weld groove of the steel plate before welding	3 years	Semi-annual maintenance	By 2030
Stationary crane	Lifting materials, semi-finished products, finished products, etc.	3 years	Quarterly maintenance	By 2030
Electric single girder crane	Lifting materials, semi-finished products, etc.	1 year	Quarterly maintenance	By 2033
Forklift	Transportation, loading and unloading of self-manufactured semi-finished products, purchased materials and purchased equipment, etc.	3.5 years	Maintenance every 300 working hours	By 2030
Hoist double girder crane	Transportation, loading and unloading of self-manufactured semi-finished products and finished products, etc.	3.5 years	Quarterly maintenance	By 2030
Argon arc welding machine (removable bottom pulley type)	Welding related to self-manufactured structures, such as towers, skids, tanks, compartments, cabinets, valves, etc.	3 years	Monthly maintenance	By 2026
Air compressor	Supplying compressed air to pneumatic tools, air tightness test, etc.	3 year	Semi-annual maintenance	By 2030
Air compressor	Supplying compressed air to pneumatic tools, air tightness test, etc.	3 years	Semi-annual maintenance	By 2030
Self-adjusting roller frame	Moving the roller set according to the different diameters of the workpieces and adjusting the center distance of the rollers to accommodate changes in workpiece size	3 years	Semi-annual maintenance	By 2026
Production platform (5*2*0.75)	Product manufacturing platform for improving manufacturing efficiency	3 years	Semi-annual maintenance	By 2026
Production platform (6*6*0.7)	Product manufacturing platform for improving manufacturing efficiency	3 years	Semi-annual maintenance	By 2026

BUSINESS

RESEARCH AND DEVELOPMENT

Our technology development process comprehensively covers all business segments, including the technical department and R&D department. The following chart sets forth our R&D workflow, detailing the various work streams:



Our R&D department conducts feasibility analyses based on the latest industry trends and market demands. Upon completion of feasibility analyses, our R&D department submits a project application for approval by our management. Following approval, our R&D department adjusts project application according to our management’s feedback, completes our design planning, and integrates the design planning. Our R&D department then proceeds with the software design, hardware design and architectural design, procures materials, produces prototypes, and carries out installation and commissioning. Upon successful quality inspection, the R&D project is concluded by our R&D department.

BUSINESS

Subsequently, our technical department undertakes detailed design and production design for formal orders and submits the drawings to the relevant maritime classification societies for review, continuously optimizing the design throughout the delivery and after-sales process. Generally, the overall cycle for R&D projects ranges from approximately three months to 36 months. The R&D cycle differs depending on the complexity and scale of the equipment or systems under development.

Our R&D team is deeply involved throughout the lifecycle of our new projects, from the outset where it engages in the conception and development of equipment and systems tailored to customer specifications, to the ongoing execution where it ensures alignment with project objectives. The application and feedback accumulated from these projects help us to improve and refine our R&D strategies. Our R&D team members have an average of 10 years of industry experience, with the majority holding at least a bachelor's degree, encompassing a diverse range of specializations including hull design, marine engineering, electrical engineering, chemistry, and thermal energy. Our R&D team is led by Mr. Chen Zhiyuan, who holds a master of science in marine technology from Newcastle University in the United Kingdom, with over 20 years of experience in the shipping and shipbuilding industries. As a Co-founder and the chief technology officer of our Company, he leads the team in advancing maritime environmental protection equipment and system technologies and products.

Our R&D center and R&D team in Shanghai are pivotal to our innovation strategy. It is intended to pioneer the application of our technologies, and focuses on the development and implementation of advanced technologies, such as the N₂ generator project. Furthermore, R&D center in Shanghai could incorporate its R&D efforts in our production facility in Nantong. For example, during the period of our development of the dual alkali-based carbon capture system, we were able to rapidly prototype and test the alkali-based carbon capture system in real-world conditions leveraging our production facility, which we believe significantly reduces the time from conception to the completion of development. Similar to the dual-alkali process, we have successfully completed the construction, assembly, and testing of our organic amine-based carbon capture system using our production equipment by the combined efforts of our R&D team and our production facility.

Meanwhile, our R&D team based in Lisbon, WTC, spearheads the directional R&D of new energy technologies, with a primary focus on principle design, exemplified by the development of the waste heat recovery system.

Our technology portfolio meets the evolving needs of our customers and helps us to stay ahead of industry trends. The following table sets forth a summary of our key technologies which were developed by us independently:

<u>Technology</u>	<u>Description of the technology</u>	<u>Application</u>
Ship exhaust gas open cleaning technology ⁽¹⁾	Our systems designed based on this technology can process exhaust gas and seawater to meet the emission standards stipulated by MARPOL, fulfilling the needs of ships for continuous long-distance voyaging. Moreover, the systems have a simple structure, and the costs for installation, maintenance, and upgrades are relatively low. Additionally, it is possible to choose between open-loop and hybrid systems depending on the emission requirements of different sailing areas.	Applied to ship exhaust gas cleaning systems (open-loop and hybrid types) under our marine exhaust gas cleaning systems

BUSINESS

<u>Technology</u>	<u>Description of the technology</u>	<u>Application</u>
Marine clean-energy supply technology ⁽¹⁾	The storage and use of clean-energy sources such as methanol, ammonia, and other low flash point fuels, as well as LNG come with higher safety requirements and technical challenges. Our clean-energy filling technology is based on comprehensive simulation analysis (including pipeline stress analysis, vibration analysis, exhaust and drainage analysis). Through integrated control, digital detection and information collection and feedback, our technology can ensure a stable supply of clean energy, meeting the needs of both the main and auxiliary engines on ships.	Applied to LFSS and FGSS under our marine clean-energy supply systems
Marine nitrogen technology ⁽¹⁾	Low-flashpoint fuels and LNG are chemically reactive and have a high risk of explosion and needing to be filled with nitrogen to achieve inerting treatment in their operating environment to improve the safety in ship power system operation. This technology facilitates the preparation of nitrogen on board and the filling of the application environment. This technology obtains pure air through a series of processes such as air compressor pressurization, multi-stage filter filtration, and refrigeration dryer drying, and then separates the nitrogen in the air through a membrane method or pressure swing adsorption method, so as to obtain nitrogen with a pressure and purity that meets the requirements of ship use. This technology can also facilitate the inerting of nitrogen into pipelines, storage tanks, etc., to realize the inertization of the fuel operating environment.	Applied to N ₂ generator under our marine clean-energy supply systems
Dual alkali decarburization technology	This technology combines the open alkali addition spray system to carry out spray decarburization and CaO replacement reaction on the ship's flue gas in the decarburization tower, forming a decarburization process that converts carbon dioxide into solid compounds and reuses the lye for recycling, so that the ship's flue gas can reduce CO ₂ emissions by 10%–20% or more on the original desulfurization effect.	Applied to carbon capture system (dual alkali-based) under our marine energy-saving devices
Alcohol amine decarburization technology	This technology combines desulfurization and decarbonization, and captures the CO ₂ in the ship's flue gas through the chemical absorption of alcohol amine solution, so that the ship's flue gas can reduce CO ₂ emissions by 10%–20% or more on the original desulfurization effect.	Applied to carbon capture system (organic amine-based) under our marine energy-saving devices

BUSINESS

Technology	Description of the technology	Application
Marine interior design technology ⁽¹⁾	We focus on providing high-standard marine interior engineering, procurement and construction (EPC) package services, which supply high-technology composite materials such as interior wall panels, floor materials, fabric, marine glue, door hardware, etc. We will persist with new technology research in accommodation systems, satisfy the relative standards of living quarters and international trends, focus on people, and, foremost, be customer-centered.	Applied to maritime services

Note:

(1) These technologies have been applied in commercial production.

Furthermore, our own production facility allows us to seamlessly integrate our R&D efforts into practice. We have developed prototypes and conducted tests for various projects including LFSS skids, high- and low-pressure skids for fuel supply systems, bunker manifold skids, marine photovoltaic systems, and hydro blasting machines), hydroponic vegetable cabinets, and urea storage solutions, all within our production facility.

As a result of our R&D and innovation capabilities, we have earned awards and recognitions for our innovation. See “— Awards and recognitions” in this section for further details.

BUSINESS

The following table sets forth the details of certain of our major R&D projects:

Name	Equipment and systems	R&D results	Timeline			Cycle from project initiation to project acceptance
			Project initiation	Project implementation	Project acceptance	
Fourth-generation ship exhaust gas cleaning systems	Marine exhaust gas cleaning systems	The water volume of each pump was reduced to 60%~70%. The standby pump meets the standby function under 90% working conditions.	Third quarter of 2022	Third quarter 2022 to third quarter 2022	Third quarter of 2022	About two months
Organic amine-based carbon capture system	Marine energy-saving devices	The test results were comprehensively analyzed, and the following conclusions were drawn: 1. The maximum carbon capture efficiency was: 93.08% 2. The pilot system operated stably, and the test results were consistent with the design parameters.	First quarter of 2023	First quarter of 2023 to second quarter of 2024	Second quarter of 2024	About 18 months
Marine photovoltaic system	Marine energy-saving devices	The system can basically realize the pre- envisaged functions, such as directly integrate the converted electrical energy into the ship's public power grid through inverters and isolation transformers.	First quarter of 2023	First quarter of 2023 to third quarter of 2023	Third quarter of 2023	About nine months
LFSS	Marine clean-energy supply systems	The feasibility study and system principle design have been completed, clarifying the main equipment parameters. We have established the basis for equipment selection, and have the ability to independently carry out the procurement, construction, etc. of the main equipment.	Second quarter of 2020	Second quarter of 2020 to fourth quarter of 2022	Fourth quarter of 2022	About 33 months
PSA nitrogen generator	Marine clean-energy supply systems	We have mastered the key technology of the system and can carry out detailed design for various mainstream ship types, reserve a complete set of system data, have the ability to carry out actual projects, independently draw a full set of drawings for the R&D of large-scale PSA nitrogen system, as well as have the ability to select equipment for system projects, procurement, system commissioning, and after-sales warranty.	First quarter of 2023	First quarter of 2023 — third quarter of 2023	Third quarter of 2023	About six months
Ship cyber security software and hardware	Maritime services	We have completed the research on equipment principles and classification society specifications, and received the approval in principle certificate issued by Lloyd's Register Classification Society.	Second quarter of 2020	Second quarter of 2020 to third quarter of 2020	Fourth quarter of 2020	About six months

LOGISTICS AND INVENTORY MANAGEMENT

Our cost of purchase primarily includes (i) raw materials consumed during our production primarily including stainless-steel plates and stainless-steel pipes, and (ii) product components we procured from suppliers or OEMs primarily including rudder bulbs, N₂ generators, air compressors, interior accommodation, and spares parts. Our procurement of raw materials and product components is conducted on a “production-driven” basis, meaning that purchases are made in alignment with established production schedules. For our main raw materials and product components, procurement is directly tied to these schedules, while for auxiliary materials, we maintain a certain level of safety stock to ensure uninterrupted production. See “Financial Information — Key factors affecting our results of operations — Our ability to manage our materials expense effectively” for the details of our various measures to manage our cost of purchase.

Logistics and warehouse

We operate our warehouses in our production facility in Nantong primarily for storing certain components and raw materials. We engage third-party logistics service providers for the delivery of all finished goods from our production facility to shipyards for installation. Raw materials and components are delivered directly to our production facility by suppliers.

The daily management of the warehouse and the control of material inflows and outflows are critical components of our operational efficiency. Upon receipt of goods, warehouse personnel are required to categorize and store items according to their type, characteristics, performance, and intended use. This process involves a systematic arrangement of goods into designated areas and the meticulous recording of these items in the inventory ledger. Prior to the withdrawal of materials, the individual requesting the items must complete a material requisition form. This form must then be authorized with the signature of the department manager before the materials can be issued by the warehouse personnel.

Inventory management

Our inventory primarily includes raw materials, work-in-process and finished goods. Our inventory turnover days were 82.0 days, 130.6 days, 118.7 days and 57.9 days in 2021, 2022 and 2023 and for the six months ended June 30, 2024, respectively. We implement strict inventory control policies to monitor our inventory levels at our production facility and warehouse, and maintain a relatively low level of inventory as we generally adopt a “production-driven” approach.

Warehouse personnel shall conduct monthly inventory checks to verify the accuracy of stock levels and to ensure that the physical count aligns with the recorded inventory. This process is not only crucial for identifying any discrepancies between the actual inventory and the inventory records, but also for helping us to maintain an optimal inventory level that is both cost-effective and responsive to market demands.

QUALITY CONTROL

We are committed to maintaining the high quality of our products. Our quality control system allows us to uphold our product quality standards, meet our customer's requirements, minimize waste and improve production efficiency. Our quality control procedures cover the entire product lifecycle, primarily including: (i) R&D activities, (ii) supply chain management, and (iii) the production process.

Quality control in R&D

We develop our products in accordance with the requirements of relevant laws and regulations and industry practices. We conduct a series of evaluation and validation processes on prototype products to ensure product quality while controlling production costs. Our new products are tested under a variety of environmental conditions to meet the diverse needs of our customers.

Quality control in supply chain management

We have comprehensive policies and detailed procedures in place to ensure the quality of the components and raw materials we purchase from suppliers. When selecting and evaluating suppliers, we conduct due diligence and consider a number of factors, including, but not limited to, product or service quality, production conditions of products and technical capabilities. Suppliers must provide comprehensive documentation, including company profiles, business licenses, tax registration, management system certifications, product certifications, and environmental and occupational health safety management information. Depending on the type, function, design complexity, and manufacturing complexity of the materials, suppliers are categorized into three categories with corresponding quality assurance requirements. Category I suppliers must have a quality management assurance system and are capable of handling key integrated equipment or subsystems and producing complex structural components according to our specifications. Category II suppliers should have an inspection system in place and are able to produce general structural components, handle standard parts with special requirements, and independently complete and verify the quality of the materials they handle. Category III suppliers are responsible for supplying general raw materials and components, excluding those covered by Category I and II.

We require our suppliers to comply with our internal supply chain management policies. Our designated quality control team is responsible for communicating with suppliers regarding quality standards, and will thoroughly inspect product samples to ensure that they meet all technical requirements set forth in our product designs. The sample inspection process involves collecting product samples from suppliers and evaluating them against our internal standards. If substandard samples are identified: (i) we will notify the supplier the substandard samples are identified; (ii) suppliers are required to implement corrective measures to address the quality issues; and (iii) subsequent inspections will be conducted to ensure that the products meet the required standards.

Supplier assessment is conducted annually to ensure ongoing compliance with our quality standards. We may conduct regular or ad-hoc on-site inspections of suppliers and require suppliers to remedy quality issues timely upon notice. We maintain detailed assessment records for each supplier, documenting their compliance with quality, environmental, and occupational health safety standards.

BUSINESS

Quality control in production process

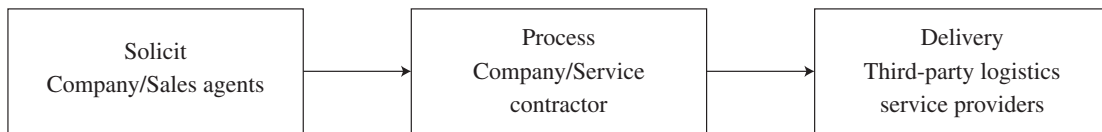
Our production facility in Nantong which we operated through ContiOcean Nantong is responsible for production. We have established a comprehensive production management and quality control process that begins with the marketing and sales department receiving sales orders. These orders are then uploaded to our Enterprise Resource Planning (ERP) system, which facilitates the seamless integration of order processing with our production management. The production management department, in turn, develops a production schedule based on the project plans provided by the engineering department. Following this, the manufacturing department formulates a job plan in accordance with the production schedule and organizes the production activities. Upon completion of the production process, our quality assurance department conducts rigorous inspections to ensure that the products meet our high standards.

We are committed to complying with the applicable production and sales laws, regulations, and national and industrial standards. We have been accredited with the quality management system certification, attesting that our quality management system for R&D, and our sales services of ship equipment and accessories, electromechanical equipment, and environmental protection equipment, is in compliance with the GB/T19001–2016/ISO9001:2015 standards.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material sales returns, product recalls or product liability claims due to quality control issues.

SALES AND SERVICE NETWORK

We solicit, process and deliver customers orders by involving different parties in different stage. A diagram of the procedure is set forth below:



Promotion and sales agents

We generally promote sales of maritime services by ourselves, and we primarily utilize sales agents to promote our sales for other equipment and systems. Our sales primarily include business negotiations and bidding processes. Business negotiations involve proactively contacting customers based on industry information channels or responding to customers' business invitations. Through discussions on design products, pricing, and business negotiations, we ultimately secure orders. Upon finalizing an order, contracts are signed with customers, and production commences. Bidding is an alternative, which includes both public and invitation-only tenders. We acquire project information through public channels or our proprietary networks. Then we organize various departments to determine technical solutions and complete cost estimates and other bidding materials, and after obtaining an internal approval to proceed, prepare bidding documents and participates in bidding. After winning the bid, we will sign a contract with the customer and production commences according to contract requirements.

BUSINESS

We also engage sales agents to market and promote our equipment and systems to shipowners in their own channels. When shipowners express their procurement needs, the sales agents organize us to issue quotations, negotiate and communicate with shipowners and help confirm their orders, and we enter into sales agreements with our customers directly. After that, we organize product delivery and order payment according to the operation and transaction flow under each segment. See “— Our equipment and systems” in this section for further details. There is no material difference in the work of sales agents or the delivery process for sales in the PRC and overseas because most of the ships would come to the shipyards in the mainland China for installation of relevant equipment and systems. For details of sales agents, see “— Marketing strategy” in this section.

The following table sets forth the revenue breakdown by sales promoted by ourselves and by sales agents for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2021		2022		2023		2023		2024	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Sales promoted by ourselves	45,634	32.5	93,822	35.1	231,572	45.4	103,879	47.3	90,484	26.9
Sales promoted by sales agents	94,887	67.5	173,411	64.9	278,683	54.6	115,677	52.7	245,982	73.1
Total	140,521	100.0	267,233	100.0	510,255	100.0	219,556	100.0	336,466	100.0

Service contractor

Our service center based in Shanghai and our subsidiaries in the PRC provide services for the domestic and global markets. The service center operated by us in Singapore covers the Southeast Asia market. We provided services worldwide through our service contractor including Asia, Europe, Americas, and the Middle East. Our service centers are in charge of providing comprehensive customer services including processing and delivering customers’ orders and providing technical guidance in our global service network, and they also conduct marketing activities.

Set out below are the material terms of the service agreement with our service contractor:

Term	One year.
Services provided by the service contractor	The service contractor shall provide necessary technical services according to our instructions. The service contractor is required to submit a budget proposal before the execution of the service and obtain our confirmation. There is no material difference in delivery process between sales in PRC and overseas or the work performed by service contractor in different geographical locations.
Our obligation	We shall provide all necessary information regarding the proposed or required service including the name of the ship, details of the work, relevant time and location.

BUSINESS

IP protection	The service contractor should take any action which we may reasonably request to protect our IP rights at our expense and shall promptly notify us in writing of any actual or potential infringement of our IP rights.
Termination	The agreement can be terminated by either party by giving not less than three months' written notice, or by us for certain breaches or events caused by the service contractor, or by the service contractor for certain breaches or events caused by us.
Renewal	The agreement is automatically extended for another year unless either party breaches the agreement or notifies the other party of terminating the agreement.

We offer customers comprehensive services from pre-sale technical consultations to after-sale maintenance. In addition, we have cultivated a global service network. Moreover, we are dedicated to maintaining a responsive communication channel, ensuring that customer feedback is acknowledged and addressed around the clock.

Our customer base now extends across multiple countries and regions, including Asia, Europe, the Americas, and the Middle East, demonstrating our global reach and our customers' trust in our equipment and systems. Our customers include renowned shipowners and ship builders and their affiliates, such as Customer B, as well as prominent Chinese enterprises like Shanghai Waigaoqiao Shipbuilding Co., Ltd (上海外高橋造船有限公司) and Customer D. Our major customers generally procured from us multiple equipment and systems after experiencing our quality and services. For example, since 2018, when we first established our relationship, one of our major customers, Customer B, has procured ship exhaust gas cleaning systems, energy-saving devices, and ship accommodation interior design and construction, container ship and PCTC lashing gears under our maritime services. Another major customer who is known for its operations in the container feeder market, facilitating the movement of goods from major international shipping routes to inland destinations, has also procured ship exhaust gas cleaning systems, wind deflectors and maritime services from us since 2021 when we first established our relationship with them.

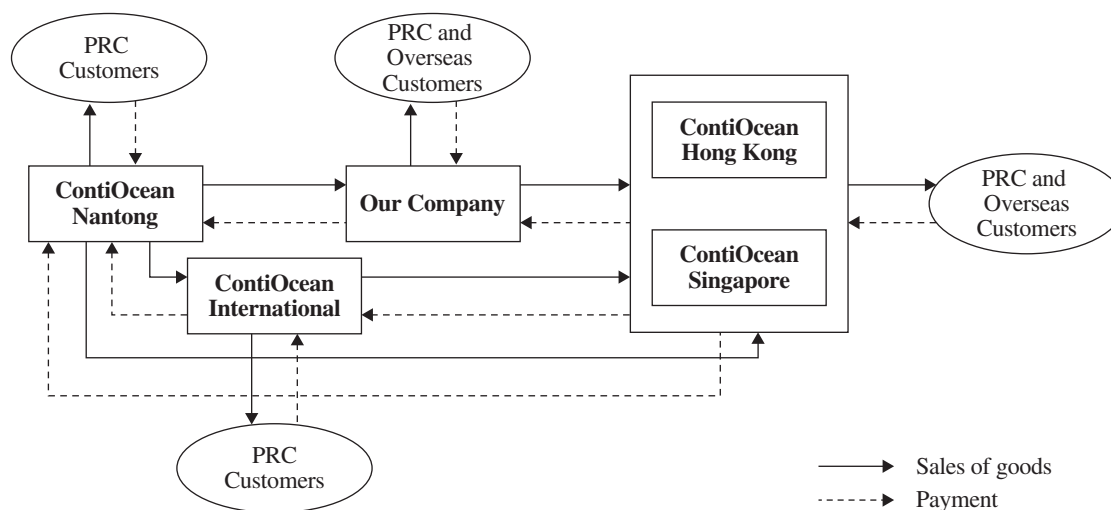
TRANSFER PRICING ANALYSIS

Our Group operates through subsidiaries in the PRC, Hong Kong, Singapore, Portugal and Norway which perform different functions including but not limited to manufacturing, sales and marketing and services. During the Track Record Period, our Group's subsidiaries in the PRC, Hong Kong, Singapore, Portugal and Norway have engaged in the following five types of intercompany transactions, namely (i) product buy-sell transactions, (ii) technical services, (iii) sales support services, (iv) R&D support services and (v) administrative service. These intercompany transactions are collectively referred to as "**Covered Transactions**" in this sub-section with regard to transfer pricing analysis.

BUSINESS

Intercompany product buy-sell transactions

During the Track Record Period, our Group's overall and intercompany product buy-sell transactions are illustrated below. The products are mainly maritime environmental protection equipment and system products such as marine exhaust gas cleaning systems, marine energy-saving devices, marine clean-energy supply systems and maritime services.



Our Company summarizes the amounts and percentage of sales of goods to third party customers in the table below.

Companies	For the year ended December 31,			For the six months ended June 30,
	2021	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
ContiOcean Nantong				
Sales to third parties	15,142	13,696	26,731	28,047
Sales to third parties (%)	46.8%	16.2%	16.9%	24.3%
Our Company				
Sales to third parties	34,712	91,160	273,563	83,918
Sales to third parties (%)	85.9%	83.9%	85.3%	70.6%
ContiOcean International				
Sales to third parties	Not established		1,288	1,969
Sales to third parties (%)	Not established		21.9%	8.8%
ContiOcean Hong Kong				
Sales to third parties	32,055	23,506	140,084	59,998
Sales to third parties (%)	100%	100%	97.1%	99.4%
ContiOcean Singapore				
Sales to third parties	56,638	79,528	45,575	131,035
Sales to third parties (%)	100%	100%	98.6%	100%

BUSINESS

Our Company summarizes the amounts and percentage of purchase of goods from third parties, in the table below.

Companies	For the year ended December 31,			For the
				six months
	2021	2022	2023	ended
	June 30,			2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
ContiOcean Nantong				
Purchase from third parties	30,385	103,381	129,118	50,171
Purchase from third parties (%)	100%	100%	96.4%	99.2%
Our Company				
Purchase from third parties	7,380	25,085	49,096	21,209
Purchase from third parties (%)	30.1%	26.5%	31.1%	34.9%
ContiOcean International				
Purchase from third parties	Not established		5,260	25,504
Purchase from third parties (%)	Not established		92.1%	96.2%
ContiOcean Hong Kong				
Purchase from third parties	19,950	13,458	44,408	17,117
Purchase from third parties (%)	79.2%	74.8%	56.0%	37.7%
ContiOcean Singapore				
Purchase from third parties	106,906	6,531	25,569	9,640
Purchase from third parties (%)	99.6%	30.9%	39.7%	11.5%

With respect to the pricing policy, company level operating margin is considered. Under a sales transaction with a third party customer, it involves sales of goods and provision of technical activities such as design, installation, commissioning and maintenance of maritime environmental protection equipment and system product. Our Company is responsible for carrying out the technical activities for the sales made to customers through itself and related companies (ContiOcean Nantong, ContiOcean International, ContiOcean Hong Kong and ContiOcean Singapore). Therefore, apart from intercompany payments under product buy-sell transactions, technical service fees are paid by the related companies to our Company. The Group considers that ContiOcean Nantong, ContiOcean International, ContiOcean Hong Kong and ContiOcean Singapore entitle to earn target range of operating margins on company level, taking into account of their overall functions performed and level of involvement in the value chain of the Group's business. The company level operating margins for our Company, ContiOcean Nantong, ContiOcean International, ContiOcean Hong Kong and ContiOcean Singapore are summarized in the table below.

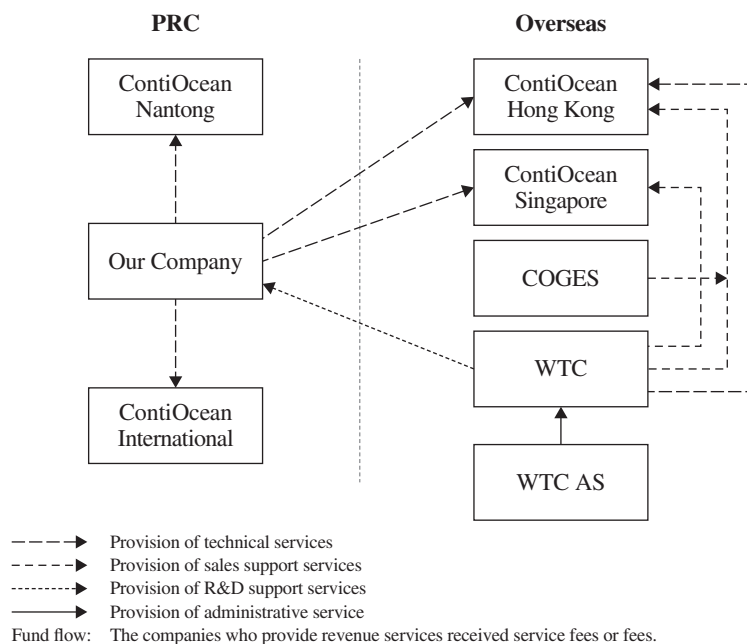
BUSINESS

<u>Company Operating Margin</u>	<u>For the year ended December 31,</u>			For the six months ended
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>June 30, 2024</u>
Our Company	14.7%	16.0%	33.8%	41.6%
ContiOcean Nantong	1.8%	11.9%	1.6%	6.8%
ContiOcean International	Not established		15.68%	7.68%
ContiOcean Hong Kong	1.8%	1.6%	5.36%*	4.2%
ContiOcean Singapore	-1.9%	8.3%	14.47%	5.2%

(* Normalised operating margin excluding a few one-off transactions with third parties)

Intercompany service provision transactions

During the Track Record Period, there were four types of services provided among group companies, which were technical services, sales support services, R&D support services and administrative service.



Transfer Pricing Characterisation

Our Group engaged an independent transfer pricing tax consultant, namely BDO Tax Limited (“**Transfer Pricing Tax Consultant**”), to conduct transfer pricing review and benchmarking studies on the Covered Transactions. The transfer pricing review is conducted in accordance with relevant transfer pricing regulations of Hong Kong, PRC, Singapore and OECD TPG. The jurisdictions of Hong Kong, PRC, Singapore, Portugal and Norway acknowledge OECD TPG and the local TP regulations are largely consistent with the spirit of the OECD TPG.

We are a PRC-based maritime environmental protection equipment and system provider serving customers from different regions. The principle activities are product development throughout the lifecycle of projects for Group’s products (i.e. maritime environmental protection equipment and system products), sales of such products to customers through itself and related companies, and to undertake technical and after-sales activities for customers of the Group, such as design, installation, commissioning and maintenance to ensure products are installed and operate on customer ships properly. Our Company has economically significant people functions and financial capability in overseeing and controlling the manufacturing, trading, R&D and overall business activities for the Group, thus it assumes the major market risk, R&D risk, product liability risk and credit risk for the overall business for the Group. Our Company is characterized as an entrepreneur.

ContiOcean Nantong’s principle activities are mainly manufacturing and sales of Group’s products to customers through itself and related companies. It also carries out R&D activities at production level. ContiOcean Nantong mainly assumes manufacturing and R&D risks (at production level), limited market risk and product liability risk, it is characterized as a contract manufacturer.

ContiOcean International’s principle activities are handling purchase of maritime environmental protection equipment and system products from third party suppliers, and administrative tasks for exporting goods to ContiOcean Hong Kong and ContiOcean Singapore and few third party customers according to the instructions and requirements of our Company. ContiOcean International assumes limited market risk, it is characterized as a limited risk distributor.

ContiOcean Hong Kong enters into contracts for purchase and sale of maritime environmental protection equipment and system products with related and third parties. However, ContiOcean Hong Kong only carries out business development and marketing activities, it does not undertake any product development, manufacturing, technical and after-sales activities for the sales made to customers. Therefore, ContiOcean Hong Kong is characterized as a sales agent, it assumes limited market risk.

ContiOcean Singapore enters into contracts for purchase and sale of maritime environmental protection equipment and system products with related and third parties. However, ContiOcean Singapore only carries out business development and marketing activities, it does not undertake any product development, manufacturing, technical and after-sales activities for the sales made to customers. Therefore, ContiOcean Singapore is characterized as a sales agent, it assumes limited market risk.

COGES’s principle activities are business development and marketing for the Group’s products for non-PRC customers. It does not undertake any product development, manufacturing, distribution, technical and after-sales activities, thus it assumes limited market risk. COGES is characterized as a sales agent.

BUSINESS

WTC is responsible for carrying out technical support, R&D support, business development and marketing activities for related companies. It assumes limited R&D risk and market risk as it provides such services in accordance with the instructions and requirements of the related companies. WTC is characterized as a service provider and sales agent.

WTC AS is responsible for processing and passing through payroll for WTC's personnel as a start up company. It does not assume any business risk and is characterized as an administrative service provider.

Transfer Pricing Assessment

From a transfer pricing perspective, our Company is an entrepreneur of the Group. After the related companies (ContiOcean Nantong, ContiOcean International, ContiOcean Hong Kong, ContiOcean Singapore, COGES, WTC and WTC AS) are compensated with arm's length returns for their roles and responsibilities with respect to the Covered Transactions, the residual profit for the Group's business (or loss, if any) is retained (or absorbed) by our Company. Transfer Pricing Tax Consultant selected the most appropriate transfer pricing methodology in its benchmarking studies based on nature and characteristics of the Covered Transactions. The transfer pricing methods are established below with respect to their involvements in the Covered Transactions during the Track Record Period.

Based on the Covered Transactions outlined, ContiOcean Nantong, our Company ContiOcean International, ContiOcean Hong Kong, ContiOcean Singapore, COGES, WTC and WTC AS were selected as the tested parties as they undertake routine manufacturing, distribution and service functions in the Covered Transactions. Details of benchmarking analyses for each tested party are set out below:

Tested Party	Benchmarking Analysis	Transfer Pricing Method	Profit Level Indicator ("PLI")
ContiOcean Nantong	Asia Pacific Manufacturer	Transactional Net Margin Method ("TNMM")	Net Cost Plus Markup ("NCP ¹ ")
ContiOcean International	Asia Pacific Distributor	TNMM	Operating Margin ("OM ² ")
Our Company, WTC	Asia Pacific Technical Service	TNMM	NCP
ContiOcean Hong Kong, ContiOcean Singapore, COGES, WTC	Sales Agent	Internal Comparable Uncontrolled Price ("CUP") Method	Commission (% of sales)
WTC AS	Simplified Method Without Benchmarking	TNMM	Break-even to 5% NCP

Under TNMM, the above-mentioned benchmarking analyses for manufacturer, distributor and technical service in the Asia Pacific Region are conducted to ascertain the arm's length returns for the tested parties. To identify comparable companies, OSIRIS database provided by Bureau Van Dijk ("BvD") is used. The search process is to first identify the pool of potential active comparable

¹ NCP = operating profit/total costs
operating profit = sales revenue – cost of sales – operating expenses
total costs = cost of sales + operating expenses
operating expenses = distribution and selling expenses + administrative expenses + research and development expenses
² OM = operating profit/sales revenue

BUSINESS

companies based on relevant Standard Industrial Code and geographical location of Asia Pacific region. Secondly, to apply quantitative criteria to eliminate companies with insufficient financial data or continuous loss during the Track Record Period. Thirdly, to perform qualitative screening on the business descriptions, financial data from the database and information from other sources (e.g. company websites, annual reports) to eliminate companies with functions or products/services significantly different from the tested parties' functions and products/services. After the above searching and screening criteria, independent companies that are comparable in functions performed and risks assumed by the tested parties are identified. Their available financial results (i.e. PLIs of NCP or OM) relevant to the Track Record Period are summarized to calculate the inter-quartile range as the arm's length returns.

Under internal CUP method for the tested parties characterised as sales agent, on the basis that the Group engages independent sales agents to carry out sales and business development activities during the Track Record Period, the independent agreements with similar sales and business development activities as the tested parties are accepted as comparable agreements. The payments of commission rates are summarized to calculate the inter-quartile range as the arm's length return.

ContiOcean Nantong is characterized as a contract manufacturer. For 2021, ContiOcean Nantong's NCP for 2021 is 1.82%, which falls below the arm's length NCP of 5.92% to 13.92% for 2021. On the basis that our Company is characterized as an entrepreneur, after it has compensated related companies with arm's length returns for their role and responsibilities with respect to the Covered Transactions, the residual profit for the overall business (or loss, if any) shall be retained and owned by our Company. Therefore, our Company shall remunerate ContiOcean Nantong for arm's length NCP for 2021. Given that our Company's CIT rate was 15% whereas ContiOcean Nantong's CIT rate was 25% during 2021, the CIT exposure is estimated based on a tax rate difference of 10%. Based on the quantification, the amount of PRC CIT exposure for 2021 is not material from the Group's financial perspective. For 2022 to six months ended June 30, 2024, overall, given that our Company and ContiOcean Nantong were subject to the same CIT rate of 15% (as high-tech enterprises) in the PRC, there shall be no transfer pricing risk because the profit allocation between our Company and ContiOcean Nantong will have no overall CIT impact.

ContiOcean International is characterized as a limited risk distributor. ContiOcean International's average OM from 2023 to six months ended June 30, 2024 is 9.35%, which is above the arm's length range OM for 2023 of 2.80% to 5.09%. Since our Company is responsible for sales, marketing and technical activities involved in ContiOcean International's trading transactions, the excess profit (above the arm's length range) shall be earned by our Company. Given that our Company's CIT rate of 15% is higher than ContiOcean International's effective CIT rate of 5%³, the excess profit could be subject to a tax rate difference of 10%. Based on the quantification, the amount of PRC CIT exposure for 2023 and six months ended June 30, 2024 is not material from the Group's financial perspective.

ContiOcean Hong Kong is characterized as a sales agent. ContiOcean Hong Kong's average normalised OM from 2021 to six months ended June 30, 2024 is 4.28% (excluding a few one-off transactions in 2023), which falls within the arm's length commission rate of 3% to 6%.

³ ContiOcean International's CIT rate — From 1 January 2023 to 31 December 2024, for the part of the annual taxable income of small enterprise that does not exceed RMB1 million, 25% of taxable income will be included in CIT computation, which is subject to CIT rate of 20%. It means that the effective CIT rate is 5%.

BUSINESS

The one-off transactions are trading transactions solely with third parties. For such trading activities, ContiOcean Hong Kong paid a technical service fee to our Company for providing technical services to its customers, such as installation, commissioning and maintenance. The NCP of the technical service fee is 39.12%, which is above the arm's length range of 2.77% to 29.71% for 2023. It means that ContiOcean Hong Kong compensated our Company higher than the arm's length technical service fee. Based on the quantification, the amount of Hong Kong profits tax exposure for 2023 is not material from the Group's financial perspective.

ContiOcean Singapore is characterized as a sales agent. ContiOcean Singapore's average OM from 2021 to six months ended June 30, 2024 is 4.02%, which falls within the arm's commission rate of 3% to 6%.

COGES is characterized as a sales agent. COGES' sales commission income from 2021 to six months ended June 30, 2024 is 3% on sales contract price, which is within the arm's length commission rate of 3% to 6%.

WTC is characterized as sales agent and service provider. For the six months ended June 30, 2024:

WTC earns a service fee from our Company for the provision of contract R&D support services at NCP of 166%.

WTC earns a service fee from ContiOcean Hong Kong for the provision of technical support services at NCP of 185%.

WTC's sale commission received from ContiOcean Hong Kong and ContiOcean Singapore is 3% to 5% on the sales contract price, which falls within the arm's length commission rate of 3% to 6%.

WTC AS is characterised as an administrative service provider to process and pass through payroll for WTC during the six months ended June 30, 2024. It is not unreasonable for WTC AS to break-even as it does not undertake an active role in payroll service (apart from merely passing through salaries) as a start up company. WTC AS's weighted average operating profit is approximately RMB43,230 during its start up period from 2022 to six months ended June 30, 2024. WTC AS earns more than a break-even and is sufficiently compensated.

As regards transfer pricing documentation requirements, ContiOcean Nantong, our Company, ContiOcean International, ContiOcean Hong Kong, ContiOcean Singapore and COGES have all met the relevant intercompany transaction exemption thresholds in their respective jurisdictions and are not required to prepare transfer pricing documentation with respect to the Covered Transactions during the Track Record Period in accordance with applicable transfer pricing regulations.

Conclusion

Our Directors, together with the Transfer Pricing Tax Consultant, are of the view that the above-mentioned Covered Transactions were largely consistent and in compliance with the relevant transfer pricing regulations and OECD TPG during the Track Record Period in material aspects. This is on the basis that the estimated tax exposures are not material on company level for each year and from the Group's financial perspective.

BUSINESS

Our management has monitored and will continue to monitor our Group’s intercompany transactions and ensure their compliance with the relevant applicable transfer pricing regulations in material aspects including reviewing the reasonableness of the pricing policy of our intercompany transactions from time to time. However, we cannot provide assurance that our transfer pricing arrangements will not be subject to review or possible challenge by any relevant tax authorities in the future, even though we believe we have reasonable grounds to defend ourselves against such possible challenges. Please refer to the section headed “Risk Factors — Risks relating to our business and industry — Our operations may be subject to transfer pricing adjustments by competent authorities” in this prospectus for further details.

MARKETING STRATEGY

We primarily acquire customers through participation in trade shows, business negotiations, and the engagement of sales agents. We enter into sales agreements with our customers directly.

Trade shows serve as a significant platform for us to showcase our equipment and systems, allowing us to engage with potential customers from various regions. These events provide us with the opportunity to present our offerings, understand market trends, and network with industry peers. Our presence at these trade shows is a strategic move to increase brand visibility and attract new business.

In addition to our own efforts, we currently engage sales agents who are Independent Third Parties and act on our behalf to facilitate the acquisition of new customers by leveraging their local market knowledge and networks. During the Track Record Period, we had 17 sales agents which promoted our sales to customers. We engaged six, six, eight, and nine sales agents during each year or period of the Track Record Period. These sales agents help us to identify market demands, negotiate contracts, and ensure prompt payment collection. According to Frost & Sullivan, engagement of sales agents in the maritime environmental protection equipment and system industry is in line with the industry norm. In 2021, 2022, 2023, and for the six months ended June 30, 2023 and 2024, we incurred sales commissions in this regard amounting to RMB6.2 million, RMB8.8 million, RMB17.5 million, RMB6.9 million and RMB14.8 million, respectively.

The following table sets forth the background, location, registered capital and financial standing of each of the sales agents based on our knowledge and belief and how the Group became acquainted and commenced business relationship with each of the sales agents during the Track Record Period:

No.	Sales agents	Background	Locations	Registered capital	Financial standing	Whether the Group was the sole customer of each of the sales agents during the Track Record Period	How the Group became acquainted and commenced business relationship with sales agents
1	Sales agent A	Incorporated in 2000 in Hong Kong, engaged in shipping agency ⁽³⁾	Mainland China, Hong Kong and Singapore ⁽³⁾	HK\$10,000 ⁽³⁾	N/A ⁽⁴⁾	N/A ⁽⁴⁾	Became acquainted in the Marintec China Exhibition ⁽⁵⁾

BUSINESS

No.	Sales agents	Background	Locations	Registered capital	Financial standing	Whether the Group was the sole customer of each of the sales agents during the Track Record Period	How the Group became acquainted and commenced business relationship with sales agents
2-4	Sales agents B to D ⁽¹⁾	Engaged in shipping agency ⁽¹⁾	Mainland China	Sales agent B: US\$50,000 ⁽³⁾ Sales agent C: N/A ⁽⁴⁾ Sales agent D: HK\$10,000 ⁽³⁾	N/A ⁽⁴⁾	N/A ⁽⁴⁾	Initially became acquainted in the APM ASIA Pacific Maritime Exhibition ⁽¹⁾
5	Sales agent E	Incorporated in 1984 in Hong Kong, headquartered in Hong Kong, with offices in various places, engaged in shipping equipment agency and production and sales services	Mainland China	HK\$2,200,000 ⁽³⁾	N/A ⁽⁴⁾	No. Our revenue contribution was approximately 0.5-1% of its total revenue. Its other customers are mainly based in South Korea, Japan and Europe.	Became acquainted in the Marintec China Exhibition
6	Sales agent F	Incorporated in 2017 in Singapore, engaged in shipping management services	Singapore	SG\$2 ⁽³⁾	N/A ⁽⁴⁾	N/A ⁽⁴⁾	Became acquainted in the APM ASIA Pacific Maritime Exhibition
7	Sales agent G	Incorporated in 2018 in Hong Kong and dissolved in 2023, engaged in ship agency business ⁽³⁾	Mainland China ⁽⁵⁾	HK\$10,000 ⁽³⁾	N/A ⁽⁴⁾	N/A ⁽⁴⁾	Became acquainted by visit ⁽⁵⁾
8	Sales agent H	Incorporated in 2019 in Singapore, engaged in engineering design and consultancy and maritime related consultancy services.	Singapore	SG\$1,000	Average annual revenue is less than US\$1 million with average annual profit less than US\$500,000.	Yes	Became acquainted in the APM ASIA Pacific Maritime Exhibition
9	Sales agent I	Incorporated in 2012 in the United Arab Emirates, engaged in ship agency ⁽³⁾	Maharashtra, India ⁽⁵⁾	N/A ⁽⁴⁾	N/A ⁽⁴⁾	N/A ⁽⁴⁾	Became acquainted in the Marintec China Exhibition ⁽⁵⁾

BUSINESS

No.	Sales agents	Background	Locations	Registered capital	Financial standing	Whether the Group was the sole customer of each of the sales agents during the Track Record Period	How the Group became acquainted and commenced business relationship with sales agents
10	Sales agent J	Incorporated in 2019 in Greece, engaged in marine and consulting services ⁽⁵⁾	Athens, Greece	N/A ⁽⁴⁾	N/A ⁽⁴⁾	N/A ⁽⁴⁾	Became acquainted in the Posidonia Exhibition
11	Sales agent K	Incorporated in 2005 in Hong Kong, engaged in providing ship installation and maintenance services, as well as maritime mechanical and electrical equipment trade services	Hong Kong	HK\$10,000	Average annual revenue is above US\$5 million with average annual profit less than US\$500,000.	No	Became acquainted by visit
12	Sales agent L	Incorporated in 2019 in Cyprus, engaged in shipping agency	Cyprus	EUR1,000	Average annual revenue is less than US\$1 million with average annual profit less than US\$500,000.	N/A ⁽⁴⁾	Became acquainted in the Posidonia Exhibition
13	Sales agent M	Incorporated in 2023 in Hong Kong, engaged in shipping equipment agency ⁽³⁾	Mainland China	HK\$10,000 ⁽³⁾	N/A ⁽⁴⁾	N/A ⁽⁴⁾	Became acquainted in the Marintec China Exhibition
14	Sales agent N	Incorporated in 2022 in Hong Kong, engaged in shipping management services	Hong Kong	HK\$10 ⁽³⁾	N/A ⁽⁴⁾	N/A ⁽⁴⁾	Became acquainted by visit
15	Sales agent O	Incorporated in 2024 in Hong Kong, engaged in shipping equipment agency	Hong Kong	HK\$100 ⁽³⁾	N/A ⁽⁴⁾	N/A ⁽⁴⁾	Became acquainted by visit

BUSINESS

No.	Sales agents	Background	Locations	Registered capital	Financial standing	Whether the Group was the sole customer of each of the sales agents during the Track Record Period	How the Group became acquainted and commenced business relationship with sales agents
16	Sales agent P	Incorporated in 2023 in Hong Kong, engaged in shipping equipment agency	Hong Kong	HK\$10,000 ⁽³⁾	N/A ⁽⁴⁾	N/A ⁽⁴⁾	Became acquainted in the Marintec China Exhibition
17	Sales agent Q	Incorporated in 2009 in Hong Kong, engaged in providing marine services and solutions	Hong Kong	HK\$10,000 ⁽³⁾	N/A ⁽⁴⁾	N/A ⁽⁴⁾	Became acquainted in the Marintec China Exhibition

Notes:

- (1) The three sales agents are under common control by the same person. Each of sales agents B, C and D was incorporated in 2021 in the British Virgin Islands which was dissolved in 2023, in 2018 in the Marshall Islands and in 2023 in Hong Kong, respectively. The Group initially became acquainted with sales agent C in the APM ASIA Pacific Maritime Exhibition and then became acquainted with sales agents B and D by sales agent C.
- (2) Based on our knowledge and belief, the above sales agents, their shareholders, directors or their respective ultimate beneficial owners do not have any past or present relationships (family, business, employment, trust, financing, shareholding, fund flow or otherwise) with us or our subsidiaries, shareholders, directors, supervisors or senior management, or any of their respective associates, except for one sales agent, Sales agent H, which was previously owned by a spouse (“Spouse”) of a director of our Group’s subsidiary before the Spouse’s disposal of interest in that sales agent to an Independent Third Party who, to our best knowledge, has experience in the maritime industry, in July 2024. Sales agent H is engaged in engineering design and consultancy services and maritime related consultancy services. Sales agent H does not offer products/services similar to ours.
- (3) We obtained the relevant information from public sources for the sales agent under the same name, as the relevant sales agent either refused to provide such information or we had not received any information as of the Latest Practicable Date.
- (4) We have proactively sought such information. However, the sales agent refused to provide such information or we had not received any information as of the Latest Practicable Date and such information is not available from public sources.
- (5) We have proactively confirmed such information with the sales agent. However, the sale agent refused to provide such information or we had not received any information as of the Latest Practicable Date. We provided such information to our best knowledge.

BUSINESS

We engage sales agents in addition to our in-house sales and marketing team because through sales agents, we can gain timely insights into market needs and expedite the contract signing process. Furthermore, sales agents in general have stronger relationships with shipowners or ship builders, therefore they can help us penetrate certain markets or networks of shipowners or ship builders where we do not have established relationships. In addition, sales agents help to communicate with customers more efficiently and improve service efficiency because they are more familiar with the customers. This is particularly beneficial in maintaining effective customer relations. Furthermore, during periods of rapid market growth, we can leverage sales agents to acquire a broader customer base.

Set out below are the material terms of such sales agent agreements:

- Service** We usually appoint sales agents as the sales agent for our equipment and systems, with responsibilities including promoting sales, assisting in contract execution, and aiding in payment collection.
- Commission and payment** The sales agents usually receive a commission generally calculated as a certain percentage of the total contract value, ranging from 3% to 6%, payable within a period of time after we receive payment from the customers. We are able to obtain a refund of the commission from sales agents if the order with customers is canceled.
- Termination** Each party may terminate the agreements in the event of, among others, any material breach by the other party.

WARRANTY AND AFTER-SALE SERVICES

We place great emphasis on the satisfaction of our customers. Our products are complemented by a comprehensive set of after-sales services. We provide maintenance services and a warranty period for our products, ranging from 12 to 60 months following delivery. During the warranty period, repair costs are principally borne by our upstream suppliers on a back-to-back basis, depending on specific circumstances. Post-warranty repairs are offered to customers as a chargeable service.

In 2021, 2022, and 2023, and for the six months ended June 30, 2024, our warranty expenses amounted to RMB0.4 million, RMB0.3 million, RMB4.4 million, and RMB2.6 million, respectively, each representing less than 1.0% of the total revenue for the same period. We also make warranty provisions, which represent the management's best estimate of our liability under 12 to 60 months assurance-type warranty granted on products, based on prior experience and industry averages for defective products. As of December 31, 2021, 2022, and 2023, and June 30, 2024, our warranty provisions amounted to RMB0.3 million, RMB0.5 million, RMB4.5 million, and RMB6.6 million, respectively.

We provide our staff with comprehensive training to deliver high-quality services to our customers. We keep track of customers' feedbacks on our product and service quality. We are committed to timely responding to customers' feedbacks and concerns, and taking measures in accordance with relevant procedures. Our comprehensive after-sales services and maintenance protocol monitors, and ensures timely response to, each complaint from customers. We are dedicated to maintaining a responsive communication channel, ensuring that customer feedback is acknowledged within 24 hours. We generally respond to customer inquiries within three days.

BUSINESS

We believe our customer service system helps improve customer satisfaction, build customer loyalty and trust, reduce similar complaints in the future, and maintain our brand image. During the Track Record Period, we did not receive any material claims or penalties as a result of product quality, nor did we experience any product recalls.

AWARDS AND RECOGNITIONS

During the Track Record Period, we received awards and recognitions for the quality of our equipment and systems and our R&D and innovation capabilities. Representative awards and recognitions are set forth below:

Our Company:

<u>Award/recognition</u>	<u>Award year</u>	<u>Awarding institution/authority</u>
High-tech Enterprise (高新技術企業)	2019	Shanghai Municipal Science and Technology Commission (上海市科學技術委員會)
Specialized, Refined, Distinctive, and Innovative Enterprise in Shanghai (上海市專精特新企業)	2022	Shanghai Commission of Economy and Information Technology (上海市經濟和信息化委員會)
The LFSS won the “Top 10 Energy — Saving and Low — Carbon Technology Products” (LFSS獲得“十佳節能低碳技術產品”)	2024	Shanghai Energy Saving Engineering and Technology Association (上海市節能工程技術協會)
Benchmark enterprise for brand cultivation in Shanghai (上海市品牌培育標杆企業)	2024	Shanghai Commission of Economy and Information Technology (上海市經濟和信息化委員會)

ContiOcean Nantong:

<u>Award/recognition</u>	<u>Award year</u>	<u>Awarding institution/authority</u>
Municipal Enterprise Engineering Technology Research Center (市級企業工程技術研究中心)	2021	Science and Technology Bureau of Nantong City, Jiangsu Province (江蘇省南通市科學技術局)
High-Tech Enterprise (高新技術企業)	2022	Jiangsu Provincial Department of Science and Technology (江蘇省科學技術廳)
Specialized, Refined, Distinctive, and Innovative Enterprise in Jiangsu (江蘇省專精特新中小企業)	2024	Industry and Information Technology Department of Jiangsu (江蘇省工業和信息化廳)

BUSINESS

WTC:

<u>Award/recognition</u>	<u>Award year</u>	<u>Awarding institution/authority</u>
The Gold Award of the New Energy Innovation Competition recognizes its exploration and innovation in the field of ammonia fuel application for new energy applications for ships and global carbon emission reduction	2023	Green Offshore Tech

ENVIRONMENTAL, SOCIAL AND GOVERNANCE MATTERS

ESG governance

Led by the Board, we are fully committed to integrating ESG considerations into our business operations for sustainable growth and better business resilience in response to the transition to a low-carbon economy. A robust ESG governance structure lays a solid foundation for our long-term development and creation of sustainable value to our key stakeholders.

The Board has the overall and collective responsibility for the oversight of ESG issues, including but not limited to, ESG strategy and management approach, ESG policy and practice, ESG-related risk and opportunity management, and review of progress made against metrics and targets to manage material ESG-related risks (including climate-related risks), with an emphasis on the alignment with the Group's future development and positioning.

The Board consists of members with a diverse range of expertise and knowledge in the management of ESG-related matters. The table below outlines the brief descriptions of the ESG-related expertise and qualifications of seven board members:

<u>Name</u>	<u>Position</u>	<u>Qualifications and Education</u>	<u>Expertise, Competencies and Experience</u>
Mr. Zhou Yang	Executive Director and Chairman of the Board	<ul style="list-style-type: none"> - Bachelor's degree in ship engineering from Dalian Ocean University (大連海洋大學) - 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) 	Over 22 years of experience in the shipbuilding industry and heavy industry, specializing in: <ul style="list-style-type: none"> - R&D oversight and technological advancement - product quality control and assurance - internal processes enhancement - compliance with safety and environmental standards for shipbuilding - corporate governance

BUSINESS

<u>Name</u>	<u>Position</u>	<u>Qualifications and Education</u>	<u>Expertise, Competencies and Experience</u>
Mr. Zhao Mingzhu**	Executive Director and chief executive officer	<ul style="list-style-type: none"> - Bachelor's degree in ship and marine engineering from Dalian University of Technology (大連理工大學) 	<p>Over 20 years of experience in the shipping and shipbuilding industries, specializing in:</p> <ul style="list-style-type: none"> - operations and management oversight - global marketing and sales - project oversight - stakeholder relationship management
Mr. Chen Zhiyuan*	Executive Director and chief technology officer	<ul style="list-style-type: none"> - Master of science in marine technology from Newcastle University the United Kingdom - Bachelor's degree in engineering from Dalian Ocean University (大連海洋大學) 	<p>Nearly 20 years of technical expertise in shipping and shipbuilding industries, specializing in:</p> <ul style="list-style-type: none"> - leading R&D initiatives and the technical team - technological advancement - solving key technical challenges - compliance with industry standards and regulatory requirements - maritime project management
Mr. Shu Wa Tung, Laurence	Executive Director, chief financial officer and company secretary	<ul style="list-style-type: none"> - Bachelor's degree in accounting from Deakin University - Executive Master of Business Administration degree from Washington University - Certified public accountant associate by Hong Kong Institute of Certified Public Accountants 	<p>Over 30 years of experience in audit, corporate finance and financial management, specializing in:</p> <ul style="list-style-type: none"> - corporate governance - risk management - internal control - financial oversight - compliance with relevant regulations - business ethics

BUSINESS

<u>Name</u>	<u>Position</u>	<u>Qualifications and Education</u>	<u>Expertise, Competencies and Experience</u>
Mr. Chen Rui*	Executive Director and secretary to the Board	<ul style="list-style-type: none"> - Bachelor's degree in engineering from Shenyang University of Technology (瀋陽工業大學) - Master's degree in engineering from Shanghai Jiao Tong University (上海交通大學) - 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) 	<p>Over 22 years of experience in the shipbuilding industry, specializing in:</p> <ul style="list-style-type: none"> - leading complex engineering projects - R&D - training and developing engineer team - project quality assurance - stakeholder communications - employment and labour practices - occupational health and safety
Mr. Zhu Rongyuan*	Independent non-executive Director	<ul style="list-style-type: none"> - Bachelor's degree in management, majoring in accounting, from Shanghai University of Finance and Economics (上海財經大學) - Certified public accountant by the Chinese Institute of Certified Public Accountants 	<p>Over 21 years of experience in accounting, finance, and corporate governance, specializing in:</p> <ul style="list-style-type: none"> - corporate governance - financial oversight and compliance
Ms. Ng Sin Kiu	Independent non-executive Director	<ul style="list-style-type: none"> - Bachelor of Laws degree and Postgraduate Certificate in Laws from The University of Hong Kong - Master of Laws degree from The University of Hong Kong - Qualified solicitor in Hong Kong and England and Wales - Qualified lawyer of the Greater Bay Area 	<p>Over 20 years of experience in legal practice, in particular, in corporate finance matters, specializing in:</p> <ul style="list-style-type: none"> - legal and compliance matters

** *Chairperson of the ESG committee*

* *Member of the ESG committee*

BUSINESS

The ESG Committee currently comprises three executive Directors and one independent non-executive Director, and is chaired by the chief executive officer of the Company. The ESG Committee drives the planning and implementation of the Group's ESG-related matters. The ESG Committee members possess expertise and knowledge in the management of ESG matters, including but not limited to employment and labour practices, occupational health and safety, product responsibility and business ethics. The chairperson of the ESG Committee reports material and relevant ESG matters to the Board at least once a year. In accordance with its terms of reference, the ESG Committee is responsible for ESG-related matters including the below:

- Assess the effectiveness of the ESG management framework and structure of the Group and advise any necessary changes;
- Review, endorse and suggest any changes to the Group's ESG vision and strategy;
- Review the Group's performance against its goals and targets, its annual sustainability-related key performance indicators ("KPIs") for strategic ESG factors, and any other appropriate benchmarks;
- Keep track of stakeholders' feedback (including the review and approval of material issues and materiality matrix), latest market trends and peer performances on ESG;
- Determine significant risks and opportunities in relation to the sustainable development of the Group, including ESG (and climate-related) risks and opportunities;
- Advise the Board of significant sustainable development risks identified, including ESG (and climate-related) risks;
- Propose appropriate action plans and targets to address the ESG opportunities identified;
- Supervise the ESG working group to advance the Group's sustainability agenda;
- Monitor and ensure the Group's progress in implementing action plans and achieving targets;
- Review and approve the annual ESG report of the Group; and
- Support and carry out any other duties as proposed by the chairperson of the ESG Committee.

The ESG working group, comprising of senior executives and heads of major business units or functional departments, supports the planning, development and implementation of the focus areas of our ESG strategy, and reports to the ESG Committee at least once a year.

Materiality assessment

The materiality assessment plays an important role in advancing our ESG strategy and forming the foundation for ESG disclosure. After the Listing, we will adopt a three-step approach to identify, prioritize, and validate the ESG issues material to our business and stakeholders, allowing us to gain insight into stakeholder expectations and emerging sustainability trends, which in turn enables us to incorporate our sustainability priorities into our strategy development and reporting processes:

Step 1 — Identification

- Review potential material ESG issues identified through regular stakeholder engagement
- Conduct peer benchmarking and make reference to international ESG disclosure standards, including Sustainability Accounting Standards Board (SASB) standards, IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures
- Conduct an online stakeholder engagement survey with key external and internal stakeholders

Step 2 — Prioritization

- Assess material ESG issues from two perspectives: (i) stakeholder materiality (importance to stakeholders) and (ii) financial materiality (importance to business continuity and development)
- Develop a materiality matrix based on the findings from the online stakeholder engagement survey

Step 3 — Review and validation

- Present the list of identified material issues and the materiality matrix to ESG Committee for review and approval

Identification and management of ESG-related risks and opportunities

The ESG working group is responsible for identifying, evaluating, prioritizing and managing material ESG-related risks and opportunities. Corresponding measures have been formulated and implemented to mitigate material ESG-related risks and capture potential ESG-related opportunities. The ESG working group submits an ESG risk and opportunity assessment report to the ESG Committee. Supported by the ESG Committee, the Board regularly reviews the effectiveness of the ESG risk management process and provides guidance when necessary and retains ultimate responsibility for oversight of the Group's risk management activities.

The ESG risk and opportunity assessment identifies material ESG risks and opportunities relevant to the Groups, as either negative or positive, actual or potential, based on our business nature, industry research, as well as with reference to local and international reporting frameworks. The identified material ESG risks are evaluated by their likelihood and significance in terms of business, strategic, and financial impacts, and are given inherent risk rating scores. Residual risk rating scores are then produced by considering how our ESG-related risk control measures may impact the significance and likelihood of

BUSINESS

the risks. The ESG risks are then ranked and prioritized according to their residual risk rating scores. A similar methodology is devised to evaluate the significance and likelihood of material ESG opportunities.

Set forth below is a summary of identified material ESG-related risks and opportunities.

ESG-related risks	Timeframe	Potential impacts	Our responses
Climate-related physical risks			
<p>Chronic risks</p> <p>Long-term changes in weather patterns and the climate, such as sustained high temperatures</p>	<p>Medium to long term</p>	<ul style="list-style-type: none"> ● Damage to property and assets in our operating locations ● Disruption to business operation and supply chain 	<ul style="list-style-type: none"> ● We have established a climate change policy and integrated climate change into our internal risk management system, including contingency plans that support business continuity and recovery in the event of business disruption
Climate-related transition risks			
<p>Policy and legal risks</p> <p>Evolving climate-related laws and regulations in transition to a lower-carbon economy including policies for maritime environmental protection equipment and systems or potential future regulations mandating GHG emission reduction as well as the enhanced climate-related disclosure obligations set by the Hong Kong Stock Exchange</p>	<p>Medium to long term</p>	<ul style="list-style-type: none"> ● Increased compliance and operating costs 	<ul style="list-style-type: none"> ● We continue to develop maritime environmental protection equipment and systems to support the maritime sector in reducing their environmental impact and meet stricter climate-related policy requirements ● We regularly and closely monitor the latest regulatory changes in laws, policies and regulations to ensure compliance ● We promptly communicate policy updates to employees to ensure compliance
<p>Market and technology risks</p> <p>Rising customer demand for new products and services with advanced technology and lower environmental footprint</p>	<p>Medium to long term</p>	<ul style="list-style-type: none"> ● Reduced revenue 	<ul style="list-style-type: none"> ● We have established an R&D team to drive the development of new products and services ● Our production facility has obtained the ISO 14001:2015 Environmental Management Systems certification

BUSINESS

ESG-related risks	Timeframe	Potential impacts	Our responses
Other ESG-related risks			
<p>Supply chain risks</p> <p>Energy consumed and GHG emissions released along the supply chain</p>	Medium to long term	<ul style="list-style-type: none"> Increased reputational and operational risks 	<ul style="list-style-type: none"> We encourage our suppliers to explore opportunities to reduce environmental impact in their daily operations and manufacturing processes We have established policies which require suppliers to comply with environmental laws and regulations, as well as minimise energy consumption where possible
<p>Supplier product quality and supply chain stability</p> <p>Failure to meet customer expectations due to poor supplier product and service quality, and poor supply chain stability</p>	Short, medium and long term	<ul style="list-style-type: none"> Increased reputational risks, which may result in reduced revenue 	<ul style="list-style-type: none"> We select and regularly evaluate suppliers based on requirements including but not limited to service and product quality We have established policies and measures relating to supply chain management and product quality
<p>Intellectual property rights</p> <p>Failure to patent R&D achievements promptly and protect intellectual property</p>	Medium to long term	<ul style="list-style-type: none"> Increased risks to business development 	<ul style="list-style-type: none"> We sign confidentiality agreements with relevant employees, which acknowledge our ownership of all inventions, know-how, and trade secrets related to their work at the Group, use of resources, or involvement with the Group's business or property We include confidentiality clauses in agreements for collaborative R&D projects

BUSINESS

ESG-related opportunities	Timeframe	Potential impacts	Our responses
Climate-related opportunities			
<p>Products and services</p> <p>Increased market demand for products and services related to maritime environmental protection equipment and systems</p>	Short to medium term	<ul style="list-style-type: none"> Increased revenue due to growing market for maritime environmental protection equipment and systems 	<ul style="list-style-type: none"> We focus on developing comprehensive equipment and systems for the maritime environmental protection sector We have developed core technologies in fields including ship desulfurization, decarbonisation and clean-energy supply We have developed policies and measures relating to product quality and obtained the ISO 9001:2015 Quality Management Systems certification in our production facility
<p>Markets — growing markets for maritime environmental protection equipment and systems</p> <p>Strengthened maritime environmental protection and climate-related legal and regulatory frameworks, including the IMO's emissions requirements leading to growing markets</p>	Medium to long term	<ul style="list-style-type: none"> Increased revenue due to growing market for maritime environmental protection equipment and systems, as a result of stricter climate-related policies 	<ul style="list-style-type: none"> We continue to develop comprehensive maritime environmental protection equipment and systems to support the decarbonisation of the maritime sector We regularly monitor changes in policies, laws and regulations to capture the associated market trends and opportunities

Green energy and environmental sustainability

With our vision and mission to empower customers with our technology, enabling the effective adoption of green energy and the promotion of environmental sustainability across all ships, we have a suite of equipment and systems consisting of marine exhaust gas cleaning systems, marine energy-saving devices, marine clean-energy supply systems and maritime services. As of the Latest Practicable Date, we held registered patents and software copyrights that are material to our business as further disclosed in the section headed “Statutory and General Information — B. Further information about our business — 2. Intellectual property rights of our Group” in Appendix VI in this prospectus, reflecting our R&D and innovation capability to driving maritime decarbonisation.

BUSINESS

Our equipment and systems enable our customers in the maritime industry to transition to low-carbon business operations while meeting various requirements and targets set by the IMO. For example, our marine energy-saving devices, designed to reduce fuel consumption for ships and lower carbon emissions in maritime operations, enable customers to contribute to the IMO's target of reducing carbon intensity of international shipping by at least 40% by 2030 (compared to 2008 levels) and achieving net-zero emissions by or around 2050. Similarly, our marine exhaust gas cleaning systems, which reduces sulphur emissions from ships to mitigate the impact of shipping on air quality, enables customers to comply with the IMO requirements on sulphur content of the fuel oil used by ships and implement a global sulphur cap of 0.50%.

Our principal products demonstrate compliance with the stringent requirements of major maritime classification societies, by obtaining principle approval certificates and factory approval certificates. For example, our carbon capture and solidification system design has been awarded the "Approval in Principle" certification from Lloyd's Register. Likewise, our marine exhaust gas cleaning systems and products have received various certifications, including certification from Bureau Veritas for our exhaust gas cleaning system components, as well as factory certification for the manufacturing of control systems and exhaust gas treatment tower units.

ESG policy

We are committed to incorporating ESG factors into our business decision-making process. As such, we have established a group-level ESG policy complemented by a set of measures and initiatives to guide our actions and measures to strengthen our sustainability efforts.

Environment

Our environmental policy outlines our green practices and measures (as far as practicable), with a focus on emission reduction, waste reduction, resource conservation, protection of environmental and natural resources, as well as addressing climate change. In addition, we have obtained the ISO 14001:2015 Environmental Management Systems certification in our production facility to ensure our environmental management practices meet international standards and continuously improve our environmental performance.

Air emissions management

We are continuously exploring measures to minimize air emissions from our business operations, including but not limited to adopting the use of welding fume purifiers to capture and filter fumes generated during welding, as well as ensuring the proper maintenance of company vehicles and considering the adoption of electric vehicles.

Energy and greenhouse gas emissions management

The major source of our energy consumption and GHG emissions includes the use of purchased electricity in our operations as well as fuel consumption for vehicles. To manage our energy consumption and reduce GHG emissions, we have implemented relevant policies and adopted a series of energy saving measures. This includes the adoption of energy efficient equipment and LED lighting system, the use of natural light, requiring employees to turn off lights and electrical equipment before leaving, etc. We will also consider the possibility of replacing our current vehicles with electric vehicles in the future.

Water consumption

The water consumption of the Group mainly comes from the use of municipal water in our operations. To conserve water resources, we have implemented relevant policies and adopted a series of water saving measures, including timely repairing dripping taps, adopting water equipment that meets water efficiency label requirements, as well as monitoring water consumption. We also remind our employees to minimize water consumption through internal communications channels.

Waste management and use of resources

The major source of our non-hazardous waste comes from general refuse while hazardous waste is primarily generated from waste oil during machinery maintenance. We strive to minimize our impact by ensuring that all waste is properly handled and disposed of, employing licensed third-parties to collect and handle all waste generated when necessary. With regards to hazardous waste and wastewater management, we have established relevant policies and measures to ensure they are handled responsibly.

Despite the insignificant amount of our hazardous waste generated, we store it in designated areas and containers which are then handled by licensed third-parties. To minimize non-hazardous waste generation, we have implemented relevant policies and measures such as reducing the use of single-use plastics in head office, promoting recycling by implementing waste sorting, implementing double-sided printing to reduce paper consumption and reminding our employees to minimize waste generation through internal communications channels.

Environmental metrics and targets

To advance our commitment to environmental protection, we set annual environmental targets for our production facility in Nantong. These targets consist of achieving zero environmental contamination incidents and ensuring the collection, sorting and handling of all solid waste. All targets have been met in each of 2021, 2022 and 2023 during the Track Record Period.

To further enhance our sustainability performance, we have established reduction targets for GHG emissions (Scope 1 and 2) intensity (tCO₂e/million RMB revenue) and energy consumption intensity (MWh/million RMB revenue) at 3% and 2%, respectively, by 2028, using 2023 as the baseline, with the assumptions of a constant business operation scale and related emission factors. To achieve these targets, we will implement measures including, but not limited to, using energy-efficient equipment, optimizing the lighting and air-conditioning system in our office, conducting daily inspections at our production facility to reduce inefficient energy use, reducing the use of company vehicles by shifting to eco-friendly transportation options.

BUSINESS

Moreover, we have set a reduction target for water consumption intensity (m³/million RMB revenue) at 1% by 2028, using 2023 as the baseline, assuming a constant business operation scale. To achieve this target, we will conduct regular maintenance and inspection of water pipes and faucets to eliminate leaks, and place posters in pantries, kitchens, and restrooms to promote water conservation.

The table below sets forth key environmental metrics of our business operations⁽¹⁾⁽²⁾:

	Unit	For the year ended December 31,			For the six months ended June 30,
		2021	2022	2023	2024
Emissions					
<i>GHG emissions</i> ⁽³⁾					
Total (Scopes 1, 2)	tCO ₂ e	115.4	218.8	248.0	110.9
Total (Scopes 1, 2, 3)	tCO ₂ e	138,665.0	175,858.5	555,794.4	366,957.4
(i) Direct emissions (Scope 1)	tCO ₂ e	43.9	54.5	80.6	39.5
(ii) Indirect emissions (Scope 2)	tCO ₂ e	71.5	164.4	167.4	71.4
(iii) Other indirect emissions (Scope 3) ⁽⁴⁾	tCO ₂ e	138,549.6	175,639.6	555,546.4	366,846.5
Total (Scopes 1, 2) Intensity	tCO ₂ e/million RMB revenue	1.4	1.1	0.5	0.4
Total (Scopes 1, 2, 3) intensity	tCO ₂ e/million RMB revenue	1,642.0	855.8	1,099.8	1,343.0
Use of Resources					
<i>Energy</i>					
Total	MWh	267.5	460.7	554.7	254.4
(i) Purchased electricity	MWh	117.2	269.4	274.4	117.1
(ii) Unleaded petrol	MWh	149.4	169.4	260.1	124.9
(iii) Diesel oil	MWh	0.9	9.4	9.6	7.7
(iv) Natural gas	MWh	NA	12.5	10.6	4.6
Intensity	MWh/million RMB revenue	3.2	2.2	1.1	0.9

(1) The data covers the Group's major business operations.

(2) Totals may not be the exact sum of numbers stated here due to rounding.

(3) The calculation of GHG emissions made reference to the GHG Protocol published by the World Business Council for Sustainable Development (WBCSD) and the World Resources Institute (WRI). Scope 1 (Direct) emissions cover GHG emissions directly produced by business owned or controlled by the Group, Scope 2 (Indirect) emissions cover GHG emissions of indirect energy resulted from purchased electricity consumed by our operations, while Scope 3 (Other Indirect) emissions that occur in the Group's value chain.

(4) The Scope 3 categories that were identified as relevant to the Group include category 1: purchased goods and services, category 2: capital goods, category 4: upstream transportation and distribution, category 5: waste generated in operations, category 6: business travel, category 7: employee commuting, category 11: use of sold products, category 12: end of life treatment of sold products and category 15: investments.

BUSINESS

	Unit	For the year ended December 31,			For the six months ended June 30,
		2021	2022	2023	2024
		<i>Water</i>			
Total	m ³	1,048.6	2,807.2	3,789.2	2,280.4
Intensity	m ³ /million RMB revenue	12.4	13.7	7.5	8.3

Social

We are committed to fostering a caring workplace culture that upholds diversity, equal opportunities, health and safety and employee well-being. Our social policy has outlined our socially responsible practices and measures (as far as practicable).

Employment and labor practice

We aim to build an inclusive and diverse workplace. We uphold principles of equal opportunity, diversity, and inclusiveness in all aspects of employment, including compensation, recruitment, promotion, benefit, and welfare. We respect labor rights, and we strictly prohibit the recruitment and use of child labor. We ensure anti-discrimination and equal opportunity for all applicants and employees, regardless of factors such as age, gender, marital status, family status, race, color, nationality, religion, or sexual orientation.

The Group offers competitive remuneration and benefits, taking into account individual performance and job nature. We regularly review our compensation packages to maintain competitiveness. Dismissals are managed according to internal policies and relevant labor laws, with terminations occurring through mutual agreement or in cases of policy violations.

We are committed to continually investing in our workforce. To this end, we actively provide internal and external training to equip our employees with professional knowledge, skills, and competence. In addition, we strive to strengthen employee engagement by regularly arranging leisure activities for our employees and maintaining two-way communication with our employees, to increase their job satisfaction. During the Track Record Period and up to the Latest Practicable Date, there was no material non-compliance with relevant laws and regulations regarding employment.

Occupational health and safety

Maintaining a healthy and safe workplace remains the Group's top priority. As part of our efforts to uphold occupational health and safety standards, we have obtained the ISO 45001:2018 Occupational Health and Safety Management Systems certification in our production facility. We strive to safeguard employees' health and safety across all levels of business operation by establishing and implementing health and safety policies and measures, including arranging health examinations for employees, performing regular fire safety inspections, as well as providing relevant safety training for employees.

BUSINESS

Furthermore, we have established emergency response systems specifying the appropriate procedures and departments responsible for handling emergencies, as well as detailing measures and plans to address different types of emergency situations, such as chemical leakages and ship accidents in port areas.

Additionally, we have developed a system of recording and handling accidents, which specifies that employees should notify their department head and that accidents should be handled according to the procedures specified by the applicable laws and regulations. During the Track Record Period, we did not record any material non-compliance or material accidents in the Group with regards to occupational health and safety.

The Group did not experience any major work safety-related incidents involving our employees as of the Latest Practicable Date.

In June 2021, before our production facility commenced commercial production, a fatal incident involving two workers employed by a renovation company, an Independent Third Party, (not employees of the Group) occurred within the facility premises. As the owner of the production facility, ContiOcean Nantong was subject to an administrative penalty of RMB350,000 on August 16, 2021. Rugao Shizhuang Town Safety Production Supervision Administration (如皋市石莊鎮安全生產監督管理局) has confirmed on June 6, 2023 that (i) ContiOcean Nantong has settled the administrative penalty and completed the rectification in connection with such incident, (ii) the act of ContiOcean Nantong involved in such incident did not constitute material violation of laws and regulations, and (iii) according to the Regulations on the Reporting, Investigation and Handling of Production Safety Accidents (《生產安全事故報告和調查處理條例》), this incident was considered to be a general incident (一般事故), which is the classification of the lowest severity under such Regulations. In respect of the above accident, Rugao Safety Emergency Management Bureau (如皋市應急管理局) has also confirmed that no material violation of laws and regulations occurred within our production facility. Our PRC Legal Adviser has confirmed that Rugao Emergency Management Bureau and Rugao Shizhuang Town Safety Production Supervision Administration are competent government authorities to give such confirmations. We have adopted remedial measures to prevent such incidents from recurring. Save as disclosed above, no other major safety incidents and fatalities have occurred as of the Latest Practicable Date.

Supply chain management

We have established a supply chain ESG risk management policy, which lays out our sustainability expectations including but not limited to employment practices, health and safety as well as environmental protection. Our new supplier selection and regular supplier evaluation criteria includes ESG considerations, including but not limited to environmental management, fair labor practices and ethical business practices. On-site inspections are conducted when necessary to ensure our sustainability expectations are met.

To advance our efforts on providing environmentally preferable products and services, we have established relevant green procurement policies and implemented measures including but not limited to prioritizing products with higher energy efficiency, as well as encouraging our suppliers to adopt environmentally friendly products and services.

Product responsibility

We are committed to delivering high-quality and safe products and services for our customers. As such, we have obtained the ISO 9001:2015 Quality Management Systems certification in our production facility to strengthen our quality management practices. Furthermore, we have established measures to ensure the quality of our products and services, including but not limited to specifying our quality-related requirements in supplier agreements, establishing quality control procedures, as well as product and raw material quality inspection guidelines.

To ensure customer satisfaction, we have put in place procedures for handling customer complaints. As of the Latest Practicable Date, we did not receive any material customer complaints. To safeguard customer privacy, we have established privacy policies that cover data and privacy requirements. We have also established preventive and protection measures, including user access restrictions to customer information.

We have established relevant policies as a guide for our employees to ensure the authenticity and reliability of our promotional materials, which undergo thorough review before publication to ensure compliance and prevent false or misleading information.

Business ethics

We uphold the highest standards of business ethics, and strictly prohibit bribery, extortion, fraud, money laundering and any other unethical practices. We have established preventive measures, including but not limited to anti-corruption for the Board and our employees, as well as implementing whistleblowing channels for employees to report any potential misconduct that violates our ethical standards. The Board is responsible for the oversight of these preventive measures and whistle-blowing procedures, whereas senior management is responsible for implementing and monitoring the effectiveness of these measures and procedures.

As of the Latest Practicable Date, we were not aware of any material non-compliance with any law or regulation or legal cases concerning bribery, corruption, extortion, fraud and money laundering.

Community investment

We strive to contribute to the community and shoulder corporate social responsibility. We will explore opportunities to establish focus areas for community investment, as well as partnerships with social impact organizations where appropriate.

Social metrics and targets

To strengthen our commitment to safeguarding employee health and safety, we set annual social targets for our employees at our production facility in Nantong, including achieving zero major safety incidents and zero work-related fatalities. All targets have been met in each of 2021, 2022 and 2023 during the Track Record Period.

BUSINESS

The table below sets forth key social metrics of our business operations as of June 30, 2024, with all employees employed on a full-time basis⁽⁵⁾:

Workforce

	Number of employee as of June 30, 2024
 <i>By gender</i>	
Male	69
Female	37
 <i>By function</i>	
Management	7
Administration	19
R&D	28
Sales and marketing	10
Production	32
Procurement	5
Finance	5
 <i>By age group</i>	
At or below 30	37
Between 31–50	59
At or above 51	10
 <i>By geographical location</i>	
Mainland China	93
Singapore	2
Norway	1
Portugal	8
Hong Kong	2

(5) The data covers the entire Group.

BUSINESS

Turnover rate⁽⁶⁾

**As of
June 30, 2024**

By gender

Male	1.4%
Female	10.8%

By age group

At or below 30	5.4%
Between 31–50	1.7%
At or above 51	20.0%

By geographical location

Mainland China	4.3%
Singapore	50.0%
Norway	0.0%
Portugal	0.0%
Hong Kong	0.0%

(6) Turnover rate is calculated as the total number of employees in the specified category leaving employment during each year or period of the Track Record Period, divided by the total number of employees in the specified category as of the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, and then multiplied by 100%.

OUR CUSTOMERS

The customers for our equipment and systems primarily include shipowners, ship management companies and ship builders.

We actively pursue new markets and expand our customer base through various channels such as trade shows, channel promotion, online news, and visits to shipowners and ship builders.

Our major customers

For each of the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, revenue from our five largest customers represented approximately 90.5%, 76.1%, 84.3% and 89.4% of our total revenue for the respective period and revenue from the largest customer represented approximately 30.2%, 33.3%, 37.3% and 23.6% of our total revenue for the respective period. The five largest customers during each year or period of the Track Record Period were not identical.

BUSINESS

The tables below set forth the basic information of our five largest customers during each year or period of the Track Record Period:

Five largest customers for the year ended December 31, 2021	Year of commencement of business relationship	Customer type	Company background	Business location	Major services provided	How the Group became acquainted with the customer	Credit terms	Payment method	Transaction amount RMB'000	Percentage to total revenue of our Group %
Customer A	2020	Shipowner	A container shipping company established in 1970 and headquartered in Hamburg, Germany, primarily offers container shipping services. It owns more than 280 ships, 11.9 million TEU transport volume, around 16,600 employees in more than 400 offices in about 139 countries.	Germany	Marine exhaust gas cleaning systems	Through sales agents	30 days	Wire transfer	42,476	30.2
Customer B ⁽¹⁾	2018	Shipowner	A shipping company with a history spanning 60 years primarily operates container ships, bulk carriers, and oil tankers and one of the world's largest well-known shipowners and Singapore's largest shipping company. It manages around 250 ships, with a managed fleet of over 23 million DWT, around 6,000 employees in seven offices worldwide.	Singapore/United Kingdom	Marine exhaust gas cleaning systems and maritime services	Through sales agents	30 days	Wire transfer	36,966	26.3
Customer C	2019	Shipowner	A shipping company established in 1980 primarily operates shipping routes from the Far East to Canada and the Houston area in the United States, transporting chemicals and returns to Far East ports to unload. It owns around 42 ships, with 5.35 million DWT.	Taiwan	Marine exhaust gas cleaning systems and maritime services	Through sales agents	30 days	Wire transfer	21,024	15.0
Customer D	2019	Ship builder	A company established in 2004 primarily engages in the design, manufacturing, and repair of ships as well as the production of ship parts and marine platforms. It covers a total area of two million square meters with a Yangtze River shoreline of over 3,200 meters. It has one 100,000-ton dry dock, one 300,000-ton dry dock, and one 500,000-ton dry dock, etc.	Mainland China	Marine exhaust gas cleaning systems and maritime services	Visit	30-90 days	Wire transfer/letter of credit	18,237	13.0
Customer E	2019	Shipowner	An Indian shipping company established in 1969 serving the global energy sector. It is an integrated supply chain solution provider with its sea transportation business having diversified ships. It provides crude oil and bulk commodity transportation services to leading Indian and global oil majors and commodity traders.	India	Marine exhaust gas cleaning systems	Through sales agents	30 days	Wire transfer	8,398	6.0
Total									127,101	90.5

Note:

(1) Includes transactions with Customer B and its subsidiary.

BUSINESS

Five largest customers for the year ended December 31, 2022	Year of commencement of business relationship	Customer type	Company background	Business location	Major services provided	How the Group became acquainted with the customer	Credit terms	Payment method	Transaction amount RMB'000	Percentage to total revenue of our Group %
Customer B ⁽¹⁾	2018	Shipowner	A shipping company with a history spanning 60 years primarily operates container ships, bulk carriers, and oil tankers and one of the world's largest well-known shipowners and Singapore's largest shipping company. It manages around 250 ships, with a managed fleet of over 22 million DWT, around 6,000 employees in seven offices worldwide.	Singapore/United Kingdom	Marine exhaust gas cleaning systems, marine energy-saving devices, and maritime services	Through sales agents	30 days	Wire transfer	88,907	33.3
Customer A	2020	Shipowner	A container shipping company established in 1970 and headquartered in Hamburg, Germany, primarily offers container shipping services. It owns more than 280 ships, 11.9 million TEU transport volume, around 16,600 employees in more than 400 offices in about 139 countries.	Germany	Marine exhaust gas cleaning systems	Through sales agents	30 days	Wire transfer	58,461	21.9
Customer F	2022	Shipowner	A company established in 2008 engages in providing maritime import and export logistics services. It operates a versatile fleet that includes various types of ships, primarily focusing on dry bulk shipping and logistics services, etc.	Liberia	Marine exhaust gas cleaning systems	Through sales agents	30 days	Wire transfer	21,200	7.9
Customer D	2019	Ship builder	A company established in 2004 primarily engages in the design, manufacturing, and repair of ships as well as the production of ship parts and marine platforms. It covers a total area of 1.62 million square meters with a Yangtze River shoreline of over 3,200 meters. It has one 100,000-ton dry dock, one 300,000-ton dry dock, and one 500,000-ton dry dock, etc.	Mainland China	Marine clean-energy supply systems and maritime services	Visit	30-90 days	Wire transfer/letter of credit	17,805	6.7
Customer G ⁽²⁾	2021	Shipowner	A company established in 1972 and known for its operations in the container feeder market, facilitating the movement of goods from major international shipping routes to inland destinations, which is crucial for the global supply chain. It operates more than 100 ships, with 5.9 million TEUs of throughput in 2023, 87 services in it network worldwide.	Singapore	Marine exhaust gas cleaning systems and maritime services	Through sales agents	30 days	Wire transfer	16,900	6.3
Total									203,273	76.1

Notes:

(1) Includes transactions with Customer B and its subsidiary.

(2) Includes transactions with its subsidiaries.

BUSINESS

Five largest customers for the year ended December 31, 2023	Year of commencement of business relationship	Customer type	Company background	Business location	Major services provided	How the Group became acquainted with the customer	Credit terms	Payment method	Transaction amount	Percentage to total revenue of our Group
Customer G ⁽¹⁾	2021	Shipowner	A company established in 1972 and known for its operations in the container feeder market, facilitating the movement of goods from major international shipping routes to inland destinations, which is crucial for the global supply chain. It operates more than 100 ships, with 5.9 million TEUs of throughput in 2023, 87 services in its network worldwide.	Singapore	Marine exhaust gas cleaning systems, marine energy-saving devices, marine clean-energy supply systems and maritime services	Through sales agents	30 days	Wire transfer	190,318	37.3
Customer B ⁽²⁾	2018	Shipowner	A shipping company with a history spanning 60 years primarily operates container ships, bulk carriers, and oil tankers and one of the world's largest well-known shipowners and Singapore's largest shipping company. It manages around 250 ships, with a managed fleet of over 22 million DWT, around 6,000 employees in seven offices worldwide.	Singapore/United Kingdom	Marine exhaust gas cleaning systems, marine energy-saving devices and maritime services	Through sales agents	30 days	Wire transfer	136,834	26.8
Customer H	2022	Shipowner	An international dry bulk shipping company established in 2007 focuses on transporting commodities like coal, iron ore, grain, and other dry bulk goods. It owns and manages a fleet of around 90 ships, with over 15 million DWT.	Singapore	Marine exhaust gas cleaning systems, marine energy-saving devices	Through sales agents	30 days	Wire transfer	39,198	7.7
Customer D	2019	Ship builder	A company established in 2004 primarily engages in the design, manufacturing, and repair of ships as well as the production of ship parts and marine platforms. It covers a total area of 1.62 million square meters with a Yangze River shoreline of over 3,200 meters. It has one 100,000-ton dry dock, one 300,000-ton dry dock, and one 500,000-ton dry dock, etc.	Mainland China	Marine exhaust gas cleaning systems, marine clean-energy supply systems and maritime services	Visit	30-90 days	Wire transfer/letter of credit	37,522	7.4
Customer F ⁽¹⁾	2021	Ship builder	A company established in 1961 primarily engages in global shipping and is one of the world's largest shipping companies. It operates more than 500 container ships and more than 400 bulk carriers and covers services worldwide as of December 31, 2023.	Mainland China	Marine exhaust gas cleaning systems and marine clean-energy supply systems	Visit	30 days	Wire transfer	26,475	5.2
Total									430,347	84.3

Notes:

- (1) Includes transactions with its subsidiaries.
(2) Includes transactions with Customer B and its subsidiary.

BUSINESS

Five largest customers for the six months ended June 30, 2024	Year of commencement of business relationship	Customer type	Company background	Business location	Major services provided	How the Group became acquainted with the customer	Credit terms	Payment method	Transaction amount RMB'000	Percentage to total revenue of our Group %
Customer J ⁽¹⁾	2022	Ship builder	A company primarily engages design, manufacturing, and repair of ships as well as the production of ships. Its core ship products are exported to more than 20 developed countries and regions such as Britain, Spain, Germany, the Netherlands, Sweden, Denmark, etc.	Mainland China	Marine exhaust gas cleaning systems, marine clean-energy supply systems and maritime services	Visit	30 days	Wire transfer	79,292	23.6
Customer D	2019	Ship builder	A company established in 2004 primarily engages in the design, manufacturing, and repair of ships as well as the production of ship parts and marine platforms. It covers a total area of 1.62 million square meters with a Yangtze River shoreline of over 3,200 meters. It has one 100,000-ton dry dock, one 300,000-ton dry dock, and one 500,000-ton dry dock, etc.	Mainland China	Marine exhaust gas cleaning systems, marine clean-energy supply systems and maritime services	Visit	30-90 days	Wire transfer/letter of credit	73,237	21.8
Customer B ⁽²⁾	2018	Shipowner	A shipping company with a history spanning 60 years primarily operates container ships, bulk carriers, and oil tankers and one of the world's largest well-known shipowners and Singapore's largest shipping company. It manages around 250 ships, with a managed fleet of over 22 million DWT, around 6,000 employees in seven offices worldwide.	Singapore/United Kingdom	Marine exhaust gas cleaning systems, marine energy-saving devices, and maritime services	Through sales agents	30 days	Wire transfer	66,876	19.9
Customer G ⁽¹⁾	2021	Shipowner	A company established in 1972 and known for its operations in the container feeder market, facilitating the movement of goods from major international shipping routes to inland destinations, which is crucial for the global supply chain. It operates more than 100 ships, with 5.9 million TEUs of throughput in 2023, 87 services in its network worldwide.	Singapore	Marine exhaust gas cleaning systems, marine energy-saving devices, marine clean-energy supply systems and maritime services	Through sales agents	30 days	Wire transfer	61,757	18.4
Customer I ⁽¹⁾	2021	Ship builder	A company established in 1961 primarily engages in global shipping and is one of the world's largest shipping companies. It operates more than 500 container ships and more than 400 bulk carriers and covers services worldwide as of December 31, 2023.	Mainland China	Marine exhaust gas cleaning systems	Visit	30 days	Wire transfer	19,592	5.8
Total									300,754	89.4

Notes:

(1) Include transactions with its subsidiaries.

(2) Include transactions with Customer B and its subsidiary.

BUSINESS

The key underlying reasons for, and the circumstances leading to, the changes in the composition of our Group's five largest customers during each year or period of the Track Record Period and the significant fluctuations in our Group's sales to these customers during the Track Record Period are set forth below:

- Our revenue contribution from marine exhaust gas cleaning systems accounted for more than 60% of our total revenue during each year or period of the Track Record Period.
- A customer usually would not repeat its purchases of marine exhaust gas cleaning systems from us after completing the installation of marine exhaust gas cleaning systems for its existing fleet, until it later acquires new ships, as the case may be. Therefore, our sales to a particular customer could fluctuate significantly from period to period depending on the timing of each customer's plan of installing marine exhaust gas cleaning systems.
- The identity of our five largest customers during each year or period of the Track Record Period also depended on the customer delivery targets. In addition, because we continuously sought new customers in the marine exhaust gas cleaning system segment, the largest customers during each year or period of the Track Record Period were not identical.

Our Directors confirm that our five largest customers during each year or period of the Track Record Period were all Independent Third Parties and that none of our Directors, their respective close associates or any Shareholders (to the knowledge of our Directors owning more than 5% of our share capital as of the Latest Practicable Date) had any interest, directly or indirectly, in any of our five largest customers during each year or period of the Track Record Period. Our five largest customers during each year or period of the Track Record Period or their ultimate beneficial owners/directors do not have any other past or present relationships (family, business, employment, trust, financing or otherwise) with the Group, our shareholders, directors, supervisors or senior management, or any of their respective associates.

During the Track Record Period, to the best knowledge of our Directors, our Group did not have any material disputes with our customers or experience any material delays in or disruption of our equipment and systems. We believe that perceived quality and reputation are of paramount importance for the provision of our equipment and systems. We believe that our business relationships with such major customers are well-established and that our commitment to providing reliable and quality services will enable us to further attract new customers and diversify our customer base. We aim to take a flexible approach to continue broadening our customer base and equipment and system range and strengthening our relationship with key customers.

There was a notable concentration in our customer base as large shipping companies have increasingly dominated in terms of number of ships, which has influenced our strategy to engage primarily with these major players due to their substantial market share. Additionally, the shipbuilding industry mirrors this pattern, where major ship builders are strengthening their order-taking capabilities, leading to a further concentration within the industry. During each year or period of the Track Record Period, a majority part of our revenue was derived from our top five customers. According to Frost & Sullivan, concentration in the customer base in the maritime environmental protection equipment and system industry is in line with the industry norm based on the interviews conducted with top 10 global market players and comprehensive primary research by interviewing experts from the China Association of the National Shipbuilding Industry, a leading organization in the shipbuilding industry, encompassing various related enterprises and institutions. Nevertheless, according to Frost & Sullivan, certain of our

BUSINESS

competitors in the industry tend to have a relatively lower concentration risk in their customer base compared to us, primarily due to their longer operating history, larger business size and more diversified business operations. We are seeking to mitigate the concentration risks by fostering relationships with emerging markets and broadening our equipment and system offerings to appeal to a wider customer base. Additionally, we are investing in market development and sales 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. Through these concerted efforts, we aim to achieve a more balanced revenue stream and fortify our market position in the long term. In addition, customers have become accustomed to utilizing our equipment and systems, and a transition to alternative providers would incur switching costs. According to Frost & Sullivan, using different equipment and systems will incur additional time and costs to train their personnel to become familiar with new equipment and systems.

Salient terms of our sales agreements

We generally enter into sales agreements with our customers. Depending on our arrangements with the customers, we may contract with ship-owning SPVs, with shipowner or ship management company customers confirming to us that they perform the necessary operational obligations regarding, among others, the use and handling of the contracts entered into by the ship-owning SPVs. According to Frost & Sullivan, contracting between maritime environmental protection equipment and system providers and ship-owning SPVs is in line with industry norm for shipowners' risk management purposes. Set out below are the key terms of our sales agreements:

Price	The agreements set out the price and payment arrangements.
Delivery	We are generally required to deliver our products to destinations specified by our customers at our own cost and risk.
Payment and settlement	<p>Marine exhaust gas cleaning systems:</p> <p>Usually by letter of credit or in installment. For example, in three installments including 30% of the contract price payable within certain days after signing the sales agreements, 50% of the contract price payable within certain days of the product being ready for delivery, and 20% of the contract price payable within certain days of the completion date which is the date of the award of the sea trial report following completion of installation and commissioning of marine exhaust gas cleaning systems.</p> <p>Marine energy-saving devices:</p> <p>Payment is due within certain days after receipt of the invoice from us.</p> <p>Marine clean-energy supply systems:</p> <p>Under letter of credit: The customers must provide an irrevocable letter of credit in favor of us within certain days prior to the delivery date. The credit is available against our drafts drawn at sight on the opening bank for 100% of the invoice value, accompanied by the specified shipping documents.</p>

BUSINESS

On collection: After shipment, we may draw on the customers at sight and send the drafts along with the shipping documents to the customers through our and customers' banks for collection.

By direct remittance: Payment is made by the customers within a specified number of days after receipt of the shipping documents from us.

Maritime services:

Ship accommodation interior design and construction:

Payment is due within certain days after receipt of the invoice from us.

Container ship and PCTC lashing gears:

Usually by letter of credit or in installments. For example, three installments including 15% of the contract price payable within certain days after signing the sales agreements, 10% of the contract price payable within certain days of a fixed date and 75% of the contract price payable within 30 days of the product's delivery to the shipyard.

Warranty

Marine exhaust gas cleaning systems:

We generally provide a warranty period of 24 months for marine exhaust gas cleaning systems following installation of the product onboard ships. During the warranty period, if defects are discovered, we must repair or replace the equipment at customers' choice, with minimal disruption to the ship's operations, and any such repairs or replacements will extend the warranty period by an additional 12 months. We generally provide a warranty period of 60 months for scrubbers following the delivery of products.

Marine energy-saving devices:

We generally provide a warranty period of 18 months for marine energy-saving devices following the product delivery or 12 months from the date the services are completed and the purchaser has received approval from the classification society, whichever comes earlier. If defects are discovered, we must repair or replace the equipment at customers' choice, with minimal disruption to the ship's operations.

Marine clean-energy supply systems:

The warranty period is generally 13 months after the ship builder deliver the ships to the shipowners or 24 months after the products arrive at the shipyard, whichever is earlier. A warranty of additional six months is provided for replacement or repairing parts, from the date of replacement.

BUSINESS

Maritime services:

Ship accommodation interior design and construction:

We generally provide a warranty period of 18 months for ship accommodation interior design and construction following the delivery of products or 12 months from the final acceptance, whichever comes earlier. If defects are discovered, we must repair or replace the equipment at customers' choice, with minimal disruption to the ship's operations.

Container ship and PCTC lashing gears:

We generally provide a warranty period of 12 months for container ship and PCTC lashing gears following the delivery of products or 18 months after the product's delivery to the shipyard, whichever comes earlier.

During the warranty period, if defects are discovered, we must repair or replace the equipment at customers' choice, with minimal disruption to the ship's operations, and any such repairs or replacements will extend the warranty period for an additional 12 months.

Installation and commissioning	We usually provide all relevant support for installation, commissioning and testing of the systems or products, including sending qualified and skilled labor to supervise and provide support and providing training for each crew.
Other terms	Generally including other terms such as termination, force majeure, and liabilities for breach.
Termination	Each party may terminate the agreements in the event of, among others, (i) any material breach by the other party; or (ii) any other breach by the other party that is not remedied within a prescribed time-period.
Order cancellation	In the event of any failure to make payment due to errors or omissions by the customers, we are generally entitled to terminate the agreements and recover any unpaid portion of the contract price that relates to the work performed up to the date of termination. Additionally, we may recover any losses we may suffer or any liabilities to subcontractors or suppliers that we may incur. Furthermore, we need to refund the payments made by customers for products or services we have not performed. Such terms apply to both newbuilding and retrofit in-service ship orders.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, no customer has canceled orders and therefore we have not suffered any loss from order cancellation during the Track Record Period.

Pricing policy and payment

We adopt generally the same pricing policy and pricing range for domestic and overseas customers. We primarily employ a cost-plus pricing approach. The pricing of our products is determined through a comprehensive calculation, considering the specific circumstances of each customer, such as the level of customization, performance of the products, expected time of completion, complexity of the project, scale of orders, customer profiles and our relationship with such customers, any payment terms, the prices of any competing equipment and systems and our strategic plans for entering new areas. We then establish the final sales prices based on these calculations.

For instance, one of our key products, marine exhaust gas cleaning systems, are customized and its pricing strategy generally takes into account various factors including the technical requirements for ships, the complexity of the design equipment and systems, expected time of completion, and the scope of equipment and systems such as whether retrofit design and construction will be involved. Furthermore, we also adjust our product prices based on negotiations with customers who may possess different bargaining power. Usually, the average selling price of the same or similar equipment and systems for retrofit in-service ships is higher than that for newbuildings mainly because the orders for retrofit in-service ships involve modification costs (including on-site 3D scanning and modification designs, etc.), which lead to a higher average selling price. For further details of the average selling price of our marine exhaust gas cleaning systems, see “ — Our equipment and systems — Marine exhaust gas cleaning systems — Average selling price” in this section.

When it comes to pricing our other equipment, systems or services, including our marine energy-saving devices, marine clean-energy supply systems and maritime services, we generally consider the technical requirements agreed upon with the customer. This allows us to anticipate corresponding procurement and production costs, research and development expenses, etc. We then apply a commercially reasonable profit margin to establish the basis for external quotations. Simultaneously, we closely monitor the bidding prices of competitors in the market to ensure that our product pricing remains within a competitive range while maintaining our market competitiveness.

We generally offer three payment terms: installment payments with wire transfer, 30 to 90 day credit period with wire transfer and letters of credit.

Seasonality

Our operations and financial performance are not significantly impacted by seasonality. Our proactive approach to managing potential impacts of seasonality includes planning in advance during customary holiday periods. For example, to ensure the continuity of project progress during the Chinese New Year, we proactively schedule overtime to mitigate any potential disruptions to our factory operations caused by the holidays.

BUSINESS

OUR SUPPLIERS

Our major suppliers

During the Track Record Period, our major suppliers included engineering equipment providers, components providers, stainless-steel plate providers, sales agents, OEMs and transportation service providers. For each of the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, procurement from our five largest suppliers represented approximately 70.5%, 40.9%, 34.5% and 56.0% of our total purchases for the respective period, and procurement from our largest supplier represented approximately 51.0%, 13.7%, 9.7% and 26.0% of our total purchases for the respective period. We mainly purchased raw materials, product components and services from domestic suppliers. The five largest suppliers during each year or period of the Track Record Period were not identical. The following tables set forth the basic information of our Group's five largest suppliers during each year or period of the Track Record Period:

Five largest suppliers for the year ended December 31, 2021	Year of commencement of business relationship	Company background	Business location	Products/services principally procured/rendered	Credit terms	Payment method	Transaction amount <i>RMB'000</i>	Percentage to total purchases of our Group %
Supplier A	2018	A company mainly engaged in the R&D, design, manufacture, and sales of petrochemical equipment	Mainland China	Scrubbers	30 days	Wire transfer	62,880	51.0
C&O Marine Engineering Co., Limited ("C&O Marine") ⁽¹⁾	2020	A group of companies under the same control, mainly engaged in providing interior renovation materials and installation services	Mainland China and Hong Kong	Ship accommodation interior design and construction, including provision of relevant equipment	30 days	Wire transfer	7,797	6.3
Supplier B	2020	A company mainly engaged in the manufacturing of general components, metal tools, and fasteners	Mainland China	Container ship and PCTC lashing gears	30-60 days	Wire transfer	6,627	5.4
Shanghai Hangxu Environmental Protection Technology Co., Ltd. (上海航續環保科技有限公司) ("Shanghai Hangxu")	2018	A company mainly engaged in various environmental and marine technology services, including sales and maintenance of related equipment, and international trade	Mainland China	Raw materials for the flue gas valves, stainless-steel argon arc welding wire and ship repair services	30 days	Wire transfer	4,980	4.0
Jiangsu Daming Industrial Technology Group Co., Ltd. (江蘇大明工業科技集團有限公司) (formerly known as Jiangsu Daming Metal Products Company Limited (江蘇大明金屬製品有限公司)) ("Jiangsu Daming")	2021	A company mainly engaged in the manufacture of general equipment, general components, machining of mechanical parts, and metal cutting services	Mainland China	Stainless steel plate	Not applicable	Wire transfer	4,550	3.7
Total							86,834	70.5

Note:

(1) Includes transactions with C&O Marine and its subsidiary.

BUSINESS

Five largest suppliers for the year ended December 31, 2022	Year of commencement of business relationship	Company background	Business location	Products/services principally procured/rendered	Credit terms	Payment method	Transaction amount	Percentage to total purchases of our Group
							<i>RMB'000</i>	%
Shanghai Hangxu	2018	A company mainly engaged in various environmental and marine technology services, including sales and maintenance of related equipment, and international trade	Mainland China	Raw materials for the flue gas valves, stainless-steel argon arc welding wire and ship repair and commissioning services	30 days	Wire transfer	23,805	13.7
C&O Marine ⁽¹⁾	2020	A group of companies under the same control, mainly engaged in providing interior renovation materials and installation services	Mainland China and Hong Kong	Ship accommodation interior design and construction, including provision of relevant equipment	30 days	Wire transfer	14,788	8.5
Supplier B	2020	A company mainly engaged in the manufacturing of general components, metal tools, and fasteners	Mainland China	Container ship and PCTC lashing gears	30-60 days	Wire transfer	14,547	8.4
Jiangsu Daming	2021	A company mainly engaged in the manufacture of general equipment, general components, machining of mechanical parts, and metal cutting services	Mainland China	Stainless-steel plate	Not applicable	Wire transfer	9,013	5.2
Jiangsu ContiOcean	2022	A company mainly engaged in manufacturing and selling electrical and mechanical equipment, parts, and various metal products	Mainland China	Prefabricated cabin transformer	30 days	Wire transfer	8,881	5.1
Total							71,034	40.9

Note:

- (1) Includes transactions with C&O Marine and its subsidiaries.

BUSINESS

Five largest suppliers for the year ended December 31, 2023	Year of commencement of business relationship	Company background	Business location	Products/services principally procured/rendered	Credit terms	Payment method	Transaction amount	Percentage to total purchases of our Group
							<i>RMB'000</i>	%
C&O Marine ⁽¹⁾	2020	A group of companies under the same control, mainly engaged in providing interior renovation materials and installation services	Mainland China and Hong Kong	Ship accommodation interior design and construction, including provision of relevant equipment	30 days	Wire transfer	27,234	9.7
Sc slashing Hong Kong Co., Limited ⁽²⁾	2020	A company mainly engaged in the sale of mechanical equipment, packaging materials and metal products	Mainland China and Hong Kong	Container ship and PCTC lashing gears	30 days	Wire transfer	23,550	8.4
Iron Pump A/S	2018	A Danish company engaged in the manufacturing and supplying quality pumps and components to the marine industry worldwide	Denmark	Seawater pump	Not applicable	Wire transfer	19,477	6.9
Shanghai Hangxu	2018	A company mainly engaged in various environmental and marine technology services, including sales and maintenance of related equipment, and international trade	Mainland China	Raw materials for the flue gas valves, stainless-steel argon arc welding wire and ship repair and commissioning services	30 days	Wire transfer	14,099	5.0
Rugao Saixing Ship Engineering Co., Ltd. (如皋賽興船舶工程有限公司) ⁽³⁾	2021	A multifaceted company engaged in marine equipment sales and services, including sales of marine transportation equipment, energy-saving devices and ship design	Mainland China	Production processing	30 days	Wire transfer	12,793	4.5
Total							97,153	34.5

Notes:

- (1) Includes transactions with C&O Marine and its subsidiary.
- (2) Includes transactions with Sc slashing Hong Kong Co., Limited and its subsidiary.
- (3) Includes transactions with Rugao Saixing Ship Engineering Co., Ltd. (如皋賽興船舶工程有限公司) and its subsidiaries.

BUSINESS

Five largest suppliers for the six months ended June 30, 2024	Year of commencement of business relationship	Company background	Business location	Products/services principally procured/rendered	Credit terms	Payment method	Transaction amount	Percentage to total purchases of our Group
							<i>RMB'000</i>	%
C&O Marine ⁽¹⁾	2020	A group of companies under the same control, mainly engaged in providing interior renovation materials and installation services	Mainland China and Hong Kong	Ship accommodation interior design and construction, including provision of relevant equipment	30 days	Wire transfer	36,965	26.0
Supplier E ⁽²⁾	2022	A company engaged in mechanical processing and manufacturing of process equipment	Mainland China	Container ship and PCTC lashing gears, energy saving devices, raw materials and equipment of marine valves	30-60 days	Wire transfer	14,456	10.2
Scslashing Hong Kong Co., Limited ⁽³⁾	2020	A company mainly engaged in the sale of mechanical equipment, packaging materials and metal products	Mainland China and Hong Kong	Container ship and PCTC lashing gears	30 days	Wire transfer	11,828	8.3
Supplier F	2023	A company mainly engaged in offering a wide range of services including construction, ship repair, marine equipment manufacturing, and technical services	Mainland China	Energy-saving devices	Not applicable	Wire transfer	9,203	6.5
Rugao Saixing Ship Engineering Co., Ltd. (如皋賽興船舶工程有限公司) ⁽⁴⁾	2021	A multifaceted company engaged in marine equipment sales and services, including sales of marine transportation equipment, energy-saving devices and ship design	Mainland China	Production processing	30 days	Wire transfer	7,094	5.0
Total							79,546	56.0

Notes:

- (1) Includes transactions with C&O Marine and its subsidiary.
- (2) Includes transactions with its subsidiaries.
- (3) Includes transactions with Scslashing Hong Kong Co., Limited and its subsidiary.
- (4) Includes transactions with Rugao Saixing Ship Engineering Co., Ltd. (如皋賽興船舶工程有限公司) and its subsidiaries.

BUSINESS

We used to hold a 40% equity interest in Jiangsu ContiOcean, which was subsequently disposed of in April 2023 to align with our business focus on developing maritime environmental protection equipment and systems. Jiangsu ContiOcean was established on July 4, 2022 with a registered capital of RMB10 million. At the time of establishment, ContiOcean Nantong and Nanjing Haitai Technology Co., Ltd. (南京海泰科技有限公司) (“**Nanjing Haitai**”) held 40% and 60% equity interest, respectively, of Jiangsu ContiOcean. We attempted to engage in the business of prefabricated cabin transformers, which is under our other maritime services, to diversify our business. During actual operations, we realized that the business did not perform as expected because Jiangsu ContiOcean had relatively low profit margins. Additionally, due to insufficient orders in the early stages of business and weak production cost control capabilities, it was difficult to cover the various expenses incurred in the early stages. Jiangsu ContiOcean experienced a loss-making financial situation before our equity disposal in 2023. Consequently, in April 2023, ContiOcean Nantong disposed of its entire interest in Jiangsu ContiOcean for nil consideration to Nantong Fuqian Power Equipment Co., Ltd. (南通福錢電力設備有限公司) (“**Nantong Fuqian**”) (the “**Disposal**”). The Disposal allows us to focus on our current main business.

Our revenue and gross profit margin attributable to the products we provided involving prefabricated cabin transformers provided by Jiangsu ContiOcean from the establishment of Jiangsu ContiOcean (i.e., July 4, 2022) to December 31, 2022 and from January 1, 2023 to the disposal date of Jiangsu ContiOcean (i.e., April 7, 2023) was RMB8.9 million, 4.0% and nil, nil, respectively. Our revenue and gross profit margin attributable to the products we provided involving prefabricated cabin transformers provided by Jiangsu ContiOcean from the disposal date to December 31, 2023 and from January 1, 2024 to June 30, 2024 was RMB4.8 million, negative 1.2% and nil, nil, respectively. The negative GPM of 1.2% from the disposal date to December 31, 2023 was primarily because the relevant procurement costs increased. However, the prices under the sales contracts we entered into with our customers before the Disposal have been fixed.

Nanjing Haitai, established on May 31, 2018 with a registered capital of RMB6.0 million, was principally engaged in the R&D, technology transfer, technical consultation, and technical services of new energy technologies, as well as the sales, installation, and maintenance of electromechanical products, power tools, and new energy equipment according to publicly available information. Nantong Fuqian, established on December 31, 2019 with a registered capital of RMB3.0 million, is principally engaged in construction engineering, design, and the sale of electrical equipment, power facilities, building materials, mechanical parts, and various other products according to publicly available information.

Nanjing Haitai and Nantong Fuqian are Independent Third Parties and have no past or present relationships (family, business, employment, trust, financing or otherwise) with us or our subsidiaries, shareholders, directors, supervisors or senior management, or any of our respective associates. To the best knowledge of our Directors and after making due inquiry with the management of Jiangsu ContiOcean, Jiangsu ContiOcean has not been the subject of any non-compliance or has not been involved in any pending or threatened litigation, arbitration or administrative proceedings since the date of establishment and up to the date of the Disposal.

BUSINESS

We were the sole customer of Jiangsu ContiOcean before the Disposal. We purchased prefabricated cabin transformers from Jiangsu ContiOcean for our maritime services. We set forth below the significance of our purchase from Jiangsu ContiOcean in terms of its proportion to the cost of sales of the maritime services for each of the period comprising the Track Record Period:

	For the year ended December 31,			For the six months ended June 30,
	2021	2022	2023	2024
The goods purchased from Jiangsu ContiOcean recognized in cost of sales (RMB'000)	—	8,525	4,893	—
Cost of sales of the maritime services (RMB'000)	—	57,910	75,556	—
The proportion of the goods purchased from Jiangsu ContiOcean to the cost of sales of the maritime services (%)	—	14.7	6.5	—

Our Directors confirm that, except as disclosed above, our five largest suppliers during each year or period of the Track Record Period were all Independent Third Parties and none of our Directors, their respective close associates or any Shareholder (to the knowledge of our Directors owning more than 5% of our share capital as of the Latest Practicable Date) had any interest, directly or indirectly, in any of our five largest suppliers during each year or period of the Track Record Period.

We select our suppliers based on various factors, including but not limited to product or service quality, production conditions of products and technical capabilities. We regularly review and dynamically evaluate suppliers on criteria such as qualifications, product or service quality, supply capacity, and relevant certifications. Based on these evaluations, we compile a list of qualified suppliers. If a supplier is deemed non-compliant or unqualified based on the dynamic evaluation, we will remove the supplier from our list. We prudently maintain a diversified supplier base, ensuring no dependency on any single supplier, and possess the capability to seamlessly secure alternative suppliers as necessary.

BUSINESS

The procurement process is managed by the project procurement officer, who is responsible for the timely processing of purchase requests submitted by the technical department. This involves generating purchase orders and soliciting quotes from suppliers. Once a supplier is approved, we proceed with the formalities of signing a procurement contract. Our procurement methods include competitive negotiations and requests for quotations, among others.

We consider it important to maintain good business relationships with our suppliers and where possible, to diversify our supplier base so as to avoid any disruptions to our operation. Our Directors confirm that during the Track Record Period and as of the Latest Practicable Date: (i) we did not experience any material difficulties in obtaining supplies for our business in a timely manner; and (ii) we did not have any material disputes with our major suppliers.

Salient terms of our purchase agreements

We generally enter into purchase agreements or place orders with our suppliers for each of our purchases. Set out below are the material terms of such purchase agreements or orders:

- | | |
|----------------------|---|
| Specification | The agreements or orders set out the type of equipment, components or stainless-steel plate and quantity to be supplied. |
| Price | The agreements or orders set out the price of equipment, components or stainless-steel plate. |
| Delivery | Our suppliers are typically required to deliver the equipment, components or stainless-steel plate to our production facility or to the delivery point we designate at the required time. |
| Payment | We generally make payments to our suppliers after the delivery of the equipment, components or stainless-steel plate to our production facility mainly by way of wire transfer or bank acceptance bills, and in some cases, we need to make prepayments. |
| Credit period | Our suppliers typically grant us credit periods around 30 days. |
| Warranty | If we receive any defective equipment, components, stainless-steel plate, we are entitled to require a substitution with equipment, components or stainless-steel plate satisfying the quality specifications stipulated by the contract at the supplier's costs. |
| Termination | Each party may terminate the agreements in the event of, among others, (i) any material breach by the other party; or (ii) any other breach by the other party that is not remedied within a prescribed time-period. |

We set forth below the material terms of OEM agreements:

- | | |
|-------------------------|--|
| Term | The term is generally within one year, depending on different needs. |
| Responsibilities | OEMs are required to process certain products according to our specifications. |

BUSINESS

- Raw materials procurement policy** Some OEMs are allowed to select raw materials that will be subject to our inspection. In cases our raw materials are to be used, OEMs should record the consumption quota for these materials. We will supply raw materials in accordance with the agreements' stipulations regarding time, quantity, quality, and specifications. OEMs shall inspect the raw materials provided by us in a timely manner. If the materials do not meet the required standards, OEMs are obliged to notify us immediately for replacement or supplementation. OEMs are not permitted to substitute the raw materials we provide without authorization.
- Payment** The payment terms include installment payments or paying upon completion of the work.
- Confidentiality** OEMs must maintain confidentiality regarding the processing and manufacturing work undertaken. They are not allowed to retain copies of technical documents without our permission.
- Termination** Each party may terminate the agreements in the event of, among others, (i) any material breach by the other party; or (ii) any other breach by the other party that is not remedied within a prescribed time-period.

See “— Sales and service network” in this section for the details of the material terms of service agreement with our service contractor and “— Marketing strategy” in this section for the details of the material terms of sales agent agreements.

OVERLAPPING OF MAJOR CUSTOMERS AND SUPPLIERS

During the Track Record Period, Customer I was one of our major customers and a supplier, and Shanghai Hangxu and Supplier E were our major suppliers and customers. According to Frost & Sullivan, it is not uncommon a customer is also a supplier in the shipping and shipping related industry.

Customer I purchased from our Group marine exhaust gas cleaning systems and marine clean-energy supply systems during the Track Record Period. We outsourced to Customer I the production and installation of wind deflectors which were designed by us. Our total sales to Customer I were approximately nil, RMB217,000, RMB26.5 million and RMB19.6 million, respectively, which accounted for approximately nil, 0.1%, 5.2% and 5.8% of our total sales, respectively, for the years ended December 31, 2021, 2022 and 2023 and for the six months ended June 30, 2024. Our gross profit derived from the sales of products to Customer I was approximately nil, RMB36,000, RMB12.9 million and RMB8.1 million, respectively, for the years ended December 31, 2021, 2022 and 2023 and for the six months ended June 30, 2024, and our gross profit margin for the sales of products to Customer I was approximately nil, 16.7%, 48.8% and 41.5%, respectively, for the same periods. For the years ended December 31, 2021, 2022 and 2023 and for the six months ended June 30, 2024, our total purchases from Customer I were approximately nil, RMB58,000, RMB8.9 million, and RMB20,000, respectively, which accounted for approximately nil, 0.03%, 3.2% and 0.01% of our total purchases, respectively.

BUSINESS

Shanghai Hangxu supplied us with raw materials for the flue gas valves, stainless-steel argon arc welding wire and ship repair services during the Track Record Period while it also outsourced to us the contract manufacturing of flue gas valves under our other maritime services, which were subsequently resold to its customers. Shanghai Hangxu provided raw materials for certain marine equipment including flue gas valves and ship repair services. When Shanghai Hangxu received orders for flue gas valves under maritime services, they outsource to us the contract manufacturing of flue gas valves considering our good cooperation. For the years ended December 31, 2021, 2022 and 2023 and for the six months ended June 30, 2024, our total purchases from Shanghai Hangxu were approximately RMB5.0 million, RMB23.8 million, RMB14.1 million and RMB4.1 million, respectively, which accounted for approximately 4.0%, 13.7%, 5.0% and 2.9% of our total purchases, respectively. Our total sales to Shanghai Hangxu were approximately RMB1.1 million, RMB3.0 million, nil and nil, respectively, which accounted for approximately 0.8%, 1.2%, nil and nil of our total sales, respectively, for the years ended December 31, 2021, 2022 and 2023 and for the six months ended June 30, 2024. Our gross profit derived from the sales of products to Shanghai Hangxu was approximately RMB139,000, RMB276,000, nil and nil, respectively, for the years ended December 31, 2021, 2022 and 2023 and for the six months ended June 30, 2024, and our gross profit margin for the sales of products to Shanghai Hangxu was approximately 12.3%, 9.3%, nil and nil, respectively, for the same periods.

Certain subsidiaries of Supplier E (collectively, the “**Supplier E-Selling Entities**”) supplied us with container ship and PCTC loose-lashing gears, energy saving devices, raw materials and equipment of marine valves during the Track Record Period. Another subsidiary of Supplier E (the “**Supplier E-Buying Entity**”) procured container ship fixed-lashing gears from us for the years ended December 31, 2022 and 2023. The products we procured from Supplier E-Selling Entities differ from the products we sold to Supplier E-Buying Entity. Supplier E is a large corporate group with a wide range of business activities. We collaborate with its different subsidiaries to meet our business demand. For the years ended December 31, 2021, 2022 and 2023 and for the six months ended June 30, 2024, our total purchases from Supplier E were approximately nil, RMB8.8 million, RMB9.3 million and RMB14.5 million, respectively, which accounted for approximately nil, 5.1%, 3.3% and 10.2% of our total purchases, respectively. Our total sales to Supplier E were approximately nil, RMB2.4 million, RMB0.8 million and RMB10,641, respectively, which accounted for approximately nil, 1.0%, 0.2% and 0.01% of our total sales, respectively, for the years ended December 31, 2021, 2022 and 2023 and for the six months ended June 30, 2024. Our gross profit derived from the sales of products to Supplier E was approximately nil, RMB694,000, RMB243,000 and RMB2,000, respectively, for the years ended December 31, 2021, 2022 and 2023 and for the six months ended June 30, 2024, and our gross profit margin for the sales of products to Supplier E was approximately nil, 29.1%, 28.9% and 21.5%, respectively, for the same periods.

BUSINESS

The following table sets forth our total revenue from and our purchases amount from these overlapping customers-suppliers for the periods indicated:

	For the year ended December 31,			For the six months ended June 30,
	2021	2022	2023	2024
	<i>RMB'000 (except for percentages)</i>			
Revenue from the overlapping customers-suppliers				
Revenue	1,131	5,583	27,315	19,602
As a percentage of our total revenue	0.8%	2.3%	5.4%	5.8%
Purchases from the overlapping customers-suppliers				
Purchase amount	4,980	32,689	32,313	18,567
As a percentage of our total purchases	4.0%	18.8%	11.5%	13.1%

Our Directors confirmed that all of our sales to and purchases from Customer I and Shanghai Hangxu were not inter-conditional, inter-related or otherwise considered as one transaction.

COMPETITION

We operate in a competitive industry. We generally compete with global maritime environmental protection equipment and system providers. Competition largely focuses on advancement of technology, price of services, quality and variety of services provided, financial capacity and access to customers. For details, see “Risk Factors — Risks relating to our business and industry — The maritime environmental protection equipment and system industry is highly fragmented and competitive, and we cannot guarantee success in competing within the industries”.

In addition, when we enter into a new market, we may face intense competition from companies with an established presence in the relevant geographical areas and from other companies with similar expansion targets. We cannot assure you that we will be able to successfully compete to expand our coverage and make strategic acquisitions. For details, see “Risk Factors — Risks relating to our business and industry — We may not be able to adapt to rapidly changing technologies in a timely manner, or at all” and “Risk Factors — Risks relating to our business and industry — Our business prospect hinges on our ability to successfully introduce and market new equipment and systems and execute our planned business initiatives. However, this endeavor may expose us to new and increased challenges and risks”.

Compared to overseas companies, Chinese maritime environmental protection equipment and system providers excel in delivery speed, typically completing projects two months faster than international competitors. In addition, we are one of the very few companies in the world that focuses exclusively on maritime environmental protection equipment and systems, while most competitors treat this area as just one part of their broader product portfolios. This dedicated focus enables us to deliver more specialized, professional, and customized solutions tailored to specific customer needs. Furthermore, compared to overseas companies, due to the lower costs of labor and raw materials, we can offer more competitive pricing for our products.

BUSINESS

Compared to the domestic competitors, we have expanded beyond our core business of maritime exhaust gas cleaning systems to include energy-saving devices and clean energy supply systems. This expansion aligns with both evolving customer demands and tightening global regulations, ensuring we remain relevant and competitive. In contrast, many domestic competitors have been slower to adapt to these market shifts. In addition, by building on our core maritime environmental and protection equipment and system business, we offer extended services, such as maritime services. Shipowners typically limit their retrofitting vendors to one to two service providers for cost efficiency. Our history of cooperation with customers and customer satisfaction makes us a preferred choice for these services. Furthermore, with our own production facility, we believe we improve both product quality control and cost efficiencies through better control on the production process compared to other domestic competitors. Lastly, compared to state-owned enterprises, we, as a private ship exhaust gas cleaning system provider, have more streamlined decision-making processes, allowing us to respond quickly to market changes and opportunities.

For further details, see “Industry Overview” in this prospectus.

INTELLECTUAL PROPERTY

As of the Latest Practicable Date, we owned trademarks, patents and copyrights that are material to our business, including 80 registered patents, 12 registered trademarks, 30 registered copyrights and two domain names, and had applied for the registration of two trademarks and 18 patents that are material to our business. See “Statutory and General Information — B. Further information about our business — 2. Intellectual property rights of our Group” in Appendix VI in this prospectus for detail of the intellectual property rights that are material to our business.

We also seek to protect our proprietary technology and process by entering into confidentiality agreements with consultants, business partners and contractors. We have entered into confidentiality agreements and non-competition clauses stipulated in the employee agreements with our senior management and certain core members of our R&D team and other key employees who have access to trade secrets or confidential proprietary information. Our standard employment contract contains an assignment clause, under which we own all the rights to all inventions, technology, know-how and trade secrets derived during the course of an employee’s employment with us. However, despite measures taken to protect our intellectual property rights, third parties may nevertheless gain unauthorized access to our confidential information and trade secrets. For further details, see “Risk Factors — Risks relating to our business and industry — We had been, and may in the future become, subject to patent, trademark and/or other intellectual property infringement claims, which may be time-consuming, cause us to incur significant liability and increase our costs of doing business”.

Save as disclosed in the section headed “Risk Factors,” during the Track Record Period and up to the Latest Practicable Date, we were not involved in any legal, arbitral, or administrative proceedings, or claims of infringement of any intellectual property rights, in which we may be a claimant or a respondent. Our Directors confirmed that they were not aware of any legal, arbitral, or administrative proceedings of infringement of any third parties’ intellectual property rights by us as of the Latest Practicable Date.

BUSINESS

EMPLOYEES

As of June 30, 2024, we had a total of 106 full-time employees based in Mainland China, Singapore, Norway, Portugal, and Hong Kong.

The following table sets forth the numbers and percentages of our full-time employees by function, as of the date indicated:

	As of June 30, 2024	
	Number of employees	% of total employees
Management ⁽¹⁾	7	6.6
Administration	19	17.9
R&D	28	26.4
Sales and marketing	10	9.4
Production	32	30.2
Procurement	5	4.7
Finance	5	4.7
Total	106	100.0

Note:

(1) Mr. Chen Zhiyuan is also our Chief Technology Officer leading our R&D team.

The following table sets forth the numbers and percentages of our full-time employees by location of our business as of the date indicated:

	As of June 30, 2024	
	Number of employees	% of total employees
Mainland China	93	87.7
Singapore	2	1.9
Norway	1	0.9
Portugal	8	7.5
Hong Kong	2	1.9
Total	106	100.0

We believe that our employees are valuable assets that contribute to the success of our Group. We recruit our employees based on a number of factors such as their industry experience in the maritime environmental protection equipment and system industry, their educational background, and our vacancy needs. We generally pay our employees a fixed salary and other bonus and allowances based on their respective positions and responsibilities.

BUSINESS

We entered into individual employment contracts with our full-time employees covering matters such as wages, employee benefits, employment scope and grounds for termination. In addition, we also use contracted workers to work in our production facility. As of the Latest Practicable Date, our employees had not negotiated their terms of employment through any labor union or by way of collective bargaining agreements.

Our employees would undergo training to enhance their technical skills, knowledge of industry quality standards, occupational health and safety standards and applicable laws and regulations. We believe that we have maintained good working relationships with our employees. During the Track Record Period and up to the Latest Practicable Date, we did not experience any major labor disputes, work stoppages or labor strikes, or any work safety-related incidents that led to disruptions in our Group's operations.

We are committed to providing a fair, diversified, and inclusive workplace for all employees by strictly abiding by laws and regulations in the regions in which we operate relevant to compensation and dismissal, equal opportunities, diversity, anti-discrimination, and other benefits. In compliance with relevant law requirements, the recruitment, remuneration and welfare, promotion, and dismissal of our employees are dependent on their competence at work. We respect the rights and interests of every employee and strive to ensure a discrimination- and harassment-free working environment for all employees, where equal opportunities are offered to all employees regardless of age, gender, race, nationality, disability, family status, marital status, or any other factors irrelevant to their work competence.

To protect the rights and interests of our employees, our internal employment policies have stipulated the regulations regarding the negotiation, adjustment, and payment of salaries, as well as the conditions and procedures for terminating employment contracts.

We also provide benefits to our employees as part of their compensation package, which we believe is in line with industry norm. For example, our employees based in Mainland China are entitled to housing provident fund and social insurance including pension, basic medical insurance, maternity insurance, work-related injury insurance and unemployment insurance, as mandated by relevant laws and regulations.

Housing provident fund

Pursuant to the relevant PRC laws and regulations, employers are required to contribute to the housing provident fund for their employees. During the Track Record Period, one of our subsidiaries, ContiOcean Nantong, did not pay housing provident fund in full for certain of our employees. The primary reason for this non-compliance was that some employees were not strongly inclined to make these contributions for personal reasons. In consideration of respecting employees' willingness to contribute and maintaining employment stability, ContiOcean Nantong temporarily contributed the housing provident fund for such employees based on their basic salary. For the years ended December 31, 2021, 2022 and 2023, and for the six months ended June 30, 2024, we estimate the total shortfall in the aggregate amount of unpaid housing provident fund was approximately RMB0.4 million. As advised by our PRC Legal Adviser, with respect to ContiOcean Nantong's failure to make full payment of the housing provident fund for its employees, ContiOcean Nantong may be required by competent authorities to pay the outstanding amount within a prescribed period. If ContiOcean Nantong does not make the payment within such required period, an application may be made by the relevant authority to the People's Courts for compulsory enforcement. During the Track Record Period and up to the Latest

BUSINESS

Practicable Date, we had not been subject to any penalties with respect to housing provident fund and had not received any notification from competent authorities requiring us to pay the shortfalls with respect to housing provident fund. In addition, we undertake that, in the event that competent government authorities require us to make contributions within a stipulated time period or make supplementary contributions and late fees, we will duly comply in a timely manner and the maximum payment we will be required to pay equals to the total shortfall amount. ContiOcean Nantong has been paying the housing provident fund fully for its employees in accordance with legal requirements since July 2024.

Based on the foregoing, our PRC Legal Adviser is of the view that the likelihood that the competent government authorities would impose fines on us due to our failure to make full payment of the housing provident funds during the Track Record Period is remote, as long as we make the outstanding contributions and late fees, if any, within a prescribed time period upon request from the competent government authorities. Therefore, the maximum potential liabilities in connection with our failure to make full payment of the housing provident funds during the Track Record Period would be approximately RMB0.4 million.

Having considered (i) the legal advice from our PRC Legal Adviser, (ii) the total shortfall of unpaid housing provident fund was only approximately RMB0.4 million, (iii) the maximum potential liabilities would only be approximately RMB0.4 million, and (iv) ContiOcean Nantong has been paying the housing provident fund fully for its employees in accordance with legal requirements since July 2024, our Directors are of view that the incident would not have a material adverse impact on the Group's operations and financial performance. See "Risk Factors — Risks relating to our business and industry — Non-compliance with relevant regulations regarding the housing provident fund may result in penalties and have an adverse impact on our business, financial condition, results of operations and prospects".

In addition, to prevent future occurrence of such non-compliance, we have improved our internal control measures:

- we plan to continually and regularly communicate closely with relevant government agencies to ensure we acquire the most updated information about the relevant laws and regulations, to understand their requirements and interpretation of relevant rules and regulations, and make contributions to housing provident fund in accordance with their specific guidance in a timely manner;
- we have formulated and improved our compliance policy to meet the requirements of competent authorities and relevant PRC laws and regulations. Our human resource department, in collaboration with other departments, monitors our ongoing compliance with the housing provident fund contribution regulations and oversee the implementation of any necessary measures;
- we conduct regular review of payments of housing provident fund and if any problem or potential risk is identified, we will timely make rectification to ensure the protection of employees' interests and the regulatory compliance; and

BUSINESS

- we will also strengthen legal compliance training to our employees to increase their awareness of the relevant PRC laws and regulations and set up a whistleblower email. We will provide the training to relevant departments in a timely manner about any update on the regulations with respect to housing provident fund.

We maintain integrated insurance coverage against property damage to our properties and fixed assets, production facility and equipment. Further, we are required by relevant laws and regulations in the PRC to maintain employment injury insurance, which covers, among other things, work injuries, accidents, and incidents which give rise to employees' occupational health diseases. We also make contributions to social security insurance for our employees in accordance with the relevant laws and regulations of the PRC. Our Directors believe that our insurance coverage arrangements are in line with the PRC's general practice in the industry in which our Group is engaged. For the years ended December 31, 2021, 2022 and 2023 and for the six months ended June 30, 2024, we had not claimed against our insurers. We believe that the insurance coverage we currently have is in line with relevant industry standards and is adequate for us to conduct normal business operations. However, certain types of risks, such as the risk in relation to the collectability of our trade receivables and liabilities arising from events such as epidemics, natural disasters, adverse weather conditions, political unrest and terrorist attacks, are generally not covered by insurance because they are either uninsurable or it is not cost justifiable to insure against such risks. See "Risk Factors — Risks relating to our business and industry — Our insurance coverage strategy may not be adequate to protect us from all business risks and cover all of our potential losses".

PROPERTIES

Owned property

As of the Latest Practicable Date, we owned one property with a GFA of approximately 10,712.5 square meters for warehouse, production, R&D, and office use in Mainland China. During the Track Record Period and up to the Latest Practicable Date, we obtained the right certificate for the real property we own.

Leased property

As of the Latest Practicable Date, we leased two properties with a GFA of approximately 801.1 square meters in Mainland China and one property in Singapore with a GFA of approximately 87.0 square meters. These leased properties were mainly for office use and the leases vary in duration from approximately from two to six years. We believe our current leased properties are sufficient to meet our near-term needs, and additional space can be obtained on commercially reasonable terms to meet our future needs. We do not anticipate undue difficulty in renewing our leases upon their expiry.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any difficulty in renewing the leases for our leased properties. Our Directors confirmed that none of the properties stated above is individually material to our Group in terms of rental expenses.

BUSINESS

Licensed property

We entered into a license agreement on July 9, 2024 with an Independent Third Party for the use of an office space as our principal place of business in Hong Kong.

Service agreement

We entered into a service agreement in 2022 with an Independent Third Party which agreed to provide with us office space, work stations, Internet access and office equipment, among others, in Lisbon.

General

The above properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. Pursuant to Rule 5.01A of the Listing Rules, this prospectus is exempt from the requirement to include valuation on property interests of non-property activities if the carrying amount of a property interest is less than 15% of our total assets. A similar exemption applies under section 6 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), with respect to the requirement under section 38(1) of, and paragraph 34(2) of the Third Schedule to, the Companies (Winding Up and Miscellaneous Provisions) Ordinance. As of the Latest Practicable Date, we had no single property interest of non-property activities with a carrying amount of 15% or more of our total assets, and on such basis, we are not required to include in this prospectus any property valuation report.

LEGAL PROCEEDINGS

Save as disclosed in the section headed “Risk Factors,” during the Track Record Period and up to the Latest Practicable Date, there were no litigations or arbitration proceedings or administrative proceedings pending or threatened against us or any of our Directors which would individually or in the aggregate, had a material adverse effect on our business, financial condition and results of operations.

COMPLIANCE WITH LAWS AND REGULATIONS

During the Track Record Period and up to the Latest Practicable Date, we had not been and were not involved in any material noncompliance incidents (including environmental-related) that have led to fines, enforcement actions or other penalties that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations. Our Directors are of view that we had been in compliance with all the applicable laws and regulations in relation to our business operations in all material aspects during the Track Record Period and up to the Latest Practicable Date. In view of the foregoing and based on the compliance certificates and confirmations issued by relevant government authorities, our PRC Legal Adviser is of the view that our Group had complied with all applicable PRC laws and regulations in all material aspects during Track Record Period and up to the Latest Practicable Date.

BUSINESS

LICENSES, PERMITS AND APPROVALS

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we had obtained all requisite material licenses, permits and approvals from relevant authorities for our operations in all material respects. We are required to renew some of such licenses, permits and approvals from time to time, and we currently do not expect any material difficulties in or legal impediment to such renewals.

The following table sets forth a list of material licenses, permits and approvals and held by us as of the Latest Practicable Date:

<u>License/permit</u>	<u>Holder</u>	<u>Granting authority</u>	<u>Granting date</u>	<u>Expiry date</u>
Port operating license	ContiOcean Nantong	Rugao Municipal Transportation Bureau	Granted on December 27, 2021 and renewed on December 6, 2024	December 5, 2027
Receipt of registration of pollutant discharge from fixed pollution sources (Registration number: 91320682MA1XUT853L001W)	ContiOcean Nantong	National Pollutant Discharge Permit Management Information Platform	February 15, 2023	February 14, 2028
Receipt of the record of the consignee and consignor of the import and export goods of the customs (HS code: 32069649PW)	ContiOcean Nantong	Rugao Customs	July 24, 2019	Not applicable ⁽¹⁾
Receipt of the record of the consignee and consignor of the import and export goods of the customs (HS code: 32069649TT)	Alfaback Automation	Rugao Customs	April 24, 2020	Not applicable ⁽¹⁾
Port operation business record form (Record number: Hu Gang Bei No. 23054)	ContiOcean International	Shanghai Municipal Transportation Commission	August 30, 2023	August 29, 2026
Record form of transport means service enterprises (Record number: 2243MACAB1FW8)	ContiOcean International	Shanghai Customs of the PRC	September 6, 2023	Not applicable ⁽¹⁾

BUSINESS

License/permit	Holder	Granting authority	Granting date	Expiry date
Jiangsu Province investment project filing certificate for annual production capacity of 50 sets of exhaust gas environmental protection equipment (i.e., scrubbers) (Number: Gao Xing Shen Bei [2019]224)	ContiOcean Nantong	Rugao Administrative Approval Bureau	November 20, 2019	Not applicable ⁽¹⁾

Note:

(1) The relevant records and filings do not have an expiration date and will remain valid.

In addition, we produce ship exhaust gas cleaning systems, which are designed to meet the stringent certification requirements of major maritime classification societies. Our principal products have garnered significant recognition in the form of relevant approval in principle certificates and factory approval certificates. The details of these major achievements are as follows:

Approval in principle certificates⁽¹⁾

Classification society	Relevant product	Granting number	Granting date
American Bureau of Shipping	Exhaust gas control (EGC) system	CR1718965	August 1, 2017
	Nitrogen generator	5099859-A	April 18, 2022
	Carbon dioxide removal system carbon capture pilot test system	6424370-A	May 29, 2024
Bureau Veritas	Exhaust gas cleaning unit for sulfur oxides (SOx) reduction exhaust gas	DA-MACH/18/02817	August 16, 2018
	Exhaust gas control system control unit	21651CHN22	January 4, 2023
	Nitrogen generating device	06507CHN24	February 25, 2024
China Classification Society	De-SOx Scrubber	DL18X00001	May 5, 2019
Det Norske Veritas	COIS inline multi-stream hybrid scrubber system	MCADE343/YOPARK/P24873-J-10006	August 7, 2017
	MeOH (methanol) fuel system for low flashpoint liquid (LFL) fuelled ships	—	September 29, 2022
	Exhaust gas control and monitoring system	N142BVUJ	January 3, 2023
Lloyd's Register EMEA	COIS inline hybrid scrubber system	SOUTSO/4849755/ENG	July 25, 2017
Lloyd's Register Classification Society	CYBERION ship cyber security (enhanced) solutions	20/80018	December 8, 2020
	Carbon capture and solidification system	STS/DDT/LYW/STS 20221106	December 23, 2022
	CO ₂ flowmeter design	STS/DDT/LYW/STS 20231110	November 28, 2023
	Membrane nitrogen generator	SHI2401054	April 17, 2024

BUSINESS

Classification society	Relevant product	Granting number	Granting date
Nippon Kaiji Kyokai	Exhaust gas control system (EGCS) control system	EL19SC03323	October 30, 2019
RINA	Exhaust gas control (EGC) control system	WS/2023/WS/01/821	April 23, 2023

Note:

(1) Principle approval certificates are valid for the long term and do not have an expiration date.

Factory approval certificates

Classification society	Relevant process	Granting number	Granting date	Expiry date
Bureau Veritas	Manufacturing of EGCS control system and exhaust gas treatment tower	SMS.W.II./137714/A.0	July 14, 2022	July 8, 2026
Lloyd's Register Classification Society	Manufacturing of fabricated steel sections and pressure pipework fabrication	NTG2400310	April 2, 2024	April 1, 2027
RINA	Cutting assembly and welding of hull construction; marine and industrial structures made by ordinary, high tensile strength steel and stainless steel according to approved procedures	REC386622WS	January 30, 2023	January 29, 2028
	Manufacturing of exhaust gas control system control unit as per approved plan	REC386622WS/001	January 31, 2023	January 30, 2028
	Manufacturing of skid intend for LNG gas fuel system as per approved plan	REC386622WS/002	February 15, 2023	Not applicable

RISK MANAGEMENT AND INTERNAL CONTROL

We are dedicated to the establishment and maintenance of a robust risk management and internal control system. We have adopted and continually improve our internal control mechanisms to ensure the compliance of our business operations. Furthermore, we conduct periodic reviews of the implementation of our risk management policies and internal control measures to ensure their effectiveness and sufficiency. We have been committed to promoting a compliance culture and will adopt policies and procedures on various compliance matters, including the applicable requirements on corporate governance and environmental, social and governance matters. Our Board will be collectively responsible for the establishment and operation of mechanisms in relation to corporate governance and environmental, social, and governance matters. Our Directors are involved in the formulation of such mechanisms and their related policies. We have adopted and implemented risk management policies in various aspects of our business operations to address various potential risks in relation to operations, compliance, intellectual property, and investment.

Business operational risk management

We take a comprehensive approach with regard to operational risk management and implement a mechanism with detailed and decentralized responsibilities, clear rewards and punishment systems. Our business operations, finance, and relevant departments are collectively responsible in ensuring that the compliance of our business operations conform with internal procedures. On the occurrence of a major adverse event, the matter will be escalated to our senior management and the Board of Directors may need to take appropriate measures. Through effective business operational risk management, we expect to control operational risks within a reasonable range by identifying, measuring, monitoring and containing operational risks to reduce potential losses.

Anti-corruption risk management

We have established our anti-corruption risk management policies prohibiting any corruption activities by the employees, either for the pursuit of improper personal benefits or improper interests of the Company. Our human resources and legal departments shall oversee the implementation of anti-corruption policies. We have maintained a whistle-blower mechanism including reporting hotline and email encouraging the internal report of suspicious activities. We have zero-tolerance of corruption and do not accept employment or promotion of persons responsible for corruption incidents. We conduct internal trainings and require our suppliers to execute anti-corruption commitments.

Intellectual property risk management

See “— Intellectual property” in this section.

Audit Committee and board oversight

To monitor the ongoing implementation of our risk management policies, our Audit Committee shall review and supervise our financial reporting process and internal control system on an ongoing basis to ensure that our internal control system is effective in identifying, managing and mitigating risks involved in our business operations. The Audit Committee comprises three members, namely Mr. Zhu Rongyuan, Dr. Guan Yanmin and Ms. Ng Sin Kiu. Mr. Zhu Rongyuan is the chairperson of the Audit Committee. Please refer to the section headed “Directors, Supervisors, and Senior Management — Board of Directors” in this prospectus.

Our internal audit personnel who is under the Audit Committee is responsible for reporting issues identified and improving our internal control system and procedures by identifying internal control failures and weaknesses on an ongoing basis. The internal audit personnel reports any major issues identified to the Audit Committee and the Board on a timely basis.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS

Immediately after the completion of the Global Offering (without taking into account any exercise of the share options granted under the Pre-IPO Share Option Scheme), our Controlling Shareholders (namely our Co-Founders, Mr. Zhou Yang, Mr. Zhao Mingzhu and Mr. Chen Zhiyuan, and ContiOcean Development) will be interested in an aggregate of 71.25% of the issued share capital of our Company and will remain as our Controlling Shareholders upon the Listing. For further background of Mr. Zhou Yang, Mr. Zhao Mingzhu, and Mr. Chen Zhiyuan, each of whom is an executive Director, see “Directors, Supervisors, and Senior Management” in this prospectus for further details. Mr. Zhou Yang is our Chairman and Mr. Zhao Mingzhu is our chief executive officer.

In addition, ContiOcean Development is a platform for employee shareholding and is regarded as one of our Controlling Shareholders for the purpose of the Listing Rules, given that its general partner is ContiOcean Industrial, a company owned as to 37.50% by Mr. Zhou Yang, 31.25% by Mr. Zhao Mingzhu, and 31.25% by Mr. Chen Zhiyuan. Immediately after the completion of the Global Offering (without taking into account any exercise of the share options granted under the Pre-IPO Share Option Scheme), ContiOcean Development will be interested in an aggregate of 6.00% of the issued share capital of our Company and will remain as our Controlling Shareholder upon the Listing. See “History, Development, and Corporate Structure — Corporate developments — Share transfers involving our employee shareholding platform” for further details.

The Concert Party Agreement

Pursuant to the Concert Party Agreement, Mr. Zhou Yang, Mr. Zhao Mingzhu and Mr. Chen Zhiyuan, shall act in concert when exercising the right to propose and vote on relevant matters to the Board of Directors and the Shareholders’ meetings. In the event that no consensus is reached among them, the relevant matter shall be decided by the majority. For the avoidance of doubt, ContiOcean Development is not a party to the Concert Party Agreement. However, as mentioned in the section headed “History, Development, and Corporate Structure” above, the general partner of ContiOcean Development is ContiOcean Industrial (which is in turn controlled by Mr. Zhou Yang, Mr. Zhao Mingzhu and Mr. Chen Zhiyuan). Given Mr. Zhou Yang, Mr. Zhao Mingzhu and Mr. Chen Zhiyuan shall act in concert when exercising the right to propose and vote on relevant matters to the Board of Directors and the Shareholders’ meetings, the voting rights of ContiOcean Development shall follow and hence ContiOcean Development shall be considered as one of the Controlling Shareholders.

Rule 8.10 of the Listing Rules

Each of our Controlling Shareholders and our Directors confirms that as of the Latest Practicable Date, he or it did not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, and requires disclosure under Rule 8.10 of the Listing Rules. In addition to the shareholding interests of our Controlling Shareholders and some of our other Directors, our Controlling Shareholders and Directors may have their own investments or interests in other businesses such as those in the food and beverage, electronics, transport, asset management and textiles sectors, among others, which do not constitute any competing business with us.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Non-competition Undertaking

Our Co-founders, namely Mr. Zhou Yang, Mr. Zhao Mingzhu and Mr. Chen Zhiyuan, entered into an undertaking in relation to the prevention of competition in the same industry (控股股東、實際控制人關於避免同業競爭的承諾) (the “**Non-competition Undertaking**”) dated October 12, 2023 in favor of our Company.

The key terms of the Non-competition Undertaking are summarized as follows:

- **Exclusivity of Business Operations:** The Co-founders confirmed that they, along with any enterprises they controlled, did not engage in any business activities that are the same as or similar to those of our Group.
- **Non-Competition Commitment:** The Co-founders agreed not to develop, operate, assist in operating, or participate in any activities that directly or indirectly compete with our Group’s business, both within and outside of China. They also did not hold any interests in any other companies or enterprises that compete with the company’s business.
- **Right of First Refusal:** In the event that the Co-founders intend to sell any assets, businesses, or interests related to our Group’s operations, our Company has the right of first refusal to purchase such assets. The Co-founders have undertaken to make efforts to ensure that the transaction price is fair and reasonable, based on normal commercial transactions with independent third parties.
- **Opportunity Transfer:** Should the Co-founders or their controlled enterprises receive any business opportunities that constitute or may constitute substantial competition with our Group, they agreed to immediately notify our Company and endeavor to transfer such opportunities to our Company.
- **Disclosure Obligations:** The Co-founders agreed to disclose, in a timely manner and in accordance with relevant laws, regulations, and company policies, any business or interests that compete or may compete with our Group’s business to our Company.
- **Prohibition of Harmful Activities:** The Co-founders agreed not use their status to engage in any business activities that could harm the interests of our Company or the Shareholders.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying on our business independently from our Controlling Shareholders and their close associates after the Listing.

Management Independence

Upon the Listing, our Board will comprise of five executive Directors and three independent non-executive Directors, among which three executive Directors, Mr. Zhou Yang, Mr. Zhao Mingzhu, and Mr. Chen Zhiyuan, are also our Controlling Shareholders. Accordingly, the majority of our Board members are not our Controlling Shareholders. Our Directors and members of the senior management possess relevant management and/or industry-related experience to act as Directors or senior management of our Company and to make management decisions independently from our Controlling Shareholders. See “Directors, Supervisors, and Senior Management” for further details.

Each of our Directors is aware of his/her fiduciary duties as a director of our Company which require, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant Board meetings of our Company in respect of such transactions and shall not be counted towards the quorum. Our Directors, including our independent non-executive Directors, have the requisite qualifications, integrity and experience to maintain an effective Board and observe their fiduciary duties including in the event of a conflict of interest. In addition, we have a professional management team to carry out daily business decisions of our Group all of whom have substantial experience in the industry in which our Company is engaged, and will therefore make business decisions that are in the best interests of our Group. We have three independent non-executive Directors and certain matters of our Company must always be referred to the independent non-executive Directors for review. The independent non-executive Directors will represent an element of independence at the Board level and will protect the interests of our Company and our Shareholders as a whole. We have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders which would support our independent management. See “— Independence from Controlling Shareholders — Corporate governance measures” in this section for further details.

Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that we are capable of managing our business independently from our Controlling Shareholders and their respective close associates following the completion of the Global Offering.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Operational Independence

We have sufficient capital, facilities, premises, and employees to operate our business independently from our Controlling Shareholders and their close associates. We also have independent access to our customers and suppliers and an independent management team to manage daily operations. We have established our own organizational structure comprising individual departments such as business units to operate our business. Our Group has also established a set of internal controls procedures to facilitate the effective operation of our business.

Accordingly, our Directors are satisfied that we will be able to function and operate independently from our Controlling Shareholders and their respective close associates.

Financial Independence

We have an independent internal control and accounting system and make financial decisions according to our business needs. We also have an independent finance department responsible for discharging the treasury functions for cash receipts and payments, accounting, reporting, and internal control independently of our Controlling Shareholders and their respective close associates. Our chief financial officer and the staff in our finance department are full-time staff, and they do not also work for any of our Controlling Shareholders or their respective close associates.

We have sufficient capital to operate our business independently, and have adequate internal resources and a strong credit profile to support our daily operations. During the Track Record Period, we financed our operation through a combination of cash generated from our operations and bank borrowings. Immediately upon the Listing, there will be no financial assistance, security, and/or guarantee provided by our Controlling Shareholders or their respective close associates in our favor or vice versa (as the case may be).

As of December 31, 2021, 2022 and 2023 and June 30, 2024, we had outstanding bank borrowings amounting to nil, RMB4.1 million, RMB19.9 million and RMB27.0 million, respectively. While our Controlling Shareholders provided guarantees for all of our Group's bank borrowings as of June 30, 2024, such guarantees had been released by the relevant banks by December 20, 2024. Going forward, we believe that we will be capable of obtaining financing from third parties, if necessary, without reliance on our Controlling Shareholders and their respective close associates.

Having considered that our future operations are not expected to be financed by our Controlling Shareholders or their respective close associates and we are capable of obtaining financing from external source on normal commercial terms without reliance on our Controlling Shareholders, we believe we are financially independent of our Controlling Shareholders and their respective close associates.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Corporate Governance Measures

Our Directors recognize the importance of good corporate governance in protecting our Shareholders' interests. We have adopted the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Group and our Controlling Shareholders:

- (a) we have established internal control mechanisms to identify connected transactions. Upon the Listing, if we enter into connected transactions with our Controlling Shareholders or any of their associates, our Company will comply with the applicable Listing Rules;
- (b) the composition of our Board will include three independent non-executive Directors to ensure the effective exercise of independent judgments on the decision-making process of our Board and provide independent advice to our Shareholders;
- (c) where a Shareholders' meeting is to be held for considering proposed transactions in which our Controlling Shareholders or any of their close associates has a material interest, our Controlling Shareholders will not vote on the resolutions and shall not be counted in the quorum in the voting;
- (d) our independent non-executive Directors will review, on an annual basis, whether there are any conflicts of interests between our Group and our Controlling Shareholders ("**Annual Review**") and compliance of the Non-competition Undertaking, and provide impartial and professional advice to protect the interests of our minority Shareholders;
- (e) our Controlling Shareholders will undertake to provide all information necessary, including all relevant financial, operational, and market information and any other necessary information as required by the independent non-executive Directors for the Annual Review;
- (f) we will disclose decisions on matters reviewed by the independent non-executive Directors either in our annual reports or by way of announcements as required by the Listing Rules;
- (g) where our Directors reasonably request the advice of independent professionals, such as financial advisers, the appointment of such independent professionals will be made at our expenses; and
- (h) we have appointed China Galaxy International Securities (Hong Kong) Co., Limited as our compliance adviser to provide advice and guidance to us in respect of compliance with the Listing Rules, including various requirements relating to corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest that may arise between us and our Controlling Shareholders, and to protect our minority Shareholders' interests after the Listing.

DIRECTORS, SUPERVISORS, AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Upon the Listing, our Board of Directors will comprise of eight Directors, including five executive Directors and three independent non-executive 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. We have entered or will prior to the Listing enter into service agreements with our executive Directors and letters of appointment with our independent non-executive Directors.

The table below sets out certain information in respect of our Directors:

<u>Name</u>	<u>Age</u>	<u>Position in our Company</u>	<u>Date of joining our Group</u>	<u>Date of appointment as Director</u>	<u>Roles and responsibilities</u>	<u>Relationship with other Directors, Supervisors and senior management</u>
Executive Directors						
Mr. Zhou Yang (周洋)	47	Executive Director and Chairman of our Board	September 26, 2018	July 20, 2019	Overseeing corporate governance and our Company's strategic position, safeguarding the interest of the Shareholders, managing the senior management, engaging in business development on behalf of our Group and overseeing our Board.	None
Mr. Zhao Mingzhu (趙明珠)	45	Executive Director and chief executive officer	September 6, 2017	July 20, 2019	Overseeing the overall operations and management of our Company, 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.	None
Mr. Chen Zhiyuan (陳志遠)	42	Executive Director and chief technology officer	May 10, 2018	July 20, 2019	Strategic planning of technological initiatives, oversight of R&D, quality assurance, management of the technology team, improve internal processes, driving advancement in and enhancement of efficiencies and competitiveness of our technologies.	None

DIRECTORS, SUPERVISORS, AND SENIOR MANAGEMENT

Name	Age	Position in our Company	Date of joining our Group	Date of appointment as Director	Roles and responsibilities	Relationship with other Directors, Supervisors and senior management
Mr. Shu Wa Tung, Laurence (舒華東)	52	Executive Director, chief financial officer and company secretary	September 1, 2020	December 20, 2022	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.	None
Mr. Chen Rui (陳睿)	45	Executive Director and secretary to our Board	October 10, 2018	December 20, 2022	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.	None

Independent non-executive Directors

Dr. Guan Yanmin (管延敏)	41	Independent non-executive Director	Listing Date	July 27, 2024	Supervising and providing independent advice on the operations and management of our Group.	None
Mr. Zhu Rongyuan (朱榮元)	45	Independent non-executive Director	Listing Date	July 27, 2024	Supervising and providing independent advice on the operations and management of our Group.	None
Ms. Ng Sin Kiu (吳先僑)	51	Independent non-executive Director	Listing Date	July 27, 2024	Supervising and providing independent advice on the operations and management of our Group.	None

Executive Directors

Mr. Zhou Yang (周洋), aged 47, one of the Co-founders of our Company, was appointed as a Director on July 20, 2019 and re-designated as our executive Director on July 27, 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.

DIRECTORS, SUPERVISORS, AND SENIOR MANAGEMENT

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. See "Substantial Shareholders" in this prospectus for further details of his interests for the purpose of Part XV of the SFO.

Mr. Zhao Mingzhu (趙明珠), aged 45, one of the Co-founders of our Company, was appointed as a Director on July 20, 2019 and re-designated as our executive Director on July 27, 2024. Mr. Zhao is also the chief executive officer of our Company.

Mr. Zhao joined our Company on September 6, 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, CTL, 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

DIRECTORS, SUPERVISORS, AND SENIOR MANAGEMENT

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. See "Substantial Shareholders" in this prospectus for further details of his interests for the purpose of Part XV of the SFO.

Mr. Chen Zhiyuan (陳志遠), aged 42, one of the Co-founders of our Company, was appointed as a Director on July 20, 2019 and re-designated as our executive Director on July 27, 2024. Mr. Chen is also the chief technology officer of our Company. Mr. Chen joined our Company on May 10, 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.

DIRECTORS, SUPERVISORS, AND SENIOR MANAGEMENT

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. See “Substantial Shareholders” in this prospectus for further details of his interests for the purpose of Part XV of the SFO.

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 December 20, 2022 and re-designated as our executive Director on July 27, 2024. He was also appointed as the company secretary of our Company on July 10, 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 International Group Limited (a company listed on the Main Board of the Hong Kong Stock Exchange, stock code: 2678) (“**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 Petro-king 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.

DIRECTORS, SUPERVISORS, AND SENIOR MANAGEMENT

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.

The Board has made appropriate enquires with a view to understanding Mr. Shu's work commitment and has considered Mr. Shu's concurrent services as an executive Director, chief financial officer and the company secretary of our Company, an independent non-executive director of (i) Riverine China Holdings Limited, (ii) Twintek Investment Holdings Limited, (iii) Goldstream Investment Limited, (iv) Zero Fintech Group Limited, (v) Texhong International Group Limited, and is satisfied that Mr. Shu is able to devote sufficient time to perform his duties as an executive Director, chief financial officer and company secretary of our Company having regard to all relevant factors, including:

- (1) his involvements as independent non-executive director primarily requires him to provide advices regarding risk management and internal control aspects, as well as to provide independent judgement on issues of conflict and other decisions made by the Board when needed, rather than to allocate substantial time on the participation of the day-to-day management and operations of its businesses;
- (2) he has acquired extensive management experience and developed substantial knowledge on corporate governance through his directorship in such other listed companies. Such experience are expected to facilitate the proper discharge of his duties and responsibilities as our executive Director;
- (3) when performing his role as executive Director of our Company in formulating and executing business strategies, annual operational and financial plans, Mr. Shu is assisted by other senior management and his team of staff in dealing with the day-to-day matters in various aspects; and
- (4) he has confirmed that: (a) none of the listed companies that he holds directorship with has questioned or complained about his time devoted to such listed companies; and (b) he will have sufficient time to devote to his duties as an executive Director, chief financial officer and company secretary of our Company notwithstanding such other concurrent directorships.

Mr. Shu is a Shareholder. See "Statutory and General Information — C. Further information about Directors, Supervisors and Substantial Shareholders" in Appendix VI in this prospectus for further details of Mr. Shu's interest in our Company for the purpose of Part XV of the SFO.

Mr. Chen Rui (陳睿), aged 45, was appointed as a Director on December 20, 2022 and re-designated as our executive Director on July 27, 2024. He has also been the secretary to our Board since January 6, 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

DIRECTORS, SUPERVISORS, AND SENIOR MANAGEMENT

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.

For details of Mr. Chen's interest in our Company for the purpose of Part XV of the SFO, see "Statutory and General information — C. Further information about Directors, Supervisors and Substantial Shareholders" in Appendix VI in this prospectus.

Independent Non-Executive Directors

Dr. Guan Yanmin (管延敏), aged 41, was appointed as an independent non-executive Director on July 27, 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 July 27, 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.

DIRECTORS, SUPERVISORS, AND SENIOR MANAGEMENT

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 July 27, 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.

DIRECTORS, SUPERVISORS, AND SENIOR MANAGEMENT

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 May 8, 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.

DIRECTORS, SUPERVISORS, AND SENIOR MANAGEMENT

The detailed information of our Supervisors are listed below.

Name	Age	Positions	Date of joining our Group	Date of appointment as Supervisor	Roles and responsibilities	Relationship with other Directors, Supervisors and senior management
Mr. Shen Xiaowei (沈小偉)	37	Supervisor and chairman of our supervisory committee	August 10, 2018	December 20, 2022	Supervising the overall operation of the Supervisory Committee and our Board, senior management and the financial management of our Group, and overseeing the day-to-day affairs of our marketing department and the sales of our products	None
Mr. Yu Yuanyang (于遠洋)	37	Supervisor	September 14, 2017	December 20, 2022	Supervising and providing independent advice to the Board, designing and developing electrical systems and equipment	None
Mr. Wu Yunfeng (吳雲峰)	39	Employee representative Supervisor	October 19, 2020	April 1, 2024	Supervising and providing independent advice to the Board, overseeing the operation and management of our Company's production management system	None

Mr. Shen Xiaowei (沈小偉), aged 37, was appointed as a Supervisor and chairman of our supervisory committee on December 20, 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 November 27, 2014.

DIRECTORS, SUPERVISORS, AND SENIOR MANAGEMENT

For details of Mr. Shen's interest in our Company for the purpose of Part XV of the SFO, see "Statutory and General Information — C. Further information about Directors, Supervisors and Substantial Shareholders" in Appendix VI in this prospectus.

Mr. Yu Yuanyang (于遠洋), aged 37, was appointed as a Supervisor on December 20, 2022. Mr. Yu has also been an electrical engineer of our Company since joining our Company on September 14, 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.

For details of Mr. Yu's interest in our Company for the purpose of Part XV of the SFO, see "Statutory and General Information — C. Further information about Directors, Supervisors and Substantial Shareholders" in Appendix VI in this prospectus.

Mr. Wu Yunfeng (吳雲峰), aged 39, was appointed as our employee representative Supervisor on April 1, 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 October 19, 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 manager 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.

DIRECTORS, SUPERVISORS, AND SENIOR 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.

CONFIRMATIONS FROM OUR DIRECTORS

Confirmation of Rule 3.09D of the Listing Rules

Each of our Directors confirmed that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules on July 15, 2024; and (ii) understood his/her obligations as a director of a listed issuer under the Listing Rules.

Rule 3.13 of the Listing Rules

Each of our proposed independent non-executive Directors has confirmed (i) his/her independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules; (ii) that he/she has no past or present financial or other interest in the business of our Company or its subsidiaries or any connection with any core connected person of our Company as such term is defined in the Listing Rules; and (iii) that there are no other factors that may affect his/her independence at the time of his/her appointment.

SENIOR MANAGEMENT

Our senior management comprises of our executive Directors (see “— Board of Directors — Executive Directors” in this section for further details) together with the following individuals, the key information of whom is set forth in the table below:

Name	Age	Position in our Company	Date of joining our Group	Date of appointment as senior management	Roles and responsibilities	Relationship with other Directors, Supervisors and senior management
Ms. Shen Xiaojiao (申小嬌)	31	General manager of the finance department	July 19, 2021	April 4, 2023	Overseeing financial planning and strategy, managing financial risks, supervising financial reporting, and ensuring our Company’s financial health and compliance with regulations.	None
Mr. Qu Shixiang (曲世祥)	39	General manager of the R&D department	June 1, 2018	January 6, 2020	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.	None

Ms. Shen Xiaojiao (申小嬌), aged 31, joined our Group in July 19, 2021 and became the general manager of the finance department of our Company in April 4, 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.

DIRECTORS, SUPERVISORS, AND SENIOR MANAGEMENT

Ms. Shen has over 7 years of experience in the audit and accounting field. Prior to joining our Group, 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 June 1, 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.

For details of Mr. Qu's indirect interest in our Company, see "History, Development and Corporate Structure — Corporate developments".

OTHER INFORMATION IN RELATION TO OUR DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Save as disclosed above in this section headed "Directors, Supervisors, and Senior Management", each of our Directors and Supervisors has confirmed that there are no other matters relating to his/her appointment as a Director or Supervisor (as applicable) that need to be brought to the attention of our Shareholders and there is no other information in relation to his/her appointment which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

Save as disclosed above in this section headed "Directors, Supervisors, and Senior Management", none of our Directors, Supervisors and senior management holds any other positions within our Group.

Save as disclosed above in this section headed "Directors, Supervisors, and Senior Management", none of our Directors, Supervisors or senior management has been a director of any public company the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this prospectus.

None of our Directors, Supervisors and senior management is related to any other Director, Supervisor or senior management.

DIRECTORS, SUPERVISORS, AND SENIOR MANAGEMENT

COMPANY SECRETARY

Mr. Shu Wa Tung, Laurence, was appointed as our company secretary on July 10, 2024.

For the biographic details of Mr. Shu, see “— Board of Directors — Executive Directors” in this section.

BOARD COMMITTEES

Our Board has established the Audit Committee, the Remuneration Committee, the Nomination Committee, and the ESG Committee, and delegated various responsibilities to these committees, which assist our Board in discharging its duties and overseeing particular aspects of our Group’s activities.

Audit Committee

We have established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraphs D.3 of the Corporate Governance Code (“CG Code”) as set out in Appendix C1 to the Listing Rules. The Audit Committee consists of Mr. Zhu Rongyuan, Dr. Guan Yanmin, and Ms. Ng Sin Kiu. Mr. Zhu Rongyuan is the chairperson of the Audit Committee.

The primary duties of the Audit Committee are to (i) review and supervise our financial reporting process and internal control system of our Group, risk management and internal audit; (ii) provide advice and comments to our Board in respect of the financial, risk management and internal control matters; and (iii) perform other duties and responsibilities as may be assigned by the Board.

Remuneration Committee

We have established the Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph E.1 of the CG Code as set out in Appendix C1 to the Listing Rules. The Remuneration Committee consists of Dr. Guan Yanmin, Mr. Shu Wa Tung, Laurence and Mr. Zhu Rongyuan. Dr. Guan Yanmin is the chairperson of the Remuneration Committee.

The primary duties of the Remuneration Committee include, but are not limited to (i) establishing, reviewing and providing advice to our Board on our policy and structure concerning remuneration of our Directors and senior management and on the establishment of a formal and transparent procedure for developing policies concerning such remuneration; (ii) determining the terms of the specific remuneration package of each Director and senior management; and (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by our Directors from time to time.

Nomination Committee

We have established the Nomination Committee with written terms of reference in compliance with paragraph B.3 of the CG Code as set out in Appendix C1 to the Listing Rules. The Nomination Committee consists of Mr. Zhu Rongyuan, Mr. Zhou Yang and Dr. Guan Yanmin. Mr. Zhu Rongyuan is the chairperson of the Nomination Committee.

DIRECTORS, SUPERVISORS, AND SENIOR MANAGEMENT

The primary duties of the Nomination Committee are to (i) review the structure, size and composition of our Board on a regular basis and make recommendations to the Board regarding any proposed changes to the composition of our Board; (ii) identify, select or make recommendations to our Board on the selection of individuals nominated for directorship, and ensure the diversity of our Board members; (iii) perform review on the contributions made by our Directors (including our independent non-executive Directors) and the sufficiency of time devoted to perform their duties; (iv) assess the independence of our independent non-executive Directors; and (v) make recommendations to our Board on relevant matters relating to the appointment, re-appointment and removal of our Directors and succession planning for our Directors.

ESG Committee

We have established the ESG Committee with written terms of reference. The ESG Committee consists of Mr. Zhao Mingzhu, Mr. Chen Zhiyuan, Mr. Chen Rui and Mr. Zhu Rongyuan. Mr. Zhao Mingzhu is the chairperson of the ESG Committee.

The primary duties of the ESG Committee are to drive the planning and implementation of the Group's ESG-related matters, formulate and review the ESG-related development strategy, and to guide and supervise the Group's ESG-related matters.

CORPORATE GOVERNANCE

Board diversity policy

Our Board has adopted a board diversity policy which sets out the approach to achieve diversity on our Board. Our Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in supporting the attainment of our Company's strategic objectives and sustainable development. Our Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to talent, skills, gender, age, cultural and educational background, ethnicity, professional experience, independence, knowledge and length of service. We will select potential Board candidates based on merit and his/her potential contribution to our Board while taking into consideration our own business model and specific needs from time to time. All Board appointments will be based on meritocracy and candidates will be considered against objective criteria, having due regard to the benefits of diversity on our Board.

Our Board has a balanced mix of education background, knowledge, skills and experience. We have three independent non-executive Directors from different industry backgrounds, including shipping, shipbuilding, consultancy, audit and accounting and the legal industries.

With regards to gender diversity on the Board, we recognize the particular importance of gender diversity. Our Board currently comprises one female Director and seven male Directors. We have taken and will continue to take steps to promote and enhance gender diversity at all levels of our Company, including but without limitation at our Board and senior management levels. Our board diversity policy provides that our Board should aim to increase the proportion of female members over time where possible when selecting and making recommendations on suitable candidates for Board appointments. We will also ensure that there is gender diversity when recruiting staff at mid to senior level so that we

DIRECTORS, SUPERVISORS, AND SENIOR MANAGEMENT

will have a pipeline of female senior management and potential successors to our Board going forward. It is our objective to maintain an appropriate balance of gender diversity with reference to the expectations of stakeholders and international and local recommended best practices.

Our Nomination Committee is responsible for ensuring the diversity of our Board members. After Listing, our Nomination Committee will review our board diversity policy and its implementation from time to time to monitor its continued effectiveness and we will disclose the implementation of our board diversity policy, including any measurable objectives set for implementing the board diversity policy and the progress on achieving these objectives, in our corporate governance report on an annual basis.

COMPLIANCE ADVISER

We have appointed China Galaxy International Securities (Hong Kong) Co., Limited as our compliance adviser pursuant to Rule 3A.19 and Rule 19A.05 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, our compliance adviser will advise our Company in the following circumstances:

- before the publication of any regulatory announcement, circular and financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated including shares issues and share repurchases;
- where our Company proposes to use the proceeds from the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of our Shares under Rule 13.10 of the Listing Rules.

The term of the appointment shall commence on the Listing Date and end on the date on which our Company distributes our annual report in respect of our financial results for the first full financial year commencing after the Listing Date.

COMPENSATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Our Directors, Supervisors and members of our senior management receive compensation from our Group in the form of fees, salaries and other benefits and contribution to pension scheme.

The aggregate remuneration (including salaries, discretionary bonuses, allowances and benefits in kind, pension scheme contributions and equity-settled share-based payment) paid to our Directors, Supervisors and senior management for each of the three years ended December 31, 2021, 2022, and 2023 and the six months ended June 30, 2024 was approximately RMB9.7 million, RMB11.2 million, RMB18.5 million and RMB9.1 million, respectively. Save as disclosed in this paragraph, no other amounts have been paid or are payable by any member of our Group to our Directors and Supervisors for each of the three years ended December 31, 2021, 2022, and 2023 and the six months ended June 30, 2024.

DIRECTORS, SUPERVISORS, AND SENIOR MANAGEMENT

The five highest paid individuals of the Group in respect of each of the three years ended December 31, 2021, 2022, and 2023 and the six months ended June 30, 2024 were our Directors. For further details of the Directors' remuneration, see note 12 to the Accountants' Report as set out in Appendix I to this prospectus.

No remuneration was paid by us to our Directors, Supervisors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office in respect of each of the three years ended December 31, 2021, 2022, and 2023 and the six months ended June 30, 2024. Further, none of our Directors or Supervisors had waived or agreed to waive any remuneration during the same periods.

Each of Dr. Guan Yanmin, Mr. Zhu Rongyuan and Ms. Ng Sin Kiu shall receive RMB80,000, RMB100,000 and HK\$180,000, per annum, as directors' fees.

Under the arrangement currently in force, the aggregate remuneration (including fees, salaries, discretionary bonuses, allowances and benefits in kind, pension scheme contributions and equity-settled share-based payment) of our Directors and Supervisors for the year ending December 31, 2024 is estimated to be no more than approximately RMB20 million, subject to finalisation to be determined taking into account all relevant factors including our performance and financial position.

Our Board will review and determine the remuneration and compensation packages of our Directors and senior management and will, following the Listing, receive recommendation from the Remuneration Committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of our Directors and performance of our Group.

COMPETITION

Each of our Directors confirms that as of the Latest Practicable Date, he/she did not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, either directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

From time to time our independent non-executive Directors may serve on the boards of both private and public companies within the shipping and shipbuilding industries. However, as independent non-executive Directors are neither our Controlling Shareholders nor members of our executive management team, we believe that their interests in such companies as directors would not render us incapable of carrying on our business independently from the other companies in which they may hold directorships from time to time.

CORPORATE GOVERNANCE

Our Company aims to achieve high standards of corporate governance which are crucial to the development and safeguard the interests of our Shareholders. To accomplish this, our Company expects to comply with the CG Code and the associated Listing Rules after the Listing.

SHARE CAPITAL

This section presents certain information regarding our share capital prior to and upon the completion of the Global Offering.

BEFORE THE GLOBAL OFFERING

As of the Latest Practicable Date, the registered share capital of our Company was RMB30,000,000 comprising 30,000,000 Shares with a nominal value of RMB1.00 each.

UPON COMPLETION OF THE GLOBAL OFFERING

Immediately upon completion of the Global Offering, without taking into account any exercise of the share options granted under the Pre-IPO Share Option Scheme, the share capital of our Company will be as follows:

Number of Shares	Description of Shares	Nominal value <i>(RMB)</i>	Percentage of our total share capital
30,000,000	Non-H Shares in issue as of the date of this prospectus	30,000,000	75%
10,000,000	H Shares to be issued under the Global Offering	10,000,000	25%
Total		40,000,000	100%

SHARE CAPITAL

CLASSES AND RANKINGS OF OUR SHARES

Upon completion of the Global Offering, our Company will have H Shares and Non-H Shares, both of which are ordinary shares in the share capital of our Company and are regarded as the same class of Shares. Apart from certain qualified domestic institutional investors in the PRC, certain qualified PRC investors under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect, and other persons who are entitled to hold our H Shares pursuant to relevant PRC laws and regulations or upon approvals of any competent authorities, H Shares generally cannot be subscribed by or traded among legal and natural persons of the PRC.

Our H Shares and Non-H Shares will rank *pari passu* with each other in all respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this prospectus. Dividends in respect of the H Shares may be paid by us in Hong Kong dollars or RMB or in the form of H Shares.

REGISTRATION OF SHARES NOT LISTED ON THE OVERSEAS STOCK EXCHANGE

According to the Notice of Centralized Registration and Deposit of Non-overseas Listed Shares of Companies Listed on an Overseas Stock Exchange (關於境外上市公司非境外上市股份集中登記存管有關事宜的通知) issued by the CSRC, our Company is required to register and deposit our Shares that are not listed on the overseas stock exchange with the China Securities Depository and Clearing Corporation Limited within 15 business days upon the Listing and provide a written report to the CSRC regarding the centralized registration and deposit of our Shares that are not listed on the overseas stock exchange as well as the offering and listing of our H Shares.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Global Offering (but without taking into account any Shares which may be allotted and issued upon any exercise of the share options granted under the Pre-IPO Share Option Scheme), the following persons will have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

<u>Name of Shareholder</u>	<u>Nature of interest</u>	<u>Number of Shares⁽¹⁾</u>	<u>Approximate shareholding percentage</u> (%)
Mr. Zhou Yang ⁽²⁾	Beneficial owner	9,787,500 (L)	24.47
	Interest in a controlled corporation	2,400,000 (L)	6.00
	Beneficial interest ⁽³⁾	250,000 (L)	0.63
Mr. Zhao Mingzhu ⁽²⁾	Beneficial owner	8,156,250 (L)	20.39
	Interest in a controlled corporation	2,400,000 (L)	6.00
	Beneficial interest ⁽³⁾	250,000 (L)	0.63
Mr. Chen Zhiyuan ⁽²⁾	Beneficial owner	8,156,250 (L)	20.39
	Interest in a controlled corporation	2,400,000 (L)	6.00
	Beneficial interest ⁽³⁾	250,000 (L)	0.63
ContiOcean Development	Beneficial owner	2,400,000 (L)	6.00

Notes:

- (1) The letter “L” denotes 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” 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) Each of Mr. Zhou Yang, Mr. Zhao Mingzhu and Mr. Chen Zhiyuan was granted share options under the Pre-IPO Share Option Scheme to each subscribe for 250,000 Shares. For details, please see the section headed “Statutory and General Information — C. Further Information about Directors, Supervisors and Substantial Shareholders — 4. Pre-IPO Share Option Scheme” in Appendix VI in this prospectus.

Except as disclosed in this prospectus, our Directors are not aware of any persons who will, immediately following completion of the Global Offering (but without taking into account any Shares which may be allotted and issued upon any exercise of the share options granted under the Pre-IPO Share Option Scheme), have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 or 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group (other than our Company). Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

CORNERSTONE INVESTOR

THE CORNERSTONE PLACING

We have entered into a cornerstone investment agreement (the “**Cornerstone Investment Agreement**”) with Harvest International Premium Value (Secondary Market) Fund SPC on behalf of Harvest Oriental SP (“**Harvest**” or “**Cornerstone Investor**”), pursuant to which, subject to certain conditions precedent, the Cornerstone Investor has agreed to subscribe, or cause its designated entities to subscribe, at the Offer Price, for the number of Offer Shares (rounded down to the nearest whole board lot of 100 H Shares) with an aggregate net amount of no more than US\$10 million (or approximately HK\$77.69 million, calculated based on an exchange rate of US\$1.00 to HK\$7.7688) (exclusive of brokerage, SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee) (the “**Cornerstone Placing**”).

Assuming an Offer Price of HK\$31.8 per Offer Share, being the low-end of the indicative Offer Price range set out in this Prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investor would be 2,443,000 Offer Shares, representing approximately 24.43% of the H Shares offered pursuant to the Global Offering and approximately 6.10% of our total issued share capital immediately upon completion of the Global Offering.

Assuming an Offer Price of HK\$35.8 per Offer Share, being the mid-point of the indicative Offer Price range set out in this Prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investor would be 2,170,000 Offer Shares, representing approximately 21.70% of the H Shares offered pursuant to the Global Offering and approximately 5.42% of our total issued share capital immediately upon completion of the Global Offering.

Assuming an Offer Price of HK\$39.8 per Offer Share, being the high-end of the indicative Offer Price range set out in this Prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investor would be 1,951,900 Offer Shares, representing approximately 19.52% of the H Shares offered pursuant to the Global Offering and approximately 4.88% of our total issued share capital immediately upon completion of the Global Offering.

Our Company is of the view that (i) introducing the Cornerstone Investor to the Global Offering would help to ensure a reasonable size of solid commitment at the commencement of the marketing period; and (ii) by leveraging on the Cornerstone Investor’s reputation, the Cornerstone Placing would contribute to elevating the profile of our Company and providing confidence to the market in respect of our business and prospects.

The Cornerstone Placing will form part of the International Offering, and the Cornerstone Investor will not subscribe any Offer Shares under the Global Offering other than pursuant to the Cornerstone Investment Agreement. The Offer Shares to be subscribed by the Cornerstone Investor will rank *pari passu* in all respects with the fully paid Shares in issue following the completion of the Global Offering and will be listed on the Stock Exchange and counted towards the public float of our Company for the purpose of Rule 8.08 of the Listing Rules and in compliance with the requirement under Rule 8.08(3) of the Listing Rules.

CORNERSTONE INVESTOR

There are no side agreements and arrangements between our Company and the Cornerstone Investor or any benefit, direct or indirect, conferred on the Cornerstone Investor by virtue of or in relation to the Listing, other than a guaranteed allocation of the relevant Offer Shares at the Offer Price. The Cornerstone Investor has confirmed that all necessary approvals have been obtained with respect to the relevant cornerstone investment. Neither the Cornerstone Investor nor any of its holding companies is listed on any stock exchange, and the Cornerstone Investor has confirmed that no specific approval from any stock exchange (if relevant) or its shareholders is required for the relevant cornerstone investment. The Cornerstone Investor has agreed that it shall fully pay for the relevant Offer Shares no later than one day prior to the Listing Date. There will also be no delayed delivery of the Offer Shares to be subscribed by the Cornerstone Investor and no deferred settlement of payment of the investment amounts for the Cornerstone Investor under the Cornerstone Investment Agreement.

Immediately upon the completion of the Global Offering, (i) the Cornerstone Investor will not become a substantial Shareholder; and (ii) the Cornerstone Investor or its close associates will not, by virtue of its cornerstone investments, has any Board representation in our Company.

Other than a guaranteed allocation of the relevant Offer Shares at the Offer Price, the Cornerstone Investor does not have any preferential rights in the Cornerstone Investment Agreement compared with other public Shareholders.

As confirmed by the Cornerstone Investor, to the best knowledge of our Company and after making reasonable enquiries:

- (i) the Cornerstone Investor and its beneficial owners is an Independent Third Party and is not our connected person (as defined under the Listing Rules) or its respective associate(s);
- (ii) the Cornerstone Investor is not accustomed to taking and has not taken any instructions from our Company, its subsidiaries, our Directors, Supervisors, chief executive, Controlling Shareholders, substantial Shareholders, existing Shareholders or any of their respective subsidiaries or their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Offer Shares;
- (iii) the Cornerstone Investor has confirmed that its subscriptions under the Cornerstone Placing would be financed by its own internal financial resources or the financial resources of its parent company; and
- (iv) the subscription of the relevant Offer Shares by the Cornerstone Investor is not financed by our Company, its subsidiaries, our Directors, Supervisors, chief executive, Controlling Shareholders, substantial Shareholders, existing Shareholders or any of their respective subsidiaries or their respective close associates.

CORNERSTONE INVESTOR

The total number of Offer Shares to be subscribed by the Cornerstone Investor may be affected by reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in “Structure of the Global Offering — The Hong Kong Public Offering — Reallocation” in this prospectus. The Cornerstone Investor has agreed that in the event that the requirements under Rule 8.08(3) of the Listing Rules, which stipulates that no more than 50% of the H Shares in public hands on the Listing Date can be beneficially owned by the three largest public shareholders, may not be complied with on the Listing Date, the allocation of Investor Shares to be subscribed for by the Cornerstone Investor may be adjusted to ensure compliance with Rule 8.08(3) of the Listing Rules. Details of the actual number of Offer Shares to be allocated to the Cornerstone Investor will be disclosed in the allotment results announcement to be published by our Company on or around January 8, 2025.

OUR CORNERSTONE INVESTOR

The tables below set forth details of the Cornerstone Placing:

Based on the Offer Price of HK\$31.8 (being the low-end of the indicative Offer Price range)

Cornerstone Investor	<u>Total investment amount</u> <i>(USD in millions)</i>	<u>Number of Offer Shares¹</u>	<u>Approximate % of total number of Offer Shares</u> <i>(approximate)</i>	<u>Approximate % of total H Shares in issue immediately following the completion of Global Offering</u> <i>(approximate)</i>
Harvest	10	2,443,000	24.43	24.43

Based on the Offer Price of HK\$35.8 (being the mid-point of the indicative Offer Price range)

Cornerstone Investor	<u>Total investment amount</u> <i>(USD in millions)</i>	<u>Number of Offer Shares¹</u>	<u>Approximate % of total number of Offer Shares</u> <i>(approximate)</i>	<u>Approximate % of total H Shares in issue immediately following the completion of Global Offering</u> <i>(approximate)</i>
Harvest	10	2,170,000	21.70	21.70

CORNERSTONE INVESTOR

Based on the Offer Price of HK\$39.8 (being the high-end of the indicative Offer Price range)

Cornerstone Investor	Total investment amount <i>(USD in millions)</i>	Number of Offer Shares ¹	Approximate % of total number of Offer Shares <i>(approximate)</i>	Approximate % of total H Shares in issue immediately following the completion of Global Offering <i>(approximate)</i>
Harvest	10	1,951,900	19.52	19.52

Note:

- (1) The number of H Shares to be subscribed by the Cornerstone Investor is calculated based on the relevant investment amount in Hong Kong dollars (calculated at the exchange rate as quoted in the section headed “Information about this Prospectus and the Global Offering — Exchange Rate Conversion” with respect to investment amounts in currencies other than Hong Kong dollars) and the Offer Price, rounded down to the nearest whole board lot of 100 H Shares; provided that if there are differences between the exchange rate set out in the section headed “Information about this Prospectus and the Global Offering — Exchange Rate Conversion” in this prospectus and the exchange rate on the actual date of payment, the Joint Representatives and the Company shall have the sole and absolute discretion to adjust the number of H Shares to be subscribed by the Cornerstone Investor (as applicable) based on the actual amount of Hong Kong dollars received.

The information about our Cornerstone Investor set forth below has been provided by the Cornerstone Investor in relation to the Cornerstone Placing.

Harvest International Premium Value (Secondary Market) Fund SPC on behalf of Harvest Oriental SP

Harvest is a fund launched in October 2024. Harvest International Premium Value (Secondary Market) Fund SPC is a segregated portfolio company established in the Cayman Islands and is an Independent Third Party. 91% of the management shares of Harvest International Premium Value (Secondary Market) Fund SPC are held by Harvest Global Investments Limited (“HGI”) and 9% of the management shares are held by Harvest Global Capital Investments Limited (“HGCI”), as the investment manager in respect of the segregated portfolio. Harvest Oriental SP is the segregated portfolio of Harvest International Premium Value (Secondary Market) Fund SPC.

CORNERSTONE INVESTOR

Incorporated in Hong Kong in 2008, HGI is a wholly-owned subsidiary of Harvest Fund Management Co., Ltd (“**HFM**”). HGCI is a company incorporated in Hong Kong in 2011. Both HGI and HGCI are licensed to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO in Hong Kong by the SFC. HGCI is principally engaged in asset management and investment advisory business. HFM is owned as to 40% by China Credit Trust Co., Ltd. (中誠信託有限公司), 30% by Lixin Investment Co., Ltd. (立信投資有限責任公司) and 30% by DWS Investments Singapore Limited, all of which are independent third parties of the Company. The sole participating shareholder of Harvest Oriental SP is Fortuna Capital Management Limited (“**Fortuna Capital**”). Fortuna Capital is a company incorporated in the BVI in November 2023, and is principally engaged in equity investment, including primary and secondary equity markets in Hong Kong and the U.S., with a focus in the technology, consumer and healthcare sectors. Its ultimate beneficial owner is YANG Dehui (楊德會) (“**Mr. Yang**”), who is an independent third party of the Company. Mr. Yang is the sole director and ultimate beneficial owner of Fortuna Capital.

The Company became acquainted with Harvest through introduction by one of the Underwriters. As confirmed by Harvest, its subscription under the Cornerstone Placing would be financed by internal resources.

CLOSING CONDITIONS

The subscription obligation of the Cornerstone Investor under the respective Cornerstone Investment Agreement is subject to, among other things, the following closing conditions:

- (a) the Underwriting Agreements being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in these Underwriting Agreements, and neither of the aforesaid Underwriting Agreements having been terminated;
- (b) the Offer Price having been agreed upon between our Company and the Joint Representatives (for themselves and on behalf of the Underwriters);
- (c) the Stock Exchange having granted the listing of, and permission to deal in, the Shares (including the Investor Shares) as well as other applicable waivers and approvals and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the H Shares on the Stock Exchange;
- (d) no laws shall have been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or the Cornerstone Investment Agreement, and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and

CORNERSTONE INVESTOR

- (e) the respective representations, warranties, undertakings, acknowledgements and confirmations of the Cornerstone Investor under the Cornerstone Investment Agreement are (as of the date of the Cornerstone Investment Agreement) and will be (as of the Listing Date) accurate and true in all respects and not misleading and that there is no breach of the Cornerstone Investment Agreement on the part of the Cornerstone Investor.

RESTRICTIONS ON THE CORNERSTONE INVESTOR

The Cornerstone Investor has agreed that it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date, (a) dispose of, in any way, any of the Offer Shares purchased pursuant to the Cornerstone Investment Agreement (the “**Relevant Shares**”) or any interest in any company or entity holding any of the Relevant Shares, (b) agree or contract to, or publicly announce any intention to enter into a transaction with a third party for disposal of the Relevant Shares, (c) allow itself to undergo a change of control (as defined in the Takeovers Code) at the level of its ultimate beneficial owner, or (d) enter into any transactions directly or indirectly with the same economic effect as any aforesaid transactions.

FINANCIAL INFORMATION

You should read the following discussion in conjunction with the consolidated financial statements and the notes thereto included in the Accountants' Report in Appendix I to this prospectus, which have been prepared in accordance with IFRSs, and the selected historical financial information and operating data included elsewhere in this prospectus.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future development, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business you should carefully consider the information provided in the sections headed "Risk Factors" and "Forward-Looking Statements" and elsewhere in this prospectus.

OVERVIEW

We are a PRC-based maritime environmental protection equipment and system provider serving customers from different regions. We ranked third among ship exhaust gas cleaning system providers based in China and fourth among all ship exhaust gas cleaning system providers in the world in terms of the volume of total number of completed orders during 2023 and the cumulative on-hand orders as of December 31, 2023 for ship exhaust gas cleaning systems according to Frost & Sullivan. Our marine exhaust gas cleaning systems (which mostly includes the ship exhaust gas cleaning systems) contributed to the majority of our revenue during each year or period of the Track Record Period representing approximately 78.7%, 64.7%, 66.8%, 79.9% and 60.7% of our total revenue, respectively, in 2021, 2022 and 2023 and for the six months ended June 30, 2023 and 2024. In addition, a significant portion of our revenue was derived from a limited number of customers during each year or period of the Track Record Period. Our five largest customers for each of the years ended December 31, 2021, 2022 and 2023 and for the six months ended June 30, 2024 contributed to approximately 90.5%, 76.1%, 84.3% and 89.4% of our total revenue, respectively.

We commenced our business in 2017 by offering our first product, the ship exhaust gas cleaning system. We have now developed and commercialized various maritime environmental protection equipment and systems. In particular, our equipment and systems aim to help customers such as shipowners in reducing sulfur and GHG emissions. In addition, we aim to help our customers in upgrading the life quality for their ship crew members, by offering interior design and supplying equipment and systems that improve the onboard living conditions and enhance maritime operations.

During the Track Record Period, we achieved strong financial growth. Our revenue increased by 90.2% from RMB140.5 million in 2021 to RMB267.2 million in 2022, and further increased by 90.9% to RMB510.3 million in 2023. Our revenue increased by 53.2% from RMB219.6 million for the six months ended June 30, 2023 to RMB336.5 million for the six months ended June 30, 2024. Our net profit significantly increased from RMB12.8 million in 2021 to RMB36.8 million in 2022, and further significantly increased to RMB120.5 million in 2023. Our net profit increased by 65.1% from RMB49.7 million for the six months ended June 30, 2023 to RMB82.1 million for the six months ended June 30, 2024.

FINANCIAL INFORMATION

BASIS OF PRESENTATION

Our Company was established in the PRC as a limited liability company on May 31, 2017. On December 20, 2022, our then Shareholders passed resolutions approving, among other matters, the conversion of our Company from a limited liability company to a joint stock limited liability company. Our consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”), which comprise all standards and interpretations approved by the International Accounting Standards Board (the “IASB”).

The consolidated financial information has been prepared under the historical cost convention, except for certain financial instruments which has been measured at fair value. The consolidated financial information is presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated. For the purpose of preparing the historical financial information for the Track Record Period, we have consistently applied International Accounting Standards (“IASs”), IFRSs, and amendments issued by IASB, which are effective for our financial year beginning on January 1, 2024 throughout the Track Record Period.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our Group’s financial condition and results of operations have been, and will continue to be, affected by a number of factors, including those set out below.

Favorable regulatory policies relating to the maritime environmental protection equipment and system industry

We are engaged in industries where policies and regulations play a critical role. With an increased level of environmental awareness in recent years, the decision of our customers to use our maritime environmental protection equipment and systems is largely influenced by various global and national requirements and initiatives. To comply with IMO regulations, many shipping companies choose to install scrubbers or to invest in new ships, which are powered by clean fuels. Increased market demand has led to a rise in our sales. For example, the IMO set a sulfur cap of 0.5% on fuel oil, effective from 2020, which has driven the market demand for our marine exhaust gas cleaning systems, among others. During the Track Record Period, our revenue generated from marine exhaust gas cleaning systems amounted to RMB110.5 million, RMB172.8 million and RMB341.2 million, respectively, for the years ended December 31, 2021, 2022 and 2023, representing a CAGR of 75.7% from 2021 to 2023, and increased by 16.6% from RMB175.4 million for the six months ended June 30, 2023 to RMB204.4 million for the six months ended June 30, 2024.

The IMO also introduced decarbonization measures such as Energy Efficiency Existing Ship Index (EEXI) and Carbon Intensity Indicator (CII), effective from 2023. On July 7, 2023, the IMO revised its GHG emission reduction strategy, targeting net-zero emissions by 2050 with interim milestones. In addition, the European Union has introduced the EU Emissions Trading System for shipping starting in 2024 and the upcoming FuelEU Maritime regulations for 2025. Such ever-evolving ESG regulatory framework regarding the emission reduction has driven the market demand for our marine energy-saving devices, among others. During the Track Record Period, our revenue generated from marine energy-saving devices amounted to nil, RMB15.0 million and RMB58.0 million, respectively, for the years ended December 31, 2021, 2022 and 2023, and amounted to RMB22.6 million for the six months ended June 30, 2024. Changes in the current favorable regulatory policies relating to the maritime environmental protection equipment and system industry and our abilities to adapt to future changes in policies and regulations will continue to affect our financial condition and results of operations.

FINANCIAL INFORMATION

Our ability to meet customer demand, retain existing customers and grow our customer base

To meet customer demand, we need to maintain the effectiveness and comprehensiveness of our equipment and systems as they enable customers to comply with various requirements set by the IMO. We also need to adopt competitive pricing strategies, while developing our equipment and systems to embrace technological advancements, to adapt to evolving government regulations and policies, and to meet shifting customer needs that may change with developments in the shipping industry.

We customize our equipment and systems to tailor to the unique needs of each customer, which is particularly advantageous because the specifications and technical requirements can vary significantly from one ship to another. In addition, due to our comprehensive equipment and systems and customer services spanning from pre-sale technical consultations to after-sale maintenance, our major customers procured multiple equipment and systems from us subsequent to their first order.

Our ability to retain existing customers is also critical to our results of operations and financial conditions because our existing customers, such as shipowners and ship builders, generally have large ship portfolios and may repeat their purchases with us and procure multiple equipment and systems from us over time. In addition to retaining existing customers, we also strive to grow our customer base, so that we can enhance our brand recognition and expand our market share, which is vital for driving sales and boosting revenue. We plan to continue to enrich our equipment and systems and expand our sales and service network to grow our customer base.

Continued expansion of our equipment and system portfolio

We have a suite of equipment and systems helping our customers to pursue more effective and sustainable business operations while meeting various requirements set by the IMO. Our business growth and revenue will depend on our ability to continuously innovate and roll out new products and services. As of June 30, 2024, we had 28 R&D personnel, accounting for 26.4% of our total employees. With the continuous expansion of our product development and R&D team, we plan to continuously expand our equipment and system portfolio to address the evolving and diversified customer demand.

Leveraging our R&D, we have expanded and will continue to expand our equipment and systems, adapting to the rapidly evolving technologies and customer preferences. For example, we have expanded our equipment and system portfolio by launching new business lines, including generating revenue from marine energy-saving and marine clean-energy supply systems in 2022. In responses to evolving market demands, we have introduced new products, such as N₂ generators in 2021, rudder bulbs in 2022, followed by wind deflectors in 2023. The success of our equipment and system expansion plan also depends on our ability to adapt to the rapidly changing laws and regulations in a timely manner.

FINANCIAL INFORMATION

We expect the continued expansion of our equipment and system portfolio to be a key factor to drive our business growth and revenue. However, we cannot assure you that we will always be able to invest in areas that align with market demands or customer preferences. Any misalignment can result in equipment and systems that fail to gain market acceptance, leading to significant financial losses and potentially damaging our reputation. For further details, see “Risk Factors — Risks relating to our business and industry — We may not be able to adapt to rapidly changing technologies in a timely manner, or at all”.

Our ability to manage our materials expense effectively

Our results of operations are significantly affected by the cost of sales, consisting of (i) materials expense, (ii) subcontracting costs, (iii) warranty, (iv) design and technical service expenses, and (v) others. Materials expense is the largest component of our cost of sales, which represented 89.5%, 88.2%, 82.4%, 80.3% and 86.6% of our total cost of sales for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, respectively. The prices of raw materials and product components are susceptible to significant price fluctuations due to various factors beyond our control, including supply and demand trends in the commodities markets, transportation costs, government regulations and tariffs, price controls, economic conditions and other unpredictable factors. We have experienced and may continue to experience cost fluctuations in the supply of raw materials and product components, which could impact our financial performance.

We have adopted various measures to manage our materials expense, including:

- commencing commercial production in June 2021, which enabled us to produce certain products in-house, which is more cost-effective compared to procuring them from OEMs,
- implementing continuous technological upgrades and structural optimization with an expectation to reduce the materials expense, and
- striving to diversify our suppliers and OEMs with an expectation to strengthen our bargaining power.

The following table sets forth a sensitivity analysis on the impact on our profit before tax from the changes in materials expense for the periods indicated. Actual changes in our profit before tax resulting from an increase or decrease in materials expense may differ from the results of the following sensitivity analysis.

FINANCIAL INFORMATION

	(Decrease)/increase in profit before tax			
	Year ended December 31,			For the six months ended June 30,
	2021	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Hypothetical fluctuations in materials expense				
Increase of 5%	(4,161)	(7,383)	(11,062)	(8,384)
Decrease of 5%	4,161	7,383	11,062	8,384
Increase of 10%	(8,323)	(14,766)	(22,124)	(16,768)
Decrease of 10%	8,323	14,766	22,124	16,768
Increase of 20%	(16,645)	(29,531)	(44,247)	(33,536)
Decrease of 20%	16,645	29,531	44,247	33,536

Our ability to execute effective sales, marketing and pricing strategies

Effective sales and marketing are critical to our sales growth. We have established a global service network with a strong local presence. We provided services worldwide, including Asia, Europe, Americas, and the Middle East. See “Business — Sales and service network”.

We primarily acquire customers through participation in trade shows, business negotiations, and the engagement of sales agents. In addition to our own efforts, we currently engage sales agents who are Independent Third Parties and act on our behalf to facilitate the acquisition of new customers by leveraging their market knowledge and networks.

We intend to establish service centers in key international shipping hubs and ports, and along major trade routes, to facilitate market outreach and after-sales services to better serve our customers wherever they are. Concurrently, we will also upgrade our service centers, including recruiting more staff and relocating to new premises with similar size to accommodate showrooms to showcase our product models. Furthermore, we also plan to launch targeted marketing campaigns to enhance our visibility in the industry globally. See “Business — Our strategies — Strengthen marketing capabilities and expand customer outreach globally”.

Our ability to price our equipment and systems competitively and adjust our prices effectively are also essential for us in acquiring customer orders. We primarily employ a cost-plus pricing approach. The pricing of our products is determined through a comprehensive calculation, considering the specific circumstances of each customer, such as the level of customization, performance of the products, expected time of completion, complexity of the project, scale of orders, customer profiles and our relationships with such customers, any payment terms, the prices of any competing equipment and systems and our strategic plans for entering new areas. We then establish the final sales prices based on these calculations. We may not be able to adjust our prices in a timely manner when our costs, including labor, procurement of raw materials, product components, and services, increase. We may not be able to pass on these increased costs to

FINANCIAL INFORMATION

customers by increasing the selling prices of our products in light of competitive pressure in the markets where we operate. In such circumstances, our profitability may decrease, which could have an adverse effect on our financial condition and results of operations.

MATERIAL ACCOUNTING POLICY INFORMATION AND ACCOUNTING JUDGMENTS AND ESTIMATES

This discussion and analysis of our financial position and results of operations is based on our consolidated financial statements, which have been prepared in accordance with IFRSs. The preparation of our consolidated financial statements requires management to make estimates, judgments and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each year or period of the Track Record Period. Uncertainty about these estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. Our more critical accounting policies and significant estimates, assumptions and judgments are described below. See notes 3 and 4 to the Accountants' Report in Appendix I to this prospectus for further details on our accounting policies, estimates and judgments.

Our management has identified below the accounting policies, estimates and judgments that they believe are critical to the preparation of our financial statements:

Material accounting policy information

Revenue Recognition

We summarized certain information about our performance obligations and our corresponding revenue recognition policies as follows:

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

Equipment and systems from these marine equipment and system segments 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 derive benefit from part of the process, each of the equipment and systems is accounted for as a single performance obligation. Revenue is recognized 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 we are entitled to the enforceable rights to the considerations. In other cases, the control is transferred when the related equipment and system is accepted by the customer.

Maritime services

This revenue stream consists of a series of different service and product offerings to customers. Revenue from maritime services is recognized at a point in time whenever the goods are delivered and accepted by the customer, or the service is completed and accepted by the customer.

FINANCIAL INFORMATION

We normally require 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.

We recognize a receivable when the revenue recognized is in excess of the advance and progress payments received before the revenue recognition except when our right to consideration is conditioned on the fulfilment of warranty obligations in an agreed period. In such case, we recognize a contract asset.

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.

Goodwill

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

For the purposes of impairment testing, goodwill is allocated to each of our cash-generating units (“CGUs”) (or groups of CGUs) that are 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 are 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 CGUs within a group of CGUs in which we monitor goodwill). When we dispose 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.

Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognized and recognized 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 INFORMATION

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 fair value through profit or loss (“**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 recognized immediately in profit or loss.

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

We perform impairment assessment under the expected credit loss (“**ECL**”) model on financial assets (including trade and other receivables), 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. Assessments are done based on our 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.

We always recognize lifetime ECL for trade receivables and contract assets.

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

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. We use 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.

FINANCIAL INFORMATION

Share-based payment

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 our estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve). At the end of each reporting period, we revise our 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 recognized in profit or loss such that the cumulative expense reflects the revised estimates, with a corresponding adjustment to the equity-settled 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 shares granted are vested, the amount previously recognized in the share-based payment reserve will transfer to share premium or capital reserve.

Critical accounting judgments and estimates

In applying our accounting policies, 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 recognized 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.

Impairment assessment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating unit 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 us to estimate the future cash flows being expected to arise from the cash generating unit 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.

FINANCIAL INFORMATION

Recognition of share-based payment expenses

The share-based compensation expense is measured based on the fair value of the share rewards as calculated under the discounted cash flow model. The Directors are responsible for determining the fair value of the share awards granted to directors and employees. The key assumptions used to determine the fair value of the share awards 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 we recognize in the historical financial information.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

The following table sets forth our consolidated statement of profit or loss for the periods indicated:

	<u>For the year ended December 31,</u>			<u>For the six months ended June 30,</u>	
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2023</u>	<u>2024</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Revenue	140,521	267,233	510,255	219,556	336,466
Cost of sales	<u>(93,012)</u>	<u>(167,151)</u>	<u>(268,518)</u>	<u>(118,378)</u>	<u>(193,684)</u>
Gross profit	47,509	100,082	241,737	101,178	142,782
Other income	2,233	702	3,612	1,279	2,631
Other gains and losses	4,033	(5,219)	(6,576)	(7,527)	5,345
Distribution and selling expenses	(13,152)	(16,188)	(27,744)	(12,163)	(20,550)
Administrative expenses	(18,277)	(24,907)	(47,336)	(17,306)	(23,495)
Research and development expenses	(6,526)	(9,793)	(18,929)	(5,566)	(10,148)
Share of results of associates	—	(897)	(1,722)	(767)	—
Impairment losses under ECL model, net of reversal	(924)	(709)	(1,700)	(521)	(304)
Finance costs	<u>(132)</u>	<u>(176)</u>	<u>(558)</u>	<u>(119)</u>	<u>(443)</u>
Profit before tax	14,764	42,895	140,784	58,488	95,818
Income tax expense	<u>(1,995)</u>	<u>(6,118)</u>	<u>(20,250)</u>	<u>(8,760)</u>	<u>(13,736)</u>
Profit for the year/period	<u>12,769</u>	<u>36,777</u>	<u>120,534</u>	<u>49,728</u>	<u>82,082</u>

FINANCIAL INFORMATION

DESCRIPTION OF MAJOR COMPONENTS IN OUR CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Revenue

During the Track Record Period, we generated revenue from our maritime environmental protection equipment and systems consisting of marine exhaust gas cleaning systems, marine energy-saving devices, marine clean-energy supply systems and maritime services. The following table sets forth our revenue generated from different business segments and their corresponding percentages of total revenue for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2021		2022		2023		2023		2024	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(Unaudited)</i>									
Marine exhaust gas cleaning systems	110,528	78.7	172,835	64.7	341,180	66.8	175,383	79.9	204,402	60.7
Marine energy-saving devices⁽¹⁾	—	—	14,961	5.6	58,031	11.4	16,361	7.4	22,557	6.7
Marine clean-energy supply systems	—	—	7,736	2.9	5,552	1.1	1,079	0.5	13,288	4.0
Maritime services	29,993	21.3	71,701	26.8	105,492	20.7	26,733	12.2	96,219	28.6
— Ship accommodation interior design and construction	17,701	12.6	37,375	13.9	50,761	9.9	12,732	5.8	60,338	17.9
— Container ship and PCTC lashing gears	11,155	7.9	22,388	8.4	33,408	6.6	9,542	4.3	30,869	9.2
— Other maritime services ⁽²⁾	1,137	0.8	11,938	4.5	21,323	4.2	4,459	2.1	5,012	1.5
Total	140,521	100.0	267,233	100.0	510,255	100.0	219,556	100.0	336,466	100.0

Notes:

- (1) Other than energy-saving devices, we have developed carbon reduction systems. However, we did not generate revenue from carbon reduction systems during the Track Record Period and up to the Latest Practicable Date.
- (2) Other maritime services include (i) maritime equipment and spare parts, including hydro blasting machines, hydroponic vegetable cabinets, flue gas valves, prefabricated cabin transformers, etc., (ii) personal protective equipment for crew members, (iii) ship retrofitting and ship repair supervision services, and (iv) ship cyber security software and hardware, etc.

During the Track Record Period, our revenue growth was primarily driven by the increase in (i) completed orders for our marine exhaust gas cleaning systems, (ii) completed orders for our maritime services with higher values in relation to (a) ship accommodation interior design and construction and (b) container ship and PCTC lashing gears, and (iii) other business segments that started to ramp up since 2022.

FINANCIAL INFORMATION

The geographical regions of our customers are determined based on their principal places of business, which are in line with the industry norm. The following table sets forth our revenue by the geographic region of the customers and their corresponding percentages of total revenue for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2021		2022		2023		2023		2024	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	<i>(Unaudited)</i>									
Mainland China	20,777	14.8	42,639	16.0	105,276	20.6	25,507	11.6	191,771	57.0
Overseas	119,744	85.2	224,594	84.0	404,979	79.4	194,049	88.4	144,695	43.0
Asia	71,549	50.9	153,285	57.4	394,007	77.3	192,812	87.8	138,795	41.3
Singapore	37,475	26.7	114,162	42.7	364,426	71.5	166,474	75.7	128,532	38.2
Hong Kong	3,683	2.6	16,476	6.2	20,046	3.9	17,456	8.0	8,919	2.7
India	8,616	6.1	21,815	8.2	9,240	1.8	8,709	4.0	1,038	0.3
Korea	—	—	—	—	—	—	—	—	271	0.1
Taiwan	21,244	15.1	32	0.0	34	0.0	—	—	35	0.0
Japan	531	0.4	800	0.3	261	0.1	173	0.1	—	—
Europe	47,095	33.5	71,154	26.6	5,132	1.0	1,237	0.6	5,895	1.7
Others ⁽¹⁾	1,100	0.8	155	0.0	5,840	1.1	—	—	5	0.0
Total	140,521	100.0	267,233	100.0	510,255	100.0	219,556	100.0	336,466	100.0

Note:

(1) Others include Africa, North America and Australia.

During the Track Record Period, there were significant increases in the number of orders we completed related to newbuildings primarily because of the surge of newbuildings orders driven by a shortage of shipping capacity and higher ocean freight rates, largely attributable to the COVID-19 pandemic and the resulting supply chain disruptions. For example, for the years ended December 31, 2021, 2022 and 2023, and six months ended June 30, 2024, we completed two, four, 13 and 21 orders, respectively, related to newbuildings, for our marine exhaust gas cleaning systems. See “Business — Our equipment and systems — Marine exhaust gas cleaning systems — Ship exhaust gas cleaning systems — Order amount range and average selling price per completed order” for details. Most of our newbuildings related order were placed by Chinese ship builders in mainland China during the Track Record Period. According to Frost & Sullivan, Mainland China has been the largest marine ship market in terms of on-hand order volume since 2019.

Our revenue from customers located overseas were mostly generated from orders placed by foreign shipowners related to in-service ships. The fluctuation in our overseas revenue during the Track Record Period was primarily influenced by the number of completed orders, which was subject to the delivery schedule communicated with foreign shipowners, considering prevailing freight rates in the region, ships’ route plans for in-service ships and shipbuilding progress for newbuildings.

FINANCIAL INFORMATION

Cost of sales

During the Track Record Period, our cost of sales consisted of (i) materials expense in relation to (a) raw materials consumed during our production such as stainless steel plates and stainless-steel pipes and (b) product components we procured from suppliers or OEMs, (ii) subcontracting costs primarily related to the outsourcing of certain non-core production processes to contractors such as surface insulation treatment, machining, material cutting, drilling, and laser cutting for our self-produced ship exhaust gas cleaning systems, (iii) warranty for potential claims in connection with repair and replacement of our products, (iv) design and technical service expenses in relation to remodeling design, drawing review, and samples testing, and certification fees charged by maritime classification societies, and (v) others mainly including depreciation and amortization expenses, labor costs, manufacturing costs, freight and taxes and surcharges. The following table sets forth a breakdown of our cost of sales and their corresponding percentages of total cost of sales for the periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2021		2022		2023		2023		2024	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	<i>(Unaudited)</i>									
Materials expense	83,226	89.5	147,657	88.2	221,237	82.4	95,058	80.3	167,678	86.6
Subcontracting costs	1,143	1.2	6,154	3.8	20,516	7.6	8,001	6.7	12,476	6.4
Warranty	445	0.5	297	0.2	4,380	1.6	2,366	2.0	2,574	1.3
Design and technical service expenses	3,790	4.0	3,312	2.0	7,859	2.9	5,428	4.5	2,457	1.3
Others	4,408	4.8	9,731	5.8	14,526	5.5	7,525	6.5	8,499	4.4
Total	<u>93,012</u>	<u>100.0</u>	<u>167,151</u>	<u>100.0</u>	<u>268,518</u>	<u>100.0</u>	<u>118,378</u>	<u>100.0</u>	<u>193,684</u>	<u>100.0</u>

During the Track Record Period, our maritime services encompassed every component of the cost of sales breakdown, with the exception of warranty, because we only manufactured ourselves a very small portion for this segment, and impairment loss on inventories. Specifically, within our maritime services, the main cost components for ship accommodation interior design and construction was materials expense incurred in relation to furniture and kitchenware; the main cost components for container ship and PCTC lashing gears was materials expense incurred in relation to lashing gears; and the main cost components for others was materials expense incurred in relation to wires, cables and welding materials and subcontracting costs mainly for the processing of the flue gas valves.

FINANCIAL INFORMATION

Gross profit and gross profit margin

The following table sets forth our gross profit generated from different business segments and their corresponding gross profit margin for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2021		2022		2023		2023		2024	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(Unaudited)</i>									
Marine exhaust gas cleaning systems	40,703	36.8	78,410	45.4	182,856	53.6	87,860	50.1	107,172	52.4
Marine energy-saving devices	—	—	6,141	41.1	27,673	47.7	7,096	43.4	11,210	49.7
Marine clean-energy supply systems	—	—	1,740	22.5	1,272	22.9	247	22.9	3,022	22.7
Maritime services	6,806	22.7	13,791	19.2	29,936	28.4	5,975	22.4	21,378	22.2
— Ship accommodation interior design and construction	6,038	34.1	12,402	33.2	20,270	39.9	4,505	35.4	15,208	25.2
— Container ship and PCTC lashing gears	627	5.6	1,039	4.6	5,508	16.5	1,397	14.6	5,394	17.5
— Other maritime services ⁽¹⁾	141	12.4	350	2.9	4,158	19.5	73	1.6	776	15.5
Total	47,509	33.8	100,082	37.5	241,737	47.4	101,178	46.1	142,782	42.4

Note:

- (1) Other maritime services include (i) maritime equipment and spare parts, including hydro blasting machines, hydroponic vegetable cabinets, flue gas valves, prefabricated cabin transformers, etc., (ii) personal protective equipment for crew members, (iii) ship retrofitting and ship repair supervision services, and (iv) ship cyber security software and hardware, etc.

The following table sets forth our gross profit and gross profit margin by geographic region for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2021		2022		2023		2023		2024	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(Unaudited)</i>									
Mainland China	6,101	29.4	9,129	21.4	36,404	34.6	6,242	24.5	74,672	38.9
Overseas	41,408	34.6	90,953	40.5	205,333	50.7	94,936	48.9	68,110	47.1
Total	47,509	33.8	100,082	37.5	241,737	47.4	101,178	46.1	142,782	42.4

FINANCIAL INFORMATION

Other income

During the Track Record Period, our other income consisted of (i) government grants, which mainly comprised PRC government subsidies to support local corporate and economic development such as encouraging our R&D activities and talents recruitment, which are generally non-recurring, (ii) interest income on bank deposits, and (iii) others primarily related to income as a result of late customer payments and contract breach by suppliers. The following table sets forth a breakdown of our other income for the period indicated.

	Year ended December 31,			For the six months ended June 30,	
	2021	2022	2023	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Government grants	2,065	401	2,767	788	185
Interest income on bank deposits	47	278	845	491	2,435
Others	121	23	—	—	11
	2,233	702	3,612	1,279	2,631

Other gains and losses

During the Track Record Period, our other gains and losses consisted of (i) net foreign exchange gains or losses in connection with the customer prepayment and sales proceeds from our sales to overseas customers that were denominated in U.S. dollars, (ii) gain on early termination of lease arrangements, (iii) losses on disposal of equipment mainly in relation to the disposal of our vehicles, (iv) fair value gains or losses of financial assets at FVTPL primarily in relation to the foreign exchange forward and option contracts against U.S. dollars we entered into with banks, (v) gain on deemed disposal of an associate mainly reflecting the difference between the fair value and the original book value of WTC, over which we gained control when we increased our investment in it in 2023 and the original equity we held was remeasured, and (vi) others mainly in relation to the late charge from the late tax payment made in 2023.

The late charge from the late tax payment was incurred when we corrected our historical income tax return filings in 2023. We inadvertently applied the VAT filing standards when we filed both of our enterprise income tax (“EIT”) return and VAT return for 2020 and 2021 for our Company and ContiOcean Nantong. According to the VAT filing standards, the tax obligation arises generally at the time of the issuance of invoices against the payment collection as specified in the sales contract (the “VAT Tax Point”), whereas under the Enterprise Income Tax Law of the PRC, the income tax obligation should arise when revenue is recognized, which, in our case, is upon the completion of the orders (the “EIT Tax Point”). There is a timing gap between VAT tax point and the EIT tax point. As a result, (i) we did not file in the EIT return for 2020 certain revenue from orders completed in 2020, but we filed it in the EIT return for 2021 at the VAT Tax Point in which case the issuance of invoices occurred later than the order completion date; and (ii) we filed in the EIT return for 2021 certain

FINANCIAL INFORMATION

revenue earlier than it should have been filed, in which case the VAT Tax Point occurred before the revenue could be recognized. Consequently, the above enterprise income tax return filings for 2020 and 2021 led to a shortage of our tax payments in 2020 and 2022 and extra tax payment in 2021.

During the preparation of the NEEQ Quoting in 2023, our then-auditor advised us to correct the EIT filings. With the assistance of our then-auditor, we corrected the filings of income tax return, paid additional income tax of RMB6.8 million to make up the shortfall and received a refund for the overpaid income tax of RMB6.2 million. In addition, we incurred a late charge amounting to RMB2.7 million in 2023 for the tax payment shortfall. We have enhanced and optimized our internal control over financial reporting since 2023. For example, we have recruited multiple experienced financial professionals who hold Chinese CPA certificates and have working experience at accredited accounting firms, to be in charge of the monthly review of our financial records, ensuring compliance with the applicable filing standards. Additionally, our financial staff regularly attend training sessions on tax filings to stay updated with the latest laws and regulations. As of the Latest Practicable Date, we had not been subject to any inquiries or investigations or administrative penalties from any competent tax authorities in relation to the late tax payment and the late charge.

The following table sets forth a breakdown of our other gains and losses for the periods indicated.

	Year ended December 31,			For the six months ended June 30,	
	2021	2022	2023	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Net foreign exchange gains (losses)	2,799	(3,575)	(8,241)	(7,330)	5,470
Gain on early termination of lease arrangements	—	16	55	—	—
Losses on disposal of equipment	—	—	—	—	(121)
Fair value gains (losses) of financial assets as at FVTPL	1,608	(1,560)	(127)	(197)	—
Gain on deemed disposal of an associate	—	—	4,794	—	—
Others	(374)	(100)	(3,057)	—	(4)
	4,033	(5,219)	(6,576)	(7,527)	5,345

FINANCIAL INFORMATION

To mitigate the impact of exchange rate fluctuations resulting from a large number of orders denominated in U.S. dollars, we entered into foreign exchange forward and option contracts in relation to U.S. dollars against Renminbi 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, including (i) the duration of the foreign exchange forward deals should match the payment schedule of our orders and (ii) the amount of the foreign currencies with locked-in exchange rates should not exceed the total receivables from the orders. Our financial department is responsible for the foreign currency management, including formulating management plans, executing, bookkeeping, and archiving foreign exchange-related transactions, monitoring market trends, identifying and assessing market risks, and tracking and evaluating on-hand foreign exchange forward and option contracts. Our chief financial officer is responsible for formulating our Company's financial strategies, capital management, budgeting, financial reporting, risk control and tax planning, and has over 30 years of experience in audit, corporate finance and financial management. Our Directors are responsible for guiding and supervising foreign exchange risk-related work, reviewing related documents, and making decisions on major dealings.

Distribution and selling expenses

During the Track Record Period, our distribution and selling expenses consisted of (i) sales commission primarily paid to sales agents who assisted us with acquisition of customers, negotiation of contracts and collection of payments, and generally calculated as a certain percentage of the total contract value, ranging from 3% to 6%, for each sales contract, (ii) staff cost mainly representing the salaries and benefits paid to our sales personnel, (iii) business entertainment expenses mainly representing meals and accommodation expenditures incurred for business negotiations and technical exchanges with overseas shipowners and other sales activities, (iv) travelling and communication expenses, (v) marketing expenses such as advertising fees and exhibition booth fees, and (vi) others mainly representing service fees incurred during the ship installation process, legal consulting fees, business consulting fees and packaging fees.

The following table sets forth a breakdown of our distribution and selling expenses for the periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2021		2022		2023		2023		2024	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	<i>(Unaudited)</i>									
Sales commission	6,209	47.2	8,842	54.6	17,484	63.0	6,911	56.8	14,837	72.2
Staff cost	4,170	31.7	5,236	32.3	6,930	25.0	3,591	29.5	4,198	20.4
Business entertainment expenses	1,291	9.8	1,232	7.6	1,862	6.7	983	8.1	662	3.2
Travelling and communication expenses	152	1.2	400	2.5	576	2.1	356	2.9	341	1.7
Marketing expenses	556	4.2	189	1.2	548	2.0	109	0.9	345	1.7
Others	774	5.9	289	1.8	344	1.2	213	1.8	167	0.8
Total	13,152	100.0	16,188	100.0	27,744	100.0	12,163	100.0	20,550	100.0

FINANCIAL INFORMATION

Administrative expenses

During the Track Record Period, our administrative expenses consisted of (i) staff cost mainly representing the salaries and benefits paid to our administrative personnel, (ii) professional services expenses such as legal consultation fees, authentication fees, and professional service fees incurred for the NEEQ Quoting in February 2024, (iii) business entertainment expenses mainly representing meals and accommodation expenditures incurred for our operating activities and by professional parties for the NEEQ Quoting, (iv) depreciation and amortization expenses primarily related to our offices and office equipment, (v) office expenses including utilities and office supplies expenditures and (vi) others mainly representing travel expenses, vehicle fees and rental fees.

The following table sets forth a breakdown of our administrative expenses for the periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2021		2022		2023		2023		2024	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	<i>(Unaudited)</i>									
Staff cost	9,700	53.1	14,833	59.6	25,055	52.9	8,318	48.1	13,496	57.4
Professional services expenses	1,601	8.8	1,970	7.9	8,127	17.2	2,276	13.2	2,882	12.3
Business entertainment expenses	1,416	7.7	1,676	6.7	5,002	10.6	2,200	12.7	2,214	9.4
Depreciation and amortization expenses	2,824	15.5	3,849	15.5	4,034	8.5	2,174	12.6	1,981	8.4
Office expenses	1,104	6.0	778	3.1	1,073	2.3	399	2.3	815	3.5
Others	1,632	8.9	1,801	7.2	4,045	8.5	1,939	11.1	2,107	9.0
Total	<u>18,277</u>	<u>100.0</u>	<u>24,907</u>	<u>100.0</u>	<u>47,336</u>	<u>100.0</u>	<u>17,306</u>	<u>100.0</u>	<u>23,495</u>	<u>100.0</u>

In 2021, 2022, 2023, and for the six months ended June 30, 2024, our professional services expenses under the administrative expenses included listing expenses incurred for the NEEQ Quoting of nil, RMB0.3 million, RMB5.7 million, and RMB1.0 million, respectively, and for the listing attempt on the Beijing Stock Exchange of nil, nil, nil, and RMB0.3 million, respectively.

Research and development expenses

During the Track Record Period, our research and development expenses consisted of (i) staff cost mainly representing the salaries and benefits paid to our R&D personnel, (ii) cost of purchase mainly incurred in relation to the materials used in R&D activities and testing, (iii) professional services expenses primarily related to our collaborative and commissioned research prepared by third-party research institutions, (iv) depreciation and amortization expenses primarily related to R&D offices and equipment, and (v) others mainly representing patent agency fees.

FINANCIAL INFORMATION

The following table sets forth a breakdown of our research and development expenses for the periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2021		2022		2023		2023		2024	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	<i>(Unaudited)</i>									
Staff cost	6,061	92.9	5,886	60.1	8,212	43.4	4,501	80.9	6,146	60.6
Cost of purchase	63	1.0	366	3.7	6,103	32.2	402	7.2	3,256	32.1
Professional services expenses	154	2.4	3,077	31.4	3,623	19.1	280	5.0	375	3.7
Depreciation and amortization expenses	172	2.6	226	2.3	254	1.3	132	2.4	158	1.6
Others	76	1.1	238	2.5	737	4.0	251	4.5	213	2.0
Total	6,526	100.0	9,793	100.0	18,929	100.0	5,566	100.0	10,148	100.0

Share of results of associates

During the Track Record Period, our share of results of associates primarily related to our equity interest in WTC and Jiangsu ContiOcean. Our share of results of associates was nil, loss of RMB0.9 million and loss of RMB1.7 million, respectively, for the years ended December 31, 2021, 2022 and 2023, and loss of RMB0.7 million and nil, respectively, for the six months ended June 30, 2023 and 2024.

Impairment losses under ECL model, net of reversal

During the Track Record Period, our impairment losses under ECL model, net of reversal, were primarily related to our trade and other receivables and contract assets. Our impairment losses under ECL model, net of reversal, were RMB0.9 million, RMB0.7 million and RMB1.7 million, respectively, for the years ended December 31, 2021, 2022 and 2023, and RMB0.5 million and RMB0.3 million, respectively, for the six months ended June 30, 2023 and 2024.

FINANCIAL INFORMATION

Finance costs

During the Track Record Period, our finance costs consisted of (i) interest expenses on borrowings and (ii) interest expenses on lease liabilities. The following table sets forth a breakdown of our finance costs for the periods indicated.

	Year ended December 31,			For the six months ended June 30,	
	2021	2022	2023	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interest expenses on borrowings	—	80	442	95	387
Interest expenses on lease liabilities	132	96	116	24	56
	<u>132</u>	<u>176</u>	<u>558</u>	<u>119</u>	<u>443</u>

Income tax expense

Under the PRC Enterprise Income Tax Law (the “EIT Law”) and Implementation Regulation of the EIT Law, we have been accredited as a high-tech enterprise by the Science and Technology Bureau of Shanghai and relevant authorities in December 2019 for a term of three years ended December 31, 2021. Our high-tech enterprise qualification was further renewed and extended to 2024. We were subject to a preferential income tax rate of 15% from year 2019 to 2024. Besides, our wholly-owned subsidiary, ContiOcean Nantong, has been accredited as a high-tech enterprise in October 2022, and subjected to the preferential income tax rate of 15% from 2022 to 2024.

Our wholly-owned subsidiary, ContiOcean International, has been recognized as small and micro enterprise. According to the relevant provisions of the Announcement by the State Administration of Taxation, a preferential enterprise income tax rate of 20% was applied to small and micro enterprises and discounts on taxable income were further applicable to the portion of annual taxable income not exceeding RMB3,000,000, ranging from 50% to 87.5%, during the Track Record Period.

Under the two-tiered profits tax rates regime in Hong Kong, the first 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% during the Track Record Period.

The tax rate used by the subsidiaries in Singapore is 17% during the Track Record Period. The subsidiaries in Singapore enjoy a 75% exemption on the first SGD10,000 of taxable income and a further 50% exemption on the next SGD190,000 of taxable income.

FINANCIAL INFORMATION

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Our effective income tax rates (calculated by dividing our income tax expense by our profit before tax for the corresponding period) in 2021, 2022 and 2023 and the six months ended June 30, 2024 were 13.5%, 14.3%, 14.4% and 14.3%, respectively. Our effective income tax rate were generally lower than 15% during the Track Record Period, mainly due to the super deduction of the qualified R&D expenditures from the taxable income that our Company and ContiOcean Nantong, as high-tech enterprises, benefitted from. Our income tax expense were RMB2.0 million, RMB6.1 million and RMB20.3 million, respectively, for the years ended December 31, 2021, 2022 and 2023, and RMB8.8 million and RMB13.7 million, respectively, for the six months ended June 30, 2023 and 2024.

Our Group operates through subsidiaries in the PRC, Hong Kong, Singapore, Portugal and Norway which perform different functions including but not limited to manufacturing, sales and marketing and services. During the Track Record Period, our Group's subsidiaries in the PRC, Hong Kong, Singapore, Portugal and Norway have engaged in the following five types of intercompany transactions, namely (i) product buy-sell transactions, (ii) technical services, (iii) sales support services, (iv) R&D support services and (v) administrative service. These intercompany transactions are collectively referred to as "Covered Transactions". See "Business — Transfer pricing analysis" in this prospectus for further details.

Our Directors, together with the Transfer Pricing Tax Consultant, are of the view that the above-mentioned Covered Transactions were largely consistent and in compliance with the relevant transfer pricing regulations and OECD TPG during the Track Record Period in material aspects. This is on the basis that the estimated tax exposures are not material on company level for each year and from the Group's financial perspective.

RESULTS OF OPERATIONS

Six months ended June 30, 2024 compared to six months ended June 30, 2023

Revenue

Our revenue increased by 53.2% from RMB219.6 million for the six months ended June 30, 2023 to RMB336.5 million for the six months ended June 30, 2024, primarily reflecting the increased demand for our maritime environmental protection equipment and systems driven by the evolving global and national requirements and initiatives since 2020. The increased demand can be shown by a surge of completed orders for newbuildings, which was also attributable to the completion of newbuildings at shipyards ordered during high ocean freight rates amidst the COVID-19 pandemic and supply chain disruptions. Furthermore, orders for newbuildings tended to include more products in relation to ship accommodation interior design and construction as well as container ship and PCTC lashing gears. We also endeavoured to cross sell our maritime services when our customers placed orders for marine exhaust gas cleaning systems with us. Additionally, the recent focus on improving ship crews' onboard living conditions and the surge in container shipping freight rates resulted in increased demand for our maritime services.

The increase in our revenue was also attributable to our continuous efforts to expand marketing channels, diversify our product portfolio, broaden our customer base, and increase our market share in the domestic market.

FINANCIAL INFORMATION

By business line

Revenue from marine exhaust gas cleaning systems

Our revenue from marine exhaust gas cleaning systems increased by 16.6% from RMB175.4 million for the six months ended June 30, 2023 to RMB204.4 million for the six months ended June 30, 2024, mainly attributable to the completion of more orders related to newbuildings. For the six months ended June 30, 2024, we completed 25 orders, including 21 orders for our marine exhaust gas cleaning systems related to newbuildings and four orders for in-service ships, compared to 19 orders for the same period in 2023, including two orders for newbuildings and 17 orders for in-service ships.

Revenue from marine energy-saving devices

Our revenue from marine energy-saving devices increased by 37.9% from RMB16.4 million for the six months ended June 30, 2023 to RMB22.6 million for the six months ended June 30, 2024, primarily due to the increased number of orders completed, as a result of our continuous development and expansion of this business segment. For the six months ended June 30, 2024, we completed 15 orders for our marine energy-saving devices, compared to eight orders for the same period in 2023.

Revenue from marine clean-energy supply systems

Our revenue from marine clean-energy supply systems increased significantly from RMB1.1 million for the six months ended June 30, 2023 to RMB13.3 million for the six months ended June 30, 2024, primarily due to the increased number of orders completed. For the six months ended June 30, 2024, we completed 10 orders for our marine clean-energy supply systems, accompanied with a higher average selling price mainly as a result of the better performance of our products, compared to two orders for the same period in 2023.

Revenue from maritime services

Our revenue from maritime services increased significantly from RMB26.7 million for the six months ended June 30, 2023 to RMB96.2 million for the six months ended June 30, 2024, primarily due to the increases in the revenue from (i) ship accommodation interior design and construction from RMB12.7 million for the six months ended June 30, 2023 to RMB60.3 million for the six months ended June 30, 2024, and (ii) container ship and PCTC lashing gears from RMB9.5 million for the six months ended June 30, 2023 to RMB30.9 million for the six months ended June 30, 2024, mainly as a result of larger scale of completed orders services driven by (i) a rise in completed orders with higher sales prices, primarily due to the surge of newbuildings orders driven by a shortage of shipping capacity and higher ocean freight rates, ordering more products in relation to ship accommodation interior design and construction as well as container ship and PCTC lashing gears, (ii) ship builders and shipowners' greater emphasis on the wellbeing of the ship crew in recent years by improving onboard living conditions, aiming to attract and retain skilled crew members amidst a labor shortage, leading to an increased demand for our ship accommodation interior design and construction and (iii) the historic surging container shipping freight rates and the corresponding rise in shipowners' investments in the container ships, leading to increased demand for our container ship and PCTC lashing gears. For the six months ended June 30, 2024, we completed 728 orders for our maritime services, compared to 324 orders for the same period in 2023. For the six months ended June 30, 2024, we completed 454, 87 and 187 orders, respectively, for ship accommodation interior design and construction, container ship and PCTC lashing gears and other compared to 215, 50 and 59 orders, respectively, for the same period in 2023.

FINANCIAL INFORMATION

By geographical region

Revenue from customers located in mainland China

Our revenue from customers located in mainland China increased significantly from RMB25.5 million for the six months ended June 30, 2023 to RMB191.8 million for the six months ended June 30, 2024, primarily due to the increased completed orders which were placed by ship builders in mainland China, most of which were related to our marine exhaust gas cleaning systems and maritime services for newbuildings. The increase was primarily because of the surge of newbuildings orders driven by a shortage of shipping capacity and higher ocean freight rates, largely attributable to the COVID-19 pandemic and the resulting supply chain disruptions. For the six months ended June 30, 2024, we completed 18 and 113 orders, respectively, for our marine exhaust gas cleaning systems and maritime services placed by customers from mainland China, compared to two and 79 orders, respectively, for the same period in 2023.

Revenue from customers located overseas

Our revenue from customers located overseas decreased by 25.4% from RMB194.0 million for the six months ended June 30, 2023 to RMB144.7 million for the six months ended June 30, 2024, primarily due to the decreased revenue from customers located in Asia from RMB192.8 million for the six months ended June 30, 2023 to RMB138.8 million for the six months ended June 30, 2024, as a result of the decreased orders we completed for our marine exhaust gas cleaning systems, mainly because overseas shipowners, particularly in Singapore, Hong Kong and India, preferred not to suspend ships' operations for the installation of our products when freight rates were relatively high, partially offset by the increased orders we completed for our maritime services related to the orders where we could deliver individual products to the customers without suspending ships' operations, compared to those orders that also involved services performed on the ships. For the six months ended June 30, 2024, we completed seven and 509 orders, respectively, for our marine exhaust gas cleaning systems and maritime services placed by Asian customers, compared to 17 and 236 orders, respectively, for the same period in 2023.

Cost of sales

Our cost of sales increased by 63.6% from RMB118.4 million for the six months ended June 30, 2023 to RMB193.7 million for the six months ended June 30, 2024, mainly attributable to the increase in materials expense from RMB95.1 million for the six months ended June 30, 2023 to RMB167.7 million for the six months ended June 30, 2024, mainly driven by the increased number of our completed orders for the maritime services and marine exhaust gas cleaning systems. For the six months ended June 30, 2024, we completed 728 and 25 orders, respectively, for our maritime services and marine exhaust gas cleaning systems, compared to 324 and 19 orders, respectively, for the same period in 2023.

FINANCIAL INFORMATION

Gross profit and gross profit margin

Our gross profit increased by 41.1% from RMB101.2 million for the six months ended June 30, 2023 to RMB142.8 million for the six months ended June 30, 2024, primarily due to the increases in gross profit of (i) marine exhaust gas cleaning systems from RMB87.9 million for the six months ended June 30, 2023 to RMB107.2 million for the six months ended June 30, 2024, and (ii) maritime services from RMB6.0 million for the six months ended June 30, 2023 to RMB21.4 million for the six months ended June 30, 2024, both of which were attributable to the increased number of orders we completed. For the six months ended June 30, 2024, we completed 25 and 728 orders, respectively, for our marine exhaust gas cleaning systems and maritime services, compared to 19 and 324 orders, respectively, for the same period in 2023.

Our overall gross profit margin decreased from 46.1% for the six months ended June 30, 2023 to 42.4% for the six months ended June 30, 2024, mainly due to the larger proportion of the revenue generated from the maritime services, which had a relatively lower gross profit margin than those of our other equipment and systems. Additionally, we started to complete orders that encompassed large quantities of products and equipment in relation to our ship accommodation interior design and construction, which included a smaller portion of services, such as interior decoration design, and in turn reduced the gross profit margin for these orders. Generally speaking, orders involving more services, such as interior decoration design, yield higher gross profit margins compared to those involving more products and equipment which entail procurement costs from OEMs.

By business line

Our gross profit margin for marine exhaust gas cleaning systems and marine energy-saving devices increased from 50.1% and 43.4%, respectively, for the six months ended June 30, 2023, to 52.4% and 49.7%, respectively, for the six months ended June 30, 2024, primarily because (i) we had strengthened bargaining power with suppliers after years of cooperation resulting in lower purchase prices of raw materials and product components and (ii) we implemented continuous technological upgrades and structural optimization to reduce the materials expense.

Our gross profit margin for marine clean-energy supply systems and maritime services remained stable at 22.9% and 22.4%, respectively, for the six months ended June 30, 2023 and 22.7% and 22.2%, respectively, for the six months ended June 30, 2024. Within the maritime services:

- Ship accommodation interior design and construction: Its gross profit margin decreased from 35.4% for the six months ended June 30, 2023 to 25.2% for the six months ended June 30, 2024, mainly because we started to complete orders that encompassed large quantities of products and equipment, which included a smaller portion of services, such as interior decoration design, and in turn reduced the gross profit margin for these orders.
- Container ship and PCTC lashing gears: Its gross profit margin remained relatively stable at 14.6% and 17.5%, respectively, for the six months ended June 30, 2023 and 2024, within the reasonable range for this segment.

FINANCIAL INFORMATION

- Other maritime services: Its gross profit margin increased from 1.6% for the six months ended June 30, 2023 to 15.5% for the six months ended June 30, 2024, mainly because of the significant decrease in completed orders for products with a relatively lower gross profit margin, such as prefabricated cabin transformers, of which we ceased the manufacturing from November 2023.

By geographical region

Our gross profit margin for our mainland China sales increased from 14.0% for the six months ended June 30, 2023 to 38.9% for the six months ended June 30, 2024, mainly attributable to the larger proportion of the revenue generated from marine exhaust gas cleaning systems which had a higher gross profit margin than those of our other equipment and systems.

Our gross profit margin for our overseas sales decreased from 48.9% for the six months ended June 30, 2023 to 47.1% for the six months ended June 30, 2024, mainly attributable to the larger proportion of the revenue generated from the maritime services which had a lower gross profit margin than those of our other equipment and systems.

Other income

Our other income increased significantly from RMB1.3 million for the six months ended June 30, 2023 to RMB2.6 million for the six months ended June 30, 2024, primarily due to the increased interest income on bank deposits from RMB0.5 million for the six months ended June 30, 2023 to RMB2.4 million for the six months ended June 30, 2024, mainly because (i) we made time deposits denominated in U.S. dollars in late 2023 and early 2024, which earned higher interest rates, and (ii) the average bank and cash balance during the period increased, partially offset by the decrease in government grants from RMB0.8 million for the six months ended June 30, 2023 to RMB0.2 million for the six months ended June 30, 2024.

Other gains and losses

Our other gains and losses were a loss of RMB7.5 million for the six months ended June 30, 2023 and a gain of RMB5.3 million for the six months ended June 30, 2024, primarily due to net foreign exchange gains of RMB5.5 million incurred in the six months ended June 30, 2024, compared to the net foreign exchange losses of RMB7.3 million incurred in the same period of the previous year, mainly due to foreign exchange rate fluctuation impacting the sales proceeds from our sales to overseas customers that were denominated in U.S. dollars.

FINANCIAL INFORMATION

Distribution and selling expenses

Our distribution and selling expenses increased by 69.0% from RMB12.2 million for the six months ended June 30, 2023 to RMB20.6 million for the six months ended June 30, 2024, primarily due to the increase in sales commission from RMB6.9 million for the six months ended June 30, 2023 to RMB14.8 million for the six months ended June 30, 2024, mainly because our revenue generated from sales promoted by sales agents increased significantly from RMB115.7 million for the six months ended June 30, 2023 to RMB246.0 million for the six months ended June 30, 2024.

Administrative expenses

Our administrative expenses increased by 35.8% from RMB17.3 million for the six months ended June 30, 2023 to RMB23.5 million for the six months ended June 30, 2024, primarily due to the increase in staff cost from RMB8.3 million for the six months ended June 30, 2023 to RMB13.5 million for the six months ended June 30, 2024, mainly due to the increases in the number of our administrative personnel and their salaries and bonuses as a result of our business expansion.

Research and development expenses

Our research and development expenses increased by 82.3% from RMB5.6 million for the six months ended June 30, 2023 to RMB10.1 million for the six months ended June 30, 2024, primarily due to the increases in (i) cost of purchase from RMB0.4 million for the six months ended June 30, 2023 to RMB3.3 million for the six months ended June 30, 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 RMB4.5 million for the six months ended June 30, 2023 to RMB6.1 million for the six months ended June 30, 2024, mainly because our then-associate, WTC, whose principal business activity is R&D of maritime environmental protection-related equipment, systems and services, 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 RMB0.8 million for the six months ended June 30, 2023 and nil for the six months ended June 30, 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 Jiangsu ContiOcean in April 2023. Therefore, we had no associates in the six months ended June 30, 2024.

Impairment losses under the ECL model, net of reversal

Our impairment losses under the ECL model, net of reversal, decreased by 41.7% from RMB0.5 million for the six months ended June 30, 2023 to RMB0.3 million for the six months ended June 30, 2024, primarily due to the decrease in our trade and other receivables.

Finance costs

Our finance costs increased significantly from RMB0.1 million for the six months ended June 30, 2023 to RMB0.4 million for the six months ended June 30, 2024, primarily due to the higher average balance of our bank borrowings in the six months ended June 30, 2024.

FINANCIAL INFORMATION

Income tax expense

Our income tax expense increased by 56.8% from RMB8.8 million for the six months ended June 30, 2023 to RMB13.7 million for the six months ended June 30, 2024, which was in line with our profit before tax increase.

Profit for the period

As a result of the foregoing, our profit for the period increased by 65.1% from RMB49.7 million for the six months ended June 30, 2023 to RMB82.1 million for the six months ended June 30, 2024.

Year ended December 31, 2023 compared to year ended December 31, 2022

Revenue

Our revenue increased by 90.9% from RMB267.2 million for the year ended December 31, 2022 to RMB510.3 million for the year ended December 31, 2023, primarily reflecting the increased demand for our maritime environmental protection equipment and systems driven by the evolving global and national requirements and initiatives since 2020. The increased demand can be shown by a surge of completed orders both for newbuildings and in-service ships, which was also attributable to (i) the completion of newbuildings at shipyards ordered during high ocean freight rates amidst the COVID-19 pandemic and supply chain disruptions, and (ii) shipowners' willingness to adjust their ships' operations for the installation of our products following the normalization of the ocean freight rates since their peak in 2022. Additionally, the recent focus on improving ship crews' onboard living conditions and the surge in container shipping freight rates resulted in increased demand for our maritime services.

By business line

Revenue from marine exhaust gas-cleaning systems

Our revenue from marine exhaust gas-cleaning systems increased by 97.4% from RMB172.8 million for the year ended December 31, 2022 to RMB341.2 million for the year ended December 31, 2023, in line with the increased number of orders completed for our marine exhaust gas cleaning systems, primarily driven by the increased market demand mainly due to the greater price difference between high and low sulfur fuels since 2022, that made the cost advantages of marine exhaust gas cleaning systems more appealing to our customers. According to Frost & Sullivan, the price of low-sulfur fuel was higher than that of high-sulfur fuel from 2016 to 2023, and this price spread is expected to be maintained from 2024 to 2028. See "Industry Overview — Overview of global maritime environmental protection equipment and system industry — Cost analysis of marine exhaust gas cleaning systems" for price comparison of high-sulfur and low-sulfur fuel. In 2023, we completed 37 orders for our marine exhaust gas cleaning systems, compared to 14 orders in 2022.

Revenue from marine energy-saving devices

Our revenue from marine energy-saving devices increased significantly from RMB15.0 million for the year ended December 31, 2022 to RMB58.0 million for the year ended December 31, 2023, primarily because we launched this business line in only March 2022. In 2023, we completed 25 orders for our marine energy-saving devices, compared to nine orders in 2022.

FINANCIAL INFORMATION

Revenue from marine clean-energy supply systems

Our revenue from marine clean-energy supply systems decreased by 28.2% from RMB7.7 million for the year ended December 31, 2022 to RMB5.6 million for the year ended December 31, 2023, primarily because of the decreased number of orders completed for our marine clean-energy supply systems. In 2023, we completed six orders for our marine clean-energy supply systems, compared to nine orders in 2022.

Revenue from maritime services

Our revenue from maritime services increased by 47.1% from RMB71.7 million for the year ended December 31, 2022 to RMB105.5 million for the year ended December 31, 2023, primarily due to the increases in the revenue from (i) ship accommodation interior design and construction from RMB37.4 million for the year ended December 31, 2022 to RMB50.8 million for the year ended December 31, 2023, (ii) container ship and PCTC lashing gears from RMB22.4 million for the year ended December 31, 2022 to RMB33.4 million for the year ended December 31, 2023, and (iii) other maritime services from RMB11.9 million for the year ended December 31, 2022 to RMB21.3 million for the year ended December 31, 2023, mainly as a result of larger scale of completed orders driven by (i) ship builders and shipowners' greater emphasis on the wellbeing of the ship crew in recent years by improving onboard living conditions, aiming to attract and retain skilled crew members amidst a labor shortage, leading to an increased demand for our ship accommodation interior design and construction and (ii) the historic surging container shipping freight rates and the corresponding rise in shipowners' investments in the container ships, leading to increased demand for our container ship and PCTC lashing gears. In 2023, we completed 989 orders for our maritime services, compared to 462 orders in 2022.

In 2023, we completed 739, 82 and 168 orders, respectively, for ship accommodation interior design and construction, container ship and PCTC lashing gears and other maritime services compared to 371, 73 and 18 orders, respectively, in 2022.

By geographical region

Revenue from customers located in mainland China

Our revenue from customers located in mainland China increased significantly from RMB42.7 million for the year ended December 31, 2022 to RMB105.3 million for the year ended December 31, 2023, primarily due to the increased completed orders which were placed by ship builders in mainland China, most of which were related to our marine exhaust gas cleaning systems and maritime services for newbuildings. The increase was primarily because of the surge of newbuildings orders driven by a shortage of shipping capacity and higher ocean freight rates, largely attributable to the COVID-19 pandemic and the resulting supply chain disruptions. For the year ended December 31, 2023, we completed seven and 217 orders, respectively, for our marine exhaust gas cleaning systems and maritime services placed by customers from mainland China, compared to nil and 47 orders, respectively, for the year ended December 31, 2022.

FINANCIAL INFORMATION

Revenue from customers located overseas

Our revenue from customers located overseas increased by 80.3% from RMB224.6 million for the year ended December 31, 2022 to RMB405.0 million for the year ended December 31, 2023, primarily due to the increased revenue generated from customers located in Asia from RMB153.3 million in 2022 to RMB394.0 million in 2023, partially offset by the decreased revenue generated from customers located in Europe from RMB71.2 million in 2022 to RMB5.1 million in 2023, mainly reflecting the number of orders we completed for our marine exhaust gas cleaning systems and maritime services placed by foreign customers. For the year ended December 31, 2023, we completed 29 and 739 orders, respectively, for our marine exhaust gas cleaning systems and maritime services placed by Asian customers, compared to 10 and 412 orders, respectively, for the year ended December 31, 2022. The decreased revenue from European customers in 2023 was mainly due to the decreased revenue from our German customer from RMB69.5 million in 2022 to RMB1.2 million in 2023. We completed four orders for our German customer in 2022 in relation to our marine exhaust gas cleaning systems, while in 2023 the same customer did not place orders with us related to marine exhaust gas cleaning systems and the revenue was derived from spare parts and maritime services provided.

Cost of sales

Our cost of sales increased by 60.6% from RMB167.2 million for the year ended December 31, 2022 to RMB268.5 million for the year ended December 31, 2023, mainly attributable to the increases in (i) materials expenses from RMB147.7 million for the year ended December 31, 2022 to RMB220.8 million for the year ended December 31, 2023, mainly attributable to the increased number of our completed orders for the marine exhaust gas cleaning systems, marine energy-saving devices and maritime services, and (ii) subcontracting costs from RMB6.2 million for the year ended December 31, 2022 to RMB20.5 million for the year ended December 31, 2023, mainly attributable to the increased volume of our self-produced products in our completed orders, certain production processes which were outsourced to contractors.

For the year ended December 31, 2023, we completed 37, 25 and 989 orders, respectively, for our marine exhaust gas cleaning systems, marine energy-saving devices and maritime services, compared to 14, nine and 462 orders, respectively, for the year ended December 31, 2022.

Gross profit and gross profit margin

Our gross profit increased significantly from RMB100.1 million for the year ended December 31, 2022 to RMB241.7 million for the year ended December 31, 2023, primarily due to the increases in gross profit of (i) marine exhaust gas cleaning systems from RMB78.4 million for the year ended December 31, 2022 to RMB182.9 million for the year ended December 31, 2023, (ii) marine energy-saving devices from RMB6.1 million for the year ended December 31, 2022 to RMB27.7 million for the year ended December 31, 2023, and (iii) maritime services from RMB13.8 million for the year ended December 31, 2022 to RMB29.9 million for the year ended December 31, 2023, due to the increased number of orders we completed. For the year ended December 31, 2023, we completed 37, 25 and 989 orders, respectively, for our marine exhaust gas cleaning systems, marine energy-saving devices and maritime services, compared to 14, nine and 462 orders, respectively, for the year ended December 31, 2022. Our overall gross profit margin increased from 37.5% for the year ended December 31, 2022 to 47.4% for the year ended December 31, 2023, mainly attributable to the commencement of our commercial production in June 2021 and its subsequent ramping up including in 2023, enabling us to

FINANCIAL INFORMATION

reduce the proportion of procurement of supplies from third parties, which led to higher profitability. In addition, as the majority of our sales proceeds were denominated in U.S. dollars, while a significant portion of our costs were incurred in Renminbi, the appreciation of the U.S. dollars against Renminbi in 2023 also contributed to the increases in our gross profit and gross profit margin for the same period.

By business line

Our gross profit margin for marine exhaust gas cleaning systems increased from 45.4% for the year ended December 31, 2022 to 53.6% for the year ended December 31, 2023, primarily due to the commencement of our commercial production in June 2021 and its subsequent ramping up, enabling us to reduce the procurement of supplies from third parties, which led to higher profitability.

Our gross profit margin for marine energy-saving devices increased from 41.1% for the year ended December 31, 2022 to 47.7% for the year ended December 31, 2023, primarily due to (i) the lowered purchase price we negotiated with suppliers, (ii) the lower design and technical service expenses as we continued to gain experience from the systems we completed, and (iii) relatively higher profitability of certain products such as the wind deflectors we launched and the relevant orders we completed in 2023.

Our gross profit margin for marine clean-energy supply systems remained stable at 22.5% for the year ended December 31, 2022 and 22.9% for the year ended December 31, 2023.

Our gross profit margin for maritime services increased from 19.2% for the year ended December 31, 2022 to 28.4% for the year ended December 31, 2023, primarily due to a reallocation of more manufacturing capacity to products with a relatively higher gross profit margin, resulting in more completed orders for these higher-margin products in 2023.

Within the maritime services:

- Ship accommodation interior design and construction: Its gross profit margin increased from 33.2% in 2022 to 39.9% in 2023, mainly due to the lowered procurement costs we negotiated with suppliers.
- Container ship and PCTC lashing gears: Its gross profit margin increased from 4.6% in 2022 to 16.5% in 2023, mainly because we managed to fix the procurement price of lashing gears with OEMs upon receiving an order since 2021 while we previously could not manage to control the procurement cost.
- Other maritime services: Its gross profit margin increased from 2.9% in 2022 to 19.5% in 2023, mainly because of the significant decrease in completed orders for products with a relatively lower gross profit margin, such as prefabricated cabin transformers.

FINANCIAL INFORMATION

By geographical region

Our gross profit margin for our mainland China sales increased from 21.4% for the year ended December 31, 2022 to 34.6% for the year ended December 31, 2023. Our gross profit margin for our overseas sales increased from 40.5% for the year ended December 31, 2022 to 50.7% for the year ended December 31, 2023. The increases in our gross profit margin in mainland China and overseas were both mainly attributable to the commencement of our commercial production in June 2021 and its subsequent ramping up, enabling us to reduce the proportion of procurement of supplies from third parties, which led to higher profitability.

Other income

Our other income increased significantly from RMB0.7 million for the year ended December 31, 2022 to RMB3.6 million for the year ended December 31, 2023, primarily due to the increase in government grants from RMB0.4 million for the year ended December 31, 2022 to RMB2.8 million for the year ended December 31, 2023.

Other gains and losses

Our other gains and losses increased by 26.0% from a loss of RMB5.2 million for the year ended December 31, 2022 to a loss of RMB6.6 million for the year ended December 31, 2023, primarily due to the increases in (i) net foreign exchange losses from RMB3.6 million for the year ended December 31, 2022 to RMB8.2 million for the year ended December 31, 2023, mainly due to foreign exchange rate fluctuation impacting customer prepayments from our sales to overseas customers that were denominated in U.S. dollars, and (ii) others from RMB0.1 million for the year ended December 31, 2022 to RMB3.1 million for the year ended December 31, 2023, mainly due to the late charge from the one-off tax payment made in 2023 as a result of the reassessment of our taxable income of certain subsidiaries for the years ended December 31, 2021 and 2022, partially offset by the gain on deemed disposal of an associate amounting to RMB4.8 million in 2023, mainly reflecting the difference between the fair value and the original book value of WTC, over which we gained control when we increased our investment in it in 2023 and the original equity we held was remeasured.

Distribution and selling expenses

Our distribution and selling expenses increased by 71.4% from RMB16.2 million for the year ended December 31, 2022 to RMB27.7 million for the year ended December 31, 2023, primarily due to the increase in sales commission from RMB8.8 million for the year ended December 31, 2022 to RMB17.5 million for the year ended December 31, 2023, mainly because our revenue generated from sales promoted by sales agents increased by 60.7% from RMB173.4 million for the year ended December 31, 2022 to RMB278.7 million for the year ended December 31, 2023.

FINANCIAL INFORMATION

Administrative expenses

Our administrative expenses increased by 90.0% from RMB24.9 million for the year ended December 31, 2022 to RMB47.3 million for the year ended December 31, 2023, primarily due to the increases in (i) staff cost from RMB14.8 million for the year ended December 31, 2022 to RMB25.1 million for the year ended December 31, 2023, mainly due to (a) the increases in the number of our administrative personnel and their salaries and bonuses as a result of our business expansion and (b) the grant of shares to selected executives and employees in 2023, (ii) professional services expenses from RMB2.0 million for the year ended December 31, 2022 to RMB8.1 million for the year ended December 31, 2023, mainly in relation to the NEEQ Quoting in February 2024, (iii) business entertainment expenses from RMB1.7 million for the year ended December 31, 2022 to RMB5.0 million for the year ended December 31, 2023, mainly due to (a) increased business entertainment activities in line with our business expansion, following the recovery from the COVID-19 pandemic, such as numerous visits from shipowners, ship builders, suppliers and other business partners, compared to less business entertainment activities during the COVID-19 pandemic in 2022 and (b) the travel, accommodation, and meals expenses incurred by professional parties for the NEEQ Quoting in 2023, and (iv) others from RMB1.8 million for the year ended December 31, 2022 to RMB4.0 million for the year ended December 31, 2023, mainly in relation to the increased travel expenses and vehicle fees attributable to our business expansion.

Research and development expenses

Our research and development expenses increased by 93.3% from RMB9.8 million for the year ended December 31, 2022 to RMB18.9 million for the year ended December 31, 2023, primarily due to the increases in (i) cost of purchase from RMB0.4 million for the year ended December 31, 2022 to RMB6.1 million for the year ended December 31, 2023, as we increased our investment and efforts in R&D as our business expanded, and mainly due to certain R&D projects that entered the trial production and testing stages, and (ii) staff cost from RMB5.9 million for the year ended December 31, 2022 to RMB8.2 million for the year ended December 31, 2023, mainly due to the increases in the number of our R&D personnel and their salaries and bonuses to support our R&D.

Share of results of associates

Our share of results of associates increased by 92.0% from a loss of RMB0.9 million for the year ended December 31, 2022 to a loss of RMB1.7 million for the year ended December 31, 2023, primarily because WTC, which became our associate in June 2022, incurred net losses in 2023, as it was still in the ramp-up phase.

Impairment losses under ECL model, net of reversal

Our impairment losses under ECL model, net of reversal, increased from RMB0.7 million for the year ended December 31, 2022 to RMB1.7 million for the year ended December 31, 2023, primarily due to the increased impairment losses related to our trade and other receivables, which were in line with the increase in our trade receivables from RMB19.4 million as of December 31, 2022 to RMB42.2 million as of December 31, 2023.

Finance costs

Our finance costs increased from RMB0.2 million for the year ended December 31, 2022 to RMB0.6 million for the year ended December 31, 2023, primarily due to the increased bank borrowings from RMB4.1 million as of December 31, 2022 to RMB19.9 million as of December 31, 2023.

FINANCIAL INFORMATION

Income tax expense

Our income tax expense increased significantly from RMB6.1 million for the year ended December 31, 2022 to RMB20.3 million for the year ended December 31, 2023, primarily due to our increased profit before tax.

Profit for the year

As a result of the foregoing, our profit for the year increased significantly from RMB36.8 million for the year ended December 31, 2022 to RMB120.5 million for the year ended December 31, 2023.

Year ended December 31, 2022 compared to year ended December 31, 2021

Revenue

Our revenue increased by 90.2% from RMB140.5 million for the year ended December 31, 2021 to RMB267.2 million for the year ended December 31, 2022, primarily reflecting the increased demand for our maritime environmental protection equipment and systems driven by the evolving global and national requirements and initiatives since 2020, including our marine energy-saving devices and marine clean-energy supply systems, for which we started to complete orders and generate revenue in 2022. Furthermore, we accelerated our completion of orders in late 2022 due to the ease of impact from the COVID-19 pandemic. Additionally, the recent focus on improving ship crews' onboard living conditions and the surge in container shipping freight rates resulted in increased demand for our maritime services.

By business line

Revenue from marine exhaust gas-cleaning systems

Our revenue from marine exhaust gas-cleaning systems increased by 56.4% from RMB110.5 million for the year ended December 31, 2021 to RMB172.8 million for the year ended December 31, 2022, primarily due to (i) the increased number of orders completed for our marine exhaust gas cleaning system orders driven by regulatory requirements including the regulation introduced by the IMO to limit the fuel oil used by ships with a maximum sulfur content of 0.5% from the beginning of 2020, and (ii) the diminishing impact from the COVID-19 pandemic which allowed us to complete more orders. In 2022, we completed 14 orders for our marine exhaust gas cleaning systems, compared to nine orders in 2021.

Revenue from marine energy-saving devices

Our revenue from marine energy-saving devices increased from nil for the year ended December 31, 2021 to RMB15.0 million for the year ended December 31, 2022, because we started to complete orders in 2022.

Revenue from marine clean-energy supply systems

Our revenue from marine clean-energy supply systems increased from nil for the year ended December 31, 2021 to RMB7.7 million for the year ended December 31, 2022, because we started to complete orders in 2022.

FINANCIAL INFORMATION

Revenue from maritime services

Our revenue from maritime services increased significantly from RMB30.0 million for the year ended December 31, 2021 to RMB71.7 million for the year ended December 31, 2022, primarily due to the increases in the revenue from (i) ship accommodation interior design and construction from RMB17.7 million for the year ended December 31, 2021 to RMB37.4 million for the year ended December 31, 2022, (ii) other maritime services from RMB1.1 million for the year ended December 31, 2021 to RMB11.9 million for the year ended December 31, 2022, and (iii) container ship and PCTC lashing gears from RMB11.2 million for the year ended December 31, 2021 to RMB22.4 million for the year ended December 31, 2022, mainly as a result of larger scale of completed orders driven by (i) ship builders and shipowners' greater emphasis on the wellbeing of the ship crew in recent years by improving onboard living conditions, aiming to attract and retain skilled crew members amidst a labor shortage, leading to an increased demand for our ship accommodation interior design and construction and (ii) the historic surging container shipping freight rates and the corresponding rise in shipowners' investments in the container ships, leading to increased demand for our container ship and PCTC lashing gears. In 2022, we completed 462 orders for our maritime services, compared to 258 orders in 2021.

In 2022, we completed 371, 73 and 18 orders, respectively, for ship accommodation interior design and construction, container ship and PCTC lashing gears and other maritime services compared to 160, 95 and three orders, respectively, in 2021. Despite the decreased number of the completed orders for our container ship and PCTC lashing gears in 2022, its average selling price per order increased significantly from RMB117,000 to RMB307,000, leading to higher revenue.

By geographical region

Revenue from customers located in mainland China

Our revenue from customers located in mainland China increased significantly from RMB20.8 million for the year ended December 31, 2021 to RMB42.6 million for the year ended December 31, 2022, primarily due to the increased completed orders related to our maritime services. For the year ended December 31, 2022, we completed 47 orders for our maritime services placed by customers from mainland China, compared to 11 orders for the year ended December 31, 2021.

Revenue from customers located overseas

Our revenue from customers located overseas increased by 80.3% from RMB224.6 million for the year ended December 31, 2021 to RMB405.0 million for the year ended December 31, 2022, primarily due to the increases in revenue generated from customers located in Asia from RMB71.5 million in 2021 to RMB153.3 million in 2022, and customers located in Europe from RMB47.1 million in 2021 to RMB71.2 million in 2022, as a result of the increased orders we completed for our marine exhaust gas cleaning systems and maritime services placed by foreign customers. For the year ended December 31, 2022, we completed 10 and 412 orders, respectively, for our marine exhaust gas cleaning systems and maritime services placed by Asian customers, compared to four and 239 orders, respectively, for the year ended December 31, 2021. For the year ended December 31, 2022, we completed four and 23 orders, respectively, for our marine exhaust gas cleaning systems and spare parts of marine exhaust gas cleaning systems placed by European customers, compared to three and two orders, respectively, for the year ended December 31, 2021.

FINANCIAL INFORMATION

Cost of sales

Our cost of sales increased by 79.7% from RMB93.0 million for the year ended December 31, 2021 to RMB167.2 million for the year ended December 31, 2022, mainly attributable to the increases in (i) materials expenses from RMB82.6 million for the year ended December 31, 2021 to RMB147.7 million for the year ended December 31, 2022, mainly as a result of the increased number of our completed orders for the maritime services and marine exhaust gas cleaning systems, respectively, and (ii) subcontracting costs from RMB1.1 million for the year ended December 31, 2021 to RMB6.2 million for the year ended December 31, 2022, mainly attributable to the increased volume of our self-produced products in our completed orders, certain production processes which were outsourced to contractors.

For the year ended December 31, 2022, we completed 462 and 14 orders, respectively, for our maritime services and marine exhaust gas cleaning systems, compared to 258 and nine orders, respectively, for the year ended December 31, 2021.

Gross profit and gross profit margin

Our gross profit increased significantly from RMB47.5 million for the year ended December 31, 2021 to RMB100.1 million for the year ended December 31, 2022, primarily due to the increases in gross profit of (i) marine exhaust gas cleaning systems from RMB40.7 million for the year ended December 31, 2021 to RMB78.4 million for the year ended December 31, 2022, (ii) maritime services from RMB6.8 million for the year ended December 31, 2021 to RMB13.8 million for the year ended December 31, 2022, (iii) marine energy-saving devices from nil for the year ended December 31, 2021 to RMB6.1 million for the year ended December 31, 2022, due to the increased number of orders we completed. For the year ended December 31, 2022, we completed 14, 462 and nine orders, respectively, for our marine exhaust gas cleaning systems, maritime services, and marine energy-saving devices, compared to nine, 258 and nil orders, respectively, for the year ended December 31, 2021.

Our overall gross profit margin increased from 33.8% for the year ended December 31, 2021 to 37.5% for the year ended December 31, 2022, mainly attributable to (i) the commencement of our commercial production in June 2021 and its subsequent ramping up, enabling us to reduce the proportion of procurement of supplies from third parties, which led to higher profitability and (ii) the increased completed orders of marine energy-saving devices that entailed a relatively higher gross profit margin.

By business line

Our gross profit margin for marine exhaust gas cleaning systems increased from 36.8% for the year ended December 31, 2021 to 45.4% for the year ended December 31, 2022, primarily due to the commencement of our commercial production in June 2021 and its subsequent ramping up, enabling us to reduce the procurement of supplies from third parties, which led to higher profitability.

Our gross profit margin for maritime services decreased from 22.7% for the year ended December 31, 2021 to 19.2% for the year ended December 31, 2022, primarily due to the increased proportion of the revenue generated from prefabricated cabin transformers categorized under other maritime services which had a lower gross profit margin compared to our other products in our maritime services, as an attempt to utilize our manufacturing capacity following the commencement of our commercial production in June 2021.

FINANCIAL INFORMATION

Within the maritime services:

- Ship accommodation interior design and construction: Its gross profit margin remained stable at 34.1% and 33.2%, respectively, in 2021 and 2022.
- Container ship and PCTC lashing gears: Its gross profit margin remained relatively low at 5.6% and 4.6%, respectively, in 2021 and 2022, mainly due to delays in the schedule of several in-service ships for the delivery and installation of our products while the price of stainless steel, the main raw material for our container ship and PCTC lashing gears, increased during this period.
- Other maritime services: Its gross profit margin decreased from 12.4% in 2021 to 2.9% in 2022, mainly because we started to complete orders for self-manufactured products with a relatively lower gross profit margin, such as prefabricated cabin transformers.

By geographical region

Our gross profit margin for our mainland China sales decreased from 29.4% for the year ended December 31, 2021 to 21.4% for the year ended December 31, 2022, mainly attributable to the increased proportion of the revenue generated from products such as the fuel gas valves and prefabricated cabin transformers which had a lower gross profit margin compared to our other products in our maritime services, as an attempt to utilize our manufacturing capacity following the commencement of our commercial production in June 2021. In 2022, our mainland China sales were relatively small in scale. Consequently, products with lower gross profit margins, such as fuel gas valves and prefabricated cabin transformers, constituted a larger portion of our overall sales in mainland China and adversely affected the gross profit margin for our mainland China sales to a greater extent than it did for our overseas sales during the same period. Our gross profit margin for our overseas sales increased from 34.6% for the year ended December 31, 2021 to 40.5% for the year ended December 31, 2022, mainly attributable to (i) the increased proportion of the overseas revenue generated from marine exhaust gas cleaning systems which had a relatively higher gross profit margin compared to our other products and (ii) commencement of commercial production in June 2021 and its subsequent ramping up, enabling us to reduce the proportion of procurement from third-party suppliers, which led to lower cost of sales for overseas orders for marine exhaust gas cleaning systems.

Other income

Our other income decreased by 68.6% from RMB2.2 million for the year ended December 31, 2021 to RMB0.7 million for the year ended December 31, 2022, primarily due to the decrease in government grants from RMB2.1 million for the year ended December 31, 2021 to RMB0.4 million for the year ended December 31, 2022.

FINANCIAL INFORMATION

Other gains and losses

Our other gains and losses were a gain of RMB4.0 million for the year ended December 31, 2021 and a loss of RMB5.2 million for the year ended December 31, 2022, primarily due to (i) the net foreign exchange losses of RMB3.6 million we recorded in 2022, compared to the net foreign exchange gains of RMB2.8 million in 2021, mainly due to foreign exchange rate fluctuation impacting customer prepayments from our sales to overseas customers that were denominated in U.S. dollars, and (ii) the fair value losses of financial assets at FVTPL of RMB1.6 million we recorded in 2022, as compared to fair value gains of RMB1.6 million in 2021, in relation to the foreign exchange forward and option contracts against U.S. dollar mainly reflecting the fluctuations in the exchange rate.

Distribution and selling expenses

Our distribution and selling expenses increased by 23.1% from RMB13.2 million for the year ended December 31, 2021 to RMB16.2 million for the year ended December 31, 2022, primarily due to the increase in (i) sales commission from RMB6.2 million for the year ended December 31, 2021 to RMB8.8 million for the year ended December 31, 2022, mainly because our revenue generated from sales promoted by sales agents increased by 82.8% from RMB94.9 million for the year ended December 31, 2021 to RMB173.4 million for the year ended December 31, 2022, and (ii) staff cost from RMB4.2 million for the year ended December 31, 2021 to RMB5.2 million for the year ended December 31, 2022, mainly due to the increase in the salaries and bonuses of our sales personnel.

Administrative expenses

Our administrative expenses increased by 36.3% from RMB18.3 million for the year ended December 31, 2021 to RMB24.9 million for the year ended December 31, 2022, primarily due to the increase in staff cost from RMB9.7 million for the year ended December 31, 2021 to RMB14.8 million for the year ended December 31, 2022, mainly due to (a) the increases in the number of our administrative personnel and their salaries and bonuses as a result of our business expansion, and (b) the grant of shares to selected executives and employees in 2022.

Research and development expenses

Our research and development expenses increased by 50.1% from RMB6.5 million for the year ended December 31, 2021 to RMB9.8 million for the year ended December 31, 2022, primarily due to the increase in professional services expenses from RMB0.2 million for the year ended December 31, 2021 to RMB3.1 million for the year ended December 31, 2022, mainly in relation to our cooperation with research institutions to develop new technologies and products.

Share of results of associates

Our share of results of associates changed from nil for the year ended December 31, 2021 to a loss of RMB0.9 million for the year ended December 31, 2022, primarily because our associate, WTC, incurred net losses in 2022, as it was still in the ramp-up phase.

FINANCIAL INFORMATION

Impairment losses under the ECL model, net of reversal

Our impairment losses under the ECL model, net of reversal, decreased by 23.3% from RMB0.9 million for the year ended December 31, 2021 to RMB0.7 million for the year ended December 31, 2022, primarily due to the decreased impairment losses related to our trade and other receivables, mainly because we incurred one-off bad debts in 2021 in relation to impairment on property lease prepayment which have not been refunded, partially offset by the increase in our trade receivables from RMB5.6 million as of December 31, 2021 to RMB19.4 million as of December 31, 2022.

Finance costs

Our finance costs increased by 100.0% from RMB0.1 million for the year ended December 31, 2021 to RMB0.2 million for the year ended December 31, 2022, primarily due to increased bank borrowings from nil as of December 31, 2021 to RMB4.1 million as of December 31, 2022.

Income tax expense

Our income tax expense increased significantly from RMB2.0 million for the year ended December 31, 2021 to RMB6.1 million for the year ended December 31, 2022, primarily due to our increased profit before tax.

Profit for the year

As a result of the foregoing, our profit for the year increased significantly from RMB12.8 million as of December 31, 2021 to RMB36.8 million as of December 31, 2022.

FINANCIAL INFORMATION

DESCRIPTION OF MAJOR LINE ITEMS IN OUR CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth selected information from our consolidated statements of financial position as of the dates indicated, which has been extracted from the Accountants' Report set out in Appendix I to this prospectus:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total current assets	292,747	311,098	451,798	343,090
Total non-current assets	65,658	65,618	70,702	67,633
Total assets	358,405	376,716	522,500	410,723
Total current liabilities	243,258	240,191	266,216	155,387
Total non-current liabilities	1,547	622	1,493	15,927
Total liabilities	244,805	240,813	267,709	171,314
Net current assets	49,489	70,907	185,582	187,703
Net assets	113,600	135,903	254,791	239,409
Share capital/paid-in capital	20,000	20,000	30,000	30,000
Reserves	92,019	114,122	222,129	207,405
Equity attributable to owners of the Company	112,019	134,122	252,129	237,405
Non-controlling interests	1,581	1,781	2,662	2,004
TOTAL EQUITY	113,600	135,903	254,791	239,409

FINANCIAL INFORMATION

The following table sets forth our current assets, current liabilities and net current assets as of the dates indicated:

	As of December 31,			As of June 30,	As of October 31,
	2021	2022	2023	2024	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
					<i>(Unaudited)</i>
Current Assets					
Inventories	32,329	87,287	87,382	37,114	36,393
Contract assets	—	503	719	1,260	1,727
Trade and other receivables	89,665	83,462	88,193	82,117	110,121
Contract costs	—	2,930	11,900	12,382	17,274
Tax recoverable	552	442	—	—	—
Financial assets at FVTPL	504	—	—	—	—
Amount due from a related party	8,012	—	—	—	—
Amount due from directors and supervisors	10,121	10,907	—	—	—
Term deposits with an original maturity over three months but within one year	—	—	35,414	—	—
Term deposits with an original maturity over one year	—	—	10,000	10,000	10,000
Restricted bank deposits	51,482	58,844	40,776	44,583	12,976
Cash and cash equivalents	<u>100,082</u>	<u>66,723</u>	<u>177,414</u>	<u>155,634</u>	<u>165,091</u>
	<u>292,747</u>	<u>311,098</u>	<u>451,798</u>	<u>343,090</u>	<u>353,582</u>
Current Liabilities					
Trade and other payables	45,871	60,048	55,581	102,006	73,515
Bank borrowings	—	4,118	19,900	11,950	9,950
Income tax payable	9,097	12,081	9,934	11,800	5,644
Lease liabilities	1,171	899	1,395	1,248	1,438
Provisions	252	503	4,539	6,643	5,560
Contract liabilities	169,678	161,114	174,862	21,740	30,156
Amount due to related parties	14,047	275	—	—	—
Other current liabilities	<u>3,142</u>	<u>1,153</u>	<u>5</u>	<u>—</u>	<u>—</u>
	<u>243,258</u>	<u>240,191</u>	<u>266,216</u>	<u>155,387</u>	<u>126,263</u>
Net Current Assets	<u><u>49,489</u></u>	<u><u>70,907</u></u>	<u><u>185,582</u></u>	<u><u>187,703</u></u>	<u><u>227,319</u></u>

FINANCIAL INFORMATION

Our net current assets increased from RMB70.9 million as of December 31, 2022 to RMB185.6 million as of December 31, 2023, primarily due to an increase in cash and cash equivalents from RMB66.7 million as of December 31, 2022 to RMB177.4 million as of December 31, 2023, mainly attributable to the profit for the year in 2023.

Our net current assets increased from RMB49.5 million as of December 31, 2021 to RMB70.9 million as of December 31, 2022, primarily due to an increase in inventories from RMB32.3 million as of December 31, 2021 to RMB87.3 million as of December 31, 2022, mainly because (i) we accelerated our production progress towards the end of 2022 to meet the tight delivery schedules of multiple orders for our marine exhaust gas cleaning systems and (ii) we procured certain raw materials, such as stainless-steel plates and stainless-steel pipes, before the end of 2022, partially offset by a decrease in cash and cash equivalents from RMB100.1 million as of December 31, 2021 to RMB66.7 million as of December 31, 2022, mainly attributable to (i) dividends paid and (ii) the net cash outflow on acquisition of a subsidiary under common control.

Property, plant and equipment

Our property, plant and equipment primarily consisted of (i) buildings, (ii) machinery and equipment, (iii) office equipment and furniture, (iv) transportation equipment, (v) leasehold improvements and (vi) construction in progress. The following table sets forth a breakdown of the net book value of our property, plant and equipment as of the dates indicated:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Buildings	44,571	42,687	40,492	39,369
Machinery and equipment	4,634	4,193	3,846	3,741
Office equipment and furniture	1,574	1,822	1,399	1,104
Transportation equipment	3,327	2,275	1,841	1,872
Leasehold improvements	—	187	583	469
Construction in progress	—	—	942	1,556
Total	54,106	51,164	49,103	48,111

FINANCIAL INFORMATION

Our property, plant and equipment decreased by 5.4% from RMB54.1 million as of December 31, 2021 to RMB51.2 million as of December 31, 2022, primarily reflecting the depreciation. Our property, plant and equipment further decreased by 4.0% to RMB49.1 million as of December 31, 2023, primarily reflecting the depreciation, partially offset by the increases in (i) construction in progress mainly in relation to our warehouse improvements and (ii) leasehold improvements mainly reflecting the purchases of furniture and fixtures for relocation of our Shanghai office in 2023. Our property, plant and equipment decreased by 2.0% to RMB48.1 million as of June 30, 2024, primarily reflecting the depreciation.

Inventories

Our inventories primarily consisted of (i) raw materials and consumables such as stainless-steel plates and stainless-steel pipes, (ii) work in progress in production lines, and (iii) finished goods representing the products that had completed the manufacturing and quality inspection processes and were ready to be delivered. The following table sets forth a breakdown of our inventories as of the dates indicated:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials and consumables	5,497	10,306	1,432	1,637
Work in progress	5,402	16,760	1,561	4,911
Finished goods	21,430	60,221	84,389	30,566
Total	32,329	87,287	87,382	37,114

Our inventories increased significantly from RMB32.3 million as of December 31, 2021 to RMB87.3 million as of December 31, 2022, mainly because (i) we brought forward our production progress in 2022 of multiple orders that were scheduled to be delivered in 2023 in anticipation of the potential disruptions in our procurement of raw materials, production, and daily operations during the COVID-19 pandemic, (ii) we accelerated our production progress towards the end of 2022 to meet the tight completion schedules of multiple orders for our marine exhaust gas cleaning systems and (iii) we procured certain raw materials, such as stainless-steel plates and stainless-steel pipes, before the end of 2022 in case the suppliers fail to deliver to us on time during the Spring Festival holiday, which occurred relatively early that year in January. Our inventories remained stable as of December 31, 2023, amounting to RMB87.4 million, as compared with RMB87.3 million as of December 31, 2022. In 2023, we accelerated our production for multiple orders for our marine exhaust gas cleaning systems in relation to newbuildings that were scheduled to be delivered in the end of 2023, resulting in decreased balances of raw materials and consumables as well as work in progress and increased balance of finished goods. As of December 31, 2023, certain finished goods represented products that had already been delivered but were still awaiting installation and acceptance by the customers. Our inventories then decreased by 57.5% to RMB37.1 million as of June 30, 2024, mainly due to the delivery of the finished goods which were made by the end of 2023. During the Track Record Period, we experienced an increase in orders related to newbuildings, which required a longer period to complete and recognize the revenue. Once production was finished and the inventories were classified as finished products, it could

FINANCIAL INFORMATION

take more than a year to complete the orders for marine exhaust gas cleaning systems related to newbuildings and recognize the revenue, thereby reducing the balance of finished goods. For the six months ended June 30, 2024, we completed 21 orders for our marine exhaust gas cleaning systems related to newbuildings, which were mostly produced and delivered at the end of 2023 and in the first half of 2024.

Our raw materials are subject to write-down mainly due to the erosion of stainless steel, unusable steel remnants and outdated of product components. We had a write-down on our raw materials of approximately nil, RMB0.5 million, RMB0.8 million and RMB0.9 million, respectively, as of December 31, 2021, 2022 and 2023, and June 30, 2024. As our products are made on demand according to the requirements of our customers, our finished goods are attributable to designated customers. In the event of order cancellations, we will attempt to reconfigure or disassemble the finished products and recycle the parts for use in other products. Our management will assess when it is unfeasible for the remaining parts to be recycled, and when to write down any remaining parts. We had a write-down on our finished goods of approximately nil, nil, RMB1.9 million and RMB2.3 million, respectively, as of December 31, 2021, 2022 and 2023, and June 30, 2024. These write-downs on finished goods were primarily due to order cancellations in 2020, and our management concluded that certain remaining parts were unfeasible to be recycled in 2023 and the first half of 2024, respectively, leading to the write-down of the corresponding amount as of the end of the respective period. Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, no customer has canceled orders and no finished goods are subject to potential write-down due to order cancellations.

The following table sets forth the aging analysis of our inventories as of the dates indicated:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
0-365 days	29,753	86,814	78,422	36,939
More than 365 days	2,576	473	8,960	175
	32,329	87,287	87,382	37,114

The following table sets forth our inventory turnover days for the period indicated:

	For the year ended December 31,			For the six months ended June 30,
	2021	2022	2023	2024
Inventory turnover days	82.0	130.6	118.7	57.9

Note:

Inventory turnover days are calculated by dividing the average of the opening and closing balance of inventories by cost of sales and multiplying by 365 days for the years ended December 31, 2021, 2022 and 2023 and 180 days for the six months ended June 30, 2024.

FINANCIAL INFORMATION

Our average inventory turnover days were 82.0 days, 130.6 days and 118.7 days for the years ended December 31, 2021, 2022 and 2023, respectively, and 57.9 days for the six months ended June 30, 2024. Our inventory turnover days increased from 82.0 days in 2021 to 130.6 days in 2022 because the average of the opening and closing balance of inventories increased at a faster pace than the cost of sales in 2022, primarily due to our procurement of certain raw materials before the end of 2022. Our inventory turnover days decreased to 118.7 days in 2023, primarily due to the increased cost of sales in 2023 mainly as a result of the increased number of our completed orders and the increased volume of our self-produced products in our completed orders. Our inventory turnover days then decreased to 57.9 days for the six months ended June 30, 2024, primarily due to (i) the significant net decrease in our inventory within the period due to the increased order completion and (ii) the increased proportion of maritime service revenue out of our total revenue in the six months ended June 30, 2024, while maritime services generally do not involve a material level of inventories.

As of October 31, 2024, approximately RMB29.1 million, or 78.5% of our inventories as of June 30, 2024 had been utilized or sold.

Warranty provision and contract assets

We provide warranty period for our products, ranging from 12 to 60 months following delivery. We make warranty provisions, which represent the management's best estimate of our liability under 12 to 60 months assurance-type warranty granted on products, based on prior experience and industry averages for defective products. In 2021, 2022, and 2023, and for the six months ended June 30, 2024, our warranty expenses amounted to RMB0.4 million, RMB0.3 million, RMB4.4 million and RMB2.6 million, respectively, each representing less than 1.0% of the total revenue for the same period. As of December 31, 2021, 2022, and 2023, and June 30, 2024, our warranty provisions amounted to RMB0.3 million, RMB0.5 million, RMB4.5 million, and RMB6.6 million, respectively.

During the Track Record Period, our contract assets primarily represented the portion of the payment withheld by the customers until the expiry of the warranty period. Our contract assets were nil, RMB0.5 million, RMB0.7 million and RMB1.3 million, respectively, as of December 31, 2021, 2022 and 2023 and June 30, 2024. The increasing trend was mainly due to the increase in revenue from our maritime services.

As of October 31, 2024, RMB0.1 million, or 9.5% of our contract assets as of June 30, 2024 was settled, because certain products, for which the customers withheld certain portion of the payment as of June 2024, reached their warranty expiration as of October 31, 2024.

FINANCIAL INFORMATION

Trade and other receivables

Our trade and other receivables primarily consisted of (i) trade receivables, less allowance for expected credit losses, in connection with the outstanding amounts due from customers, (ii) prepayments we paid to our suppliers and OEMs, (iii) deferred issue costs mainly representing the capitalization of our listing fee for the Global Offering, (iv) value-added-tax (“VAT”) recoverable mainly reflecting the value-added input tax in excess of the value-added output tax, which is deductible or recoverable in the future, (v) VAT export refund receivable, a type of VAT refund, mainly in relation to goods and services that are exported outside the PRC, (vi) rental deposits, less allowance for expected credit loss in relation to impairment on property lease prepayment which have not been refunded, mainly in relation to our leased properties, (vii) custom deposits mainly in relation to our imported raw materials, (viii) advance to employees due to work needs, such as travel expenses and petty cash and (ix) others, such as one-off temporary advances to our suppliers, which was fully settled in 2022. The following table sets forth a breakdown of our trade and other receivables as of the dates indicated:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	5,580	19,423	42,153	45,819
Less: allowance for expected credit losses	281	1,010	2,054	2,320
	5,299	18,413	40,099	43,499
Prepayments	79,223	57,559	42,982	28,196
Deferred issue costs	—	—	—	6,841
Value-added-tax (“VAT”) recoverable	531	4,580	1,146	1,492
VAT export refund receivable	—	919	2,734	866
Rental deposits	1,434	1,199	1,071	1,115
Less: allowance for expected credit loss	638	638	638	638
	796	561	433	477
Custom deposits	326	389	326	—
Advance to employees	272	349	333	595
Others	3,218	692	140	151
	89,665	83,462	88,193	82,117

FINANCIAL INFORMATION

Our trade and other receivables decreased by 6.9% from RMB89.7 million as of December 31, 2021 to RMB83.5 million as of December 31, 2022, mainly due to the decrease in prepayments from RMB79.2 million as of December 31, 2021 to RMB57.6 million as of December 31, 2022, mainly because (i) we negotiated with certain suppliers and OEMs to waive the prepayment requirement for us and (ii) we reduced the procurement of product components from one OEM as a result of our enhanced production capacity, partially offset by the increase in our trade receivables from RMB5.6 million as of December 31, 2021 to RMB19.4 million as of December 31, 2022 mainly due to our business expansion.

Our trade and other receivables then increased by 5.7% from RMB83.5 million as of December 31, 2022 to RMB88.2 million as of December 31, 2023, mainly due to the increase in trade receivables from RMB19.4 million as of December 31, 2022 to RMB42.2 million as of December 31, 2023 due to our business expansion, partially offset by the decrease in prepayments from RMB57.6 million as of December 31, 2022 to RMB43.0 million as of December 31, 2023, primarily because (i) we received refunds for certain prepayments in relation to two cancelled purchase orders placed with an OEM and (ii) we negotiated with certain suppliers and OEMs to waive the prepayment requirement for us.

Our trade and other receivables then decreased by 6.9% from RMB88.2 million as of December 31, 2023 to RMB82.1 million as of June 30, 2024, mainly due to the decrease in prepayments from RMB43.0 million as of December 31, 2023 to RMB28.2 million as of June 30, 2024 due to the delivery of raw materials and product components.

The following table sets forth the aging analysis of our trade receivables as of the dates indicated:

	As of December 31,			As of
	2021	2022	2023	June 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2024
				<i>RMB'000</i>
0–30 days	4,956	12,024	21,041	30,406
31–90 days	302	4,387	17,453	5,467
91–180 days	—	1,140	1,017	6,071
181–365 days	—	253	584	1,080
Over 1 year	41	609	4	475
	5,299	18,413	40,099	43,499

We have applied the simplified approach in IFRS 9 for trade receivables to measure the loss allowance at lifetime ECL. The ECL on trade receivables is 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. Our allowance for expected credit losses was 5.0%, 5.2%, 4.9% and 5.1%, respectively, of the trade receivables as of December 31, 2021, 2022 and 2023, and June 30, 2024, which is in line with the industry norm. Our Directors are of the view that there is no recoverability issues for our trade receivables and there is sufficient provision, on the basis that (i) the amount of trade receivables deemed unrecoverable during the Track Record Period has been insignificant and (ii) our expected credit loss rate is calculated based on the

FINANCIAL INFORMATION

creditworthiness of each individual customer and is adjusted periodically to reflect any changes in circumstances. During the Track Record Period, we wrote off RMB0.6 million in trade receivables that was no longer deemed recoverable from a single customer with whom we only cooperated once and no longer maintain a business relationship. According to assessment of the management, since the majority of the trade receivables 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 is insignificant. See note 37 to the Accountants' Report in Appendix I to this prospectus for further details on the assessment on the provision of ECL of our trade receivables.

We normally grant a credit period of 30 to 90 days or a particular period agreed with customers effective from the date when the revenue were recognized. The following table sets forth the turnover days of our trade receivables for the period indicated:

	For the year ended December 31,			For the six months ended June 30,
	2021	2022	2023	2024
Trade receivables turnover days	9.4	17.1	22.0	23.5

Note: Trade receivables turnover days are calculated by dividing the average of the opening and closing balance of trade receivables by revenue and multiplying by 365 days or 180 days, where appropriate.

Our average trade receivables turnover days were 9.4 days, 17.1 days and 22.0 days for the years ended December 31, 2021, 2022 and 2023, respectively, and 23.5 days for the six months ended June 30, 2024. Our trade receivables turnover days increased from 9.4 days in 2021 to 17.1 days in 2022, and further to 22.0 days in 2023, generally in line with the increased orders for our marine energy-saving devices, and marine clean-energy supply systems and maritime services, which generally entailed a longer payment period of about one month. Our trade receivables turnover days remained stable at 23.5 days for the six months ended June 30, 2024.

As of October 31, 2024, RMB30.7 million, or 70.6% of our trade receivables as of June 30, 2024 was settled.

FINANCIAL INFORMATION

Contract costs

Our contract costs primarily consisted of (i) contract costs capitalized relating to the incremental sales commissions paid to sales agents whose selling activities resulted in customers entering into sale and purchase agreements whose revenue has not yet been recognized at each of the ends of the reporting period, and (ii) costs to fulfill contracts including design review fees and freight costs of ongoing projects at each of the end of the reporting period. The contract costs are recognized as expenses in the period in which the corresponding revenue is recognized. The following table sets forth a breakdown of our contract costs as of the dates indicated:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Incremental costs to obtain contracts	—	579	10,425	10,186
Costs to fulfill contracts	—	2,351	1,475	2,196
	—	2,930	11,900	12,382

Our contract costs increased from nil as of December 31, 2021 to RMB2.9 million as of December 31, 2022, mainly because all of the orders we obtained in 2021 were related to in-service ships, which typically required a relatively shorter period to complete and were completed within 2021, and therefore the corresponding contract costs were recognized as relevant expenses. Our contract costs further increased significantly to RMB11.9 million as of December 31, 2023, mainly due to the increased orders we obtained through the sales agents, partially offset by certain amount recorded as contract costs being recognized as relevant expenses upon the completion of our orders. Our contract costs increased by 4.1% from RMB11.9 million as of December 31, 2023 to RMB12.4 million as of June 30, 2024, mainly attributable to increased freight costs in relation to the delivery of orders.

Restricted bank deposits

During the Track Record Period, our restricted bank deposits referred to the security deposits we made at banks for the issuance of bank guarantees, letters of credit, bankers' acceptances and foreign exchange contracts. Our restricted bank deposits increased by 14.3% from RMB51.5 million as of December 31, 2021 to RMB58.8 million as of December 31, 2022, mainly because we made additional deposits in order to issue more bank guarantees. Our restricted bank deposits then decreased by 30.7% to RMB40.8 million as of December 31, 2023, mainly attributable 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. Our restricted bank deposits increased by 9.3% as of June 30, 2024 to RMB44.6 million as compared with that as of December 31, 2023, mainly because we applied for bank credit line which required us to place bank deposits.

FINANCIAL INFORMATION

Cash and cash equivalents

Our cash and cash equivalents decreased by 33.3% from RMB100.1 million as of December 31, 2021 to RMB66.7 million as of December 31, 2022, mainly attributable to (i) dividends paid of RMB20.0 million and (ii) the net cash outflow on acquisition of subsidiaries under common control of RMB14.0 million. Our cash and cash equivalents then increased significantly to RMB177.4 million as of December 31, 2023, mainly attributable to the profit for the year of RMB120.5 million in 2023. Our cash and cash equivalents decreased by 12.3% to RMB155.6 million as of June 30, 2024, primarily due to the payment of dividends of RMB48.0 million.

Trade and other payables

Our trade and other payables primarily consisted of (i) trade payables, mainly representing balances due to our suppliers and OEMs for raw materials and product components, settled in cash, consisting of payables to (a) third parties and (b) a then-associate, Jiangsu ContiOcean, (ii) notes payable, mainly representing balances due to our suppliers and OEMs for raw materials and product components, settled in notes, (iii) other payables consisting of payables to (a) related parties mainly in relation to a technology transfer on exhaust gas cleaning systems to us by ContiOcean Pty Ltd. and (b) third parties mainly in relation to the construction of our production facility, (iv) dividend payable, (v) payroll payables, mainly representing salaries and allowances due to our employees, (vi) accrued expenses, mainly representing the sales commission payables and outsourcing R&D cost payables, and (vii) other tax payables, mainly in relation to VAT, personal income tax withheld by the Company and surtaxes. The following table sets forth a breakdown of our trade and other payables as of the date indicated:

	As of December 31,			As of
				June 30,
	2021	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables				
— a related party	—	477	—	—
— third parties	20,797	32,073	29,472	29,886
Notes payable	—	2,287	1,044	5,610
Other payables				
— related parties	8,379	8,646	—	—
— third parties	5,829	4,061	6,245	4,131
Dividend payable	—	—	—	48,000
Payroll payables	3,470	7,755	8,068	6,238
Accrued expenses	4,915	3,239	9,115	8,026
Other tax payables	2,481	1,510	1,637	115
Total	<u>45,871</u>	<u>60,048</u>	<u>55,581</u>	<u>102,006</u>

FINANCIAL INFORMATION

Our trade and other payables increased by 30.9% from RMB45.9 million as of December 31, 2021 to RMB60.0 million as of December 31, 2022, mainly due to the increases in (i) trade payables from RMB20.8 million as of December 31, 2021 to RMB32.6 million as of December 31, 2022, mainly due to the procurement of raw materials and product components before the end of 2022 and (ii) payroll payables from RMB3.5 million as of December 31, 2021 to RMB7.8 million as of December 31, 2022, mainly due to the increased number of employees and their increased salaries.

Our trade and other payables then decreased by 7.4% from RMB60.0 million as of December 31, 2022 to RMB55.6 million as of December 31, 2023, mainly due to the decreases in (i) other payables from RMB12.7 million as of December 31, 2022 to RMB6.2 million as of December 31, 2023, mainly due to our settlement of the payments and (ii) trade payables from RMB32.6 million as of December 31, 2022 to RMB29.5 million as of December 31, 2023, mainly due to our settlement of certain payments, partially offset by the increase in accrued expenses from RMB3.2 million as of December 31, 2022 to RMB9.1 million as of December 31, 2023, mainly due to the increased sales commissions payable to sales agents upon the recognition of the related revenues with the completion of orders in 2023.

Our trade and other payables increased by 83.5% from RMB55.6 million as of December 31, 2023 to RMB102.0 million as of June 30, 2024, mainly due to the increase in dividend payable from nil as of December 31, 2023 to RMB48.0 million as of June 30, 2024, mainly in relation to the dividends of RMB48.0 million we declared on June 28, 2024.

The following table sets forth an aging analysis of our trade payables based on the invoice date as of the date indicated:

	As of December 31,			As of
	2021	2022	2023	June 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
0–90 days	15,318	24,779	26,017	21,330
91–180 days	5,297	670	493	3,305
181–365 days	54	294	1,108	4,204
Over 365 days	128	6,807	1,854	1,047
	20,797	32,550	29,472	29,886

FINANCIAL INFORMATION

During the Track Record Period, our suppliers (including OEMs) generally granted us a credit period of around 30 days. The following table sets forth the turnover days of our trade payables for the period indicated:

	For the year ended December 31,			For the six months ended June 30,
	2021	2022	2023	2024
Trade payables turnover days	62.0	58.2	42.2	27.6

Note: Trade payables turnover days are calculated by dividing the average of the opening and closing balance of trade payables by cost of sales and multiplying by 365 days for the years ended December 31, 2021, 2022 and 2023 and 180 days for the six months ended June 30, 2024.

Our average trade payables turnover days were 62.0 days, 58.2 days and 42.2 days for the years ended December 31, 2021, 2022 and 2023, respectively, and 27.6 days for the six months ended June 30, 2024. Our trade payables turnover days decreased from 62.0 days in 2021 to 58.2 days in 2022, and further decreased to 42.2 days in 2023, primarily because we settled all the payments due to an OEM in 2023 who granted us a relatively longer credit period, leading to a significant decrease in the ending inventory balances as of December 31, 2023. Our trade payables turnover days then decreased to 27.6 days for the six months ended June 30, 2024, which were generally within the credit period granted to us because we ceased procuring product components from that OEM who granted us a relatively longer credit period, due to our enhanced production capacity.

As of October 31, 2024, RMB21.0 million, or 70.1% of our trade payables as of June 30, 2024 was settled.

Income tax payable

Our income tax payable increased by 32.8% to from RMB9.1 million as of December 31, 2021 to RMB12.1 million as of December 31, 2022, primarily attributable to our increased taxable income in line with our business expansion. Our income tax payable decreased by 17.8% to RMB9.9 million as of December 31, 2023, primarily because we made a one-off tax payment in 2023 due to the reassessment of our taxable income of certain subsidiaries for the years ended December 31, 2021 and 2022. Our income tax payable then increased by 18.8% to RMB11.8 million as of June 30, 2024, primarily attributable to our increased taxable income in line with our business expansion.

Contract liabilities

For the contracts which require prepayments from the customers, we typically receive a deposit of up to 80% of the total contract sum based on the different stage of the projects. Our contract liabilities were RMB169.7 million, RMB161.1 million and RMB174.9 million, respectively, as of December 31, 2021, 2022 and 2023, and RMB21.7 million as of June 30, 2024, which mainly reflected the scale of consideration we received as of the respective dates before we could recognize revenue based on contract terms.

FINANCIAL INFORMATION

The fluctuation in our contract liabilities during the Track Record Period were mainly due to the conversion of amounts recorded as contract liabilities into recognized revenue. Revenue of RMB34.3 million, RMB78.9 million, RMB95.9 million and RMB172.0 million was recognized during the year ended December 31, 2021, 2022 and 2023, and six months ended June 30, 2024, respectively, that was included in the contract liabilities at the beginning of the relevant period.

As of October 31, 2024, RMB10.1 million, or 46.4% of our contract liabilities as of June 30, 2024 was recognized as revenue.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows

The following table sets forth selected cash flow data from our consolidated cash flow statements for the periods indicated:

	For the year ended December 31,			For the six months ended June 30,	
	2021	2022	2023	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Net cash (used in) from operating activities	(46,765)	(10,385)	151,107	62,890	(14,908)
Net cash (used in) from investing activities	32,520	(7,240)	(58,721)	(21,764)	36,469
Net cash (used in) from financing activities	(11,942)	(22,715)	16,932	34,340	(43,951)
Net increase (decrease) in cash and cash equivalents	(26,187)	(40,340)	109,318	75,466	(22,390)
Cash and cash equivalents at beginning of the year/period	128,688	100,082	66,723	66,723	177,414
Effects of exchange rate changes	(2,419)	6,981	1,373	403	610
Total cash and cash equivalents at end of year/period	<u>100,082</u>	<u>66,723</u>	<u>177,414</u>	<u>142,592</u>	<u>155,634</u>

Net cash used in or from operating activities

For the six months ended June 30, 2024, we had net cash used in operating activities of RMB14.9 million. We had operating cash inflow before movements in working capital of RMB96.0 million, primarily consisting of profit before tax of RMB95.8 million. Movements in working capital resulted in a net cash outflow of RMB100.3 million, primarily consisting of decrease in contract liabilities of RMB153.1 million, reflecting customer installment payments we had previously received before revenue recognition. The decrease was mainly because we completed a significant amount of orders and concurrently recognized the customer installment payments we had previously received for the same

FINANCIAL INFORMATION

orders as revenue. Nonetheless, the said revenue recognition did not generate any cash inflow for us. The net cash outflow attributable to movements in working capital was partially offset by the decreases in inventories of RMB48.9 million, both of which mainly due to the completion of orders. Such net cash outflow was further increased by the income tax paid of RMB10.6 million. In view of the aforesaid net operating cash outflows situation, we plan to improve our operating cash outflows through (i) negotiation with suppliers to waive their prepayment requirement and strengthening cooperation with banks to lower their requirement of security deposits, (ii) extending the credit period with suppliers by establishing long-term cooperation relationships with them, implementing periodic payments, and utilizing financing tools for settlement such as bank acceptance bills and letters of credit, (iii) strengthening inventory management by optimizing the procurement, production, and delivery arrangements to accelerate inventory turnover, and (iv) accelerating the collection of receivables.

For the year ended December 31, 2023, we had net cash from operating activities of RMB151.1 million. We had operating cash inflow before movements in working capital of RMB152.6 million, primarily consisting of profit before tax of RMB140.8 million, as adjusted for shared-based payment expenses of RMB7.0 million. Movements in working capital resulted in a net cash inflow of RMB21.0 million, primarily consisting of (i) the decrease in restricted bank deposits of RMB18.1 million mainly reflecting the release of the deposits upon the expiration of certain bank guarantees and (ii) increase in contract liabilities of RMB13.8 million mainly reflecting the payments we received in relation to our service contracts which were yet to be recognized as revenue, partially offset by the increase in contract costs of RMB9.0 million mainly due to the increased orders we obtained through the sales agents, partially offset by certain amount recorded as contract costs being recognized as relevant expenses upon the completion of our orders. Such net cash inflow was further affected by the income tax paid of RMB22.5 million.

For the year ended December 31, 2022, we had net cash used in operating activities of RMB10.4 million. We had operating cash inflow before movements in working capital of RMB50.0 million, primarily consisting of profit before tax of RMB42.9 million, as adjusted for (i) depreciation of property, plant and equipment of RMB3.7 million and (ii) net foreign exchange loss of RMB3.6 million. Movements in working capital resulted in a net cash outflow of RMB56.3 million, primarily consisting of an increase in inventories of RMB54.8 million, mainly because (i) we accelerated our production progress to meet the tight completion schedules of multiple orders and (ii) the procurement of certain raw materials and product components, partially offset by the increase in trade and other payables and other current liabilities of RMB14.4 million, mainly reflecting the procurement of raw materials and product components. Such net cash outflow was further affected by the income tax paid of RMB4.1 million.

For the year ended December 31, 2021, we had net cash used in operating activities of RMB46.8 million. We had operating cash inflow before movements in working capital of RMB20.1 million, primarily consisting of profit before tax of RMB14.8 million, as adjusted for depreciation of property, plant and equipment of RMB2.2 million. Movements in working capital resulted in a net cash outflow of RMB66.0 million, primarily consisting of increases in (i) restricted bank deposits of RMB50.5 million, mainly reflecting the additional security deposits we made, and (ii) trade and other receivables of RMB35.9 million, mainly reflecting our increased orders and business expansion, partially offset by the increase in contract liabilities of RMB39.8 million mainly reflecting the payments we received in relation to our service contracts which were yet to be recognized as revenue. Such net cash outflow was further affected by the income tax paid of RMB0.9 million.

FINANCIAL INFORMATION

Net cash used in or from investing activities

For the six months ended June 30, 2024, our net cash from investing activities amounted to RMB36.5 million, primarily due to withdrawal of term deposits of RMB35.4 million.

For the year ended December 31, 2023, our net cash used in investing activities amounted to RMB58.7 million, primarily due to (i) placement of term deposits of RMB45.4 million, and (ii) purchase of financial assets at FVTPL of RMB30.0 million mainly reflecting the foreign exchange forward and option contracts we entered into with banks, partially offset by the proceeds received upon disposal of financial assets at FVTPL of RMB29.9 million mainly in relation to the bank deposits.

For the year ended December 31, 2022, our net cash used in investing activities amounted to RMB7.2 million, primarily due to (i) purchase of financial assets at FVTPL of RMB6.4 million mainly reflecting the bank deposits and (ii) acquisition of investment in associates of RMB4.0 million in relation to our investment in WTC and Jiangsu ContiOcean, partially offset by the proceeds received upon disposal of financial assets at FVTPL of RMB5.3 million mainly in relation to the bank deposits.

For the year ended December 31, 2021, our net cash from investing activities amounted to RMB32.5 million, primarily due to the proceeds received upon disposal of financial assets at FVTPL of RMB226.8 million mainly in relation to the bank deposits, partially offset by (i) purchase of financial assets at FVTPL of RMB172.5 million, mainly in relation to the bank deposits and (ii) purchase of property, plant and equipment of RMB20.8 million mainly related to our production facility.

Net cash used in or from financing activities

For the six months ended June 30, 2024, our net cash used in financing activities amounted to RMB44.0 million, primarily due to (i) dividends paid of RMB48.0 million, (ii) repayment of bank borrowings of RMB19.9 million, partially offset by proceeds from bank borrowings of RMB27.0 million.

For the year ended December 31, 2023, our net cash from financing activities amounted to RMB16.9 million, primarily due to proceeds from bank borrowings of RMB35.8 million, partially offset by (i) repayment of bank borrowings of RMB20.0 million and (ii) dividends paid of RMB5.0 million.

For the year ended December 31, 2022, our net cash used in financing activities amounted to RMB22.7 million, primarily due to (i) dividends paid of RMB20.0 million and (ii) net cash outflow on acquisition of subsidiaries under common control of RMB14.0 million, partially offset by (i) proceeds from investors of RMB8.3 million mainly in relation to the capital injection into ContiOcean Hong Kong and (ii) proceeds from bank borrowings of RMB4.1 million.

For the year ended December 31, 2021, our net cash used in financing activities amounted to RMB11.9 million, primarily due to dividends paid of RMB11.0 million.

FINANCIAL INFORMATION

Working capital sufficiency

Our liquidity and capital resource needs over the next 12 months primarily relate to our R&D activities, procurement of raw materials and product components, employee benefits and daily operation. We believe our liquidity requirements will be satisfied by using funds from a combination of cash flow generated from operating activities, debt financing, net proceeds from the Global Offering and other funds raised from the capital markets from time to time. As of June 30, 2024, we had cash and cash equivalents of RMB155.6 million. After taking into consideration the above financial resources available to us, in the absence of unforeseeable circumstances, our Directors are of the opinion that we have sufficient working capital to meet our present and future cash requirements for at least the next 12 months from the date of publication of this prospectus.

Our ability to obtain additional funding beyond our anticipated cash needs for the next 12 months following the date of this prospectus, however, is subject to a variety of uncertainties, including our future results of operations, our future business plans, financial condition and cash flows and economic, political and other conditions in the markets where we and our customers and lenders operate.

INDEBTEDNESS

Indebtedness

Our indebtedness primarily consisted of bank borrowings and lease liabilities. As of December 31, 2021, 2022 and 2023, June 30, 2024 and October 31, 2024, except as disclosed below, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, acceptance credits, hire purchase commitments, any guarantees or other material contingent liabilities. The following table sets forth a breakdown of our indebtedness as of the date indicated:

	As of December 31,			As of June 30,	As of October 31,
	2021	2022	2023	2024	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
					<i>(Unaudited)</i>
Non-current					
Bank borrowings	—	—	—	15,000	30,000
Lease liabilities	1,467	622	1,493	927	800
Current					
Bank borrowings	—	4,118	19,900	11,950	9,950
Lease liabilities	1,171	899	1,395	1,248	1,438
Total	<u>2,638</u>	<u>5,639</u>	<u>22,788</u>	<u>29,125</u>	<u>42,188</u>

FINANCIAL INFORMATION

Bank borrowings

Our bank borrowings amounted to nil, RMB4.1 million, RMB19.9 million, RMB27.0 million and RMB40.0 million, respectively, as of December 31, 2021, 2022 and 2023, and June 30 and October 31, 2024, representing loans from PRC commercial banks, which was primarily used to fund our business operations. As of December 31, 2021, 2022 and 2023, and June 30 and October 31 2024, our bank borrowings amounting to nil, nil, RMB19.9 million, RMB27.0 million and RMB40.0 million, respectively, were unsecured but guaranteed, bearing effective interest rates ranging from 3.20% to 3.85% per annum. As of December 31, 2021, 2022 and 2023 and June 30 and October 31, 2024, our bank borrowing amounting to nil, RMB4.1 million, nil, nil and nil, respectively, were unsecured and unguaranteed, bearing effective interest rate of 3.2% per annum. While our Controlling Shareholders provided guarantees for all of our bank borrowings as of October 31, 2024, such guarantees had been released by the relevant banks by December 20, 2024.

As of October 31, 2024, we had unutilized banking facilities of RMB130.0 million.

Our bank borrowing agreements contain terms, conditions and covenants that are customary for commercial bank loans. Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, there was no material restrictive covenant in our indebtedness which could significantly limit our ability to undertake additional debt or equity financing, nor did we experience any difficulty in obtaining bank borrowings, default in payment of bank borrowings or breach of covenants. Our Directors confirm that there is no material change in our indebtedness since October 31, 2024 and up to the date of this prospectus. Given our credit history and our current credit status, we believe that we will not encounter any major difficulties in obtaining additional bank borrowings in the future.

Lease liabilities

During the Track Record Period, our lease liabilities were mainly related to the offices, land use right and shoreline use right we leased for business operations. Our lease liabilities, secured and unguaranteed, decreased by 42.3% from RMB2.6 million as of December 31, 2021 to RMB1.5 million as of December 31, 2022, primarily due to the payment of rents. Our lease liabilities then increased by 89.9% to RMB2.9 million as of December 31, 2023, primarily due to the newly leased office in Shanghai in 2023. Our lease liabilities decreased by 24.7% to RMB2.2 million as of June 30, 2024, primarily due to the payment of rents.

FINANCIAL INFORMATION

CONTINGENT LIABILITIES

We did not have any contingent liabilities during the Track Record Period and up to the Latest Practicable Date.

CAPITAL COMMITMENTS AND CAPITAL EXPENDITURE

Capital commitments

As of December 31, 2021, 2022 and 2023, and June 30, 2024, we did not have any material capital commitments.

Capital expenditure

For the years ended December 31, 2021, 2022 and 2023 and six months ended June 30, 2024, our capital expenditure amounted to RMB37.9 million, RMB1.4 million, RMB2.7 million and RMB1.5 million, respectively. Our capital expenditure during the Track Record Period mainly represented additions to our property, plant and equipment to enhance our manufacturing capabilities. We intend to fund our planned capital expenditures through a combination of cash generated from operating activities, and debt financing, as well as the net proceeds from the Global Offering. Our actual capital expenditures may differ from the amounts set forth above due to various factors, including our future cash flows, results of operations and financial condition, economic conditions in the market and changes in the regulatory environment. In addition, we may incur additional capital expenditures from time to time as we pursue new opportunities to expand our business.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

Save as disclosed above, during the Track Record Period and as of the Latest Practicable Date, we had no off-balance sheet arrangements.

FINANCIAL INFORMATION

RELATED PARTY TRANSACTIONS

During the Track Record Period, our transactions with related parties of trade nature primarily included transactions with our then-associate, WTC, mainly in relation to the technology services we procured from it, and transactions with certain related parties mainly reflecting our procurement of raw materials from them. See note 35 to the Accountants' Report to Appendix I in this prospectus for further details on our related party transactions.

Name	Relationships	Nature of transactions	For the year ended December 31,			Six months ended	Six months ended
			2021	2022	2023	June 30,	June 30,
			RMB'000	RMB'000	RMB'000	2023	2024
							<i>(Unaudited)</i>
ContiOcean Pty Ltd.	A company that Mr. Chen Zhiyuan had control	Other payables	8,379	8,379	—	—	—
WTC ⁽ⁱ⁾	An associate, in which the Group had a 33.78% equity interest	Other payables	—	267	N/A	—	N/A
		Other service received	—	267	1,168	522	N/A
Jiangsu ContiOcean ⁽ⁱⁱ⁾	An associate, in which the Group had a 40% equity interest	Purchase of materials	—	8,881	—	—	N/A
		Trade payables	—	477	N/A	N/A	N/A
Sanhe Energy Co., Ltd. ⁽ⁱⁱⁱ⁾	A company that Mr. Zhou Yang and Mr. Chen Zhiyuan had control	Purchase of materials	2,207	N/A	N/A	N/A	N/A

Notes:

- (i) The associate was previously held by us and subsequent to an additional capital injection, it has become our subsidiary 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.
- (ii) Such 40% equity interest in Jiangsu ContiOcean was disposed by us to an Independent Third Party on April 7, 2023. The transaction amount disclosed for the year ended December 31, 2023 is from January 1, 2023 to the date of disposal.
- (iii) Mr. Zhou Yang and Mr. Chen Zhiyuan lost control in this company in September 2021. The related party transactions disclosed in the historical financial information included the transactions incurred from January 1, 2021 to September 30, 2021.

FINANCIAL INFORMATION

Balances with related parties

The following table sets forth a breakdown of our balances with related parties that are classified as trade or non-trade in nature as of the date indicated.

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade related				
Trade payables	—	477	—	—
Non-trade related				
Other payables	8,379	8,646	—	—
Amount due from a related party	8,012	—	—	—
Amounts due from directors and supervisors	10,121	10,907	—	—
Amounts due to related companies	14,047	275	—	—

As of June 30, 2024, our balances with related parties were nil.

It is the view of our Directors that our transactions with related parties during the Track Record Period was conducted on an arm's length basis and with normal commercial terms between the relevant parties. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our historical results or make our historical results not reflective of our future performance.

FINANCIAL INFORMATION

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as of the date or for the period indicated:

	As of/For the year ended December 31,			As of/ For the six months ended June 30,
	2021	2022	2023	2024
	Net profit margin ⁽¹⁾ (%)	9.1	13.8	23.6
Current ratio ⁽²⁾ (Times)	1.2	1.3	1.7	2.2
Quick ratio ⁽³⁾ (Times)	1.1	0.9	1.4	2.0
Gearing ratio ⁽⁴⁾ (%)	2.3	4.1	8.9	12.2

Notes:

- (1) Net profit margin equals to net profit for the year/period divided by revenue for the year/period and multiplied by 100%.
- (2) Current ratio is calculated based on total current assets divided by total current liabilities.
- (3) Quick ratio is calculated based on total current assets less inventories divided by total current liabilities.
- (4) Gearing ratio is calculated based on total indebtedness (including bank borrowings and lease liabilities) divided by total equity and multiplied by 100%.

Net profit margin

Our net profit margin was 9.1%, 13.8%, 23.6% and 24.4%, respectively, in 2021, 2022, 2023 and for the six months ended June 30, 2024. The increasing trend of our net profit margin during the Track Record Period was mainly due to (i) the increased demand for our maritime environmental protection equipment and systems, driven by the evolving global and national requirements and initiatives since 2020, which led to more sales orders and generated more revenue, and (ii) the commencement of our commercial production in June 2021, enabling us to reduce the procurement of supplies from third parties as a percentage of our total operating expenses, which led to higher profitability.

Current ratio

Our current ratio increased from 1.2 times as of December 31, 2021 to 1.3 times as of December 31, 2022, primarily due to the increase in our inventory mainly because (i) we accelerated our production progress towards the end of 2022 to meet the tight completion schedules of multiple orders for our marine exhaust gas cleaning systems, and (ii) we procured certain raw materials, such as stainless-steel plates and stainless-steel pipes, before the end of 2022. Our current ratio further increased to 1.7 times as of December 31, 2023, primarily due to the increases in (i) cash and cash equivalents mainly attributable to our strong operating cash flow in 2023 and (ii) term deposits with an original maturity over three months but within one year. Our current ratio then increased to 2.2 times as of June 30, 2024, mainly due to the decrease in contract liabilities primarily as a result of the conversion of amounts recorded as contract liabilities into recognized revenue upon the completion of the orders.

FINANCIAL INFORMATION

Quick ratio

Our quick ratio decreased from 1.1 times as of December 31, 2021 to 0.9 times as of December 31, 2022, primarily due to the decrease in cash and cash equivalents mainly reflecting our increase in inventories and dividends paid in 2022. Our quick ratio then increased to 1.4 times as of December 31, 2023, primarily due to the increases in (i) cash and cash equivalents mainly attributable to our strong operating cash flow in 2023, and (ii) term deposits with an original maturity over three months but within one year. Our quick ratio further increased to 2.0 times as of June 30, 2024, primarily due to the decrease in contract liabilities mainly as a result of the conversion of amounts recorded as contract liabilities into recognized revenue upon the completion of the orders.

Gearing ratio

Our gearing ratio was 2.3%, 4.1%, 8.9% and 12.2%, respectively, as of December 31, 2021, 2022 and 2023, and June 30, 2024. The increasing trend of our gearing ratio during the Track Record Period was mainly due to our increased bank borrowings primarily used to fund our expanded business operation.

QUANTITATIVE AND QUALITATIVE DISCLOSURE OF FINANCIAL RISKS

We are exposed to various types of financial risks in the ordinary course of business, including market risk, such as currency risk and interest rate risk, other price risk, credit risk and liquidity risk. Our overall risk management strategy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance. We set forth a summary of our approach to managing these types of risks. See note 37 to the Accountants' Report in Appendix I to this prospectus for further details.

Market risk

(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. We currently do not have a foreign currency hedging policy. However, the Directors monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. See note 37 to the Accountants' Report in Appendix I to this prospectus for further details.

(ii) Interest rate risk

We 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. Our cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances. Our Directors 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. See note 37 to the Accountants' Report in Appendix I to this prospectus for further details.

FINANCIAL INFORMATION

Credit risk

The carrying amounts of trade and other receivables, contract assets, cash and cash equivalents, restricted bank deposits and term deposits included in the consolidated statements of financial position represent our maximum exposure to credit risk in relation to our financial assets. As of December 31, 2021, 2022 and 2023 and June 30, 2024, the expected credit loss rate of trade receivable was 5.0%, 5.2%, 4.9% and 5.1%, respectively. During the Track Record Period, the expected credit loss rate for other receivables was nil. The expected credit risk on cash and cash equivalents, restricted bank deposits and term deposits are limited because the counterparties are reputable financial institutions. We assessed 12-month ECL for bank balances, restricted bank deposits and term deposits, and considered the ECL allowance insignificant at the end of each reporting period.

See note 37 to the Accountants' Report in Appendix I to this prospectus for further details.

Liquidity risk

In the management of the liquidity risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance our operations and mitigate the effects of fluctuations in cash flows. See note 37 to the Accountants' Report in Appendix I to this prospectus for further details.

DIVIDENDS AND DIVIDEND POLICY

We may distribute dividends by way of cash or by other means that we consider appropriate. For the years ended December 31, 2021, 2022 and 2023 and six months ended June 30, 2024, our Company declared cash dividends of RMB11.0 million, RMB20.0 million, RMB5.0 million and RMB96.0 million, respectively, and paid cash dividends of RMB11.0 million, RMB20.0 million, RMB5.0 million and RMB48.0 million, respectively, to our Shareholders. On July 23, 2024, we paid the remaining cash dividends of RMB48.0 million and fully settled all the dividends we declared to distribute in the past. Subject to our articles of association and the PRC Company Law, we have adopted a general annual dividend policy, according to which (i) we should place importance on providing reasonable investment returns to our investors by adopting a profit distribution policy with continuity and stability; (ii) when distributing dividends, we comply with relevant laws, regulations, and our constitutional documents, balance our long-term development plan while providing reasonable returns to shareholders, and ensure that shareholders with the same type of shares receive the same benefits; and (iii) we may declare dividend by way of cash dividends, stock dividends, or a combination of cash and stock dividends. The general annual dividend policy does not provide for a fixed dividend payout ratio, and any final dividends for a financial year will be subject to our Shareholders' approval. Any future determination to declare and pay any dividends will be at the discretion of our Board and will depend on, among other things, our earnings, financial condition, capital requirements, level of indebtedness, statutory and contractual restrictions applying to the payment of dividends and other considerations that our Board deems relevant.

FINANCIAL INFORMATION

Dividends may be paid only out of our distributable profits as permitted under the relevant laws. There can be no assurance that we will be able to declare or distribute any dividend in the amount set forth in any plan to our Board or at all. Furthermore, if we or any of our subsidiaries incur debt on our or its own behalf in the future, the instruments governing the debt may restrict our ability to pay dividends. The past dividend distribution record may not be used as a reference or basis in determining the level of dividends that may be declared or paid by us in the future.

DISTRIBUTABLE RESERVES

As of June 30, 2024, our Company retained earnings amounted to RMB64.1 million. Such retained earnings represent our distributable reserves as of the same date.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

See “Unaudited Pro Forma Financial Information” in Appendix II or this prospectus for further details of our unaudited pro forma statement of adjusted consolidated net tangible assets.

No adjustment has been made to the unaudited pro forma adjusted net tangible assets attributable to our equity shareholders to reflect our any trading result or other transactions entered into subsequent to June 30, 2024.

LISTING EXPENSES

Listing expenses represent professional fees, underwriting commissions and other fees incurred in connection with the Global Offering. For the years ended December 31, 2021, 2022 and 2023, and six months ended June 30, 2024, the listing expenses incurred amounted to nil, nil, nil, and RMB6.8 million, respectively. We expect to incur total listing expenses of approximately RMB42.6 million (based on the Offer Price of HK\$35.8 per Offer Share, being the mid-point of the Offer Price range). Nil was charged to profit or loss for the Track Record Period. The total listing expenses consist of approximately RMB11.6 million underwriting-related fees (including SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy) and approximately RMB31.0 million non-underwriting fees mainly including (i) fees of Joint Sponsors, legal adviser(s) and reporting accountant(s) of approximately RMB23.6 million; and (ii) other fees and expenses of approximately RMB7.4 million. Among the total listing expenses, approximately RMB0.4 million is expected to be charged to profit or loss for the year ending December 31, 2024; and approximately RMB42.2 million directly attributable to the issue of the H Shares is expected to be deducted from equity upon the completion of the Global Offering. Our total listing expenses are estimated to account for 8.9% of the gross proceeds of the Global Offering. The listing expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Subsequent to the Track Record Period, we continue to focus on developing and promoting our maritime environmental protection equipment and systems including identifying business opportunities with shipowners and ship builders.

FINANCIAL INFORMATION

As of the Latest Practicable Date, some of our pipeline products had made further progress, including:

Pipeline products	Stage of development	Benefits to our business
Waste heat recovery system	It was undergoing system design in the project implementation phase.	Once developed, we are able to provide one more choice for energy saving needs of customers, through recovery and reuse of waste heat from ships. In addition, the waste heat recovery system can be installed with other systems and equipment provided by us. It will effectively reduce operating costs.
PCTC thermal run-away detector system	It was in the project implementation phase and had finished the system design.	Safety during transportation of new energy vehicles is crucial, as a fire can cause catastrophic damage to a ship. Therefore, shipping companies are highly concerned about PCTC vehicle fire monitoring. The successful development of this project will address market pain points and has market potential.

For further details, see “Business — Pipeline products”.

In addition, we also achieved positive results in our operations subsequent to the Track Record Period. For the four months ended October 31, 2024, we received new orders with a contract value of approximately RMB199.3 million, including a contract value of approximately RMB33.9 million for marine exhaust gas cleaning systems, a contract value of approximately RMB7.3 million for marine energy-saving devices, a contract value of approximately RMB36.4 million for marine clean-energy supply systems and a contract value of RMB121.7 million for maritime services.

The number of orders we completed for the four months ended October 31, 2024 for the ship exhaust gas cleaning systems and spare parts of marine exhaust gas cleaning systems was four and 239, respectively. The number of orders we completed for the same period for marine energy-saving devices, marine clean-energy supply systems, and maritime services was 19, 14 and 725, respectively.

The contracts entered into and orders completed for the four months ended October 31, 2024 were at arm’s length terms and the profit margin were comparable to those entered during the Track Record Period.

The average selling price of our ship exhaust gas cleaning systems, marine energy-saving devices and marine clean-energy supply systems for the four months ended October 31, 2024 was RMB7.8 million, RMB1.2 million and RMB2.0 million, respectively, compared to RMB8.3 million, RMB2.0 million and RMB1.0 million, respectively, for the same period in 2023. The average selling price of ship accommodation interior design, container ship and PCTC lashing gears and other maritime services of our maritime services for the four months ended October 31, 2024 was RMB109.6 thousand, RMB305.5 thousand and RMB21.2 thousand, respectively, compared to RMB67.0 thousand, RMB259.0 thousand and RMB110.0 thousand, respectively, for the same period in 2023. The average selling prices of our

FINANCIAL INFORMATION

products for the four months ended October 31, 2024 were not materially different from those for the same period in 2023 while the aforesaid fluctuation in the average selling prices of each business segment was principally due to the different combination of various products within corresponding segments.

For the ten months ended October 31, 2024, based on our unaudited management accounts, we experienced an increase in revenue as compared to the same period in the previous year.

After due and careful consideration, our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial and trading position or prospects since June 30, 2024, and there is no event since June 30, 2024 which would materially affect the information shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

We confirm that, as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rule 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

See “Business — Our strategies” for a detailed description of our future plans and strategies.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$312.0 million, after deducting underwriting commissions, fees, and estimated expenses payable by us in connection with the Global Offering, and assuming an Offer Price of HK\$35.8 per Share, being the mid-point of the indicative Offer Price range stated in this prospectus. If the Offer Price is set at HK\$39.8 per Share, being the high end of the indicative Offer Price range, the net proceeds from the Global Offering will increase by approximately HK\$38.6 million. If the Offer Price is set at HK\$31.8 per Share, being the low end of the indicative Offer Price range, the net proceeds from the Global Offering will decrease by approximately HK\$38.6 million.

Assuming an Offer Price at the mid-point of the indicative Offer Price range, we currently intend to apply these net proceeds for the following purposes:

- Approximately 50.0%, or HK\$156.0 million, will be used in connection with our R&D. In order to achieve the above R&D plan, we intend to apply the net proceeds with the following allocation:
 - Approximately 35.8%, or HK\$111.7 million, will be used to 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. In addition to fulfilling the primary purpose of being our R&D platform, we may consider chartering out the ship.

Because our equipment and systems are utilized on ships, it is critical to have a ship as our maritime R&D platform to demonstrate the safety, reliability and effectiveness of our equipment and systems in real life operation without having to install our equipment and systems on our customers’ ships which may interrupt their shipping itinerary. Such maritime R&D platform will also enable us reach out potential customers worldwide in a more flexible way through reaching various ports. During calls at major ports, it can showcase our maritime environmental protection equipment and systems including pipeline products to both existing and potential customers. By showing the real operation of our equipment and systems on the ship, we expect to gain more customers’ confidence and facilitate their decision-making process regarding the purchases on our new equipment and systems.

FUTURE PLANS AND USE OF PROCEEDS

We plan to acquire a used bulk carrier or tanker with a deadweight capacity of between 60,000 to 80,000 tonnes, with an age of eight to 10 years with a partner. By partnering with us, the financial burden of purchasing the ship is shared, reducing the individual investment required from each party. Additionally, the partner will benefit from our expertise and resources, including optimized installation of our equipment and systems, which will add value to the ship and ensure it is managed in an environmentally responsible manner including the requirements set by the IMO. The commercial benefit of having the ship is also driven by the need for the ship to comply with these regulations by the charterer. The ship, which will be chartered out and managed by an external third-party ship management company, will have its operations handled independently. The partner, being a passive ship owner, will not affect the operation of the ship or our R&D work performed on the R&D platform, as we maintain the controlling stake and oversee all activities. According to Frost & Sullivan, collaborating with partners to purchase ships is in line with industry norms. As of the Latest Practicable Date, we had not identified any potential partner or ship.

We plan to set aside a budget of HK\$111.7 million to acquire the controlling stake in the company holding the ship and to the extent the proceeds are insufficient to support, we will utilize our internally generated funds. We expect the remaining useful life of the bulk carrier or tanker to be 16 years, and based on the current market conditions, the residual value (scrap price) is HK\$65.7 million, resulting in an annual depreciation expense of HK\$9.7 million, which will be charged to R&D expenses.

In addition to fulfilling the primary purpose of being our R&D platform, we may consider chartering out the bulk carrier or tanker, through professional ship leasing agents, on a time charter basis (for periods of 11 to 13 months each) to generate revenue when feasible, which is estimated to be HK\$40.6 million for the bulk carrier or tanker, we estimate that the annual net charter income after deducting relevant operating costs (including depreciation expense of HK\$9.7 million and crew expenses and maintenance fees) may amount to approximately HK\$13.8 million per year while the charterer will bear fuel costs and operating costs of the bulk carrier or tanker during the charter period. The annual net charter income mentioned above has already taken into account factors such as the market charter rate and the discount to the charterer having considered the arrangement between the charterer and us for facilitating our R&D. We plan to enter into arrangements with charterers to allow us to install our equipment and systems and pipeline products or to perform other necessary activity for maritime R&D purpose.

When leasing out the bulk carrier or tanker, we will consider the following circumstances and criteria: (i) if the lessee has substantial financial strength, a good market reputation, and qualified chartering credentials, with a preference for established Hong Kong or European operators; and (ii) the lease contract will include special clauses requiring cooperation with us for the installation and testing of R&D products and allowing target customers to board the ship for visits at certain ports.

FUTURE PLANS AND USE OF PROCEEDS

Chartering out the bulk carrier or tanker also facilitates our R&D by collecting performance data of our equipment and systems installed on the bulk carrier or tanker, which can be used to improve the effectiveness of our products. In response to the evolving demands and unique needs of shipowners and ship builders, we are committed to developing innovative equipment and systems, including energy-saving devices. The maritime R&D platform will be instrumental in the development, testing, and validation of our pipeline products, accelerating their market introduction. Installing these prototype equipment and systems on an actual ship to gather operational data can demonstrate their effectiveness to potential clients. It will also enable customers to experience the features and advantages of our new equipment and systems in operation, rather than through viewing diagrams or models.

We intend to reach out to ship brokers and dealers to study the historical and forecasted trading price of used bulk carriers and tankers and the market availability of the ship we desire. We believe we can execute the ship purchase quickly given the active trading market according to Frost & Sullivan. We plan to complete the purchase and put the maritime R&D platform into operation in 2025.

The feasibility to charter out the ship is favorable as the leasing market is highly market-driven, allowing the adjustment of rental prices to achieve the leasing objective. In addition, the ship needs to undergo periodic dry-docking for maintenance, during which we will take the opportunity to install and commission our products. Considering the ship equipped with environmental protection systems and equipment, for instance, ship exhaust gas cleaning systems, the lessee can use high-sulfur fuel, reducing operational costs and increasing market appeal. Furthermore, ship operation data can be automatically generated through the ship's logbook, and the captain can email this data to us daily for dynamic real-time monitoring of the ship's operational status, promoting stable operations without adding to the ship's operational burden, as evidenced by existing clients.

- Approximately 7.7%, or HK\$24.0 million, will be used for the development of prototype products such as the LFSS (for ammonia), optimization development of the carbon capture system and the waste heat recovery system. For further details of our pipeline products, see “Business — Pipeline products” in this prospectus.
- Approximately 4.1%, or HK\$12.8 million, will be used for the recruitment of and retaining around 13 new R&D staff holding at least a bachelor's degree in marine engineering, electrical engineering, environmental engineering or a relevant field. By attracting and retaining top talent, we aim to enhance our innovation capacity and drive forward our R&D projects. Currently, we plan to complete the recruitment of 13 new R&D staff by 2025 to accomplish the above business plans.
- Approximately 2.4%, or HK\$7.5 million, will be used for cooperative R&D with universities, enterprises, or R&D institutions in 2025 and 2026.

FUTURE PLANS AND USE OF PROCEEDS

- Approximately 15.0%, or HK\$46.8 million, will be used for potential mergers and acquisitions. We are particularly focused on the global market, with a keen interest in the European region, where we aim to acquire an advanced maritime environmental technology company focusing on marine clean-energy supply systems. This strategy is intended to position us at the forefront of environmental technology applications. Our commercial rationale and background for targeting acquisitions in the European region includes the following: (i) WTC is still in its start-up stage, its current technical and marketing team size and market influence are not sufficient to meet our development strategy and market layout in Europe; (ii) Europe has an early start in marine environmental technology, and has accumulated a number of companies with expertise in marine environmental technology and marine new energy supply systems. We hope to accelerate our technological development for future products by acquiring European marine environmental technology companies, and to provide European enterprises with high-quality, faster delivery and low cost marine environmental equipment; and (iii) by acquiring a European marine environmental technology company that has a track record in the local market, we can leverage its market reputation and customer base in Europe to speed up our market penetration in Europe.

Our selection criteria should prioritize companies which possess the technologies of marine hydrogen energy-related technology because it is a cutting-edge technology that requires significant time and cost to develop by ourselves, and acquiring it through mergers and acquisitions can expedite obtaining the technology. Additionally, the target should have a robust track record of innovation, and potential for synergistic integration with our existing maritime environmental protection equipment and systems, including having the ability to independently develop marine clean-energy supply systems, and meet one or more of the following criteria: (i) having a customer base of mainly European shipowners; (ii) having a business operation record of more than three years; (iii) having an average annual revenue of more than EUR10 million; (iv) having 20 to 30 staff; and (v) having a valuation between EUR10-15 million and considering the valuation of WTC we acquired previously, which focused solely on certain technology and was a new setup, we are now considering acquiring a more advanced company with more advanced technology and a larger scale staff. Our Directors believe we would be able to acquire a business or a target with more advanced technology and a larger scale with the aforementioned valuation. We plan to invest EUR6–8 million to acquire a majority stake in the target company to collaborate with its shareholders to explore and implement the new technology. Our goal is to eventually hold a controlling interest in the target company. Accordingly, we plan to fund part of the potential acquisitions with the proceeds from the Global Offering, while financing the shortfall through internally generated cash from business operations or external financing. According to Frost & Sullivan, there are around 20–30 available targets in the Europe which possess clean energy system technology or product development capabilities. As of the Latest Practicable Date, we had not identified any potential target.

FUTURE PLANS AND USE OF PROCEEDS

- Approximately 15.0%, or HK\$46.8 million, will be used for leasing a production facility in Mainland China or Southeast Asia, with the location to be determined by 2025 following an extensive research. The production facility will be mainly used to manufacture our existing and future products under our marine energy-saving devices, marine clean-energy supply systems and maritime services, addressing the consistently high utilization rate at our production facility in Nantong as well as the potential launch of our new equipment and systems.

As of the date of this prospectus, we were conducting research on the desirable locations of the production facility and had prepared a preliminary research report principally focusing on, among others, the suitability of the location in the target regions, the availability of the local talents, the maturity of the infrastructure. Based on our past experience and the labor and resources required to produce our existing and future products under our marine energy-saving devices, marine clean-energy supply systems and maritime services and the preliminary research report, we plan to recruit around 60-70 new staff based in the new facility, including management personnel, engineers, quality control personnel, finance and administration personnel and operational workers.

- Based on the preliminary research report, we selected Batam Island Free Trade Zone in Indonesia and Zhejiang Anji Industrial Park in Mainland China as potential locations for our new production facility or lease a new production facility near our production facility in Nantong. The selection criteria for the location include a stable political and trade environment, supportive policies, convenient transportation, competitive labor and energy costs, rich resources of competent personnel, a well-established supply chain, and easy access to ports.

During each year or period of the Track Record Period, the proportion of our overseas revenue was consistently around 80%. Establishing or leasing production facilities both domestically and internationally allows us to produce, transport, and install products closer to the locations of our customers and the installation sites of our products, which helps further control costs.

FUTURE PLANS AND USE OF PROCEEDS

Based on the preliminary research report, the reasons and advantages for leasing a production facility in Batam Island Free Trade Zone are as follows: In 2021, 2022 and 2023 and the six months ended June 30, 2024, our overseas revenue derived from customers from Asia (outside mainland China) accounted for 50.9%, 57.4%, 77.3% and 41.3% of the total revenue. We have established subsidiaries and service center in Singapore, such as ContiOcean Singapore and CTL, to engage in the sales and marketing of our key products. We also have several major customers in Singapore, which is an international shipping hub and the headquarters of various shipping companies. Singapore will be a key area for our future business development. Therefore, if we lease a production facility in Batam Island Free Trade Zone, it will fully leverage the radiating effect of Singapore's shipping hub, and combine the local geographical, cost, and industrial policy advantages of Southeast Asia to create a competitive edge, which will help us to expand our business in Southeast Asia. Enterprises within the Batam Island Free Trade Zone are exempt from all customs duties and value-added tax, significantly reducing operating costs and enhancing competitiveness. Furthermore, Batam Island has multiple international ports and airports, allowing enterprises to transport products globally through these ports and airports.

In addition, we will also purchase or lease manufacturing and warehousing logistics equipment, and acquire information technology software and hardware for the production facility.

- Approximately 10.0%, or HK\$31.2 million, will be used for establishing new service centers and upgrading existing service centers.
 - Approximately 8.0%, or HK\$25.0 million, will be used for establishing four service centers internationally, including the cities in Asia, Europe and the Middle East, with a timeline to establish four service centers in each of 2025 and 2026. We aim to select shipping center regions or cities around the world to establish new service centers and service ports, which will enhance our marketing and after-sales services. We will prioritize well-known shipping center regions and cities for the service centers, to capitalize on the high concentration of maritime traffic, ensuring maximum visibility and accessibility to a large customer base. Based on our past experience and the labor and resources required for our service center in Singapore and taking into account that the larger scale of future service centers than the one in Singapore, we plan to recruit around 22 new staff based in the four service centers.

Despite having a service contractor to cover global service network, there are needs for setting up service centers overseas, including (i) while the service contractor is unable to resolve issues independently, our own engineers can both diagnose and fix problems directly; (ii) our service centers can also serve as hubs for market promotion and customer visits, enhancing our marketing efforts by using our own employees who understand our products better than the service contractor; (iii) we can establish exhibition booths at our service centers to showcase our products, thereby increasing visibility and potential sales.

FUTURE PLANS AND USE OF PROCEEDS

We conducted a cost-benefit analysis for Shanghai and Singapore service centers. The cost of Singapore service center included marketing expenses, staff cost, office expenses, rental fees, business entertainment expenses, travelling and communication expenses, vehicle fees, among others. For Shanghai service center, as it is in our headquarters, we did not include cost or expenses which could not be identified and allocated to the service center except for salaries and bonuses related to sales and after-sales activities, marketing expenses, business entertainment expenses, travelling and communication expenses, among others. The cost-benefit analysis indicates that establishing service centers in Singapore and Shanghai has generated benefits of timely and efficient customer service, cultural and communication familiarity, cost reduction and cultural diversification which significantly outweigh its associated costs. Our revenue from customers located overseas increased from 2021 to 2023, and we anticipate collaborating with more customers located overseas in the future. Key considerations of setting up service centers internationally includes the following:

Timely and efficient customer service: By providing after-sales services to existing customers or pre-sales services to potential customers more promptly and efficiently, our engineers (as opposed to engineers from the service contractor) who have an in-depth understanding of our products and services can resolve issues on-site. This enhances customer satisfaction.

Cultural and communication familiarity: Local employees are more familiar with the culture, habits, and communication styles of local customers or potential customers. This familiarity aids us in expanding our customer base.

Showcasing products and services: Through the service center show rooms, potential customers can gain a direct understanding of all our products and services, thereby increasing their willingness to purchase new products and enhancing our brand image.

Cost reduction and cultural diversification: Setting up service centers can reduce costs of providing pre-sales and after-sales services costs locally and foster a more diverse corporate culture. This aligns with our international positioning and can attract more talent to join us.

- Approximately 2.0%, or HK\$6.2 million, will be used for upgrading our service centers, including recruiting more staff and relocating to new premises with similar size to accommodate showrooms to showcase our product models, with a timeline to complete by 2026. From 2021 to 2023 and from the six months ended June 30, 2023 to the same period in 2024, the revenue generated from the completed orders contributed by Shanghai and Singapore service centers gradually increased.
- Approximately 10.0%, or HK\$31.2 million, will be used for working capital and other general corporate purposes.

FUTURE PLANS AND USE OF PROCEEDS

The above allocation of the net proceeds from the Global Offering will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the indicative Offer Price range stated in this prospectus.

To the extent that the net proceeds from the Global Offering are not immediately used for the purposes described above and to the extent permitted by the relevant laws and regulations, they will only be placed in short-term interest-bearing accounts at licensed commercial banks and/or other authorized financial institutions (as defined under the SFO or other applicable laws and regulations in other relevant jurisdictions).

We will issue an appropriate announcement if there is any material change to the above proposed use of proceeds.

UNDERWRITING

HONG KONG UNDERWRITERS

CLSA Limited
China Galaxy International Securities (Hong Kong) Co., Limited
BNP Paribas Securities (Asia) Limited
BOCI Asia Limited
CCB International Capital Limited
CEB International Capital Corporation Limited
China Everbright Securities (HK) Limited
China Sunrise Securities (International) Limited
Fortune Origin Securities Limited
Futu Securities International (Hong Kong) Limited
ICBC International Securities Limited
Lego Securities Limited
Livermore Holdings Limited
Quam Securities Limited
SPDB International Capital Limited
Tiger Brokers (HK) Global Limited
TradeGo Markets Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company has agreed to offer the Hong Kong Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of the Hong Kong Underwriting Agreement and this prospectus.

Subject to (a) the Stock Exchange granting approval for the listing of, and permission to deal in, our H Shares in issue and to be issued pursuant to the Global Offering on the Main Board as mentioned in this prospectus (including any additional H Shares which may be allotted and issued pursuant to the exercise of the share options granted under the Pre-IPO Share Option Scheme) and such approval not having been withdrawn; and (b) certain other conditions set out in the Hong Kong Underwriting Agreement (including, among others, the Joint Representatives (for themselves and on behalf of the Underwriters) and the Company, agreeing upon the Offer Price), the Hong Kong Underwriters have agreed, severally but not jointly, to subscribe, or procure subscribers to subscribe, for the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering on the terms and subject to the conditions set out in this prospectus and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to, among other things, the International Underwriting Agreement having been executed and becoming unconditional and not having been terminated in accordance with its terms.

UNDERWRITING

Grounds for Termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination by written notice from the Joint Sponsors and the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters), at any time prior to 8:00 a.m. on the Listing Date if:

- (1) there develops, occurs, exists or comes into effect:
 - (a) any local, national, regional, or international event or circumstance in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of infectious disease (including contagious coronavirus (COVID-19), SARS, swine or avian flu, H5N1, H1N1, H7N9 or such related/mutated forms), economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism (whether or not responsibility has been claimed) in or affecting Hong Kong, the PRC, Singapore, Portugal, Norway, the United States, the United Kingdom, any member of the European Union or any other jurisdiction relevant to any member of our Group or the Global Offering (collectively, the “**Relevant Jurisdictions**” and each, a “**Relevant Jurisdiction**”); or
 - (b) any change or any development involving a prospective change or development in (whether or not permanent), or any event or circumstance or series of events resulting or likely to result in any change or development, or a prospective change or development, in any local, national, regional or international financial, political, military, industrial, fiscal, economic, regulatory, currency, credit, currency or market conditions, or exchange control or any monetary or trading settlement system or other financial markets (including, but not limited to, a change in the conditions in stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets or a change in the system under which the value of the Hong Kong dollar is linked to the U.S. dollar or Renminbi is linked to any foreign currency or currencies) in or affecting any of the Relevant Jurisdictions; or
 - (c) any moratorium, suspension, limitation or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the NEEQ, the London Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the New York Stock Exchange, or in the NASDAQ Global Market; or
 - (d) any general moratorium on commercial banking activities in or affecting Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent Authority), New York (imposed at the U.S. Federal or New York State level or by other competent Authority), London or any other Relevant Jurisdictions (declared by the relevant authorities), or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in or affecting any of the Relevant Jurisdictions; or

UNDERWRITING

- (e) any new law, or any change or any development involving a prospective change or any event or circumstance likely to result in a change or a development involving a prospective change in, or in the interpretation or application by any court or other competent authorities of, existing laws, in each case, in or affecting any Relevant Jurisdiction; or
- (f) any imposition of economic sanctions, or the withdrawal of trading privileges, in respect of any jurisdiction relevant to the business operations of our Group, in whatever form, directly and indirectly, by, or for, any Relevant Jurisdictions; or
- (g) any change or development involving a prospective change in or affecting taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the U.S. dollar, Euro, Hong Kong dollar or the Renminbi against any foreign currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions; or
- (h) any litigation, legal action (except for any investigation or other action as stipulated in (i) below) or claim being threatened or instigated against any member of our Group or any Director or Supervisor; or
- (i) an authority in any Relevant Jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any member of our Group or any Director or Supervisor; or
- (j) any Director, Supervisor or senior management member of our Company as named in this prospectus being charged with or found guilty of an indictable offense or prohibited by operation of law or otherwise disqualified from taking part in the management of a company or taking directorship of a company; or
- (k) any Director, or president or financial controller of our Company vacating his or her office; or
- (l) save as disclosed in this prospectus, any contravention by any member of our Group or any Director or Supervisor of any applicable laws (including, without limitation, the Listing Rules or the Companies (Winding Up and Miscellaneous Provisions) Ordinance); or
- (m) a prohibition by any competent authority on our Company for whatever reason from offering, allotting, issuing, selling the Offer Shares (including any additional H Shares that may be issued pursuant to the exercise of the share options granted under the Pre-IPO Share Option Scheme) pursuant to the terms of the Global Offering; or
- (n) any change or development involving a prospective change which has the effect of materialization of, any of the risks set out in the section headed “Risk Factors” in this prospectus; or

UNDERWRITING

- (o) non-compliance of this prospectus, the CSRC filings (or any other documents used in connection with the contemplated offer, subscription and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules, CSRC Rules (as defined in the Hong Kong Underwriting Agreement) or any other applicable laws; or
- (p) any breach or any event or circumstance rendering untrue or incorrect in any respect, any of the warranties; or
- (q) the issue or requirement to issue by our Company of any supplement or amendment to this prospectus, (or to any other documents in connection with the contemplated offer, subscription and sale of the Offer Shares) pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange, the SFC and/or the CSRC, unless such supplemental or amendment has been issued with the prior written consent of the Joint Sponsors and the Joint Representatives; or
- (r) an order or a petition is presented for the winding up or liquidation of any member of our Group or any member of our Group makes any composition, compromise or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group; or
- (s) a valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity,

which, individually or in the aggregate, in the sole and absolute opinion of the Joint Sponsors and the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters),

- (A) has or will have or is likely to have a material adverse effect or change, or any development involving a prospective material adverse effect or change, in or affecting the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, revenue, profits, losses, results of operations, position or condition, financial or otherwise, or performance of our Group, taken as a whole; or
- (B) has or will have or is likely to have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or
- (C) makes or will make or is likely to make it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to be performed or implemented as envisaged or to market the Global Offering, or to deliver the Offer Shares on the terms and in the manner contemplated by this prospectus, the formal notice, the preliminary offering circular or the final offering circular; or

UNDERWRITING

- (D) has or will have or is likely to have the effect of (i) making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or (ii) preventing or delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or
- (2) there has come to the notice of the Joint Sponsors and the Joint Representatives as at or after the date of the Hong Kong Underwriting Agreement:
- (a) that any statement contained in any of the Offering Documents, the Operative Documents, the PHIP (as defined in the Hong Kong Underwriting Agreement) and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) (collectively, the “**Offer Related Documents**”) was, when it was issued, or has become, untrue, incorrect, inaccurate, incomplete or misleading or deceptive in any respect, or that any forecast, estimate, expression of opinion, intention or expectation expressed or contained in any of the Offer Related Documents is not fair and honest, not made on reasonable grounds or, where appropriate, not based on reasonable assumptions with reference to the facts and circumstances then subsisting; or
 - (b) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission or misstatement from any of the Offer Related Documents; or
 - (c) a prohibition by a relevant authority on the Company for whatever reason from allotting or issuing the H Shares (including the H Shares which may be allotted and issued pursuant to the exercise of the share options granted under the Pre-IPO Share Option Scheme) pursuant to the terms of the Global Offering; or
 - (d) that any breach of the obligations or undertakings imposed upon any party to, the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than upon any of the Joint Representatives, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries, the Joint Sponsors, Hong Kong Underwriters or the International Underwriters); or
 - (e) any event, act or omission which gives rise to or is likely to give rise to any liability of our Company or any of the Controlling Shareholders under the Hong Kong Underwriting Agreement; or
 - (f) that there is any material adverse effect or change, or any development involving a prospective material adverse effect or change, in or affecting the assets, liabilities, business, general affairs, management, prospects, shareholders’ equity, revenue, profits, losses, results of operations, position or condition, financial or otherwise, or performance of our Group, taken as a whole; or

UNDERWRITING

- (g) that the approval of the Stock Exchange of the listing of, and permission to deal in, the H Shares in issue and to be issued pursuant to the Global Offering (including any additional H Shares that may be issued pursuant to the exercise of the share options granted under the Pre-IPO Share Option Scheme) is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, canceled, qualified (other than by customary conditions), revoked or withheld; or
- (h) that the approval by CSRC for the issue and listing of the H Shares of our Company on the Stock Exchange is withdrawn, qualified or withheld; or
- (i) that our Company withdraws any of this prospectus, the formal notice or the Global Offering; or
- (j) any of the experts specified in this prospectus (other than the Joint Sponsors) has withdrawn its respective consent to the issue of this prospectus with the inclusion of its reports, letters and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or
- (k) the orders or investment commitments by any placee or cornerstone investor after signing of agreement with such cornerstone investor, have been withdrawn, terminated or canceled; or
- (l) that there is a breach of, or any matter circumstance or event rendering any of the warranties given by our Company or any of the Controlling Shareholders in the Hong Kong Underwriting Agreement is (or might when repeated be) being untrue or misleading or inaccurate; or
- (m) a material portion of the orders in the book-building process have been withdrawn, terminated or canceled,

then the Joint Sponsors and the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters), shall be entitled, in their sole and absolute discretion, by giving a written notice to our Company and our Controlling Shareholders, to terminate the Hong Kong Underwriting Agreement with immediate effect if prior to 8:00 a.m. on the Listing Date.

UNDERWRITING

Undertakings to the Stock Exchange Pursuant to the Listing Rules

Undertakings by our Controlling Shareholders

By virtue of Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and to our Company that, except pursuant to the Global Offering, it/he will not and will procure that the relevant registered holder(s) (if any) of our H Shares will not:

- (i) in the period commencing from the date by reference to which disclosure of its/his shareholdings in our Company is made in this prospectus and ending on the date which is six months from the Listing Date (the “**First Six-Month Period**”), either directly or indirectly, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the H Shares or securities of the Company in respect of which they are shown to be the beneficial owner in this prospectus (the “**Relevant Shares**”); and
- (ii) in the period of six months commencing from the expiry of the First Six-Month Period, either directly or indirectly, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Relevant Shares to such extent that, immediately following such disposal, or upon the exercise or enforcement of such options, rights, interests or encumbrances, they will cease to be a group of controlling shareholders (as defined in the Listing Rules) of our Company.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and to our Company that within the period commencing from the date by reference to which disclosure of their shareholdings in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, it will:

- (i) when it pledges or charges any Relevant Shares in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company in writing of such pledge or charge together with the number of Relevant Shares so pledged or charged; and
- (ii) when it receives indications, either verbal or written, from the pledgee or chargee of any H Shares that any of the pledged or charged Relevant Shares will be disposed of, immediately inform our Company in writing of such indications.

Our Company will inform the Stock Exchange as soon as we have been informed of matters referred in above by any of our Controlling Shareholders and disclose such matters by way of announcement pursuant to the requirements under the Listing Rules as soon as possible.

UNDERWRITING

Undertakings pursuant to the Hong Kong Underwriting Agreement

(A) *Undertakings by our Company*

Our Company has undertaken to each of the Joint Sponsors, the Joint Representatives, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries, that except for the offer, allotment, issue and sale of the Offer Shares pursuant to the Global Offering and the issue and allotment of Shares pursuant to the exercise of the share options granted under the Pre-IPO Share Option Scheme, at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling the First Six-Month Period, our Company will not, without the prior written consent of the Joint Sponsors and the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (i) offer, allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, make any short sell or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any H Shares or other equity securities of our Company, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any H Shares or other equity securities of our Company, as applicable, or any interest in any of the foregoing), or deposit any H Shares or other equity securities of our Company, with a depository in connection with the issue of depository receipts; or
- (ii) enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership (legal or beneficial) of any H Shares or other securities of our Company, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any H Shares or other equity securities of our Company, or any interest in any of the foregoing); or
- (iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above; or
- (iv) offer to or agree to or announce any intention to enter into any transaction specified in (i), (ii) or (iii) above,

in each case, whether any of the transactions specified in (i), (ii) or (iii) above is to be settled by delivery of H Shares or other equity securities of our Company, or in cash or otherwise (whether or not the issue of such H Shares or other equity securities of our Company will be completed within the First Six-month Period).

UNDERWRITING

Our Company has further agreed that, in the event our Company is allowed to enter into any of the transactions described in paragraph (i), (ii) or (iii) above or offers to or agrees to or announces any intention to enter into any such transaction during the period of six months commencing on the date on which the First Six Month Period expires (the “**Second Six Month Period**”), we will take all reasonable steps to ensure that such an issue or disposal will not, and no other act of our Company will, create a disorderly or false market in the securities of our Company.

Our Controlling Shareholders have jointly and severally undertaken to each of the Joint Sponsors, the Joint Representatives, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries, the Hong Kong Underwriters that it/he shall procure our Company to comply with the above undertakings.

Our Company has agreed and undertaken to each of the Joint Sponsors, the Joint Representatives, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries and the Hong Kong Underwriters that we will, and the Controlling Shareholders undertake to procure that our Company will, comply with the minimum public float requirements specified in the Listing Rules or any waiver granted and not revoked by the Stock Exchange (the “**Minimum Public Float Requirement**”), and we will not effect any purchase of the H Shares, or agree to do so, which may reduce the holdings of the H Shares held by the public (as defined in Rule 8.24 of the Listing Rules) to breach the Minimum Public Float Requirement without first having obtained the prior written consent of the Joint Sponsors and the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters).

(B) Undertakings by our Controlling Shareholders

Each of our Controlling Shareholders has jointly and severally agreed and undertaken to each of the Company, the Joint Sponsors, the Joint Representatives, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries that, except as pursuant to the Global Offering and the share options granted under the Pre-IPO Share Option Scheme and the issue of the H Shares thereof, without the prior written consent of the Joint Sponsors and the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (i) it/he will not, at any time during the First Six-Month Period, (a) sell, offer to sell, contract or agree to sell, assign, mortgage, charge, pledge, hypothecate, hedge, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, make short sell or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any such other securities of our Company, as applicable), or deposit any Shares or other securities of our Company with a depository in connection with the issue of depository receipts, or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable

UNDERWRITING

for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any such other securities, as applicable), or (c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above, or (d) offer to or agree to or announce any intention to enter into any transaction specified in (a), (b) or (c) above, in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Shares or other securities of our Company or in cash or otherwise (whether or not the settlement or delivery of such Shares or other securities will be completed within the First Six-Month Period);

- (ii) it/he will not, during the Second Six-Month Period, enter into any of the transactions specified in (a), (b), (c) or (d) above or offer to or agree to or announce any intention to enter into any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, it/he will cease to be, whether individually or collectively with the other Controlling Shareholders, a “Controlling Shareholder” (as defined in the Listing Rules) of our Company; and
- (iii) until the expiry of the Second Six-Month Period, in the event that it/he enters into any of the transactions specified in (a), (b), (c) or (d) above or offers to or agrees to or announces any intention to enter into any such transaction, it/he will take all reasonable steps to ensure that it/he will not create a disorderly or false market in the securities of our Company,

provided that, subject to strict compliance with any requirements of applicable laws (including, without limitation and for the avoidance of doubt, the requirements of the Stock Exchange or of the SFC or of any other relevant authority), nothing in the undertakings above shall prevent any of our Controlling Shareholders from (i) purchasing additional H Shares or other securities of our Company in accordance with the Listing Rules and disposing of such additional H Shares or other securities of our Company; (ii) using the H Shares or other securities of our Company or any interest therein beneficially owned by it as security (including without limitation a charge or a pledge) in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, provided that (a) the relevant Controlling Shareholder will immediately inform our Company, the Joint Representatives, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries, the Hong Kong Underwriters and the Joint Sponsors in writing of such pledge or charge together with the number of Shares or other securities of our Company so pledged or charged if and when it/he/she or the relevant registered holder(s) pledges or charges any Shares or other securities of our Company beneficially owned by it/him, and (b) when the relevant Controlling Shareholder receives indications, either verbal or written, from the pledgee or charge of any Shares that any of the pledged or charged Shares or other securities of our Company will be disposed of, it/he/she will immediately inform our Company and the Joint Representatives of such indications.

UNDERWRITING

We have agreed and undertaken to the Joint Representatives, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries, the Hong Kong Underwriters and the Joint Sponsors that upon receiving such information in writing from the Controlling Shareholders, it will, as soon as practicable and if required pursuant to the Listing Rules, the SFO and/or any other applicable Law, notify the Stock Exchange and/or other relevant governmental authorities, and make a public disclosure in relation to such information by way of an announcement.

Indemnity

We and our Controlling Shareholders have agreed to indemnify, among others, the Joint Sponsors, the Joint Representatives, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries for certain losses which they may suffer, including, among others, losses arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach by our Company and our Controlling Shareholders of the Hong Kong Underwriting Agreement.

The International Offering

International Underwriting Agreement

In connection with the International Offering, it is expected that our Company and our Controlling Shareholders will enter into the International Underwriting Agreement with the Joint Sponsors, the Joint Representatives and the International Underwriters. Under the International Underwriting Agreement, subject to the conditions set forth therein, the International Underwriters would severally and not jointly agree to purchase, or procure purchasers to purchase, the Offer Shares being offered pursuant to the International Offering (subject to, among others, any reallocation between the International Offering and the Hong Kong Public Offering). It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors are reminded that in the event that the International Underwriting Agreement is not entered into, or is terminated, the Global Offering will not proceed.

It is expected that each of our Controlling Shareholders will undertake to the International Underwriters not to dispose of, or enter into any agreement to dispose of, or otherwise create any options, rights, interest or encumbrances in respect of any of the H Shares held by it in our Company for a period similar to such undertakings given by them pursuant to the Hong Kong Underwriting Agreement, which is described in “— Underwriting Arrangements and Expenses — Undertakings pursuant to the Hong Kong Underwriting Agreement — (B) Undertakings by our Controlling Shareholders” above.

UNDERWRITING

Commission and Expenses

Our Company will pay an underwriting commission of 2.5% of the aggregate Offer Price of all the Offer Shares (the “**Fixed Fees**”). Our Company may also in our sole and absolute discretion pay any one or all of the Underwriters an additional incentive fee in aggregate of up to 1.0% of the aggregate Offer Price for all of the Offer Shares (the “**Discretionary Fees**”). The ratio of the Fixed Fees and Discretionary Fees payable is therefore approximately 71.4%:28.6% (on the basis that the Discretionary Fees will be fully paid). For any unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the relevant International Underwriters and not the Hong Kong Underwriters.

The aggregate commissions and fees, together with Stock Exchange listing fees, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565%, AFRC transaction levy of 0.00015%, legal and other professional fees and printing and all other expenses payable by us relating to the Global Offering are currently estimated to amount in aggregate to approximately HK\$46.0 million (assuming an Offer Price of HK\$35.8 per Offer Share, being the mid-point of the indicative Offering Price range stated in this prospectus).

INDEPENDENCE OF THE JOINT SPONSORS

The Joint Sponsors satisfy the independence criteria applicable to sponsor set out in Rule 3A.07 of the Listing Rules.

UNDERWRITERS' INTERESTS IN OUR COMPANY

Save for the obligations under the Hong Kong Underwriting Agreement and the International Underwriting Agreement and as disclosed in this prospectus, as at the Latest Practicable Date, none of the Underwriters has any shareholding or beneficial interests in any member of our Group nor has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any member of our Group nor any interest in the Global Offering.

Following the completion of the Global Offering, the Joint Representatives and the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the H Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

UNDERWRITING

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the “**Syndicate Members**”) and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments our Company and/or persons and entities with relationships with our Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with our Group’s loans and other debt.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the H Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the H Shares in most cases.

Such activities may affect the market price or value of our H Shares, the liquidity or trading volume in our H Shares and the volatility of the price of our H Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- (a) the Syndicate Members must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to our Company and our affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

- (a) the Hong Kong Public Offering of initially 1,000,000 H Shares (subject to reallocation) in Hong Kong, as described in “— The Hong Kong Public Offering” below; and
- (b) the International Offering of initially 9,000,000 H Shares (subject to reallocation) outside the United States in offshore transactions in reliance on Regulation S, as described in “— The International Offering” below.

The 10,000,000 H Shares initially being offered in the Global Offering will represent 25% of the total number of issued Shares immediately after completion of the Global Offering, assuming that the share options granted under the Pre-IPO Share Option Scheme are not exercised. The underwriting arrangements, and the respective Underwriting Agreements, are summarized in “Underwriting” in this prospectus.

Investors may apply for Hong Kong Offer Shares under the Hong Kong Public Offering, or, if qualified to do so, apply for or indicate an interest in International Offer Shares under the International Offering, but may not do both.

References in this prospectus to applications, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

Number of Shares Initially Offered

We are initially offering 1,000,000 Hong Kong Offer Shares, representing 10% of the total number of Offer Shares initially available under the Global Offering, at the Offer Price for subscription by the public in Hong Kong. Subject to the reallocation of H Shares between (i) the International Offering; and (ii) the Hong Kong Public Offering, the Hong Kong Offer Shares will represent 2.5% of our Company’s enlarged issued share capital immediately after the completion of the Global Offering (assuming the share options granted under the Pre-IPO Share Option Scheme are not exercised).

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers and companies (including fund managers) whose ordinary business involves dealing in shares and other securities, and corporate entities which regularly invest in shares and other securities.

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a several basis under the terms of the Hong Kong Underwriting Agreement and is subject to our Company and the Joint Representatives (for themselves and on behalf of the Underwriters) agreeing on the Offer Price. Completion of the Hong Kong Public Offering is subject to the conditions as set out in “— Conditions of the Global Offering” below.

STRUCTURE OF THE GLOBAL OFFERING

Allocation

Allocation of the Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of the Offer Shares initially available under the Hong Kong Public Offering (after taking account of any reallocation in the number of Offer Shares allocated between the Hong Kong Public Offering and the International Offering referred to below) will be divided equally into two pools (with any odd lots being allocated to pool A): pool A and pool B. Pool A will comprise 500,000 Hong Kong Offer Shares and pool B will comprise 500,000 Hong Kong Offer Shares initially. Both of which are available on an equitable basis to successful applicants. All valid applications that have applied for Hong Kong Offer Shares with a total subscription price (excluding brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015% payable) of HK\$5 million or below will fall into pool A. All valid applications that have applied for Hong Kong Offer Shares with a total subscription price (excluding brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015% payable) of over HK\$5 million and up to the total value of pool B will fall into pool B.

For the purpose of this sub-section only, the “price” for Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined).

Applicants should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If Hong Kong Offer Shares in one (but not both) of the two pools are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly.

Applicants can only receive an allocation of Hong Kong Offer Shares from either Pool A or Pool B, but not from both pools. Multiple or suspected multiple applications and any application for more than 500,000 Hong Kong Offer Shares (being 50% of the 1,000,000 Offer Shares initially available under the Hong Kong Public Offering) will be rejected.

STRUCTURE OF THE GLOBAL OFFERING

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation on the following basis:

- (a) where the International Offer Shares are fully subscribed or oversubscribed and:
 - (i) if the Hong Kong Offer Shares are undersubscribed, the Joint Representatives (for themselves and on behalf of the Underwriters) have the authority (but not the obligation) in their absolute discretion to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Representatives deem appropriate to satisfy demand under the International Offering;
 - (ii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents less than 15 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering in accordance with Chapter 4.14 of the Guide issued by the Stock Exchange, so that the number of the Offer Shares available under the Hong Kong Public Offering will be increased up to 2,000,000 Offer Shares, representing 20% of the number of the Offer Shares initially available under the Global Offering;
 - (iii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 3,000,000 Offer Shares, representing 30% of the number of the Offer Shares initially available under the Global Offering;
 - (iv) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the number of the Offer Shares available under the Hong Kong Public Offering will be increased to 4,000,000 Offer Shares, representing 40% of the number of the Offer Shares initially available under the Global Offering; and
 - (v) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the number of the Offer Shares available under the Hong Kong Public Offering will be increased to 5,000,000 Offer Shares, representing 50% of the number of the Offer Shares initially available under the Global Offering.

STRUCTURE OF THE GLOBAL OFFERING

- (b) where the International Offer Shares are undersubscribed and:
 - (i) if the Hong Kong Offer Shares are undersubscribed, the Global Offering will not proceed unless fully underwritten by the Underwriters; and
 - (ii) if the Hong Kong Offer Shares are oversubscribed, irrespective of the number of times of the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased up to 2,000,000 Offer Shares, representing 20% of the number of the Offer Shares initially available under the Global Offering.

The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the sole and absolute discretion of the Joint Representatives. If either the Hong Kong Public Offering or the International Offering is not fully subscribed for, the Joint Representatives have the authority (but not the obligation) in its sole and absolute discretion to reallocate all or any unsubscribed Offer Shares from such offering to the other, in such proportion as the Joint Representatives deem appropriate.

In addition to any mandatory reallocation required as described above, the Joint Representatives (for themselves and on behalf of the Underwriters) may reallocate the Offer Shares from the International Offering to the Hong Kong Public Offering. In accordance with Chapter 4.14 of the Guide issued by the Stock Exchange, if such reallocation is done other than pursuant to Practice Note 18 of the Listing Rules, (i) the maximum total number of Offer Shares that may be reallocated to the Hong Kong Public Offering following such reallocation shall be not more than double the initial allocation to the Hong Kong Public Offering (i.e. 2,000,000 Offer Shares); and (ii) the final Offer Price shall be fixed at HK\$31.8 per Offer Share, the low-end of the Offer Price range stated in this prospectus.

In the event of a reallocation of the Offer Shares from the International Offering to the Hong Kong Public Offering in the circumstances under paragraphs (a)(ii), (a)(iii), (a)(iv), (a)(v) or (b)(ii) above, the number of Offer Shares allocated to the International Offering will be correspondingly reduced.

Applications

The Joint Representatives (for themselves and on behalf of the Underwriters) may require any investor who has been offered H Shares under the International Offering, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Representatives so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for H Shares under the Hong Kong Public Offering.

STRUCTURE OF THE GLOBAL OFFERING

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him/her/it that he/she/it and any person(s) for whose benefit he/she/it is making the application has not applied for or taken up, or indicated an interest in, and will not apply for or take up, or indicate an interest in, any International Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated International Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering may be required to pay, on application (subject to application channels), the maximum price of HK\$39.8 per Offer Share in addition to the brokerage, SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy payable on each Offer Share. If the Offer Price, as finally determined in the manner described in “— Pricing and Allocation” below, is less than the maximum price of HK\$39.8 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy attributable to the surplus application monies) will be made to successful applicants (subject to application channels), without interest. Further details are set out in “How to Apply for Hong Kong Offer Shares”.

References in this prospectus to applications, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL OFFERING

Number of Offer Shares Offered

Subject to the reallocation as described above, the number of Offer Shares to be initially offered under the International Offering will be 9,000,000, representing 90% of the total number of Offer Shares initially available under the Global Offering. The International Offering is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Underwriting Agreement, and is subject to the Hong Kong Public Offering becoming unconditional.

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in offshore transactions in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. The International Offering is subject to the Hong Kong Public Offering being unconditional.

Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the “book-building” process described in “— Pricing and Allocation” below and based on a number of factors, including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely hold or sell, H Shares, after the Listing. Such allocation is intended to result in a distribution of the H Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and our Shareholders as a whole.

STRUCTURE OF THE GLOBAL OFFERING

The Joint Representatives (for themselves and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Representatives (for themselves and on behalf of the Underwriters) so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any application of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued pursuant to the International Offering may change as a result of the reallocation arrangement described in “— The Hong Kong Public Offering — Reallocation” above, and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

PRICING AND ALLOCATION

Determining the Offer Price

The International Underwriters will be soliciting from prospective investors' indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or about Tuesday, January 7, 2025, by agreement between the Joint Representatives (for themselves and on behalf of the Underwriters) and our Company and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

Offer Price Range

The Offer Price per Offer Share under the Hong Kong Public Offering will be identical to the Offer Price per Offer Share under the International Offering based on the Hong Kong dollar price per Offer Share, as determined by the Joint Representatives (for themselves and on behalf of the Underwriters) and our Company.

The Offer Price will not be more than HK\$39.8 per Offer Share and is expected to be not less than HK\$31.8 per Offer Share, unless otherwise announced by our Company no later than the morning of the last day for lodging applications under the Hong Kong Public Offering, which is Monday, January 6, 2025, as further explained below. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.**

If, for any reason, our Company and the Joint Representatives (for themselves and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before 12:00 noon on Tuesday, January 7, 2025, the Global Offering will not proceed and will lapse.

STRUCTURE OF THE GLOBAL OFFERING

Reduction in Indicative Offer Price Range and/or Number of Offer Shares

The Joint Representatives (for themselves and on behalf of the other Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares and/or the indicative Offer Price range as stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause to be announced on the website of our Company at www.contioceangroup.com and the website of the Stock Exchange at www.hkexnews.hk, notices of the reduction, and the cancellation of the Global Offering and relaunch of the offer at the revised number of Offer Shares and/or the revised Offer Price.

As soon as practicable after such reduction of the number of Offer Shares and/or the Offer Price, we will also issue a supplemental prospectus or a new prospectus updating investors of the change in the number of Offer Shares being offered under the Global Offering and/or the Offer Price, and giving investors at least three business days to consider the new information. The supplemental or new prospectus should include at least the following: updated (i) Offer Price and market capitalization; (ii) listing timetable and underwriting obligations; (iii) price/earning multiple, unaudited pro forma and adjusted net tangible assets; and (iv) use of proceeds and working capital adequacy confirmation based on the revised proceeds.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering, which is Monday, January 6, 2025. In the absence of any such supplemental or new prospectus so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Joint Representatives (for themselves and on behalf of the Underwriters) and our Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

If there is any change to the offer size due to change in the number of Offer Shares offered in the Global Offering (other than pursuant to the reallocation mechanism as disclosed in this prospectus), or change to the Offer Price which leads to the resulting price falling outside the indicative Offer Price range as stated in this prospectus, or if the Company becomes aware that there has been a significant change affecting any matter contained in this prospectus or a significant new matter has arisen, the inclusion of information in respect of which would have been required to be in this prospectus if it had arisen before this prospectus was issued, after the issue of this prospectus and before the commencement of dealings in our Offer Shares as prescribed under Rule 11.13 of the Listing Rules, our Company is required to cancel the Global Offering and issue a supplemental prospectus or a new prospectus and subsequently relaunched on FINI pursuant to the supplemental prospectus.

STRUCTURE OF THE GLOBAL OFFERING

In the event of a reduction in the number of Offer Shares, the Joint Representatives (for themselves and on behalf of the Underwriters) may, at its discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares available under the Global Offering. The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Joint Representatives (for themselves and on behalf of the Underwriters).

Announcement of Offer Price and Basis of Allocations

The final Offer Price, the results of indications of interest in the International Offering, the results of applications in the Hong Kong Public Offering, the basis of allocations of the Hong Kong Offer Shares and the results of allocations are expected to be announced on Wednesday, January 8, 2025 on the website of our Company at www.contioceangroup.com and the website of the Stock Exchange at www.hkexnews.hk.

UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to our Company and the Joint Representatives (for themselves and on behalf of the Underwriters) agreeing on the Offer Price.

We expect to enter into the International Underwriting Agreement relating to the International Offering on or around the Price Determination Date.

These underwriting arrangements under the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarized in “Underwriting” in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptances of all applications for Offer Shares pursuant to the Global Offering will be conditional on, among others:

- (a) the Stock Exchange granting approval for the listing of, and permission to deal in, the H Shares in issue and the H Shares to be issued pursuant to the (i) Global Offering, and (ii) the exercise of the share options granted under the Pre-IPO Share Option Scheme, and such approval not subsequently having been revoked prior to the commencement of dealings in the H Shares on the Stock Exchange;
- (b) the Offer Price having been duly agreed between our Company and the Joint Representatives (for themselves and on behalf of the Underwriters) on the Price Determination Date;
- (c) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and

STRUCTURE OF THE GLOBAL OFFERING

- (d) the obligations of the Underwriters under the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and, in any event, not later than the date which is 30 days after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between our Company and the Joint Representatives (for themselves and on behalf of the Underwriters) by 12:00 noon on Tuesday, January 7, 2025, the Global Offering will not proceed and will lapse immediately.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company on the website of the Stock Exchange at www.hkexnews.hk and the website of our Company at www.contioceangroup.com on the next Business Day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in “How to Apply for Hong Kong Offer Shares — D. Dispatch/Collection of H Share Certificates and Refund of Application Monies”. In the meantime, all application monies will be held in separate bank account(s) with the receiving bankers or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

H Share certificates will only become valid evidence of title at 8:00 a.m. on the Listing Date provided that (i) the Global Offering has become unconditional in all respects; and (ii) the right of termination as described in “Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination” has not been exercised.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Stock Exchange for the listing of, and permission to deal in, the H Shares in issue and to be issued by us pursuant to the Global Offering and the share options granted under the Pre-IPO Share Option Scheme.

No part of our Company’s share or loan capital is listed on, quoted or dealt in on any other stock exchange (other than that the Non-H Shares are quoted on NEEQ) and no such listing or permission to deal is being or proposed to be sought in the near future.

STRUCTURE OF THE GLOBAL OFFERING

SHARES WILL BE ELIGIBLE FOR CCASS

Subject to the granting of the listing of, and permission to deal in, the H Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange (as defined in the Listing Rules) is required to take place in CCASS on the second settlement day after any trading day. All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisors for details of the settlement arrangements as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling our H Shares to be admitted into CCASS.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, January 9, 2025, it is expected that dealings in the H Shares on the Stock Exchange will commence at 9:00 a.m. on Thursday, January 9, 2025. The H Shares will be traded in board lots of 100 H Shares. The stock code of the H Shares will be 2613.

HOW TO APPLY FOR HONG KONG OFFER SHARES

IMPORTANT NOTICE TO INVESTORS

OF HONG KONG OFFER SHARES

FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering and below are the procedures for application.

This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk under the “HKEXnews > New Listings > New Listing Information” section, and our website at www.contioceangroup.com.

The contents of this prospectus are identical to the prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

A. APPLICATION FOR HONG KONG OFFER SHARES

1. Who Can Apply

You can apply for Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying for:

- are 18 years of age or older; and
- have a Hong Kong address (*for the HK eIPO White Form service only*).

Unless permitted by the Listing Rules or a waiver and/or consent has been granted by the Stock Exchange to us, you cannot apply for any Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying for:

- are an existing Shareholder or its close associates; or
- are a Director or a Supervisor, or any of his/her close associates.

2. Application Channels

The Hong Kong Public Offering period will begin at 9:00 a.m. on Tuesday, December 31, 2024 and end at 12:00 noon on Monday, January 6, 2025 (Hong Kong time).

HOW TO APPLY FOR HONG KONG OFFER SHARES

To apply for Hong Kong Offer Shares, you may use one of the following application channels:

Application Channel	Platform	Target Investors	Application Time
HK eIPO White Form service	Online application via the HK eIPO White Form service at www.hkeipo.hk	Investors who would like to receive a physical H Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in your own name.	From 9:00 a.m. on Tuesday, December 31, 2024 to 11:30 a.m. on Monday, January 6, 2025, Hong Kong time. The latest time for completing full payment of application monies will be 12:00 noon on Monday, January 6, 2025, Hong Kong time.
HKSCC EIPO channel	Your broker or custodian who is a HKSCC Participant will submit a HKSCC EIPO application on your behalf through HKSCC's FINI system in accordance with your instruction.	Investors who would not like to receive a physical H Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in the name of HKSCC Nominees, deposited directly into CCASS and credited to your designated HKSCC Participant's stock account.	Contact your broker or custodian for the earliest and latest time for giving such instructions, as this may vary by broker or custodian.

The **HK eIPO White Form** service and the HKSCC EIPO channel are facilities subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day of the application period to apply for Hong Kong Offer Shares.

HOW TO APPLY FOR HONG KONG OFFER SHARES

For those applying through the **HK eIPO White Form** service, once you complete payment in respect of any application instructions given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. If you are a person for whose benefit the **electronic application instructions** are given, you shall be deemed to have declared that only one set of **electronic application instructions** has been given for your benefit. If you are an agent for another person, you shall be deemed to have declared that you have only given one set of **electronic application instructions** for the benefit of the person for whom you are an agent and that you are duly authorized to give those instructions as an agent.

For the avoidance of doubt, giving an application instruction under the **HK eIPO White Form** service more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you apply through the **HK eIPO White Form** service, you are deemed to have authorized the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

By instructing your broker or custodian to apply for the Hong Kong Offer Shares on your behalf through the HKSCC EIPO Channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to apply for Hong Kong Offer Shares on your behalf and to do on your behalf all the things stated in this prospectus and any supplement to it.

For those applying through HKSCC EIPO channel, an actual application will be deemed to have been made for any application instructions given by you or for your benefit to HKSCC (in which case an application will be made by HKSCC Nominees on your behalf) provided such application instruction has not been withdrawn or otherwise invalidated before the closing time of the Hong Kong Public Offering.

HKSCC Nominees will only be acting as a nominee for you and neither HKSCC nor HKSCC Nominees shall be liable to you or any other person in respect of any actions taken by HKSCC or HKSCC Nominees on your behalf to apply for Hong Kong Offer Shares or for any breach of the terms and conditions of this prospectus.

HOW TO APPLY FOR HONG KONG OFFER SHARES

3. Information Required to Apply

You must provide the following information with your application:

For Individual Applicants

- Full name(s)² as shown on your identity document
- Identity document's issuing country or jurisdiction
- Identity document type, with order of priority:
 - i. HKID card; or
 - ii. National identification document; or
 - iii. Passport; and
- Identity document number

For Corporate Applicants

- Full name(s)² as shown on your identity document
- Identity document's issuing country or jurisdiction
- Identity document type, with order of priority:
 - i. LEI registration document; or
 - ii. Certificate of incorporation; or
 - iii. Business registration certificate; or
 - iv. Other equivalent document; and
- Identity document number

Notes:

1. If you are applying through the **HK eIPO White Form** service, you are required to provide a valid e-mail address, a contact telephone number and a Hong Kong address. You are also required to declare that the identity information provided by you follows the requirements as described in Note 2 below. In particular, where you cannot provide a HKID number, you must confirm that you do not hold a HKID card. The number of joint applicants may not exceed four. If you are a firm, the applicant must be in the individual members' names.
2. The applicant's full name as shown on their identity document must be used. If an applicant's identity document contains both an English and Chinese name, both English and Chinese names must be used. Otherwise, either English or Chinese names will be accepted. The order of priority of the applicant's identity document type must be strictly followed and where an individual applicant has a valid HKID card, the HKID number must be used when making an application to subscribe for shares in a public offer. Similarly for corporate applicants, a LEI number must be used if an entity has a LEI certificate.
3. If the applicant is a trustee, the client identification data ("CID") of the trustee, as set out above, will be required. If the applicant is an investment fund (i.e. a collective investment scheme, or CIS), the CID of the asset management company or the individual fund, as appropriate, which has opened a trading account with the broker will be required, as above.
4. The maximum number of joint account holders on FINI⁽¹⁾ is capped at four in accordance with market practice.

⁽¹⁾ Subject to change, if the Company's Articles of Association and applicable company law prescribe a lower cap.

HOW TO APPLY FOR HONG KONG OFFER SHARES

5. If you are applying as a nominee, you must provide: (i) the full name (as shown on the identity document), the identity document's issuing country or jurisdiction, the identity document type; and (ii), the identity document number, for each of the beneficial owners or, in the case(s) of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.
6. If you are applying as an unlisted company and (i) the principal business of that company is dealing in securities; and (ii) you exercise statutory control over that company, then the application will be treated as being for your benefit and you should provide the required information in your application as stated above.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange or any other stock exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

For those applying through HKSCC EIPO channel, and making an application under a power of attorney, we and the Joint Representatives, as our agent, have discretion to consider whether to accept it on any conditions we think fit, including evidence of the attorney's authority.

Failing to provide any required information may result in your application being rejected.

4. Permitted Number of Hong Kong Offer Shares for Application

Board lot size : 100 H Shares

Permitted number of Hong Kong Offer Shares for application and amount payable on application/successful allotment : Hong Kong Offer Shares are available for application in specified board lot sizes only. Please refer to the amount payable associated with each specified board lot size in the table below.

The maximum Offer Price is HK\$39.8 per H Share.

If you are applying through the HKSCC EIPO channel, you are required to pre-fund your application based on the amount specified by your broker or custodian, as determined based on the applicable laws and regulations in Hong Kong.

HOW TO APPLY FOR HONG KONG OFFER SHARES

By instructing your broker or custodian to apply for the Hong Kong Offer Shares on your behalf through the HKSCC EIPO Channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to arrange payment of the final Offer Price, brokerage, SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy by debiting the relevant nominee bank account at the designated bank for your broker or custodian.

If you are applying through the **HK eIPO White Form** service, you may refer to the table below for the amount payable for the number of Shares you have selected. You must pay the respective amount payable on application in full upon application for Hong Kong Offer Shares.

No. of Hong Kong Offer Shares applied for	Maximum Amount payable ⁽²⁾ on application/successful allotment	No. of Hong Kong Offer Shares applied for	Maximum Amount payable ⁽²⁾ on application/successful allotment	No. of Hong Kong Offer Shares applied for	Maximum Amount payable ⁽²⁾ on application/successful allotment	No. of Hong Kong Offer Shares applied for	Maximum Amount payable ⁽²⁾ on application/successful allotment
	<i>HK\$</i>		<i>HK\$</i>		<i>HK\$</i>		<i>HK\$</i>
100	4,020.14	2,000	80,402.77	10,000	402,013.84	300,000	12,060,414.90
200	8,040.27	2,500	100,503.46	20,000	804,027.65	400,000	16,080,553.20
300	12,060.41	3,000	120,604.15	30,000	1,206,041.49	500,000 ⁽¹⁾	20,100,691.50
400	16,080.55	3,500	140,704.84	40,000	1,608,055.32		
500	20,100.69	4,000	160,805.53	50,000	2,010,069.16		
600	24,120.83	4,500	180,906.23	60,000	2,412,082.98		
700	28,140.96	5,000	201,006.91	70,000	2,814,096.81		
800	32,161.11	6,000	241,208.30	80,000	3,216,110.65		
900	36,181.24	7,000	281,409.68	90,000	3,618,124.46		
1,000	40,201.38	8,000	321,611.07	100,000	4,020,138.30		
1,500	60,302.07	9,000	361,812.45	200,000	8,040,276.60		

Notes:

- (1) Maximum number of Hong Kong Offer Shares you may apply for and this is 50% of the Hong Kong Offer Shares initially offered.
- (2) The amount payable is inclusive of brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy. If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules) or to the **HK eIPO White Form** Service Provider (for applications made through the application channel of the **HK eIPO White Form** Service Provider) while the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy will be paid to the SFC, the Stock Exchange and the AFRC, respectively.

HOW TO APPLY FOR HONG KONG OFFER SHARES

5. Multiple Applications Prohibited

You or your joint applicant(s) shall not make more than one application for your own benefit, except where you are a nominee and provide the information of the underlying investor in your application as required under the paragraph headed “— A. Application for Hong Kong Offer Shares — 3. Information Required to Apply” in this section. If you are suspected of submitting or cause to submit more than one application, all of your applications will be rejected.

Multiple applications made either through (i) the **HK eIPO White Form** service, (ii) HKSCC EIPO channel, or (iii) both channels concurrently are prohibited and will be rejected. If you have made an application through the **HK eIPO White Form** service or HKSCC EIPO channel, you or the person(s) for whose benefit you have made the application shall not apply further for any Offer Shares.

The H Share Registrar would record all applications into its system and identify suspected multiple applications with identical names, identification document numbers and reference numbers according to the Best Practice Note on Treatment of Multiple/Suspected Multiple Applications (“**Best Practice Note**”) issued by the Federation of Share Registrars Limited.

Since applications are subject to personal information collection statements, identification document numbers displayed are redacted.

6. Terms and Conditions of An Application

By applying for Hong Kong Offer Shares through the **HK eIPO White Form** service or HKSCC EIPO channel, you (or as the case may be, HKSCC Nominees will do the following things on your behalf):

- (i) undertake to execute all relevant documents and instruct and authorize us and/or the Joint Representatives, as our agent, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association, and (if you are applying through the HKSCC EIPO channel) to deposit the allotted Hong Kong Offer Shares directly into CCASS for the credit of your designated HKSCC Participant’s stock account on your behalf;
- (ii) confirm that you have read and understand the terms and conditions and application procedures set out in this prospectus and the designated website of the **HK eIPO White Form** service (or as the case may be, the agreement you entered into with your broker or custodian), and agree to be bound by them;
- (iii) (if you are applying through the HKSCC EIPO channel) agree to the arrangements, undertakings and warranties under the participant agreement between your broker or custodian and HKSCC and observe the General Rules of HKSCC and the HKSCC Operational Procedures for giving application instructions to apply for Hong Kong Offer Shares;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (iv) confirm that you are aware of the restrictions on offers and sales of shares set out in this prospectus and they do not apply to you, or the person(s) for whose benefit you have made the application;
- (v) confirm that you have read this prospectus and any supplement to it and have relied only on the information and representations contained therein in making your application (or as the case may be, causing your application to be made) and will not rely on any other information or representations;
- (vi) agree that our Company, the Joint Sponsors, the Joint Representatives, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries, and any of their or our Company's respective directors, officers, employees, partners, agents, advisors, and representatives, and any other parties involved in the Global Offering (collectively, the "**Relevant Persons**"), the H Share Registrar and HKSCC will not be liable for any information and representations not in this prospectus and any supplement to it;
- (vii) agree to disclose the details of your application and your personal data and any other personal data which may be required about you and the person(s) for whose benefit you have made the application to us, the Relevant Persons, the H Share Registrar, HKSCC, HKSCC Nominees, the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, for the purposes under the paragraph headed "*— G. Personal Data — 3. Purposes*" and "*4. Transfer of personal data*" in this section;
- (viii) agree (without prejudice to any other rights which you may have once your application (or as the case may be, HKSCC Nominees' application) has been accepted) that you will not rescind it because of an innocent misrepresentation;
- (ix) agree that subject to Section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any application made by you or HKSCC Nominees on your behalf cannot be revoked once it is accepted, which will be evidenced by the notification of the result of the ballot by the H Share Registrar by way of publication of the results at the time and in the manner as specified in the paragraph headed "*— B. Publication of Results*" in this section;
- (x) confirm that you are aware of the situations specified in the paragraph headed "*— C. Circumstances In Which You Will Not Be Allocated Hong Kong Offer Shares*" in this section;
- (xi) agree that your application or HKSCC Nominees' application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (xii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Articles of Association and laws of any place outside Hong Kong that apply to your application and that neither we nor the Relevant Persons will breach any law inside and/or outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus;
- (xiii) confirm that (a) your application or HKSCC Nominees' application on your behalf is not financed directly or indirectly by our Company, any of the directors, chief executives, substantial Shareholder(s) or existing shareholder(s) of our Company or any of our subsidiaries or any of their respective close associates; and (b) you are not accustomed or will not be accustomed to taking instructions from our Company, any of the directors, chief executives, substantial shareholder(s) or existing shareholder(s) of our Company or any of our subsidiaries or any of their respective close associates in relation to the acquisition, disposal, voting or other disposition of the H Shares registered in your name or otherwise held by you;
- (xiv) warrant that the information you have provided is true and accurate;
- (xv) confirm that you understand that we and the Joint Representatives will rely on your declarations and representations in deciding whether or not to allocate any Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xvi) agree to accept Hong Kong Offer Shares applied for or any lesser number allocated to you under the application;
- (xvii) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving **electronic application instructions** to HKSCC directly or indirectly or through the application channel of the **HK eIPO White Form** Service Provider or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (1) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving **electronic application instructions** to HKSCC and the **HK eIPO White Form** Service Provider and (2) you have due authority to give **electronic application instructions** on behalf of that other person as its agent.

HOW TO APPLY FOR HONG KONG OFFER SHARES

B. PUBLICATION OF RESULTS

Results of Allocation

You can check whether you are successfully allocated any Hong Kong Offer Shares through:

Platform	Date/Time
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Applying through the **HK eIPO White Form** service or HKSCC EIPO channel:

<p>Website</p> <p>From the “Allotment Results” page at www.tricor.com.hk/ipo/result or www.hkeipo.hk/IPOResult with a “search by ID” function.</p>	<p>24 hours, from 11:00 p.m. on Wednesday, January 8, 2025 to 12:00 midnight Tuesday, January 14, 2025 (Hong Kong time).</p>
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The full list of (i) wholly or partially successful applicants using the **HK eIPO White Form** service and HKSCC EIPO channel; and (ii) the number of Hong Kong Offer Shares conditionally allotted to them, among other things, will be displayed at **www.hkeipo.hk/IPOResult** or **www.tricor.com.hk/ipo/result**.

The Stock Exchange’s website at **www.hkexnews.hk** and our website at **www.contioceangroup.com** which will provide links to the above mentioned websites of the H Share Registrar.

No later than 11:00 p.m. on Wednesday, January 8, 2025 (Hong Kong time).

<p>Telephone</p> <p>+852 3691 8488 — the allocation results telephone enquiry line provided by the H Share Registrar.</p>	<p>Between 9:00 a.m. and 6:00 p.m., from Thursday, January 9, 2025 to Tuesday, January 14, 2025 (Hong Kong time) on a business day.</p>
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For those applying through HKSCC EIPO channel, you may also check with your broker or custodian from 6:00 p.m. on Tuesday, January 7, 2025 (Hong Kong time), HKSCC Participants can log into FINI and review the allotment result from 6:00 p.m. on Tuesday, January 7, 2025 (Hong Kong time) on a 24-hour basis and should report any discrepancies on allotments to HKSCC as soon as practicable.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Allocation Announcement

We expect to announce the results of the final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of Hong Kong Offer Shares on the Stock Exchange's website at www.hkexnews.hk and our website at www.contioceangroup.com by no later than 11:00 p.m. on Wednesday, January 8, 2025 (Hong Kong time).

C. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES

You should note the following situations in which Hong Kong Offer Shares will not be allocated to you or the person(s) for whose benefit you are applying for:

1. If your application is revoked:

Your application or the application made by HKSCC Nominees on your behalf may be revoked pursuant to Section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

2. If we or our agents exercise our discretion to reject your application:

We, the Joint Representatives, the H Share Registrar and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

3. If the allocation of Hong Kong Offer Shares is void:

The allocation of Hong Kong Offer Shares will be void if the Stock Exchange does not grant permission to list the H Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Stock Exchange notifies us of that longer period within three weeks of the closing date of the application lists.

4. If:

- you make multiple applications or suspected multiple applications. You may refer to the paragraph headed “— A. Application for Hong Kong Offer Shares — 5. Multiple Applications Prohibited” in this section on what constitutes multiple applications;
- your application instruction is incomplete;
- your payment (or confirmation of funds, as the case may be) is not made correctly;
- the Underwriting Agreements do not become unconditional or are terminated;
- we or the Joint Representatives believe that by accepting your application, it or we would violate applicable securities or other laws, rules or regulations.

HOW TO APPLY FOR HONG KONG OFFER SHARES

5. If there is money settlement failure for allotted H Shares:

Based on the arrangements between HKSCC Participants and HKSCC, HKSCC Participants will be required to hold sufficient application funds on deposit with their designated bank before balloting. After balloting of Hong Kong Offer Shares, the Receiving Bank will collect the portion of these funds required to settle each HKSCC Participant's actual Hong Kong Offer Share allotment from their designated bank.

There is a risk of money settlement failure. In the extreme event of money settlement failure by a HKSCC Participant (or its designated bank), who is acting on your behalf in settling payment for your allotted H Shares, HKSCC will contact the defaulting HKSCC Participant and its designated bank to determine the cause of failure and request such defaulting HKSCC Participant to rectify or procure to rectify the failure.

However, if it is determined that such settlement obligation cannot be met, the affected Hong Kong Offer Shares will be reallocated to the International Offering. Hong Kong Offer Shares applied for by you through the broker or custodian may be affected to the extent of the settlement failure. In the extreme case, you will not be allocated any Hong Kong Offer Shares due to the money settlement failure by such HKSCC Participant. None of us, the Relevant Persons, the H Share Registrar and HKSCC is or will be liable if Hong Kong Offer Shares are not allocated to you due to the money settlement failure.

D. DISPATCH/COLLECTION OF H SHARE CERTIFICATES AND REFUND OF APPLICATION MONIES

You will receive one H Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made through the HKSCC EIPO channel where the H Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the H Shares. No receipt will be issued for sums paid on application.

H Share certificates will only become valid at 8:00 a.m. on the Listing Date, provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination" has not been exercised. Investors who trade the H Shares on the basis of publicly available allocation details prior to the receipt of H Share certificates or prior to the H Share certificates becoming valid evidence of title do so entirely at their own risk.

The right is reserved to retain any H Share certificate(s) and (if applicable) any surplus application monies pending clearance of application monies.

HOW TO APPLY FOR HONG KONG OFFER SHARES

The following sets out the relevant procedures and time:

HK eIPO White Form service

HKSCC EIPO channel

Dispatch/collection of H Share certificate¹

For application of 100,000 Hong Kong Offer Shares or more

Collection in person at the H Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

H Share certificate(s) will be issued in the name of HKSCC Nominees, deposited into CCASS and credited to your designated HKSCC Participant's stock account.

Time: from 9:00 a.m. to 1:00 p.m. on Thursday, January 9, 2025 (Hong Kong time).

No action by you is required.

If you are an individual, you must not authorize any other person to collect for you. If you are a corporate applicant, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop.

Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar.

Note: If you do not collect your H Share certificate(s) personally within the time above, it/they will be sent to the address specified in your application instructions by ordinary post at your own risk.

For application of less than 100,000 Hong Kong Offer Shares

Your H Share certificate(s) will be sent to the address specified in your application instructions by ordinary post at your own risk.

Date: Wednesday, January 8, 2025.

HOW TO APPLY FOR HONG KONG OFFER SHARES

HK eIPO White Form service

HKSCC EIPO channel

Refund mechanism for surplus application monies paid by you

Date	Thursday, January 9, 2025.	Subject to the arrangement between you and your broker or custodian.
Responsible party	H Share Registrar.	Your broker or custodian.
Application monies paid through single bank account	HK eIPO White Form e-Auto Refund payment instructions to your designated bank account.	Your broker or custodian will arrange refund to your designated bank account subject to the arrangement between you and it.
Application monies paid through multiple bank accounts	Refund cheque(s) will be dispatched to the address as specified in your application instructions by ordinary post at your own risk.	

1. Except in the event of a tropical cyclone warning signal number 8 or above, a black rainstorm warning and/or Extreme Conditions in the morning on Wednesday, January 8, 2025 rendering it impossible for the relevant H Share certificates to be dispatched to HKSCC in a timely manner, the Company shall procure the H Share Registrar to arrange for delivery of the supporting documents and H Share certificates in accordance with the contingency arrangements as agreed between them. You may refer to “— E. Severe Weather Arrangements” in this section.

E. SEVERE WEATHER ARRANGEMENTS

The Opening and Closing of the Application Lists

The application lists will not open or close on Monday, January 6, 2025 if, there is/are:

- a tropical cyclone warning signal number 8 or above;
- a black rainstorm warning; and/or
- Extreme Conditions,

(collectively, “**Severe Weather Signals**”),

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, January 6, 2025.

Instead they will open between 11:45 a.m. and 12:00 noon and/or close at 12:00 noon on the next business day which does not have Severe Weather Signals in force at any time between 9:00 a.m. and 12:00 noon.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Prospective investors should be aware that a postponement of the opening/closing of the application lists may result in a delay in the listing date. Should there be any changes to the dates mentioned in the section headed “Expected Timetable” in this prospectus, an announcement will be made and published on the Stock Exchange’s website at www.hkexnews.hk and our website at www.contioceangroup.com of the revised timetable.

If a Severe Weather Signal is hoisted on Wednesday, January 8, 2025, the H Share Registrar will make appropriate arrangements for the delivery of the H Share certificates to the HKSCC Depository’s service counter so that they would be available for trading on Thursday, January 9, 2025.

If a **Severe** Weather Signal is hoisted on Wednesday, January 8, 2025, for application of less than 100,000 Offer Shares, the dispatch of physical H Share certificates will be made by ordinary post when the post office re-opens after the **Severe** Weather Signal is lowered or cancelled (e.g. in the afternoon of Wednesday, January 8, 2025 or on Thursday, January 9, 2025).

If a **Severe** Weather Signal is hoisted on Thursday, January 9, 2025, for application of 100,000 Offer Shares or more, the physical H Share certificates will be available for collection in person at the H Share Registrar’s office after the **Severe** Weather Signal is lowered or cancelled (e.g. in the afternoon of Thursday, January 9, 2025 or on Friday, January 10, 2025).

Prospective investors should be aware that if they choose to receive physical H Share certificates issued in their own name, there may be a delay in receiving the H Share certificates.

F. ADMISSION OF THE H SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the H Shares on the Stock Exchange and we comply with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time.

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

You should seek the advice of your broker or other professional advisor for details of the settlement arrangement as such arrangements may affect your rights and interests.

HOW TO APPLY FOR HONG KONG OFFER SHARES

G. PERSONAL DATA

The following Personal Information Collection Statement applies to any personal data collected and held by our Company, the H Share Registrar, the receiving bank and the Relevant Persons about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. This personal data may include client identifier(s) and your identification information. By giving application instructions to HKSCC, you acknowledge that you have read, understood and agree to all of the terms of the Personal Information Collection Statement below.

1. Personal Information Collection Statement

This Personal Information Collection Statement informs the applicant for, and holder of, Hong Kong Offer Shares, of the policies and practices of our Company and the H Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

2. Reasons for the collection of your personal data

It is necessary for applicants and registered holders of Hong Kong Offer Shares to ensure that personal data supplied to our Company or its agents and the H Share Registrar is accurate and up-to-date when applying for Hong Kong Offer Shares or transferring Hong Kong Offer Shares into or out of their names or in procuring the services of the H Share Registrar.

Failure to supply the requested data or supplying inaccurate data may result in your application for Hong Kong Offer Shares being rejected, or in the delay or the inability of our Company or the H Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of Hong Kong Offer Shares which you have successfully applied for and/or the dispatch of H Share certificate(s) to which you are entitled.

It is important that applicants for and holders of Hong Kong Offer Shares inform our Company and the H Share Registrar immediately of any inaccuracies in the personal data supplied.

3. Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund cheque and **HK eIPO White Form** e-Auto Refund payment instruction(s), where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of Hong Kong Offer Shares;
- compliance with applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the names of the holders of the H Shares including, where applicable, HKSCC Nominees;
- maintaining or updating the register of members of our Company;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- verifying identities of applicants for and holders of the H Shares and identifying any duplicate applications for the Shares;
- facilitating Hong Kong Offer Shares balloting;
- establishing benefit entitlements of holders of the H Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from our Company and our subsidiaries;
- compiling statistical information and profiles of the holder of the H Shares;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable our Company and the H Share Registrar to discharge their obligations to applicants and holders of the H Shares and/or regulators and/or any other purposes to which applicants and holders of the H Shares may from time to time agree.

4. Transfer of personal data

Personal data held by our Company and the H Share Registrar relating to the applicants for and holders of Hong Kong Offer Shares will be kept confidential but our Company and the H Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- our Company's appointed agents such as financial advisors, receiving bank and overseas principal share registrar;
- HKSCC or HKSCC Nominees, who will use the personal data and may transfer the personal data to the H Share Registrar, in each case for the purposes of providing its services or facilities or performing its functions in accordance with its rules or procedures and operating FINI and CCASS (including where applicants for the Hong Kong Offer Shares request a deposit into CCASS);
- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to our Company or the H Share Registrar in connection with their respective business operation;
- the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, including for the purpose of the Stock Exchange's administration of the Listing Rules and the SFC's performance of its statutory functions; and
- any persons or institutions with which the holders of Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or brokers etc.

HOW TO APPLY FOR HONG KONG OFFER SHARES

5. Retention of personal data

Our Company and the H Share Registrar will keep the personal data of the applicants and holders of Hong Kong Offer Shares for as long as necessary to fulfill the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

6. Access to and correction of personal data

Applicants for and holders of Hong Kong Offer Shares have the right to ascertain whether our Company or the H Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. Our Company and the H Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to our Company and the H Share Registrar, at their registered address disclosed in the section headed “Corporate information” in this prospectus or as notified from time to time, for the attention of our joint company secretaries, or the H Share Registrar for the attention of the privacy compliance officer.

The following is the text of a report set out on pages I-1 to I-80, received from the Company's reporting accountants Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

Deloitte.

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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF CONTIOCEAN ENVIRONMENT TECH GROUP CO., LTD., CITIC SECURITIES (HONG KONG) LIMITED AND CHINA GALAXY INTERNATIONAL SECURITIES (HONG KONG) CO., LIMITED

INTRODUCTION

We report on the historical financial information 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 (together, the “**Group**”) set out on pages I-4 to I-80, which comprises the consolidated statements of financial position of the Group as at December 31, 2021, 2022 and 2023 and June 30, 2024, the statements of financial position of the Company as at December 31, 2021, 2022 and 2023 and June 30, 2024, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the three years ended December 31, 2023 and the six months ended June 30, 2024 (the “**Track Record Period**”) and material accounting policy information and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information set out on pages I-4 to I-80 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated December 31, 2024 (the “**Prospectus**”) in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 3 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

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

* English name for identification purpose only

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 3 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's financial position as at December 31, 2021, 2022 and 2023 and June 30, 2024, of the Company's financial position as at December 31, 2021, 2022 and 2023 and June 30, 2024 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 3 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises 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 six months ended June 30, 2023 and other explanatory information (the "**Stub Period Comparative Financial Information**"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in Note 3 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 3 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance*Adjustments*

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 14 to the Historical Financial Information which contains information about the dividend declared and paid by the Company in respect of the Track Record Period.

Deloitte Touche Tohmatsu*Certified Public Accountants*

Hong Kong

December 31, 2024

HISTORICAL FINANCIAL INFORMATION OF THE GROUP**Preparation of Historical Financial Information**

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

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with International Financial Reporting Standards (“**IFRSs**”) issued by International Accounting Standards Board (the “**IASB**”) and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA (“**Underlying Financial Statements**”).

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

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	Year ended December 31,			Six months ended June 30,	
		2021	2022	2023	2023	2024
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	5	140,521	267,233	510,255	219,556	336,466
Cost of sales		(93,012)	(167,151)	(268,518)	(118,378)	(193,684)
Gross profit		47,509	100,082	241,737	101,178	142,782
Other income	7	2,233	702	3,612	1,279	2,631
Other gains and losses	8	4,033	(5,219)	(6,576)	(7,527)	5,345
Distribution and selling expenses		(13,152)	(16,188)	(27,744)	(12,163)	(20,550)
Administrative expenses		(18,277)	(24,907)	(47,336)	(17,306)	(23,495)
Research and development expenses		(6,526)	(9,793)	(18,929)	(5,566)	(10,148)
Share of results of associates	17	—	(897)	(1,722)	(767)	—
Impairment losses under expected credit loss ("ECL") model, net of reversal		(924)	(709)	(1,700)	(521)	(304)
Finance costs	9	(132)	(176)	(558)	(119)	(443)
Profit before tax	10	14,764	42,895	140,784	58,488	95,818
Income tax expense	11	(1,995)	(6,118)	(20,250)	(8,760)	(13,736)
Profit for the year/period		12,769	36,777	120,534	49,728	82,082
Other comprehensive income (expense)						
<i>Items that may be reclassified subsequently to profit or loss:</i>						
Share of other comprehensive income (expense) of an associate		—	117	(117)	(59)	—
Exchange differences arising on translation of foreign operations		(1,039)	3,445	(350)	1,485	(2,594)
Other comprehensive (expense) income for the year/period, net of income tax		(1,039)	3,562	(467)	1,426	(2,594)
Total comprehensive income for the year/period		11,730	40,339	120,067	51,154	79,488
Profit (loss) for the year/period attributable to:						
Owners of the Company		12,754	36,735	120,556	49,572	82,494
Non-controlling interests		15	42	(22)	156	(412)
Profit for the year/period		12,769	36,777	120,534	49,728	82,082
Total comprehensive income (expense) for the year/period attributable to:						
Owners of the Company		11,749	40,139	119,977	51,059	80,146
Non-controlling interests		(19)	200	90	95	(658)
Total comprehensive income (expense) for the year/period attributable to:		11,730	40,339	120,067	51,154	79,488
EARNINGS PER SHARE						
Basic (in RMB)	13	0.43	1.22	4.02	1.65	2.75

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	NOTES	At December 31,			At June 30,
		2021	2022	2023	2024
		RMB'000	RMB'000	RMB'000	RMB'000
Non-Current Assets					
Property, plant and equipment	15	54,106	51,164	49,103	48,111
Right-of-use assets	16	9,835	8,463	9,460	8,690
Interests in associates	17	—	3,236	—	—
Goodwill	18	—	—	8,524	8,585
Other intangible assets	20	123	108	94	86
Deferred tax assets	21	1,485	2,430	3,433	2,125
Prepayment for purchase of property, plant and equipment		109	217	88	36
		<u>65,658</u>	<u>65,618</u>	<u>70,702</u>	<u>67,633</u>
Current Assets					
Inventories	22	32,329	87,287	87,382	37,114
Trade and other receivables	23	89,665	83,462	88,193	82,117
Contract assets	24	—	503	719	1,260
Contract costs	25	—	2,930	11,900	12,382
Tax recoverable		552	442	—	—
Financial assets at fair value through profit or loss (“FVTPL”)		504	—	—	—
Amount due from a related party	26	8,012	—	—	—
Amounts due from directors and supervisors	12	10,121	10,907	—	—
Term deposits with an original maturity over three months but within one year	27	—	—	35,414	—
Term deposits with an original maturity over one year	27	—	—	10,000	10,000
Restricted bank deposits	27	51,482	58,844	40,776	44,583
Cash and cash equivalents	27	<u>100,082</u>	<u>66,723</u>	<u>177,414</u>	<u>155,634</u>
		<u>292,747</u>	<u>311,098</u>	<u>451,798</u>	<u>343,090</u>

	NOTES	At December 31,			At June 30,
		2021	2022	2023	2024
		RMB'000	RMB'000	RMB'000	RMB'000
Current Liabilities					
Trade and other payables	28	45,871	60,048	55,581	102,006
Bank borrowings	29	—	4,118	19,900	11,950
Income tax payable		9,097	12,081	9,934	11,800
Lease liabilities	30	1,171	899	1,395	1,248
Provisions	31	252	503	4,539	6,643
Contract liabilities	24	169,678	161,114	174,862	21,740
Amounts due to related parties	26	14,047	275	—	—
Other current liabilities		3,142	1,153	5	—
		<u>243,258</u>	<u>240,191</u>	<u>266,216</u>	<u>155,387</u>
Net Current Assets		<u>49,489</u>	<u>70,907</u>	<u>185,582</u>	<u>187,703</u>
Total Assets Less Current Liabilities		<u>115,147</u>	<u>136,525</u>	<u>256,284</u>	<u>255,336</u>
Capital and Reserves					
Share capital/paid-in capital	32	20,000	20,000	30,000	30,000
Reserves		<u>92,019</u>	<u>114,122</u>	<u>222,129</u>	<u>207,405</u>
Equity attributable to owners of the Company		112,019	134,122	252,129	237,405
Non-controlling interests		<u>1,581</u>	<u>1,781</u>	<u>2,662</u>	<u>2,004</u>
Total Equity		<u>113,600</u>	<u>135,903</u>	<u>254,791</u>	<u>239,409</u>
Non-Current Liabilities					
Bank borrowings	29	—	—	—	15,000
Deferred tax liabilities	21	80	—	—	—
Lease liabilities	30	1,467	622	1,493	927
		<u>1,547</u>	<u>622</u>	<u>1,493</u>	<u>15,927</u>
		<u>115,147</u>	<u>136,525</u>	<u>256,284</u>	<u>255,336</u>

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	NOTES	At December 31,			At June 30,
		2021	2022	2023	2024
		RMB'000	RMB'000	RMB'000	RMB'000
Non-Current Assets					
Property, plant and equipment	15	3,243	2,404	2,450	2,522
Right-of-use assets	16	1,878	855	2,268	1,719
Investments in subsidiaries	19	45,000	45,648	46,355	56,708
Other intangible assets	20	123	108	94	86
Deferred tax assets	21	10	359	450	609
Prepayment for purchase of property, plant and equipment		—	130	—	36
		50,254	49,504	51,617	61,680
Current Assets					
Inventories	22	18,764	29,820	17,842	4,121
Trade and other receivables	23	68,404	170,245	131,747	111,775
Contract assets	24	—	503	—	—
Contract costs	25	—	2,930	2,656	238
Financial assets at FVTPL		504	—	—	—
Amount due from a subsidiary	26	22,037	13,994	9,219	10,233
Amounts due from directors and supervisors	12	412	300	—	—
Term deposits with an original maturity over one year	27	—	—	10,000	10,000
Restricted bank deposits	27	51,482	58,844	40,776	33,706
Cash and cash equivalents	27	19,743	15,981	84,044	54,353
		181,346	292,617	296,284	224,426

	NOTES	At December 31,			At June 30,
		2021	2022	2023	2024
		RMB'000	RMB'000	RMB'000	RMB'000
Current Liabilities					
Trade and other payables	28	16,198	51,366	20,715	76,285
Amount due to a related party	26	14,000	—	—	—
Amounts due to subsidiaries	26	—	55,992	61,603	30,988
Bank borrowings	29	—	—	9,900	9,950
Income tax payable		6,359	7,494	4,191	2,598
Lease liabilities	30	942	612	1,081	1,066
Provisions	31	—	194	1,499	2,097
Contract liabilities	24	97,880	122,534	49,109	—
Other current liabilities		3,080	1,147	—	—
		138,459	239,339	148,098	122,984
Net Current Assets		42,887	53,278	148,186	101,442
Total Assets Less Current Liabilities		93,141	102,782	199,803	163,122
Capital and Reserves					
Share capital/paid-in capital	32	20,000	20,000	30,000	30,000
Reserves	33	72,155	82,487	168,337	132,195
Total Equity		92,155	102,487	198,337	162,195
Non-Current Liabilities					
Deferred tax liabilities	21	80	—	—	—
Lease liabilities	30	906	295	1,466	927
		986	295	1,466	927
		93,141	102,782	199,803	163,122

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to the Owners of the Company										
	Paid-in capital	Share capital	Capital reserve	Share premium	Foreign currency translation reserve	Other reserves	Share-based payment reserve	Retained profits	Subtotal	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2021	20,000	—	8,504	—	1,591	5,037	2,071	72,986	110,189	427	110,616
Profit for the year	—	—	—	—	—	—	—	12,754	12,754	15	12,769
Other comprehensive expense for the year	—	—	—	—	(1,005)	—	—	—	(1,005)	(34)	(1,039)
Total comprehensive (expense) income for the year	—	—	—	—	(1,005)	—	—	12,754	11,749	(19)	11,730
Contribution from a non-controlling shareholder	—	—	—	—	—	—	—	—	—	1,173	1,173
Appropriation to surplus reserve	—	—	—	—	—	851	—	(851)	—	—	—
Distribution to the shareholders	—	—	—	—	—	—	—	(11,000)	(11,000)	—	(11,000)
Provision of safety fund surplus reserve	—	—	—	—	—	832	—	(832)	—	—	—
Utilisation of safety fund surplus reserve	—	—	—	—	—	(47)	—	47	—	—	—
Deemed distribution to the shareholders (Note b)	—	—	(48)	—	—	—	—	—	(48)	—	(48)
Recognition of equity settled share-based payments (Note 34)	—	—	—	—	—	—	1,129	—	1,129	—	1,129
At December 31, 2021	20,000	—	8,456	—	586	6,673	3,200	73,104	112,019	1,581	113,600
Profit for the year	—	—	—	—	—	—	—	36,735	36,735	42	36,777
Other comprehensive income for the year	—	—	—	—	3,404	—	—	—	3,404	158	3,562
Total comprehensive income for the year	—	—	—	—	3,404	—	—	36,735	40,139	200	40,339
Recognition of equity settled share-based payments (Note 34)	—	—	—	—	—	—	2,166	—	2,166	—	2,166
Appropriation to surplus reserve	—	—	—	—	—	2,817	—	(2,817)	—	—	—
Distribution to the shareholders	—	—	—	—	—	—	—	(20,000)	(20,000)	—	(20,000)
Provision of safety fund surplus reserve	—	—	—	—	—	624	—	(624)	—	—	—
Utilisation of safety fund surplus reserve	—	—	—	—	—	(263)	—	263	—	—	—
Conversion into a joint stock company	(20,000)	20,000	(8,456)	45,661	—	(5,422)	—	(31,785)	—	—	—
Deemed distribution to the shareholders (Note b)	—	—	—	(202)	—	—	—	—	(202)	—	(202)

Attributable to the Owners of the Company											
	Paid-in capital	Share capital	Capital reserve	Share premium	Foreign currency translation reserve	Other reserves	Share-based payment reserve	Retained profits	Subtotal	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At December 31, 2022	—	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 39)	—	—	—	—	—	—	—	—	—	791	791
Recognition of equity settled share-based payments (Note 34)	—	—	—	—	—	—	7,036	—	7,036	—	7,036
Appropriation to surplus reserve	—	—	—	—	—	9,381	—	(9,381)	—	—	—
Distribution to the shareholders	—	—	—	—	—	—	—	(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 34)	—	—	—	4,776	—	—	(4,776)	—	—	—	—
Deemed distribution to the shareholders (Note c)	—	—	—	(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

Attributable to the Owners of the Company											
	Paid-in capital	Share capital	Capital reserve	Share premium	Foreign currency translation reserve	Other reserves	Share-based payment reserve	Retained profits	Subtotal	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Note 32)			(Note a)			(Note d)			
At January 1, 2024	—	30,000	—	36,229	3,411	14,476	7,626	160,387	252,129	2,662	254,791
Profit (loss) for the period	—	—	—	—	—	—	—	82,494	82,494	(412)	82,082
Other comprehensive expense for the period	—	—	—	—	(2,348)	—	—	—	(2,348)	(246)	(2,594)
Total comprehensive (expense) income for the period	—	—	—	—	(2,348)	—	—	82,494	80,146	(658)	79,488
Recognition of equity settled share-based payments (Note 34)	—	—	—	—	—	—	1,130	—	1,130	—	1,130
Distribution to the shareholders	—	—	—	—	—	—	—	(96,000)	(96,000)	—	(96,000)
Provision of safety fund surplus reserve	—	—	—	—	—	752	—	(752)	—	—	—
Utilisation of safety fund surplus reserve	—	—	—	—	—	(108)	—	108	—	—	—
At June 30, 2024	—	30,000	—	36,229	1,063	15,120	8,756	146,237	237,405	2,004	239,409
At January 1, 2023	—	20,000	—	45,459	3,990	4,429	5,366	54,878	134,122	1,781	135,903
Profit for the period	—	—	—	—	—	—	—	49,572	49,572	156	49,728
Other comprehensive income (expense) for the period	—	—	—	—	1,487	—	—	—	1,487	(61)	1,426
Total comprehensive income for the period	—	—	—	—	1,487	—	—	49,572	51,059	95	51,154
Recognition of equity settled share-based payments (Note 34)	—	—	—	—	—	—	1,130	—	1,130	—	1,130
Provision of safety fund surplus reserve	—	—	—	—	—	588	—	(588)	—	—	—
Utilisation of safety fund surplus reserve	—	—	—	—	—	(130)	—	130	—	—	—
At June 30, 2023 (unaudited)	—	20,000	—	45,459	5,477	4,887	6,496	103,992	186,311	1,876	188,187

Notes:

- a. The other reserves mainly consist of surplus reserve and safety fund surplus reserve.
- b. During the year ended December 31, 2021, the Group acquired the entire equity interest in ContiOcean Pte. Ltd. (“**ContiOcean Singapore**”) for a consideration of RMB48,000 from 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 and also confirmed such acting in concert arrangement has been in place since the establishment of the Company (the “**Controlling Shareholders**”). During the year ended December 31, 2022, the Group acquired the equity interest in ContiLashing Pte. Ltd. (“**CTL**”) for a consideration of RMB202,000 from the Controlling Shareholders. CTL and ContiOcean Singapore were incorporated and controlled by the Controlling Shareholders. The acquisitions are accounted for as business combination under common control by applying merger accounting principle and the considerations are deemed as distribution to the Controlling Shareholders.
- c. On August 31, 2023, the Company acquired the entire business of Conti Marine Services Pte. Ltd. (“**CMS**”), a company controlled by 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 recognized as deemed distribution to the Controlling shareholders.
- d. As at December 31, 2021, 2022 and 2023 and June 30, 2023 and 2024, the retained earnings of RMB406,000, RMB1,265,000, RMB1,463,000, RMB1,265,000 (unaudited), RMB1,463,000 are surplus reserve of a subsidiary, which is undistributable.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
OPERATING ACTIVITIES					
Profit before tax	14,764	42,895	140,784	58,488	95,818
Adjustments for:					
Interest income	(47)	(278)	(845)	(491)	(2,435)
Interest expenses on borrowings	—	80	442	95	387
Interest expenses on lease liabilities	132	96	116	24	56
Depreciation of property, plant and equipment	2,198	3,744	4,343	2,442	3,223
Depreciation of right-of-use assets	1,247	1,245	1,430	478	764
Amortisation of other intangible assets	15	15	14	7	8
Share of results of associates	—	897	1,722	767	—
(Gain) loss arising on changes in fair value of financial assets at FVTPL	(1,608)	1,560	127	197	—
Impairment loss, net of reversal-financial assets and other items under ECL	924	709	1,700	521	304
Provision for inventories	—	463	2,352	211	394
Gain on deemed disposal of investments in an associate	—	—	(4,794)	—	—
Net foreign exchange loss (gain)	1,341	(3,593)	(1,723)	(1,351)	(3,777)
Gain on early termination of lease arrangements	—	(16)	(55)	—	—
Loss on disposal of equipment	—	—	—	—	121
Share-based payment expenses	1,129	2,166	7,036	1,130	1,130
Operating cash flow before movements in working capital	20,095	49,983	152,649	62,518	95,993
Increase in contract costs	—	(2,930)	(8,970)	(4,309)	(482)
(Increase) decrease in contract assets	—	(530)	421	—	(602)
(Increase) decrease in trade and other receivables	(35,884)	4,241	1,104	(30,778)	8,625
(Increase) decrease in restricted bank deposits	(50,474)	(8,370)	18,068	84	(3,807)
Increase in provisions	252	251	4,036	2,342	2,104
Increase (decrease) in trade and other payables and other current liabilities	2,801	14,405	(5,465)	2,403	(1,978)
Increase (decrease) in contract liabilities	39,825	(8,564)	13,752	48,393	(153,122)
(Increase) decrease in inventories	(22,528)	(54,821)	(1,993)	(5,723)	48,941
Cash (used in) generated from operations	(45,913)	(6,335)	173,602	74,930	(4,328)
Income tax paid	(852)	(4,050)	(22,495)	(12,040)	(10,580)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(46,765)	(10,385)	151,107	62,890	(14,908)

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
INVESTING ACTIVITIES					
Interest received	47	278	845	491	2,435
Rental deposits paid	—	(337)	(356)	(310)	—
Refund of rental deposits	3	572	484	—	—
Purchase of property, plant and equipment	(20,822)	(3,688)	(3,467)	(1,709)	(1,470)
Proceeds from disposal of property, plant and equipment	—	—	—	—	90
Purchase of intangible assets	—	—	(8,379)	(8,379)	—
Purchase of financial assets at FVTPL	(172,500)	(6,351)	(30,000)	(10,000)	—
Net cash outflow/cash prepaid on acquisition of a subsidiary	—	—	(2,307)	(1,660)	—
Proceeds received upon disposal of financial assets at FVTPL	226,800	5,294	29,873	9,803	—
Placement of restricted bank deposits	(1,008)	—	—	—	—
Withdrawal of restricted bank deposits	—	1,008	—	—	—
Acquisition of investment in associates	—	(4,016)	—	—	—
Withdrawal of term deposits	—	—	—	—	35,414
Placement of term deposits	—	—	(45,414)	(10,000)	—
NET CASH FROM (USED IN) INVESTING ACTIVITIES	32,520	(7,240)	(58,721)	(21,764)	36,469
FINANCING ACTIVITIES					
Repayment of lease liabilities	(1,288)	(1,024)	(1,175)	(435)	(727)
Net cash outflow on acquisition of subsidiaries under common control	(1,000)	(14,000)	(281)	(281)	—
Net cash outflow on deemed distribution to the shareholders	—	—	(2,480)	—	—
Proceeds from bank borrowings	—	4,118	35,818	28,877	26,950
Repayment of bank borrowings	—	—	(20,036)	(4,118)	(19,900)
Bank interest paid	—	(80)	(442)	(95)	(387)
Proceeds from investors	173	8,271	10,528	10,392	—
Proceeds from a non-controlling shareholder	1,173	—	—	—	—
Deferred issue cost paid	—	—	—	—	(1,887)
Dividends paid	(11,000)	(20,000)	(5,000)	—	(48,000)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(11,942)	(22,715)	16,932	34,340	(43,951)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(26,187)	(40,340)	109,318	75,466	(22,390)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	128,688	100,082	66,723	66,723	177,414
Effects of exchange rate changes	(2,419)	6,981	1,373	403	610
TOTAL CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	100,082	66,723	177,414	142,592	155,634

1. GENERAL INFORMATION

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. The respective address of the registered office and the principal place of business of the Company are set out in the section headed "Corporate Information" to the Prospectus. As at the date of this report, the Company is controlled by Controlling Shareholders.

The Group is a marine exhaust gas cleaning systems, marine energy-saving devices, marine clean-energy supply systems and maritime services provider. Particulars and principal activities of the subsidiaries are disclosed in Note 40.

The Historical Financial Information is presented in RMB, which is also the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO IFRSs

For the purpose of preparing the Historical Financial Information for the Track Record Period, the Group has consistently applied International Accounting Standards ("IASs"), IFRSs, and amendments issued by IASB, which are effective for the Group's financial year beginning on January 1, 2024 throughout the Track Record Period.

New and amendments to IFRSs in issue but not yet effective

At the date of this report, the Group has not early applied the following new and amendments to IFRSs 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 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.

The application of IFRS 18 has no impact on the Group's financial positions and performance, but has impact on presentation of the consolidated statement of profit or loss and other comprehensive income. Except for the IFRS 18, the directors of the Company anticipate that the application of these amendments to IFRSs will have no material impact on the Group's financial position and performance in foreseeable future.

3. BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION AND MATERIAL ACCOUNTING POLICY INFORMATION

3.1 Basis of preparation and presentation of Historical Financial Information

The Historical Financial Information has been prepared in accordance with IFRSs 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 Historical Financial Information, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the Historical Financial Information 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 Track Record Period, the Company acquired respective entire equity interest of CTL and ContiOcean Singapore. In addition, the Company acquired the entire business of CMS. Since CTL, ContiOcean Singapore and CMS were 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 Historical Financial Information has been prepared as if the Company had always controlled CTL, ContiOcean Singapore and the business of CMS since the incorporation of each entity.

The statutory financial statements of the Company for each of the years ended December 31, 2021, 2022 and 2023 were prepared in accordance with Chinese Accounting Standards for Business Enterprises (“**CASBE**”) and were audited by Zhongxingcai Guanghua Certified Public Accountants LLP, certified public accountants registered in the PRC.

3.2 Material accounting policy information

Basis of consolidation

The Historical Financial Information incorporates 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 into 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.

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 recognized 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 recognized.

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized 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 recognized and measured at the present value of the remaining lease payments (as defined in IFRS 16) 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 recognized 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.

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 recognized 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 recognized 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 recognized 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 recognized 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 Historical Financial Information incorporates 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 recognized in respect of goodwill or bargain purchase gain at the time of common control combination.

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.

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.

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 Historical Financial Information 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 recognized 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 recognized 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 recognized 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 recognized 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 recognized 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 recognized 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 recognized 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 recognized in the Historical Financial Information only to the extent of interests in the associate that are not related to the Group.

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, 24 and 25.

Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognized and derecognized 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 recognized immediately in profit or loss.

The effective interest method is a method of calculating the amortized 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.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortized 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 at FVTPL.

Amortized cost and interest income

Interest income is recognized using the effective interest method for financial assets measured subsequently at amortized 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 recognized by applying the effective interest rate to the amortized 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 recognized 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.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized 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 recognized in profit or loss. The net gain or loss recognized 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 Financial Instruments (“**IFRS 9**”)

The Group performs impairment assessment under ECL model on financial assets (including trade and other receivables, amount due from a related party, amounts due from directors and supervisors, bank balances 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 recognized 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 recognized lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

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.

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.

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 recognized 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.

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 amortized 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 amortized cost that are not part of a designated hedging relationship, exchange differences are recognized 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 recognized 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.

Financial liabilities and equity

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 amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

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.

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 recognized at the proceeds received, net of direct issue costs.

Financial liabilities

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

Financial liabilities subsequently measured at amortized cost

Financial liabilities, including trade and other payables and bank borrowings, are subsequently measured at amortized 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 amortized cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortized cost of the instruments. These foreign exchange gains and losses are recognized in the “other gains and losses” line item in profit or loss.

Derecognition of financial liabilities

The Group recognized 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 recognized and the consideration paid and payable, recognized in profit or loss.

Investment in subsidiaries

Investments in subsidiaries are included in the statement of financial position of the Company at cost less any identified impairment losses.

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.

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 recognized 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.

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 recognized 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.

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 re-measures 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 asset. 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 recognized 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 recognized in profit or loss in the period in which they arise.

For the purposes of presenting the Historical Financial Information, 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 recognized 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 and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognized in other comprehensive income.

Employee benefits

Retirement benefit costs

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

Short-term employee benefits

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

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

Share-based payment

Equity-settled share-based payment transactions

Shares 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 recognized 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 shares granted are vested, the amount previously recognized in the share-based payment reserve will transfer to share premium or capital reserve.

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/period. 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.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized 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 recognized. Such deferred tax assets and liabilities are not recognized 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 recognized if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized 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 recognized to the extent that it is probable that there will be sufficient taxable profits against which to recognize 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 recognized 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.

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 recognized 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 utilized 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 recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized 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 recognized 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 capitalized 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 recognized 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.

An item of property, plant and equipment is derecognized 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 recognized 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 recognized 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 recognized 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 recognized 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.

The amount initially recognized 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 recognized, development expenditure is recognized 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 cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit 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 cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Before the Group recognizes an impairment loss for assets capitalized 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 capitalized as contract costs is recognized 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 recognized as expenses. The assets capitalized 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 cash-generating unit.

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 cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) 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 cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. 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 cash-generating units. 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 cash-generating units. An impairment loss is recognized immediately in profit or loss. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) 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 recognized for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

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 definition 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 recognized 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 recognized 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 recognized 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 recognized 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, 2021, 2022 and 2023, and June 30, 2024, the carrying amount of goodwill is nil, nil, RMB8,524,000 and RMB8,585,000, respectively.

Recognition of share-based payment expenses

The share-based compensation expense is measured based on the fair value of the share awards as calculated under the discounted cash flow model. The directors of the Company are responsible for determining the fair value of the shares awards granted to directors and employees. The key assumptions used to determine the fair value of the share awards 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 recognized in the Historical Financial Information. Details of the share-based payment expenses are disclosed in Note 34.

5. REVENUE**Disaggregation of revenue from contracts with customers**

The Group's revenue streams are categorized as follows:

	<u>Year ended December 31,</u>			<u>Six months ended June 30,</u>	
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2023</u>	<u>2024</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Type of goods or services					
Marine exhaust gas cleaning systems	110,528	172,835	341,180	175,383	204,402
Marine energy-saving devices	—	14,961	58,031	16,361	22,557
Marine clean-energy supply systems	—	7,736	5,552	1,079	13,288
Maritime services	29,993	71,701	105,492	26,733	96,219
	<u>140,521</u>	<u>267,233</u>	<u>510,255</u>	<u>219,556</u>	<u>336,466</u>

(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 summarized 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.

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 recognized by the Group when the revenue recognized 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 recognized 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/Company accounts for warranties in accordance with IAS 37.

(ii) *Geographical markets*

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

	<u>Year ended December 31,</u>			<u>Six months ended June 30,</u>	
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2023</u>	<u>2024</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Mainland China	20,777	42,639	105,276	25,507	191,771
Overseas	119,744	224,594	404,979	194,049	144,695
	<u>140,521</u>	<u>267,233</u>	<u>510,255</u>	<u>219,556</u>	<u>336,466</u>
	<u>Year ended December 31,</u>			<u>Six months ended June 30,</u>	
Timing of revenue recognition	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2023</u>	<u>2024</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
At a point in time	<u>140,521</u>	<u>267,233</u>	<u>510,255</u>	<u>219,556</u>	<u>336,466</u>

(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, 2021, 2022, 2023 and June 30, 2024, are RMB334,492,000, RMB549,066,000, RMB538,099,000 and RMB431,723,000, respectively. The remaining performance obligations are categorized as follows:

	<u>At December 31,</u>			<u>At June 30,</u>
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Type of goods or services				
Marine exhaust gas cleaning systems	267,128	404,891	230,004	150,208
Marine energy-saving devices	839	16,821	36,717	39,207
Marine clean-energy supply systems	13,566	24,437	87,116	110,998
Maritime services	52,959	102,917	184,262	131,310
	<u>334,492</u>	<u>549,066</u>	<u>538,099</u>	<u>431,723</u>

Based on management's estimate as at December 31, 2021, 2022 and 2023 and June 30, 2024, these remaining performance obligations are expected to be recognized as revenue within three years since the end of each year/period.

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 Track Record 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 the Track Record Period, revenue from customers of the corresponding periods contributing over 10% of the total revenue of the Group are as follows:

	<u>Year ended December 31,</u>			<u>Six months ended June 30,</u>	
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2023</u>	<u>2024</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Customer A	N/A	N/A	190,318	85,024	N/A
Customer B	36,966	88,907	136,834	58,076	61,757
Customer C	42,476	58,461	N/A	N/A	66,876
Customer D	21,024	N/A	N/A	N/A	73,237
Customer E	18,237	N/A	N/A	N/A	79,292
Customer F	N/A	N/A	N/A	23,274	N/A
	<u>118,703</u>	<u>147,368</u>	<u>327,152</u>	<u>166,374</u>	<u>281,162</u>

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

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.

	As at December 31,			As at
	2021	2022	2023	June 30,
	RMB'000	RMB'000	RMB'000	RMB'000
Mainland China	63,399	62,613	66,953	65,340
Overseas	774	575	316	168
	<u>64,173</u>	<u>63,188</u>	<u>67,269</u>	<u>65,508</u>

7. OTHER INCOME

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Government grants related to income (Note)	2,065	401	2,767	788	185
Interest income on bank deposits	47	278	845	491	2,435
Others	121	23	—	—	11
	<u>2,233</u>	<u>702</u>	<u>3,612</u>	<u>1,279</u>	<u>2,631</u>

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 recognized when payments were received.

8. OTHER GAINS AND LOSSES

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Net foreign exchange gains (losses)	2,799	(3,575)	(8,241)	(7,330)	5,470
Gain on early termination of lease arrangements	—	16	55	—	—
Loss on disposal of equipment	—	—	—	—	(121)
Fair value gains (losses) of financial assets at FVTPL	1,608	(1,560)	(127)	(197)	—
Gain on deemed disposal of investments in an associate (Note 17)	—	—	4,794	—	—
Others	(374)	(100)	(3,057)	—	(4)
	<u>4,033</u>	<u>(5,219)</u>	<u>(6,576)</u>	<u>(7,527)</u>	<u>5,345</u>

9. FINANCE COSTS

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Interest expenses on borrowings	—	80	442	95	387
Interest expenses on lease liabilities	132	96	116	24	56
	132	176	558	119	443

10. PROFIT BEFORE TAX

Profit before tax has been charged by the following:

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Profit before tax for the year/period has been arrived at after charging:					
Depreciation of property, plant and equipment	2,536	4,345	4,798	2,214	2,290
Depreciation of right-of-use assets	1,249	1,245	1,431	478	764
Amortisation of other intangible assets	15	15	14	7	8
	3,800	5,605	6,243	2,699	3,062
Changes in amount capitalised in inventories	(340)	(601)	(456)	228	933
	3,460	5,004	5,787	2,927	3,995
Auditor's remuneration	—	—	—	—	894
Directors and supervisors' remuneration	8,752	9,940	16,883	5,789	8,472
Other staff costs:					
— Salaries, bonus and other allowances	14,528	18,904	24,197	10,719	14,767
— Retirement benefit scheme contributions	876	1,309	1,672	753	927
— Equity-settled share-based payment expenses	377	1,414	1,508	754	754
	24,533	31,567	44,260	18,015	24,920
Changes in amount capitalised in inventories	(3,527)	(1,883)	(619)	1,213	751
	21,006	29,684	43,641	19,228	25,671
Amortisation of contract costs	11,079	13,644	27,278	14,198	18,982
Cost of inventories recognized as an expense (excluding write-down of inventories)	88,265	162,757	259,018	110,459	190,325
Write-down of inventories	—	463	2,352	211	394

11. INCOME TAX EXPENSE

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
Income tax expenses comprise:					
Current tax:					
PRC Enterprise Income Tax (“EIT”)	1,679	6,728	17,333	8,360	11,314
Hong Kong Profits tax	—	—	3,855	2,484	305
Singapore Income tax	1,635	369	27	232	827
Deferred tax (<i>Note 21</i>)	(1,319)	(979)	(965)	(2,316)	1,290
	<u>1,995</u>	<u>6,118</u>	<u>20,250</u>	<u>8,760</u>	<u>13,736</u>

Under the Law of the People’s Republic of China on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the Company have been accredited as a High-New Technology Enterprise (the “HNTE”) by the Science and Technology Bureau of Shanghai and relevant authorities in December 2019 for a term of three years ended December 31, 2021. The HNTE qualification of the Company was further renewed and extended to 2024. The Company was subject to a preferential income tax rate of 15% from year 2019 to 2024. Besides, ContiOcean (Nantong) E.P. Equipment Co., Ltd (“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 recognized as small and micro enterprise. According to the relevant provisions of Announcement by the State Administration of Taxation, a preferential enterprise income tax 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 Track Record Period.

Under the two-tiered profits tax rates regime in Hong Kong, the first 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% during the Track Record Period.

The tax rate used by the subsidiaries in Singapore is 17% during the Track Record Period. 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, 2021, 2022 and 2023.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The tax charge for the Track Record Period can be reconciled to the profit per consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Profit before tax	14,764	42,895	140,784	58,488	95,818
Tax at the domestic income tax rate of 15% (Note i)	2,215	6,434	21,118	8,773	14,373
Tax effect of expenses that are not deductible for tax purpose	563	962	1,564	549	268
Tax effect of extra deduction of research and development expenses (Note ii)	(799)	(1,097)	(2,550)	(779)	(1,174)
Tax effect of tax losses not recognized	—	—	—	—	249
Utilization of tax losses previously not recognized	—	—	—	—	(34)
Income tax at concessionary rate	(256)	(191)	(167)	(56)	(290)
Effect of different tax rates of subsidiaries	272	10	285	273	344
Income tax expenses recognized in profit or loss	<u>1,995</u>	<u>6,118</u>	<u>20,250</u>	<u>8,760</u>	<u>13,736</u>

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 2018 circular No. 99, the Company enjoyed super deduction of 175% on qualified research and development expenditures throughout the year ended December 31, 2021 and the first three quarters of 2022. Pursuant to Caishui 2023 circular No. 7, the Company enjoyed super deduction of 200% on qualified research and development expenditures in the last quarter of 2022 and throughout the year ended December 31, 2023 and six months ended with June 30, 2024. ContiOcean Nantong enjoyed super deduction of 200% on qualified research and development expenditures throughout the Track Record Period.

12. 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 Track Record Period are as follows:

	Date of appointment	Director's fee	Salaries and other benefits	Retirement benefit scheme contributions	Share-based payments	Discretionary bonus	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended December 31, 2021							
<i>Executive directors:</i>							
Mr. Zhou Yang (<i>chief executive officer</i>)	July 20, 2019	—	1,025	57	—	240	1,322
Mr. Zhao Mingzhu	July 20, 2019	—	1,025	57	—	240	1,322
Mr. Chen Zhiyuan	July 20, 2019	—	1,025	57	—	240	1,322
Mr. Shu Wa Tung, Laurence	December 20, 2022	—	828	15	—	240	1,083
Mr. Chen Rui	December 20, 2022	—	697	57	188	150	1,092
		—	4,600	243	188	1,110	6,141
<i>Independent non-executive directors:</i>							
Dr. Guan Yanmin	June 26, 2024	—	—	—	—	—	—
Mr. Zhu Rongyuan	June 26, 2024	—	—	—	—	—	—
Ms. Ng Sin Kiu	June 26, 2024	—	—	—	—	—	—
		—	—	—	—	—	—
<i>Supervisors:</i>							
Mr. Shen Xiaowei	December 20, 2022	—	589	57	376	26	1,048
Mr. Yu Yuanyang	May 24, 2021	—	560	57	188	26	831
Mr. Wang Zhenkang (<i>note v</i>)	March 27, 2023	—	355	50	—	20	425
Mr. Wu Yunfeng (<i>note v</i>)	April 1, 2024	—	234	13	—	60	307
		—	1,738	177	564	132	2,611
For the year ended December 31, 2022							
<i>Executive directors:</i>							
Mr. Zhou Yang (<i>chief executive officer</i>)	July 20, 2019	—	797	63	—	888	1,748
Mr. Zhao Mingzhu	July 20, 2019	—	924	63	—	88	1,075
Mr. Chen Zhiyuan	July 20, 2019	—	679	63	—	1,230	1,972
Mr. Shu Wa Tung, Laurence	December 20, 2022	—	753	15	—	168	936
Mr. Chen Rui	December 20, 2022	—	522	63	188	250	1,023
		—	3,675	267	188	2,624	6,754
<i>Independent non-executive directors:</i>							
Dr. Guan Yanmin	June 26, 2024	—	—	—	—	—	—
Mr. Zhu Rongyuan	June 26, 2024	—	—	—	—	—	—
Ms. Ng Sin Kiu	June 26, 2024	—	—	—	—	—	—
		—	—	—	—	—	—
<i>Supervisors:</i>							
Mr. Shen Xiaowei	December 20, 2022	—	552	63	376	400	1,391
Mr. Yu Yuanyang	May 24, 2021	—	394	63	188	353	998
Mr. Wang Zhenkang (<i>note v</i>)	March 27, 2023	—	347	51	—	46	444
Mr. Wu Yunfeng (<i>note v</i>)	April 1, 2024	—	273	20	—	60	353
		—	1,566	197	564	859	3,186

Date of appointment	Director's fee	Salaries and other benefits	Retirement benefit	Share-based payments	Discretionary bonus	Total	
			scheme contributions				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
For the year ended December 31, 2023							
<i>Executive directors:</i>							
Mr. Zhou Yang (<i>chief executive officer</i>)	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
<i>Independent non-executive directors:</i>							
Dr. Guan Yanmin	June 26, 2024	—	—	—	—	—	—
Mr. Zhu Rongyuan	June 26, 2024	—	—	—	—	—	—
Ms. Ng Sin Kiu	June 26, 2024	—	—	—	—	—	—
		—	—	—	—	—	—
<i>Supervisors:</i>							
Mr. Shen Xiaowei	December 20, 2022	—	438	68	376	216	1,098
Mr. Yu Yuanyang	May 24, 2021	—	451	68	188	225	932
Mr. Wang Zhenkang (<i>note v</i>)	March 27, 2023	—	389	52	—	95	536
Mr. Wu Yunfeng (<i>note v</i>)	April 1, 2024	—	301	20	—	70	391
		—	1,579	208	564	606	2,957
For the six months ended June 30, 2023							
(unaudited)							
<i>Executive directors:</i>							
Mr. Zhou Yang (<i>chief executive officer</i>)	July 20, 2019	—	1,003	33	—	213	1,249
Mr. Zhao Mingzhu	July 20, 2019	—	898	33	—	229	1,160
Mr. Chen Zhiyuan	July 20, 2019	—	895	33	—	364	1,292
Mr. Shu Wa Tung, Laurence	December 20, 2022	—	379	8	—	120	507
Mr. Chen Rui	December 20, 2022	—	191	33	94	—	318
		—	3,366	140	94	926	4,526
<i>Independent non-executive directors:</i>							
Dr. Guan Yanmin	June 26, 2024	—	—	—	—	—	—
Mr. Zhu Rongyuan	June 26, 2024	—	—	—	—	—	—
Ms. Ng Sin Kiu	June 26, 2024	—	—	—	—	—	—
		—	—	—	—	—	—
<i>Supervisors:</i>							
Mr. Shen Xiaowei	December 20, 2022	—	219	33	188	37	477
Mr. Yu Yuanyang	May 24, 2021	—	208	33	94	35	370
Mr. Wang Zhenkang (<i>note v</i>)	March 27, 2023	—	188	25	—	32	245
Mr. Wu Yunfeng (<i>note v</i>)	April 1, 2024	—	138	10	—	23	171
		—	753	101	282	127	1,263

Date of appointment	Director's fee	Salaries and other benefits	Retirement benefit	Share-based payments	Discretionary bonus	Total	
			scheme contributions				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
For the six months ended June 30, 2024							
<i>Executive directors:</i>							
Mr. Zhou Yang (<i>chief executive officer</i>)	July 20, 2019	—	913	35	—	1,161	2,109
Mr. Zhao Mingzhu	July 20, 2019	—	965	43	—	890	1,898
Mr. Chen Zhiyuan	July 20, 2019	—	895	43	—	576	1,514
Mr. Shu Wa Tung, Laurence	December 20, 2022	—	472	8	—	598	1,078
Mr. Chen Rui	December 20, 2022	—	230	35	94	457	816
		—	3,475	164	94	3,682	7,415
<i>Independent non-executive directors:</i>							
Dr. Guan Yanmin	June 26, 2024	—	—	—	—	—	—
Mr. Zhu Rongyuan	June 26, 2024	—	—	—	—	—	—
Ms. Ng Sin Kiu	June 26, 2024	—	—	—	—	—	—
		—	—	—	—	—	—
<i>Supervisors:</i>							
Mr. Shen Xiaowei	December 20, 2022	—	225	35	188	22	470
Mr. Yu Yuanyang	May 24, 2021	—	230	35	94	22	381
Mr. Wang Zhenkang (<i>note v</i>)	March 27, 2023	—	37	13	—	—	50
Mr. Wu, Yunfeng (<i>note v</i>)	April 1, 2024	—	133	10	—	13	156
		—	625	93	282	57	1,057

Notes:

- (i) None of the directors nor the chief executive officer of the Company waived or agreed to waive any emoluments during the Track Record Period.
- (ii) During the Track Record Period, no emoluments were paid by the Group to any of the directors nor the chief executive officer 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

The Group

Amounts due from directors and supervisors

	As at January 1, 2021 RMB'000 (unaudited)	As at December 31,			As at June 30, 2024 RMB'000	Maximum amount outstanding during the				
						Year ended December 31,			Six months ended June 30,	
		2021	2022	2023		2021	2022	2023	2023	2024
Mr. Zhou Yang	3,005	2,920	3,189	—	—	3,005	3,189	3,842	3,189	—
Mr. Zhao Mingzhu	2,504	2,432	2,658	—	—	2,544	2,758	3,359	2,658	—
Mr. Chen Zhiyuan	2,504	2,432	2,658	—	—	2,504	2,658	3,201	2,658	—
Mr. Shu Wa Tung	1,633	1,586	1,733	—	—	1,633	1,733	1,833	1,833	—
Mr. Chen Rui	327	265	232	—	—	327	272	232	232	—
Mr. Shen Xiaowei	174	169	185	—	—	174	185	185	185	—
Mr. Yu Yuanyang	391	317	252	—	—	391	324	252	252	—
	<u>10,538</u>	<u>10,121</u>	<u>10,907</u>	<u>—</u>	<u>—</u>					

The Company

	As at January 1, 2021 RMB'000 (unaudited)	As at December 31,			As at June 30, 2024 RMB'000	Maximum amount outstanding during the				
						Year ended December 31,			Six months ended June 30,	
		2021	2022	2023		2021	2022	2023	2023	2024
Mr. Zhou Yang	304	232	160	—	—	304	232	160	160	—
Mr. Zhao Mingzhu	240	180	140	—	—	240	180	140	140	—
Mr. Chen Zhiyuan	—	—	—	—	—	40	100	544	—	—
Mr. Shu Wa Tung	—	—	—	—	—	25	—	—	—	—
Mr. Chen Rui	—	—	—	—	—	—	—	653	—	—
Mr. Shen Xiaowei	—	—	—	—	—	—	—	544	—	—
Mr. Yu Yuanyang	—	—	—	—	—	—	—	100	—	—
	<u>544</u>	<u>412</u>	<u>300</u>	<u>—</u>	<u>—</u>					

These amounts are non-trade related, unsecured, interest free and repayable on demand.

Five highest paid employees

The five highest paid individuals of the Group are directors of the Company for the Track Record Period, details of whose remuneration are set out above. The emoluments of these employees are within the following bands:

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	<i>No. of employees</i>	<i>No. of employees</i>	<i>No. of employees</i>	<i>No. of employees (unaudited)</i>	<i>No. of employees</i>
Nil to Hong Kong Dollar (“HK\$”)					
1,000,000	—	—	—	2	1
HK\$1,000,001 to HK\$1,500,000	2	2	2	3	1
HK\$1,500,001 to HK\$2,000,000	3	1	—	—	1
HK\$2,000,001 to HK\$2,500,000	—	2	—	—	2
HK\$2,500,001 to HK\$3,000,000	—	—	2	—	—
HK\$3,000,001 to HK\$4,000,000	—	—	1	—	—
	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>

13. EARNINGS PER SHARE

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

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000 (unaudited)</i>	<i>RMB'000</i>
Profit for the year/period attributable to owners of the Company	<u>12,754</u>	<u>36,735</u>	<u>120,556</u>	<u>49,572</u>	<u>82,494</u>
Number of shares					
	2021	2022	2023	2023	2024
	<i>'000</i>	<i>'000</i>	<i>'000</i>	<i>'000 (unaudited)</i>	<i>'000</i>
Weighted average number of ordinary shares in issue	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>

The weighted average number of ordinary shares for the purpose of basic earnings per share has been 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 the beginning of the Track Record Period.

No diluted earnings per share for the Track Record Period was presented as there were no potential ordinary shares in issue during the Track Record Period.

14. DIVIDENDS

A final dividend of RMB0.37, RMB0.67, RMB0.17, nil and RMB3.20 per share totalling RMB11,000,000, RMB20,000,000, RMB5,000,000, nil and RMB96,000,000 was distributed to the shareholders in respect of the years ended December 31, 2021, 2022 and 2023 and six months ended June 30, 2023 (unaudited) and 2024.

The number of shares used in the calculation of dividend per share 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 the beginning of the Track Record Period.

15. PROPERTY, PLANT AND EQUIPMENT

The Group

	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Office equipment and furniture</u>	<u>Transportation equipment</u>	<u>Leasehold improvements</u>	<u>Construction in progress</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
COST							
As at January 1, 2021	—	950	585	2,640	—	15,268	19,443
Additions	212	367	641	2,042	—	34,670	37,932
Transfer	45,669	3,573	696	—	—	(49,938)	—
As at December 31, 2021	45,881	4,890	1,922	4,682	—	—	57,375
Additions	50	72	788	—	250	243	1,403
Transfer	243	—	—	—	—	(243)	—
As at December 31, 2022	46,174	4,962	2,710	4,682	250	—	58,778
Additions	—	193	251	668	677	942	2,731
Acquisition of subsidiaries (Note 39)	—	—	6	—	—	—	6
As at December 31, 2023	46,174	5,155	2,967	5,350	927	942	61,515
Additions	—	172	53	670	—	614	1,509
Disposals	—	—	—	(293)	—	—	(293)
As at June 30, 2024	46,174	5,327	3,020	5,727	927	1,556	62,731
ACCUMULATED DEPRECIATION							
As at January 1, 2021	—	—	189	544	—	—	733
Provided for the year	1,310	256	159	811	—	—	2,536
As at December 31, 2021	1,310	256	348	1,355	—	—	3,269
Provided for the year	2,177	513	540	1,052	63	—	4,345
As at December 31, 2022	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 period	1,123	277	348	428	114	—	2,290
Eliminated on disposals	—	—	—	(82)	—	—	(82)
As at June 30, 2024	6,805	1,586	1,916	3,855	458	—	14,620
CARRYING VALUES							
As at December 31, 2021	44,571	4,634	1,574	3,327	—	—	54,106
As at December 31, 2022	42,687	4,193	1,822	2,275	187	—	51,164
As at December 31, 2023	40,492	3,846	1,399	1,841	583	942	49,103
As at June 30, 2024	39,369	3,741	1,104	1,872	469	1,556	48,111

Buildings with carrying amount of approximately nil, RMB42,687,000 and RMB40,492,000 and nil as at December 31, 2021, 2022 and 2023 and June 30, 2024, were pledged to banks to secure the bank borrowing facilities.

The Company

	Office equipment and furniture	Transportation equipment	Leasehold improvements	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
COST				
As at January 1, 2021	430	2,639	—	3,069
Additions	<u>132</u>	<u>1,602</u>	<u>—</u>	<u>1,734</u>
As at December 31, 2021	562	4,241	—	4,803
Additions	<u>88</u>	<u>—</u>	<u>250</u>	<u>338</u>
As at December 31, 2022	650	4,241	250	5,141
Additions	<u>178</u>	<u>668</u>	<u>677</u>	<u>1,523</u>
As at December 31, 2023	828	4,909	927	6,664
Additions	<u>22</u>	<u>670</u>	<u>—</u>	<u>692</u>
As at June 30, 2024	<u>850</u>	<u>5,579</u>	<u>927</u>	<u>7,356</u>
ACCUMULATED DEPRECIATION				
As at January 1, 2021	138	544	—	682
Provided for the year	<u>93</u>	<u>785</u>	<u>—</u>	<u>878</u>
As at December 31, 2021	231	1,329	—	1,560
Provided for the year	<u>107</u>	<u>1,007</u>	<u>63</u>	<u>1,177</u>
As at December 31, 2022	338	2,336	63	2,737
Provided for the year	<u>136</u>	<u>1,060</u>	<u>281</u>	<u>1,477</u>
As at December 31, 2023	474	3,396	344	4,214
Provided for the period	<u>94</u>	<u>412</u>	<u>114</u>	<u>620</u>
As at June 30, 2024	<u>568</u>	<u>3,808</u>	<u>458</u>	<u>4,834</u>
CARRYING VALUES				
As at December 31, 2021	<u>331</u>	<u>2,912</u>	<u>—</u>	<u>3,243</u>
As at December 31, 2022	<u>312</u>	<u>1,905</u>	<u>187</u>	<u>2,404</u>
As at December 31, 2023	<u>354</u>	<u>1,513</u>	<u>583</u>	<u>2,450</u>
As at June 30, 2024	<u>282</u>	<u>1,771</u>	<u>469</u>	<u>2,522</u>

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

16. RIGHT-OF-USE ASSETS

The Group

	<u>Office premises</u>	<u>Land use right</u>	<u>Shoreline use right</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Carrying amount				
As at January 1, 2021	—	5,107	2,227	7,334
Additions	3,764	—	—	3,764
Depreciation charge	(1,098)	(105)	(46)	(1,249)
Exchange realignment	(14)	—	—	(14)
As at December 31, 2021	<u>2,652</u>	<u>5,002</u>	<u>2,181</u>	<u>9,835</u>
Depreciation charge	(1,094)	(105)	(46)	(1,245)
Derecognition	(189)	—	—	(189)
Exchange realignment	61	—	1	62
As at December 31, 2022	<u>1,430</u>	<u>4,897</u>	<u>2,136</u>	<u>8,463</u>
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	<u>2,578</u>	<u>4,792</u>	<u>2,090</u>	<u>9,460</u>
Depreciation charge	(689)	(52)	(23)	(764)
Exchange realignment	(6)	—	—	(6)
As at June 30, 2024	<u>1,883</u>	<u>4,740</u>	<u>2,067</u>	<u>8,690</u>
	Year ended December 31,			Six months ended June 30,
	2021	2022	2023	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>
Expense relating to short-term leases	113	13	160	158
Total cash outflow for leases	<u>1,401</u>	<u>1,037</u>	<u>1,335</u>	<u>593</u>

The Company

	<u>Office premises</u> RMB'000
Carrying amount	
As at January 1, 2021	—
Additions	2,721
Depreciation charge	<u>(843)</u>
As at December 31, 2021	<u>1,878</u>
Depreciation charge	(834)
Derecognition	<u>(189)</u>
As at December 31, 2022	<u>855</u>
Additions	2,893
Depreciation charge	(1,000)
Derecognition	<u>(480)</u>
As at December 31, 2023	<u>2,268</u>
Depreciation charge	<u>(549)</u>
As at June 30, 2024	<u><u>1,719</u></u>

	<u>Year ended December 31,</u>			<u>Six months ended June 30,</u>	
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2023</u>	<u>2024</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Expense relating to short-term leases	4	9	160	158	105
Total cash outflow for leases	<u>965</u>	<u>820</u>	<u>962</u>	<u>338</u>	<u>695</u>

(unaudited)

The Group regularly entered into short-term leases for office properties. As at December 31, 2021, 2022 and 2023 and June 30, 2024, 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 Track Record Period, 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. 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 definition 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.

Restrictions or covenants on leases

In addition, lease liabilities of RMB2,638,000, RMB1,521,000, RMB2,888,000 and RMB2,175,000 are recognized with related right-of-use assets of RMB2,652,000, RMB1,430,000, RMB2,578,000 and RMB1,883,000 as at December 31, 2021, 2022 and 2023 and June 30, 2024, respectively. 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.

17. INTERESTS IN ASSOCIATES**The Group**

	At December 31,			At June 30,
	2021	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Investment in associates under equity methods	—	3,236	—	—

Details of each of the Group's associates at the end of each of years ended December 31, 2021, 2022 and 2023 and June 30, 2024 are as follows:

Name of entities	Country of incorporation	Principal place of business	Proportion of ownership interest and voting rights held by the Group				Principal activities
			As at December 31			At June 30,	
			2021	2022	2023	2024	
Wavelength Technology Center, LDA (“WTC”) (Note i)	Portugal	Portugal	—	33.78%	51.00%	51.00%	Research and technology service
Jiangsu ContiOcean Electronic Ltd. (Note ii)	the PRC	the PRC	—	40.00%	—	—	Prefabricated cabin processing

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 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 method by the Group.

ContiOcean Hong Kong injected an additional EUR400,000 (equivalent to RMB3,156,000) into WTC, which was fully settled in December 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 recognized. Details are disclosed in Note 39.

- (ii) Jiangsu ContiOcean Electronic Ltd. (“**Jiangsu ContiOcean**”) was established on July 4, 2022. 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.

Aggregate information of associates that are not individually material:

	<u>Year Ended December 31,</u>			<u>Six months ended June 30,</u>	
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2023</u>	<u>2024</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
The Group's share of total comprehensive expense	—	(780)	(1,699)	(826)	—
Aggregate carrying amount of the Group's interests in these associates	—	3,236	—	2,410	—

18. GOODWILL

The Group

	<u>WTC Group</u>
	<i>RMB'000</i>
COST AND CARRYING AMOUNT	
As at January 1, 2021, December 31, 2021 and 2022	—
Goodwill arising on acquisition (<i>Note 39</i>)	<u>8,524</u>
As at December 31, 2023	8,524
Exchange realignment	<u>61</u>
As at June 30, 2024	<u><u>8,585</u></u>

The directors of the Company are of the view that there is no impairment on goodwill as at December 31, 2023 as completion date of the acquisition is in December 2023.

For the purpose of goodwill impairment assessment as at June 30, 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 June 30, 2024.

As at June 30, 2024, the recoverable amount of the group of CGUs exceeded its carrying amount by RMB12,755,000. The management of the Company 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 June 30, 2024. If the pre-tax discount rate was changed to 18.21% or the forecasted revenue was to decrease by 69%, with other parameters remain constant, the recoverable amount of the group of CGU would equal its carrying amount.

19. INVESTMENTS IN SUBSIDIARIES

The Company

	<u>At December 31,</u>			<u>At June 30,</u>
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost of investment	<u>45,000</u>	<u>45,648</u>	<u>46,355</u>	<u>56,708</u>

20. OTHER INTANGIBLE ASSETS

The Group and the Company

	<u>Intellectual properties</u> <i>RMB'000</i>
COST	
As at December 31, 2021, December 31, 2022, December 31, 2023 and June 30, 2024	<u>147</u>
ACCUMULATED AMORTISATION	
As at January 1, 2021	9
Provided for the year	<u>15</u>
As at December 31, 2021	24
Provided for the year	<u>15</u>
As at December 31, 2022	39
Provided for the year	<u>14</u>
As at December 31, 2023	53
Provided for the period	<u>8</u>
As at June 30, 2024	<u>61</u>
CARRYING VALUES	
As at December 31, 2021	<u>123</u>
As at December 31, 2022	<u>108</u>
As at December 31, 2023	<u>94</u>
As at June 30, 2024	<u>86</u>

The above intangible assets have finite useful lives. Such intangible assets are amortized on a straight-line basis over 10 years.

21. DEFERRED TAX ASSETS/LIABILITIES

The Group

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,			At June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax assets	1,485	2,430	3,433	2,125
Deferred tax liabilities	(80)	—	—	—
	<u>1,405</u>	<u>2,430</u>	<u>3,433</u>	<u>2,125</u>

The following are the major deferred tax assets/(liabilities) recognized and movements thereon during the Track Record Period:

	Accrued expenses	Provision for impairment of assets	Right-of-use assets	Lease liabilities	Unrealized profit on internal transactions	Tax losses	Provision	ECL provision	Fair value change of financial assets at FVTPL	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2021	—	—	—	—	88	—	—	—	—	—	88
Credited (charged) to profit or loss	10	—	(416)	414	1,123	97	43	124	(76)	—	1,319
Exchange adjustments	—	—	2	(2)	—	(1)	(1)	—	—	—	(2)
As at December 31, 2021	<u>10</u>	<u>—</u>	<u>(414)</u>	<u>412</u>	<u>1,211</u>	<u>96</u>	<u>42</u>	<u>124</u>	<u>(76)</u>	<u>—</u>	<u>1,405</u>
Credited (charged) to profit or loss	227	69	198	(182)	(146)	572	35	92	76	38	979
Exchange adjustments	—	—	(10)	11	—	36	4	5	—	—	46
As at December 31, 2022	<u>237</u>	<u>69</u>	<u>(226)</u>	<u>241</u>	<u>1,065</u>	<u>704</u>	<u>81</u>	<u>221</u>	<u>—</u>	<u>38</u>	<u>2,430</u>
(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	<u>79</u>	<u>444</u>	<u>(393)</u>	<u>441</u>	<u>683</u>	<u>1,068</u>	<u>681</u>	<u>430</u>	<u>—</u>	<u>—</u>	<u>3,433</u>
(Charged) credited to profit or loss	(25)	68	106	(109)	(634)	(1,051)	316	39	—	—	(1,290)
Exchange adjustments	—	4	1	(2)	(1)	(17)	—	(3)	—	—	(18)
As at June 30, 2024	<u>54</u>	<u>516</u>	<u>(286)</u>	<u>330</u>	<u>48</u>	<u>—</u>	<u>997</u>	<u>466</u>	<u>—</u>	<u>—</u>	<u>2,125</u>
As at January 1, 2023	237	69	(226)	241	1,065	704	81	221	—	38	2,430
Credited (charged) to profit or loss	779	32	(332)	337	1,240	(274)	452	120	—	(38)	2,316
Exchange adjustments	27	4	(2)	2	—	11	3	(2)	—	—	43
As at June 30, 2023 (Unaudited)	<u>1,043</u>	<u>105</u>	<u>(560)</u>	<u>580</u>	<u>2,305</u>	<u>441</u>	<u>536</u>	<u>339</u>	<u>—</u>	<u>—</u>	<u>4,789</u>

As at December 31, 2021, 2022 and 2023 and June 30, 2024, the Group has unrecognized tax losses of nil, nil, approximately RMB5,196,000 and RMB6,733,000.

	At December 31,			At June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Indefinite	—	—	5,196	6,733

No deferred tax liability is recognized on temporary differences of RMB27,480,000, RMB26,321,000, RMB44,780,000 and RMB46,094,000 as at December 31, 2021, 2022 and 2023 and June 30, 2024, respectively 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.

The Company

The following is the analysis of the deferred tax balances for financial reporting purposes:

	At December 31,			At June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax assets	10	359	450	609
Deferred tax liabilities	(80)	—	—	—
	(70)	359	450	609

The following are the major deferred tax assets/(liabilities) recognized and movements thereon during the Track Record Period:

	Accrued expenses	Provision for impairment of assets	Right-of-use asset	lease liabilities	Provision	ECL provision	Fair value change of financial assets at		Total
							FVTPL	Others	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2021	—	—	—	—	—	—	—	—	—
Credited (charged) to profit or loss	10	—	(282)	278	—	—	(76)	—	(70)
As at December 31, 2021	10	—	(282)	278	—	—	(76)	—	(70)
Credited (charged) to profit or loss	227	—	153	(142)	29	48	76	38	429
As at December 31, 2022	237	—	(129)	136	29	48	—	38	359
(Charged) credited to profit or loss	(158)	—	(212)	246	196	57	—	(38)	91
As at December 31, 2023	79	—	(341)	382	225	105	—	—	450
(Charged) credited to profit or loss	(25)	54	82	(83)	90	41	—	—	159
As at June 30, 2024	54	54	(259)	299	315	146	—	—	609
As at January 1, 2023	237	—	(129)	136	29	48	—	38	359
Credited (charged) to profit or loss	76	—	(355)	361	96	84	—	(38)	224
As at June 30, 2023 (Unaudited)	313	—	(484)	497	125	132	—	—	583

22. INVENTORIES

The Group

	<u>At December 31,</u>			<u>At June 30,</u>
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials and consumables	5,497	10,306	1,432	1,637
Work in progress	5,402	16,760	1,561	4,911
Finished goods	<u>21,430</u>	<u>60,221</u>	<u>84,389</u>	<u>30,566</u>
	<u>32,329</u>	<u>87,287</u>	<u>87,382</u>	<u>37,114</u>

Finished goods are net of a write-down of approximately nil, nil, RMB1,930,000 and RMB2,304,000 as at December 31, 2021, 2022 and 2023 and June 30, 2024.

Raw materials are net of a write-down of approximately nil, RMB463,000, RMB841,000 and RMB875,000 as at December 31, 2021, 2022 and 2023 and June 30, 2024.

The Company

	<u>At December 31,</u>			<u>At June 30,</u>
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials and consumables	469	469	—	—
Finished goods	<u>18,295</u>	<u>29,351</u>	<u>17,842</u>	<u>4,121</u>
	<u>18,764</u>	<u>29,820</u>	<u>17,842</u>	<u>4,121</u>

Finished goods are net of a write-down of approximately nil, nil, nil and RMB360,000 as at December 31, 2021, 2022 and 2023 and June 30, 2024.

23. TRADE AND OTHER RECEIVABLES

The Group

Details of trade and other receivables are as follows:

	At December 31,			At June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	5,580	19,423	42,153	45,819
Less: allowance for ECL (<i>Note 37</i>)	281	1,010	2,054	2,320
	5,299	18,413	40,099	43,499
Prepayments	79,223	57,559	42,982	28,196
Deferred issue costs	—	—	—	6,841
Value-added-tax (“VAT”) recoverable	531	4,580	1,146	1,492
VAT export refund receivable	—	919	2,734	866
Rental deposits	1,434	1,199	1,071	1,115
Less: allowance for ECL	638	638	638	638
	796	561	433	477
Custom deposits	326	389	326	—
Advance to employees	272	349	333	595
Others	3,218	692	140	151
	89,665	83,462	88,193	82,117

As at January 1, 2021, trade receivables from contracts with customers amounting to RMB1,634,000 (net of ECL allowance of nil).

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 recognized.

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,			At June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
0–30 days	4,956	12,024	21,041	30,406
31–90 days	302	4,387	17,453	5,467
91–180 days	—	1,140	1,017	6,071
181–365 days	—	253	584	1,080
Over 365 days	41	609	4	475
	5,299	18,413	40,099	43,499

Details of the assessment on the provision of ECL of trade receivables of the Group as at December 31, 2021, 2022 and June 30, 2024 are set out in Note 37.

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,			At June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
HK\$	199	517	—	20
SGD	194	240	61	60
United States dollar (“US\$”)	—	506	2,155	302
	<u>393</u>	<u>1,263</u>	<u>2,216</u>	<u>382</u>

The Company

Details of trade and other receivables are as follows:

	At December 31,			At June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables				
— subsidiaries	50,938	59,972	64,024	73,305
— third parties	—	5,821	13,961	19,370
Less: allowance for ECL	—	291	698	971
	<u>50,938</u>	<u>65,502</u>	<u>77,287</u>	<u>91,704</u>
Prepayments				
— subsidiaries	8,642	95,561	40,605	41
— third parties	7,849	7,222	9,581	12,090
Deferred issue costs	—	—	—	6,841
VAT recoverable	—	323	1,090	180
VAT export refund receivable	—	919	2,544	325
Rental deposits	403	195	390	434
Advance to employees	272	224	250	152
Others	300	299	—	8
	<u>68,404</u>	<u>170,245</u>	<u>131,747</u>	<u>111,775</u>

As at January 1, 2021, trade receivables from contracts with customers amounting to RMB44,205,000 (net of ECL allowance of nil).

The Company normally grants a credit period of 30 to 90 days or a particular period agreed with customers effective from the dates when the revenue were recognized.

The following is an aging analysis of trade receivables net of allowance for credit losses presented based revenue recognition dates at the end of each reporting period:

	At December 31,			At June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
0–30 days	33,888	49,155	32,829	42,295
31–90 days	17,050	2,426	15,277	4,147
91–180 days	—	5,863	17,481	28,273
181–365 days	—	485	10,977	15,704
Over 365 days	—	7,573	723	1,285
	<u>50,938</u>	<u>65,502</u>	<u>77,287</u>	<u>91,704</u>

The Company does not hold any collateral over these balances.

Trade and other receivables that are denominated in currencies other than the functional currency of the Company are set out below:

	At December 31,			At June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
US\$	<u>169</u>	<u>52,539</u>	<u>48,062</u>	<u>31,759</u>

24. CONTRACT ASSETS AND CONTRACT LIABILITIES

The Group and the Company

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.

As at January 1, 2021, contract assets of the Group and the Company was nil and nil, respectively.

The Group and the Company classifies these contract assets as current because the Group and the Company expects to realize them in its normal operating cycle.

Contract Liabilities

For the contracts which require prepayments from the customers, the Group and the Company typically receive a deposit up to 80% of the total contract sum based on the different stage of the projects.

Revenue of RMB34,306,000, RMB78,873,000, RMB95,881,000, RMB33,866,000 and RMB168,851,000 of the Group was recognized during the years ended December 31, 2021, 2022 and 2023 and six months ended June 30, 2023 (unaudited) and 2024, respectively, that was included in the contract liabilities at the beginning of the relevant years and periods.

Revenue of RMB6,383,000, RMB62,001,000, RMB66,400,000, RMB10,852,000 and RMB49,109,000 of the Company was recognized during the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2023 (unaudited) and 2024 respectively, that was included in the contract liabilities at the beginning of the relevant years and periods.

Contract liabilities that are expected to be settled within the Group's and the Company's normal operating cycle are classified as current liabilities.

The significant decrease in contract liabilities of the Group and the Company was mainly due to the delivery of projects, resulting in the contract liabilities being recognized as revenue during the six months ended June 30, 2024. In addition, certain new orders obtained during the six months ended June 30, 2024 were secured by letter of credits instead of receiving deposits in advance.

As at January 1, 2021, contract liabilities of the Group and of the Company were RMB129,854,000 and RMB31,192,000, respectively.

25. CONTRACT COSTS

Details of contract cost are as follows:

The Group

	At December 31,			At June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Incremental costs to obtain contracts (<i>Note i</i>)	—	579	10,425	10,186
Costs to fulfil contracts (<i>Note ii</i>)	—	2,351	1,475	2,196
	—	2,930	11,900	12,382

The Company

	At December 31,			At June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Incremental costs to obtain contracts (<i>Note i</i>)	—	579	1,525	71
Costs to fulfil contracts (<i>Note ii</i>)	—	2,351	1,131	167
	—	2,930	2,656	238

Notes:

- i. Contract costs capitalized 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 recognized 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 recognized as expenses in the consolidated statement of profit or loss in the period in which the corresponding revenue is recognized.

There was no impairment in relation to the opening balance of capitalized costs or the costs capitalized during the Track Record Period.

26. AMOUNT DUE FROM A RELATED PARTY/AMOUNT DUE FROM A SUBSIDIARY/AMOUNTS DUE TO RELATED PARTIES/ AMOUNTS DUE TO SUBSIDIARIES

The amount due from a related party and amounts due to related parties, being a company controlled by the Controlling Shareholders, are non-trade, unsecured, interest-free and repayable on demand.

The amount due from a subsidiary and the amounts due to subsidiaries are non-trade, unsecured, interest-free and repayable on demand.

27. CASH AND CASH EQUIVALENTS/RESTRICTED BANK DEPOSITS/TERM DEPOSITS

The Group and the Company

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 0.0001% to 1.00% as at December 31, 2021, from 0.0001% to 2.05% as at December 31, 2022, from 0.0001% to 5.30% as at December 31, 2023 and from 0.0001% to 0.80% as at June 30, 2024 respectively.

Restricted bank deposits carry interests at market rates which was from 0.01% to 2.90% as at December 31, 2021, from 0.25% to 2.90% as at December 31, 2022, from 0.20% to 2.90% as at December 31, 2023 and from 0.20% to 2.90% as at June 30, 2024 respectively.

As at December 31, 2023 and June 30, 2024, term deposits with an original maturity over three months but within one year and term deposits with an original maturity over one year carry interests at market rates which were 5.43% and 2.7%, nil and 2.7%, respectively.

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:

	<u>At December 31,</u>			<u>At June 30,</u>
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
The Group				
US\$	34,294	6,608	56,071	17,003
SGD	563	798	600	805
RMB	—	8,800	38,687	42,309
HK\$	—	143	240	185
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>At December 31,</u>			<u>At June 30,</u>
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
The Company				
US\$	<u>34,294</u>	<u>6,608</u>	<u>45,517</u>	<u>17,003</u>

28. TRADE AND OTHER PAYABLES

The Group

	At December 31,			At June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables				
— a related party	—	477	—	—
— third parties	20,797	32,073	29,472	29,886
Notes payable	—	2,287	1,044	5,610
Other payables				
— related parties	8,379	8,646	—	—
— third parties	5,829	4,061	6,245	4,131
Dividend payable (<i>Note</i>)	—	—	—	48,000
Payroll payables	3,470	7,755	8,068	6,238
Accrued expenses	4,915	3,239	9,115	8,026
Other tax payables	2,481	1,510	1,637	115
	<u>45,871</u>	<u>60,048</u>	<u>55,581</u>	<u>102,006</u>

Note: The dividend payable was subsequently paid in July 2024.

The average credit period on purchases of goods and services of the Group is within 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,			At June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
0–90 days	15,318	24,779	26,017	21,330
91–180 days	5,297	670	493	3,305
181–365 days	54	294	1,108	4,204
Over 365 days	128	6,807	1,854	1,047
	<u>20,797</u>	<u>32,550</u>	<u>29,472</u>	<u>29,886</u>

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,			At June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
HK\$	2,021	931	5,491	2,006
US\$	—	—	—	1,972
SGD	874	88	680	27
EUR	—	267	83	95
RMB	—	—	308	—

The Company

	At December 31,			At June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables				
— third parties	1,013	5,436	9,854	10,046
— subsidiaries	2,491	27,025	2,440	6,211
Other payables				
— a subsidiary	—	—	143	—
— related parties	8,379	8,646	—	—
— third parties	—	228	1,459	1,474
Notes payables				
— a subsidiary	—	4,118	—	2,153
— third parties	—	1,076	1,044	317
Accrued expenses	65	468	1,521	6,076
Dividend payable (<i>Note</i>)	—	—	—	48,000
Payroll payables	2,113	3,454	4,172	1,961
Other tax payables	2,137	915	82	47
	<u>16,198</u>	<u>51,366</u>	<u>20,715</u>	<u>76,285</u>

Note: The dividend payable was subsequently paid in July 2024.

The average credit period on purchases of goods and services of the Company is within 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,			At June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
0–90 days	3,345	30,604	10,470	8,780
91–180 days	76	1,519	488	4,025
181–365 days	32	78	698	2,121
Over 365 days	51	260	638	1,331
	<u>3,504</u>	<u>32,461</u>	<u>12,294</u>	<u>16,257</u>

Trade and other payables that are denominated in currencies other than the functional currency of the Company are set out below:

	At December 31,			At June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
US\$	—	—	785	14,161
EUR	—	267	—	4
HK\$	—	—	—	2,005
	<u>—</u>	<u>267</u>	<u>785</u>	<u>16,170</u>

The other payables of the Group and the Company are unsecured, interest-free and repayable on demand.

29. BANK BORROWINGS

The Group

As at December 31, 2021, 2022 and 2023 and June 30, 2024, bank borrowings of nil, nil, RMB9,900,000 and RMB9,950,000 are unsecured but guaranteed by the Controlling Shareholders of the Company.

As at December 31, 2021, 2022 and 2023 and June 30, 2024, bank borrowings of nil, nil, RMB10,000,000 and RMB17,000,000 are unsecured but guaranteed by the Company, Mr. Yang Zhifu, the general manager of a subsidiary, and Mr. Zhou Yang.

As at December 31, 2021, 2022 and 2023 and June 30, 2024, bank borrowings of nil, RMB4,118,000, nil, nil are unsecured and unguaranteed.

While the Controlling Shareholders provided guarantees for all of the bank borrowings as of June 30, 2024, such guarantees had been released by the relevant banks by December 20, 2024.

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	<u>At December 31,</u>			<u>At June 30,</u>
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Fixed-rate borrowings	—	3.20%	3.80%–3.85%	3.20%–3.85%

	<u>At December 31,</u>			<u>At June 30,</u>
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
The carrying amounts of the above borrowings are repayable				
Within one year	—	4,118	19,900	11,950
Over two years but within five years	—	—	—	15,000
	<u>—</u>	<u>4,118</u>	<u>19,900</u>	<u>26,950</u>

The Company

As at December 31, 2021, 2022 and 2023 and June 30, 2024, bank borrowings of nil, nil, RMB9,900,000 and RMB9,950,000 are unsecured but guaranteed by the Controlling Shareholders of the Company.

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Company's borrowings are as follows:

	<u>At December 31,</u>			<u>At June 30,</u>
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Fixed-rate borrowings	—	—	3.80%	3.50%

	<u>At December 31,</u>			<u>At June 30,</u>
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
The carrying amounts of the above borrowings are repayable				
Within one year	—	—	9,900	9,950

30. LEASE LIABILITIES

The Group

	At December 31,			At June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Lease liabilities payable:				
Within one year	1,171	899	1,395	1,248
Within a period of more than one year but not exceeding two years	874	596	1,118	927
Within a period of more than two years but not exceeding five years	593	26	375	—
	2,638	1,521	2,888	2,175
Less: Amount due for settlement with 12 months shown under current liabilities	(1,171)	(899)	(1,395)	(1,248)
Amount due for settlement after 12 months shown under non-current liabilities	1,467	622	1,493	927

The weighted average incremental borrowing rates applied to lease liabilities is 4.75% for the years ended December 31, 2021, 2022 and 2023 and six months ended June 30, 2024.

The Company

	At December 31,			At June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Lease liabilities payable:				
Within one year	942	612	1,081	1,066
Within a period of more than one year but not exceeding two years	611	295	1,091	927
Within a period of more than two years but not exceeding five years	295	—	375	—
	1,848	907	2,547	1,993
Less: Amount due for settlement with 12 months shown under current liabilities	(942)	(612)	(1,081)	(1,066)
Amount due for settlement after 12 months shown under non-current liabilities	906	295	1,466	927

The weighted average incremental borrowing rates applied to lease liabilities is 4.75% for the years ended December 31, 2021, 2022 and 2023 and six months ended June 30, 2024.

31. PROVISIONS

The Group

	Warranty provision
	<i>RMB'000</i>
At January 1, 2021	—
Additional provision during the year	445
Utilisation of provision	(189)
Exchange realignment	(4)
	<hr/>
At December 31, 2021	252
Additional provision during the year	297
Utilisation of provision	(66)
Exchange realignment	20
	<hr/>
At December 31, 2022	503
Additional provision during the year	4,380
Utilisation of provision	(319)
Exchange realignment	(25)
	<hr/>
At December 31, 2023	4,539
Additional provision during the period	2,574
Utilisation of provision	(470)
	<hr/>
At June 30, 2024	<u>6,643</u>

The Company

	Warranty provision
	<i>RMB'000</i>
At January 1, 2021	—
Additional provision during the year	189
Utilisation of provision	(189)
	<hr/>
At December 31, 2021	—
Additional provision during the year	260
Utilisation of provision	(66)
	<hr/>
At December 31, 2022	194
Additional provision during the year	1,608
Utilisation of provision	(303)
	<hr/>
At December 31, 2023	1,499
Additional provision during the period	832
Utilisation of provision	(234)
	<hr/>
At June 30, 2024	<u>2,097</u>

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.

32. SHARE CAPITAL/PAID-IN CAPITAL

The Company converted into a joint stock company on December 20, 2022, the balance as at January 1, 2021 and December 31, 2021 represented the paid-in capital of the Company prior to the conversion of the Company. Share capital as at December 31, 2022 and 2023 and June 30, 2024 represented the issued share capital of the Company.

Paid-in capital	Paid-in capital	
	<u>RMB'000</u>	
Issued and fully paid		
As at January 1, 2021 and December 31, 2021		20,000
Conversion into a joint stock company (<i>Note i</i>)		<u>(20,000)</u>
As at December 31, 2022		<u>—</u>
Share capital		
	Number of shares	Nominal value of shares
	<u></u>	<u>RMB'000</u>
Ordinary shares of RMB1 each		
Authorized and issued		
As at January 1, 2021 and December 31, 2021	—	—
Conversion into a joint stock company (<i>Note i</i>)	<u>20,000,000</u>	<u>20,000</u>
As at December 31, 2022	20,000,000	20,000
Conversion of share premium to share capital (<i>Note ii</i>)	<u>10,000,000</u>	<u>10,000</u>
As at December 31, 2023 and June 30, 2024	<u>30,000,000</u>	<u>30,000</u>

Notes:

- i. In December 2022, the Company converted into a joint stock company with limited liability under the Company Law of the PRC. The net assets of the Company as at the conversion date of August 31, 2022 were converted into approximately 20,000,000 ordinary shares at RMB1.00 each.

The excess of net assets converted over nominal value of the ordinary shares was credited to the Company's share premium.

- ii. 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.

33. RESERVES OF THE COMPANY

	<u>Capital reserve</u>	<u>Share premium</u>	<u>Other reserves</u>	<u>Share- based payment reserve</u>	<u>Retained earnings</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At January 1, 2021	8,504	—	11,246	2,071	51,746	73,567
Profit and total comprehensive income for the year	—	—	—	—	8,507	8,507
Appropriation of surplus reserve	—	—	851	—	(851)	—
Distribution to the shareholders	—	—	—	—	(11,000)	(11,000)
Deemed distribution to the shareholders	(48)	—	—	—	—	(48)
Recognition of equity settled share-based payments	—	—	—	1,129	—	1,129
At December 31, 2021	<u>8,456</u>	<u>—</u>	<u>12,097</u>	<u>3,200</u>	<u>48,402</u>	<u>72,155</u>
Profit and total comprehensive income for the year	—	—	—	—	28,166	28,166
Conversion into a joint stock company	(8,456)	45,661	(5,422)	—	(31,783)	—
Distribution to the shareholders	—	—	—	—	(20,000)	(20,000)
Appropriation of surplus reserve	—	—	2,817	—	(2,817)	—
Recognition of equity settled share-based payments	—	—	—	2,166	—	2,166
At December 31, 2022	<u>—</u>	<u>45,661</u>	<u>9,492</u>	<u>5,366</u>	<u>21,968</u>	<u>82,487</u>
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	<u>—</u>	<u>40,437</u>	<u>18,873</u>	<u>7,626</u>	<u>101,401</u>	<u>168,337</u>
Profit and total comprehensive income for the period	—	—	—	—	58,728	58,728
Distribution to the shareholders	—	—	—	—	(96,000)	(96,000)
Recognition of equity settled share-based payments	—	—	—	1,130	—	1,130
At June 30, 2024	<u>—</u>	<u>40,437</u>	<u>18,873</u>	<u>8,756</u>	<u>64,129</u>	<u>132,195</u>

34. SHARE-BASED PAYMENT TRANSACTIONS

During the years ended December 31, 2021, 2022 and 2023 and six months ended June 30, 2024, the Group has the following outstanding share-based payment arrangements.

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 recognized 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 recognized 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 recognized 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 recognized 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 recognized during the year ended December 31, 2023.

Set out below are details of the movements of the outstanding unvested shares granted under the share-based payment arrangements during the Track Record Period. 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 the beginning of the Track Record Period.

	As at December 31,			As at June 30,
	2021	2022	2023	2024
Directors				
At the beginning of the year/period	75,000	75,000	75,000	75,000
Granted during the year/period	—	—	210,000	—
Vested during the year/period	—	—	(210,000)	—
At the end of the year/period	75,000	75,000	75,000	75,000

	As at December 31,			As at June 30,
	2021	2022	2023	2024
Supervisors				
At the beginning and end of the year/period	225,000	225,000	225,000	225,000

	As at December 31,			As at June 30,
	2021	2022	2023	2024
Other Employees				
At the beginning of the year/period	300,000	150,000	450,000	390,000
Granted during the year/period	—	300,000	—	—
Forfeited during the year/period	(150,000)	—	(60,000)	—
At the end of the year/period	150,000	450,000	390,000	390,000

During each of the years ended December 31, 2021, 2022 and 2023 and six months ended June 30, 2023 and 2024, equity-settled share-based payment compensation expenses of RMB1,129,000, RMB2,166,000, RMB7,036,000, RMB1,130,000 (unaudited) and RMB1,130,000, respectively in relation to the above mentioned share-based payment arrangements were charged to profit or loss.

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 and RMB23.58 per share granted in November 2023. 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
Key assumptions			
Discount rate	14.76%	13.38%	11.41%
Risk-free interest rate	3.17%	2.78%	2.67%
Volatility	50%	45%	40%

The fair value of the restricted shares was valued by directors of the Company with reference to valuation reports prepared by 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”), an independent qualified valuer. The address of ValueLink is Room 301–3068, No. 16 West Sihuan Middle Road, Haidian District, Beijing, PRC.

* English name for identification purpose only.

35. RELATED PARTY TRANSACTIONS

(a) Related party transactions

Save for disclosed in elsewhere of the Historical Financial Information, the Group has the following material transactions and balances with the related parties during the Track Record Period.

The Group

Names	Relationships	Nature of balances/ transactions	At/year ended December 31,			At/six months ended June 30,	
			2021	2022	2023	2023	2024
			RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
ContiOcean Pty Ltd.	A company that Mr. Chen Zhiyuan had control	Other payables	8,379	8,379	—	—	—
WTC	An associate, in which the Group had a 33.78% equity interest (Note i)	Other payables Other service received	— —	267 267	N/A 1,168	— 522	N/A N/A
Jiangsu ContiOcean	An associate, in which the Group had a 40% equity interest (Note ii)	Purchase of materials Trade payables	— —	8,881 477	— N/A	— N/A	N/A N/A
Sanhe Energy Co., Ltd.	A company that Mr. Zhou Yang and Mr. Chen Zhiyuan had control (Note iii)	Purchase of materials	2,207	N/A	N/A	N/A	N/A

The Company

Names	Relationships	Nature of balances	At December 31,			At
			2021	2022	2023	June 30,
			RMB'000	RMB'000	RMB'000	2024
ContiOcean Pty Ltd.	A company that Mr. Chen Zhiyuan had control	Other payables	8,379	8,379	—	—
WTC	An associate, in which the Group had a 33.78% equity interest (Note i)	Other payables	—	267	N/A	N/A
	Subsidiaries	Trade receivables	50,938	65,502	77,287	91,704
	Subsidiaries	Prepayments	8,642	95,561	40,605	41
	Subsidiaries	Trade payables	2,491	27,025	2,440	6,211
	A subsidiary	Notes payables	—	4,118	—	2,153
	A subsidiary	Other payables	—	—	143	—

Notes:

- (i) The associate was previously held by the Group and subsequent to the additional capital injection as disclosed in Note 39, 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.
- (ii) The associate was disposed by the Group during the year ended December 31, 2023 as disclosed in Note 17. The transaction amount disclosed for the year ended December 31, 2023 and six months ended June 30, 2023 is from January 1, 2023 to the date of disposal.
- (iii) Mr. Zhou Yang and Mr. Chen Zhiyuan lost control in this company in September 2021. The related party transactions disclosed in the Historical Financial Information included the transactions incurred from January 1, 2021 to September 30, 2021.

(b) Compensation of key management personnel

The remuneration of the directors, supervisors and senior management of the Group during the Track Record Period were as follows:

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Short-term benefits	6,956	5,938	9,146	4,504	4,567
Discretionary bonus (<i>Note</i>)	1,336	3,774	2,995	1,118	3,785
Retirement benefit scheme contributions	497	583	656	307	325
Share-based payments	940	940	5,716	470	470
	<u>9,729</u>	<u>11,235</u>	<u>18,513</u>	<u>6,399</u>	<u>9,147</u>

Note: Discretionary bonus is determined based on their duties and responsibilities of the relevant individuals within the Group and the Group's performance.

36. 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 throughout the Track Record Period.

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 and other reserves.

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.

37. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The Group

	At December 31,			At June 30,
	2021	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets				
Amortized cost (including cash and cash equivalents)	180,246	158,435	308,304	256,443
Financial assets at FVTPL	504	—	—	—
	180,750	158,435	308,304	256,443
Financial liabilities				
Amortized cost	49,052	51,937	56,661	114,577

The Company

	At December 31,			At June 30,
	2021	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets				
Amortized cost (including cash and cash equivalents)	145,587	156,258	224,510	200,915
Financial assets at FVTPL	504	—	—	—
	146,091	156,258	224,510	200,915
Financial liabilities				
Amortized cost	25,948	102,988	87,964	115,215

(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 with an original maturity over three months but within one year, term deposits with an original maturity over one year, amount due from a related party, amounts due from directors and supervisors, trade and other payables, amounts due to related parties, 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.

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

	<u>At December 31,</u>			<u>At June 30,</u>
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Assets				
US\$	34,294	7,114	58,226	17,305
HK\$	17,920	11,267	240	205
SGD	757	1,038	661	865
RMB	—	8,800	38,687	42,309
	<u>52,971</u>	<u>28,219</u>	<u>97,814</u>	<u>60,684</u>
Liabilities				
US\$	—	—	—	1,972
HK\$	2,021	931	5,491	2,006
SGD	874	88	680	27
EUR	—	267	83	95
RMB	—	—	308	—
	<u>2,895</u>	<u>1,286</u>	<u>6,562</u>	<u>4,100</u>

The Company

	<u>At December 31,</u>			<u>At June 30,</u>
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Assets				
US\$	<u>34,463</u>	<u>59,147</u>	<u>93,579</u>	<u>48,762</u>
Liabilities				
US\$	—	—	10,038	14,161
EUR	—	267	—	4
HK\$	—	—	—	2,005
	<u>—</u>	<u>267</u>	<u>10,038</u>	<u>16,170</u>

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 and the Company 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/period.

The Group

	Year ended December 31,			Six months ended
	2021	2022	2023	June 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2024</i>
				<i>RMB'000</i>
Impact on profit or loss	<u>2,116</u>	<u>1,140</u>	<u>3,854</u>	<u>2,457</u>

The Company

	Year ended December 31,			Six months ended
	2021	2022	2023	June 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2024</i>
				<i>RMB'000</i>
Impact on profit or loss	<u>1,465</u>	<u>2,514</u>	<u>3,550</u>	<u>1,385</u>

(ii) Interest rate risk

The Group and the Company 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

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 RMB4,116,000, RMB7,431,000, RMB17,832,000 and RMB16,196,000, respectively, representing 73.76%, 38.26%, 42.30% and 35.35% of total trade receivables as at December 31, 2021, 2022 and 2023 and June 30, 2024 from the Group's largest debtors. RMB5,425,000, RMB16,721,000, RMB34,402,000 and RMB40,503,000 of the trade receivables was due from the five largest debtors, representing 97.22%, 86.09%, 81.61% and 88.40% of total trade receivables as at December 31, 2021, 2022 and 2023 and June 30, 2024, respectively.

As at December 31, 2021, 2022 and 2023 and June 30, 2024, the credit loss rate of trade receivable is 5.04%, 5.20%, 4.87% and 5.06%, respectively.

For other receivables, the Group and the Company 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/period. Except for the balance with one counterparty which has been fully impaired during 2021, 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, 2021, 2022 and 2023 and June 30, 2024.

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 and the Company 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 recognized for trade receivables and contract assets under the simplified approach and credit impaired other receivable.

	Trade receivables (Lifetime ECL) <i>RMB'000</i>	Contract assets (Lifetime ECL) <i>RMB'000</i>	Other receivable (Lifetime ECL) <i>RMB'000</i>	Total <i>RMB'000</i>
As at January 1, 2021	—	—	—	—
— Impairment losses recognised, net of reversal	286	—	638	924
— Exchange differences	(5)	—	—	(5)
As at December 31, 2021	<u>281</u>	<u>—</u>	<u>638</u>	<u>919</u>
— Impairment losses recognised, net of reversal	683	26	—	709
— Exchange differences	46	—	—	46
As at December 31, 2022	<u>1,010</u>	<u>26</u>	<u>638</u>	<u>1,674</u>
— Impairment losses recognised, net of reversal	1,689	11	—	1,700
— Write-off	(637)	—	—	(637)
— Exchange differences	(8)	—	—	(8)
As at December 31, 2023	<u>2,054</u>	<u>37</u>	<u>638</u>	<u>2,729</u>
— Impairment losses recognised, net of reversal	243	61	—	304
— Exchange differences	23	—	—	23
As at June 30, 2024	<u>2,320</u>	<u>98</u>	<u>638</u>	<u>3,056</u>

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.

The Group

	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, 2021						
Trade and other payables	—	35,052	—	—	35,052	35,052
Amount due to a related party	—	14,000	—	—	14,000	14,000
Lease liabilities	4.75	1,268	920	604	2,792	2,638
		<u>50,320</u>	<u>920</u>	<u>604</u>	<u>51,844</u>	<u>51,690</u>
At December 31, 2022						
Trade and other payables	—	47,596	—	—	47,596	47,596
Bank borrowings	3.20	4,149	—	—	4,149	4,118
Lease liabilities	4.75	948	608	26	1,582	1,521
Amount due to a related party	—	223	—	—	223	223
		<u>52,916</u>	<u>608</u>	<u>26</u>	<u>53,550</u>	<u>53,458</u>
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
		<u>58,616</u>	<u>1,163</u>	<u>379</u>	<u>60,158</u>	<u>59,549</u>
At June 30, 2024						
Trade and other payables	—	87,627	—	—	87,627	87,627
Bank borrowings	3.42	11,962	—	16,330	28,292	26,950
Lease liabilities	4.75	1,320	947	—	2,267	2,175
		<u>100,909</u>	<u>947</u>	<u>16,330</u>	<u>118,186</u>	<u>116,752</u>

The Company

	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, 2021						
Trade and other payables	—	11,948	—	—	11,948	11,948
Amount due to a related party	—	14,000	—	—	14,000	14,000
Lease liabilities	4.75	1,008	638	297	1,943	1,848
		<u>26,956</u>	<u>638</u>	<u>297</u>	<u>27,891</u>	<u>27,796</u>
At December 31, 2022						
Trade and other payables	—	46,996	—	—	46,996	46,996
Amounts due to subsidiaries	0.20	55,992	—	—	55,992	55,992
Lease liabilities	4.75	638	297	—	935	907
		<u>103,626</u>	<u>297</u>	<u>—</u>	<u>103,923</u>	<u>103,895</u>
At December 31, 2023						
Trade and other payables	—	16,461	—	—	16,461	16,461
Amounts due to subsidiaries	0.20	61,603	—	—	61,603	61,603
Bank borrowings	3.80	9,994	—	—	9,994	9,900
Lease liabilities	4.75	1,474	1,136	379	2,989	2,547
		<u>89,532</u>	<u>1,136</u>	<u>379</u>	<u>91,047</u>	<u>90,511</u>
At June 30, 2024						
Trade and other payables	—	74,277	—	—	74,277	74,277
Amounts due to subsidiaries	0.20	30,988	—	—	30,988	30,988
Bank borrowings	3.50	9,950	—	—	9,950	9,950
Lease liabilities	4.75	1,136	947	—	2,083	1,993
		<u>116,351</u>	<u>947</u>	<u>—</u>	<u>117,298</u>	<u>117,208</u>

(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, 2021. 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,			Fair value as at June 30,	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input
	2021	2022	2023	2024			
	RMB'000	RMB'000	RMB'000	RMB'000			
Financial assets at FVTPL	504	—	—	—	Level 2	Discounted cash flow	N/A

There were no transfers between Level 1 and Level 2 during the Track Record Period.

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 and the Company's financial assets and financial liabilities recorded at amortized cost in the Historical Financial Information approximate their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis.

38. RETIREMENT BENEFIT PLANS

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. The total amount provided by the Group to the scheme in the PRC is RMB1,214,000, RMB1,601,000, RMB2,034,000, RMB914,000 and RMB1,159,000 for the year/period ended December 31, 2021, 2022 and 2023 and six months ended June 30, 2023(unaudited) and 2024, respectively.

39. ACQUISITION OF A SUBSIDIARY**For the year ended December 31, 2023**

As disclosed in Note 17, the Group obtained 33.78% of the equity interests in WTC and had significant influence over WTC in 2022 and WTC was accounted for as an associate using equity method by the Group.

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 recognized 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

	<u>Amount</u>
	<i>RMB'000</i>
Cash	3,156
Fair value of 33.78% interest in WTC previously held	<u>6,191</u>
	<u>9,347</u>

Assets acquired and liabilities assumed at the date of acquisition

	<u>Amount</u>
	<i>RMB'000</i>
Net assets recognized:	
Property and equipment	6
Trade and other receivables	1,230
Cash and cash equivalents	849
Contract liabilities	(5)
Trade and other payables	<u>(466)</u>
	<u>1,614</u>

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 recognized at the acquisition date was measured by reference to the fair value of the proportionate share of recognized amounts of net assets of WTC and amounted to RMB791,000.

Goodwill arising on acquisition

	<u>Amount</u>
	<i>RMB'000</i>
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	<u>(1,614)</u>
Goodwill arising on acquisition	<u><u>8,524</u></u>

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 recognized 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

	<u>Amount</u>
	<i>RMB'000</i>
Fair value of 33.78% interest in WTC previously held	6,191
Less: carrying amount of interest in an associate	<u>(1,397)</u>
	<u><u>4,794</u></u>

Net cash outflow on acquisition of a subsidiary

	<u>Amount</u>
	<i>RMB'000</i>
Cash consideration	3,156
Less: Cash and cash equivalents acquired	<u>(849)</u>
	<u><u>2,307</u></u>

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.

40. PARTICULARS OF SUBSIDIARIES

As at December 31, 2021, 2022, 2023 and June 30, 2024 and the date of this report, 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				Equity interest attributable to the Group as at				The date of this report	Principal activities	
		December 31, 2021	December 31, 2022	December 31, 2023	June 30, 2024	December 31, 2021	December 31, 2022	December 31, 2023	June 30, 2024			
						%	%	%	%	%		
Nantong ContiOcean (Note ii)	PRC, January 28, 2019	RMB30,000,000	RMB30,000,000	RMB30,000,000	RMB30,000,000	100	100	100	100	100	100	Manufacture of ship desulfurization systems
ContiOcean Hong Kong (Note iii)	Hong Kong, December 28, 2017	HK\$10,000,000	HK\$10,000,000	HK\$10,000,000	HK\$10,000,000	100	100	100	100	100	100	Ship desulfurization system business and maritime services
ContiOcean International (Note iv)	PRC, March 15, 2023	N/A	N/A	RMB10,000,000	RMB10,000,000	N/A	N/A	100	100	100	100	Marine equipment sales
ContiOcean Singapore (Note i)	Singapore, July 20, 2018	SGD10	SGD10	SGD10	SGD10	100	100	100	100	100	100	Ship desulfurization system business, ship clean-energy supply systems, and maritime services
CTL (Note i)	Singapore, August 1, 2019	SGD100	SGD100	SGD100	SGD100	100	100	100	100	100	100	Ship lashing fitting business
ContiOcean Global Energy Solution Pte. Ltd. (Note i)	Singapore, January 3, 2019	SGD1,200,000	SGD1,200,000	SGD1,200,000	SGD1,200,000	70	70	70	70	70	70	Provision of marketing services
Comit Marine Services Pte. Ltd	Singapore, August 1, 2019	SGD100	SGD100	SGD100	SGD100	100	100	—	—	—	—	Maritime services
Wavelength Technology Center, LDA (Note i)	The Portuguese Republic, April 14, 2022	N/A	EUR1,020	EUR1,020	EUR1,020	N/A	33.78	51	51	51	51	Research and development of clean energy supply systems, such as methanol gas supply systems
Wavelength Technology Center AS (Note i)	Norway, June 29, 2022	N/A	Norwegian Krone ("NOK") 30,000	NOK30,000	NOK30,000	N/A	33.78	51	51	51	51	Research and technology service
Alfaback Automation Co., Ltd (Note i)	PRC, September 30, 2019	RMB50,000,000	RMB50,000,000	RMB50,000,000	RMB50,000,000	100	100	100	100	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, 2021, 2022 and 2023 and June 30, 2024.

Notes:

- (i) No statutory financial statements have been prepared for these subsidiaries, as there is no statutory audit requirement.
- (ii) The statutory financial statements of the subsidiary for the year ended December 31, 2021, 2022 and 2023 were prepared in accordance with CASBE and were audited by Nantong Changcheng Joint Certified Public Accountants LLP.
- (iii) The statutory financial statements of this subsidiary for the year ended December 31, 2021 were prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) and were audited by Huang Tak Wai Certified Public Accountant. The statutory financial statements of this subsidiary for the year ended December 31, 2022 and 2023 were prepared in accordance with HKFRSs and were audited by Richmoral Certified Public Accountants LLP.
- (iv) The statutory financial statements of this subsidiary for the period from incorporation date to the year ended December 31, 2023 were prepared in accordance with CASBE and were audited by Zhongxingcai Guanghua Certified Public Accountants LLP.

41. MAJOR NON-CASH TRANSACTIONS

Other than the deemed disposal of WTC as disclosed in Note 39, there are no other major non-cash transactions during the Track Record Period.

42. RECONCILIATION OF ASSETS AND LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group’s assets and liabilities arising from financing activities, including both cash and non-cash changes. Assets and liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group’s consolidated statements of cash flows as cash flows from financing activities.

	Amount due from a related party	Amounts due from directors and supervisors	Amounts due to related parties	Other receivables	Other payables	Lease liabilities	Bank Borrowings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2021	(8,185)	(10,121)	15,000	—	—	—	—	(3,306)
Financing cash flows	173	—	(1,000)	1,173	(11,000)	(1,288)	—	(11,942)
Non-cash changes:								
Acquisition of a subsidiary under common control	—	—	47	—	—	—	—	47
Dividend declared	—	—	—	—	11,000	—	—	11,000
New lease entered	—	—	—	—	—	3,764	—	3,764
Contribution from a non- controlling shareholders	—	—	—	(1,173)	—	—	—	(1,173)
Interest expenses	—	—	—	—	—	132	—	132
Exchange adjustments	—	—	—	—	—	30	—	30
At December 31, 2021	(8,012)	(10,121)	14,047	—	—	2,638	—	(1,448)
Financing cash flows	8,271	—	(14,000)	—	(20,080)	(1,024)	4,118	(22,715)
Non-cash changes:								
Acquisition of a subsidiary under common control	—	—	223	—	—	—	—	223
Dividend declared	—	—	—	—	20,000	—	—	20,000
Early termination of lease arrangements	—	—	—	—	—	(203)	—	(203)
Interest expenses	—	—	—	—	80	96	—	176
Exchange adjustments	(259)	(786)	5	—	—	14	—	(1,026)

	Amount due from a related party	Amounts due from directors and supervisors	Amounts due to related parties	Other receivables	Other payables	Lease liabilities	Bank Borrowings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At December 31, 2022	—	(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
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>442</u>	<u>116</u>	<u>—</u>	<u>558</u>
At December 31, 2023	—	—	—	—	—	2,888	19,900	22,788
Financing cash flows	—	—	—	—	(50,274)	(727)	7,050	(43,951)
Non-cash changes:								
Dividend declared	—	—	—	—	96,000	—	—	96,000
Accrued issue costs	—	—	—	—	6,841	—	—	6,841
Exchange adjustments	—	—	—	—	—	(42)	—	(42)
Interest expenses	—	—	—	—	387	56	—	443
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>387</u>	<u>56</u>	<u>—</u>	<u>443</u>
At June 30, 2024	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>52,954</u>	<u>2,175</u>	<u>26,950</u>	<u>82,079</u>
At December 31, 2022	—	(10,907)	275	—	—	1,521	4,118	(4,993)
Financing cash flows	—	10,392	(281)	—	(95)	(435)	24,759	34,340
Non-cash changes:								
New lease entered	—	—	—	—	—	2,643	—	2,643
Exchange adjustments	—	316	6	—	—	46	—	368
Interest expenses	—	—	—	—	95	24	—	119
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>95</u>	<u>24</u>	<u>—</u>	<u>119</u>
At June 30, 2023 (unaudited)	<u>—</u>	<u>(199)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>3,799</u>	<u>28,877</u>	<u>32,477</u>

43. SUBSEQUENT EVENTS

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 (the "Pre-IPO Share Option Scheme"). The exercise price for each option is RMB25.00. 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; (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; 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. 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.

44. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to June 30, 2024 and up to the date of this report.

APPENDIX II	UNAUDITED PRO FORMA FINANCIAL INFORMATION
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The information set forth in this Appendix does not form part of the accountants' report on the historical financial information of the Group for each of three years ended December 31, 2023 and the six months ended June 30, 2024 (the "Accountants' Report") prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this prospectus, and is included herein for information only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP ATTRIBUTABLE TO OWNERS OF THE COMPANY

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company which has been prepared in accordance with paragraph 4.29 of the Listing Rules is for illustration only, and is set out below to illustrate the effect of the proposed Global Offering (as defined in this prospectus) on the consolidated net tangible assets of the Group attributable to the owners of the Company as at June 30, 2024, as if the Global Offering had taken place on that date.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to owners of the Company as at June 30, 2024 or as at any subsequent dates following the Global Offering.

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company is prepared based on the audited consolidated net tangible assets of the Group attributable to owners of the Company as at June 30, 2024 as derived from the Accountants' Report set out in Appendix I to this prospectus, and adjusted as described below.

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at <u>June 30, 2024</u>	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at <u>June 30, 2024</u>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share as at <u>June 30, 2024</u>	
	<i>RMB'000</i> <i>(Note 1)</i>	<i>RMB'000</i> <i>(Note 2)</i>	<i>RMB'000</i>	<i>RMB</i> <i>(Note 3)</i>	<i>HK\$</i> <i>(Note 4)</i>
Based on the offer price of HK\$39.80 per Share	228,734	324,477	553,211	13.83	14.94
Based on the offer price of HK\$31.80 per Share	228,734	253,035	481,769	12.04	13.01

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes:

1. The audited consolidated net tangible assets of the Group attributable to owners of the Company as at June 30, 2024 is arrived at after deducting goodwill and intangible assets attributable to owners of the Company of RMB8,585,000 and RMB86,000, respectively, from the audited consolidated net assets attributable to owners of the Company of RMB237,405,000 as at June 30, 2024 as extracted from the Accountants' Report set out in Appendix I to this prospectus.
2. The estimated net proceeds from the Global Offering are based on 10,000,000 Offer Shares at the offer price of HK\$39.80 (equivalent to RMB36.83) and HK\$31.80 (equivalent to RMB29.43) per Offer Share, being the high-end and low-end of the stated offer price range, respectively, after deduction of the estimated underwriting fees and commissions and other listing related expenses not yet recognized in profit or loss up to June 30, 2024. It does not take into account of any Share which may be allotted and issued upon (i) under the general mandates for the allotment and issue of shares granted to the directors of the Company, or (ii) under the Pre-IPO Share Option Scheme.

For the purpose of this unaudited pro forma statement, the estimated net proceeds from the Global Offering denominated in HK\$ has been converted into RMB at the rate of HK\$1 to RMB0.9255, which was the exchange rate prevailing on December 20, 2024 with reference to the rate published by the People's Bank of China. No representation is made that the HK\$ amounts have been, could have been or may be converted to RMB, or vice versa, at that rate or any other rates or at all.

3. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share is arrived at on the basis that 40,000,000 Shares were in issue assuming that the Global Offering had been completed on June 30, 2024 and it does not take into account of any Share which may be allotted and issued upon (i) under the general mandates for the allotment and issue of shares granted to the directors of the Company, or (ii) under the Pre-IPO Share Option Scheme.
4. For the purpose of this unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Share, the amount stated in RMB is converted into HK\$ at an exchange rate of RMB1 to HK\$1.0805, which was the exchange rate prevailing on December 20, 2024 with reference to the rate published by the People's Bank of China. No representation is made that RMB amounts have been, could have been or may be converted to HK\$, or vice versa, at that rate or any other rates or at all.
5. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at June 30, 2024 to reflect any trading result or other transactions of the Group entered into subsequent to June 30, 2024.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this prospectus.

To the Directors of ContiOcean Environment Tech Group Co., Ltd.

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of ContiOcean Environment Tech Group Co., Ltd. (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets as at June 30, 2024 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated December 31, 2024 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed Global Offering (as defined in the Prospectus) on the Group's financial position as at June 30, 2024 as if the proposed Global Offering had taken place at June 30, 2024. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's historical financial information for the three years ended December 31, 2023 and six months ended June 30, 2024, on which an accountants' report set out in Appendix I to the Prospectus has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management (HKSQM) 1 "Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements" issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at June 30, 2024 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
December 31, 2024

TAXATION OF SECURITY HOLDERS

The taxation of income and capital gains of holders of H Shares is subject to the laws and practices of the PRC and of jurisdictions in which holders of H Shares are residents or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on current effective laws and practices, and no predictions are made about changes or adjustments to relevant laws or policies, and no comments or suggestions will be made accordingly. The discussion has no intention to cover all possible tax consequences resulting from the investment in H Shares, nor does it take the specific circumstances of any particular investor into account, some of which may be subject to special regulations. Accordingly, you should consult your own tax advisor regarding the tax consequences of an investment in H Shares. The discussion is based upon laws and relevant interpretations in effect as of the date of this prospectus, which is subject to change or adjustment and may have retrospective effect. No issues on PRC or Hong Kong taxation other than income tax, capital appreciation and profit tax, business tax/appreciation tax, stamp duty and estate duty were referred in the discussion. Prospective investors are urged to consult their financial advisors regarding the PRC, Hong Kong and other tax consequences of owning and disposing of H Shares.

PRC Taxation*Taxation on Dividends**Individual Investor*

Pursuant to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》), which was most recently amended on August 31, 2018 and the Implementation Provisions of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法實施條例》), which was most recently amended on December 18, 2018 (hereinafter collectively referred to as the “**IIT Law**”), dividends distributed by PRC enterprises are subject to individual income tax levied at a flat rate of 20%. For a foreign individual who is not a resident of the PRC, the receipt of dividends from an enterprise in the PRC is normally subject to individual income tax of 20% unless specifically exempted by the tax authority of the State Council or reduced by relevant tax treaty.

Enterprise Investors

In accordance with the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), which was most recently amended on December 29, 2018 and the Implementation Provisions of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) which was most recently amended on April 23, 2019, the rate of enterprise income tax shall be 25%. A non-resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income (including dividends received from a PRC resident enterprise that issues shares in Hong Kong), if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. The aforesaid income tax payable for non-resident enterprises are deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise.

The Circular of the SAT on Issues Relating to the Withholding and Remitting of Enterprise Income Tax by PRC Resident Enterprises on Dividends Distributed to Overseas Non-Resident Enterprise Shareholders of H Shares (《國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》), which was issued and implemented by the SAT on November 6, 2008, further clarified that a PRC-resident enterprise must withhold enterprise income tax at a rate of 10% on the dividends of 2008 and onwards that it distributes to overseas non-resident enterprise shareholders of H Shares.

Pursuant to the Arrangement between the Mainland and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (the “Arrangement”), which was signed on August 21, 2006, the PRC Government may levy taxes on the dividends paid by a PRC-resident enterprise to Hong Kong residents (including resident individuals and resident entities) in an amount not exceeding 10% of the total dividends payable by the PRC-resident enterprise unless a Hong Kong resident directly holds 25% or more of the equity interest in a PRC-resident enterprise, then such tax shall not exceed 5% of the total dividends payable by the PRC-resident enterprise. The Fifth Protocol of the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (《<內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排>第五議定書》), which came into effect on December 6, 2019, adds a criteria for the qualification of entitlement to enjoy treaty benefits. Although there may be other provisions under the Arrangement, the treaty benefits under the criteria shall not be granted in the circumstance where relevant gains, after taking into account all relevant facts and conditions, are reasonably deemed to be one of the main purposes for the arrangement or transactions which will bring any direct or indirect benefits under this Arrangement, except when the grant of benefits under such circumstance is consistent with relevant objective and goal under the Arrangement. The application of the dividend clause of tax agreements is subject to the requirements of PRC tax law and regulation, such as the Notice of the SAT on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》).

Tax Treaties

Non-resident investors residing in jurisdictions which have entered into treaties or adjustments for the avoidance of double taxation with the PRC might be entitled to a reduction of the Chinese corporate income tax imposed on the dividends received from PRC companies. The PRC currently has entered into Avoidance of Double Taxation Treaties or Arrangements with a number of countries and regions including Hong Kong Special Administrative Region, Macau Special Administrative Region, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States. Non-PRC resident enterprises entitled to preferential tax rates in accordance with the relevant taxation treaties or arrangements are required to apply to the Chinese tax authorities for a refund of the corporate income tax in excess of the agreed tax rate, and the refund application is subject to approval by the Chinese tax authorities.

Pursuant to the Administrative Measures on Entitlement of Non-resident Taxpayers to Preferential Treatment under Tax Treaties (《非居民納稅人享受協定待遇管理辦法》), which was promulgated by the SAT on October 14, 2019 and became effective on January 1, 2020, non-resident taxpayers are entitled to preferential treatment under the tax treaties through self-determination, self-declaration and keeping and documenting relevant information for inspection. Where a non-resident taxpayer self-assesses and

concludes that it satisfies the criteria for claiming treaty benefits, it may enjoy treaty benefits at the time of tax declaration or at the time of withholding declaration through a withholding agent, simultaneously gather and retain the relevant materials pursuant to the regulations for future inspection, and be subject to subsequent administration by tax authorities.

Taxation on Share Transfer

VAT and Local Surcharges

Pursuant to the Notice on Fully Implementing the Pilot Reform for the Transition from Business Tax to Value-added Tax (《關於全面推開營業稅改徵增值稅試點的通知》) (the “**Circular 36**”), which was implemented on May 1, 2016, entities and individuals engaged in the services sale in the PRC are subject to VAT and “engaged in the services sale in the PRC” means that the seller or buyer of the taxable services is located in the PRC. Circular 36 also provides that transfer of financial products, including transfer of the ownership of marketable securities, shall be subject to VAT at 6% on the taxable revenue (which is the balance of sales price upon deduction of purchase price), for a general or a foreign VAT taxpayer. However, individuals who transfer financial products are exempt from VAT.

According to the provisions above, upon the sale or disposal of H shares, the holders are exempt from VAT in the PRC if they are non-resident individuals; in case the holders are non-resident enterprises, they may not be subject to the VAT in the PRC if the purchasers of the H shares are individuals or entities located outside of the PRC whereas the holders may be subject to the VAT in the PRC if the purchasers of the H shares are individuals or entities located in the PRC.

Income tax

Individual Investors

According to the IIT Law, gains on the transfer of equity interests in the PRC resident enterprises are subject to individual income tax at a rate of 20%. Pursuant to the Circular on Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from the Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) issued by the Ministry of Finance and the SAT on March 30, 1998, from January 1, 1997, income of individuals from transfer of the shares of listed enterprises continues to be exempted from individual income tax.

According to the Announcement of the Ministry of Finance and the State Taxation Administration about the Catalog of Preferential Individual Income Tax Policies with Continued Effect (《財政部、國家稅務總局關於繼續有效的個人所得稅優惠政策目錄的公告》) which was promulgated by the MOF and the SAT and became effective on December 29, 2018, the Circular Declaring that Individual Income Tax Continues to Be Exempted over Individual Income from Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) will remain effective.

Enterprise Investors

In accordance with the EIT Law, a non-resident enterprise is generally subject to corporate income tax at the rate of a 10% on PRC-sourced income, including gains derived from the disposal of equity interests in a PRC resident enterprise, if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such

establishment or premise. Such income tax payable for non-resident enterprises are deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise. Such tax may be reduced or exempted pursuant to relevant tax treaties or agreements on avoidance of double taxation.

Stamp Duty

Pursuant to the Stamp Duty Law of the PRC (《中華人民共和國印花稅法》), which was issued on June 10, 2021 and came into effect on July 1, 2022, PRC stamp duty only applies to specific taxable document executed or received within the PRC, having legally binding force in the PRC and protected under the PRC laws, thus the requirements of the stamp duty imposed on the transfer of shares of PRC listed companies shall not apply to the acquisition and disposal of H Shares by non-PRC investors outside of the PRC.

Estate Duty

As of the date of this prospectus, no estate duty has been levied in the PRC under the PRC laws.

Taxation in Hong Kong

Tax on Dividends

Under the current practice of the Inland Revenue Department of Hong Kong, no tax is payable in Hong Kong in respect of dividends paid by our Company.

Capital Gains

No tax is imposed in Hong Kong in respect of capital gains from the sale of H shares. However, trading gains from the sale of the H shares by persons carrying on a trade, professional service or business in Hong Kong will be subject to Hong Kong profits tax, which is currently imposed at the maximum rate of 16.5% on corporations and at the maximum rate of 15% on unincorporated businesses. Certain categories of taxpayers are likely to be regarded as deriving trading gains rather than capital gains (for example, financial institutions, insurance companies and securities dealers) unless these taxpayers can prove that the investment securities are held for long-term investment purposes.

Trading gains from sales of the H shares effected on the Hong Kong Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of H shares effected on the Hong Kong Stock Exchange realized by persons carrying on a business of trading or dealing in securities in Hong Kong.

Stamp Duty

Hong Kong stamp duty, currently charged at the ad valorem rate of 0.10% on the higher of the consideration for or the market value of the H shares, will be payable by the purchaser on every purchase and by the seller on every sale of any Hong Kong securities, including H shares (in other words, a total of 0.20% is currently payable on a typical sale and purchase transaction involving H Shares). In addition, a fixed duty of HK\$5.00 is currently payable on any instrument of transfer of H Shares. Where one of the parties is a resident outside Hong Kong and does not pay the ad valorem duty

due by it, the duty not paid will be assessed on the instrument of transfer (if any) and will be payable by the transferee. If no stamp duty is paid on or before the due date, a penalty of up to ten times the duty payable may be imposed.

AFRC Transaction Levy

The AFRC Transaction Levy is applicable to all sale and purchase of securities at 0.00015% per side with effect from January 1, 2022, which will be regarded as one of the transaction costs.

Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 abolished estate duty in respect of deaths occurring on or after February 11, 2006.

FOREIGN EXCHANGE

The lawful currency of the PRC is Renminbi, which cannot be freely converted into foreign currency. The State Administration of Foreign Exchange (“SAFE”), with the authorization of the People’s Bank of China (“PBOC”), is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

Pursuant to the Foreign Exchange Administrative Regulations of the PRC (《中華人民共和國外匯管理條例》) promulgated by the State Council on January 29, 1996, effective on April 1, 1996 and last amended on August 5, 2008, and the Administrative Regulations on Foreign Exchange Settlement, Sales and Payment (《結匯、售匯及付匯管理規定》) promulgated by the PBOC on June 20, 1996 and effective on July 1, 1996, Renminbi is freely convertible for payments of current account items such as trade and service-related foreign exchange transactions and dividend payments after the relevant financial institutions have reasonably examined the authenticity of the transactions and their consistency with foreign exchange receipts and payments, but are not freely convertible for capital expenditure items such as direct investment, loans or investments in securities outside the PRC unless the approval of the SAFE or its local counterparts is obtained in advance.

Pursuant to the Announcement of the PBOC on Improving the Reform of the Renminbi Exchange Rate Formation Mechanism (《中國人民銀行關於完善人民幣匯率形成機制改革的公告》), which was promulgated by the PBOC on July 21, 2005 and came into effect on the same day, the PRC has started to implement a managed floating exchange rate system in which the exchange rate would be determined based on market supply and demand and adjusted with reference to a basket of currencies since July 21, 2005. Therefore, the Renminbi exchange rate was no longer pegged to the U.S. dollar. The PBOC would publish the closing price of the exchange rate of the Renminbi against trading currencies such as the U.S. dollar in the interbank foreign exchange market after the closing of the market on each working day, as the central parity of the currency against Renminbi transactions on the following working day.

According to the relevant laws and regulations in the PRC, PRC enterprises (including foreign investment enterprises) which need foreign exchange for current item transactions may, without the approval of the foreign exchange administrative authorities, effect payment through foreign exchange accounts opened at the designated foreign exchange bank, on the strength of valid transaction receipts and proof. Foreign investment enterprises which need foreign exchange for the distribution of profits to their shareholders and PRC enterprises which, in accordance with regulations, are required to pay

dividends to their shareholders in foreign exchange (such as our Company) may, on the strength of resolutions of the board of directors or the shareholders' meeting on the distribution of profits, effect payment from foreign exchange accounts at the designated foreign exchange bank, or effect exchange and payment at the designated foreign exchange bank.

Pursuant to the Decisions of the State Council on Matters including Canceling and Adjusting a Batch of Administrative Approval Items (《國務院關於取消和調整一批行政審批項目等事項的決定》), which was promulgated by the State Council on October 23, 2014, it decided to cancel the approval requirement of the SAFE and its branches for the remittance and settlement of the proceeds raised from the overseas listing of the foreign shares into Renminbi domestic accounts.

According to the Notice of the State Administration of Foreign Exchange on Issues Concerning the Foreign Exchange Administration of Overseas Listing (《關於境外上市外匯管理有關問題的通知》) promulgated by the SAFE on December 26, 2014, a domestic company shall, within 15 working days after the completion of its overseas listing, go through the registration of overseas listing with the foreign exchange bureau at its place of registration. A domestic issuer may transfer the capital raised through overseas listing to its local bank account or deposit at its overseas account. The use of proceeds shall be consistent with the purposes disclosed in this prospectus or other public documents.

According to the Notice of the State Administration of Foreign Exchange on Reforming and Regulating Policies on the Administration of Foreign Exchange Settlement under Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) issued by SAFE and came into effect on June 9, 2016, the settlement of foreign exchange receipts under the capital account (including the foreign exchange capital, external debts and funds recovered from overseas listing, etc.) that are subject to discretionary settlement as already specified by relevant policies may be handled at banks based on the domestic institutions' actual requirements for business operation. The proportion of discretionary settlement of domestic institutions' foreign exchange receipts under the capital account is temporarily determined as 100%. The SAFE may, based on the international balance of payments, adjust the aforesaid proportion at appropriate time.

This appendix contains a summary of the laws and regulations relating to companies and securities in the PRC and certain significant differences between the PRC Company Law and the Hong Kong Companies Ordinance. The primary purpose of this summary is to provide potential investors with an overview of the principal laws and regulations applicable to us and is not intended to cover all information important to potential investors. For a discussion of the laws and regulations that specifically govern our business, please refer to the “Regulatory Overview”.

PRC LEGAL SYSTEM

The PRC legal system is based on the Constitution of the PRC (《中華人民共和國憲法》) (the “**Constitution**”) and is made up of written laws, administrative regulations, local regulations, separate regulations, autonomous regulations, rules and regulations of departments, rules and regulations of local governments, international treaties of which the PRC government is a signatory, and other regulatory documents. Court verdicts do not constitute binding precedents. However, they may be used as judicial reference and guidance.

According to the Constitution and the Legislation Law of the PRC (Amended in 2023) (《中華人民共和國立法法(2023年修正)》) (the “**Legislation Law**”), the NPC and the SCNPC are empowered to exercise the legislative power of the State in accordance with the Constitution. The NPC has the power to formulate and amend basic laws governing civil and criminal matters, state organs and other matters. The SCNPC is empowered to formulate and amend laws other than those required to be enacted by the NPC and to supplement and amend any parts of laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws. The NPC can authorize the SCNPC to formulate relevant laws.

The State Council is the highest organ of the PRC administration and has the power to formulate administrative regulations based on the Constitution and laws.

The people’s congresses of provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual requirements of their own respective administrative areas, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations.

The ministries and commissions of the State Council, PBOC, the State Audit Administration as well as the other organs endowed with administrative functions directly under the State Council and the organs prescribed by laws may, in accordance with the laws as well as the administrative regulations, decisions and orders of the State Council and within the limits of their power, formulate rules and regulations of departments.

The people’s congresses of cities divided into districts and their respective standing committees may formulate local regulations in terms of urban and rural development and management, ecological civilization development, historical and cultural protection and grassroots governance based on the specific circumstances and actual requirements of such cities, which will become enforceable after being reported to and approved by the standing committees of the people’s congresses of the relevant provinces or autonomous regions but such local regulations shall conform with the Constitution, laws, administrative regulations, and the relevant local regulations of the relevant provinces or autonomous

regions. People's congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the nationality (nationalities) in the areas concerned.

The people's governments of the provinces, autonomous regions, and municipalities directly under the central government and the cities divided into districts or autonomous prefectures may enact rules, in accordance with laws, administrative regulations and the local regulations of their respective provinces, autonomous regions or municipalities.

The Constitution has supreme legal authority and no laws, administrative regulations, local regulations, autonomous regulations, separate regulations or rules may contravene the Constitution. The authority of laws is greater than that of administrative regulations, local regulations and rules. The authority of administrative regulations is greater than that of local regulations and rules. The authority of local regulations is greater than that of the rules of the local governments at or below the corresponding level. The authority of the rules enacted by the people's governments of the provinces or autonomous regions is greater than that of the rules enacted by the people's governments of the city divided into districts or autonomous prefecture within the administrative areas of the provinces and the autonomous regions.

The NPC has the power to alter or annul any inappropriate laws enacted by its Standing Committee, and to annul any autonomous regulations or separate regulations which have been approved by its Standing Committee but which contravene the Constitution or the Legislation Law. The SCNPC has the power to annul any administrative regulations that contravene the Constitution and laws, to annul any local regulations that contravene the Constitution, laws or administrative regulations, and to annul any autonomous regulations or local regulations which have been approved by the standing committees of the people's congresses of the relevant provinces, autonomous regions or municipalities directly under the central government, but which contravene the Constitution and the Legislation Law. The State Council has the power to alter or annul any inappropriate ministerial rules and rules of local governments. The people's congresses of provinces, autonomous regions or municipalities directly under the central government have the power to alter or annul any inappropriate local regulations enacted or approved by their respective standing committees. The people's governments of provinces and autonomous regions have the power to alter or annul any inappropriate rules enacted by the people's governments at a lower level.

According to the Constitution and the Legislation Law, the power to interpret laws is vested in the Standing Committee of the NPC. According to the Decision of the SCNPC Regarding the Strengthening of Interpretation of Laws (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) passed on June 10, 1981, the Supreme People's Court of the PRC has the power to give general interpretation on questions involving the specific application of laws and decrees in court trials. The State Council and its ministries and commissions are also vested with the power to give interpretation of the administrative regulations and department rules which they have promulgated. At the regional level, the power to give interpretations of the local laws and regulations as well as administrative rules is vested in the regional legislative and administrative organs which promulgate such laws, regulations and rules.

PRC JUDICIAL SYSTEM

Under the Constitution and the PRC Law on the Organization of the People's Courts (2018 revision) (《中華人民共和國人民法院組織法(2018年修訂)》), the PRC judicial system is made up of the Supreme People's Court, the local people's courts and special people's courts.

The local people's courts are comprised of the primary people's courts, the intermediate people's courts and the higher people's courts. The higher-level people's courts supervise the primary and intermediate people's courts. The people's procuratorates also have the right to exercise legal supervision over the civil proceedings of people's courts of the same level and lower levels. The Supreme People's Court is the highest judicial body in the PRC. It supervises the judicial administration of the people's courts at all levels.

The PRC Civil Procedure Law (《中華人民共和國民事訴訟法》) (the “**Civil Procedure Law**”), which was adopted in 1991 and amended in 2007, 2012, 2017, 2021, and 2023 sets forth the criteria for instituting a civil action, the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by express agreement, select a judicial court where civil actions may be brought, provided that the judicial court is either the plaintiff's or the defendant's domicile, the place of execution or implementation of the contract or the place of the object of the action, provided that the provisions of this law regarding the level of jurisdiction and exclusive jurisdiction shall not be violated.

A foreign national or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country within the PRC.

If any party to a civil action refuses to comply with a judgment or ruling made by a people's court or an award made by an arbitration panel in the PRC, the other party may apply to the people's court for the enforcement of the same. There are time limits of two years imposed on the right to apply for such enforcement. If a person fails to satisfy a judgment made by the court within the stipulated time, the court will, upon application by either party, enforce the judgment in accordance with the law.

A party seeking to enforce a judgment or ruling of a people's court against a party who is not personally or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of the judgment or ruling. A foreign judgment or ruling may also be recognized and enforced by the people's court according to PRC enforcement procedures if the PRC has entered into or acceded to an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination according to the principle of reciprocity, unless the people's court finds that the recognition or enforcement of such judgment or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or security or against social and public interest.

THE COMPANY LAW AND ADMINISTRATIVE MEASURES

A joint stock limited company which was incorporated in the PRC and seeking a listing on the Hong Kong Stock Exchange is mainly subject to the following laws and regulations in the PRC:

- The Company Law which was promulgated by the SCNPC on December 29, 1993, came into effect on July 1, 1994, amended or revised on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013, October 26, 2018 and December 29, 2023, and the latest revised Company Law has been implemented on July 1, 2024;
- Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (the “**Overseas Listing Trial Measures**”) and the Applicable Guidelines under Regulatory Rules — Listed Category No. 1 for Overseas Issuance which were promulgated by the CSRC on February 17, 2023, came into effect on March 31, 2023, applicable to the overseas share offering and listing of domestic joint stock limited companies. If a domestic company directly issues and lists securities in an overseas market, it shall formulate articles of association with reference to the provisions of the CSRC’s “Guidelines on the Articles of Association of Listed Companies”, which was promulgated by the CSRC on March 16, 2006, with the latest revised version promulgated and implemented on December 15, 2023.

Set out below is a summary of the major provisions of the Company Law, Overseas Listing Trial Measures etc. applicable to the Company.

General

A joint stock limited company refers to an enterprise legal person incorporated under the Company Law with its registered capital dividing into shares of equal par value or non-par value. The liability of its shareholders is limited to the amount of shares held by them and the company is liable to its creditors for an amount equal to the total value of its assets.

A joint stock limited company shall conduct its business in accordance with laws and administrative regulations. It may invest in other limited liability companies and joint stock limited companies and its liabilities with respect to such invested companies are limited to the amount invested. Unless otherwise provided by law, the joint stock limited company may not be a contributor that undertakes joint and several liabilities for the debts of the invested companies.

Incorporation

A joint stock limited company may be incorporated by promotion or public offering.

A joint stock limited company may be incorporated by a minimum of one but not more than 200 promoters, and at least half of the promoters must have residence within the PRC.

The promoters must convene an establishment meeting within 30 days after the issued shares have been fully paid up, and must give notice to all subscribers or make an announcement of the date of the establishment meeting 15 days before the meeting. The establishment meeting shall only be held with the presence of subscribers representing a majority of voting rights. At the establishment meeting, matters including the adoption of articles of association and the election of members of the board of directors and members of the board of supervisors of the company will be dealt with. All resolutions of the establishment meeting require the approval of subscribers with a majority voting rights present at the meeting.

Within 30 days after the conclusion of the establishment meeting, the board of directors must apply to the registration authority for registration of the establishment of the joint stock limited company. A company is formally established, and has the status of a legal person, after the business license has been issued by the relevant registration authority.

A joint stock limited company's shareholders at the time of its establishment shall be liable for: (i) all expenses and debts incurred by the establishment (ii) damages suffered by the company as a result of the default of the shareholders at the time of its establishment in the course of incorporation of the company. According to the Interim Provisional Regulations on the Administration of Share Issuance and Trading (《股票發行與交易管理暫行條例》) promulgated by the State Council on April 22, 1993 (which is only applicable to the issuance and trading of shares in the PRC and their related activities), if a company is established by means of public subscription, the promoters of such company are required to sign on the document to ensure that the document does not contain any misrepresentation, serious misleading statements or material omissions, and assume joint and several responsibility for it.

Share capital

The promoters of a company can make capital contributions in cash or in kind, which can be valued in currency and transferable according to law such as intellectual property rights or land use rights and other non-monetary property based on their appraised value.

If capital contribution is made other than in cash, valuation and verification of the property contributed must be carried out and converted into shares.

A company must issue registered share

Under the Overseas Listing Trial Measures, if a domestic enterprise issues shares overseas, it may raise funds and dividend distributions in foreign currency or Renminbi.

To issue shares overseas, the domestic enterprise shall report the application documents for issuance and listing to the CSRC for record-filing within three working days after submission of the application documents for issuance and listing overseas.

The transfer of shares by shareholders should be conducted via the legally established stock exchange or in accordance with other methods as stipulated by the State Council. Transfer of shares by a shareholder shall be made by means of an endorsement or by other means stipulated by applicable laws and regulations. Company shall register the name of the transferee in the register of shareholders after such transfer.

Shares issued by a company before its public offering of shares shall not be transferred within one year of the date on which the company's stock is listed for trading on a stock exchange. Directors, supervisors and senior management of a company shall not transfer over 25% of the shares held by each of them in the company each year during their term of office and shall not transfer any share of the company held by each of them within one year after the listing date. There is no restriction under the Company Law as to the percentage of shareholding a single shareholder may hold in a company.

Transfers of shares may not be entered in the register of shareholders within 20 days before the date of a shareholders' meeting or within five days before the base data for determination of dividend distributions.

Allotment and issue of shares

All issue of shares of a joint stock limited company shall be based on the principles of equality and fairness. The same class of shares must carry equal rights. Shares issued at the same time and within the same class must be issued on the same conditions and at the same price. It may issue par-value shares at par value or at a premium, but it may not issue shares below the par value.

To issue shares overseas, the domestic enterprise shall report the application documents for issuance and listing to the CSRC for record-filing within three working days after submission of the application documents for issuance and listing overseas.

Registered shares

Under the Company Law, shareholders may make capital contributions in cash, or alternatively may make capital contributions with such valued non-monetary property as physical items, intellectual property rights, and land-use rights that may be valued in monetary term and may be transferred in accordance with the law.

Under the Company Law, when the company issues shares in registered form, it shall maintain a register of shareholders, stating the following matters:

- the name and domicile of each shareholder;
- the type and number of subscribed shares for each shareholder;
- the serial numbers of shares held by each shareholder; and
- the date on which each shareholder acquired the shares.

Increase of share capital

According to the Company Law, when the joint stock limited company issues new shares, resolutions shall be passed by a shareholders' meeting, approving the class and number of the new shares, the issue price of the new shares, the commencement and end of the new share issuance, the class and amount of new shares to be issued to existing shareholders and the amount of capital obtained from the issuance of non-par value shares that is not included in the registered capital. When the company launches a public issuance of new shares with the approval or filing of the securities regulatory authorities of the State Council, it shall publish a document and financial and accounting reports, and prepare the share subscription form. After the new share issuance has been paid up, the change shall be registered with the company registration authorities and an announcement shall be made. A company conducting a public offering of shares shall register the offering with the securities regulatory authority under the State Council and publish a prospectus. After the issued shares have been fully subscribed and paid for, the company shall issue a public announcement.

Reduction of share capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the Company Law:

- it shall prepare a balance sheet and a property list;
- the reduction of registered capital shall be approved by a shareholders' meeting;
- it shall inform its creditors of the reduction in capital within 10 days and publish an announcement of the reduction in the newspaper within 30 days or the National Enterprise Credit Information Publicity System after the resolution approving the reduction has been passed;
- creditors may within 30 days after receiving the notice, or within 45 days of the public announcement if no notice has been received, require the company to pay its debts or provide guarantees covering the debts;
- it shall apply to the relevant administration of registration for the registration of the reduction in registered capital.

Repurchase of shares

According to the Company Law, a joint stock limited company may not purchase its shares other than for one of the following purposes: (i) to reduce its registered capital; (ii) to merge with another company that holds its shares; (iii) to grant its shares for carrying out an employee stock ownership plan or equity incentive plan; (iv) to purchase its shares from shareholders who are against the resolution regarding the merger or division with other companies at a shareholders' meeting; (v) use of shares for conversion of convertible corporate bonds issued by a listed company; and (vi) the share buyback is necessary for a listed company to maintain its company value and protect its shareholders' equity.

The purchase of shares on the grounds set out in (i) and (ii) above shall require approval by way of a resolution passed by the shareholders' meeting. For a company's share buyback under any of the circumstances stipulated in (iii), (v) or (vi) of the preceding paragraph shall be subject to a resolution of a meeting of the board of directors with two-thirds or more of the directors present, as stipulated in the articles of association or authorized by the shareholders' meeting.

Following the purchase of shares in accordance with (i) above, such shares shall be canceled within 10 days from the date of purchase. The shares shall be assigned or deregistered within six months if the share buyback is made under the circumstances stipulated in either (ii) or (iv). The shares held in total by a company after a share buyback under any of the circumstances stipulated in (iii), (v) or (vi) shall not exceed 10% of the company's total outstanding shares, and shall be assigned or deregistered within three years.

Listed companies making a share buyback shall perform their obligation of information disclosure according to the provisions of the Securities Law. If the share buyback is made under any of the circumstances stipulated in (iii), (v) or (vi) hereof, centralized trading shall be adopted publicly.

Transfer of shares

Shares held by shareholders may be transferred in accordance with the relevant laws and regulations. Pursuant to the Company Law, transfer of shares by shareholders shall be carried out at a legally established stock exchange or in other ways stipulated by the State Council. No modifications of registration in the share register caused by transfer of registered shares shall be carried out within 20 days prior to the convening of shareholder's meeting or five days prior to the base date for determination of dividend distributions. However, where there are separate provisions on alternation of registration in the share register of listed companies, those provisions shall prevail.

Under the Company law, shares issued prior to the public offering of shares shall not be transferred within one year from the date of the joint stock limited company's listing on a stock exchange. Directors, supervisors and the senior management shall declare to the company their shareholdings in the company and any changes of such shareholdings. They shall not transfer more than 25% of all the shares they hold in the company annually during their tenure. The abovementioned persons shall not transfer the shares they hold within one year from the date on which the company's shares are listed and commenced trading on a stock exchange, nor within six months after their resignation from their positions with the company.

Shareholders

Under the Company Law, the rights of holders of ordinary shares of a joint stock limited company include:

- the right to attend or appoint a proxy to attend shareholders' meetings and to vote thereat;
- the right to transfer shares in accordance with laws, administrative regulations and provisions of the articles of association;

- the right to inspect the company's articles of association, share register, minutes of shareholder's meetings, resolutions of meetings of the board of directors, resolutions of meetings of the board of supervisors and financial and accounting reports and to make proposals or enquiries on the company's operations;
- the right to bring an action in the people's court to rescind resolutions passed by shareholder's meetings and board of directors where the articles of association is violated by the above resolutions;
- the right to receive dividends and other types of interest distributed in proportion to the number of shares held;
- in the event of the termination or liquidation of the company, the right to participate in the distribution of residual properties of the company in proportion to the number of shares held; and
- other rights granted by laws, administrative regulations, other regulatory documents and the company's articles of association.

The obligations of a shareholder include the obligation to abide by the company's articles of association, to pay the subscription moneys in respect of the shares subscribed for and in accordance with the form of making capital contributions, to be liable for the company's debts and liabilities to the extent of the amount of his or her subscribed shares and any other shareholders' obligation specified in the company's articles of association.

Shareholders' meetings

The shareholders' meeting is the organ of authority of the company, which exercises its powers in accordance with the Company Law.

Under the Company Law, the shareholders' meeting exercises the following principal powers:

- to elect or remove the directors and supervisors (other than the representative of the employees of the company) and to decide on matters relating to the remuneration of directors and supervisors;
- to examine and approve reports of the board of directors;
- to examine and approve reports of the board of supervisors;
- to examine and approve the company's proposals for profit distribution plans and loss recovery plans;
- to decide on any increase or reduction of the company's registered capital;
- to decide on the issue of bonds by the company;
- to decide on issues such as merger, division, dissolution, liquidation of the company, change of corporate form of the company and other matters;

- to amend the articles of association; and
- other powers as provided for in the articles of association.

Shareholders' meetings are required to be held once every year. Under the Company Law, an extraordinary meeting is required to be held within two months after the occurrence of any of the following:

- the number of directors is less than the number stipulated by the law or less than two thirds of the number specified in the articles of association;
- the aggregate losses of the company which are not recovered reach one-third of the company's total share capital;
- when shareholders alone or in aggregate holding 10% or more of the company's shares request the convening of an extraordinary meeting;
- whenever the board of directors deems necessary;
- when the board of supervisors so requests; or
- other circumstances as provided for in the articles of associations.

Under the Company Law, shareholders' meetings shall be convened by the board of directors, and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or does not perform his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of directors shall preside over the meeting.

Where the board of directors is incapable of performing or not performing its duties of convening the shareholders' meeting, the board of supervisors shall convene and preside over such meeting in a timely manner. In case the board of supervisors fails to convene and preside over such meeting, shareholders alone or in aggregate holding more than 10% of the company's shares for 90 days consecutively may unilaterally convene and preside over such meeting.

Under the Company Law, notice of shareholders' meeting shall state the time and venue of and matters to be considered at the meeting and shall be given to all shareholders 20 days before the meeting. Notice of extraordinary meetings shall be given to all shareholders 15 days prior to the meeting.

There is no specific provision in the Company Law regarding the number of shareholders constituting a quorum in a shareholders' meeting.

Under the Company Law, shareholders present at shareholders' meeting have one vote for each share they hold, except for shareholders of non-ordinary shares. However, shares held by the company do not carry voting rights.

Pursuant to the provisions of the articles of association or a resolution of the shareholders' meeting, the accumulative voting system may be adopted for the election of directors and supervisors at the shareholders' meeting. Under the accumulative voting system, each share shall be entitled to vote equivalent to the number of directors or supervisors to be elected at the shareholders' meeting and shareholders may consolidate their voting rights when casting a vote.

Pursuant to the Company Law, resolutions of the shareholders' meeting shall be adopted by more than half of the voting rights held by the shareholders present at the meeting. However, resolutions of the shareholders' meeting regarding the following matters shall be adopted by more than two-thirds of the voting rights held by the shareholders present at the meeting: (i) amendments to the articles of association; (ii) the increase or decrease of registered capital; (iii) the merger, division, dissolution, liquidation or change in the form of the company; (iv) other matters considered by the shareholders' meeting, by way of an ordinary resolution, to be of a nature which may have a material impact on the company and should be adopted by a special resolution.

Under the Company Law, meeting minutes shall be prepared in respect of decisions on matters discussed at the shareholders' meeting. The host of the meeting and directors attending the meeting shall sign to endorse such minutes. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

Board of directors

Under the Company Law, a joint stock limited company shall have a board of directors, which shall consist of three or more members. Members of the board of directors may include representatives of the employees of the company, who shall be democratically elected by the company's staff at the staff representative assembly, general staff meeting or otherwise. The term of a director shall be stipulated in the articles of association, but no term of office shall last for more than three years. Directors may serve consecutive terms if re-elected. A director shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a duly re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office, or if the resignation of directors results in the number of directors being less than the quorum.

Under the Company Law, the board of directors mainly exercises the following powers:

- to convene the shareholders' meetings and report on its work to the shareholders' meetings;
- to implement the resolutions passed in shareholders' meetings;
- to decide on the company's business plans and investment proposals;
- to formulate the company's profit distribution proposals and loss recovery proposals;
- to formulate proposals for the increase or reduction of the company's registered capital and the issuance of corporate bonds;
- to prepare plans for the merger, division, dissolution and change in the form of the company;

- to decide on the set-up of internal management organization of the company;
- to decide on appointment or dismissal of company managers and their remuneration, and decide on appointment or dismissal of deputy managers and person in charge of finance of the company based on the nomination by the managers;
- to formulate the company's basic management system; and
- to exercise any other power under the articles of association or granted by the shareholders' meeting.

Board meetings

Under the Company Law, meetings of the board of directors of a joint stock limited company shall be convened at least twice a year. Notice of meeting shall be given to all directors and supervisors 10 days before the meeting. Interim board meetings may be proposed to be convened by shareholders representing more than 10% of voting rights or more than one-third of the directors or supervisors. The chairman shall convene and preside over such meeting within 10 days after receiving such proposal. Meetings of the board of directors shall be held only if half or more of the directors are present. Resolutions of the board of directors shall be passed by more than half of all directors. Each director shall have one vote for resolutions to be approved by the board of directors. Directors shall attend board meetings in person. If a director is unable to attend a board meeting, he may appoint another director by a written power of attorney specifying the scope of the authorization to attend the meeting on his behalf.

If a resolution of the board of directors violates the laws, administrative regulations or the articles of association, resolutions of shareholders' meeting and as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director may be released from that liability.

Chairman of the board

Under the Company Law, the board of directors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman are elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and examine the implementation of board resolutions. The vice chairman shall assist the work of the chairman. In the event that the chairman is incapable of performing or not performing his duties, the duties shall be performed by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of the directors shall perform his duties.

Qualification of directors

The Company Law provides that the following persons may not serve as a director:

- a person who is unable or has limited ability to undertake any civil liabilities;

- a person who has been convicted of an offense of bribery, corruption, embezzlement or misappropriation of property, or the destruction of socialist market economy order; or who has been deprived of his political rights due to his crimes, in each case where less than five years have elapsed since the date of completion of the sentence, or in the case of a suspended sentence, two years have not elapsed since the probation period was completed;
- a person who has been a former director, factory manager or manager of a company or an enterprise that has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;
- a person who has been a legal representative of a company or an enterprise that has had its business license revoked due to violations of the law and has been ordered to close down by law and the person was personally responsible, where less than three years have elapsed since the date of revocation of business license or shutdown order; or
- a person identified as a subject of enforcement for breach of trust by the people's court for failure to repay a significant amount of overdue debts.

Board of supervisors

A joint stock limited company shall have a board of supervisors composed of not less than three members. The board of supervisors is made up of representatives of the shareholders and an appropriate proportion of representatives of the employees of the company. The actual proportion shall be stipulated in the articles of association, provided that the proportion of representatives of the employees shall not be less than one third of the supervisors. Representatives of the employees of the company in the board of supervisors shall be democratically elected by the employees at the employees' representative assembly, employees' general meeting or otherwise.

The directors and senior management may not act concurrently as supervisors.

The board of supervisors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the board of supervisors are elected with approval of more than half of all the supervisors. The chairman of the board of supervisors shall convene and preside over the meetings of the board of supervisors. In the event that the chairman of the board of supervisors is incapable of performing or not performing his duties, the vice chairman of the board of supervisors shall convene and preside over the meetings of the board of supervisors. In the event that the vice chairman of the board of supervisors is incapable of performing or not performing his duties, a supervisor nominated by more than half of the supervisors shall convene and preside over the meetings of the board of supervisors.

Each term of office of a supervisor is three years and he or she may serve consecutive terms if re-elected. A supervisor shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a duly re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office, or if the resignation of supervisors results in the number of supervisors being less than the quorum.

The board of supervisors of a company shall hold at least one meeting every six months. According to the PRC Company Law, a resolution of the board of supervisors shall be passed by more than half of all the supervisors.

The board of supervisors exercises the following powers:

- to review the company's financial position;
- to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated laws, regulations, the articles of association or the resolutions of shareholders' meeting;
- when the acts of directors and senior management are harmful to the company's interests, to require correction of those acts;
- to propose the convening of extraordinary shareholders' meetings and to convene and preside over shareholders' meetings when the board of directors fails to perform the duty of convening and presiding over shareholders' meeting under this law;
- to initiate proposals for resolutions to shareholders' meeting;
- to initiate proceedings against directors and senior management;
- other powers specified in the articles of association; and
- Supervisors may attend board meetings and make enquiries or proposals in respect of board resolutions. The board of supervisors may initiate investigations into any irregularities identified in the operation of the company and, where necessary, may engage an accounting firm to assist their work at the company's expense.

Manager and senior management

Under the Company Law, a company shall have a manager who shall be appointed or removed by the board of directors. The manager shall report to the board of directors and exercise functions and powers as specified in the articles of association or as authorized by the board of directors.

The manager shall attend meetings of the board of directors as a non-voting attendee.

According to the Company Law, senior management shall mean the manager, deputy manager(s), person-in-charge of finance, board secretary (in case of a listed company) of a company and other personnel as stipulated in the articles of association.

Duties of directors, supervisors and senior management

Directors, supervisors and senior management of the company are required under the Company Law to comply with the relevant laws, regulations and the articles of association, and have duty of loyalty and duty of diligence to the company. Directors, supervisors and senior management are prohibited from abusing their powers to accept bribes or other unlawful income and from misappropriating of the company's properties. Directors, supervisors and senior management are prohibited from:

- Embezzling company property, misappropriation of the company's capital;
- depositing the company's capital into accounts under his own name or the name of other individuals;
- accept and possess commissions paid by a third party for transactions conducted with the company;
- unauthorized divulgence of confidential business information of the company; or
- other acts in violation of their duty of loyalty to the company.

A director, supervisor or senior management who contravenes any law, regulation or the company's articles of association in the performance of his duties resulting in any loss to the company shall be personally liable to the company.

Finance and accounting

Under the Company Law, a company shall establish financial and accounting systems according to laws, administrative regulations and the regulations of the financial department of the State Council and shall at the end of each financial year prepare a financial and accounting report which shall be audited by an accounting firm as required by law. The company's financial and accounting report shall be prepared in accordance with provisions of the laws, administrative regulations and the regulations of the financial department of the State Council.

Pursuant to the Company Law, the company shall deliver its financial and accounting reports to all shareholders within the time limit stipulated in the articles of association and make its financial and accounting reports available at the company for inspection by the shareholders at least 20 days before the annual shareholders' meeting. A joint stock limited company that has publicly offered shares shall publish its financial and accounting reports.

When distributing each year's after-tax profits, it shall set aside 10% of its after-tax profits into a statutory common reserve fund (except where the fund has reached over 50% of its registered capital).

If its statutory common reserve fund is not sufficient to make up losses of the previous year, profits of the current year shall be applied to make up losses before allocation is made to the statutory common reserve fund pursuant to the above provisions.

After allocation of the statutory common reserve fund from after-tax profits, it may, upon a resolution passed at the shareholders' meeting, allocate discretionary common reserve fund from after-tax profits.

The remaining after-tax profits after making up losses and allocation of common reserve fund shall be distributed in proportion to the number of shares held by the shareholders, unless otherwise stipulated in the articles of association.

Shares held by the Company shall not be entitled to any distribution of profit.

The premium received from the issuance of shares by the company at a price exceeding the par value of the stocks, the amount of capital obtained from the issuance of non-par value shares that is not included in the registered capital, and other items stipulated by the finance authority under the State Council to be included in the capital reserve, shall be included in the capital reserve.

The Company's reserve fund shall be applied to make up losses of the company, expand its business operations or be converted to increase the registered capital of the company. Where the reserve of a company is used for making up losses, the discretionary reserve and statutory reserve shall be firstly used. If losses still cannot be made up, the capital reserve can be used in accordance with relevant regulations. Upon the conversion of statutory common reserve fund into capital, the balance of the statutory common reserve fund shall not be less than 25% of the registered capital of the company before such conversion.

The Company shall have no other accounting books except the statutory accounting books. Its assets shall not be deposited in any accounts opened in the name of any individual.

Appointment and dismissal of accounting firms

Pursuant to the Company Law, the appointment or dismissal of accounting firms responsible for the auditing of the company shall be determined by shareholders' meeting, board of directors or board of supervisors in accordance with provisions of articles of association. The accounting firm should be allowed to make representations when the shareholders' meeting, board of directors or board of supervisors conducts a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidences, books, financial and accounting reports and other accounting data to the accounting firm it employs without any refusal, withholding and misrepresentation.

If a listed company has established an audit committee within the board of directors, before the board of directors adopts a resolution on any of the following matters, the resolution shall be adopted by a majority of all members of the audit committee:

- appointment or removal of the accounting firm providing audit services to the company;
- appointment or removal of the head of finance;
- disclosure of financial accounting reports; or
- any other matters as stipulated by the securities regulatory authority under the State Council.

Distribution of profits

According to the Company Law, a company shall not distribute profits before losses are covered and the statutory common reserve is drawn.

Amendments to articles of association

Any amendments to the company's articles of association must be made in accordance with the procedures set out in the company's articles of association. In relation to matters involving the company's registration, its registration with the authority must also be changed.

Dissolution and liquidation

According to the Company Law, a company shall be dissolved by reason of the following: (i) the term of its operations set down in the articles of association has expired or other events of dissolution specified in the articles of association have occurred; (ii) the shareholders' meeting have resolved to dissolve the company; (iii) the company is dissolved by reason of merger or division; (iv) the business license is revoked; the company is ordered to close down or be dissolved; or (v) the company is dissolved by the people's court in response to the request of shareholders holding shares that represent more than 10% of the voting rights of all its shareholders, on the grounds that the company suffers significant hardship in its operation and management that cannot be resolved through other means, and the ongoing existence of the company would bring significant losses for shareholders.

In the event of (i) or (ii) above and has not distributed assets to its shareholders, it may continue its existence by amending its articles of association or by resolution of the shareholders' meeting. The amendment of the articles of association in accordance with provisions set out above shall require approval of more than two thirds of voting rights of shareholders attending a shareholders' meeting.

Where the company is dissolved in the circumstances described in subparagraphs (i), (ii), (iv), or (v) above, a liquidation group shall be established and the liquidation process shall commence within 15 days after the occurrence of an event of dissolution.

The liquidation team shall be composed of directors, unless it is otherwise stipulated by the company's articles of association or appointed by resolution of the shareholders' meeting. If a liquidation group is not established within the stipulated period, any stakeholders may apply to the people's court to designate relevant individuals to form a liquidation group for the liquidation.

The liquidation group shall exercise the following powers during the liquidation period:

- to handle the company's assets and to prepare a balance sheet and an inventory of the assets;
- to notify creditors through notice or public announcement;
- to deal with the company's outstanding businesses related to liquidation;
- to pay any tax overdue as well as tax amounts arising from the process of liquidation;
- to claim credits and pay off debts;

- to handle the company's remaining assets after its debts have been paid off; and
- to represent the company in civil lawsuits.

The liquidation group shall notify the company's creditors within 10 days after its establishment and make a public announcement through a newspaper or the National Enterprise Credit Information Publicity System. A creditor shall lodge his claim with the liquidation group within 30 days after receiving notification, or within 45 days of the public notice if he did not receive any notification. A creditor shall state all matters relevant to his creditor rights in making his claim and furnish evidence. The liquidation group shall register such creditor rights. The liquidation group shall not make any debt settlement to creditors during the period of claim.

Upon liquidation of properties and the preparation of the balance sheet and inventory of assets, the liquidation group shall draw up a liquidation plan to be submitted to the shareholders' meeting or people's court for confirmation.

The company's remaining assets after payment of liquidation expenses, wages, social insurance expenses and statutory compensation, outstanding taxes and debts shall be distributed to shareholders according to their shareholding proportion. It shall continue to exist during the liquidation period, although it can only engage in any operating activities that are related to the liquidation. The company's properties shall not be distributed to the shareholders before repayments are made in accordance to the foregoing provisions.

Upon liquidation of the company's properties and the preparation of the balance sheet and inventory of assets, if the liquidation group becomes aware that the company does not have sufficient assets to meet its liabilities, it must apply to the people's court for a declaration for bankruptcy.

Following such declaration, the liquidation group shall hand over liquidation affairs to the administrator designated by the people's court.

Upon completion of the liquidation, the liquidation group shall submit a liquidation report to the shareholders' meeting or the people's court for verification. Thereafter, the report shall be submitted to the registration authority of the company in order to cancel the company's registration, and a public notice of its termination shall be issued. Members of the liquidation group shall fulfill liquidation responsibilities with a duty of loyalty and diligence.

Any member of the liquidation group who neglects their liquidation responsibilities and causes losses to the company shall be liable for compensation; if losses are caused to any creditor due to intent or gross negligence, such member shall be liable for compensation.

Overseas listing

According to the Overseas Listing Trial Measures, the domestic enterprise shall report the application documents for issuance and listing to the CSRC for record-filing within three working days after submission of the application documents for issuance and listing overseas. The remittance and cross-border flow of funds related to overseas issuance and listing of domestic companies shall comply with national regulations on cross-border investment and financing, foreign exchange management, and cross-border RMB management.

Loss of Share Certificates

If a share certificate is lost, stolen or destroyed, the relevant shareholder may apply, in accordance with the relevant provisions set out in the Civil Procedure Law, to a people's court to declare such certificate invalid. After the people's court declares the invalidity of such certificate, the shareholder may apply to the company for a replacement share certificate.

Suspension and termination of listing

The Company Law has deleted provisions governing suspension and termination of listing. The PRC Securities Law (2019 revision) (《中華人民共和國證券法》(2019年修訂)) has also deleted provisions regarding suspension of listing. Where listed securities fall under the delisting circumstances stipulated by the stock exchange, the stock exchange shall terminate its listing and trading in accordance with the business rules.

Where the stock exchange decides on delisting of securities, it shall promptly announce and file records with the securities supervisory and regulatory authority of the State Council.

Merger and demerger

Companies may merge through merger by absorption or through the establishment of a newly merged entity. If it merges by absorption, the company which is absorbed shall be dissolved. If it merges by forming a new corporation, both companies will be dissolved.

SECURITIES LAW AND REGULATIONS

The PRC has promulgated a number of regulations that relate to the issue and trading of shares and disclosure of information. In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities related institutions in the PRC and administering the CSRC. The CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating public offers of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities related statistics and undertaking relevant research and analysis. In April 1998, the State Council consolidated the two departments and reformed the CSRC.

The Interim Provisional Regulations on the Administration of Share Issuance and Trading (《股票發行與交易管理暫行條例》) deals with the application and approval procedures for public offerings of equity securities, trading in equity securities, the acquisition of listed companies, deposit, clearing and transfer of listed equity securities, the disclosure of information with respect to a listed company, investigation, penalties and dispute settlement.

On December 25, 1995, the State Council promulgated and implemented the Regulations of the State Council Concerning Domestic Listed Foreign Shares of Joint Stock Limited Companies (《國務院關於股份有限公司境內上市外資股的規定》). These regulations deal mainly with the issue, subscription, trading and declaration of dividends and other distributions of domestic listed and foreign invested shares and disclosure of information of joint stock limited companies having domestic listed and foreign invested shares.

The PRC Securities Law took effect on July 1, 1999 and was revised or amended on August 28, 2004, October 27, 2005, June 29, 2013, August 31, 2014 and December 28, 2019, respectively. This is the first national securities law in the PRC, which is divided into 14 chapters and 226 articles regulating, among other things, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council's securities supervisory and regulatory authorities. The PRC Securities Law comprehensively regulates activities in the PRC securities market. Article 224 of the PRC Securities Law provides that domestic enterprises shall comply with the relevant provisions of the State Council to list its shares outside the PRC. Currently, the issue and trading of foreign issued shares (including H shares) are mainly governed by the rules and regulations promulgated by the State Council and the CSRC.

ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

The Arbitration Law of the PRC (《中華人民共和國仲裁法》) (the “**Arbitration Law**”) was passed by the SCNPC on August 31, 1994, became effective on September 1, 1995 and was amended on August 27, 2009 and September 1, 2017. Under the Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with the Arbitration Law and the Civil Procedure Law. Where the parties have by agreement provided arbitration as the method for dispute resolution, the people's court will refuse to handle the case except when the arbitration agreement is declared invalid.

Under the Arbitration Law and the Civil Procedure Law, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the people's court for enforcement. A people's court may refuse to enforce an arbitral award made by an arbitration commission if there is any irregularity on the procedures or composition of arbitrators specified by law or the award exceeds the scope of the arbitration agreement or is outside the jurisdiction of the arbitration commission.

A party seeking to enforce an arbitral award of PRC arbitration panel against a party who, or whose property, is not within the PRC, may apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognized and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC. The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the “**New York Convention**”) adopted on June 10, 1958 pursuant to a resolution of the SCNPC passed on December 2, 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by all other parties to the New York Convention, subject to their right to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of the state to which the application for enforcement is made. It was declared by the SCNPC simultaneously with the accession of the PRC that (i) the PRC will only recognize and enforce foreign arbitral awards on the principle of reciprocity and (ii) the PRC will only apply the New York Convention in disputes considered under PRC laws to arise from contractual and non-contractual mercantile legal relations.

An arrangement was reached between Hong Kong and the Supreme People's Court for the mutual enforcement of arbitral awards. On June 18, 1999, the Supreme People's Court adopted the Arrangement on Mutual Enforcement of Arbitral Awards between Mainland China and Hong Kong (《關於內地與香港特別行政區相互執行仲裁裁決的安排》), which became effective on February 1, 2000, and Supplementary Arrangements of Supreme People's Court on Reciprocal Enforcement of Arbitration Awards between the Mainland and the Hong Kong Special Administrative Region (《關於內地與香港特別行政區相互執行仲裁裁決的補充安排》), which promulgated on November 26, 2020. In accordance with these arrangement, awards made by PRC arbitral authorities under the Arbitration Law can be enforced in Hong Kong, and Hong Kong arbitration awards are also enforceable in the PRC.

Judicial judgment and its enforcement

Pursuant to the Arrangements for Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Cases between Courts of the Mainland and Hong Kong Special Administrative Region (《最高人民法院關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) which is promulgated by the Supreme People's Court on January 25, 2024 and implemented on January 29, 2024, except for judgments in civil and commercial cases that are not applicable under Article 3 of this Arrangements, judgments that can be recognized and enforced in both places are those made by mainland and Hong Kong SAR courts on or after January 29, 2024. The mutually recognized and enforced judgments include monetary judgments and non monetary judgments.

SUMMARY OF MATERIAL DIFFERENCES BETWEEN HONG KONG AND PRC COMPANY LAW

The Hong Kong law applicable to a company incorporated in Hong Kong is mainly based on the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Companies Ordinance and is supplemented by common law and the rules of equity that are applicable to Hong Kong. As a joint stock limited company established in the PRC that is seeking a listing of shares on the Hong Kong Stock Exchange, we are governed by the PRC Company Law and all other rules and regulations promulgated pursuant to the PRC Company Law.

Set out below is a summary of certain material differences between Hong Kong company law applicable to a company incorporated in Hong Kong and the PRC Company Law applicable to a joint stock limited company incorporated and existing under the PRC Company Law. This summary is, however, not intended to be an exhaustive comparison.

Corporate existence

Under Hong Kong company law, a company with share capital, shall be incorporated by the Registrar of Companies in Hong Kong which issues a certificate of incorporation to the Company upon its incorporation and the company will acquire an independent corporate existence. A company may be incorporated as a public company or a private company. Pursuant to the Companies Ordinance, the articles of association of a private company incorporated in Hong Kong shall contain provisions that restrict a member's right to transfer shares. A public company's articles of association do not contain such provisions.

Under the PRC Company Law, a joint stock limited company may be incorporated by promotion or public subscription.

Hong Kong law does not prescribe any minimum capital requirement for a Hong Kong company.

Share capital

The Hong Kong company law does not provide for authorized share capital. The share capital of a Hong Kong company would be its issued share capital. The full proceeds of a share issue will be credited to share capital and becomes a company's share capital. The directors of a Hong Kong company may, with the prior approval of the shareholders if required, issue new shares of the company. The PRC Company Law does not provide for authorized share capital, either. Our registered capital is the amount of our issued share capital. Any increase in our registered capital must be approved by our shareholders' meeting and file with the relevant PRC governmental and regulatory authorities.

Under the PRC Company Law, the shares may be subscribed for in the form of money or non-monetary assets (other than assets not entitled to be used as capital contributions under relevant laws and administrative regulations). For non-monetary assets to be used as capital contributions, appraisals and verification must be carried out to ensure no overvaluation or undervaluation of the assets. There is no such restriction on a Hong Kong company under Hong Kong Law.

Restrictions on shareholding and transfer of shares

Generally, overseas listed shares, which are denominated in Renminbi and subscribed for in a currency other than Renminbi, may only be subscribed for, and traded by, investors from Hong Kong, Macau and Taiwan or any country and territory outside the PRC, or qualified domestic institutional investors as allowed under Tentative Regulatory Measures for Qualified Domestic Institutional Investors Investing in Overseas Securities (《合格境內機構投資者境外證券投資管理試行辦法》). If the H shares are eligible securities under the Southbound Trading Link, they are also subscribed for and traded by PRC investors in accordance with the rules and limits of Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect.

Under the PRC Company Law, shares in issue prior to our public offering cannot be transferred within one year from the listing date of the shares on a stock exchange. Shares in a joint stock limited liability company held by its directors, supervisors and managers and transferred each year during their term of office shall not exceed 25% of the total shares they held in the company, and the shares they held in the company cannot be transferred within one year from the listing date of the shares, and also cannot be transferred within half a year after the said personnel has left office. The articles of association may set other restrictive requirements on the transfer of the company's shares held by its directors, supervisors and officers. There are no such restrictions on shareholdings and transfers of shares under Hong Kong law apart from the relevant lockup period rules of Hong Kong Stock Exchange that the company, controlling shareholders, and other entities should comply with.

Directors, senior management and supervisors

The PRC Company Law, unlike Hong Kong company law, does not contain any requirements relating to the declaration of directors' interests in material contracts, restrictions on directors' authority in making major dispositions, restrictions on companies providing certain benefits to directors and guarantees in respects of directors' liability and prohibitions against compensation for loss of office without shareholders' approval.

Board of supervisors

Under the PRC Company Law, a joint stock limited company's directors and managers are subject to the supervision of a supervisors committee. There is no mandatory requirement for the establishment of a board of supervisors for a company incorporated in Hong Kong.

Derivative action by minority shareholders

Hong Kong law permits minority shareholders to initiate a derivative action on behalf of all shareholders against directors who have committed a breach of their fiduciary duties to the company if the directors control a majority of votes at a meeting, thereby effectively preventing a company from suing the directors in breach of their duties in its own name.

The PRC Company Law provides shareholders of a joint stock limited company with the right so that in the event where the directors and senior management violate their fiduciary obligations to a company, the shareholders individually or jointly holding over 1% of the shares in the company for more than 180 consecutive days may request in writing the board of supervisors to initiate proceedings in the people's court. In the event that the board of supervisors violates their fiduciary obligations to a company, the above said shareholders may send written request to the board of directors to initiate proceedings in the people's court. Upon receipt of such written request from the shareholders, if the board of supervisors or the board of directors refuses to initiate such proceedings, or has not initiated proceedings within 30 days upon receipt of the request, or if under urgent situations, failure of initiating immediate proceeding may cause irremediable damages to the company, the above said shareholders shall, for the benefit of the company's interests, have the right to initiate proceedings directly to the court in their own name.

Protection of minorities

Under Hong Kong law, the company may be wound up by the court if the court considers that it is just and equitable to do so, in addition, a shareholder who complains that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his interests may petition to the court to make an appropriate order regulating the affairs of the company. Furthermore, under certain circumstances, the Financial Secretary of Hong Kong may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated in Hong Kong. The PRC law does not contain similar safeguards.

Notice of shareholders' meetings

Under the PRC Company Law, notice of a shareholder's annual meeting must be given not less than 20 days before the meeting. According to the Official Reply of the State Council on Adjusting the Provisions Governing Matters Including the Application of the Notice Period for the Convening of Shareholders' General Meetings by Companies Listed Overseas (《國務院關於調整適用在境外上市公司召開股東大會通知期限等事項規定的批覆》) promulgated by the State Council on October 17, 2019, the notice period for a shareholders' meeting, the shareholder proposal right, and the procedures for convening a shareholders' meeting, for those joint stock companies established within the territory of China but listed outside the territory of China, should be governed by the PRC Company Law. For a company incorporated in Hong Kong, the notice period for an annual meeting is at least 21 days and in any other case, at least 14 days for a limited company and at least 7 days for an unlimited company.

Quorum for shareholders' meetings

Under Hong Kong law, the quorum for a shareholders' meeting must be at least two members unless the articles of association of the company otherwise provide. For companies with only one member, the quorum must be one member. The PRC Company Law does not specify any quorum requirement for a shareholders' meeting.

Voting

Under Hong Kong law, an ordinary resolution is passed by a simple majority of votes cast by members present in person or by proxy at a shareholders' meeting and a special resolution is passed by a majority of not less than three-fourths of votes cast by members present in person or by proxy at a shareholders' meeting. Under the PRC Company Law, the passing of any resolution requires affirmative votes of shareholders representing more than half of the voting rights represented by the shareholders who attend the shareholders' meeting except in cases of proposed amendments to a company's articles of association, increase or decrease of registered capital, merger, division or dissolution, or change of corporation form, which require affirmative votes of shareholders representing more than two-thirds of the voting rights represented by the shareholders who attend the shareholders' meeting.

Financial disclosure

Under the PRC Company Law, a joint stock limited company is required to make available at the company for inspection by shareholders its financial report 20 days before its shareholders' annual meeting. In addition, a joint stock limited company of which the shares are publicly offered must publish its financial report. The Companies Ordinance requires a company incorporated in Hong Kong to send to every shareholder a copy of its balance sheet, auditors' report and directors' report, which are to be presented before the company in its annual general meeting, not less than 21 days before such meeting. A joint stock limited liability company is required under the PRC law to prepare its financial statements in accordance with the PRC GAAP.

Information on directors and shareholders

The PRC Company Law gives shareholders the right to inspect the company's articles of association, minutes of the shareholders' meetings and financial and accounting reports. Under the Articles of Association, shareholders have the right to inspect and copy (at reasonable charges) certain information on shareholders and on directors which is similar to the shareholders' rights of Hong Kong companies under Hong Kong law.

Receiving agent

Under the PRC Company Law and Hong Kong law, dividends once declared are debts payable to shareholders. The limitation period for debt recovery action under Hong Kong law is six years, while under the PRC law this limitation period is three years.

Corporate reorganization

Corporate reorganization involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company in the course of voluntary winding up to another company pursuant to Section 237 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to Section 673 and Section 674 of the Companies Ordinance, which requires the sanction of the court. Under PRC law, merger, division, dissolution or change to the status of a joint stock limited liability company has to be approved by shareholders in shareholder' meeting.

Mandatory deductions

Under the Company Law, a joint stock limited liability company is required to make transfers equivalent to certain prescribed percentages of its after tax profit to the statutory common reserve fund. There are no corresponding provisions under Hong Kong law.

Remedies of the company

Under the Company Law, if a director, supervisor or senior management in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or senior management should be responsible to the company for such damages. In addition, the Hong Kong Listing Rules require listed companies' articles of association to provide for remedies of the company similar to those available under Hong Kong law (including rescission of the relevant contract and recovery of profits from a director, supervisor or senior management).

Dividends

The company has the power in certain circumstances to withhold, and pay to the relevant tax authorities, any tax payable under PRC law on any dividends or other distributions payable to a shareholder. Under Hong Kong law, the limitation period for an action to recover a debt (including the recovery of declared dividends) is six years, whereas under PRC laws, the relevant limitation period is two years now or three years beginning from January 1, 2021. The company must not exercise its powers to forfeit any unclaimed dividend in respect of shares until after the expiry of the applicable limitation period.

Fiduciary duties

In Hong Kong, there is the common law concept of the fiduciary duty of directors. Under the PRC Company Law, directors, supervisors and senior management should be loyal and diligent.

Closure of register of shareholders

The Companies Ordinance requires that the register of shareholders of a company must not generally be closed for the registration of transfers of shares for more than 30 days (extendable to 60 days in certain circumstances) in a year, whereas, as required by the PRC Company Law, share transfers shall not be registered within 20 days before the date of a shareholders' meeting or within five days before the base date set for the purpose of distribution of dividends.

Any person wishing to have detailed advice on PRC law or the laws of any jurisdiction is recommended to seek independent legal advice.

This appendix contains a summary of the principal provisions of the Company's Articles of Association, which will take effect on the date when the Company's H shares are listed on the Hong Kong Stock Exchange. This appendix is primarily intended to provide potential investors with an overview of the Company's Articles of Association. Therefore, it may not contain all the information that is important to potential investors.

SHARES

Shares and Registered Capital

Shares of the Company shall be issued in a transparent, fair and equal manner and shares of the same class shall rank pari passu in all respects. Each of the shares of the same class shall be issued under the same conditions and at the same price in each issuance, and the same price shall be paid for each of the shares subscribed for by any entity or individual.

Shares issued by the Company are all ordinary shares denominated in Renminbi (RMB).

The shares of the Company are in the form of share certificates. The Non-H shares of the Company are quoted on the National Equities Exchange and Quotations (“**NEEQ Quoting**”) and centrally registered in China Securities Depository and Clearing Co., Ltd. H shares issued by the Company are mainly held in escrow by the entrusted custody company under Hong Kong Securities Clearing Company Limited. Shares issued by the Company are all ordinary shares denominated in Renminbi (RMB).

Increase, Reduction and Repurchase of Shares

Based on its operating and development needs, the Company may, pursuant to the laws and regulations, the Hong Kong Listing Rules and other securities regulatory rules of the places where the Company's shares are listed, and with the approval by resolutions at the shareholders' meeting, increase its registered capital in the following ways:

- (1) Public offering of shares in fulfillment of statutory procedures;
- (2) Private offering of shares;
- (3) Distributing bonus shares to existing shareholders;
- (4) Converting capital reserves into share capital;
- (5) Adopting any other means stipulated in the laws and administrative regulations and approved by securities regulatory authorities of the places where the Company's shares are listed, China Securities Regulatory Commission and Hong Kong Stock Exchange.

If the Company's shares are issued in the way of cash subscription, the Company's existing shareholders are not entitled to the preemptive right of the issued shares under the same conditions.

The Company may reduce its registered capital. The reduction in registered capital shall be made in accordance with the procedures set out in Company Law, other applicable regulations, and the Articles of Association.

Shareholders who vote against any resolution adopted at the shareholders' meeting may request the Company to acquire their shares at a reasonable price under one of the following circumstances:

- (1) The Company has not distributed profits to shareholders for 5 consecutive years, provided, however, that the Company has been profitable for the past 5 consecutive years and has satisfied the profit distribution conditions stipulated in Company Law;
- (2) The Company has transferred its main properties;
- (3) The Company continues to exist by amending the Articles of Association through a resolution adopted at the shareholders' meeting despite the occurrence of reasons for dissolution as stipulated in the Articles of Association.

If a shareholder and the Company fail to reach an agreement on the purchase of shares within 60 days from the date of the resolution adopted at the shareholders' meeting, the shareholder may file a lawsuit against the people's court within 90 days from the date of the resolution adopted at the shareholders' meeting. Shares of the Company acquired by the Company as a result of the above circumstances shall be transferred or canceled within 6 months in accordance with the law.

The Company may, in accordance with the provisions set out in the laws, administrative regulations, departmental rules, normative documents, the Hong Kong Listing Rules, other securities regulatory rules of the places where the Company's shares are listed and the Articles of Association, purchase its shares under the following circumstances:

- (1) Reduction of the Company's registered capital;
- (2) Merger with another company which holds the shares of the Company;
- (3) Use of shares for employee stock ownership plans or equity incentives;
- (4) Request to the Company to acquire the shares from shareholders who vote against any resolution adopted at the shareholders' meeting on the merger or demerger of the Company;
- (5) Use of shares to convert corporate bonds issued by the Company that are convertible into shares;
- (6) Other circumstances necessary for the Company to maintain the value of the Company and the interests of its shareholders; and
- (7) Other circumstances under which the Company's shares may be acquired in accordance with laws, administrative regulations, departmental rules, normative documents, the Hong Kong Listing Rules, other securities regulatory rules of the places where the Company's shares are listed.

The Company must obtain the prior approval by the resolution adopted at the shareholders' meeting if it acquires its shares by reason of the circumstances specified in subparagraphs (1) and (2) of the preceding paragraph; and obtain the prior approval by the resolution adopted at the meetings of the Board of Directors where more than two-thirds of the directors attend if it acquires its shares by reason of the circumstances specified in subparagraphs (3), (5) and (6) of the preceding paragraph. Shares

acquired by the Company under subparagraph (1) thereof shall be canceled within 10 days from the date of acquisition; those acquired under sub-paragraphs (2) and (4) thereof shall be transferred or canceled within 6 months; and those acquired by the Company under subparagraphs (3), (5) and (6) thereof and held by the Company, shall not exceed 10% of the Company's total issued shares, and shall be transferred or canceled within three years. Except for the above circumstances, the Company shall not engage in the trading of the Company's shares.

The Company may acquire shares of the Company through public centralized trading, or other methods recognized by laws, administrative regulations, the Hong Kong Listing Rules, other securities regulatory rules of the places where the Company's shares are listed and China Securities Regulatory Commission (if necessary). Shares acquired by the Company under subparagraphs (3), (5) and (6) of paragraph I of Article 23 of the Articles of Association shall be traded through public centralized trading.

After acquiring shares of the Company, the Company shall fulfill its obligations of information disclosure in accordance with laws, administrative regulations, rules, normative documents, the Hong Kong Listing Rules and other relevant provisions. If matters related to share repurchases are otherwise provided in the relevant regulatory rules of the places where the Company's shares are listed, such regulatory rules shall prevail.

Transfer of Shares

Shares held by shareholders of the Company may be transferred to other shareholders or to persons other than shareholders.

The Company shall not accept any of its own shares as the subject of the pledge.

The shares directly or indirectly held by the Company's controlling shareholders and de facto controllers prior to the NEEQ Quoting may be released from transfer restriction in three batches, with the number of shares released from transfer restriction in each batch being one-third of the number of shares held prior to the NEEQ Quoting. The dates for the release of shares from the transfer restriction shall be the date of listing, the expiration date of listing for one entire year and for two entire years, respectively.

Shares issued prior to the Company's initial public offering of H shares shall not be transferred within one year from the date of listing of the Company's shares on the Main Board of Hong Kong Stock Exchange.

The Company's directors, supervisors and senior management officers shall report to the Company their holdings of shares of the Company and changes thereof. Shares of the Company held by these persons shall not be transferred within one year from the date of listing of the Company's shares on the Main Board of Hong Kong Stock Exchange, and the number of shares to be transferred annually during their tenures of office determined at the time of assumption of their positions shall not exceed 25% of the total number of shares held by them. Shares of the Company held by the aforesaid persons shall not be transferred within half a year after leaving office. If the shares are pledged within the period of transfer restriction prescribed by laws and administrative regulations, the pledgee shall not exercise the pledge right within the period of transfer restriction.

If the transfer restriction of H shares is otherwise provided in the relevant regulatory rules of the places where the Company's shares are listed, such regulatory rules shall prevail.

SHAREHOLDERS AND SHAREHOLDERS' MEETING

Shareholders

China Securities Depository and Clearing Co., Ltd. is the registration and depository institution for the Company's domestic unlisted shares held by its shareholders. The register of shareholders recording shareholders of the Company's domestic unlisted shares and shares held by such shareholders shall be subject to the data recorded in the securities book-entry system of China Securities Depository and Clearing Co., Ltd. The Company's H shares are held in escrow by the entrusted custody company under Hong Kong Securities Clearing Company Limited, and can also be held by shareholders in their personal names.

Matters that shall be stated in the Company's share certificate shall include, in addition to those stipulated in the Company Law, matters required to be stated by the stock exchanges where the Company's shares are listed.

H shares issued by the Company that are listed overseas may be in the form of overseas depository receipts or other derivatives of share certificates in accordance with the laws and the practice of the securities registration and depository of the places where the Company's shares are listed.

Shareholders of the Company may enjoy the following rights:

- (1) The right to receive dividends and other distributions in proportion to the number of shares held;
- (2) The right to request, convene, chair, attend and vote in person or appoint a proxy to attend and vote on their behalf at the shareholders' meeting in accordance with the laws;
- (3) The right to supervise the Company's business operations, and to put forward proposals and raise enquiries;
- (4) The right to transfer, give as gifts or pledge the shares held in accordance with the laws, administrative regulations, *the Hong Kong Listing Rules* and other securities regulatory rules of the places where the Company's shares are listed;
- (5) The right to access and copy Articles of Association, register of shareholders, meeting minutes of the shareholders' meeting, resolutions of meetings of the Board of Directors, resolutions of meetings of the Board of Supervisors, and financial and accounting reports;
- (6) In the event of the termination or liquidation of the Company, the right to participate in the distribution of the remaining assets of the Company in proportion to the number of shares held;
- (7) With respect to shareholders who voted against any resolution adopted at the shareholders' meeting on the merger or demerger of the Company, the right to demand the Company to acquire the shares held by them; and

- (8) Any other rights conferred by laws, administrative regulations, departmental rules, the Hong Kong Listing Rules, other securities regulatory rules of the places where the Company's shares are listed or the Articles of Association.

The Company shall not deprive or restrict shareholders of their statutory rights.

Shareholders of the Company shall assume the following obligations:

- (1) To abide by laws, administrative regulations, the Hong Kong Listing Rules, other securities regulatory rules of the places where the Company's shares are listed and the Articles of Association;
- (2) To pay subscription money according to the number of shares subscribed and the method of subscription;
- (3) Not to withdraw their shares except as otherwise provided by laws, regulations, the Hong Kong Listing Rules and other securities regulatory rules of the places where the Company's shares are listed;
- (4) Not to abuse their shareholder rights to jeopardize the interests of the Company or other shareholders; and not to abuse the independent status of the Company as a legal entity and the limited liabilities of shareholders to jeopardize the interests of the Company's creditors; and
- (5) Any other obligations imposed by laws, administrative regulations, the Hong Kong Listing Rules, other securities regulatory rules of the places where the Company's shares are listed or the Articles of Association.

Shareholders of the Company who abuse their shareholder rights to cause losses to the Company or other shareholders shall be liable for compensation in accordance with the laws.

Shareholders of the Company who abuse the independent status of the Company as a legal entity and the limited liabilities of shareholders to evade debts and seriously jeopardize the interests of the Company's creditors shall be jointly and severally liable for the debts of the Company.

If shareholders holding more than 5% of the voting rights of shares of the Company pledge the shares held by them, such shareholders shall report to the Company in writing on the date when such fact occurs.

The Company's controlling shareholders and de facto controllers shall not use their related (connected) relationship to jeopardize the interests of the Company. Those who violate the regulations and cause losses to the Company shall be liable for compensation.

The Company's controlling shareholders and de facto controllers shall bear fiduciary duties for the Company and shareholders of the Company. The Company's controlling shareholders and de facto controllers shall not use any means to jeopardize the legitimate rights and interests of the Company and other shareholders.

General Provisions of the Shareholders' Meeting

The shareholders' meeting is the power of authority of the Company and shall exercise the following functions and powers in accordance with the laws:

- (1) To elect and replace directors and supervisors and to determine matters relating to the remuneration of the directors and supervisors;
- (2) To consider and approve the reports of the Board of Directors;
- (3) To consider and approve the reports of the Board of Supervisors;
- (4) To consider and approve the Company's profit distribution plan and plan for recovery of losses;
- (5) To make resolutions on the increase or reduction of the Company's registered capital;
- (6) To make resolutions on the issue of corporate bonds;
- (7) To make resolutions on the merger, demerger, dissolution, liquidation or change of corporate form of the Company;
- (8) To amend the Articles of Association;
- (9) To decide the appointment and dismissal of the accounting firms;
- (10) To consider and approve financial assistance matters as stipulated in Article 44 of the Articles of Association;
- (11) To consider and approve guarantee matters as stipulated in Article 45 of the Articles of Association;
- (12) To consider and approve major transaction matters as stipulated in Article 46 of the Articles of Association;
- (13) To consider and approve the share incentive plan;
- (14) To consider and approve matters related to the change of use of proceeds;
- (15) To consider and approve related (connected) transaction matters that exceed the resolution authority of the Company's Board of Directors; and
- (16) To consider and approve other matters which are required to be determined at the shareholders' meeting as required by laws, administrative regulations, departmental rules, the Hong Kong Listing Rules, other securities regulatory rules of the places where the Company's shares are listed or the Articles of Association.

The shareholders' meeting may authorize the Board of Directors to make resolutions on issuing corporate bonds. In addition to the aforementioned matters, the powers of the shareholders' meeting may not be exercised by the Board of Directors or by other institutions and individuals on its behalf by way of authorization. Transactions in which the Company unilaterally obtains benefits, including receipt of cash assets, debt relief, guarantees and subsidies, may be exempted from the consideration procedures of the shareholders' meeting as stipulated in the aforementioned subparagraph (12). Transactions between the Company and its controlled subsidiaries within the scope of the consolidated statements or between the said controlled subsidiaries shall be exempted from the consideration procedures of the shareholders' meeting as stipulated in the aforementioned subparagraph (12), unless as otherwise provided or such transactions are detrimental to the shareholders' legitimate rights and interests.

A shareholders' meeting shall either be an annual shareholders' meeting or an extraordinary shareholders' meeting. Annual shareholders' meetings shall be held once every year and within 6 months from the close of the preceding accounting year.

The Company shall convene an extraordinary shareholders' meeting within two months from the occurrence of any of the following circumstances:

- (1) When the number of directors is less than the number stipulated in Company Law or two-thirds of the number specified in the Articles of Association;
- (2) When the unrecovered losses of the Company amount to one-third of the total amount of its paid-in share capital;
- (3) When any shareholder individually or jointly holding 10% or more of the Company's shares requests in writing for the convening of an extraordinary shareholders' meeting;
- (4) When deemed necessary by the Board of Directors;
- (5) When proposed to convene by the Board of Supervisors;
- (6) When the number of independent directors (with the same meaning as "independent non-executive directors", the same as below) is less than the quorum; and
- (7) Any other circumstances stipulated in the laws, administrative regulations, departmental rules, the Hong Kong Listing Rules, other securities regulatory rules of the places where the Company's shares are listed or the Articles of Association.

The number of shares held as mentioned in subparagraph (3) above shall be subject to the number of shares held on the date when the shareholder submits a written request.

Convocation of Shareholders' Meeting

A majority of independent directors have the right to propose to the Board of Directors to convene an extraordinary shareholders' meeting. In response to a proposal from independent directors that request to convene an extraordinary shareholders' meeting, 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 shareholders' meeting within 10 days upon receipt of the proposal.

If the Board of Directors agrees to convene an extraordinary shareholders' meeting, the Board of Directors will issue a notice of convening the extraordinary shareholders' meeting within 5 days after the Board of Directors' resolution is made; if the Board of Directors disagrees to convene an extraordinary shareholders' meeting, it will state the reasons and make an announcement.

The Board of Supervisors has the right to propose to the Board of Directors to convene an extraordinary shareholders' meeting and shall submit such proposal 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 shareholders' meeting within 10 days upon receipt of the proposal.

If the Board of Directors agrees to convene an extraordinary shareholders' meeting, the Board of Directors will issue a notice of convening the extraordinary shareholders' meeting within 5 days after the Board of Directors' resolution is made, and any changes to the original proposal contained in the notice shall be approved by the Board of Supervisors.

If the Board of Directors disagrees to convene an extraordinary shareholders' meeting or fails to provide feedback within 10 days upon receipt of the proposal, it shall be deemed that the Board of Directors is unable to perform or fails to perform its duty to convene the shareholders' meeting, and the Board of Supervisors shall convene and preside over the extraordinary shareholders' meeting of its own accord.

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 shareholders' 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 shareholders' meeting within 10 days upon receipt of the request.

If the Board of Directors agrees to convene an extraordinary shareholders' meeting, the Board of Directors will issue a notice of convening the extraordinary 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 shareholders' 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 shareholders' meeting and shall submit such request to the Board of Supervisors in writing.

If the Board of Supervisors agrees to convene an extraordinary shareholders' meeting, the Board of Supervisors will issue a notice of convening the extraordinary 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 shareholders' 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 shareholders' meeting, the Board of Directors and the Board of Supervisors shall make a decision on whether to convene the extraordinary shareholders' meeting and reply to the shareholders in writing within 10 days upon receipt of the request.

If the Board of Supervisors or the shareholders decide to convene the shareholders' meeting of their own accord, they shall notify the Board of Directors in writing.

If the shareholders decide to convene the shareholders' meeting of their own accord, the shareholders convening the shareholders' meeting shall jointly hold 10% or more of the Company's shares prior to the announcement of the resolution adopted at the shareholders' meeting.

The Board of Directors and the secretary to the Board of Directors shall cooperate and fulfill their information disclosure obligations in a timely manner for a shareholders' meeting convened by the Board of Supervisors or shareholders of its own accord. The Board of Directors shall provide a register of shareholders of the Company as of the record date.

All necessary expenses incurred for the shareholders' meeting convened by the Board of Supervisors and shareholders meeting of their own accord in accordance with the law shall be borne by the Company.

Proposals and Notices of the Shareholders' Meeting

Contents in proposals shall fall within the scope of functions and powers of the shareholders' meeting with clear topics and specific resolutions and shall be in compliance with the relevant provisions of laws, administrative regulations, the Hong Kong Listing Rules, other securities regulatory rules of the place where the Company's shares are listed and 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 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 contents 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.

The convener shall notify all shareholders 21 days prior to the convening of an annual shareholders' meeting and 15 days prior to the convening of an extraordinary shareholders' meeting. When calculating the aforementioned notice period, the Company excludes the date on which the meeting is held. With the consent of more than two-thirds of the voting rights represented by the shareholders (including their proxies) present at the meeting, the period of advance notice may be waived, which shall be set out in the meeting minutes, and the resolution adopted at such shareholders' meeting shall be lawful and valid.

After giving the notice of convening the shareholders' meeting, without justifiable reasons, such shareholders' meeting shall not be adjourned or canceled and the proposals specified in such notice shall not be canceled. If the shareholders' meeting is necessary to be adjourned or canceled, the Company shall announce at least 2 trading days prior to the originally scheduled date of the shareholders' meeting with detailed reasons stated.

Convening of the Shareholders' Meeting

The Board of Directors and other conveners of the Company shall take the necessary measures to ensure the normal order of the shareholders' meeting will be taken to stop interference with the shareholders' meeting, provocations and detriment to the legitimate rights and interests of shareholders.

All shareholders registered on the record date or their proxies are entitled to present at the shareholders' meeting, and exercise their voting rights in accordance with relevant laws and regulations, the Hong Kong Listing Rules, and other securities regulatory rules of the places where the Company's shares are listed and the Articles of Association.

Shares held by the Company that carry no voting rights shall not be counted toward the total number of shares with voting rights held by shareholders attending the shareholders' meeting.

Shareholders may attend the shareholders' meeting in person or authorize proxies to attend and vote on their behalf.

Individual shareholders attending the meeting in person shall present their own identity cards or other valid documents or certificates that can indicate their identity; proxies attending the meeting under shareholders' authorization shall present their own valid identity certificates and the shareholders' power of attorney.

Where a shareholder is a legal person or other institution, its legal representative/managing partner or a proxy authorized by the legal representative/managing partner shall be entitled to attend the shareholders' meeting of the Company. The legal representative/managing partner attending the meeting shall present his/her own identity card and valid proof that can indicate his/her qualification as the legal representative/managing partner. If the legal representative/managing partner authorizes a proxy to attend the meeting, the legal representative/managing partner shall specify the authorized matters, authority and period for such proxy and the proxy attending the meeting shall present his/her own identity card and the power of attorney issued by the legal representative/managing partner of the shareholder as a legal person or other institution in accordance with the law and exercise the voting right within the scope of authorization.

Where such shareholder is a recognized clearing house (or its proxy), it may authorize one or more persons as it deems fit to act as its representative(s) at any shareholders' meeting, provided that, if more than one person is so authorized, the power of attorney shall specify the number and class of shares in respect to which person is so authorized and shall be signed by the authorizing person of the recognized clearing house. The person so authorized (or its proxies) may attend the meeting (unnecessary to present share certificates, with notarized authorization and/or further evidence to confirm formal authorization) and exercise the rights on behalf of the recognized clearing house as if such person were an individual shareholder of the Company.

The power of attorney issued by the shareholder for someone to attend the shareholders' meeting shall include the following:

- (1) Name of the proxy;
- (2) whether voting rights are granted to the proxy;
- (3) Instructions on voting for, against, or abstaining on each item on the agenda of the shareholders' meeting;
- (4) Date of issuance and expiration date of the power of attorney;
- (5) Signature of the principal. If the principal is a corporate shareholder or institutional shareholder, seal of the corporate shareholder or institutional shareholder shall be affixed; and
- (6) Other contents stipulated by laws, regulations, normative legal documents, the Hong Kong Listing Rules, and other securities regulatory rules of the places where the Company's shares are listed.

If the power of attorney authorizing voting rights is authorized by the principal to be signed by others, the power of attorney signed under authorization or other authorization documents shall be notarized. The notarized power of attorney or other authorization documents, and the voting proxy form shall be kept at the Company's domicile or at other places as may be specified in the notice of convening the meeting.

When the shareholders' meeting is convened, all directors, supervisors and the secretary to the Board of Directors of the Company shall attend the meeting, and the general manager and other senior management officers shall attend the meeting as non-voting participants.

A shareholders' meeting shall be presided by the chairman of the Board of Directors. If the chairman of the Board of Directors is unable or fails to perform his/her duties, a director jointly elected by a majority of the directors shall preside over the meeting.

A shareholders' meeting convened by the Board of Supervisors of its own accord shall be presided over by the chairman of the Board of Supervisors. If the chairman of the Board of Supervisors is unable or fails to perform his/her duties, a supervisor jointly elected by a majority of the supervisors shall preside over the meeting.

The shareholders' meeting convened by shareholders of their own accord shall be presided over by a representative elected by the convener.

When a shareholders' meeting is held and the chairman violates the rules of procedure in a way that makes it difficult for the shareholders' meeting to continue, a person may be elected at the shareholders' meeting to act as the chairman so as to carry on with the meeting, subject to the approval of a majority of the attending shareholders holding voting rights.

The shareholders' meeting have meeting minutes, which shall be taken by the secretary to the Board of Directors, and include the following contents:

- (1) Date, location, agenda, and name of the convener of the meeting;
- (2) The name of the meeting chairman and the directors, supervisors, the general manager and other senior management officers attending or attending the meeting as non-voting participants;
- (3) Number of shareholders and proxies attending the meeting, the total number of shares with voting rights held by such shareholders, and the proportion over total shares of the Company;
- (4) Consideration and approval process, key points of discussion, and voting results for each proposal;
- (5) Shareholders' inquiries or suggestions and corresponding responses or explanations;
- (6) Names of lawyers and tellers and scrutineers; and
- (7) Other contents that shall be recorded in the meeting minutes in accordance with the Articles of Association and laws, regulations, normative legal documents, the Hong Kong Listing Rules and other securities regulatory rules of the places where the Company's shares are listed.

Voting and Resolutions of Shareholders' Meetings

Resolutions of shareholders' meeting are classified as ordinary resolutions and special resolutions.

Ordinary resolutions of the shareholders' meeting shall be passed by a majority of the voting rights represented by the shareholders (including proxies) present at the meeting.

Special resolutions of the shareholders' meeting shall be passed by more than two-thirds of the voting rights represented by the shareholders (including proxies) present at the meeting.

The following matters shall be resolved by way of ordinary resolutions at a shareholders' meeting:

- (1) Work reports of the Board of Directors and the Board of Supervisors;
- (2) Plans for profit distribution and recovery of losses drafted by the Board of Directors;

- (3) Appointment or removal of members of the Board of Directors and the Board of Supervisors, and their remuneration and method of payment thereof;
- (4) The Company's annual report; and
- (5) Any matters other than those required by the laws, administrative regulations the Hong Kong Listing Rules, other securities regulatory rules of the places where the Company's shares are listed or the Articles of Association to be approved by special resolution.

The following matters shall be resolved by way of special resolutions at a shareholders' meeting:

- (1) Increase or reduction of the registered capital of the Company;
- (2) Demerger, merger, dissolution and liquidation of the Company or change of corporate form of the Company;
- (3) Amendment to the Articles of Association;
- (4) Purchase or disposal of material assets or provision of guarantee by the Company within a year of a value exceeding 30% of the Company's latest audited total assets;
- (5) Share incentive plans; and
- (6) Any other matters prescribed by the laws, administrative regulations, the Hong Kong Listing Rules or the Articles of Association, and those matters approved by ordinary resolution at a shareholders' meeting as having a material impact on the Company and are required to be approved by a special resolution.

Shareholders (including proxies) shall exercise their voting rights in accordance with the number of shares with voting rights represented by them, and each share entitles the shareholder to one voting right at the shareholders' meeting.

Shares held by the Company that carry no voting rights shall not be counted toward the total number of shares with voting rights held by shareholders attending the shareholders' meeting.

Shareholders who have related (connected) relationship with matters proposed to be considered and approved at the shareholders' meeting shall abstain from voting, and shares with voting rights they hold shall not be counted toward the total number of shares with voting rights held by shareholders attending the shareholders' meeting; the announcement of resolutions of the shareholders' meeting shall fully disclose the voting situation unless otherwise provided by laws, regulations, departmental rules, business rules, the Articles of Association, and other securities regulations of the stock exchange where the Company's shares are listed, and all shareholders are connected parties.

The abstention and voting procedures for related (connected) shareholders are as follows:

- (1) Related (connected) shareholders or other shareholders apply for abstention;

- (2) A resolution, which decides whether the shareholders are related (associated) shareholders and whether the shareholders shall abstain from voting, is passed by a majority of the voting directors of the Board of Directors;
- (3) Related (connected) shareholders shall not participate in and present at the consideration and approval of related (connected) transaction matters; and
- (4) When related (connected) transaction matters are voted at the shareholders' meeting, non-related (connected) shareholders attending the shareholders' meeting shall vote according to the relevant provisions of the Articles of Association after deducting the number of shares with voting rights represented by related (connected) shareholders.

Except in special circumstances, such as when the Company is in crisis, the Company shall not enter into a contract with a person other than a director, general manager, or other senior management officers that entrusts the management of all or significant business of the Company to such person, unless approved by a special resolution at the shareholders' meeting.

The list of candidates for directors and supervisors is submitted to the shareholders' meeting for voting by way of proposal.

Shareholders holding different classes of shares are referred to as class shareholders.

A class shareholder shall enjoy rights and assume obligations in accordance with laws, administrative regulations, normative documents, the Hong Kong Listing Rules, other securities regulatory rules of the places where the Company's shares are listed and the Articles of Association.

Rights conferred to class shareholders may not be varied or abrogated unless approved by way of a special resolution at a shareholders' meeting and by the affected class shareholders at a separate shareholders' meeting convened in accordance with the Articles of Association.

Notices of convening a class shareholders' meeting shall only be given to shareholders entitled to vote at that meeting.

BOARD OF DIRECTORS

Directors

A director of the Company who is a natural person shall not act as the director of the Company under any of the following circumstances:

- (1) Lacking or having limited capacity to engage in civil juristic acts;
- (2) Having been sentenced to any criminal penalty due to an offense of corruption, bribery, encroachment of property, misappropriation of property or disrupting the economic order of the socialist market, with less than 5 years having elapsed since the completion date of the execution of the penalty; or having ever been deprived of political rights due to any crime, with less than 5 years having elapsed since the completion date of the execution of the penalty, or having been granted probation, with less than 2 years having elapsed since the completion date of the probation period;

- (3) Acting as a director, factory director or general manager of a company or enterprise that has been bankrupt and liquidated, whereby the director is personally liable for the bankruptcy of such company or enterprise, with 3 years having not elapsed since the completion date of the bankruptcy and liquidation of the company or enterprise;
- (4) Acting as the legal representative of a company or enterprise, but the business license of this company or enterprise has been revoked and this company or enterprise has been ordered to close due to a violation of the law, whereby the director is personally liable for the revocation, with 3 years having not elapsed since the revocation date of the business license thereof;
- (5) Classified as a dishonest person subject to enforcement due to significant outstanding debts that have become due but have not been paid;
- (6) Prohibited from entering the securities market or recognized as an unsuitable candidate by the China Securities Regulatory Commission with the penalty period not yet expired;
- (7) Recognized by the National Equities Exchange and Quotations or stock exchanges as unsuitable for serving as a director, supervisor or senior officer of a company, with the disciplinary action period not yet expired; or
- (8) Other circumstances as stipulated by the China Securities Regulatory Commission, National Equities Exchange and Quotations, the Hong Kong Listing Rules, and other securities regulatory rules of the places where the Company's shares are listed.

If a director is elected or appointed in violation of the provisions of this Article, such election, appointment or employment shall be null and void. The Company shall terminate the office of a director in the event that the circumstances of this Article arise during his/her tenure of office.

Directors shall be elected or replaced at the shareholders' meeting for a term of three years. Upon maturity of the tenure of office, a director shall be eligible to offer himself/herself for re-election and re-appointment. Before the expiration of the tenure of office, the shareholders' meeting cannot terminate the post of the director without justifiable reasons.

The tenure of office of a director shall be calculated from the date of appointment until the expiry of the current term of the Board of Directors. If the tenure of office of a director expires but re-election is not made in a timely manner, the said director shall continue to perform the duties as a director in accordance with the provisions of laws, administrative regulations, departmental rules, the Hong Kong Listing Rules, other securities regulatory rules of the places where the Company's shares are listed, and the Articles of Association until the re-elected director assumes office. The director, if resigning, shall notify the Company in writing, and the resignation shall take effect on the date upon receipt of the notification by the Company, provided that the director shall continue to perform the duties as a director if there are circumstances set forth in the preceding paragraph.

The shareholders' meeting may resolve to dismiss a director, and the dismissal shall take effect on the date of the resolution. If a director is dismissed before the expiration of his/her tenure of office without justifiable reasons, the director may demand compensation from the Company.

A director may concurrently hold the position of the general manager or other senior management officer. However, the total number of directors who also hold positions as general managers or other senior management officers and who are employee representatives shall not exceed half of the total number of directors of the Company.

If any director fails to attend in person or appoint other directors as his/her representative to attend meetings of the Board of Directors for two consecutive times, such director shall be deemed to have failed to perform his duties, and the Board of Directors shall propose to replace such director at the shareholders' meeting.

The appointment conditions, nomination and election procedures, functions and powers and other related matters of the independent directors shall be subject to the laws, regulations, the Hong Kong Listing Rules and other securities regulatory rules of the places where the Company's shares are listed. The number of independent directors shall not be less than 3 persons and not be less than one-third of the total number of directors and shall include at least 1 director with appropriate professional qualifications or with appropriate accounting or related financial management expertise in compliance with the requirements of the Hong Kong Listing Rules. One independent director shall be permanently resident in Hong Kong. All independent directors shall be independent as required by the Hong Kong Listing Rules.

Board of Directors

The Company shall establish a Board of Directors, which is responsible for the shareholders' meeting.

The Board of Directors shall comprise eight directors. The Board of Directors shall have one chairman. Members of the Company's Board of Directors include three independent directors.

The Board of Directors shall exercise the following functions and powers:

- (1) To convene the shareholders' meeting and report to the shareholders' meeting;
- (2) To implement the resolutions adopted at shareholders' meeting;
- (3) To decide on the Company's business plans and investment plans;
- (4) To formulate the Company's plan for profit distribution and plan for recovery of losses;
- (5) To formulate plans for increases or reductions of the Company's registered capital and plans for the issue and listing of corporate bonds or other securities;
- (6) To formulate plans for material asset acquisition and purchase of the Company's shares, or merger, demerger, dissolution and change of corporate form of the Company;
- (7) Within the authorization scope by the shareholders' meeting, to decide on matters such as external investment, acquisition and sale of assets, pledge of assets, external guarantee matters, entrusted financial management and related (connected) transactions;
- (8) To decide on the establishment of the Company's internal management structure;

- (9) To appoint or dismiss the Company's general manager; and to appoint or dismiss other senior management officers of the Company, such as chief financial officer and the secretary to the Board of Directors pursuant to the nomination of the general manager; and to decide on matters of compensation and rewards and penalties;
- (10) To formulate the Company's basic management system;
- (11) To formulate proposals for amendment to the Articles of Association;
- (12) To manage the Company's disclosure matters;
- (13) To propose to the shareholders' meeting for the appointment or replacement of the accounting firm that audits the Company;
- (14) To receive work reports from the Company's general manager and to inspect the general manager's work; and
- (15) To exercise other functions and powers conferred by laws, administrative regulations, departmental rules, the Hong Kong Listing Rules, other securities regulatory rules of the places where the Company's shares are listed, the Articles of Association or the shareholders' meeting.

During the recess of meetings of the Board of Directors, the chairman of the Board of Directors is authorized to exercise part of the functions and powers of the Board of Directors on behalf thereof, provided that the Board of Directors shall make collective decisions on significant matters and shall not authorize the statutory functions and powers to individual directors or other persons.

The Board of Directors of the Company shall give an explanation to the shareholders' meeting on the modified audit opinion issued by the certified public accountants on the Company's financial reports.

The Board of Directors shall establish strict review and decision-making procedures, under which matters not included in the scope of the decision-making authority of the Board of Directors are required to be approved by the shareholders' meeting and significant investment projects shall be evaluated by relevant experts and professionals and reported to the shareholders' meeting for approval.

The chairman of the Board of Directors shall be elected by a majority of all directors of the Board of Directors. The chairman of the Board of Directors shall exercise the following functions and powers:

- (1) To preside over the shareholders' meeting and to convene and preside over the meetings of the Board of Directors;
- (2) To supervise and inspect the implementation of resolutions of the Board of Directors;
- (3) To sign share certificates, corporate bonds and other marketable securities issued by the Company;
- (4) To sign material documents of the Board of Directors and other documents that shall be signed by the legal representative of the Company;

- (5) To exercise the functions and powers of the legal representative;
- (6) In the event of force majeure emergencies, such as a major natural disaster, to exercise special disposition powers in relation to the Company's affairs in compliance with legal requirements and the interests of the Company. and subsequently report such activities to the Board of Directors and the shareholders' meeting of the Company; and
- (7) To exercise any other functions and powers conferred by the Board of Directors.

Special Committees under the Board of Directors

The Company's Board of Directors has established four special committees, namely the Audit Committee, the Nomination Committee, the Remuneration Committee and the Environmental, Social and Corporate Governance (ESG) Committee. The special committees are accountable to the Board of Directors and perform their duties in accordance with the Articles of Association and the authorization of the Board of Directors, and their proposals shall be submitted to the Board of Directors for consideration and approval. The Board of Directors shall formulate the working rules for the special committees of the Board of Directors and regulate the operation of the special committees. All members of the special committees shall directors with compositions as follows:

- (1) All members of the Audit Committee shall be non-executive directors not acting as senior management officers in the Company, and shall have no relationship with the Company that may affect their independent and objective judgment. The Audit Committee shall consist of at least three members, including at least one independent director with appropriate professional qualifications in compliance with the regulatory requirements or with appropriate accounting or related financial management expertise, who shall act as the chairman of the Audit Committee (convener). A majority of the members of the Audit Committee shall be independent directors;
- (2) A majority of the members of the Nomination Committee shall be independent directors, and an independent director shall act as the chairman of the Nomination Committee (convener); and
- (3) A majority of the members of the Remuneration Committee shall be independent directors, and an independent director shall act as the chairman of the Remuneration Committee (convener).

Prior to a resolution made by the Board of Directors, the following matters shall be approved by a majority of all members of the Audit Committee:

- (1) The appointment or dismissal of the auditing firm responsible for the audit business of the Company;
- (2) The appointment or dismissal of the financial officer;
- (3) The disclosure of the financial and accounting reports; and

- (4) Other matters prescribed by the securities regulatory authority under the State Council, Hong Kong Stock Exchange or other competent securities regulatory authorities.

THE GENERAL MANAGER AND OTHER SENIOR MANAGEMENT OFFICERS

The Company's general manager, chief financial officer, and secretary to the Board of Directors are the Company's senior management officers and shall be appointed or dismissed by the Board of Directors.

Persons in executive positions other than directors and supervisors in entities acting as the Company's controlling shareholders or de facto controllers shall not serve as the Company's senior management officers.

The Company's senior management officers are remunerated solely by the Company and shall not be paid by the controlling shareholders on behalf of the Company.

The tenure of office for the general manager shall be three years and is renewable upon reappointment.

The general manager is accountable to the Board of Directors and exercises the following functions and powers:

- (1) To be in charge of the production, operation and management of the Company, to organize and implement the resolutions of the Board of Directors, and to report to the Board of Directors;
- (2) To organize the implementation of the Company's annual business plans and investment plans;
- (3) To formulate plans for the establishment of the Company's internal management institutions;
- (4) To formulate plans for the establishment of the Company's basic management system;
- (5) To formulate the rules and regulations of the Company;
- (6) To propose to the Board of Directors the appointment and dismissal of the chief financial officer, the secretary to the Board of Directors and other senior management officers of the Company;
- (7) To decide on the appointment and dismissal of the management officers other than those required to be employed or dismissed by the Board of Directors; and
- (8) To exercise other functions and powers conferred by the Articles of Association and the Board of Directors.

The general manager may attend meetings of the Board of Directors as a non-voting participant.

The Company shall appoint a secretary to the Board of Directors, who is responsible for the preparation of the Company's shareholders' meeting and meetings of the Board of Directors, the custody of documents as well as the management of the information of the Company's shareholders, and the disclosure of information.

The secretary to the Board of Directors shall comply with the relevant provisions of laws, administrative regulations, departmental rules, the Hong Kong Listing Rules, other securities regulatory rules of the places where the Company's shares are listed and the Articles of Association.

Senior management officers shall strictly implement the resolutions of the Board of Directors and the shareholders' meeting, etc., and shall not, without authorization, amend, refuse to implement, or negligently implement such resolutions. Senior management officers shall be liable for any losses caused to the Company as a result of their breach of the provisions of laws, administrative regulations, departmental rules, the Hong Kong Listing Rules and other securities regulatory rules of the places where the Company's shares are listed or the Articles of Association in the performance of their duties for the Company.

BOARD OF SUPERVISORS

Supervisors

The tenure of office of supervisors shall be three years. Upon maturity of the tenure of office, a supervisor shall be eligible to offer himself/herself for re-election and re-appointment.

Supervisors, if resigning, shall submit written resignation reports, and shall not circumvent their due responsibilities by resigning or other means. The resignation of a supervisor shall take effect from the time upon delivery of the resignation report to the Board of Supervisors, except in the following cases:

- (1) The resignation of the supervisor results in the number of members of the Board of Supervisors being less than the quorum; or
- (2) The resignation of a staff representative supervisor results in the number of staff representative supervisors being less than one-third of the total members of the Board of Supervisors.

In the aforementioned circumstances, the resignation report shall not take effect until the successor fills the vacancy created by such supervisor's resignation. Before the resignation report takes effect, the intending resigning supervisors shall continue to perform their duties as supervisors. In such cases, the Company shall complete the supplementary election of supervisors within two months.

Supervisors shall ensure that the information disclosed by the Company is true, accurate and complete.

Supervisors may attend the Board of Directors meeting as non-voting participants and may raise enquiries or make suggestions regarding matters to be resolved by the Board of Directors.

Supervisors shall be liable for any losses caused to the Company as a result of their breach of the provisions of laws, administrative regulations, departmental rules or the Articles of Incorporation in the performance of their duties for the Company.

Board of Supervisors

The Company shall establish the Board of Supervisors. The Board of Supervisors shall be comprised of three supervisors, including two shareholder representative supervisors and one staff representative supervisor. The staff representative supervisor shall be elected by the Company's staff representative meeting, staff meeting, or by other democratic means.

The Board of Supervisors shall have 1 chairman. The chairman of the Board of Supervisors shall be elected by a majority of all supervisors. The chairman of the Board of Supervisors shall convene and preside over meetings of the Board of Supervisors; if the chairman is unable or fails to perform his duties, a supervisor who has been elected by a majority of the supervisors shall convene and preside over meetings of Board of Supervisors.

The Board of Supervisors shall understand the operation of the Company, review the Company's financial positions, supervise the legal compliance of the Company's directors and senior management officers in the performance of their duties, exercise other functions and powers stipulated in the Company's Articles of Association, and safeguard the legitimate rights and interests of the Company and its shareholders. The Board of Supervisors may independently engage intermediary agencies to provide professional advice.

The Board of Supervisors shall exercise the following functions and powers:

- (1) To audit the Company's periodic reports prepared by the Board of Directors and provide written audit opinions;
- (2) To review the Company's financial position;
- (3) To monitor the compliance of directors and senior management officers with laws and regulations, departmental rules, business rules, the Hong Kong Listing Rules, other securities regulatory rules of the places where the Company's shares are listed and the Articles of Association and their performance of duties, and propose the dismissal of any directors and senior management officers who violate the laws, administrative regulations, the Articles of Association or resolutions of the shareholders' meeting;
- (4) To demand directors and senior management officers to make rectifications if their conduct have been detrimental to the Company's interest;
- (5) To propose the convening of an extraordinary shareholders' meeting, and convene and preside over the shareholders' meeting when the Board of Directors fails to perform such duties specified under the Company Law;
- (6) To submit proposals to the shareholders' meeting;

- (7) To bring an action against a director and senior management officer in accordance with Article 189 of the Company Law;
- (8) To conduct investigations if there are any abnormal situations detected in the Company's operations, and to employ professional organizations such as accounting firms and law firms to assist in its work at the Company's expense if necessary; and
- (9) To exercise other functions and powers specified in laws, administrative regulations, departmental rules, the Hong Kong Listing Rules, other securities regulatory rules of the places where the Company's shares are listed or the Articles of Association.

The Board of Supervisors may require directors and senior management officers to submit reports on the performance of their duties.

The Board of Supervisors shall convene at least once a meeting every six months. The supervisors may propose to convene extraordinary meetings of the Board of Supervisors. In convening the regular or extraordinary meetings of the Board of Supervisors, the Board of Supervisors shall give the written notice of the meetings to all supervisors by hand, fax, e-mail or other means 10 days and 2 days in advance, respectively. The Board of Supervisors may require directors, senior management officers, internal and external auditors, and others to attend the Board of Supervisors meetings as non-voting participants to reply to issues concerned.

Resolutions of the Board of Supervisors shall be passed by a simple majority of all supervisors. Resolutions of the Board of Supervisors shall be made by way of voting with one vote for each supervisor.

FINANCIAL AND ACCOUNTING SYSTEM, PROFIT DISTRIBUTION AND AUDIT

Financial and Accounting System and Profit Distribution

The Company shall establish its financial and accounting system in accordance with the law, administrative regulations and the provisions stipulated by the relevant authorities of the People's Republic of China. If the financial and accounting system is otherwise provided in the relevant regulatory rules of the places where the Company's shares are listed, such regulatory rules shall prevail.

The Company prepares annual financial and accounting reports within 4 months from the end of each fiscal year, semi-annual financial and accounting reports within two months from the end of the first six months of each fiscal year, and quarterly financial and accounting reports within one month from the end of the first three months and the first nine months of each fiscal year.

The above-mentioned financial and accounting reports shall be prepared in accordance with relevant laws, administrative regulations, departmental rules, the Hong Kong Listing Rules, and other securities regulatory rules of the places where the Company's shares are listed.

The Company shall not maintain books of accounts other than those provided for by law. No assets of the Company shall be deposited into any account opened in the name of any individual.

In distributing the after-tax profits in the current year, the Company shall allocate 10% of such profits into its statutory reserve fund. When the aggregate amount of the statutory reserve fund of the Company is 50% or more of its registered capital, further allocations are not required.

Where the statutory reserve fund of the Company is insufficient to make up for the losses of the previous year, the profits of the current year shall be used to make up for such losses before making allocation to its statutory reserve fund in accordance with the preceding paragraph.

After allocation of its after-tax profits to its statutory reserve fund, the Company may, subject to the approval by resolutions of the shareholders' meeting, allocate its after-tax profits to its discretionary reserve fund.

After making up for the losses and making allocations to the reserve fund, any remaining after-tax profits shall be distributed by the Company to its shareholders in proportion to their respective shareholdings unless it is stipulated that such distribution shall not be made in proportion to the shareholdings pursuant to the Articles of Association.

If the shareholders' meeting has, in violation of the provision of the preceding paragraph, distributed profits to shareholders before the Company has made up for its losses and made allocations to its statutory reserve fund, the shareholders shall return to the Company the profit distributed in violation of the provision. If the Company incurs losses due to such distribution, the shareholders and the directors, supervisors, and senior management officers who are held accountable shall be liable for compensation.

The Company's shares held by the Company are not entitled to any profit distribution.

The reserve funds of the Company may be applied for making up for losses of the Company, expansion of the Company's production and operation or increase the capital of the Company. When applying the reserve funds to make up for the Company's losses, the discretionary reserve fund and the statutory reserve fund shall be used first; if such funds are still insufficient to make up for losses, the capital reserve fund may be applied in accordance with relevant provisions.

Where the statutory reserve fund is converted into capital, the balance of the reserve fund shall not fall below 25% of the Company's registered capital prior to such conversion.

The Company's profit distribution policies are as follows:

- (1) The Company shall emphasize reasonable investment returns to investors and shall maintain continuity and stability in its profit distribution policies;
- (2) The Company shall adhere to the following principles in the distribution of dividends: (a) to comply with relevant laws, regulations, rules and the Articles of Association, and carry out the distribution in accordance with the prescribed conditions and procedures; (b) to balance the long-term development of the Company with reasonable returns to investors; and (c) to implement the principle of "equal rights and dividend distribution for the same shares";
- (3) The Company may distribute dividends in the form of cash, shares, or a combination of cash and shares.

After the Company's shareholders' meeting has resolved on the profit distribution plan, the Board of Directors of the Company shall complete the distribution of dividends (or shares) within two months after the shareholders' meeting.

Internal audit

The Company shall adopt an internal audit system and designate full-time auditors to carry out internal audit supervision of the Company's financial income and expenditure and economic activities.

The Company's internal audit system and the responsibilities of its auditors shall be implemented with the approval of the Board of Directors. The head of audit is accountable and reports to the Board of Directors.

Appointment of Accountant Firm

The Company shall appoint an accounting firm that complies with the provisions of the Securities Law, the Hong Kong Listing Rules and other securities regulatory rules of the places where the Company's shares are listed to conduct audits of accounting statements, verification of net assets, and other related consulting services, etc., with a term of one year, which is renewable.

The appointment of an accounting firm by the Company shall be decided by the shareholders' meeting, hence the Board of Directors shall not appoint an accounting firm prior to the decision made by the shareholders' meeting.

The Company shall ensure the provision of true and complete accounting vouchers, accounting books, financial and accounting reports and other accounting information to the appointed accounting firm without any refusal, concealment or misrepresentation.

The audit fees of the accounting firm shall be determined by the shareholders' meeting.

When the Company removes or does not renew the appointment of the accounting firm, it shall notify the accounting firm 30 days in advance, and the accounting firm shall be allowed to state its opinions when the Company's shareholders' meeting votes on the removal of the accounting firm.

If the accounting firm resigns, it shall make clear to the shareholders' meeting whether there is any impropriety on the part of the Company.

NOTICES AND ANNOUNCEMENTS

Notices of the Company may be delivered through the following means:

- (1) By hand;
- (2) By mail;
- (3) By fax;
- (4) By email;

- (5) By way of announcement;
- (6) By way of publishing information on websites designated by the Company and the Hong Kong Stock Exchange, subject to the laws, administrative regulations and regulatory rules of the places where the Company's shares are listed; and
- (7) By any other means as recognized by the laws, administrative regulations or normative documents and the securities regulatory authorities of the places where the Company's shares are listed or as provided in the Articles of Association.

For a notice of the Company delivered by hand, the notice shall be deemed to have been received upon signing (or affixing the seal) by the recipient on the note of receipt and the receipt date shall be the date of delivery. If the notice is delivered by post, it shall be deemed to have been received on the fifth working day from the date upon which the post office receives the notice. If the notice is delivered by email, it shall be deemed to have been received on the date the e-mail arrives at the information system of the person to be served. If the notice is delivered by fax, or by way of publishing information on websites, it shall be deemed to have been received on the date the fax arrives at the fax system of the person to be served. If the notice is delivered by way of announcement, it shall be deemed to have been received by all relevant persons on the date on which the announcement is published.

The accidental omission to give a meeting notice to, or the failure of receipt of the meeting notice by, a person entitled to receive notice shall not invalidate any meeting and any resolution passed thereat.

Unless the context otherwise specifies, the "announcement" referred to in the Articles of Association shall mean, with respect to announcements made to the H-share shareholders or the announcements to be published in Hong Kong as required by the relevant requirements and the Articles of Association, the publication of announcement on websites of the Company and the Hong Kong Stock Exchange as well as other websites as may be required under the Hong Kong Listing Rules from time to time as required by the Hong Kong Listing Rules.

In respect of the manner in which the Company provides and/or distributes its communications to its H-share shareholders as required by the listing rules of the places where the Company's shares are listed, and subject to the relevant listing rules of the places where the Company's shares are listed, the Company may also send or provide its communications to the H-share shareholders of the Company either electronically or by posting a message on the Company's website or on the website of the stock exchange of the places where the Company's shares are listed to replace the manners in which the Company provides and/or distributes its communications to its H-share shareholders by hand or postage-paid mail.

MERGER, DEMERGER, CAPITAL INCREASE AND REDUCTION, DISSOLUTION AND LIQUIDATION

Merger, Demerger, Capital Increase and Reduction

The merger of the Company may take the form of either merger by absorption or merger by establishment of a new entity.

Merger by absorption refers to the merger realized by a company through the absorption of other companies, in which case the absorbed companies are dissolved. Merger by the establishment of a new entity refers to the merger of two or more companies to create a new company, in which case the merging parties are dissolved.

In the event of a division of the Company, its properties shall be divided up accordingly.

In the event of a division, the Company shall prepare balance sheets and inventories of properties. The Company shall notify its creditors within 10 days from the date on which a resolution is adopted in favor of the division and shall publish an announcement in a newspaper or in the National Enterprise Credit Information Publicity System within 30 days from the date of such resolution.

Unless otherwise agreed in writing between the Company and its creditors in relation to the repayment of debts before the division, the surviving companies after the division shall be jointly and severally liable for the debts of the Company which have been incurred before such division.

The Company shall prepare balance sheets and inventories of properties when it reduces its registered capital.

The Company shall notify its creditors within 10 days from the date on which a resolution to reduce the registered capital is adopted and shall publish an announcement in a newspaper or in the National Enterprise Credit Information Publicity System within 30 days from the date of such resolution. A creditor has the right to require the Company to repay its debts or to provide a corresponding guarantee for such debts within 30 days from the date it receives the relevant notice or, in the case of a creditor who did not receive such notice, within 45 days from the date of the relevant announcement.

The Company's registered capital after reduction shall not be less than the statutory minimum limit. If the Company reduces registered capital, the Company shall correspondingly reduce the amount of capital contribution or shares in proportion to shareholders' capital contributions or shareholdings, unless as otherwise provided by laws, the Hong Kong Listing Rules, other securities regulatory rules of the places where the Company's shares are listed, or the Articles of Association.

Dissolution and Liquidation

The Company shall be dissolved in any of the following circumstances:

- (1) The business period specified in the Articles of Association is expired or other causes of dissolution specified therein take place;
- (2) The shareholders' meeting resolves to dissolve the Company;
- (3) Dissolution is necessary due to a merger or demerger of the Company;
- (4) The business license is revoked, or the company is ordered to close or be shut down according to law; and

- (5) Where the Company has experienced material difficulties in operation and management, and the continuous operation would lead to substantial losses to the interests of its shareholders and there are no other solutions to resolve the matters, shareholders holding 10% or more of the total voting rights of the Company may appeal to the People's Court for dissolution of the Company.

The liquidation committee shall notify creditors within 10 days from the date of its establishment and shall, within 60 days, make an announcement in a newspaper or on the National Enterprise Credit Information Publicity System. The creditors shall declare their claims to the liquidation committee within 30 days from the date it receives the above notice or within 45 days from the date of announcement if no such notice is received.

During the period of declaration of claims, the liquidation committee shall not repay any debts to the creditors.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Company shall amend its articles of association in one of the following circumstances:

- (1) Subsequent to the amendment of the Company Law or relevant laws and administrative regulations, the Hong Kong Listing Rules and other securities regulatory rules of the places where the Company's shares are listed, the matters stipulated in the Articles of Association are in conflict with the provisions of the amended laws and administrative regulations;
- (2) The Company has experienced changes, resulting in matters inconsistent with those recorded in the Articles of Association; and
- (3) The shareholders' meeting decides to amend the Articles of Association.

INVESTOR RELATIONS MANAGEMENT

The main content of communication between the company and investors in investor relations management includes:

- (1) The Company's development strategy;
- (2) Operation and management information that the Company may disclose in accordance with the law, including production and operation status, financial position, research and development of new products or new technologies, business performance, dividend distribution, etc.;
- (3) Significant matters that may be disclosed by the Company in accordance with the law, including information on the Company's significant investments and changes therein, asset restructuring, mergers and acquisitions, external cooperation, external guarantees, significant contracts, related (connected) transactions, major litigation or arbitration, changes in the management, and changes in the major shareholders;
- (4) Statutory information disclosures and their explanations, including periodic reports and interim announcements, etc.;

- (5) Corporate culture and corporate image; and
- (6) Other information related to the Company that investors are concerned about.

Responsibilities for investor relations management include:

- (1) Information disclosure
 - (a) To collect information related to the Company's production, operation and finance, and to disclose such information in a timely manner in accordance with the requirements of laws, regulations, business rules, the Hong Kong Listing Rules and other securities regulatory rules of the places where the Company's shares are listed, as well as the relevant provisions on the Company's information disclosure and investor relations management;
 - (b) To prepare and release the Company's periodic reports (including annual reports, and semi-annual report); and
 - (c) To prepare for the Company's annual shareholders' meeting, extraordinary shareholders' meeting, meetings of the Board of Directors, and prepare meeting materials.
- (2) Analysis and research
 - (a) To analyze the number, composition, and changes of investors;
 - (b) To continuously pay attention to the opinions, suggestions, reports and other types of information from investors and the media, and to timely report to the Board of Directors and management of the Company; and
 - (c) To Analyze and research the policies and regulations of the regulatory authorities; to track, study and research the Company's development strategies, business conditions, industry dynamics and relevant regulations; to formulate and revise the regulations on information disclosure and investor relations management, and submit them to the relevant departments of the Company for approval and implementation.
- (3) Communication and contact
 - (a) To establish an investor relations management column on the Company's website for timely disclosure and update of the Company's information online and open an interactive investor communication section to answer investor inquiries; to hold analyst briefings and roadshow activities to accept inquiries from analysts, investors and the media; and
 - (b) To receive investor visits and maintain regular contact with institutional investors and small and medium-sized investors, in order to stimulate investors' participation in the Company.

- (4) Public relations
 - (a) To establish and maintain good relationships with regulatory authorities, industry associations, the media, and other non-listed public companies and relevant institutions; and
 - (b) To deal with emergencies and significant events: In the event of emergencies that may have a significant impact on the Company's share price, such as major litigation, major changes in the management, abnormal fluctuations in share trading, rumors related to the Company, punishments from regulatory authorities, natural disasters, accidents and major changes in the business environment, it is required to propose and implement effective solutions under the leadership of the relevant responsible persons in cooperation with relevant departments of the Company, and communicate and negotiate with investors through various means to actively maintain the Company's public image.
- (5) Other efforts in favor of improving investor relations.

A. FURTHER INFORMATION ABOUT OUR GROUP**1. Establishment of our Company**

Our Company was established in the PRC on May 31, 2017 and was converted to a joint stock company with limited liability under the PRC Company Law with effect from December 28, 2022. Our Company has established a place of business in Hong Kong at 20/F, Silver Fortune Plaza, 1 Wellington Street, Central, Hong Kong, and was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on August 29, 2024. Mr. Shu Wa Tung, Laurence and Mr. Chen Rui have been appointed as the authorized representatives of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As we are established in the PRC, our corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC. A summary of the relevant provisions of our Articles of Association is set out in Appendix V in this prospectus. A summary of certain relevant aspects of the laws and regulations of the PRC is set out in Appendix IV in this prospectus.

2. Changes in the share capital of our Company

As of the date of our establishment, our registered capital was RMB5,000,000 which was fully paid up.

On November 24, 2020, our registered capital was increased from RMB5,000,000 to RMB20,000,000.

On December 28, 2022, our Company was converted from a limited liability company into a joint stock company with limited liability. The registered capital of our Company was RMB20,000,000 divided into 20,000,000 Shares with a nominal value of RMB1.00 each.

On August 14, 2023, our registered capital was increased from RMB20,000,000 to RMB30,000,000.

Without taking into account any exercise of the share options granted under the Pre-IPO Share Option Scheme, upon completion of the Global Offering, our share capital will be increased to RMB40,000,000, made up of 30,000,000 Non-H Shares and 10,000,000 H Shares fully paid up or credited as fully paid up, representing 100% of our share capital.

Save as aforesaid, there has been no alteration in our share capital since our establishment.

3. Restriction of share repurchase

For further details of the restrictions on the share repurchase by our Company, please refer to “Summary of the Articles of Association” in Appendix V in this prospectus.

4. Resolutions of our Shareholders passed at our Company's extraordinary shareholders' meeting held on July 27, 2024

At the extraordinary shareholders' meeting of our Company held on July 27, 2024, among other things, the following resolutions were passed by the Shareholders:

- (a) the issuance of our H Shares with a nominal value of RMB1.00 each and such H Shares to be listed on the Hong Kong Stock Exchange;
- (b) subject to the completion of the Global Offering, the Articles of Association has been approved and adopted, which shall only become effective on the Listing Date, and our Board has been authorized to amend the Articles of Association in accordance with any comments from the Hong Kong Stock Exchange and the relevant PRC regulatory authorities; and
- (c) authorizing our Board to handle all relevant matters relating to, among other things, the implementation of the issuance of H Shares and the Listing.

5. Particulars of our subsidiaries

Set out below is certain information of our subsidiaries as of the Latest Practicable Date:

<u>No.</u>	<u>Name of subsidiary</u>	<u>Identity of shareholder(s)/member(s)</u>	<u>Direct/indirect percentage of ownership of our Company</u>
1.	ContiOcean Nantong	Our Company	100%
2.	Alfaback Automation	Our Company	100%
3.	ContiOcean Hong Kong	Our Company	100%
4.	ContiOcean International	Our Company	100%
5.	ContiOcean Singapore	ContiOcean Hong Kong	100%
6.	CTL	ContiOcean Hong Kong	100%
7.	COGES	ContiOcean Hong Kong	70%
8.	WTC	ContiOcean Hong Kong	51%
9.	Wavelength Technology Center AS	WTC	51%

6. Change in the registered capital of subsidiaries

Save as disclosed below in this section headed “— A. Further information about our Group — 6. Change in the registered capital of subsidiaries”, there has been no alteration in the share capital of any of our subsidiaries within the two years immediately preceding the date of this prospectus.

On May 31, 2024, the registered capital of Alfaback Automation was decreased from RMB50,000,000 to RMB1,000,000.

B. FURTHER INFORMATION ABOUT OUR BUSINESS**1. Summary of material contracts**

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this prospectus that are or may be material:

- (a) a share transfer agreement dated April 7, 2023 entered into among ContiOcean Nantong, Nanjing Haitai and Nantong Fuqian, in relation to the disposal of equity interests by Nanjing Haitai and ContiOcean Nantong in Jiangsu ContiOcean to Nantong Fuqian for nil consideration;
- (b) the cornerstone investment agreement dated December 28, 2024, entered into among our Company, Harvest International Premium Value (Secondary Market) Fund SPC, CITIC Securities (Hong Kong) Limited, China Galaxy International Securities (Hong Kong) Co., Limited and CLSA Limited, pursuant to which Harvest International Premium Value (Secondary Market) Fund SPC agreed to subscribe for Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent amount of US\$10 million (excluding brokerage and levies); and
- (c) the Hong Kong Underwriting Agreement.

2. Intellectual property rights of our Group**(a) Trademarks**

As of the Latest Practicable Date, our Group was the registered proprietor of the following trademarks which, in the opinion of our Directors, are material to our business:

No.	Trademark	Registration number	Class	Name of Registered Proprietor	Place of Registration
1.		26475696	12	Our Company	PRC
2.	汇舸	26462692	12	Our Company	PRC
3.		304651399	12	Our Company	Hong Kong
4.		1451970	12	Our Company	United States
5.		1451970	12	Our Company	United Kingdom
6.		1451970	12	Our Company	Türkiye
7.		1451970	12	Our Company	South Korea
8.		1451970	12	Our Company	India
9.		1451970	12	Our Company	Japan
10.		1451970	12	Our Company	European Union
11.		306574249	12, 35, 37	Our Company	Hong Kong
12.	汇舸	306574230	12, 35, 37	Our Company	Hong Kong

As of the Latest Practicable Date, our Group had applied for the registration of the following trademarks which, in the opinion of our Directors, are material to our business:

No.	Trademark	Application number	Class	Name of Applicant	Place of Application	Date of Application
1.	滙舸環保	306722767	12, 35, 37	Our Company	Hong Kong	November 8, 2024
2.	滙舸	306722758	12, 35, 37	Our Company	Hong Kong	November 8, 2024

(b) Patents

As of the Latest Practicable Date, our Group had registered the following patents which, in the opinion of our Directors, are material to our business:

No.	Patent	Type	Patent Number	Registered Owner	Place of Registration	Date of Application	Status
1.	A desulfurization device based on the principle of spiral gas-liquid mixing and cyclone gas-liquid separation (一種基於螺旋氣液混合和旋流氣液分離原理的脫硫裝置)	Invention	201610104859.6	Our Company	PRC	February 26, 2016	Granted
2.	LNG ship transport refrigeration system and refrigeration transport method thereof (LNG船舶輸料冷凍系統及其冷凍輸料方法)	Invention	201910011589.8	Our Company	PRC	January 7, 2019	Granted
3.	A small-scale LNG supply system and control method thereof (一種小型LNG供應系統及其控制方法)	Invention	201910021494.4	Our Company	PRC	January 10, 2019	Granted
4.	A glue applicator for PVC drainage pipe joint (一種PVC排水管接頭塗膠器)	Invention	201811486168.2	Our Company	PRC	December 6, 2018	Granted
5.	A device for preventing reaction residues from blocking the demister of a flue gas desulfurization tower (一種煙氣脫硫塔除霧器防反應殘留物堵塞裝置)	Invention	201910805678.X	Our Company	PRC	August 29, 2019	Granted
6.	Marine natural gas reliquefaction system (船舶天然氣再液化系統)	Invention	202011387706.X	Our Company	PRC	December 2, 2020	Granted

No.	Patent	Type	Patent Number	Registered Owner	Place of Registration	Date of Application	Status
7.	Natural gas processing system for ship engines (用於船舶發動機的天然氣處理系統)	Invention	202110285336.7	Our Company	PRC	March 17, 2021	Granted
8.	Marine LNG engine gas supply system (船舶LNG發動機供氣系統)	Invention	202110545919.9	Our Company	PRC	May 19, 2021	Granted
9.	An electricity distribution box that is easy to install (一種便於安裝的配電箱)	Invention	201910999640.0	ContiOcean Nantong	PRC	October 21, 2019	Granted
10.	A method for desulfurization and denitrification of industrial waste gas (一種工業污染排放廢氣脫硫脫硝處理方法)	Invention	202010147090.2	ContiOcean Nantong	PRC	March 5, 2020	Granted
11.	A ship exhaust purification device based on adaptive hull space (一種基於自適應船體空間的船舶尾氣淨化設備)	Invention	202211423643.8	ContiOcean Nantong	PRC	November 15, 2022	Granted
12.	A gas self-guiding desulfurization equipment for ship exhaust purification (一種氣體自導向船舶尾氣淨化用脫硫設備)	Invention	202211472399.4	ContiOcean Nantong	PRC	November 23, 2022	Granted
13.	Flue gas uniform distribution device and marine desulfurization tower using the same (煙氣均勻布裝置及採用該裝置的船用脫硫塔)	Invention	202310290062.X	ContiOcean Nantong	PRC	March 23, 2023	Granted
14.	Flue gas residence time extension device and marine desulfurization tower using the same (煙氣留駐時間延長裝置及採用該裝置的船用脫硫塔)	Invention	202310290143.X	ContiOcean Nantong	PRC	March 23, 2023	Granted
15.	A spray desulfurization equipment (一種噴淋式脫硫設備)	Invention	202310240283.6	ContiOcean Nantong	PRC	March 14, 2023	Granted
16.	A high efficiency desulfurization tower (一種高效脫硫塔)	Invention	202211317737.7	ContiOcean Nantong	PRC	October 26, 2022	Granted
17.	A marine scrubber drain water sampling port structure (一種船用洗滌塔泄放水取樣口結構)	Utility Model	202023128563.9	Our Company	PRC	December 23, 2020	Granted
18.	A marine scrubber drain water diluter (一種船用洗滌塔泄放水稀釋器)	Utility Model	202023135437.6	Our Company	PRC	December 23, 2020	Granted

No.	Patent	Type	Patent Number	Registered Owner	Place of Registration	Date of Application	Status
19.	A cleaning structure for a marine scrubbing and desulfurization tower demister (一種船用洗滌脫硫塔除霧器清洗結構)	Utility Model	202023128574.7	Our Company	PRC	December 23, 2020	Granted
20.	A diffuser for efficiently diluting scrubbing water of desulfurization tower (一種高效稀釋脫硫塔洗滌水的擴散器)	Utility Model	201821641957.4	Our Company	PRC	October 10, 2018	Granted
21.	A flue gas inlet structure for a desulfurization tower (一種脫硫塔進煙氣結構)	Utility Model	201821614434.0	Our Company	PRC	September 30, 2018	Granted
22.	A water quality monitoring device for desulfurization system (一種脫硫系統水質監測裝置)	Utility Model	201821712410.9	Our Company	PRC	October 22, 2018	Granted
23.	A new type of marine desulfurization tower bottom drain outlet (一種新型船用脫硫塔塔底排水口)	Utility Model	202023128556.9	Our Company	PRC	December 23, 2020	Granted
24.	A new horizontal desulfurization tower for ship exhaust gas cleaning system (一種用於船舶尾氣清洗系統的新型臥式脫硫塔)	Utility Model	201821718589.9	Our Company	PRC	October 23, 2018	Granted
25.	A fully automatic wastewater treatment device for ship exhaust gas desulfurization system (一種用於船舶尾氣脫硫系統的全自動廢水處理裝置)	Utility Model	201821727527.4	Our Company	PRC	October 24, 2018	Granted
26.	A fully automatic pressure-stabilizing alkali supply device for ship exhaust gas desulfurization device (一種用於船舶尾氣脫硫裝置的全自動穩壓供鹼裝置)	Utility Model	201821667589.0	Our Company	PRC	October 15, 2018	Granted
27.	A waterpower energy saving device (一種水動力節能裝置)	Utility Model	202320617159.2	Our Company	PRC	March 27, 2023	Granted
28.	A seawater pump controller for a ship desulfurization system (一種船舶脫硫系統用海水泵控制器)	Utility Model	202021423721.0	ContiOcean Nantong	PRC	July 20, 2020	Granted
29.	A fan for a ship desulfurization system (一種船舶脫硫系統用風機)	Utility Model	202021423709.X	ContiOcean Nantong	PRC	July 20, 2020	Granted

No.	Patent	Type	Patent Number	Registered Owner	Place of Registration	Date of Application	Status
30.	A PLC centralized controller for ship desulfurization system (一種船舶脫硫系統用PLC集中控制器)	Utility Model	202021424199.8	ContiOcean Nantong	PRC	July 20, 2020	Granted
31.	A control cabinet for a ship desulfurization system (一種船舶脫硫系統用控制櫃)	Utility Model	202021424197.9	ContiOcean Nantong	PRC	July 20, 2020	Granted
32.	An alkali solution adding device for ship desulfurization system (一種船舶脫硫系統用鹼液添加裝置)	Utility Model	202021424196.4	ContiOcean Nantong	PRC	July 20, 2020	Granted
33.	A fan control cabinet for a ship desulfurization system (一種船舶脫硫系統用風機控制櫃)	Utility Model	202021423674.X	ContiOcean Nantong	PRC	July 20, 2020	Granted
34.	A flue gas monitoring installation device for a ship desulfurization system (一種船舶脫硫系統用煙氣監測安裝裝置)	Utility Model	202021423673.5	ContiOcean Nantong	PRC	July 20, 2020	Granted
35.	A seawater pump mounting bracket for a ship desulfurization system (一種船舶脫硫系統用海水泵安裝支架)	Utility Model	202021424194.5	ContiOcean Nantong	PRC	July 20, 2020	Granted
36.	A touch display screen for ship desulfurization system (一種船舶脫硫系統用觸摸顯示屏幕)	Utility Model	202021424193.0	ContiOcean Nantong	PRC	July 20, 2020	Granted
37.	A sensor installation device for ship desulfurization system (一種船舶脫硫系統用傳感器安裝裝置)	Utility Model	202021435633.2	ContiOcean Nantong	PRC	July 20, 2020	Granted
38.	A flue gas valve positioning and installation device for a ship desulfurization system (一種船舶脫硫系統用煙氣閥門定位安裝裝置)	Utility Model	202021423667.X	ContiOcean Nantong	PRC	July 20, 2020	Granted
39.	A pneumatic valve for ship desulfurization system (一種船舶脫硫系統用氣動閥門)	Utility Model	202021423672.0	ContiOcean Nantong	PRC	July 20, 2020	Granted
40.	A control cabinet mounting base for a ship desulfurization system (一種船舶脫硫系統用控制櫃安裝底座)	Utility Model	202021423640.0	ContiOcean Nantong	PRC	20 July, 2020	Granted

No.	Patent	Type	Patent Number	Registered Owner	Place of Registration	Date of Application	Status
41.	A water quality monitoring device for ship desulfurization system (一種船舶脫硫系統用水質監測裝置)	Utility Model	202021424192.6	ContiOcean Nantong	PRC	July 20, 2020	Granted
42.	A flue gas valve for a ship desulfurization system (一種船舶脫硫系統用煙氣閥門)	Utility Model	202021424190.7	ContiOcean Nantong	PRC	July 20, 2020	Granted
43.	An exhaust gas online monitoring and control system for a ship desulfurization system (一種船舶脫硫系統用尾氣在線監測控制系統)	Utility Model	202021424188.X	ContiOcean Nantong	PRC	July 20, 2020	Granted
44.	An external pipeline structure for installing a liquid level sensor for a ship desulfurization tower (一種船舶脫硫塔用安裝液位傳感器的外置管路結構)	Utility Model	202221062339.0	ContiOcean Nantong	PRC	May 6, 2022	Granted
45.	An adjustable high-efficiency nozzle for ship desulfurization system (一種船舶脫硫系統用的可調節式高效噴嘴)	Utility Model	202221062325.9	ContiOcean Nantong	PRC	May 6, 2022	Granted
46.	A flue gas diffusion prevention treatment device in a ship desulfurization system (一種船舶脫硫系統中的煙氣防擴散處理裝置)	Utility Model	202220997053.5	ContiOcean Nantong	PRC	April 27, 2022	Granted
47.	An alkali adding cabinet (一種加鹼櫃)	Utility Model	202123413960.5	ContiOcean Nantong	PRC	December 31, 2021	Granted
48.	A fast drainage device suitable for ship desulfurization (一種適用於船舶脫硫的快速排水裝置)	Utility Model	202221062065.5	ContiOcean Nantong	PRC	May 6, 2022	Granted
49.	A vegetable hydroponic cabinet (一種蔬菜水培櫃)	Utility Model	202123413943.1	ContiOcean Nantong	PRC	December 31, 2021	Granted
50.	A wastewater treatment device for ship desulfurization (一種應用於船舶脫硫的廢水處理裝置)	Utility Model	202221000138.8	ContiOcean Nantong	PRC	April 27, 2022	Granted
51.	A solid powder transfer device for marine decarburization and solidification system (一種船用脫碳及固化系統用的固體粉末轉運設備)	Utility Model	202320931904.0	ContiOcean Nantong	PRC	April 23, 2023	Granted
52.	A desulfurization device for ship flue exhaust gas (一種用於船舶煙道廢氣的脫硫裝置)	Invention	202211317665.6	ContiOcean Nantong	PRC	October 26, 2022	Granted

No.	Patent	Type	Patent Number	Registered Owner	Place of Registration	Date of Application	Status
53.	A type of marine exhaust gas desulfurization equipment and method (一種船用廢氣脫硫設備及方法)	Invention	202311426421.6	Our Company	PRC	October 31, 2023	Granted
54.	A type of marine mixing scrubber and desulfurization method (一種船用混合脫硫塔及脫硫方法)	Invention	202311445126.5	Our Company	PRC	November 2, 2023	Granted
55.	A type of ship desulfurization device and its usage method (一種船用脫硫裝置及其使用方法)	Invention	202311445156.6	Our Company	PRC	November 2, 2023	Granted
56.	A type I ship desulfurization scrubbing tower and its usage method (一種船用脫硫I型洗滌塔及其使用方法)	Invention	202410439817.2	Our Company	PRC	April 12, 2024	Granted
57.	A type of marine diesel engine exhaust gas dust removal and desulfurization equipment and its usage method (一種船用柴油機廢氣除塵脫硫設備及其使用方法)	Invention	202311468224.0	Our Company	PRC	November 7, 2023	Granted
58.	A type of carbon dioxide gas dehydration device (一種二氧化碳氣體脫水裝置)	Invention	202410133869.7	Our Company	PRC	January 31, 2024	Granted
59.	An intelligent control device for energy-saving seawater pumps (一種用於海水泵節能的智能控制設備)	Invention	202311326540.4	ContiOcean Nantong	PRC	October 13, 2023	Granted
60.	An intelligent purification device for flue gas filtration utilising swirl flow to improve purification efficiency (一種利用旋流提高淨化效率的煙氣過濾智能淨化裝置)	Invention	202311326595.5	ContiOcean Nantong	PRC	October 13, 2023	Granted
61.	A marine spray decarbonization system (一種船用噴淋脫碳系統)	Invention	202311334214.8	ContiOcean Nantong	PRC	October 16, 2023	Granted
62.	A flue gas water quenching temperature control intelligent detection and control device (一種煙氣水淬溫控智能檢測控制裝置)	Invention	202311329827.2	ContiOcean Nantong	PRC	October 16, 2023	Granted
63.	A dual-alkali spray decarbonization system for ships (一種雙鹼法噴淋脫碳船用系統)	Invention	202311354757.6	ContiOcean Nantong	PRC	October 19, 2023	Granted

No.	Patent	Type	Patent Number	Registered Owner	Place of Registration	Date of Application	Status
64.	An intelligent desulfurization treatment spray device for purifying ship exhaust (一種船舶尾氣淨化用的脫硫處理智能噴淋裝置)	Invention	202311352465.9	ContiOcean Nantong	PRC	October 19, 2023	Granted
65.	A drainage control system for a nitrogen generator (一種氮氣發生器的排水控制系統)	Invention	202311439791.3	ContiOcean Nantong	PRC	November 1, 2023	Granted
66.	A high-performance marine carbon capture system that reduces energy consumption (一種降低能耗的高性能船用碳捕集系統)	Invention	202311494079.3	ContiOcean Nantong	PRC	November 10, 2023	Granted
67.	A type of valve with self-check function for flue gas (一種具備自檢功能的煙氣閥)	Invention	202311605487.1	ContiOcean Nantong	PRC	November 29, 2023	Granted
68.	Low-temperature sublimation carbon capture equipment for marine main engine exhaust (一種船用主機尾氣的低溫凝華碳捕集設備)	Invention	202410198069.3	ContiOcean Nantong	PRC	February 22, 2024	Granted
69.	A combined device for wet-process desulfurization and dedusting used in ship exhaust gas treatment (一種用於船舶尾氣處理的濕法脫硫除塵一體化裝置)	Invention	202410343512.1	ContiOcean Nantong	PRC	March 25, 2024	Granted
70.	An integrated treatment facility for ship exhaust wastewater (一種船舶尾氣廢水一體化處理設備)	Invention	202410538410.5	ContiOcean Nantong	PRC	April 30, 2024	Granted
71.	A separator for solidified products used in a marine decarbonization and solidification system (一種船用脫碳及固化系統用的固化產物分離器)	Utility Model	202320964367.X	ContiOcean Nantong	PRC	April 23, 2023	Granted
72.	A product reaction stirrer for marine decarbonization and curing systems (一種船用脫碳及固化系統用的產物反應攪拌器)	Utility Model	202321551004.X	ContiOcean Nantong	PRC	June 16, 2023	Granted
73.	A carbon dioxide flowmeter measuring device for ship exhaust (一種船舶尾氣二氧化碳流量計量裝置)	Utility Model	202321551569.8	ContiOcean Nantong	PRC	June 16, 2023	Granted

No.	Patent	Type	Patent Number	Registered Owner	Place of Registration	Date of Application	Status
74.	A type of marine urea solution preparation equipment and its preparation method (一種船用尿素水溶液配製設備及其配製方法)	Invention	202410307628.X	Our Company	PRC	March 18, 2024	Granted
75.	A carbon dioxide capture device (一種二氧化碳捕集裝置)	Invention	202410081959.6	ContiOcean Nantong	PRC	January 19, 2024	Granted
76.	A wet desulfurization and purification device for ship exhaust (一種船舶尾氣濕法脫硫淨化裝置)	Invention	202410609695.7	ContiOcean Nantong	PRC	May 16, 2024	Granted
77.	Real-time data analysis system for decarbonized electric control (脫碳電控實時數據分析系統)	Invention	202410933221.8	ContiOcean Nantong	PRC	July 12, 2024	Granted
78.	A purification device for the exhaust gas treatment of marine diesel engines (一種船舶柴油機尾氣淨化處理設備)	Invention	202410933281.X	ContiOcean Nantong	PRC	July 12, 2024	Granted
79.	A type of carbon dioxide treatment system for ships and its treatment method (一種用於船舶的二氧化碳處理系統及其處理方法)	Invention	202410703101.9	Our Company	PRC	June 3, 2024	Granted
80.	A carbon dioxide capture system and its usage method (一種二氧化碳捕集系統及其使用方法)	Invention	202411119261.5	Our Company	PRC	August 15, 2024	Granted

As of the Latest Practicable Date, our Group had applied for the registration of the following patents which, in the opinion of our Directors, are material to our business:

<u>No.</u>	<u>Patent</u>	<u>Type</u>	<u>Application Number</u>	<u>Name of Applicant</u>	<u>Place(s) of Application</u>	<u>Date of Application</u>
1.	Marine LNG engine air supply system (船用LNG發動機供氣系統)	Invention	202310055876.5	Our Company	PRC	January 18, 2023
2.	Marine LNG engine gas supply and reliquefaction complex system (船舶LNG發動機供氣和再液化複合系統)	Invention	202211660651.4	Our Company	PRC	December 23, 2022
3.	A prefabricated cabin screen cabinet and its component mounting bracket (一種預製艙屏櫃及其元件安裝托架)	Invention	202311058758.6	ContiOcean Nantong	PRC	August 22, 2023
4.	Gas supply system with heat pump de-icing system for dual-bunker engine and icing detection device (帶有熱泵除冰系統的雙燃料發動機供氣系統及結冰檢測裝置)	Invention	202310057861.2	Our Company	PRC	May 19, 2023
5.	Dual-wall tube with replaceable adsorbents (可更換吸附劑的雙壁管)	Invention	202310057541.7	Our Company	PRC	January 18, 2023
6.	A system and method for capturing carbon dioxide using sodium hydroxide and sodium carbonate (一種利用氫氧化鈉及碳酸鈉捕集二氧化碳的系統及方法)	Invention	202410093450.3	Our Company	PRC	January 23, 2024

<u>No.</u>	<u>Patent</u>	<u>Type</u>	<u>Application Number</u>	<u>Name of Applicant</u>	<u>Place(s) of Application</u>	<u>Date of Application</u>
7.	A type of rotating air duct for marine energy saving and its usage method (一種用於節能的船用旋轉風筒及其使用方法)	Invention	202311689562.7	Our Company	PRC	December 8, 2023
8.	A type of energy-saving container ship conducting cover and its usage method (一種用於節能的集裝箱船導流罩及其使用方法)	Invention	202311639729.9	Our Company	PRC	December 1, 2023
9.	A fastening device for container lashing and its usage method (一種集裝箱綁扎緊固裝置及其使用方法)	Invention	202311608618.1	Our Company	PRC	November 28, 2023
10.	Windshield structure for the bow of very large container ships and its usage method (用於超大型集裝箱船艏部的擋風罩結構及其使用方法)	Invention	202410662322.6	Our Company	PRC	May 27, 2024
11.	A type of prefabricated cabin panel cabinet and its integrated installation module (一種預製艙屏櫃及其集成式安裝模塊)	Invention	202211736567.6	ContiOcean Nantong	PRC	December 30, 2022
12.	A dual-pilot pressure reducing valve for easy exhaust control (一種雙先導便於排氣控制的減壓閥)	Utility Model	202420553064.3	ContiOcean Nantong	PRC	March 21, 2024

No.	Patent	Type	Application Number	Name of Applicant	Place(s) of Application	Date of Application
13.	A self-controlled flue gas valve with external rotating support structure (一種具有外置旋轉支撐結構的自控煙氣閥)	Utility Model	202420756666.9	ContiOcean Nantong	PRC	April 12, 2024
14.	A manually adjustable ball sealing surface butterfly valve (一種可手動調節型球式密封面蝶閥)	Utility Model	202420894294.6	ContiOcean Nantong	PRC	April 26, 2024
15.	A marine methanol filling system and its usage method (一種船用甲醇加注系統及其使用方法)	Invention	202411080450.6	Our Company	PRC	August 8, 2024
16.	A marine methanol fuel supply pressurization system and its usage method (一種船用甲醇燃料供給增壓系統及其使用方法)	Invention	202411080636.1	Our Company	PRC	August 8, 2024
17.	A device for desulfurization, decarburization and absorbing ship exhaust gas and its usage method (一種船舶尾氣脫塵脫硫脫碳吸收解析裝置及其使用方法)	Invention	202411438824.7	Our Company	PRC	October 15, 2024
18.	A lashing arrangement structure for mixed loading of two different lengths of containers in container ships (集裝箱船貨艙內兩種長度集裝箱混合裝載的綁扎佈置結構)	Invention	202411439135.8	Our Company	PRC	October 15, 2024

(c) Copyright

As of the Latest Practicable Date, our Group was the registered proprietor of the following copyrights which, in the opinion of our Directors, is material to our business:

<u>No.</u>	<u>Name</u>	<u>Registration number</u>	<u>Registered Proprietor</u>	<u>Date of Registration</u>
1.	Ship Network Security System V1.0 (船舶網路安全系統V1.0)	2021SR1580114	Our Company	October 28, 2021
2.	Marine three-way valve automatic control system V1.0 (船用三通閥自動控制系統V1.0)	2021SR1690276	Our Company	November 10, 2021
3.	Marine Vegetable Planting Monitoring System V1.0 (船用蔬菜種植監控系統V1.0)	2021SR1580113	Our Company	October 28, 2021
4.	Marine desulfurization seawater pump inverter control system V1.0 (船用脫硫海水泵變頻器控制系統V1.0)	2021SR1579381	Our Company	October 28, 2021
5.	Marine desulfurization system control system V1.0 (船用脫硫系統控制系統V1.0)	2021SR1580115	Our Company	October 28, 2021
6.	Marine desulfurization system control system V1.0 (船用脫硫系統遠程監控軟件V1.0)	2021SR0002010	Our Company	January 4, 2021
7.	Automatic start and stop system for air compressor for nitrogen generator V1.0 (氮氣發生器用空氣壓縮機自動啟停系統V1.0)	2021SR1578057	Our Company	October 28, 2021
8.	Nitrogen generator automatic control system V1.0 (氮氣發生器自控控制系統V1.0)	2021SR1582118	Our Company	October 28, 2021
9.	Dual fuel ship gas detection control system V1.0 (雙燃料船氣體探測控制系統V1.0)	2021SR1690275	Our Company	November 10, 2021

<u>No.</u>	<u>Name</u>	<u>Registration number</u>	<u>Registered Proprietor</u>	<u>Date of Registration</u>
10.	Ship desulfurization control system V1.0 (船舶去硫控制系統V1.0)	2018SR848882	Our Company	October 24, 2018
11.	Ship desulfurization data acquisition system V1.0 (船舶去硫數據採集系統V1.0)	2018SR848860	Our Company	October 24, 2018
12.	Ship desulfurization data monitoring system V1.0 (船舶去硫數據監測系統V1.0)	2018SR848488	Our Company	October 24, 2018
13.	Ship desulfurization device maintenance system V1.0 (船舶去硫裝置維護系統V1.0)	2018SR848590	Our Company	October 24, 2018
14.	Intelligent atmospheric environment monitoring system V1.0 (大氣環境智能化監測軟件V1.0)	2018SR848584	Our Company	October 24, 2018
15.	Environmental protection equipment production management software V1.0 (環保設備生產管理軟件V1.0)	2018SR848873	Our Company	October 24, 2018
16.	Environmental Pollution Source Monitoring Software V1.0 (環境污染源監測軟件V1.0)	2018SR848693	Our Company	October 24, 2018
17.	Environmental Quality Real-time Monitoring System V1.0 (環境質量實時監測系統V1.0)	2018SR848576	Our Company	October 24, 2018
18.	Ship desulfurization system remote control system V1.0 (船舶脫硫系統遠程控制系統V1.0)	2021SR2157471	ContiOcean Nantong	December 26, 2021
19.	Desulfurization system water quality analyzer control system V1.0 (脫硫系統用水質分析儀控制系統V1.0)	2021SR2157920	ContiOcean Nantong	December 26, 2021

<u>No.</u>	<u>Name</u>	<u>Registration number</u>	<u>Registered Proprietor</u>	<u>Date of Registration</u>
20.	Three-way valve automatic control software for desulfurization system V1.0 (脫硫系統用三通閥自動控制軟件V1.0)	2021SR2157906	ContiOcean Nantong	December 26, 2021
21.	Automatic control desulfurization system based on artificial intelligence V1.0 (基於人工智能的自動控制脫硫系統V1.0)	2022SR0623685	ContiOcean Nantong	May 23, 2022
22.	Intelligent detection system for desulfurization system V1.0 (脫硫系統用智能檢測系統V1.0)	2022SR0621904	ContiOcean Nantong	May 23, 2022
23.	Marine Intelligent Desulfurization Equipment Operation Supervision System V1.0 (船用智能化脫硫設備運行監管系統V1.0)	2022SR0623684	ContiOcean Nantong	May 23, 2022
24.	Interior decoration design master ACCOMAX Software V1.0 (船舶內裝設計大師ACCOMAX軟件V1.0)	2023SR1754756	Our Company	December 25, 2023
25.	A type of automatic carbon dioxide flow measurement system for marine decarbonization and solidification system V1.0 (一種船用脫碳及固化系統用自動二氧化碳流量測量系統V1.0)	2023SR0272605	ContiOcean Nantong	December 16, 2022
26.	An automatic alkali liquor dispensing system for marine decarbonization and solidification system V1.0 (一種船用脫碳及固化系統用鹼液自動調配系統V1.0)	2023SR0272607	ContiOcean Nantong	February 23, 2023
27.	An automatic solid replacement reaction system V1.0 for a marine decarbonization and curing system (一種船用脫碳及固化系統用自動固體置換反應系統V1.0)	2023SR0272606	ContiOcean Nantong	February 23, 2023

<u>No.</u>	<u>Name</u>	<u>Registration number</u>	<u>Registered Proprietor</u>	<u>Date of Registration</u>
28.	Marine Exhaust Gas Monitoring System Software V1.0 (船用尾氣監測系統軟件V1.0)	2024SR0676915	ContiOcean Nantong	May 20, 2024
29.	Marine Emissions Control Platform Software V1.0 (船用排放控制平台軟件V1.0)	2024SR0458884	ContiOcean Nantong	April 2, 2024
30.	Marine Environmental Management System Software V1.0 (船舶環保管理系統軟件V1.0)	2024SR0456754	ContiOcean Nantong	April 2, 2024

(d) Domain names

As of the Latest Practicable Date, our Group owned the following domain names which we consider to be or may be material to our business:

<u>No.</u>	<u>Registered owner</u>	<u>Domain name</u>	<u>Date of Registration</u>	<u>Expiry Date</u>
1	Our Company	contiocean.com.cn	January 18, 2023	June 9, 2027
2	Our Company	contioceangroup.com	January 18, 2023	March 6, 2030

C. FURTHER INFORMATION ABOUT DIRECTORS, SUPERVISORS AND SUBSTANTIAL SHAREHOLDERS

1. Directors and Supervisors

(a) Interests and short positions of the Directors, Supervisors and the chief executive of our Company in the registered capital of our Company and its associated corporations

Immediately following the completion of the Global Offering, assuming that the share options granted under the Pre-IPO Share Option Scheme are not exercised, the interests or short positions of the Directors, Supervisors or chief executive of our Company in the shares, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the “**Model Code**”), to be notified to our Company once the H Shares are listed will be as follows:

Interest in our Company

<u>Name</u>	<u>Nature of Interest</u>	<u>Number of Shares</u> ⁽¹⁾	<u>Approximate shareholding percentage</u> (%)
Mr. Zhou Yang ⁽²⁾	Beneficial owner	9,787,500 (L)	24.47
	Interest in a controlled corporation	2,400,000 (L)	6.00
	Beneficial interest ⁽⁴⁾	250,000 (L)	0.63
Mr. Zhao Mingzhu ⁽²⁾	Beneficial owner	8,156,250 (L)	20.39
	Interest in a controlled corporation	2,400,000 (L)	6.00
	Beneficial interest ⁽⁴⁾	250,000 (L)	0.63
Mr. Chen Zhiyuan ⁽²⁾	Beneficial owner	8,156,250 (L)	20.39
	Interest in a controlled corporation	2,400,000 (L)	6.00
	Beneficial interest ⁽⁴⁾	250,000 (L)	0.63

<u>Name</u>	<u>Nature of Interest</u>	<u>Number of Shares ⁽¹⁾</u>	<u>Approximate shareholding percentage (%)</u>
Mr. Shu Wa Tung, Laurence	Beneficial owner	1,500,000 (L)	3.75
	Beneficial interest ⁽⁴⁾	200,000 (L)	0.50
Mr. Chen Rui ⁽³⁾	Interest in a controlled corporation	300,000 (L)	0.75
	Beneficial interest ⁽⁴⁾	300,000 (L)	0.75
Mr. Shen Xiaowei ⁽³⁾	Interest in a controlled corporation	600,000 (L)	1.50
Mr. Yu Yuanyang ⁽³⁾	Interest in a controlled corporation	300,000 (L)	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” 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. For details, please see the section headed “Statutory and General Information — C. Further Information about Directors, Supervisors and Substantial Shareholders — 4. Pre-IPO Share Option Scheme” in Appendix VI in this prospectus.

(b) Particulars of service contracts

Each of our Directors and Supervisors entered into a service contract or appointment letter with our Company. The principal particulars of these service contracts and appointment letters comprise (a) the term of the service; (b) termination provisions in accordance with their respective terms; and (c) a dispute resolution provision. The service contracts and appointment letters may be renewed in accordance with our Articles of Association and the applicable laws, rules and regulations from time to time.

Save as disclosed above in this section headed “— C. Further information about Directors, Supervisors and Substantial Shareholders — 1. Directors and Supervisors — (b) Particulars of service contracts”, none of our Directors or Supervisors has or is proposed to have a service contract with any member of our Group (other than contracts expiring or determinable by the relevant employer within one year without the payment of compensation (other than statutory compensation)).

(c) Directors’ and Supervisors’ remuneration

For further details of the Directors’ and Supervisors’ remuneration, see “Directors, Supervisors, and Senior Management — Compensation of Directors, Supervisors and senior management” and note 12 to the Accountants’ Report as set out in Appendix I in this prospectus.

2. Substantial Shareholders

For further details of our Substantial Shareholders for the purpose of Part XV of the SFO, please refer to the section headed “Substantial Shareholders” in this prospectus.

3. Agency fees or commissions received

Save as disclosed in this Appendix headed “Statutory and General Information”, none of our Directors, Supervisors or any of the persons whose names are listed under “— D. Other information — 6. Qualification of experts” in this Appendix had received any commissions, discounts, agency fee, brokerages or other special terms in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this prospectus.

4. Pre-IPO Share Option Scheme

Our Board has conditionally approved the adoption of the Pre-IPO Share Option Scheme on July 10, 2024, which has been further approved by our Shareholders by way of an extraordinary shareholders’ meeting on July 27, 2024. All options under the Pre-IPO Share Option Scheme have been granted on July 29, 2024. No further options will be granted under the 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 July 27, 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 9.83% of the issued share capital of the Company immediately after completion of the Global Offering. 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 (the "**Participants**") 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.

(f) Date of grant of options

All options under the Pre-IPO Share Option Scheme have been granted on July 29, 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.

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 July 29, 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 July 29, 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 as follows:

<u>Name of grantees under the Pre-IPO Share Scheme</u>	<u>Address</u>	<u>Positions in our Group</u>	<u>Number of H Shares under options granted</u>	<u>Approximate percentage of the issued Shares immediately after completion of the Global Offering</u>
<i>Executive Directors of our Company</i>				
Zhou Yang (周洋)	20-902, Lane 1650, Yongtai Road, Pudong New Area, Shanghai, PRC	Executive Director and Chairman of our Board of our Company	250,000	0.63%
Zhao Mingzhu (趙明珠)	Flat NC, 20/F, Tower 1, Phase 3, Festival City, 1 Mei Tin Road, Tai Wai, Shatin, New Territories, Hong Kong	Executive Director and chief executive officer of our Company	250,000	0.63%
Chen Zhiyuan (陳志遠)	15-1201, 600 Miao Pu Road, Pudong New Area, Shanghai, PRC	Executive Director and chief technology officer of our Company	250,000	0.63%
Shu Wa Tung, Laurence (舒華東)	Flat B, 18/F, Block 3, Ocean View, 1 Po Tai Street, Shatin, New Territories, Hong Kong	Executive Director, chief financial officer and company secretary of our Company	200,000	0.50%
Chen Rui (陳睿)	16-202, Lane 630, Dingxi Road, Changning District, Shanghai, PRC	Executive Director and secretary to our Board of our Company	300,000	0.75%
Subtotal:			<u>1,250,000</u>	<u>3.13%</u>

Name of grantees under the Pre-IPO Share Scheme	Address	Positions in our Group	Number of H Shares under options granted	Approximate percentage of the issued Shares immediately after completion of the Global Offering
<i>Management personnel and core employees working for our Group</i>				
Subir Ghatak	19-01, 10 Anson Road International Plaza, Singapore	Director of certain subsidiaries of our Company	140,000	0.35%
Yang Zhifu (楊志富)	No. 2, Squad 24, Wenzhu Village, Linzi Town, Rugao City, Nantong City, Jiangsu Province, PRC	General manager of a subsidiary	140,000	0.35%
Qu Shixiang (曲世祥)	Room 501, No. 161, Alley 2288, Hongxin Road, Minhang District, Shanghai, PRC	General manager of R&D department	140,000	0.35%
Shen Xiaojiao (申小嬌)	No. 106, Weilou Village, Guanshan Town, Suining County, Jiangsu Province, PRC	General manager of finance department	140,000	0.35%
Gu Fengjie (顧豐杰)	No. 80, Squad 5, Yaozhuang Village, Yuanzhuang Town, Rudong County, Jiangsu Province, PRC	General manager of engineering department	140,000	0.35%
Xie Jingjing (謝晶晶)	No. 28, Squad 17, Guanghua Village, Rucheng Street, Rugao City, Nantong City, Jiangsu Province, PRC	General manager of global service centre	140,000	0.35%
Hu Hong (胡泓)	Dormitory No. 1, No. 2 Brick and Tile Factory, Changjiang Town, Rugao City, Nantong City, Jiangsu Province, PRC	Director of general manager's office	100,000	0.25%
Tang Yu (湯煜)	5-1-1, No. 34, Yangshu Street, Shahekou District, Dalian City, Liaoning Province, PRC	Deputy general manager of marketing department	100,000	0.25%
Gao Pengfei (高鵬飛)	Squad 2, Xiaoleigong Village, Fenglei Town, Baishui County, Shaanxi Province, PRC	Deputy general manager of marketing department	100,000	0.25%
Lu Ping (陸平)	Room 302, No. 86, Baolin No. 1 Village, Baoshan District, Shanghai, PRC	Deputy general manager of a subsidiary	90,000	0.23%
Tang Yanling (唐艷玲)	Room 402, No. 27, Alley 618, Linghe Road, Pudong New District, Shanghai, PRC	Deputy general manager of R&D department	90,000	0.23%
Miao Hairui (繆海瑞)	Room 408, Building 405, Donggao New Village, Rucheng Street, Rugao City, Nantong City, Jiangsu Province, PRC	Deputy general manager of engineering department	90,000	0.23%
Meng Qingyu (孟慶宇)	Room 205, Unit 1, Rongsheng Garden, Pingnan New Village, Changjiang Town, Rugao City, Nantong City, Jiangsu Province, PRC	Deputy general manager of Procurement Department	90,000	0.23%
Wang Liquan (王立群)	Room 201, No. 39, Alley 418, Heze Road, Pudong New District, Shanghai, PRC	Deputy general manager of financial department	90,000	0.23%
Wu Maochen (吳茂琛)	No. 28-100, Zhonghua North Road, Lishan District, Anshan, Liaoning Province, PRC	Senior design engineer of technical department	70,000	0.18%
Zhou Mingjuan (周明娟)	No. 3, Kuaizi Alley, Zhushan District, Jingdezhen, Jiangxi Province, PRC	Deputy general manager of financial department	60,000	0.15%
Zhu Yumi (朱玉米)	Room 504, Building 1, No. 329, Zhongshan East Road, Rucheng Town, Rugao City, Nantong City, Jiangsu Province, PRC	Deputy head of finance department of a subsidiary	60,000	0.15%

Name of grantees under the Pre-IPO Share Scheme	Address	Positions in our Group	Number of H Shares under options granted	Approximate percentage of the issued Shares immediately after completion of the Global Offering
Wang Yongqiang (王永強)	No. 20, Guaitai, Luozhuang Administrative Village, Yingnan Office, Jieshou, Anhui Province, PRC	Senior head of engineering department	60,000	0.15%
Liu Chen (劉臣)	2-5-1, No. 35 Hutan Road, Zhongshan District, Dalian, Liaoning Province, PRC	Senior marketing head of marketing department	50,000	0.13%
Bai Jushen (白居易)	No. 13, Squad 5, Qibao Village, Zaohe Town, Suyu District, Suqian, Jiangsu Province, PRC	Head of R&D department	50,000	0.13%
Xi Wei (席偉)	No. 53, Squad 9, Wulishu Village, Chenqiao Street, Gangzha District, Nantong City, Jiangsu Province, PRC	Project general manager of global service centre	50,000	0.13%
Zhang Lele (張樂樂)	No. 12, Squad 11, Qianjinju, Baipu Town, Rugao City, Nantong City, Jiangsu Province, PRC	Head of manufacturing department of a subsidiary	50,000	0.13%
Yang Zhigang (楊志剛)	No. 8, Squad 9, Tianbaoju, Rugao City, Nantong City, Jiangsu Province, PRC	Technical manager of global service centre	40,000	0.10%
Sun Qian (孫倩)	No. 39, Squad 4, Guanghua Village, Rugao City, Nantong City, Jiangsu Province, PRC	Business manager of global service centre	40,000	0.10%
Liu Jichen (劉季琛)	No. 1 Dongxin Road, Putuo District, Shanghai, PRC	Head of securities affairs of securities department	40,000	0.10%
Lan Qiang (蘭強)	No. 28, Tingli, Dianting Village, Fuling Town, Pucheng County, Fujian Province, PRC	Head of R&D department	30,000	0.08%
Wang Baolin (王寶琳)	No. 83, Beishantou Tun, Sanhe Village, Pikou Town, Pulandian City, Liaoning Province, PRC	Head of R&D department	30,000	0.08%
Chen Wenting (陳文婷)	No. 5-3-13, Binhe Community, Binbei Road, Yongji County, Jilin Province, PRC	Head of technical department	30,000	0.08%
Wei Di (魏迪)	Qianwei Louzhuang, Dashan Village, Louzhuang Town, Lingbi County, Anhui Province, PRC	Head of technical department	30,000	0.08%
Li Xiaodong (李曉東)	No. 36, Nanfeng Jiazhai, Qunle Village, Caolu Town, Pudong New District, Shanghai, PRC	Head of R&D department	30,000	0.08%
Feng Hao (馮浩)	No. 8, Squad 5, Kanjia'an Village, Si'an Town, Tongzhou City, Jiangsu Province, PRC	Project manager of engineering department	30,000	0.08%
Sun Ji (孫吉)	Pingdigou Tun, Pingdigou Village, Qianjin Township, Jiaohe City, Jilin Province, PRC	Installation manager of engineering department	30,000	0.08%
Shi Yinyan (施銀燕)	No. 34, Squad 1, Yongpingju, Changjiang Town, Rugao City, Nantong City, Jiangsu Province, PRC	Manager (Planning) of engineering department	30,000	0.08%
Ganliu Yunzhuo (甘劉韻卓)	Room 1102, No. 6, Alley 80, Dehua Road, Nanxiang Town, Jiading District, Shanghai, PRC	Representative of securities affairs of securities department	30,000	0.08%
Ding Yuming (丁玉明)	No. 45, Squad 6, Shinanju, Shizhuang Town, Rugao City, Nantong City, Jiangsu Province, PRC	Deputy director of safety and environmental protection department of a subsidiary	30,000	0.08%
Wei Yong (危勇)	Room 604, Unit 2, Building 35, Guoan Fengqing Street, Rifeng Town, Lichuan County, Fuzhou, Jiangxi Province, PRC	Senior marketing manager of marketing department	30,000	0.08%

Name of grantees under the Pre-IPO Share Scheme	Address	Positions in our Group	Number of H Shares under options granted	Approximate percentage of the issued Shares immediately after completion of the Global Offering
Cao Yue (曹月)	No. 45, Squad 9, Shinanju, Shizhuang Town, Rugao City, Nantong City, Jiangsu Province, PRC	Deputy head of integrated management department of a subsidiary	30,000	0.08%
Jin Haiying (金海英)	Room 402, No. 2771 Pudong Avenue, Pudong New District, Shanghai, PRC	Procurement Assistant of procurement department	20,000	0.05%
Tao Guoxiang (陶果香)	No. 113, Yongning Road, Pudong New District, Shanghai, PRC	Personnel commissioner of general manager's office	20,000	0.05%
Zhou Jiachen (周嘉晨)	No. 37, Jinqiao Heng Street, Pudong New District, Shanghai, PRC	Assistant of R&D department	20,000	0.05%
Zhou Jiani (周佳妮)	No. 3, 6/F, Unit 1, New Building 5, Nonglin Wudao Street, Xiangfang District, Harbin, Heilongjiang Province, PRC	Assistant of R&D department	20,000	0.05%
Ji Chao (季超)	No. 24, Jijiating, Xunjian Village, Caolu Town, Pudong New District, Shanghai, PRC	Executive commissioner of general manager's office	20,000	0.05%
Liu Zhihong (劉志紅)	No. 15, Squad 2, Siyu Village, Jiuhua Town, Rugao City, Nantong City, Jiangsu Province, PRC	Head of warehouse of production and management department of a subsidiary	20,000	0.05%
Yuan Xukang (袁旭康)	No. 23, Squad 3, Dayuanzhuang Village, Yuanzhuang Town, Rudong County, Jiangsu Province, PRC	Cashier of finance department of a subsidiary	20,000	0.05%
Zhang Chi (張弛)	No. 12, Squad 3, Xinwangzhuangju, Chengbei Street, Rugao City, Nantong City, Jiangsu Province, PRC	Head of electric appliance of production department of a subsidiary	20,000	0.05%
Subtotal:			<u>2,680,000</u>	<u>6.70%</u>

5. Disclaimers

- (a) none of our Directors or Supervisors nor any of the parties listed in “— D. Other information — 6. Qualification of experts” in this Appendix has any direct or indirect interest in the promotion of our Company, or in any assets which within the two years immediately preceding the date of this prospectus, have been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (b) save as disclosed in this Appendix headed “Statutory and General Information”, none of our Directors or Supervisors is a director or employee of a company which is expected to have an interest or short position in the Shares and underlying Shares falling to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO once the H Shares are listed on the Hong Kong Stock Exchange;
- (c) none of our Directors or Supervisors nor any of the parties listed in “— D. Other information — 6. Qualification of experts” in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group as a whole;
- (d) save for the Underwriting Agreements, none of the parties listed in “— D. Other information — 6. Qualification of experts” in this Appendix:
 - (i) is interested legally or beneficially in any of our Shares or any shares of any of our subsidiaries; or
 - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe securities in any member of our Group;
- (e) none of our Directors, Supervisors, their respective associates or Shareholders of our Company (who is interested in more than 5% of the share capital of our Company) has any interests in any of our top five suppliers and top five customers during each year or period of the Track Record Period; and
- (f) none of our Directors is interested in any business (other than the business of our Group) which competes or is likely to compete, directly or indirectly, with our business.

D. OTHER INFORMATION**1. Estate duty**

Our Directors have been advised that currently no material liability for estate duty is likely to fall upon our Company in the PRC.

2. Litigation

We are not aware of any material legal proceedings, claims or disputes currently existing or pending against us, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened against us that may have a material adverse effect on our business, financial position or results of operations.

3. Joint Sponsors

The Joint Sponsors have made an application on behalf of our Company to the Stock Exchange for the listing of, and permission to deal in, the H Shares in issue and to be issued pursuant to the Global Offering, any H Shares which may be issued pursuant to any H Shares to be issued upon exercise of the options granted under the Pre-IPO Share Option Scheme. All necessary arrangements have been made to enable such H Shares to be admitted into CCASS.

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsor set out in Rule 3A.07 of the Listing Rules.

The Joint Sponsors will receive an aggregate fee of HK\$4,680,000 for acting as the Joint Sponsors for the Listing.

4. Preliminary expenses

Our Company has not incurred any preliminary expenses for the purpose of the Listing Rules.

5. Promoters

The promoters of our Company are the five Shareholders of our Company as of December 20, 2022 before our conversion to a joint stock company with limited liability.

Save as disclosed in the section headed “History, Development, and Corporate Structure” within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

6. Qualification of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

<u>Name</u>	<u>Qualifications</u>
CITIC Securities (Hong Kong) Limited	Licensed corporation to conduct Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO
China Galaxy International Securities (Hong Kong) Co., Limited	Licensed corporation to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants and Registered Public Interest Entity Auditor
Jingtian & Gongcheng	Legal advisers to our Company as to PRC law
Frost & Sullivan	Industry consultant
BDO Tax Limited	Transfer Pricing Tax Consultant

7. Consents of experts

Each of the experts named above has given and has not withdrawn its respective written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or opinion and/or the references to its name included in this prospectus the form and context in which it is respectively included.

8. Interests of experts in our Company

None of the experts named above is interested beneficially or otherwise in any Shares or shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any shares or securities in any member of our Group.

9. Taxation of holders of H Shares

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty. The current rate chargeable on each of the seller and purchaser is 0.1% of the consideration or, if higher, the fair value of the H Shares being sold or transferred.

10. Binding effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

11. Miscellaneous

- (a) Saved as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
 - (i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;
 - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and
 - (iv) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries.
- (b) our Directors confirm that:
 - (i) there has been no material adverse change in the financial or trading position of our Group since June 30, 2024 (being the date to which the latest audited consolidated financial statements of our Group were prepared); and
 - (ii) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus;

- (c) there are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries;
- (d) all necessary arrangements have been made to enable our H Shares to be admitted into CCASS for clearing and settlement;
- (e) our Company has no outstanding convertible debt securities or debentures;
- (f) there is no arrangement under which future dividends are waived or agreed to be waived; and
- (g) none of the equity and debt securities of our Company, if any, is listed, quoted or dealt with in any other stock exchange (other than that the Non-H Shares are quoted on the NEEQ) nor is any listing or permission to deal being or proposed to be sought.

12. Bilingual prospectus

The English and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

- (a) the written consents referred to under “Statutory and General Information — D. Other information — 7. Consents of experts” in Appendix VI in this prospectus; and
- (b) a copy of each of the material contracts referred to in “Statutory and General Information — B. Further information about our business — 1. Summary of material contracts” in Appendix VI in this prospectus.

B. DOCUMENTS ON DISPLAY

The following documents will be published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and our Company (www.contioceangroup.com) up to and including the date which is 14 days from the date of this prospectus:

- (a) the Articles of Association;
- (b) the Accountants’ Report prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I in this prospectus;
- (c) the report on the unaudited pro forma financial information of our Group prepared by Deloitte Touche Tohmatsu, the texts of which is set out in Appendix II in this prospectus;
- (d) the audited consolidated financial statements of our Company for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024;
- (e) the legal opinions prepared by Jingtian & Gongcheng, our legal adviser as to PRC law, in relation to certain aspects of our Group and our property interests in Mainland China;
- (f) the PRC Company Law, the PRC Securities Law and the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies together with their unofficial English translation;
- (g) the terms of the Pre-IPO Share Option Scheme;
- (h) the Frost & Sullivan Report, the summary of which is set forth in the section headed “Industry Overview” in this prospectus;
- (i) the transfer pricing review report issued by BDO Tax Limited;
- (j) the written consents referred to in “Statutory and General Information — D. Other information — 7. Consents of experts” in Appendix VI in this prospectus;

- (k) the material contracts referred to in “Statutory and General Information — B. Further information about our business — 1. Summary of material contracts” in Appendix VI in this prospectus; and
- (l) the service contracts referred to in “Statutory and General Information — C. Further information about Directors, Supervisors and Substantial Shareholders — 1. Directors and Supervisors — (b) Particulars of service contracts” in Appendix VI in this prospectus.



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