RUICHANG INTERNATIONAL HOLDINGS LIMITED
瑞昌國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1334)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2024

The board (the "**Board**") of directors (the "**Directors**") of RUICHANG INTERNATIONAL HOLDINGS LIMITED (the "**Company**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2024 (the "**Reporting Period**"), together with comparative figures for the same period of 2023, which has been reviewed by the audit committee of the Company (the "**Audit Committee**") and was authorised for issue on 28 August 2024.

The Company's independent auditor, ZHONGHUI ANDA CPA Limited, has performed an independent review of the unaudited condensed consolidated interim financial information of the Group for the Reporting Period 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 Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Revenue	**224,894**	211,772
Gross profit	**75,254**	76,334
Gross profit margin	**33.5%**	36.0%
Net profit	**11,525**	14,427
Adjusted net profit (non-HKFRS measure) *Note*	**19,441**	21,968
Basic and diluted earnings per Share *(RMB cents)*	**3.07**	3.85

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

NON-HKFRS MEASURES

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

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

	Six months ended 30 June	
	2024	2023
	(RMB'000)	*(RMB'000)*
	(unaudited)	(unaudited)
Profit for the period	**11,525**	14,427
Adjusted for:		
Listing expenses	**7,916**	7,541
Adjusted net profit (non-HKFRS measure)	**19,441**	21,968

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2024

		Six months ended 30 June	
		2024	2023
	Notes	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Revenue	*4*	**224,894**	211,772
Cost of sales		**(149,640)**	(135,438)
Gross profit		**75,254**	76,334
Other income and gains, net	*6*	**3,191**	1,838
Selling expenses		**(14,427)**	(13,227)
Administrative expenses		**(21,448)**	(17,064)
Research and development expenses		**(14,723)**	(16,396)
Listing expenses		**(7,916)**	(7,541)
Impairment losses of financial assets and contract assets		**(1,969)**	(1,615)
Share of results of an associate		**389**	3
Finance costs	*7*	**(2,836)**	(2,414)
Profit before tax		**15,515**	19,918
Income tax expenses	*8*	**(3,990)**	(5,491)
Profit for the period		**11,525**	14,427
Other comprehensive (loss)/income:			
Items that will not be reclassified to profit or loss:			
Fair value changes of financial assets at fair value through other comprehensive income ("**FVTOCI**")		**(161)**	(168)
Items that may be reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**(126)**	190
Share of other comprehensive income from an associate		**(59)**	–
Total comprehensive income for the period		**11,179**	14,449

		Six months ended 30 June	
		2024	2023
	Notes	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Profit for the period attributable to:			
Owners of the Company		**11,525**	14,427
Total comprehensive income for the period attributable to:			
Owners of the Company		**11,179**	14,449
Earnings per share attributable to owners of the Company			
Basic and diluted (RMB cents)	*9*	**3.07**	3.85

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AT 30 JUNE 2024

	Notes	30 June 2024 RMB'000 (unaudited)	31 December 2023 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**53,546**	54,015
Investment property		**10,879**	11,119
Right-of-use assets		**39,957**	42,115
Intangible assets		**2,245**	2,142
Investment in an associate		**1,052**	722
Financial assets at fair value through other comprehensive income		**14,194**	14,355
Deferred tax assets		**3,535**	3,028
Prepayment for property, plant and equipment		**164**	52
		125,572	127,548
CURRENT ASSETS			
Inventories		**58,638**	66,742
Trade and notes receivables	*11*	**297,994**	326,916
Prepayments, other receivables and other assets		**56,561**	58,358
Contract assets		**43,950**	48,946
Pledged deposits		**22,627**	21,457
Cash and bank balances		**21,670**	45,670
		501,440	568,089
CURRENT LIABILITIES			
Trade and notes payables	*12*	**125,457**	149,347
Contract liabilities		**43,345**	76,037
Accruals and other payables		**36,262**	41,194
Bank and other borrowings		**84,903**	82,336
Lease liabilities		**1,410**	2,504
Tax payable		**4,704**	7,660
Dividend payable		**795**	–
		296,876	359,078

	Notes	30 June 2024 RMB'000 (unaudited)	31 December 2023 RMB'000 (audited)
NET CURRENT ASSETS		**204,564**	209,011
TOTAL ASSETS LESS CURRENT LIABILITIES		**330,136**	336,559
NON-CURRENT LIABILITIES			
Bank and other borrowings		**42,250**	39,500
Lease liabilities		**1,252**	1,904
		43,502	41,404
NET ASSETS		**286,634**	295,155
CAPITAL AND RESERVES			
Share capital and paid-up capital	*13*	**–**	–
Reserves		**286,334**	295,155
Equity attributable to owners of the Company		**286,334**	295,155
Non-controlling interests		**300**	–
TOTAL EQUITY		**286,634**	295,155

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2024

1. GENERAL INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The registered office of the Company is located at PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together, the "**Group**") were involved in the following principal activities: manufacture and sale of petroleum refinery and petrochemical equipment. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 10 July 2024 (the "**Listing**").

2. BASIS OF PREPARATION

These condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the applicable disclosures requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These condensed consolidated financial statements do not include all the notes normally included in an annual financial report. Accordingly, it should be read in conjunction with the accountant's report included in Appendix I to the Company's listing prospectus dated 28 June 2024 (the "**Prospectus**"), which have been prepared in accordance with the Hong Kong Financial Reporting Standards.

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

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

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

4. REVENUE

The Group's revenue for the both interim periods are as follows:

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Revenue from contracts with customers		
Manufacturing and sale of equipment:		
SRU and VOCs incineration equipment	**73,112**	39,145
Catalytic cracking equipment	**132,673**	147,679
Process burners	**16,552**	16,379
Heat exchangers	**2,557**	8,569
	224,894	211,772

The following table shows the amounts of revenue recognised in the interim periods that were included in the contract liabilities at the beginning of the interim periods:

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Sales of products	**59,191**	33,063

Performance obligations

Sale of SRU and VOCs incineration equipment, catalytic cracking equipment, process burners and heat exchangers

The performance obligation is satisfied upon customers' acceptance of relevant products and payment is generally due within 30 to 90 days from delivery, except for new customers, where payment in advance is normally required. Some contracts provide customers with a right of return which give rise to variable consideration subject to constraint.

5. SEGMENT INFORMATION

The Group is principally engaged in the manufacture and sale of petroleum refinery and petrochemical equipment to customers in Mainland China.

HKFRS "8 Operating Segments" requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to segments and to assess their performance. The information reported to the directors of the Company, who are the chief operating decision makers, for the purpose of resource allocation and assessment of performance does not contain discrete operating segment financial information and the directors reviewed the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

Geographical information

During both interim periods, the Group operated within one geographical area because the majority of the Group's revenue was generated in Mainland China and all of its non-current assets/capital expenditure were located/incurred in Mainland China. Therefore, no geographical information is presented.

The non-current asset information above is based on the locations of the assets and excludes financial instruments, prepayments and deferred tax assets.

6. OTHER INCOME AND GAINS, NET

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Government grant [1]	**2,716**	713
Interest income	**132**	101
Litigation compensation	**–**	132
Rental income, net	**47**	175
Others [2]	**296**	717
	3,191	1,838

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

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

7. FINANCE COSTS

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interest on bank borrowings	**2,748**	2,343
Interest on lease liabilities	**88**	71
	2,836	2,414

8. INCOME TAX EXPENSES

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current income tax — Mainland China:		
Charge for the period	**3,497**	5,894
Withholding tax	**1,000**	–
Deferred income tax	**(507)**	(403)
	3,990	5,491

Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands.

Pursuant to the rules and regulations of the BVI, the Group is not subject to any income tax in the BVI.

No provision for Hong Kong Profits Tax has been made as the Group had no assessable profits arising in Hong Kong during both periods.

Under the PRC Corporate Income Tax Law (the "**CIT Law**"), which became effective on 1 January 2008, the Group's PRC entities are subject to enterprise income tax at a rate of 25%, unless otherwise specified. The Group's subsidiaries registered in the PRC that have operations only in Mainland China are subject to PRC enterprise income tax ("**EIT**") at a rate of 25% on the taxable income as reported in their PRC statutory accounts adjusted in accordance with relevant PRC income tax laws for both periods except for two subsidiaries, Luoyang Ruichang Environmental Engineering Co., Ltd ("**Luoyang Ruichang**") and Ruiqieer Petro-chemical Engineering (Shanghai) Co., Ltd ("**Shanghai Ruiqieer**"). Luoyang Ruichang is qualified for a high and new technology enterprise ("**HNTE**") in September 2017 and became eligible for 15% preferential tax rate. Luoyang Ruichang renews its HNTE certification in November 2023 and is eligible for 15% preferential tax rate in the six months ended 30 June 2024 and 2023. Shanghai Ruiqieer is also qualified for a HNTE in December 2021 and is eligible for 15% preferential tax rate for both periods.

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January 2008 are generally subject to a 10% withholding tax.

9. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to owners of the Company is based on the following data:

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Earnings:		
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	**11,525**	14,427
Number of shares:		
Number of ordinary shares for the purpose of basic earnings per share	**375,000,000**	375,000,000

The number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the Group's Reorganisation and the Capitalisation Issue is completed as described in Appendix V to the Company's listing prospectus dated 28 June 2024.

No diluted earnings per share is presented for the six months ended 30 June 2024 and 2023 as there was no potential ordinary share in issue.

10. DIVIDENDS

On 29 May 2024, the Company distributed a dividend amounting to RMB20,000,000. As at 30 June 2024, RMB9,307,000 was paid in cash and RMB9,898,000 was settled by offsetting with Group's receivables due from controlling shareholders. The remaining dividend payable was paid in July 2024.

The directors of the Company did not propose the distribution of any interim dividend during the Reporting Period.

11. TRADE AND NOTES RECEIVABLES

	As at 30 June 2024 *RMB'000* **(unaudited)**	As at 31 December 2023 *RMB'000* (audited)
Trade receivables	**278,330**	285,170
Provision for impairment	**(10,891)**	(9,193)
	267,439	275,977
Notes receivables	**30,555**	50,939
	297,994	326,916

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

Notes receivables

The Group's notes receivables are all aged within twelve months, for which there was no recent history of default and past due amounts. At the end of each of the reporting period, the loss allowance was assessed to be minimal.

Trade receivables

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

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

	As at 30 June 2024 *RMB'000* **(unaudited)**	As at 31 December 2023 *RMB'000* (audited)
Within 90 days	**91,518**	122,873
91 to 180 days	**6,115**	56,045
181 to 365 days	**132,026**	72,707
Over 1 year but within 2 years	**25,019**	11,289
Over 2 years but within 3 years	**10,799**	10,673
Over 3 years but within 4 years	**1,962**	2,390
	267,439	275,977

12. TRADE AND NOTES PAYABLES

	As at 30 June 2024 *RMB'000* **(unaudited)**	As at 31 December 2023 *RMB'000* (audited)
Trade payables	**99,415**	100,966
Notes payables	**26,042**	48,381
	125,457	149,347

An ageing analysis of the trade and notes payables, as at the end of each reporting period, based on the invoice date, is as follows:

	As at 30 June 2024 *RMB'000* **(unaudited)**	As at 31 December 2023 *RMB'000* (audited)
Within 90 days	**57,978**	102,127
91 to 180 days	**34,322**	20,433
181 to 365 days	**22,332**	13,341
Over 1 year	**10,825**	13,446
	125,457	149,347

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

13. SHARE CAPITAL

	Number of shares	Nominal value of shares *USD*
Authorised:		
At 1 January 2023 (audited), 30 June 2023 (unaudited), 1 January 2024 (audited) and 30 June 2024 (unaudited) ordinary shares of US$0.00001 each	5,000,000,000	50,000

	Number of shares	Nominal value of shares *RMB*	Nominal value of shares *RMB'000*
Issued and fully paid:			
At 1 January 2023 (audited), 30 June 2023 (unaudited), 1 January 2024 (audited) and 30 June 2024 (unaudited) Ordinary shares of US$0.00001 each	114,210	8	–

14. COMMITMENTS

The Group did not have any material capital commitments as at 31 December 2023 and 30 June 2024.

15. EVENT AFTER REPORTING PERIOD

On 10 July 2024, 125,000,000 new shares of USD0.00001 each were issued at an offer price of HKD1.05 upon the listing of the shares of the Company on the Main Board of the Stock Exchange.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2024, the world's major economies have witnessed an overall upturn in their growth indicators, benefiting from the expected global economic recovery. However, it still faces many challenges such as high interest rates, geopolitical conflicts, and election years. In the first half of 2024, China's economy remained generally stable in the face of many difficulties and challenges, such as the intricate external environment, the still insufficient effective domestic demand, and increasing uncertainties. According to the National Bureau of Statistics, China's GDP increased by 5.0% year-on-year in the first half of the year, of which the GDP in the second quarter grew by 0.7% quarter-on-quarter, with the quarter-on-quarter growth rate being positive for eight consecutive quarters. In addition, production has grown steadily, the structure has continued to be optimised, transformation and upgrading have continued to advance and the economy has maintained a stable and positive trend. China's growth rate is leading among the world's major economies, and it remains an important engine and stabilising force for world economic growth. The International Monetary Fund's latest World Economic Outlook update, released in July 2024, raised China's economic growth forecast to 5.0% this year.

In the first half of 2024, international oil prices showed an "inverted V-shaped" trend, basically showing a trend of wide fluctuations with high prices at the beginning and low prices at the end. From January to April 2024, the geopolitical situation was the core factor affecting the change of oil prices, and the conflicts in the Middle East and Europe continued to persist, with geopolitical risks surging on, pushing up international oil prices. From May to June 2024, as the conflict in the Middle East has not had a substantial impact on the supply of the international crude oil market, the market's response on the news of the Israeli – Palestinian conflict gradually became "sluggish", and fundamental factors have begun to dominate the market trend. International oil prices fell under the influence of factors such as the poor implementation of production cuts by OPEC+ members, the results of the OPEC+ meeting in June being less than expected, and the Federal Reserve continuing to postpone the timing of interest rate cuts.

In the first half of 2024, the economic operation of China's petrochemical industry continued to be affected by the high prices of upstream raw materials, sluggish demand in the downstream market, and persistently low product prices. Despite the upturn in the operating revenue, the benefit of which has not fully reversed the downward trend. According to data from the China Petroleum and Chemical Industry Federation, China's petrochemical industry achieved operating income of RMB8 trillion in the first half of the year, representing a year-on-year increase of 5.1%; the profit was RMB429.47 billion, representing a year-on-year decrease of 1.6%; the total import and export volume was USD474.08 billion, representing a year-on-year decrease of 2.5%. At the same time, in recent years, China's petrochemical industry has firmly seized the new opportunities brought by the prosperous cycle of the world economy and the global petrochemical industry, and the new refining and chemical integration plant and new petrochemical base have expended the layout and concentrated in construction, promoting the scale concentration and overall competitiveness of China's petrochemical industry to a new level and achieving a new breakthrough, and the investment in the petrochemical industry has grown by double digits over the years. Despite all these, in the first half of 2024, the growth rate of investment in China's petrochemical industry slowed down, and according to data from the China Petroleum and Chemical Industry Federation, investment in chemical raw materials and chemical manufacturing increased by 8.4% year-on-year, 5.5 percentage points lower than the same period last year; the growth rate of investment in upstream oil and gas exploration and production was only 0.9%, 21.5 percentage points lower than that of the same period last year.

In the first half of 2024, the Group achieved revenue of RMB224.9 million (six months ended 30 June 2023: RMB211.8 million), representing a year-on-year increase of 6.2%; gross profit was RMB75.3 million (six months ended 30 June 2023: RMB76.3 million), representing a year-on-year decrease of 1.4%; and net profit for the Reporting Period was RMB11.5 million (six months ended 30 June 2023: RMB14.4 million), representing a year-on-year decrease of 20.1%.

THE COMPANY'S DEVELOPMENT STRATEGY

Focusing on the main business and consolidating the petrochemical equipment market

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

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

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

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

We are also exploring emerging technologies and fields to further adopt the trend of green, energy conservation and environmental protection, striving to diversify the industries and scenarios in which our products are utilised, and finding new business growth points in conjunction with our market strategies.

Global development and expansion into the international market

With the full subsidence of the impact of the pandemic and the steady recovery of the international economy, the international market has huge potential and business opportunities, the supply chain integration of refineries and petrochemical equipment has extended to all parts of the world, and the number of overseas customers sourcing equipment in the Chinese market is also on the rise due to China's extensive manufacturing capacity and competitive prices. Chinese equipment manufacturers offer a wide range of refinery and petrochemical equipment options to cater to the specific needs and requirements of their customers. These trends allow overseas customers to access cost-effective solutions and a wider range of equipment options than they do locally in their own countries when purchasing.

We intend to strengthen our marketing efforts in key regions and strive to work with local enterprises and government departments to enhance the Group's business coverage and influence. We believe that by leveraging on our advanced technology and R&D capabilities, and by stepping up our efforts to expand into international markets, we will be able to gain new business growth points which will continue to foster a rapid development in our performance and lay a solid foundation for the long-term development of the Group.

FINANCIAL OVERVIEW

Revenue

The Group's business has grown steadily and the Group's revenue increased by 6.2% from RMB211.8 million for the six months ended 30 June 2023 to RMB224.9 million during the Reporting Period. The Group generate revenue primarily through the manufacturing and sale of the equipment as detailed below.

	Six months ended 30 June			
	2024		2023	
	RMB'000	*%*	*RMB'000*	*%*
	(unaudited)		(unaudited)	
Manufacturing and sale of equipment				
SRU and VOCs incineration equipment	**73,112**	**32.5**	39,145	18.5
Catalytic cracking equipment	**132,673**	**59.0**	147,679	69.7
Process burners	**16,552**	**7.4**	16,379	7.7
Heat exchangers	**2,557**	**1.1**	8,569	4.1
Total	**224,894**	**100.0**	211,772	100.0

SRU and VOCs incineration equipment

The Group's revenue from sales of SRU and VOCs incineration equipment increased by 86.8% from RMB39.1 million in the first half of 2023 to RMB73.1 million for the corresponding period in 2024, which was primarily attributable to the rapid increase in sales orders of SRU and VOCs incineration equipment.

Catalytic cracking equipment

The Group's revenue from sales of catalytic cracking equipment decreased by 10.2% from RMB147.7 million in the first half of 2023 to RMB132.7 million for the corresponding period in 2024, primarily due to temporary delays and postponement of certain sale orders at the customers' instructions, taking into account the current industry situation.

Process burners

The Group's revenue from sales of process burners was relatively stable at RMB16.4 million in the first half of 2023 and RMB16.6 million for the corresponding period in 2024.

Heat exchangers

The Group's revenue from sales of heat exchangers decreased by 70.2% from RMB8.6 million in the first half of 2023 to RMB2.6 million for the corresponding period in 2024, primarily due to completion of significant sales orders in the first half of 2023, while no significant sale orders received during the Reporting Periods.

Cost of sales

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

	Six months ended 30 June			
	2024		2023	
	RMB'000	*%*	*RMB'000*	*%*
	(unaudited)		(unaudited)	
Materials and components used	**133,556**	**89.3**	112,869	83.3
Outsourcing service fees	**3,151**	**2.1**	9,294	6.9
Direct labour costs	**5,291**	**3.5**	5,205	3.8
Taxes and levies	**1,430**	**1.0**	1,772	1.3
Manufacturing overhead	**6,212**	**4.1**	6,298	4.7
Total	**149,640**	**100.0**	135,438	100.0

The cost of sales of the Group increased from RMB135.4 million for the six months ended 30 June 2023 to RMB149.6 million for the six months ended 30 June 2024, mainly due to the increase of materials and components used and partially offset by the decrease of outsourcing fee, which included transportation cost and consultancy fee.

Gross profit and gross profit margin

The gross profit of the Group decreased by 1.4% from RMB76.3 million for the six months ended 30 June 2023 to RMB75.3 million for the six months ended 30 June 2024.

The gross profit margin decreased by 2.5 percentage point from 36.0% for the six months ended 30 June 2023 to approximately 33.5% for the six months ended 30 June 2024. The decrease in gross profit margin was attributable to growing market competition and the Group obtains sales orders at a relatively lower price as the result of temporary postponement of certain petroleum refinery and petrochemical production facilities by relevant customers in consideration of current industry situation.

Other income and gains, net

During the Reporting Period, the income and gains consist primarily of government grants, interest income, rental income, net, and others.

The other income and gains increased from RMB1.8 million in the first half of 2023 to RMB3.2 million for the corresponding period of 2024, primarily due to the increase of government grants from eligible entitlement of an additional 5% value-added tax deduction policy for advanced manufacturing companies.

Selling expenses

During the Reporting Period, the selling expenses mainly consist of staff costs, entertainment expenses, travelling and related expenses, promotional expenses and office expenses.

The selling expenses of the Group increased from RMB13.2 million in the first half of 2023 to RMB14.4 million for the corresponding period of 2024, primarily due to the increase of headcount of sales staff and general increase of salary level of our sales team during the Reporting Period.

Administrative expenses

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

The administrative expenses increased from RMB17.1 million in the first half of 2023 to RMB21.4 million for the corresponding period of 2024, primarily due to the increase of headcount of managerial and administrative staff, which led to the increase in salary and benefit expenses.

Research and development expenses

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

The research and development expenses decreased from RMB16.4 million in the first half of 2023 to RMB14.7 million for the corresponding period of 2024, primarily due to the transfer of some engineers to design and execution posts for overseas sale contracts which has not been completed by the end of Reporting Period.

Finance costs

The finance costs mainly consist of interest on bank and other borrowings and interest on lease liabilities. The finance costs increased from RMB2.4 million in the first half of 2023 to RMB2.8 million for the corresponding period of 2024, primarily due to the increase in bank and other borrowings of the Group in the first half of 2024.

Income tax expenses

The taxation comprised of (i) profit tax expenses of EIT; (ii) withholding tax and (iii) deferred tax expenses. The income tax expenses decreased from RMB5.5 million in the first half of 2023 to RMB4.0 million for the corresponding period of 2024, primarily due to the decrease in taxable income of our PRC subsidiaries.

Profit for the period

As a result of the above, the net profit decreased from approximately RMB14.4 million in the first half of 2023 to RMB11.5 million for the corresponding period of 2024, primarily due to the decrease of gross profit margin in the first half of 2024.

Funding and Exchange Rate Policy

The Group has minimal exposure to foreign currency risk as most of its transactions, assets and liabilities are principally denominated in the functional currency of the entity to which they are related. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Liquidity and Financial Resources

The Group's principal use of cash was to fund our operations, capital expenditures and payments of principal and interest due on our bank borrowings. The main source of the Group's liquidity was generated from cash flows from operations. Going forward, the Group believes that its liquidity requirements will be satisfied by a combination of cash flows generated from operating activities, bank facilities and net proceeds from the Listing. As of 30 June 2024, the Group had cash and cash equivalents of RMB21.7 million. A significant portion of the Group's cash and cash equivalents and term deposits are held in RMB.

Bank and other borrowings

The Group's total bank and other borrowings increased by approximately 4.4% from approximately RMB121.8 million as of 31 December 2023 to approximately RMB127.2 million as of 30 June 2024, mainly due to (i) additional bank borrowings of approximately RMB68.5 million, and (ii) repayment of bank borrowings approximately RMB62.1 million.

All borrowings were fixed-rate borrowings as of 30 June 2024, which were both denominated in RMB.

Gearing ratio

The gearing ratio is calculated by dividing the total debts (including bank and other borrowings and lease liabilities) by total equity as at the end of the reporting period. As of 30 June 2024, the gearing ratio of the Group was 45.3% (31 December 2023: 42.8%. Such increase is mainly attributable to new bank and other borrowings obtained during the Reporting Period.

Charges on the Group's assets

As of 30 June 2024, the carrying amount of property, plant and equipment pledged as security for the Company's bank borrowings amounted to RMB32.2 million. As of 30 June 2024, the carrying amount of investment properties pledged as security for the Company's bank borrowings amounted to RMB1.1 million. As of 30 June 2024, the carrying amount of right-of-use assets pledged as security for the Company's bank borrowings amounted to RMB36.6 million.

Employees and Remuneration Policies

As of 30 June 2024, the Group had a total of 434 full-time employees and the total staff costs (including directors' emoluments) for the Reporting Period were RMB27.1 million. Remuneration of our employees is determined with reference to market conditions and individual employees' performance, qualification and experience. In line with the performance of the Group and individual employees, a competitive remuneration package is offered to retain employees, including salaries, allowance and benefits and retirement benefit scheme contribution. During the Reporting Period, the relationship between the Group and our employees has been stable. We provide training programmes to employees, including new hire orientation and continuous on-the-job training, in order to accelerate the learning progress and improve the knowledge and skill levels of our employees.

Contingent Liabilities

As of 30 June 2024, we did not have any material contingent liabilities (31 December 2023: Nil).

Significant Investments

During the Reporting Period, the Group did not hold any significant investments in assets with a value of more than 5% of the Group's total assets as of 30 June 2024.

Material Acquisitions and Disposals

During the Reporting Period, the Group did not conduct any material acquisition or disposal in relation to subsidiaries, associates and joint ventures.

Use of Proceeds from the Listing

The Company were listed on the Main Board of the Stock Exchange on 10 July 2024 (the "**Listing Date**") and 125,000,000 new Shares were issued at an offer price of HK$1.05 per Share. After deducting the underwriting fees and expenses payable by the Company in connection with the Global Offering, the net proceeds from the Listing amounted to approximately HK$64.8 million (equivalent to approximately RMB59.4 million).

As of 30 June 2024, as the Global Offering has not been completed, the net proceeds from the Global Offering have not been utilised. The Company intends to use the net proceeds in the same matter and in the proportion as set out in the section headed "Future Plans and Use of Proceeds" of the Prospectus of the Company.

CORPORATE GOVERNANCE RELATED INFORMATION

Compliance with the Corporate Governance Code

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

Given that the Company has only been listed on the Stock Exchange on 10 July 2024 (the "**Listing Date**"), the principles and code provisions of the corporate governance code contained in Part 2 of Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange (the "**Listing Rules**") do not apply to the Company during the Reporting Period. The Company has adopted the principles and code provisions of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules (the "**CG Code**") as the basis of the Company's corporate governance practices, and the CG Code has been applicable to the Company with effect from the Listing Date.

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

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

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

Compliance with the Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules (the "**Model Code**") as its own code of conduct regarding dealings in the securities of the Company by the Directors and the Company's senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Company or its securities. The provisions of the Listing Rules regarding directors' compliance with the code of conduct for securities transactions shall apply to the Company from the Listing Date. As the Company has only been listed on the Stock Exchange on 10 July 2024, the Model Code does not apply to the Company during the Reporting Period.

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

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

The Shares had not been listed on the Stock Exchange as of 30 June 2024, and there were no other listed securities issued by the Company or any of its subsidiaries. Accordingly, there was no purchase, sale or redemption of any of the listed securities of the Company during the six months ended 30 June 2024.

Since the Listing Date and up to the date of this announcement, none of the Company or any of its subsidiaries has made any purchase, sale or redemption of the listed securities of the Company (including sales of treasury shares). As at the Listing Date and up to the date of this announcement, the Company did not hold any treasury shares.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL INFORMATION

The Audit Committee, comprising Mr. TU Shenwei, Mr. ZHANG Shengjie and Mr. BAU Siu Fung, has discussed with the management and reviewed the unaudited interim financial information of the Group for the Reporting Period. The Audit Committee considered that the interim results are in compliance with the applicable accounting standards, laws and regulations, and the Company has made appropriate disclosures thereof. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management of the Company.

In addition, the Company's independent auditor, ZHONGHUI ANDA CPA Limited, has performed an independent review of the Group's interim financial information for the Reporting Period 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.

EVENTS AFTER THE REPORTING PERIOD

On 10 July 2024, the Company completed its listing on the Main Board of the Stock Exchange, 125,000,000 new Shares were offered at the offer price of HK$1.05 per Share. For further details, please refer to the Company's announcement dated 9 July 2024.

Save as disclosed in this announcement and up to the date of this announcement, there were no material subsequent events after the Reporting Period.

INTERIM DIVIDEND

The Board does not declare the payment of an interim dividend to the Shareholders for the Reporting Period.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.ruichang.com.cn). The interim report for the six months ended 30 June 2024 containing all the information required by the Listing Rules will be dispatched to the Shareholders (if requested) and made available on the above websites in due course.

By order of the Board
RUICHANG INTERNATIONAL HOLDINGS LIMITED
Mr. LU Bo
Chairman of the Board, Chief Executive Officer
and executive Director

Hong Kong, 28 August 2024

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