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RUICHANG INTERNATIONAL HOLDINGS LIMITED

瑞昌國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1334)

MAJOR TRANSACTION IN RELATION TO FORMATION OF JOINT VENTURE

FORMATION OF JOINT VENTURE

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

As at the date of this announcement, it is intended that the JV Company will have a registered capital of RMB45.0 million and the agreed total commitment will be RMB150 million, to be contributed by each party based on their pro-rata registered capital interest in the JV Company. The Group is therefore expect to have a total capital commitment of RMB120 million pursuant to the Joint Venture Agreement. The Group will finance the capital commitment from its internal resources and the formation of the JV Company will not be expected to have any material effect on the assets, liabilities and earnings of the Company.

IMPLICATION OF THE LISTING RULES

As one or more of the applicable percentage ratios (as calculated under Rule 14.07 of the Listing Rules) in respect of the transactions contemplated under the Joint Venture Agreement exceed 25% but less than 100%, the entering into of the Joint Venture Agreement and the formation of the joint venture thereunder constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and are therefore subject to reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules. The transaction contemplated under the Joint Venture Agreement will be subject to the approval by Shareholders at the EGM.

GENERAL

A circular containing, among other things, information relating to the Joint Venture Agreement and the formation of the JV Company, the financial information and other information of the Group, notice of the EGM and other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 2 January 2025 so as to allow sufficient time for the preparation of the relevant information for the inclusion in the circular.

FORMATION OF JOINT VENTURE

The Board is pleased to announce that on 9 December 2024, Ruicheng Huangshan, a wholly-owned subsidiary of the Company, entered into the Joint Venture Agreement with Shanghai Lanrui and Huangshan Ecological and Environmental Protection for the establishment, operation and management of the JV Company. Ruicheng Huangshan will hold 80% of the registered capital of the JV Company with each of the other cooperating partners holding 10% of its registered capital each.

THE JOINT VENTURE AGREEMENT

The principal terms of the Joint Venture Agreement are summarised as follows:

Date: 9 December 2024

Parties: (1) Ruicheng Huangshan;
(2) Shanghai Lanrui; and
(3) Huangshan Ecological and Environmental Protection.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, saved as the Group's interest in Shanghai Lanrui, each of Shanghai Lanrui and Huangshan Ecological and Environmental Protection are Independent Third Party.

Scope of business: The JV Company will be primarily engaged in the deployment of phosphorus pollution control, phosphorus-containing waste treatment technologies and recycling of relevant waste products for the production of nutrient concentrate solutions.

It is contemplated that the JV Company will undertake a two-phase construction of a plant in order to carry out its business objectives.

Condition to the Joint Venture Agreement:	The implementation of the Joint Venture Agreement is subject to the Company’s shareholders having provided the necessary approval to the transaction contemplated under the Joint Venture Agreement as required under applicable laws and regulations (including but not limited to the Listing Rules).
Capital commitment:	It is intended that the JV Company will have a registered capital of RMB45.0 million and the agreed total commitment will be RMB150 million.
	It is contemplated Ruicheng Huangshan will pay up its committed registered capital of RMB36.0 million in two stages, RMB24.0 million of which should be paid up prior to 31 March 2025 and RMB12.0 million of which should be paid up prior to 31 December 2026. In addition, Ruicheng Huangshan shall severally guarantee up to RMB84.0 million of the JV Company’s financing obligations.
	It is contemplated Shanghai Lanrui will pay up its committed registered capital of RMB4.5 million in two stages, RMB3.0 million of which should be paid up prior to 31 March 2025 and RMB1.5 million of which should be paid up prior to 31 December 2026. In addition, Shanghai Lanrui shall severally guarantee up to RMB10.5 million of the JV Company’s financing obligations.
	It is contemplated Huangshan Ecological and Environmental Protection will pay up its entire registered capital by in-kind contribution of the Land (which has a market value of approximately RMB14.6 million), which shall be transferred into the name of the JV Company prior to 31 March 2025 and will be regarded as full satisfaction of its contribution obligation pursuant to the Joint Venture Agreement.
Duration:	The operating duration of the JV Company shall be for an initial term of 20 years beginning on the date of the JV Company’s incorporation, and may be extended by unanimous agreement of all parties.
Management:	The shareholders reserve the rights to exercise certain powers in relation to major corporate actions including but not limited to the approval of directors’ and supervisors’ report, the JV Company’s profit distribution plans, change in share capital, and amendments to the JV Company’s articles of association.

Save for any matters reserved to the shareholders of the JV Company, the other rights and powers of the JV Company shall be exercised by the director and supervisor of the JV Company in accordance with the Joint Venture Agreement.

The JV Company shall have one director and one supervisor, each of whom shall be appointed by Ruicheng Huangshan. Additionally, Ruicheng Huangshan may also nominate or appoint senior management to the JV Company, including its general manager and financial controller.

Profit Distributions:

The parties agreed that 10% of the JV Company's profit after tax shall be deposited in the JV Company's statutory provident account until the statutory provident account at least reaches 50% of the JV Company's registered capital.

It is agreed that profit shall be distributed amongst shareholders of the JV Company in accordance with their respective shareholders' interests in the JV Company, provided that the profit to be distributed shall be adjusted and shall not take into account any financing cost of the JV Company. Any such financing cost shall be borne by Ruicheng Huangshan and Shanghai Lanrui in proportion of their respective financing guarantee commitment and shall be deducted from their respective profit entitlement. The shareholders of the JV Company may also unanimously agree to not make any profit distribution.

Other Rights and Obligations:

The transfer of interest in the JV Company is subject to a right of first refusal from each of the other shareholders of the JV Company. In any event, no interest in the JV Company may be transferred to a third party engaging directly or indirectly in competition with the JV Company unless all parties to the Joint Venture Agreement consent to the transfer.

Each party agree to collaborate and facilitate the business of the JV Company in accordance with the Joint Venture Agreement, including but not limited to grant of certain non-exclusive technical licenses and other efforts to facilitate the JV Company's operations.

Each party to the Joint Venture Agreement is entitled to receive a copy of the audited financial statements of the JV Company within 3 months after the end of an applicable financial year.

Termination: The term of the Joint Venture Agreement may only be prematurely terminated in the event of the JV Company's bankruptcy, winding up, ceasing of operations, in the event where significant portion of its assets are requisitioned or confiscated by the relevant government authorities or a force majeure event having occurred and persisting significantly and adversely impacting the operations of the JV Company for over 6 months or in accordance with any other provisions of the Joint Venture Agreement.

To the extent that any parties have defaulted or materially breached the Joint Venture Agreement, such defaulting party shall have 3 months to cure any such default or breaches. A non-defaulting party will be entitled to unilaterally terminate the Joint Venture Agreement and/or seek damages if such default or breach remains uncured after the 3 months period.

FINANCIAL IMPACT ON THE COMPANY

The provision of the capital commitment by the Group in a sum of RMB120.0 million is based on its pro-rata interest in the JV Company, which comprises a combination of paid-up registered capital and guarantee to the JV Company's external bank loans. The JV Company will be accounted for as an indirect non-wholly owned subsidiary of the Company and its operating results, assets and liabilities will be consolidated in the financial statements of the Group. The Group will finance the capital commitment from its internal resources and the formation of the JV Company will not be expected to have any material effect on the assets, liabilities and earnings of the Company.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS CONTEMPLATED BY THE JOINT VENTURE AGREEMENT

The Board considers that the formation of the JV Company contemplated under the Joint Venture Agreement will enable the Group to leverage on its existing technological capabilities and expand on business operations, the Group is confident that the business of the JV Company will complement the Group's existing businesses and create synergies within the Group as it leverages on entrained flow technology which are used in the Group's existing businesses in the manufacturing and production of energy saving equipment for coal chemical operations. The JV Company, through the construction of this solid waste resource utilization project, aims to enhance local ecological environment protection standards in Huangshan City, an international tourist destination, and facilitate subsequent implementation nationwide.

Taking into account the expected return to be generated from the proposed business of the JV Company and the synergistic effect that it will have with the existing business of the Group, the Directors consider that the terms and conditions of the Joint Venture Agreement and the transaction contemplated thereunder have been negotiated on an arm's length basis and are on normal commercial terms, and the terms thereof are fair and reasonable and in the interests of the Group and the Shareholders taken as a whole.

INFORMATION ABOUT THE PARTIES TO THE JOINT VENTURE AGREEMENT

The Group

The Group is a petroleum refinery and petrochemical equipment manufacturer based in the PRC providing customized equipment across a range of product categories. Ruicheng Huangshan is an investment holding company and a wholly-owned subsidiary of the Group.

Shanghai Lanrui

Shanghai Lanrui is a environmental protection technology company focusing on phosphorus recycling technology, it partners with a PRC higher education institute to development and advances its technical capabilities. Through Shanghai Ruijiade Chemical Engineering Technology Co., Ltd. (上海睿嘉德化工科技有限公司), an indirect wholly-owned subsidiary of the Group, the Group is interested in approximately 4.75% of the registered capital of Shanghai Lanrui. To the best knowledge of the Company after reasonable enquiry, its other beneficial owner include Mr. Zhang Jun (張軍), Ms. Wang Yan (王琰), Ms. Zhao Hong (趙洪) and Shanghai Ruireneng Enterprise Management Center (Limited Partnership) (上海睿而能企業管理中心(有限合夥)), being interested in approximately 39.71%, 25.27%, 25.27% and 5.00% of Shanghai Lanrui's registered capital, respectively, and each of Shanghai Lanrui and its ultimate beneficial owners (other than the Group) are Independent Third Parties.

Huangshan Ecological and Environmental Protection

Huangshan Ecological and Environmental Protection is an investment entity focusing on various renewable energy development, reuse and recycling businesses in Huangshan city. It is a state-owned enterprise wholly-owned by Huangshan City Investment which is in turn ultimately controlled by State-owned Assets Supervision and Administration Commission of the People's Government of Huangshan City (黃山市人民政府國有資產監督管理委員會, "Huangshan SASAC"). Huangshan City Investment Private Equity Fund Management Co., Ltd. (黃山建投私募基金管理有限公司), which is also controlled by Huangshan SASAC, is a minority shareholder of the Company and is interested in approximately 5.71% of the Company's total issued share capital as of the date of this announcement. Notwithstanding such, each of Huangshan Ecological and Environmental Protection and its ultimate beneficial owners are Independent Third Parties.

The JV Company

The JV Company is a company proposed to be incorporated under the Joint Venture Agreement for the purpose of implementing the transactions contemplated thereunder. Upon its incorporation, Ruicheng Huangshan will be interested in 80% of its registered capital and it will be accounted for as a subsidiary of the Company. It is contemplated the JV Company will have a registered share capital of RMB45.0 million, and its assets will include the Land to be injected by Huangshan Ecological and Environmental Protection as in-kind satisfaction of its capital contribution obligation to the JV Company, the JV Company will construct and develop its operating plant on the Land.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as calculated under Rule 14.07 of the Listing Rules) in respect of the transactions contemplated under the Joint Venture Agreement exceed 25% but less than 100%, the entering into of the Joint Venture Agreement constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and are therefore subject to reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

The transaction contemplated under the Joint Venture Agreement will be subject to the approval by Shareholders at the EGM. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Huangshan City Investment is materially interested in the transaction and would therefore abstain from voting in the EGM. Saved as disclosed herein, no other Shareholder or their associate(s) has a material interest in the Joint Venture Agreement and the transactions contemplated thereunder and accordingly, no Shareholder is required to abstain from voting at the EGM to be convened by the Company for approving the Joint Venture Agreement and the transactions contemplated thereunder.

GENERAL

A circular containing, among other things, information relating to the Joint Venture Agreement and the formation of the JV Company, the financial information and other information of the Group, notice of the EGM and other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 2 January 2025 so as to allow sufficient time for the preparation of the relevant information for the inclusion in the circular.

DEFINITIONS

“Board”	the board of Directors;
“Company”	RUICHANG INTERNATIONAL HOLDINGS LIMITED (瑞昌國際控股有限公司), an exempted company incorporated under the laws of the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1334);
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules;
“Directors”	the director(s) of the Company;
“EGM”	the extraordinary general meeting of the Company to be held for the purpose of approving the transaction contemplated under the Joint Venture Agreement;
“Group”	the Company together with its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;

“Huangshang Ecological and Environmental Protection”	Huangshang Ecological and Environmental Protection Group Co., Ltd. (黃山市生態環保集團有限公司), a company incorporated in the PRC with limited liability and a party to the Joint Venture Agreement;
“Huangshan City Investment”	Huangshan City Investment Co., Ltd. (黃山城投集團有限公司), a company incorporated in the PRC with limited liability and a minority shareholder of the Company;
“Independent Third Party(ies)”	a third party who to the best of the Directors’ knowledge after reasonable enquiry, is independent of and not connected with the Group and its connected persons;
“Joint Venture Agreement”	the joint venture agreement (合資合同) entered into on 9 December 2024 by and among Ruicheng Huangshan, Shanghai Lanrui and Huangshang Ecological and Environmental Protection relating to the proposed formation of the JV Company;
“JV Company”	a company to be incorporated in the PRC pursuant to the Joint Venture Agreement tentatively named Zhongyu Technology (Huangshan) Co., Ltd. (中磷科技(黃山)有限公司);
“Land”	a parcel of land of approximately 19,500 square meter located in a recycling base within Huangshan city (黃山市資源循環利用基地), being the in-kind contribution of Huangshang Ecological and Environmental Protection in accordance with the Joint Venture Agreement, with a market value of approximately RMB14.6 million;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China but for the purpose of this announcement only do not include Hong Kong, the Macau Special Administrative Region and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“Ruicheng Huangshan”	Ruicheng Environmental Engineering (Huangshan) Co., Ltd. (瑞晟環境工程(黃山)有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company;
“Shanghai Lanrui”	Shanghai Lanrui Environmental Protection Energy Technology Co., Ltd. (上海藍瑞環保能源科技有限公司), a company incorporated in the PRC with limited liabilities and a party to the Joint Venture Agreement;

“Share(s)”	ordinary shares of the Company;
“Shareholder(s)”	holder(s) of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“%”	per cent.

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

Hong Kong, 9 December 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. BAU Siu Fung, Mr. TU Shenwei and Mr. SHEN Cheng as independent non-executive directors.