

China TianYF Holdings Group Limited
中國天億福控股集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8196)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022

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GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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*This announcement, for which the directors (the “**Directors**”) of China TianYF Holdings Group Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive; there are no other matters the omission of which would make any statement herein or this announcement misleading.*

ANNUAL RESULTS

The board of Directors (the “**Board**”) of the Company announce the consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2022 together with the comparative audited figures for the corresponding period for the year ended 31 December 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	<i>Notes</i>	2022 <i>RMB’000</i>	2021 <i>RMB’000</i>
REVENUE	4	256,749	118,377
Cost of sales		<u>(233,184)</u>	<u>(102,948)</u>
Gross profit		23,565	15,429
Other income and gains	5	2,659	3,465
Selling and distribution expenses		(1,630)	(1,397)
Administrative expenses		(25,197)	(26,733)
Impairment losses on financial and contract assets	6	(3,375)	(3,481)
Other expenses		(5,853)	(1,697)
Finance costs	7	(2,230)	(2,591)
LOSS BEFORE TAXATION		(12,061)	(17,005)
Income tax credit/(expense)	8	514	(37)
LOSS FOR THE YEAR	6	(11,547)	(17,042)
Other comprehensive income/(loss) for the year, net of tax:			
Items that will not be reclassified to profit or loss:			
Gain on revaluation of buildings		6,118	–
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		<u>12</u>	<u>(36)</u>
OTHER COMPREHENSIVE INCOME/ (LOSS) FOR THE YEAR, NET OF TAX		<u>6,130</u>	<u>(36)</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		<u>(5,417)</u>	<u>(17,078)</u>
LOSS PER SHARE	10		
Basic and diluted (RMB)		<u>(0.04)</u>	<u>(0.06)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	<i>Notes</i>	2022 RMB'000	2021 <i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		7,433	9,673
Investment properties		30,200	25,400
Right-of-use assets		352	500
Other intangible assets		312	1,027
Prepayments, other receivables and other assets		42	6
Receivables under a service concession arrangement		39,438	46,479
Equity investments designated at fair value through other comprehensive income		3,400	3,400
		<u>81,177</u>	<u>86,485</u>
CURRENT ASSETS			
Inventories		12,567	4,357
Receivables under a service concession arrangement		7,041	6,959
Trade and bills receivables	<i>11</i>	127,427	111,818
Contract assets		27,102	53,084
Prepayments, other receivables and other assets		17,838	26,700
Pledged deposits		2,888	9,140
Cash and cash equivalents		55,260	46,009
		<u>250,123</u>	<u>258,067</u>
CURRENT LIABILITIES			
Trade payables	<i>12</i>	181,652	127,652
Other payables and accruals		45,614	97,085
Interest-bearing bank and other borrowings	<i>13</i>	25,097	38,582
Tax payable		2,046	1,451
		<u>254,409</u>	<u>264,770</u>
NET CURRENT LIABILITIES		<u>(4,286)</u>	<u>(6,703)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>76,891</u>	<u>79,782</u>

	<i>Notes</i>	2022 RMB'000	2021 <i>RMB'000</i>
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	<i>13</i>	98	175
Deferred tax liabilities		5,740	4,784
		<u>5,838</u>	<u>4,959</u>
NET ASSETS		<u>71,053</u>	<u>74,823</u>
CAPITAL AND RESERVES			
Equity attributable to owners of the Company			
Share capital		2,397	2,397
Reserves		68,656	72,426
		<u>71,053</u>	<u>74,823</u>
TOTAL EQUITY		<u>71,053</u>	<u>74,823</u>

NOTES

1. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which comprise all Hong Kong Financial Reporting Standards (“**HKFRS**”), Hong Kong Accounting Standards (“**HKAS**”); and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and equity investments which have been measured at fair value. These consolidated financial statements are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand except when otherwise indicated.

During the year ended 31 December 2022, the Company and its subsidiaries (collectively referred to as the “**Group**”) recorded a consolidated net loss of RMB11,547,000 (2021: RMB17,042,000). As at 31 December 2022, the Group had net current liabilities of RMB4,286,000 (2021: RMB6,703,000).

The directors of the Company have prepared a cash flow forecast for the Group which covers a period of twelve months from the end of the reporting period. They are of the opinion that, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future. Accordingly, the directors are of the opinion that it is appropriate to prepare the consolidated financial statements of the Group for the year ended 31 December 2022 on a going concern basis.

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

In the current year, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2022. HKFRSs comprise HKFRS; HKAS; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current year and prior years except as stated below.

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 consolidated financial statements of the Group.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

New/Revised HKFRSs

HKFRS 17	Insurance Contracts ⁺
HKAS 1	Amendments in relation to Disclosure of Accounting Policies ⁺
HKAS 8	Amendments in relation to Definition of Accounting Estimates ⁺
HKAS 12	Amendments in relation to Deferred Tax related to Assets and Liabilities arising from a Single Transaction ⁺
HK-int 5	Amendments in relation to Amendments to HKAS 1 [^]
HKFRS 16	Amendments in relation to Lease Liability in a Sale and Leaseback [^]
HKAS 1	Amendments in relation to Classification of Liabilities as Current or Non-Current [^]
HKAS 1	Amendments in relation to Non-current Liabilities with Covenants [^]
HKFRS 10 and HKAS 28	Amendments in relation to Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [@]

⁺ Effective for accounting period beginning on or after 1 January 2023

[^] Effective for accounting period beginning on or after 1 January 2024

[@] No mandatory effective date yet determined but available for adoption

3. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has five reportable operating segments as follows:

- (1) the engineering, procurement and construction project (“**EPC Projects**”) segment comprises projects in which an enterprise is commissioned by a customer to act as a general contractor to take care of the overall design, procurement and construction of sludge or wastewater treatment facilities pursuant to the contract and be responsible for the quality, safety, time control and pricing of the project;
- (2) the construction projects (“**Construction Projects**”) segment represents construction projects other than EPC Projects;
- (3) the equipment projects (“**Equipment Projects**”) segment comprises projects in which an enterprise is engaged by a customer for procurement of necessary materials, equipment and machinery, installation, testing and commissioning of the equipment and machinery for the treatment facilities as well as provision of technical consulting services to upgrade or optimise the design of the water or wastewater treatment facilities pursuant to the contract;
- (4) the service concession arrangement (“**Service Concession Arrangement**”) segment comprises projects in which provides the construction of sludge treatment and operation of the sludge station upon the completion of construction for a long period, i.e. 10 years. The fee received under this arrangement for the provision of operation services includes a guaranteed tariff based on a guaranteed minimum treatment volume together with an additional tariff in excess of the minimum volume. Restoration of the infrastructure to a specified condition before it is handed over to the grantor at the end of the service arrangement is necessary. According to the term of such arrangement, the Group is responsible for all of the costs in construction, operation and maintenance as well as restoration of the infrastructure; and
- (5) the “Others” segment comprises, principally, the Group’s operation and maintenance services in which as enterprise of the Group is retained to operation and maintenance water or wastewater treatment facilities for a certain period for certain operation and maintenance fees on a monthly or quarterly basis.

3. SEGMENT INFORMATION (continued)

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, non-lease-related finance costs, impairment losses on financial and contract assets, fair value changes from the Group's investment properties as well as head office and corporate gains and expenses are excluded from such measurement.

Segment assets exclude cash and cash equivalents, property, plant and equipment, investment properties, right-of-use assets, equity investments and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude tax payable, deferred tax liabilities, interest-bearing bank and other borrowings and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Information about reportable segment profit or loss, assets and liabilities:

	EPC Projects RMB'000	Construction Projects RMB'000	Equipment Projects RMB'000	Service Concession Arrangement RMB'000	Others RMB'000	Total RMB'000
Year ended 31 December 2022						
Revenue from external customers	10,634	1,675	218,795	16,014	9,631	256,749
Segment profit	2,244	326	14,773	1,888	4,334	23,565
Depreciation	-	-	-	-	1,281	1,281
Additions to segment non-current assets	-	-	-	-	316	316
As at 31 December 2022						
Segment assets	29,310	14,996	122,011	59,569	3,055	228,941
Segment liabilities	42,861	16,646	100,193	36,195	754	196,649
Year ended 31 December 2021						
Revenue from external customers	19,800	286	72,792	19,244	6,255	118,377
Segment profit	10,021	28	660	2,160	2,560	15,429
Depreciation	-	-	-	-	2,957	2,957
Additions to segment non-current assets	-	-	-	-	301	301
As at 31 December 2021						
Segment assets	43,115	15,816	123,795	65,076	4,073	251,875
Segment liabilities	48,365	25,302	94,594	24,901	502	193,664

3. SEGMENT INFORMATION (continued)

Reconciliations of reportable segment revenue, profit or loss, assets and liabilities:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Revenue		
Total revenue of reportable segments	<u>256,749</u>	<u>118,377</u>
Consolidated revenue	<u><u>256,749</u></u>	<u><u>118,377</u></u>
Profit or loss		
Total profit or loss of reportable segments	23,565	15,429
Interest income	182	223
Unallocated gains	2,477	3,242
Impairment losses on financial and contract assets	(3,375)	(3,481)
Corporate and other unallocated expenses	(32,691)	(29,870)
Finance costs (other than interest on lease liabilities)	<u>(2,219)</u>	<u>(2,548)</u>
Consolidated loss before tax	<u><u>(12,061)</u></u>	<u><u>(17,005)</u></u>
Assets		
Total assets of reportable segments	228,941	251,875
Corporate and other unallocated assets	<u>102,359</u>	<u>92,677</u>
Total assets	<u><u>331,300</u></u>	<u><u>344,552</u></u>
Liabilities		
Total liabilities of reportable segments	196,649	193,664
Corporate and other unallocated liabilities	<u>63,598</u>	<u>76,065</u>
Total liabilities	<u><u>260,247</u></u>	<u><u>269,729</u></u>

3. SEGMENT INFORMATION (continued)

Geographical information:

	Revenue		Non-current assets	
	2022	2021	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Mainland China	255,074	118,337	37,984	36,426
Vietnam	1,675	40	355	180
	<u>256,749</u>	<u>118,377</u>	<u>38,339</u>	<u>36,606</u>

In presenting the geographical information, revenue is based on the locations of the customers.

Revenue from major customers:

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
EPC Projects		
Customer A	N/A*	13,265
Equipment Projects		
Customer B	208,365	N/A*
Customer C	N/A*	38,301
Service Concession Arrangement		
Customer D	<u>N/A*</u>	<u>19,244</u>

* The corresponding revenue did not contribute over 10% of the total revenue of the Group in the particular year.

4. REVENUE

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Sale of equipment	218,795	61,952
Construction services	12,309	8,059
Other services	<u>25,645</u>	<u>48,366</u>
Total revenue from contracts with customers	<u>256,749</u>	<u>118,377</u>

4. REVENUE (continued)

Disaggregation of revenue from contracts with customers:

Segments	2022					Total RMB'000
	EPC Projects RMB'000	Construction Projects RMB'000	Equipment Projects RMB'000	Service Concession Arrangement RMB'000	Others RMB'000	
<i>Geographical markets</i>						
Mainland China	10,634	-	218,795	16,014	9,631	255,074
Vietnam	-	1,675	-	-	-	1,675
Total	<u>10,634</u>	<u>1,675</u>	<u>218,795</u>	<u>16,014</u>	<u>9,631</u>	<u>256,749</u>
<i>Major products/service</i>						
Sale of equipment	-	-	218,795	-	-	218,795
Construction services	10,634	1,675	-	-	-	12,309
Other services	-	-	-	16,014*	9,631	25,645
Total	<u>10,634</u>	<u>1,675</u>	<u>218,795</u>	<u>16,014</u>	<u>9,631</u>	<u>256,749</u>
<i>Timing of revenue recognition</i>						
At a point in time	-	-	218,795	-	-	218,795
Over time	10,634	1,675	-	16,014	9,631	37,954
Total	<u>10,634</u>	<u>1,675</u>	<u>218,795</u>	<u>16,014</u>	<u>9,631</u>	<u>256,749</u>

4. REVENUE (continued)

Segments	2021					Total RMB'000
	EPC	Construction	Equipment	Service	Others RMB'000	
	Projects RMB'000	Projects RMB'000	Projects RMB'000	Concession Arrangement RMB'000		
<i>Geographical markets</i>						
Mainland China	19,800	246	72,792	19,244	6,255	118,337
Vietnam	–	40	–	–	–	40
Total	<u>19,800</u>	<u>286</u>	<u>72,792</u>	<u>19,244</u>	<u>6,255</u>	<u>118,377</u>
<i>Major products/service</i>						
Sale of equipment	–	–	61,952	–	–	61,952
Construction services	6,535	286	–	1,238	–	8,059
Other services	13,265	–	10,840	18,006*	6,255	48,366
Total	<u>19,800</u>	<u>286</u>	<u>72,792</u>	<u>19,244</u>	<u>6,255</u>	<u>118,377</u>
<i>Timing of revenue recognition</i>						
At a point in time	–	–	61,952	–	–	61,952
Over time	19,800	286	10,840	19,244	6,255	56,425
Total	<u>19,800</u>	<u>286</u>	<u>72,792</u>	<u>19,244</u>	<u>6,255</u>	<u>118,377</u>

* Included in the revenue from other services is an amount of approximately RMB958,000 (2021: RMB1,037,000) of finance income from service concession arrangement for the year ended 31 December 2022.

Sale of equipment

Revenue from the sale of equipment is recognised at the point in time when the control of asset is transferred to the customer, generally on delivery of the equipment.

The performance obligation is satisfied upon delivery of equipment and payment is generally due within 30 days from the date of issuing tax invoice, extending up to the date of final acceptance of the whole projects for certain customers. Some contracts provide customers with a right of return and volume rebates which give rise to variable consideration subject to constraint.

4. REVENUE (continued)

Construction services

Revenue from the provision of construction services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services.

The performance obligation is satisfied over time as services are rendered and payment is generally due within 30 days from the date of issuing tax invoice, extending up to the date of final acceptance of the whole projects for certain customers. A certain percentage of payment is retained by customers until end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

Other services

Revenue from the provision of other services is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

The performance obligation is satisfied upon delivery of equipment and payment is generally due within 30 days from the date of issuing tax invoice, extending up to the date of final acceptance of the whole projects for certain customers. Some contracts provide customers with a right of return and volume rebates which give rise to variable consideration subject to constraint.

5. OTHER INCOME AND GAINS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Other income comprise:		
Bank interest income	182	223
Rental income from investment property operating leases:		
Other lease payments, including fixed payments	2,396	1,788
Government grants	–	450
Others	81	13
	<u>2,659</u>	<u>2,474</u>
Gains comprise:		
Fair value gain on investment properties	–	900
Gain on deregistration of a subsidiary	–	76
Gain on early termination of lease	–	15
	<u>–</u>	<u>991</u>
	<u><u>2,659</u></u>	<u><u>3,465</u></u>

6. LOSS FOR THE YEAR

The Group's loss for the year is arrived at after charging/(crediting):

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Auditors' remuneration	1,000	950
Cost of inventories sold	204,022	72,132
Cost of construction contracting	23,892	27,120
Cost of services provided	5,270	3,696
	<u>233,184</u>	<u>102,948</u>
Depreciation of property, plant and equipment	566	2,104
Amortisation of other intangible assets	715	715
Direct operating expenses (including repairs and maintenance arising from rental-earning investment properties)	116	86
Loss on disposal of property, plant and equipment	–	1,411
Loss on written-off of property, plant and equipment	1	8
Fair value loss/(gain) on investment properties	5,355	(900)
Foreign exchange differences, net	(1,316)	224
Impairment losses of financial and contract assets:		
(Reversal of impairment)/impairment of trade receivables	(192)	872
(Reversal of impairment)/impairment of contract assets	(326)	1,563
Impairment of prepayments, other receivables and other assets	3,893	1,046
	<u>3,375</u>	<u>3,481</u>
Staff costs including directors' remuneration:		
Wages and salaries	18,131	16,296
Pension scheme contributions*	1,252	1,451
Other welfare expenses	437	2,989
Employee share option benefits (equity-settled)	1,647	–
	<u>21,467</u>	<u>20,736</u>

* As at the end of the years 2022 and 2021, the Group had no material forfeited contributions available to reduce its contributions to the retirement benefit schemes in future years.

7. FINANCE COSTS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest on bank and other borrowings	2,219	2,548
Interest on lease liabilities	11	43
	<u>2,230</u>	<u>2,591</u>

8. INCOME TAX (CREDIT)/EXPENSE

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current tax — PRC		
Under/(over)-provision in prior years	570	(64)
Deferred taxation	(1,084)	101
	<u>(514)</u>	<u>37</u>

Hong Kong Profits Tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong for the year, except for one group entity operating in Hong Kong, which is a qualifying corporate under the two-tiered Profits Tax rate regime. For the qualifying group entity, the first HK\$2 million of assessable profits are taxed at the rate of 8.25% (2021: 8.25%), and the remaining assessable profits are taxed at the rate of 16.5% (2021: 16.5%).

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

Pursuant to the PRC Income Tax Law and the respective regulations, the subsidiaries which operate in Mainland China are subject to Corporate Income Tax (“CIT”) at the rate of 25% on taxable income. Preferential tax treatment is available to the Group’s principal operating subsidiary, Great Water Guangzhou, since it was recognised as a High and New Technology Enterprise in Mainland China and a lower PRC CIT rate of 15% had been applied during the years ended 31 December 2022 and 2021.

Pursuant to Vietnam Income Tax Law and the respective regulations, the subsidiary which operates in Vietnam is subject to CIT at a rate of 20% on taxable income.

9. DIVIDENDS

The Directors do not recommend the payment of any dividend for each of the years ended 31 December 2022 and 2021.

10. LOSS PER SHARE

The calculation of the basic loss per share amount is based on the loss for the year attributable to owners of the Company of loss of RMB11,547,000 (2021: RMB17,042,000), and the weighted average number of ordinary shares of 300,000,000 (2021: 300,000,000) in issue during the year, as adjusted to reflect the rights issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2022 and 2021.

The calculation of the basic and diluted loss per share is based on the following data:

	2022	2021
	RMB'000	RMB'000
Loss		
Loss attributable to owners of the Company for the purpose of basic and diluted loss per share	<u>(11,547)</u>	<u>(17,042)</u>
	Number of shares	
	2022	2021
No. of shares		
Weighted average number of shares for the purpose of basic and diluted loss per share	<u>300,000,000</u>	<u>300,000,000</u>

11. TRADE AND BILLS RECEIVABLES

	2022	2021
	RMB'000	RMB'000
Trade receivables	149,689	174,328
Provision for loss allowance	<u>(22,262)</u>	<u>(62,510)</u>
	<u>127,427</u>	<u>111,818</u>

Trade receivables represented the outstanding contracted value for the sale of goods, construction contracts and rendering of services receivable from the customers at each of the reporting dates. The Group's trading terms with its customers are mainly on credit. Tax invoices are issued to the customers based on agreed schedules and the Group's trade receivables are subject to various credit terms. The credit period granted to the customers is 30 days from the date of issuing tax invoice, extending up to the date of final acceptance of the whole projects for certain customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise the credit risk. Overdue balances are reviewed regularly by senior management. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. The Group does not hold any collateral or other credit enhancements over these balances. Trade receivables are non-interest-bearing.

11. TRADE AND BILLS RECEIVABLES (continued)

The aging analysis of trade and bills receivables, based on the invoice dates, and net of allowance, is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
0–30 days	42,210	15,031
31–90 days	3,188	28,081
91–365 days	11,360	18,314
1–2 years	26,765	4,734
2–3 years	2,403	46
Over 3 years	41,501	45,612
	<u>127,427</u>	<u>111,818</u>

Reconciliation of the loss allowance for trade receivables:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
At 1 January	62,510	61,650
(Reversal of impairment)/impairment loss	(192)	872
Amount written-off as uncollectible	(40,055)	(30)
Exchange realignment	(1)	18
	<u>22,262</u>	<u>62,510</u>
At 31 December	<u>22,262</u>	<u>62,510</u>

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on the collectability rate for groupings of various customer segments with similar credit risk patterns (i.e. by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

11. TRADE AND BILLS RECEIVABLES (continued)

	Category A	Category B	Category C	Category D	Total
At 31 December 2022					
Weighted average expected loss rate	0%	4%	22%	85%	
Receivable amount (RMB'000)	660	73,640	71,789	3,600	149,689
Loss allowance (RMB'000)	(3) [^]	(3,306) ^{**}	(15,879) ^{**}	(3,074) [^]	(22,262)
At 31 December 2021					
Weighted average expected loss rate	1%	27%	22%	99%	
Receivable amount (RMB'000)	1,690	73,658	72,532	26,448	174,328
Loss allowance (RMB'000)	(23) [^]	(19,889) ^{**}	(16,311) ^{**}	(26,287) [^]	(62,510)

[^] A specific trade receivables with gross carrying amount of RMB19,000,000 (2021: RMB59,732,000) were assessed individually which were considered in default due to indicators and an impairment of RMB18,362,000 (2021: RMB58,156,000) was made.

^{*} A specific trade receivables with gross carrying amount of RMB63,300,000 (2021: RMB53,118,000) was assessed individually as the Group considered the default risk was minimal and the outstanding contractual amounts was likely to be recovered in full.

12. TRADE PAYABLES

The aging analysis of trade payables, based on the date of receipt of goods, is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
0 to 30 days	57,447	12,772
31 to 90 days	5,613	14,213
91 days to 365 days	26,319	11,197
Over 1 year	92,273	89,470
	<u>181,652</u>	<u>127,652</u>

Trade payables are unsecured, non-interest-bearing and are normally settled in 30 to 90 days.

13. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Bank loans — secured	25,000	38,497
Other borrowings		
— Lease liabilities (<i>Note (c)</i>)	195	260
	<u>25,195</u>	<u>38,757</u>

The borrowings are repayable as follows:

	2022			2021		
	Bank loans <i>RMB'000</i>	Other borrowings <i>RMB'000</i>	Total <i>RMB'000</i>	Bank loans <i>RMB'000</i>	Other borrowings <i>RMB'000</i>	Total <i>RMB'000</i>
On demand or within one year	25,000	97	25,097	38,497	85	38,582
Beyond one year	—	98	98	—	175	175
	<u>25,000</u>	<u>195</u>	<u>25,195</u>	<u>38,497</u>	<u>260</u>	<u>38,757</u>
Less: Amount due for settlement within 12 months (shown under current liabilities)	<u>(25,000)</u>	<u>(97)</u>	<u>(25,097)</u>	<u>(38,497)</u>	<u>(85)</u>	<u>(38,582)</u>
Amount due for settlement after 12 months	<u>—</u>	<u>98</u>	<u>98</u>	<u>—</u>	<u>175</u>	<u>175</u>

The effective interest rates at 31 December were as follows:

	2022		2021	
	Non-current	Current	Non-current	Current
Bank loans	N/A	5.48%–6.74%	N/A	5%–6.7%
Other Borrowings	<u>4.75%</u>	<u>4.75%</u>	<u>4.75%</u>	<u>4.75%</u>

Notes:

- (a) The Group's facilities amounting to RMB25,000,000 (2021: RMB75,000,000), of which RMB25,000,000 (2021: RMB38,497,000) had been utilised as at the end of the reporting period, are secured by:
- (i) mortgages over the Groups investment properties situated in Mainland China, which had an aggregate carrying value at the end of the reporting period of RMB30,200,000 (2021: RMB25,400,000);
 - (ii) mortgage over the Group's buildings, which had a net carrying value at the end of the reporting period of approximately RMB4,651,000 (2021: RMB6,771,000); and
 - (iii) mortgages over the Groups right-of-use assets, which had an aggregate carrying value at the end of the reporting period of RMB167,000 (2021: RMB244,000).

13. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

(b) The bank loans are denominated in RMB.

(c)

	Lease payments		Present value of lease payments	
	2022	2021	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	104	95	97	85
Beyond one year	100	182	98	175
	204	277		
Less: Future finance charges	(9)	(17)		
Present value of lease liabilities	195	260	195	260
Less: Amount due for settlement within 12 months (shown under current liabilities)			(97)	(85)
Amount due for settlement after 12 months			98	175

14. COMMITMENTS

As at 31 December 2022, the Group contracted commitments of approximately RMB4,175,000 (2021: RMB158,149,000) on EPC and construction projects. It mainly represents the procurement of plant and machinery and construction materials.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a provider of wastewater and drinking water treatment engineering services in the People's Republic of China (the “**PRC**” or “**China**”). The main business of the Group is the provision of engineering services for wastewater and drinking water treatment facilities. The Group acts either as the contractor, who is responsible for the whole project from launch to final operational management (the “**EPC Projects**”), or as the equipment contractor, who is responsible for providing technical advice and equipment procurement services for the project (the “**Equipment Projects**”). Since mid-2020, the Group started operating a sludge treatment service concession arrangement (the “**Service Concession Arrangement**”) in a wastewater treatment plant located in Guangzhou. The Group is also engaged in other environmental protection projects, the provision of operating and maintenance services (the “**O&M Projects**”) for customers in connection with the management of wastewater treatment and drinking water treatment facilities, as well as consultation services in relation to the improvement of wastewater and drinking water treatment facilities of various constructions.

As the three-year pandemic has ended in China as well as the rest of the world in 2022, comprehensive re-opening started in China at the end of 2022, despite problems such as there being a sudden increase in number of infected cases and there being the enormous pressure on the medical as well as other related systems in a short period of time, it is still the beginning of the Year of Rabbit in China welcoming the blossoming days in warm spring, when the economy is regaining its vitality. According to relevant statistics, the economy of China has shown a relatively obvious recovery at the beginning of 2023.

For the year ended 31 December 2022, revenue of the Group increased by approximately RMB138,372,000 or approximately 116.9% to approximately RMB256,749,000 compared to approximately RMB118,377,000 in 2021. For the year ended 31 December 2022, the Group recognized revenue from engineering, procurement and construction projects (“**EPC Projects**”) of approximately RMB10,634,000, revenue from construction projects other than EPC Projects (“**Construction Projects**”) of approximately RMB1,675,000, revenue from equipment projects (“**Equipment Projects**”) of approximately RMB218,795,000, revenue from the development, construction and operating agreement of a sewage treatment project (“**Service Concession Arrangement**”) of approximately RMB16,014,000 and revenue from other environmental protection projects of approximately RMB9,631,000. For the year ended 31 December 2021, revenue from EPC Projects of approximately RMB19,800,000, revenue from Construction Projects of approximately RMB286,000, revenue from Equipment Projects of approximately RMB72,792,000, revenue from Service Concession Arrangement of approximately RMB19,244,000 and revenue from other environmental protection projects of approximately RMB6,255,000 were recognized.

For the year ended 31 December 2022, loss attributable to owners of the Company was approximately RMB11,547,000, representing a decrease of approximately RMB5,495,000 or about 32.2% as compared to approximately RMB17,042,000 for the year ended 31 December 2021.

The significant increase in revenue and the decrease in net loss attributable to owners of the Company are mainly due to the recognition of the progress income of approximately RMB203 million for a large-scale municipal project in the Greater Bay Area for wastewater treatment facility, which contributed to the increase in the revenue and the decrease in net loss attributable to owners of the Company.

OUTLOOK

Last three years, the Group was able to make investment in market fields and regions which were relatively mature and stable and to which we were relatively familiar with limited resources by relying on a relatively conservative business strategy, keeping an eye on cash flow and customer qualifications and focusing on the Greater Bay Area and the Vietnamese market. Therefore, we could luckily “survive the winter” amid the unpredictable development of the pandemic and the possibility of acute change in epidemic prevention policies. Although the performance of the Group in the past three years has indeed fallen behind expectation, the Group was able to attain a satisfactory result on the essential task of “maintaining operations”.

In terms of business, the Group has adjusted the allocation of resources for business development as mentioned previously. First of all, the Group would increase its investments in the Vietnamese market. The Group believes that the Vietnamese market is recovering generally and significantly, and we have many years of successful experience in our investments in Vietnam which is also attractive to long-term customers and new customers to a certain extent. In 2022, the Vietnam project, which was delayed due to the pandemic, was resumed, and a new business contract which worth tens of millions of Renminbi was signed between the Group and the project client at the beginning of 2023. The Group believes that Vietnam will gradually become one of the key markets developed by the Group. As to the local market, the business strategy in place since 2021 will continue to be adopted, focusing on the Greater Bay Area. For the customers in long-term cooperation in the Greater Bay Area, the Group has invested relatively more resources in establishing and maintaining our relationships. We believe that good relationship with customers and their high recognition will be favourable to the Group’s future business development. When it comes to project implementation, the Group also has good performance. A large-scaled project in the Greater Bay Area contributed approximately RMB203 million in revenue to the Group for the year of 2022 in general. Therefore, the overall revenue of the Group amounted to approximately RMB257 million in 2022, representing a significant reduction in losses for a single year, as compared to the past few years.

In spite of the economic recovery in China, it would not be optimistic “immediately” for the business environment that the Group faces when various types of challenges remain based on our judgment. For instance, (i) As Renminbi is still under pressure for depreciation, this will further undermine the purchasing power of customers. After suffering from the pandemic for three years, the further decline in customers’ purchasing power will result in an increasing number of people opt to temporarily “tighten their budgets”. It is believed that it takes time for important indicators such as investment level, liquidity and purchase desire to “return to the peak”. As a result, we are facing the pressure of “reduction in two ways”, which has shrunk the availability of the “immediate effect” of “returning to the peak” for the economy of China, given the increase in operating costs and decrease in revenue; (ii) The global political situation has negatively affected the global economy, China’s economy and Chinese companies. After the comprehensive re-opening of China, there would be a vast number of enterprises and products re-entering the global trading system, when comprehensive re-opening has occurred earlier in foreign countries as compared to China, but it is still uncertain whether the above negative effects will hinder the progress of recovery of global economy; (iii) Affected by the pandemic for three years, the pressure of living in urban cities has become higher, leading to the “reverse” migration of domestic population, which means that “counter-urbanization” is more popular than “urbanization”. However, relatively more economic activities have come from cities, especially medium and large cities, in China currently. The speed of counter-urbanization would directly affect the recovery and redevelopment of the urban economy; and (iv) As the mentality of the general public in China has been very different after the three-year pandemic, consumption concepts and habits may differ upon the comprehensive re-opening. It is currently difficult to determine whether the usual modes of economic activities and the existing types of businesses can adapt to the new consumption concepts and habits. Consequently, it is possible that economic recovery may not appear in some traditional industries after the comprehensive re-opening.

Therefore, under this general environment, the Group believes that prudent selection of customers, stable income, costs control and attention on cash flow should be maintained as the business strategies of the Group in 2023 and even 2024, as in the past three years. In addition, the Group has been paying attention to the ever-changing market demands and considering the capacity and growth of markets in different regions so as to seek development opportunities for new businesses.

We may aspire for a better future when the time for comprehensive re-opening has come, but cannot be unduly optimistic in view of the present. The Group is of the opinion that increasing prudence and pragmatism should be our operation and management style, whilst developing mainstay business, protecting cash flow and stabilizing the operations of the Group will remain as the Group’s operating objectives. Therefore, the Directors and the management of the Group believe that our state of affairs in 2023 will be improved seemingly as compared to the past three years. Nonetheless, the Group shall remain cautious, hoping for better achievement empirically by working hard and working “step by step”.

FINANCIAL REVIEW

Operating revenue

For the year ended 31 December 2022, the Group's operating revenue amounted to approximately RMB256,749,000 representing an increase of approximately 116.9% as compared to approximately RMB118,377,000 for the year ended 31 December 2021.

EPC Projects and Construction Projects

For the EPC Projects, the Group assumes the role of the main contractor and is in charge of the overall project management of the construction of a treatment plant from launch to operation for a predetermined contractual amount. As an engineering, procurement and construction contractor, the Group provides engineering design of the treatment facilities, procures necessary raw materials and appoints sub-contractors to construct the facilities. The Group also engages in construction projects related to other environmental protection sectors (such as soil remediation projects and flue gas treatment projects, involving the provision of engineering and procurement services for the project owner).

— *Revenue relating to EPC Projects*

For the year ended 31 December 2022, the revenue generated from EPC Projects relating to wastewater and sludge treatment projects under construction and related business was approximately RMB10,634,000 (2021: approximately RMB19,800,000), representing a decrease of approximately 46.3% over the corresponding period in 2021. The decrease in revenue from EPC Projects for the year ended 31 December 2022 was primarily attributable to the recognition of revenue of approximately RMB10,634,000 from ten small-sized EPC Projects. In contrast, the revenue from EPC Projects for the year ended 31 December 2021 was derived from recognition of revenue of approximately RMB13,265,000 from one large-scale EPC Project and of approximately RMB6,535,000 from five small-sized EPC Projects.

— *Revenue relating to Construction Projects*

For the year ended 31 December 2022, the revenue generated from Construction Projects was approximately RMB1,675,000 (2021: approximately RMB286,000), representing an increase of approximately 485.7% over the corresponding period in 2021. The increase in revenue from Construction Projects for the year ended 31 December 2022 was primarily attributable to the recognition of revenue of approximately RMB1,675,000 from one Construction Project. In contrast, the revenue from Construction Projects for the corresponding period in 2021 was derived from three small-sized Construction Projects in the amount of approximately RMB286,000.

Equipment Projects

For the Equipment Projects, the Group mainly provides procurement services to a pre-defined section of a project. In determining the equipment and machinery best suited for the project operator's requirements, the Group's technical team often needs to work closely with the customers in identifying, evaluating and selecting different equipment before the procurement team comes into play.

For the year ended 31 December 2022, the revenue generated from Equipment Projects amounted to approximately RMB218,795,000 (2021: approximately RMB72,792,000), representing an increase of approximately 200.6% as compared to the corresponding period in 2021. The increase in revenue from Equipment Projects for the year ended 31 December 2022 was primarily attributable to the recognition of revenue of approximately RMB203,412,000 from one large-scale Equipment Project and of approximately RMB15,383,000 from seven small-sized Equipment Projects. In contrast, the revenue from Equipment Projects for the corresponding period in 2021 was derived from the recognition of revenue of approximately RMB49,142,000 from two large-scale Equipment Projects and of approximately RMB23,650,000 from ten small-sized Equipment Projects.

Service Concession Arrangement

For the Service Concession Arrangement, the Group acquired a sludge treatment project in a wastewater treatment plant located in Dashadi from Guangzhou Sewage in the third quarter of 2018. The Group, as a contractor, is responsible for the development, construction and operation of the sludge treatment project for a term of 10 years. The construction of the project was completed and the plant passed the official examination in mid-2020 and since then, the Group has commenced its operation.

For the year ended 31 December 2022, the revenue generated from the Service Concession Arrangement segment was approximately RMB16,014,000 (2021: approximately RMB19,244,000), representing a decrease of approximately 16.8% as compared to the corresponding period in 2021. The decrease in revenue from Service Concession Arrangement for the year ended 31 December 2022 was primarily attributable to the recognition of revenue of approximately RMB15,056,000 from service income and approximately RMB958,000 from interest income. In contrast, the revenue for the corresponding period in 2021 was derived from the recognition of revenue of approximately RMB1,238,000 in construction work, approximately RMB16,969,000 from service income and approximately RMB1,037,000 from interest income of the Service Concession Arrangement.

Others

The revenue under the other segment included revenue attributable to O&M Projects and technical advisory services. As at 31 December 2022, the Group had one sludge treatment O&M project, two wastewater treatment O&M Projects and three drinking water treatment O&M Projects on hand.

For the year ended 31 December 2022, the revenue generated from the rendering of maintenance services amounted to approximately RMB9,631,000 (2021: approximately RMB6,255,000), representing an increase of approximately 54.0% as compared to the corresponding period in 2021. The increase was primarily attributable to (i) four technical advisory projects during the year ended 31 December 2022 with revenue contribution of approximately RMB7,087,000 as compared to two technical advisory projects with revenue contribution of approximately RMB4,300,000 in the corresponding period in 2021; and (ii) O&M projects which contributed approximately RMB2,544,000 in revenue during the year ended 31 December 2022 as compared to approximately RMB1,955,000 in the corresponding period in 2021.

Cost of sales

For the year ended 31 December 2022, the cost of sales of the Group amounted to approximately RMB233,184,000 (2021: approximately RMB102,948,000), representing an increase of approximately 126.5% or approximately RMB130,236,000 compared to the corresponding period in 2021.

The increase in cost of sales was mainly due to the corresponding increased operating revenue for the year ended 31 December 2022. The cost of inventories sold increased to approximately RMB204,022,000 for the year ended 31 December 2022 from approximately RMB72,132,000 for the year ended 31 December 2021. The cost of construction contracting decreased to approximately RMB23,892,000 for the year ended 31 December 2022 from approximately RMB27,120,000 for the year ended 31 December 2021. The cost of services provided increased to approximately RMB5,270,000 for the year ended 31 December 2022 from approximately RMB3,696,000 for the year ended 31 December 2021.

Gross profit

For the year ended 31 December 2022, the gross profit of the Group was approximately RMB23,565,000 (2021: approximately RMB15,429,000), representing an increase of approximately 52.7% or approximately RMB8,136,000 as compared to the corresponding period in 2021. The increase in gross profit of the Group was mainly attributable to the corresponding increase in operating revenue for the year ended 31 December 2022.

Other income and gains

For the year ended 31 December 2022, other income and gains amounted to approximately RMB2,659,000 (2021: approximately RMB3,465,000), representing a decrease of approximately 23.3% or approximately RMB806,000 as compared to the corresponding period in 2021. The decrease was mainly attributable to there being fair value gain on investment properties amounted to approximately RMB900,000 in 2021 but there was fair value loss in investment properties in 2022, which was recorded in other expenses.

Selling and distribution expenses

For the year ended 31 December 2022, the selling and distribution expenses of the Group amounted to approximately RMB1,630,000 (2021: approximately RMB1,397,000), representing an increase of approximately 16.7% or approximately RMB233,000 compared to the corresponding period in 2021. The increase in the selling and distribution expenses was mainly attributable to the increase in business entertainment fees of approximately RMB229,000.

Administrative expenses

For the year ended 31 December 2022, the administrative expenses of the Group amounted to approximately RMB25,197,000 (2021: approximately RMB26,733,000), representing a decrease of approximately 5.7% or approximately RMB1,536,000 compared to the corresponding period in 2021. The decrease in the administrative expenses was mainly attributable to the decrease in depreciation and amortization of approximately RMB1,538,000.

Other expenses

For the year ended 31 December 2022, the other expenses amounted to approximately RMB5,853,000 (2021: approximately RMB1,697,000) representing an increase of approximately 244.9% or approximately RMB4,156,000 compared to the corresponding period in 2021. The increase in other expenses was mainly attributable to there being fair value loss on investment properties of approximately RMB5,355,000 in 2022, whilst there was fair value gain on investment properties of approximately RMB900,000 in 2021, which was recognized as the Group's other income and gains. The effect of fair value loss on investment properties was partly set-off by exchange difference gain of approximately RMB1,342,000.

Loss for the year

The loss for the year ended 31 December 2022 amounted to approximately RMB11,547,000 (2021: loss of approximately RMB17,042,000), representing a decrease of approximately 32.2% or approximately RMB5,495,000 as compared to the corresponding period in 2021. The decrease for the year was mainly attributable to the recognition of the progress income of approximately RMB203 million because of a large-scale municipal project in the Greater Bay Area for wastewater treatment facility, which contributed to the increase in the revenue and the decrease in loss for the year.

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: Nil), in order to cope with the future business development of the Group. There is no arrangement under which a shareholder of the Company has waived or agreed to waive any dividend.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The shares of the Company were successfully listed on the GEM of the Stock Exchange on 9 December 2015, since then there was no change in the capital structure of the Group. The capital of the Company comprises only of ordinary shares (the “**Share**”).

As at 31 December 2022, the total equity attributable to the shareholders of the Company was approximately RMB71,053,000 (2021: approximately RMB74,823,000). The Group continued to maintain a healthy financial position with cash and cash equivalents amounted to approximately RMB55,260,000 (2021: approximately RMB46,009,000). The Group’s net current liabilities was approximately RMB4,286,000 (2021: net current liabilities of approximately RMB6,703,000). Based on the Group’s existing cash and cash equivalents on hand and bank facilities available to the Group, the Group has adequate financial resources to fund the working capital required for its business operations in the coming year. There was no hedging for any financial instruments.

During the year ended 31 December 2022, the Group’s cash and cash equivalents were mainly denominated in RMB, Hong Kong dollars, VND and US dollars and they were placed in reputable financial institutions as deposits with maturity dates falling within one year. This is in line with the Group’s treasury policy to maintain liquidity of its funds and this will continue to contribute stable income to the Group.

As at 31 December 2022, the Group had general banking facilities amounted to approximately RMB25,000,000 (2021: approximately RMB75,000,000). The total borrowing drawn down from the banking facilities of the Company as at 31 December 2022 amounted to RMB25,000,000 (2021: RMB38,497,000). The banking facilities were secured by the pledged of the Group's land and buildings. For details of the pledged assets, please refer to the paragraph headed "Charges on the Group's Assets" below.

GEARING RATIO

As at 31 December 2022, the Group's gearing ratio (being the net debt of the Group divided by its total capital plus net debt) was 72% (2021: 67%). Net debt of the Group includes an interest-bearing bank borrowing, trade payables and other payables and accruals, less cash and cash equivalents. Capital represents equity attributable to owners of the Company.

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

There was no significant investment held by the Group for the year ended 31 December 2022.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 December 2022.

COMMITMENTS

The contractual operating commitments of the Group were primarily related to the purchases of items of equipment for projects. As at 31 December 2022, the Group's contractual operating commitments amounted to approximately RMB4,175,000 (2021: approximately RMB158,149,000).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group does not have future plans for material investments and capital assets as at the date of this announcement.

CONTINGENT LIABILITIES

As at 31 December 2022, the Group did not have material contingent liabilities.

CHARGES ON THE GROUP'S ASSETS

At 31 December 2022 and 2021, the Group's buildings, with net carrying amount of RMB4,651,000 for 2022 and RMB6,771,000 for 2021, were pledged to secure general banking facilities granted to the Group.

At 31 December 2022 and 2021, the Group's investment properties, with carrying amount of RMB30,200,000 for 2022 and RMB25,400,000 for 2021, were pledged to secure general banking facilities granted to the Group.

At 31 December 2022 and 2021, the Group's leasehold land, with carrying amount of RMB167,000 for 2022 and RMB244,000 for 2021, were pledged to secure general banking facilities granted to the Group.

FOREIGN EXCHANGE EXPOSURE

The Group's main operations are in the PRC with most of its transactions settled in RMB. The Directors are of the opinion that the Group's exposure to foreign exchange risk is insignificant. During the year ended 31 December 2022, the Group did not hedge any exposure to foreign exchange risk.

ADVANCES TO AN ENTITY

As at 31 December 2022, the Group did not provide any advance to any entity outside the Group.

PLEDGING OF SHARES BY THE CONTROLLING SHAREHOLDERS

As at 31 December 2022, there was no pledging of Shares by the controlling shareholders of the Company (the "**Controlling Shareholders**").

LOAN AGREEMENTS OF THE GROUP

As at 31 December 2022, the Group did not enter into any loan agreement with covenants relating to specific performance of the Controlling Shareholders.

During the year ended 31 December 2022, the Group did not breach any terms of agreement in respect of any loan that is significant to the Group's operations.

FINANCIAL ASSISTANCE AND GUARANTEES TO AFFILIATED COMPANIES

As at 31 December 2022, the Group did not provide any financial assistance and guarantees to affiliated companies of the Group.

SHARE OPTION SCHEME

On 17 June 2022, the Company adopted a share option scheme (the “**Share Option Scheme**”) in accordance with Chapter 23 of the GEM Listing Rules. For principal terms of the Share Option Scheme, please refer to the circular of the Company dated 25 May 2022. On 29 June 2022, the Company subsequently granted 18,000,000 share options (the “**Option(s)**”) to certain Directors and employees of the Company to subscribe for an aggregate of 18,000,000 Shares pursuant to the terms of the Share Option Scheme.

No Directors and employees have been granted and will be granted in excess of the 1% individual limit, and no related entity participant or service provider have been granted and will be granted Options in any 12-month period exceeding 0.1% of the Shares in issue.

Details of the Share Option Scheme

(1) Purpose

The purpose of the Share Option Scheme is to (i) motivate the eligible persons to work hard and provide for the Group’s future development; (ii) provide the eligible persons with incentives for their contributions to the Group; and (iii) enhance the Group’s ability to attract and retain individuals with outstanding skills and extensive experience.

(2) Participants

The eligible persons to be granted Options under the Share Option Scheme include (i) any current employee, executive or officer of the Group; or (ii) any Director (including non-executive Director and independent non-executive Director) of the Company whom the Board or its authorized person considers at its sole discretion has made or will make contributions to the Group. The Board will have the sole discretion to consider and determine which eligible persons are to be granted Options based on the Directors’ opinion as to such eligible persons’ contribution to the development and growth of the Group.

(3) *The maximum number of Shares available for issue*

The total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme shall not in aggregate exceed 18,000,000 Shares, representing 6% of the total number of Shares in issue as at the date of the adoption of the Share Option Scheme and as at the date of this annual results announcement.

(4) *The maximum entitlement of each participant*

Grant of Options to non-connected persons

Subject to the paragraph below in relation to the grant of Options to connected persons, the total number of Shares issued and which may fall to be issued upon exercise of Options under the Share Option Scheme and the share options granted under any other share option schemes of the Group (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being. Where any further grant of Options to a grantee under the Share Option Scheme would result in the Shares issued and to be issued upon exercise of all Options granted and proposed to be granted to such person (including exercised, cancelled and outstanding Options) under the Share Option Scheme and any other share option scheme of the Group in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant must be separately approved by the Shareholders in general meeting with such grantees and their close associates (or his associates if the participant is a connected person) abstaining from voting.

Grant of Options to core connected persons

The granting of any Option to any Director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Option).

In addition, where any grant of Options to a substantial shareholder or an independent non-executive Director or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (1) representing in aggregate over 0.1% of the Shares in issue as at the date of grant; and

- (2) having an aggregate value, based on the closing price of the Shares on the offer date of each grant, in excess of HK\$5 million;

such further grant of Options must be approved by the Shareholders in general meeting. The grantee, his associates and all core connected persons of the Company must abstain from voting in favour at such general meeting.

(5) *Time of acceptance and exercise of Options*

An Option may, subject to the terms and conditions upon which such Option is granted, be exercised in whole or in part by the grantee giving notice in writing to the Company in such form as the Board may from time to time determine stating that the Option is there by exercised and the number of Shares in respect of which it is exercised. An Option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the Option is deemed to be granted and accepted. The period during which an Option may be exercised will be determined by the Board in its absolute discretion, save that no Option may be exercised more than 10 years after the date of grant.

(6) *Vesting Period*

The vesting period under the Share Option Scheme is 3 years.

(7) *Exercise price for the Shares*

The exercise price of the Options granted under the Share Option Scheme shall be the higher of:

- (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; and
- (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant.

(8) *Grant offer letter and notification of grant of Options.*

An offer shall be deemed to have been accepted and the Option to which the offer relates shall be deemed to have been granted and to have taken effect when the duplicate letter comprising acceptance of the offer duly signed by the grantee with a remittance in favor of the Company of HK\$1.00 by way of consideration for the grant thereof is received by the Company within such time as may be specified in the offer, which must be received by the Company within ten business days from the date of grant. Such remittance shall in no circumstances be refundable.

To the extent that the offer is not accepted within the time specified in the offer, it will be deemed to have been irrevocably declined.

(9) The duration of the Share Option Scheme

The Share Option Scheme shall be valid and effective for the period of 10 years from the date of adoption of the Share Option Scheme (after which, no further Options shall be offered or granted under the Share Option Scheme), but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any Options granted prior thereto and remain outstanding. As at the date of this annual results announcement, the remaining life of the Share Option Scheme is approximately 9 years.

Name of grantee	Date of grant	Closing price of the securities immediately before the date on which the Options were granted (HKD per share)	Fair value as at the date of grant	Exercise period	Vesting Period	Exercise price (HKD)	Balance as at 1 January 2022	Granted during the period	Exercised during the period	Cancelled/ forfeited/ lapsed during the period	Balance as at 31 December 2022
Directors											
Mr. XIE Yang	29 June 2022	1.12	HKD670,352	Date of issuance of the audited financial report for the year ended 31 December 2023 to 28 June 2032	30 June 2023	1.19	-	1,200,000	-	-	1,200,000
			HKD502,764	Date of issuance of the audited financial report for the year ended 31 December 2024 to 28 June 2032	30 June 2024	1.19	-	900,000	-	-	900,000
			HKD502,764	Date of issuance of the audited financial report for the year ended 31 December 2025 to 28 June 2032	30 June 2025	1.19	-	900,000	-	-	900,000
Mr. GAO Xue Feng	29 June 2022	1.12	HKD670,352	Date of issuance of the audited financial report for the year ended 31 December 2023 to 28 June 2032	30 June 2023	1.19	-	1,200,000	-	-	1,200,000
			HKD502,764	Date of issuance of the audited financial report for the year ended 31 December 2024 to 28 June 2032	30 June 2024	1.19	-	900,000	-	-	900,000
			HKD502,764	Date of issuance of the audited financial report for the year ended 31 December 2025 to 28 June 2032	30 June 2025	1.19	-	900,000	-	-	900,000
Mr. ZHAO Yan Wei	29 June 2022	1.12	HKD670,352	Date of issuance of the audited financial report for the year ended 31 December 2023 to 28 June 2032	30 June 2023	1.19	-	1,200,000	-	-	1,200,000
			HKD502,764	Date of issuance of the audited financial report for the year ended 31 December 2024 to 28 June 2032	30 June 2024	1.19	-	900,000	-	-	900,000
			HKD502,764	Date of issuance of the audited financial report for the year ended 31 December 2025 to 28 June 2032	30 June 2025	1.19	-	900,000	-	-	900,000

Name of grantee	Date of grant	Closing price of the securities immediately before the date on which the Options were granted (HKD per share)	Fair value as at the date of grant	Exercise period	Vesting Period	Exercise price (HKD)	Balance	Granted during the period	Exercised during the period	Cancelled/	Balance
							as at 1 January 2022			forfeited/lapsed during the period	as at 31 December 2022
Mr. HE Xuan Xi	29 June 2022	1.12	HKD223,452	Date of issuance of the audited financial report for the year ended 31 December 2023 to 28 June 2032	30 June 2023	1.19	-	400,000	-	-	400,000
			HKD167,589	Date of issuance of the audited financial report for the year ended 31 December 2024 to 28 June 2032	30 June 2024	1.19	-	300,000	-	-	300,000
			HKD167,589	Date of issuance of the audited financial report for the year ended 31 December 2025 to 28 June 2032	30 June 2025	1.19	-	300,000	-	-	300,000
Others											
Other Employees	29 June 2022	1.12	HKD1,427,226	Date of issuance of the audited financial report for the year ended 31 December 2023 to 28 June 2032	30 June 2023	1.19	-	3,200,000	-	-	3,200,000
			HKD1,070,419	Date of issuance of the audited financial report for the year ended 31 December 2024 to 28 June 2032	30 June 2024	1.19	-	2,400,000	-	-	2,400,000
			HKD1,070,419	Date of issuance of the audited financial report for the year ended 31 December 2025 to 28 June 2032	30 June 2025	1.19	-	2,400,000	-	-	2,400,000

Since the Company only adopted the Share Option Scheme on 17 June 2022, it was not applicable for the Company to set out the number of Options available for grant under the Share Option Scheme as at 1 January 2022. Given that the maximum number of Shares which may be issued pursuant to the Share Option Scheme is 18,000,000 Shares, and the Company granted 18,000,000 Shares under the Share Option Scheme during the Period, no more Shares are available for grant under the Share Option Scheme as at 31 December 2022.

Given no Options were exercised during the year ended 31 December 2022, it is not applicable for the Company to set out the number of Options exercised during the year ended 31 December 2022 with the exercise price and the weighted average closing price of the Shares immediately before the dates on which the Options were exercised as required under Rule 23.07(1)(d) GEM Listing Rules.

The number of Shares that may be issued in respect of Options granted under the Share Option Scheme during the year ended 31 December 2022 divided by the weighted average number of Shares of the relevant class in issue of the same period is 300,000,000 Shares.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2022, the Group had 69 employees (2021: 88 employees). Employee costs amounted to approximately RMB21.5 million for the year ended 31 December 2022 (2021: approximately RMB20.7 million). The remuneration policy of the Group is to provide remuneration packages, including salary and various kinds of bonuses to reward employees' outstanding performance and contribution to the Group. The Company has also adopted the Share Option Scheme on 17 June 2022. The Group will endeavor to ensure that the employees' salary levels are in line with industry practice and prevailing market conditions and that employees' remuneration is determined based on their performance.

TRAINING AND SUPPORT FOR DIRECTORS AND EMPLOYEES

The Company recognises the importance of keeping the Directors up to date with latest information of duties and obligations of a director of a company the shares of which are listed on the Stock Exchange and the general regulatory requirements and environment for such listed company. To meet this goal, each newly appointed Director would receive an introductory training regarding the statutory and regulatory obligations of a director of a listed company in Hong Kong. As part of the continuous professional development program, the Company has also kept the Directors updated of any material changes in the GEM Listing Rules and corporate governance practices from time to time. Directors are provided with reading materials summarising the duties and responsibilities in acting as directors from time to time to keep the Directors abreast of such duties and responsibilities.

Periodical training will be provided to the employees of the Group in order to maintain and enhance their professional and technical skills. Those trainings will be organised internally by the Group or will involve courses and forums organised by external parties.

ANNUAL GENERAL MEETING

The annual general meeting of the Company for the year ended 31 December 2022 (the "AGM") will be held on Wednesday, 10 May 2023. A notice convening the AGM will be issued and sent to the shareholders of the Company in due course.

The register of members of the Company will not be closed for the purpose of ascertaining the right of shareholders of the Company to attend and vote at the forthcoming AGM to be held on Wednesday, 10 May 2023. However, in order to qualify for attending and voting at the forthcoming AGM, all transfers documents accompanied by the relevant share certificates must be deposited with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 3 May 2023.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2022, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

EVENTS AFTER 31 DECEMBER 2022

There are no important events affecting the Group that have occurred since the end of the year ended 31 December 2022.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining a good corporate governance standard, with the chairman being primarily responsible for establishing relevant practices and procedures. The Board believes that a good corporate governance standard will provide a framework for the Group to formulate its business strategies and policies, and manage the associated risks through effective internal control procedures. It will also enhance the transparency of the Group and strengthen accountability to shareholders and creditors. The Board acknowledges the responsibility for reviewing the effectiveness of the Group's internal control and risk management systems. The Board communicates regularly with the audit committee of the Company ("**Audit Committee**") and independent advisor to identify, evaluate and manage significant risks associated with the Group's business and operations. Therefore, the Board has reviewed and will continue to review and improve the Company's corporate governance practices from time to time.

The Company adopted the Corporate Governance Code (the "**CG Code**") contained in Appendix 15 to the GEM Listing Rules as its own code of corporate governance. Save for code provision C.2.1 of the CG Code, that the roles of the chairman and chief executive of the Company should be separate and should not be performed by the same individual, the Board is satisfied that the Company had complied with the CG Code for the year ended 31 December 2022. Mr. Xie Yang ("**Mr. Xie**") is the chairman and the chief executive officer of the Company. With extensive experience in the wastewater and water treatment engineering services industry, Mr. Xie is responsible for the Group's overall strategic planning and management. The Board considers that vesting the roles of chairman and chief executive officer in Mr. Xie is beneficial to the business prospects and management of the Group and the balance of power and authority is already ensured by the operation of the senior management and the Board, which comprises experienced individuals. The Board comprised of two executive Directors (including Mr. Xie), one non-executive Director and three independent non-executive Directors during the year ended 31 December 2022 and therefore has sufficient independent elements in its composition.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors, its employees, and the directors and employees of its subsidiaries and holding companies, who may likely possess inside information on the Company or its securities, on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiry of all the Directors and the Company was not aware of any non-compliance with the required standard of dealings regarding securities transactions by the Directors for the year ended 31 December 2022.

REVIEW OF FINANCIAL STATEMENT

During the year ended 31 December 2022, the Audit Committee comprised three independent non-executive Directors, namely, Mr. Tse Chi Wai, Ms. Bai Shuang and Mr. Ha Cheng Yong. Mr. Tse Chi Wai is the chairman of the Audit Committee.

The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2022 and this announcement and is of the view that such results and the annual report complied with the applicable accounting standards, the GEM Listing Rules and other applicable legal requirements, and that adequate disclosure has been made. The Audit Committee has also reviewed the effectiveness of the internal control and risk management systems of the Group.

FINANCIAL INFORMATION

The financial information set out in this announcement does not constitute the Group's audited consolidated financial statements for the year ended 31 December 2022, but represents an extract from those financial statements. The financial information has been reviewed by the Audit Committee, approved by the Board and agreed by the Group's external auditors, Zhonghui Anda CPA Limited, as to the amounts set out in the Group's consolidated financial statements. The work performed by the Group's auditors in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the Group's auditors on this announcement.

By order of the Board
China TianYF Holdings Group Limited
XIE Yang
Chairman

Guangzhou, PRC, 22 March 2023

As at the date of this announcement, the executive Directors are Mr. XIE Yang, Mr. GAO Xue Feng, Mr. ZHAO Yan Wei and Mr. HE Xuan Xi; the non-executive Director is Ms. GONG Lan Lan and the independent non-executive Directors are Ms. BAI Shuang, Mr. HA Cheng Yong and Mr. TSE Chi Wai.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement 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 announcement misleading.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and be posted on the website of the Company at www.greatwater.com.cn.