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## **FUTIAN HOLDINGS LIMITED**

### **福田股份有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8196)**

## **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023**

### **CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “**STOCK EXCHANGE**”)**

**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 Futian Holdings 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 2023 together with the comparative audited figures for the corresponding period for the year ended 31 December 2022 as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 December 2023*

	<i>Notes</i>	<b>2023</b> <b>RMB'000</b>	2022 <i>RMB'000</i>
<b>REVENUE</b>	4	<b>106,584</b>	256,749
Cost of sales		<u>(76,003)</u>	<u>(233,184)</u>
<b>Gross profit</b>		<b>30,581</b>	23,565
Other income and gains	5	<b>4,141</b>	2,659
Selling and distribution expenses		<b>(1,690)</b>	(1,630)
Administrative expenses		<b>(19,865)</b>	(25,197)
Impairment losses on financial and contract assets		<b>(7,952)</b>	(3,375)
Other expenses		<b>(2,090)</b>	(5,853)
Finance costs	7	<u>(128)</u>	<u>(2,230)</u>
<b>PROFIT/(LOSS) BEFORE TAXATION</b>		<b>2,997</b>	(12,061)
Income tax (expense)/credit	8	<u>(127)</u>	<u>514</u>
<b>PROFIT/(LOSS) FOR THE YEAR</b>	6	<u><b>2,870</b></u>	<u>(11,547)</u>
<b>Other comprehensive (loss)/income for the year, net of tax:</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
Gain on property revaluation		—	6,118
Loss on equity investments designated at fair value through other comprehensive income		<b>(440)</b>	—
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Exchange difference arising on translation of foreign operations		<u>9</u>	<u>12</u>
<b>OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX</b>		<u><b>(431)</b></u>	<u>6,130</u>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR</b>		<u><b>2,439</b></u>	<u>(5,417)</u>
<b>EARNINGS/(LOSS) PER SHARE</b>	10		
Basic and diluted ( <i>RMB</i> )		<u><b>0.01</b></u>	<u>(0.04)</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	<i>Notes</i>	<b>2023</b> <b>RMB'000</b>	2022 <i>RMB'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>7,035</b>	7,433
Investment properties		<b>27,500</b>	30,200
Right-of-use assets		<b>178</b>	352
Other intangible assets		<b>64</b>	312
Prepayments, other receivables and other assets		—	42
Receivables under a service concession arrangement		<b>32,315</b>	39,438
Equity investments designated at fair value through other comprehensive income		<b>2,960</b>	3,400
		<b>70,052</b>	81,177
<b>CURRENT ASSETS</b>			
Inventories		—	12,567
Receivables under a service concession arrangement		<b>7,124</b>	7,041
Trade and bills receivables	<i>11</i>	<b>103,764</b>	127,427
Contract assets		<b>18,334</b>	27,102
Prepayments, other receivables and other assets		<b>7,793</b>	17,838
Pledged deposits		<b>3,864</b>	2,888
Cash and cash equivalents		<b>53,360</b>	55,260
		<b>194,239</b>	250,123
<b>CURRENT LIABILITIES</b>			
Trade payables	<i>12</i>	<b>129,798</b>	181,652
Other payables and accruals		<b>51,449</b>	45,614
Interest-bearing bank and other borrowings	<i>13</i>	<b>67</b>	25,097
Tax payable		<b>2,397</b>	2,046
		<b>183,711</b>	254,409
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<b>10,528</b>	(4,286)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>80,580</b>	76,891

	<i>Notes</i>	<b>2023</b> <b>RMB'000</b>	2022 RMB'000
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	<i>13</i>	<b>65</b>	98
Deferred tax liabilities		<b>5,509</b>	5,740
		<u><b>5,574</b></u>	<u>5,838</u>
<b>NET ASSETS</b>		<u><b>75,006</b></u>	<u>71,053</u>
<b>CAPITAL AND RESERVES</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		<b>2,397</b>	2,397
Reserves		<b>72,609</b>	68,656
<b>TOTAL EQUITY</b>		<u><b>75,006</b></u>	<u>71,053</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.

### 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 2023. 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.

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.

### 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.

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 <i>RMB’000</i>	Construction Projects <i>RMB’000</i>	Equipment Projects <i>RMB’000</i>	Service Concession Arrangement <i>RMB’000</i>	Others <i>RMB’000</i>	Total <i>RMB’000</i>
<b>Year ended 31 December 2023</b>						
Revenue from external customers	62,342	390	27,077	12,636	4,139	106,584
Segment profit	20,589	87	8,809	1,043	53	30,581
Depreciation and amortisation	—	—	—	—	922	922
Additions to segment non-current assets	—	—	—	—	105	105
<b>As at 31 December 2023</b>						
Segment assets	37,838	4,118	69,347	53,229	868	165,400
Segment liabilities	48,451	18,999	52,290	36,720	1,057	157,517

	EPC Projects RMB'000	Construction Projects RMB'000	Equipment Projects RMB'000	Service Concession Arrangement RMB'000	Others RMB'000	Total RMB'000
<b>Year ended 31 December 2022</b>						
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 and amortisation	—	—	—	—	1,453	1,453
Additions to segment non-current assets	—	—	—	—	316	316
<b>As at 31 December 2022</b>						
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

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

	2023 RMB'000	2022 RMB'000
<b>Revenue</b>		
Total revenue of reportable segments	106,584	256,749
Consolidated revenue	106,584	256,749
<b>Profit or loss</b>		
Total profit or loss of reportable segments	30,581	23,565
Interest income	447	182
Unallocated gains	3,694	2,477
Impairment losses on financial and contract assets	(7,952)	(3,375)
Corporate and other unallocated expenses	(23,652)	(32,691)
Finance costs (other than interest on lease liabilities)	(121)	(2,219)
Consolidated profit/(loss) before tax	2,997	(12,061)
<b>Assets</b>		
Total assets of reportable segments	165,400	228,941
Corporate and other unallocated assets	98,891	102,359
Total assets	264,291	331,300
<b>Liabilities</b>		
Total liabilities of reportable segments	157,517	196,649
Corporate and other unallocated liabilities	31,768	63,598
Total liabilities	189,285	260,247

*Geographical information:*

	Revenue		Non-current assets	
	2023	2022	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Mainland China	73,893	256,709	34,582	37,937
Vietnam	32,691	40	195	402
	<u>106,584</u>	<u>256,749</u>	<u>34,777</u>	<u>38,339</u>

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

*Revenue from major customers:*

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
<b>EPC Projects</b>		
Customer A	32,691	N/A*
Customer B	24,627	N/A*
<b>Equipment Projects</b>		
Customer C	26,082	208,365
<b>Service Concession Arrangement</b>		
Customer D	<u>12,636</u>	<u>N/A*</u>

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

**4. REVENUE**

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Sale of equipment	51,704	218,795
Construction services	38,105	12,309
Other services	<u>16,775</u>	<u>25,645</u>
Total revenue from contracts with customers	<u>106,584</u>	<u>256,749</u>



*Disaggregation of revenue from contracts with customers:*

Segments	2023					
	EPC Projects RMB'000	Construction Projects RMB'000	Equipment Projects RMB'000	Service Concession Arrangement RMB'000	Others RMB'000	Total RMB'000
<i>Geographical markets</i>						
Mainland China	29,651	390	27,077	12,636	4,139	73,893
Vietnam	32,691	—	—	—	—	32,691
Total	<u>62,342</u>	<u>390</u>	<u>27,077</u>	<u>12,636</u>	<u>4,139</u>	<u>106,584</u>
<i>Major products/service</i>						
Sale of equipment	24,627	—	27,077	—	—	51,704
Construction services	37,715	390	—	—	—	38,105
Other services	—	—	—	12,636 <sup>*</sup>	4,139	16,775
Total	<u>62,342</u>	<u>390</u>	<u>27,077</u>	<u>12,636</u>	<u>4,139</u>	<u>106,584</u>
<i>Timing of revenue recognition</i>						
At a point in time	24,627	—	27,077	—	—	51,704
Over time	37,715	390	—	12,636	4,139	54,880
Total	<u>62,342</u>	<u>390</u>	<u>27,077</u>	<u>12,636</u>	<u>4,139</u>	<u>106,584</u>
2022						
Segments	EPC Projects RMB'000	Construction Projects RMB'000	Equipment Projects RMB'000	Service Concession Arrangement RMB'000	Others RMB'000	Total 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 <sup>*</sup>	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>

\* Included in the revenue from other services is an amount of approximately RMB834,000 (2022: RMB958,000) of finance income from service concession arrangement for the year ended 31 December 2023.

**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.

**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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Other income comprise:		
Bank interest income	447	182
Rental income from investment property operating leases:		
Other lease payments, including fixed payments	3,362	2,396
Government grants ( <i>note a</i> )	308	—
Others	24	81
	<u>4,141</u>	<u>2,659</u>

*Note :*

- (a) Government grants are under no unfulfilled conditions or other contingencies attaching to these grants. The Group did not benefit directly from any other forms of government assistance.

## 6. PROFIT/(LOSS) FOR THE YEAR

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

	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Auditors' remuneration	<b>1,000</b>	1,000
Cost of inventories sold	<b>29,312</b>	204,022
Cost of construction contracting	<b>43,437</b>	23,892
Cost of services provided	<b>3,254</b>	5,270
	<b>76,003</b>	233,184
Depreciation of property, plant and equipment	<b>498</b>	566
Amortisation of other intangible assets	<b>248</b>	715
Direct operating expenses (including repairs and maintenance arising from rental-earning investment properties)	<b>82</b>	116
Loss on disposal of property, plant and equipment	<b>4</b>	—
Loss on written-off of property, plant and equipment	<b>1</b>	1
Fair value loss on investment properties	<b>2,700</b>	5,355
Foreign exchange differences, net	<b>(645)</b>	(1,316)
Impairment losses of financial and contract assets, net:		
Impairment loss/(reversal of impairment) on trade receivables	<b>9,593</b>	(192)
Reversal of impairment loss on contract assets	<b>(930)</b>	(326)
(Reversal of impairment)/impairment loss on prepayments, other receivables and other assets	<b>(711)</b>	3,893
	<b>7,952</b>	3,375
Staff costs including directors' remuneration:		
Wages and salaries	<b>12,936</b>	18,131
Pension scheme contributions*	<b>904</b>	1,252
Other welfare expenses	<b>514</b>	437
Employee share option benefits (equity-settled)	<b>1,514</b>	1,647
	<b>15,868</b>	21,467

\* As at the end of the years 2023 and 2022, the Group had no material forfeited contributions available to reduce its contributions to the retirement benefit schemes in future years.

## 7. FINANCE COSTS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Interest on bank and other borrowings	121	2,219
Interest on lease liabilities	7	11
	<u>128</u>	<u>2,230</u>

## 8. INCOME TAX EXPENSE/(CREDIT)

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Current taxation:		
PRC	358	—
Under-provision in prior years	—	570
Deferred taxation	<u>(231)</u>	<u>(1,084)</u>
Income tax expense/(credit)	<u>127</u>	<u>(514)</u>

Hong Kong Profits Tax has been provided at the rate of 16.5% (2022: 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% (2022: 8.25%), and the remaining assessable profits are taxed at the rate of 16.5% (2022: 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 2023 and 2022.

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 2023 and 2022.

## 10. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings (2022: loss) per share is based on the profit for the year attributable to owners of the Company of RMB2,870,000 (2022: loss of RMB11,547,000), and the weighted average number of ordinary shares of 300,000,000 (2022: 300,000,000) in issue during the year.

No diluted earnings per share are presented as the Company did not have any dilutive potential ordinary shares during the year ended 31 December 2023 and 2022.

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
<b>Profit/(loss)</b>		
Profit/(loss) attributable to owners of the Company for the purpose of basic and diluted earnings/(loss) per share	<u>2,870</u>	<u>(11,547)</u>
	<b>Number of shares</b>	
	2023	2022
<b>No. of shares</b>		
Weighted average number of shares for the purpose of basic and diluted earnings/(loss) per share	<u>300,000,000</u>	<u>300,000,000</u>

## 11. TRADE AND BILLS RECEIVABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade receivables	135,619	149,689
Provision for loss allowance	<u>(31,855)</u>	<u>(22,262)</u>
	<u>103,764</u>	<u>127,427</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.

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

	<b>2023</b>	2022
	<b>RMB'000</b>	<i>RMB'000</i>
0–30 days	<b>22,927</b>	42,210
31–90 days	<b>15,829</b>	3,188
91–365 days	<b>15,797</b>	11,360
1–2 years	<b>6,734</b>	26,765
2–3 years	<b>8,267</b>	2,403
Over 3 years	<b>34,210</b>	41,501
	<b><u>103,764</u></b>	<u>127,427</u>

Reconciliation of the loss allowance for trade receivables:

	<b>2023</b>	2022
	<b>RMB'000</b>	<i>RMB'000</i>
At 1 January	<b>22,262</b>	62,510
Impairment loss/(reversal of impairment)	<b>9,593</b>	(192)
Amount written-off as uncollectible	—	(40,055)
Exchange realignment	—	(1)
	<b><u>31,855</u></b>	<u>22,262</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.

	Category A	Category B	Category C	Category D	Total
<b>At 31 December 2023</b>					
Weighted average expected loss rate	3%	12%	28%	72%	
Receivable amount (RMB'000)	581	48,080	82,633	4,325	135,619
Loss allowance (RMB'000)	(15) <sup>^</sup>	(5,781) <sup>**</sup>	(22,953) <sup>**</sup>	(3,106) <sup>^</sup>	(31,855)
<b>At 31 December 2022</b>					
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) <sup>^</sup>	(3,306) <sup>**</sup>	(15,879) <sup>**</sup>	(3,074) <sup>^</sup>	(22,262)

- ^ A specific trade receivables with gross carrying amount of RMB72,829,000 (2022: RMB19,000,000) were assessed individually which were considered in default due to indicators and an impairment of RMB30,794,000 (2022: RMB18,362,000) was made.
- \* A specific trade receivables with gross carrying amount of RMB22,712,000 (2022: RMB63,300,000) 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:

	<b>2023</b> <i>RMB'000</i>	2022 <i>RMB'000</i>
0 to 30 days	7,582	57,447
31 to 90 days	888	5,613
91 days to 365 days	14,076	26,319
Over 1 year	<u>107,252</u>	<u>92,273</u>
	<u><b>129,798</b></u>	<u>181,652</u>

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

## 13. INTEREST-BEARING BANK AND OTHER BORROWINGS

	<b>2023</b> <i>RMB'000</i>	2022 <i>RMB'000</i>
Bank loans — secured	—	25,000
Other borrowings		
— Lease liabilities ( <i>Note (c)</i> )	<u>132</u>	<u>195</u>
	<u><b>132</b></u>	<u>25,195</u>



The borrowings are repayable as follows:

	2023			2022		
	Bank loans	Other	Total	Bank loans	Other	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
On demand or within one year	—	67	67	25,000	97	25,097
Beyond one year	—	65	65	—	98	98
	—	132	132	25,000	195	25,195
Less: Amount due for settlement within 12 months (shown under current liabilities)	—	(67)	(67)	(25,000)	(97)	(25,097)
Amount due for settlement after 12 months	—	65	65	—	98	98

The effective interest rates at 31 December were as follows:

	2023		2022	
	Non-current	Current	Non-current	Current
Bank loans	N/A	N/A	N/A	5.48%–6.74%
Other borrowings	4.75%	4.75%	4.75%	4.75%

Notes:

- (a) As at 31 December 2022, the Group's facilities amounting to RMB25,000,000, of which RMB25,000,000 had been utilised as at the end of the reporting period, were secured by:
- 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;
  - mortgage over the Group's buildings, which had a net carrying value at the end of the reporting period of approximately RMB4,651,000; and
  - mortgages over the Groups right-of-use assets, which had an aggregate carrying value at the end of the reporting period of RMB90,000.

(b) As at 31 December 2022, the bank loans are denominated in RMB. All the bank loans were repaid and its securities released as at 31 December 2023.

(c)

	Lease payments		Present value of lease payments	
	2023	2022	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	70	104	67	97
Beyond one year	68	100	65	98
	<u>138</u>	<u>204</u>		
Less: Future finance charges	(6)	(9)		
Present value of lease liabilities	<u>132</u>	<u>195</u>	132	195
Less: Amount due for settlement within 12 months (shown under current liabilities)			(67)	(97)
Amount due for settlement after 12 months			<u>65</u>	<u>98</u>

#### 14. COMMITMENTS

As at 31 December 2023, the Group contracted commitments of approximately RMB2,592,000 (2022: RMB4,175,000) 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 PRC. 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 subsided in China as well as the rest of the world in 2022, comprehensive re-opening had begun in the PRC at the end of 2022. According to the National Bureau of Statistics (NBS), China's Gross Domestic Product (GDP) recorded a year-on-year growth of 5.2% for the full year of 2023, which was better than the market expectation of 5% GDP growth rate target. While Premier Li Qiang of the State Council addressed the World Economic Forum in Davos, Switzerland, he stated that despite ups and downs in its operation, China's economy holds promising prospects in the long run.

For the year ended 31 December 2023, the revenue of the Group amounted to approximately RMB106,584,000, representing a decrease of approximately RMB150,165,000 or approximately 58.5% as compared with that of approximately RMB256,749,000 in 2022. For the year ended 31 December 2023, the Group recognized revenue from engineering, procurement and construction projects ("EPC Projects") of approximately RMB62,342,000, revenue from construction projects other than EPC Projects ("Construction Projects") of approximately RMB390,000, revenue from equipment projects ("Equipment Projects") of approximately RMB27,077,000, revenue from the development, construction and operating agreement of a sewage treatment project ("Service Concession Arrangement") of approximately RMB12,636,000 and revenue from other environmental protection projects of approximately RMB4,139,000. For the year ended 31 December 2022, revenue from EPC Projects of approximately RMB10,634,000, revenue from Construction Projects of approximately RMB1,675,000, revenue from Equipment Projects of approximately RMB218,795,000, revenue from Service Concession Arrangement of approximately RMB16,014,000 and revenue from other environmental protection projects of approximately RMB9,631,000 were recognised.

For the year ended 31 December 2023, the profit attributable to owners of the Company reached approximately RMB2,870,000 while the loss attributable to owners of the Company for the year ended 31 December 2022 amounted to approximately RMB11,547,000.

The recorded profit attributable to owners of the Company over the Reporting Period was mainly due to (i) the recognition of the progress income of approximately 57.3 million for a large-scale EPC Project in Vietnam with fairly high gross profit margin; (ii) the decrease in administrative expenses; and (iii) the decrease in finance costs.

## **OUTLOOK**

During the pandemic in the past three years, the Group was able to make investments in markets and regions which were relatively mature and stable and to which the Group was relatively familiar with and relied on a relatively conservative business strategy to monitor the Group's cash flow, allowing the Group to maintain its operations. In the post-pandemic era, although the sudden pandemic-related influences in the market have generally disappeared, the Group will also continue to utilise its strategies from the previous three years to operate steadily and pragmatically to regain its strength first. After strengthening the foundation of the Group's operations, the Group expects to achieve better results in the gradually recovering market environment.

In terms of business, the Group has adjusted the allocation of its resources for business development as mentioned previously. The Group will increase its investment in the Vietnamese market as it believes that the Vietnamese market has recovered significantly, and it has many years of successful experience in doing business in Vietnam, which is an attractive advantage for its long-term customers and new customers. The Vietnam project, which was delayed due to the pandemic, was resumed in 2022 and is currently under smooth construction. Besides, a new business contract worth tens of millions of Renminbi was signed between the Group and the project client at the beginning of 2023. The project is expected to start construction by the end of 2024 or the start of 2025. The Group has also increased investment in human resources in the Vietnamese market. The Group believes that Vietnam will gradually become one of the key markets for its continuous development. As for local customers, the Group does not expect quick results after the end of the pandemic. For customers with long-term partnerships with the Group, we have invested relatively more resources to facilitate our cooperation. Although the level of confirmed business opportunities are still relatively small at present, the Group believes that good relationship with customers coupled with the customers' recognition of the Group in such markets and industries will be favourable to the Group's future business development. On the other hand, the Group continues to focus on the Greater Bay Area in the PRC and will keep an eye on our customers' operations while communicating with new customers. The Group believes that it will perform better in more familiar markets with more stable customers such as in the Greater Bay Area. In addition, the Group intends to establish deeper cooperation with customers in need of environmental protection. We believe that such partnerships will help us target customers with slightly different demands and longer-term environmental protection needs, and ensure more stable momentum to drive the Group's future business development.

In addition to increasing income, the Group has endeavoured to reduce its costs. During the year, various costs, such as administrative expenses, dropped significantly as compared to 2022. And in terms of human resources, the Group has been streamlining its organisational structure and improving the performance of its human resources. Moreover, its finance costs were lower because of the repayment of bank borrowing during the year. The Group finally gained profits after tax in 2023, reversing the post-tax losses over the past few years. Although the above-mentioned costs may subsequently re-escalate due to business development, the cost-reducing effect is fairly significant for the reporting year.

Despite economic recovery in China, the Board believes that it would not be optimistic immediately about the business environment that the Group operates in as we believe the various challenges still remain. For instance, the global political situation and warfare have brought about negative impacts on the global economy, China's economy and Chinese companies. Furthermore, (i) it is still uncertain when the PRC will be fully integrated into the globalised trading system as it was before the pandemic; (ii) amongst the domestic GDP figures, the tertiary sector showed the most significant growth, while the GDP growth of the secondary sector, which is closely related to the Group's operations, was not very outstanding; and (iii) whilst the spending power of customers has returned to a rational level after retaliatory consumption post-pandemic, employment and economic recovery in the post-pandemic era requires time to overcome market challenges.

Therefore, even after delivering profitable results during the Year, the Group remains prudent and pragmatic. The Group believes that prudent selection of customers, stable income, costs control and attention to cash flow should be maintained as the business strategies of the Group in 2024. The Group considers that (i) it shall prioritize traditional business as its cornerstone, increase investment in all aspects but with caution, and control cash flow risks; (ii) for operating activities that can be monetised into cash flow, the Group may seize opportunities to consolidate its business foundation; (iii) it shall continue to reduce costs; and (iv) new businesses should be handled with caution, but in the meantime, given the actual situation of various new businesses in the market after the lifting of the pandemic restrictions for nearly a year, especially those related to the tertiary sector and industries that have maintained upward momentum during the pandemic or in the current international community, good opportunities can be considered to be taken whenever they arise.

## **FINANCIAL REVIEW**

### **Operating revenue**

For the year ended 31 December 2023, the Group's operating revenue amounted to approximately RMB106,584,000 representing a decrease of approximately 58.5% as compared to approximately RMB256,749,000 for the year ended 31 December 2022.

## **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 2023, the revenue generated from EPC Projects relating to wastewater and sludge treatment projects under construction and related business was approximately RMB62,342,000 (2022: approximately RMB10,634,000), representing an increase of approximately 486.3% over the corresponding period in 2022. The increase in revenue from EPC Projects for the year ended 31 December 2023 was primarily attributable to was derived from the recognition of the progress income of approximately RMB57.3 million for a large-sized EPC Project in in Vietnam and other seven EPC Projects of approximately RMB5,024,000. In contrast, the revenue from EPC Projects for the year ended 31 December 2022 was derived from recognition of revenue of approximately RMB10,634,000 from ten small-sized EPC Projects.

### *— Revenue relating to Construction Projects*

For the year ended 31 December 2023, the revenue generated from Construction Projects was approximately RMB390,000 (2022: approximately RMB1,675,000), representing a decrease of approximately 76.7% over the corresponding period in 2022. The decrease in revenue from Construction Projects for the year ended 31 December 2023 was primarily attributable to the recognition of revenue of approximately RMB390,000 from four Construction Projects. In contrast, the revenue from Construction Projects for the corresponding period in 2022 was derived from one Construction Project in the amount of approximately RMB1,675,000.

## **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 2023, the revenue generated from Equipment Projects amounted to approximately RMB27,077,000 (2022: approximately RMB218,795,000), representing a decrease of approximately 87.6% as compared to the corresponding period in 2022. The decrease in revenue from Equipment Projects for the year ended 31 December 2023 was primarily attributable to the recognition of revenue of approximately RMB27,077,000 from five Equipment Projects. In contrast, the revenue from Equipment Projects for the corresponding period in 2022 was derived from 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 Equipments 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 2023, the revenue generated from the Service Concession Arrangement segment was approximately RMB12,636,000 (2022: approximately RMB16,014,000), representing a decrease of approximately 21.1% as compared to the corresponding period in 2022. The decrease in revenue from Service Concession Arrangement for the year ended 31 December 2023 was primarily attributable to the recognition of revenue of approximately RMB11,803,000 from service income and approximately RMB833,000 from interest income. In contrast, the revenue for the corresponding period in 2022 was derived from the recognition approximately RMB15,056,000 from service income and approximately RMB958,000 from interest income.

### **Others**

The revenue under the other segment included revenue attributable to O&M Projects and technical advisory services. As at 31 December 2023, the Group had three wastewater treatment O&M Projects and three drinking water treatment O&M Projects on hand.

For the year ended 31 December 2023, the revenue generated from the rendering of maintenance services amounted to approximately RMB4,139,000 (2022: approximately RMB9,631,000), representing a decrease of approximately 57.0% as compared to the corresponding period in 2022. The decrease was primarily attributable to (i) seven technical advisory projects during the year ended 31 December 2023 with revenue contribution of approximately RMB2,471,000 as compared to four technical advisory projects with revenue contribution of approximately RMB7,087,000 in the corresponding period in 2022; and (ii) O&M projects which contributed approximately RMB1,668,000 in revenue during the year ended 31 December 2023 as compared to approximately RMB2,544,000 in the corresponding period in 2022.

## **Cost of sales**

For the year ended 31 December 2023, the cost of sales of the Group amounted to approximately RMB76,003,000 (2022: approximately RMB233,184,000), representing a decrease of approximately 67.4% or approximately RMB157,181,000 compared to the corresponding period in 2022.

The increase in revenue but decrease in cost of sales was primarily due to the gross margin of the large-sized EPC Project in Vietnam for the year ended 2023 being higher than the large size municipal Equipment Project in the Greater Bay Area of the PRC for wastewater treatment equipment in the corresponding period for the year ended 31 December 2022. The cost of inventories sold decreased to approximately RMB29,312,000 for the year ended 31 December 2023 from approximately RMB204,022,000 for the year ended 31 December 2022. The cost of construction contracting increased to approximately RMB43,437,000 for the year ended 31 December 2023 from approximately RMB23,892,000 for the year ended 31 December 2022. The cost of services provided decreased to approximately RMB3,254,000 for the year ended 31 December 2023 from approximately RMB5,270,000 for the year ended 31 December 2022.

## **Gross profit**

For the year ended 31 December 2023, the gross profit of the Group was approximately RMB30,581,000 (2022: approximately RMB23,565,000), representing an increase of approximately 29.8% or approximately RMB7,016,000 as compared to the corresponding period in 2022. The increase in gross profit of the Group was mainly due to the recognition of the progress income of approximately RMB57.3 million for a large size EPC Project in Vietnam which has a higher gross profit margin.

## **Other income and gains**

For the year ended 31 December 2023, other income and gains amounted to approximately RMB4,141,000 (2022: approximately RMB2,659,000), representing an increase of approximately 55.7% or approximately RMB1,482,000 as compared to the corresponding period in 2022. The increase was mainly attributable to (i) increased in rental income of approximately RMB966,000; (ii) increased in bank interest income of approximately RMB265,000; and (iii) there was government grant of approximately RMB308,000 and no such income for the corresponding period in 2022.



## **Selling and distribution expenses**

For the year ended 31 December 2023, the selling and distribution expenses of the Group amounted to approximately RMB1,690,000 (2022: approximately RMB1,630,000), representing an increase of approximately 3.7% or approximately RMB60,000 compared to the corresponding period in 2022. The increase in the selling and distribution expenses was mainly attributable to the increase in quality maintenance fees of approximately RMB192,000.

## **Administrative expenses**

For the year ended 31 December 2023, the administrative expenses of the Group amounted to approximately RMB19,865,000 (2022: approximately RMB25,197,000), representing a decrease of approximately 21.2% or approximately RMB5,332,000 compared to the corresponding period in 2022. The decrease in the administrative expenses was mainly attributable to (i) the decrease in salaries and employee benefits of approximately RMB1,192,000; and (ii) the decrease in the research and development expenses of approximately RMB4,551,000.

## **Other expenses**

For the year ended 31 December 2023, the other expenses amounted to approximately RMB2,090,000 (2022: approximately RMB5,853,000) representing a decrease of approximately 64.3% or approximately RMB3,763,000 compared to the corresponding period in 2022. The decrease in other expenses was mainly attributable to decrease in fair value loss on investment properties of approximately RMB2.7 million.

## **Profit for the year**

The profit for the year ended 31 December 2023 amounted to approximately RMB2,870,000 (2022: loss of approximately RMB11,547,000). The generation of profit for the year ended 31 December 2023 was mainly attributable to (i) the recognition of the progress income of approximately RMB53.7 million for a large size EPC Project in Vietnam which has a higher gross profit margin; (ii) the decrease in administrative expenses; and (iii) the decrease in finance cost.

## **DIVIDEND**

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: 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 2023, the total equity attributable to the shareholders of the Company was approximately RMB75,006,000 (2022: approximately RMB71,053,000). The Group continued to maintain a healthy financial position with cash and cash equivalents amounted to approximately RMB53,360,000 (2022: approximately RMB55,260,000). The Group’s net current assets was approximately RMB10,528,000 (2022: net current liabilities was approximately RMB4,286,000). Based on the Group’s existing cash and cash equivalents on hand 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 2023, 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.

There was no banking facilities as at 31 December 2023 (2022: approximately RMB25,000,000). The banking facilities of the Group for the year ended 31 December 2022 were secured by pledges on the Group’s buildings, investment properties and leasehold land. For details of the pledged assets of the Group for the year ended 31 December 2022, please refer to the paragraph headed “Charges on the Group’s Assets” below.

### **GEARING RATIO**

As at 31 December 2023, the Group’s gearing ratio (being the net debt of the Group divided by its total capital plus net debt) was 57% (2022: 72%). 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 2023.

### **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 2023.

## **COMMITMENTS**

The contractual operating commitments of the Group were primarily related to the purchases of items of equipment for projects. As at 31 December 2023, the Group's contractual operating commitments amounted to approximately RMB2,592,000 (2022: approximately RMB4,175,000).

## **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 report.

## **CONTINGENT LIABILITIES**

As at 31 December 2023, the Group did not have material contingent liabilities.

## **CHARGES ON THE GROUP'S ASSETS**

As at 31 December 2023, as the Group did not have any banking facilities, there were no pledges on the Group's buildings, investment properties and leasehold land to secure general banking facilities.

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

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

At 31 December 2022, the Group's leasehold land, with carrying amount of RMB90,000, 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 2023, the Group did not hedge any exposure to foreign exchange risk.

## **ADVANCES TO AN ENTITY**

As at 31 December 2023, the Group did not provide any advances to any entity outside the Group.

## **PLEDGING OF SHARES BY THE CONTROLLING SHAREHOLDERS**

As at 31 December 2023, 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 2023, 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 2023, 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 2023, 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 employees have been granted and will be granted in excess of the 1% individual limit.

### **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 by providing them with an opportunity to acquire the Shares, thereby promoting long-term stable development of the Group; (ii) provide the eligible persons with incentives and/or rewards 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 representing in aggregate over 0.1% of the Shares in issue as at the date of grant, 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 not less than 12 months.

**(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 report, the remaining life of the Share Option Scheme is approximately 8 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 at the date of grant <sup>(1)</sup>	Exercise period	Vesting Period	Exercise price (HKD)	Balance as at 1 January 2023	Granted during the period	Exercised during the period	Cancelled/ forfeited/ lapsed during the period	Balance as at 31 December 2023
<b>Directors</b>											
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	From the date of grant to the date preceding the date of issuance of the audited financial report for the year ended 31 December 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	From the date of grant to the date preceding the date of issuance of the audited financial report for the year ended 31 December 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	From the date of grant to the date preceding the date of issuance of the audited financial report for the year ended 31 December 2025	1.19	900,000	—	—	—	900,000
Mr. GAO Xuefeng	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	From the date of grant to the date preceding the date of issuance of the audited financial report for the year ended 31 December 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	From the date of grant to the date preceding the date of issuance of the audited financial report for the year ended 31 December 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	From the date of grant to the date preceding the date of issuance of the audited financial report for the year ended 31 December 2025	1.19	900,000	—	—	900,000	—
Mr. ZHAO Yanwei	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	From the date of grant to the date preceding the date of issuance of the audited financial report for the year ended 31 December 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	From the date of grant to the date preceding the date of issuance of the audited financial report for the year ended 31 December 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	From the date of grant to the date preceding the date of issuance of the audited financial report for the year ended 31 December 2025	1.19	900,000	—	—	900,000	—
Mr. HE Xuanxi	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	From the date of grant to the date preceding the date of issuance of the audited financial report for the year ended 31 December 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	From the date of grant to the date preceding the date of issuance of the audited financial report for the year ended 31 December 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	From the date of grant to the date preceding the date of issuance of the audited financial report for the year ended 31 December 2025	1.19	300,000	—	—	—	300,000
<b>Others</b>											
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	From the date of grant to the date preceding the date of issuance of the audited financial report for the year ended 31 December 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	From the date of grant to the date preceding the date of issuance of the audited financial report for the year ended 31 December 2024	1.19	2,400,000	—	—	—	2,400,000

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 at the date of grant <sup>(1)</sup>	Exercise period	Vesting Period	Exercise price (HKD)	Balance as at 1 January 2023	Granted during the period	Exercised during the period	Cancelled/ forfeited/ lapsed during the period	Balance as at 31 December 2023
		HKD1,070,419	Date of issuance of the audited financial report for the year ended 31 December 2025 to 28 June 2032	From the date of grant to the date preceding the date of issuance of the audited financial report for the year ended 31 December 2025		1.19	2,400,000	—	—	—	2,400,000

*Notes:*

- <sup>(1)</sup> Please refer to Note 35 to the consolidated financial statements for the accounting standard and policy adopted in calculating the fair value of the Options as at the date of grant.

Given that the maximum number of Shares which may be issued pursuant to the Share Option Scheme is 18,000,000 Shares as the Share Option Scheme was adopted on 17 June 2022, 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 1 January 2023 nor 31 December 2023.

Given no Options were exercised or vested during the year ended 31 December 2023, it is not applicable for the Company to set out the number of Options exercised during the year ended 31 December 2023 with the exercise price and the weighted average closing price of the Shares immediately before the dates on which the Options were exercised or vested 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 2023 divided by the weighted average number of Shares of the relevant class in issue of the same period is 4%.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2023, the Group had 52 employees (2022: 69 employees). Employee costs amounted to approximately RMB15.9 million for the year ended 31 December 2023 (2022: approximately RMB21.5 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. In addition, the Board will review and determine the remuneration and compensation packages of our Directors and senior management with the recommendation from the remuneration committee (the "**Remuneration Committee**"). 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 the 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 2023 (the “AGM”) will be held on Friday, 10 May 2024. 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 Friday, 10 May 2024. 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 Friday, 3 May 2024.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the year ended 31 December 2023, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

## **EVENTS AFTER THE END OF REPORTING PERIOD**

On 4 January 2024, the Company had been informed by Oceanic Expert Investments Limited (the “Seller”) and Mr. Xie that on 4 January 2024, the Seller, Perfect Wave Holdings Limited, Mr. Xie and Moody Technology Holdings Limited (the “Buyer”) entered into a non-legally binding memorandum of understanding, pursuant to which the Seller intends to sell and transfer to the Buyer, and the Buyer intends to acquire and obtain from the Seller, approximately 20–28% of the total issued share capital of the Company.

Further details are set out in the announcement of the Company dated 4 January 2024 and further announcement(s) will be made by the Company as and when appropriate in compliance with the GEM Listing Rules.

## **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 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 (currently known as Appendix C1) to the GEM Listing Rules effective during the year ended 31 December 2023 as its own code of corporate governance. Save for code provision C.2.1 of the CG Code, which provides 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 2023. 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 of its business. 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 given Mr. Xie's expertise in wastewater and water treatment engineering and thus will allow Mr. Xie to provide strong and consistent leadership capabilities to the Group. Furthermore, the balance of power and authority is already ensured by the operation of the senior management and the Board, which comprises experienced individuals, in overseeing different aspects of the Company's affairs and thereby provides adequate safeguards to ensure the balance of power and authority. The Board comprised of two executive Directors (including Mr. Xie) and three independent non-executive Directors as at 31 December 2023 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 2023.

## REVIEW OF FINANCIAL STATEMENT

During the year ended 31 December 2023, 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 2023 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 2023, 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  
**Futian Holdings Limited**  
**XIE Yang**  
*Chairman*

Guangzhou, PRC, 25 March 2024

*As at the date of this announcement, the executive Directors are Mr. XIE Yang, Mr. HE Xuanxi and Ms. LIU Chujun; and the independent non-executive Directors are Ms. BAI Shuang, Mr. HA Chengyong 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 Listed Company Announcements” page of the Stock Exchange website at [www.hkexnews.hk](http://www.hkexnews.hk) 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](http://www.greatwater.com.cn).*