Futian Holdings Limited

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 8196

Annual Report
2024

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.

*This report, 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 report 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 report misleading.*

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. XIE Yang *(Chairman & Chief Executive Officer)*
Mr. HE Xuanxi
Ms. LIU Chujun (appointed on 6 January 2024)
Ms. SUN Zhaoyang (appointed on 15 May 2024)
Ms. FENG Li (appointed on 2 July 2024)

Independent Non-executive Directors

Ms. BAI Shuang
Mr. HA Chengyong
Mr. TSE Chi Wai (resigned on 5 March 2025)
Mr. YAM Yuet Hang (appointed on 5 March 2025)

BOARD COMMITTEES

Audit Committee

Mr. TSE Chi Wai (resigned as the Chairman on 5 March 2025)
Mr. HA Chengyong
Ms. BAI Shuang
Mr. YAM Yuet Hang (appointed as the Chairman on 5 March 2025)

Remuneration Committee

Mr. HA Chengyong *(Chairman)*
Ms. BAI Shuang
Mr. XIE Yang

Nomination Committee

Mr. XIE Yang *(Chairman)*
Ms. BAI Shuang
Mr. TSE Chi Wai (resigned on 5 March 2025)
Mr. YAM Yuet Hang (appointed on 5 March 2025)

COMPLIANCE OFFICER

Mr. HE Xuanxi

COMPANY SECRETARY

Mr. TSUI Kan Chun (resigned on 28 June 2024)
Mr. TSE Kwok Hing Henry (appointed on 28 June 2024)

AUTHORISED REPRESENTATIVES

Mr. XIE Yang
Mr. TSUI Kan Chun (resigned on 28 June 2024)
Mr. TSE Kwok Hing Henry (appointed on 28 June 2024)

PRINCIPAL BANKERS

Industrial and Commercial Bank of China
Guangzhou Economic and Technological Development
District Branch
No. 2 Xiangxue 2nd Road
Kaichuang Avenue North
Luogang District
Guangzhou City
PRC

Shanghai Pudong Development Bank
Guangzhou Branch
No. 12 Zhujiang Road West
Tianhe District
Guangzhou City
PRC

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 18, Keyan Road
Science City
High-tech Industrial Development Zone
Guangzhou, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 01-06, Level 27
Wing On Centre,
111 Connaught Road Central,
Sheung Wan, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

CORPORATE INFORMATION

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

AUDITOR

BEIJING XINGHUA CAPLEGEND CPA LIMITED
Certified Public Accountants and
Registered Public Interest Entity Auditors
1/F, GR8 Inno Tech Centre,
No. 46 Tsun Yip Street,
Kwun Tong, Kowloon,
Hong Kong

COMPANY WEBSITE

www.greatwater.com.cn

GEM STOCK CODE

8196

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of Directors (the "**Board**") of the Company, I would like to present the annual report of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2024.

ANNUAL REVIEW

The shares of the Company (the "**Shares**") became listed on the GEM of the Stock Exchange on 9 December 2015 by way of placing (the "**Placing**") (the "**Listing**").

The factors affecting the market due to the epidemic have basically disappeared. According to relevant statistics, China's GDP growth in 2024 was 5%. However, due to the influence of factors such as the international situation and geopolitics over the past year, the global and Chinese economic development has shown a trend of "continuing recovery, and the future is uncertain." Under this situation, the Group will continue its previous strategy to pursue stable and pragmatic operations. On the one hand, it will consolidate the Group's traditional business foundation, and on the other hand, it will also seek new development. For the year ended 31 December 2024, the revenue of the Group amounted to approximately RMB45,801,000, representing a decrease of approximately RMB60,783,000 or approximately 57.0% as compared with that of approximately RMB106,584,000 in 2023.

For the year ended 31 December 2024, the Group recognized revenue from engineering, procurement and construction projects ("**EPC Projects**") of approximately RMB5,384,000, revenue from construction projects other than EPC Projects ("**Construction Projects**") of approximately RMB1,431,000, revenue from equipment projects ("**Equipment Projects**") of approximately RMB14,106,000, revenue from the development, construction and operating agreement of a sewage treatment project ("**Service Concession Arrangement**") of approximately RMB13,370,000 and revenue from others of approximately RMB11,510,000. For the year ended 31 December 2023, revenue from EPC Projects of approximately RMB62,342,000, revenue from Construction Projects of approximately RMB390,000, revenue from Equipment Projects of approximately RMB27,077,000, revenue from Service Concession Arrangement of approximately RMB12,636,000 and revenue from others of approximately RMB4,139,000 were recognised.

For the year ended 31 December 2024, the loss attributable to owners of the Company reached approximately RMB7,042,000 while the profit attributable to owners of the Company for the year ended 31 December 2023 amounted to approximately RMB2,870,000.

The recorded loss attributable to owners of the Company over the Reporting Period was mainly due to (i) the delay in the progress of their respective engineering, procurement and construction projects during the year; and (ii) the Group's existing projects in Vietnam were completed in 2023, while new projects were not commenced until the end of 2024, so less revenue was recognized during the year.

OUTLOOK

On the business front, as previously mentioned, the Group has adjusted the distribution of resources for business development. The Group has increased its investment in the Vietnam market, and the Group's many years of successful business experience in Vietnam has helped the Group to become more attractive to both long-term customers and new customers. At the beginning of 2023, the Group signed a new business contract with a long term customer amounting to several tens of million yuan of Renminbi, and the project construction of the new business contract has also commenced at the end of 2024. The Group has also increased its investment in the business expansion of new and existing customers in Vietnam, including this long-term customer. At the same time, the Group has also increased its human resources investment in the Vietnam market, especially in business sales and operation. The Group believes that Vietnam will gradually become one of the key markets for the Group's continuous development.

CHAIRMAN'S STATEMENT

As for local customers, apart from continuing to handle service concession arrangement projects and other environmental protection projects as usual, the Group has been more prudent in handling new engineering, procurement and construction project business from local customers. Considering the increasingly obvious arrangement of extended billing period in the industry, as well as the declining payment ability of the customers, the Group has not rushed to open up the aforesaid new business with local customers. While for customers with whom the Group has a long-term co-operative relationship, apart from pressing for customer confirmation of completed projects, the Group has invested more resources in maintaining the relationship. For customers with whom the Group has a long-term relationship, the Group has invested more resources in maintaining the relationship. On the other hand, the Group has also invested more resources in (the "**Service Concession Arrangement**") and other environmental projects, which have relatively lower cash flow risk than engineering, procurement and construction projects. Nevertheless, the Group continues to focus on the Greater Bay Area of China and will continue to monitor the operations of our customers and maintain good communication with new customers. The Group believes that when the positive effects of the economic become more favourable, it will be able to deliver better and more robust performance in familiar markets (such as the Greater Bay Area) and with familiar customers.

In 2024, the Group started to enter the data business market. Compared with the Group's traditional principal business. Based on the relevant data collected during the "epidemic period" and the "post-epidemic" era, as well as China's ongoing policies to boost the "consumer market", the data business has a wider consumer market and stronger payment capacity than the Group's traditional principal environmental protection business. According to the "Statistical Bulletin on National Economic and Social Development of the People's Republic of China 2024", final consumption expenditure in 2024 drove the growth of GDP by 2.2 percentage points. The Group expects to develop more business types in addition to its traditional main business. As the Greater Bay Area has been one of the key data business markets in the PRC, Hong Kong, Macao and Taiwan, the Group will be able to identify opportunities to enter the relevant industries more easily and finally record millions of dollars of revenue from the data business. The Group has reason to believe that if the data business remains positive, the Group will have certain geographical and market advantages in terms of market expansion and recruitment of talents. Admittedly, the data business is not an emerging market and the Group is not an industry leader in the data business. Therefore, the Group will proceed with its expansion to the data business in a prudent manner, hoping that the data business will become an effective supplement to the Group's revenue from its principal business.

Despite the gradual improvement of China's economy, based on the Group's judgement, the Board considers that the business environment in which the Group operates may not become optimistic within a short period of time in view of the various challenges that remain. For example, the global geopolitical situation and wars have had a negative impact on the global economy, China's economy and Chinese enterprises. In addition, the recovery and growth of China's economy is more evident in the personal consumption market or related markets in recent years, and the challenges in the general environment for the Group's traditional principal business of environmental protection still persist. Therefore, the Group is in the view that (i) the traditional business is the cornerstone of the Group and more investments should be made in all aspects, but there should be differentiated strategies to cope with market segmentation and different regions; (ii) under the premise of prudent operation, more investment should be made in new businesses such as data business if there is a certain possibility of good development; and (iii) "cost saving" efforts should always be maintained.

CHAIRMAN'S STATEMENT

APPRECIATION

On behalf of the Board, I wish to take this opportunity to express my sincere gratitude to the shareholders of the Company (the "**Shareholders**"), business partners, customers, suppliers and subcontractors for their continued support to the Group. I would also like to express my heartfelt appreciation to the management and all the staff for their diligence and valuable contribution throughout the year.

Last but not least, the Group sincerely wishes the shareholders of the Group, the management, employees, business partners, customers, suppliers, subcontractors and our peers of the environmental protection industry healthy and safe.

Xie Yang
Chairman

Guangzhou, the PRC
28 March 2025

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.

FINANCIAL REVIEW

Operating revenue

For the year ended 31 December 2024, the Group's operating revenue amounted to approximately RMB45,801,000 representing a decrease of approximately 57.0% as compared to approximately RMB106,584,000 for the year ended 31 December 2023.

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 2024, the revenue generated from EPC Projects relating to wastewater and sludge treatment projects under construction and related business was approximately RMB5,384,000 (2023: approximately RMB62,342,000), representing a decrease of approximately 91.4% over the corresponding period in 2023. The decrease in revenue from EPC Projects for the year ended 31 December 2024 was primarily attributable to a large-sized EPC Project in Vietnam which generated the progress income of approximately RMB52,466,000 in the first half of 2023, has completed in 2023. The revenue of approximately RMB5,384,000 in 2024 which was derived from other nine EPC Projects (2023: Seven EPC Projects).

– *Revenue relating to Construction Projects*

  For the year ended 31 December 2024, the revenue generated from Construction Projects was approximately RMB1,431,000 (2023: approximately RMB390,000), representing an increase of approximately 266.9% over the corresponding period in 2023. The increase in revenue from Construction Projects for the year ended 31 December 2024 was primarily attributable to the recognition of revenue of approximately RMB1,431,000 from two Construction Projects. In contrast, the revenue from Construction Projects for the corresponding period in 2023 was derived from four Construction Project in the amount of approximately RMB390,000.

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 2024, the revenue generated from Equipment Projects amounted to approximately RMB14,106,000 (2023: approximately RMB27,077,000), representing a decrease of approximately 47.9% as compared to the corresponding period in 2023. The decrease in revenue from Equipment Projects for the year ended 31 December 2024 was primarily attributable to the recognition of revenue of approximately RMB14,106,000 from five Equipment Projects. In contrast, the revenue from Equipment Projects for the corresponding period in 2023 was derived from the recognition of revenue of approximately RMB27,077,000 from five Equipments Projects with larger amounts.

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 2024, the revenue generated from the Service Concession Arrangement segment was approximately RMB13,370,000 (2023: approximately RMB12,636,000), representing an increase of approximately 5.8% as compared to the corresponding period in 2023. The revenue from Service Concession Arrangement for the year ended 31 December 2024 was primarily attributable to the recognition of revenue of approximately RMB12,663,000 from service income and approximately RMB707,000 from interest income. In contrast, the revenue for the corresponding period in 2023 was derived from the recognition approximately RMB11,803,000 from service income and approximately RMB833,000 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 2024, the other segment also comprise of the provision of online advertising and related services for online games.

For the year ended 31 December 2024, the revenue generated from the rendering of maintenance services amounted to approximately RMB11,510,000 (2023: approximately RMB4,139,000), representing an increase of approximately 178.1% as compared to the corresponding period in 2023. The Group engaged in (i) technical advisory projects and O&M projects, which revenue amounted to approximately RMB4,600,000 is recognised during the year ended 31 December 2024 as compared to approximately RMB4,139,000 in the corresponding period in 2023; and (ii) provision of online advertising and related services for online games, which revenue amounted to approximately RMB6,910,000 is recognised.

Cost of sales

For the year ended 31 December 2024, the cost of sales of the Group amounted to approximately RMB34,741,000 (2023: approximately RMB76,003,000), representing a decrease of approximately 54.3% or approximately RMB41,262,000 compared to the corresponding period in 2023.

The decrease in cost of sales was primarily due to the large-sized EPC Project in Vietnam was completed in 2023. The cost of inventories sold decreased to approximately RMB7,075,000 for the year ended 31 December 2024 from approximately RMB29,312,000 for the year ended 31 December 2023. The cost of construction contracting decreased to approximately RMB4,530,000 for the year ended 31 December 2024 from approximately RMB43,437,000 for the year ended 31 December 2023. The cost of services provided increased to approximately RMB23,136,000 for the year ended 31 December 2024 from approximately RMB3,254,000 for the year ended 31 December 2023.

Gross profit

For the year ended 31 December 2024, the gross profit of the Group was approximately RMB11,060,000 (2023: approximately RMB30,581,000), representing a decrease of approximately 63.8% or approximately RMB19,521,000 as compared to the corresponding period in 2023. The decrease in gross profit of the Group was mainly because the large size EPC Project in Vietnam which contributed to the increase in the overall revenue and gross profit, was completed last year.

Other income and gains

For the year ended 31 December 2024, other income and gains amounted to approximately RMB7,111,000 (2023: approximately RMB4,786,000), representing an increase of approximately 48.6% or approximately RMB2,325,000 as compared to the corresponding period in 2023. The increase was mainly attributable to (i) increased in rental income of approximately RMB1,581,000; and (ii) increased in bank interest income of approximately RMB895,000.

Selling and distribution expenses

For the year ended 31 December 2024, the selling and distribution expenses of the Group amounted to approximately RMB1,696,000 (2023: approximately RMB1,690,000), representing an increase of approximately 0.4% or approximately RMB6,000 compared to the corresponding period in 2023, which did not have material change from 2023.

Administrative expenses

For the year ended 31 December 2024, the administrative expenses of the Group amounted to approximately RMB16,016,000 (2023: approximately RMB17,165,000), representing a decrease of approximately 6.7% or approximately RMB1,149,000 compared to the corresponding period in 2023. The decrease in the administrative expenses was mainly attributable to the decrease in research and development costs and entertainment expenses during the year.

Other expenses

For the year ended 31 December 2024, the other expenses amounted to approximately RMB1,809,000 (2023: approximately RMB2,735,000) representing a decrease of approximately 33.9% or approximately RMB926,000 compared to the corresponding period in 2023. The decrease in other expenses was mainly attributable to decrease in fair value loss on investment properties during the year.

Loss/profit for the year

The loss for the year ended 31 December 2024 amounted to approximately RMB7,042,000 (2023: profit of approximately RMB2,870,000). The generation of loss for the year ended 31 December 2024 was mainly attributable to (i) a delay in the progress of respective engineering, procurement and construction projects during the year; and (ii) the Group's existing projects in Vietnam were completed in 2023 and the new projects were not commenced until the end of 2024 and hence less revenue was recognised during the year.

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2024 (2023: 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. The capital of the Company comprises only of ordinary shares (the "**Share**").

As at 31 December 2024, the total equity attributable to the shareholders of the Company was approximately RMB73,536,000 (2023: approximately RMB75,006,000). The Group continued to maintain a healthy financial position with cash and cash equivalents amounting to approximately RMB72,333,000 (2023: approximately RMB53,360,000). The Group's net current assets was approximately RMB28,378,000 (2023: approximately RMB10,528,000). 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 2024, 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 2024 (2023: Nil).

During the year ended 31 December 2024, the Company had completed rights issue of shares, change in board lot size and share consolidation.

Rights Issue and change in board lot size

Reference is made to the announcements of the Company dated 16 May 2024 and 8 July 2024 and the prospectus of the Company dated 14 June 2024, in relation to, among other things, the Rights Issue and the Change in Board Lot Size. The Rights issue represented the proposed issue of up to 150,000,000 Rights Shares at the Subscription Price on the basis of one (1) Rights Share for every two (2) Share held at the close of business on the Record Date payable in full on acceptance. As a results, the size of Rights Issue was 19,734,000 Rights Shares. The gross proceeds raised from the Rights Issue were approximately HK$5.81 million and the net proceeds from the Rights Issue after expenses are approximately HK$5.51 million. As at 31 December 2024, the net proceeds were fully utilized as intended to fund the working capital of the EPC Projects and other general working capital of the Group. In addition, the proposed change in board lot size of the Shares for trading on the Stock Exchange from 4,000 Shares per board lot to 8,000 Shares per board lot was effective in June 2024.

Share Consolidation

Reference is made to the announcements of the Company dated 25 October 2024, 4 December 2024 and 6 December 2024 and the circular of the Company dated 15 November 2024, in relation to, among other things, the Share Consolidation on the basis that every ten (10) issued and unissued existing shares of HK$0.01 each would be consolidated into one (1) Consolidated Share of HK$0.10 each. The Share Consolidation has become effective on 6 December 2024 and the issued Shares of the Company become 31,937,400 Shares.

GEARING RATIO

As at 31 December 2024, the Group's gearing ratio (being the net debt of the Group divided by its total capital plus net debt) was 41% (2023: 57%). 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 2024.

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 2024.

COMMITMENTS

The contractual operating commitments of the Group were primarily related to the purchases of items of equipment for projects. As at 31 December 2024, the Group's contractual operating commitments amounted to approximately RMB3,547,000 (2023: approximately RMB2,592,000).

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 2024, the Group did not have material contingent liabilities.

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2024 and 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.

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 2024, the Group did not hedge any exposure to foreign exchange risk.

ADVANCES TO AN ENTITY

As at 31 December 2024, the Group did not provide any advances to any entity outside the Group.

PLEDGING OF SHARES BY THE CONTROLLING SHAREHOLDERS

As at 31 December 2024, 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 2024, 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 2024, 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 2024, 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 report.

(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 3 years at the following ratios on the date of issuance of the audited financial report of the Group for the relevant financial year:

(a) the first financial year immediately following the year of the grant date, 40% of the total number of share options granted to the grantee;

(b) the second financial year immediately following the year of the grant date, 30% of the total number of share options granted to the grantee; and

(c) the third financial year immediately following the year of the Grant Date, 30% of the total number of share options granted to the grantee.

If the vesting conditions are not fulfilled for a relevant financial year, the corresponding portion of share options granted will lapse.

(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 7 years.

Name of grantee	Date of grant	Exercise period	Vesting Period	Exercise price as at 1 January 2024 (HKD)	Exercise price as at 31 December 2024 (HKD)	Balance as at 1 January 2024	Granted during the period	Exercised during the period	Cancelled/ forfeited/ lapsed during the period	Effect of Share Consolidation	Balance as at 31 December 2024
Directors											
Mr. XIE Yang	29 June 2022	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	11.9	1,200,000	–	–	–	(1,080,000)	120,000
		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	11.9	900,000	–	–	–	(810,000)	90,000
		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	11.9	900,000	–	–	–	(810,000)	90,000
Mr. HE Xuanxi	29 June 2022	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	11.9	400,000	–	–	–	(360,000)	40,000

Name of grantee	Date of grant	Exercise period	Vesting Period	Exercise price as at 1 January 2024 (HKD)	Exercise price as at 31 December 2024 (HKD)	Balance as at 1 January 2024	Granted during the period	Exercised during the period	Cancelled/ forfeited/ lapsed during the period	Effect of Share Consolidation	Balance as at 31 December 2024
		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	11.9	300,000	–	–	–	(270,000)	30,000
		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	11.9	300,000	–	–	–	(270,000)	30,000
Others											
Other Employees	29 June 2022	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	11.9	3,200,000	–	–	–	(2,880,000)	(320,000)
		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	11.9	2,400,000	–	–	–	(2,160,000)	(240,000)
		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	11.9	2,400,000	–	–	–	(2,160,000)	(240,000)

As a result of the share consolidation completed on 6 December 2024, adjustments were made to the number of shares subject to, and exercise price of, the outstanding share options under the Scheme (the "**Share Options Adjustments**"). The Share Option Adjustment took effect on the same date of the share consolidation.

The fair value of equity settled share options granted during the year was estimated as at the date of grant, taking into account the terms and conditions upon which the options were granted.

At the end of the reporting period, the Company had 1,200,000 (2023:12,000,000) share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 1,200,000 additional ordinary shares of the Company and additional share capital of HK$14,280,000 (before issue expense).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2024, the Group had 39 employees (2023: 52 employees). Employee costs amounted to approximately RMB8.6 million for the year ended 31 December 2024 (2023: approximately RMB15.9 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.

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2024.

BUSINESS REVIEW

The business performance of the Group for the year ended 31 December 2024 and the future development of the Group's business are set out in the paragraphs headed "Business review" and "Outlook" respectively under "Management discussion and analysis" section in this report.

An analysis of the Group's performance during the year ended 31 December 2024 using financial performance indicators is provided in the section headed "Management discussion and analysis" in this report.

PRINCIPAL ACTIVITY

The principal activity of the Company is investment holding. The Group is principally engaged in the environmental protection business. Details of the Group's subsidiaries as at 31 December 2024 are set out in note 21 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activity during the year ended 31 December 2024.

RESULTS

The results of the Group for the year ended 31 December 2024 and the financial position of the Group as at that date are set out in the consolidated statements on pages 65 to 67.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2024 (2023: Nil).

DIVIDEND POLICY

On 28 December 2018, the Company adopted its dividend policy (the "**Policy**").

The Policy sets out the principles and guidelines that the Company will apply when considering the declaration and payment of dividends to the shareholders of the Company.

Under the Policy, the Company may, subject to the Cayman Companies Law, from time to time in general meeting declare dividends in any currency to be paid to the shareholders of the Company but no dividend shall be declared in excess of the amount recommended by the Board.

The Company has not adopted any pre-determined dividend payout ratio.

The Board has the discretion to declare dividends to the shareholders of the Company, subject to the articles of association of the Company and all applicable laws and regulations, taking into account the factors set out below:

- financial results;
- cash flow situation;
- business conditions and strategies;
- future operations and earnings;
- capital requirements and expenditure plans;
- interests of Shareholders;
- taxation considerations;
- any contractual, statutory and regulatory restrictions on payment of dividends; and
- any other factors that the Board may consider relevant.

The Board will review the Policy as appropriate from time to time. Any amendments to this Policy must be approved by the Board.

FINANCIAL SUMMARY

A summary of the published results, assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statement, is set out on page 134. The summary does not form part of the audited consolidated financial statements.

SHARE CAPITAL

There were no movements in the Company's share capital during the year.

RESERVES

Movements in the reserves of the Group and the Company during the year ended 31 December 2024 are set out in the consolidated statement of changes in equity on page 68 and on page 133, respectively.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year ended 31 December 2024 in the property, plant and equipment of the Group are set out in note 17 to the consolidated financial statements.

The Group's industrial building is located at No. 18, Keyan Road, Science City, High-tech Industrial Development Zone, Guangzhou, the PRC, and is used for office purposes or is leased to independent third parties for rental purposes. The portion used for office purpose by the Group is stated at cost less accumulated depreciation as the buildings in property, plant and equipment. The remaining portion is stated in fair value as investment properties subsequent to initial recognition. Roma Appraisals Limited has valued the property interests of the Group at RMB45 million (including portions of the buildings and investment properties) as at 31 December 2024. Details of the investment properties are set out in note 18 to the consolidated financial statements.

As at 31 December 2024, the valuation amounts of the property interests of the Group were RMB42.8 million, in which the valuation amounts of the Group's building for own use were RMB17.0 million. The Group's building for own use are currently booked at cost.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2024, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

DISTRIBUTABLE RESERVES OF THE COMPANY

Pursuant to the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, share premium and retained profits of the Company are distributable to the Shareholders. As at 31 December 2024, the Company's reserves available for distribution to the Shareholders amounted to approximately RMB63.6 million.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2024, sales to the Group's largest customer accounted for 29.2% (2023: 30.7%) of the total revenue. For the year ended 31 December 2024, the percentage of revenue derived from the Group's five largest customers in aggregate was 79.0% (2023: 92.5%).

For the year ended 31 December 2024, purchases from the Group's largest supplier accounted for 35.6% (2023: 13.1%) of the total cost of sales. For the year ended 31 December 2024, purchases from the Group's five largest suppliers in aggregate accounted for 87.2% (2023: 43.3%) of our total cost of sales.

None of the Directors or any of their respective close associates or any Shareholders which to the Directors' best knowledge, own more than 5% of the Company's issued share capital, had any beneficial interest in any of the Group's five largest customers and suppliers during the year ended 31 December 2024.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's financial condition, results of operations, and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to the Group's businesses. The following are the key risks and uncertainties identified by the Group.

Government Policies Risk

The Company is in an industry where regulatory standards play a critical role in influencing the demand for the services. The Company has benefited in the past from the increasing awareness of environmental protection, the heightened wastewater treatment standards in the PRC and the recent PRC economic stimulus plan to increase government spending on infrastructure, including wastewater treatment facilities. However, there can be no assurance that the Company will continue to benefit from these PRC standards, economic stimulus plans, regulations and government policies in the future if there is any change, suspension or withdrawal of such regulations and government policies in the future. Moreover, the PRC government's intentions or announcements should not be regarded as an indication of the future prospects of the industry or the future performance of the Company. Any changes in legislative, regulatory or industrial requirements and government policies in places where the Company operates in and outside the PRC may render certain of its wastewater treatment engineering services redundant or obsolete. Acceptance of new wastewater treatment engineering services may also be affected by the adoption of new government regulations requiring stricter standards. The ability to anticipate changes in regulatory standards and government policies and to develop and introduce water and wastewater treatment processes to keep up with such new regulatory standards and government policies will be a significant factors in the Company's ability to grow and to remain competitive.

If the treatment facilities constructed under the EPC Projects or the equipments procured by the Company fail to comply with these standards, laws and regulations, the customers may be exposed to penalties or fines from the regulatory authorities and the Company may be subject to claims, litigation and legal proceedings for breach of customers' requirements and their technical specifications. Such events could materially and adversely affect the business, financial condition and results of operations of the Company.

Furthermore, there can be no assurance that the regulatory requirements for operating in the wastewater treatment engineering industry (including without limitation technological requirements, capital base and qualifications) will not be changed in the future. If there is any such change to the regulatory requirements, the Group may incur additional costs in complying with the new requirements which may adversely affect the business, results of operation and financial condition of the Group.

Intense Competition Risk

Competition in the market for wastewater treatment engineering services is intense. The Company expects to face more intense competition from existing competitors and new market entrants in the future. The Company competes with a variety of companies, some of which may have longer operating histories, more established reputations for the type of project, better technical expertise, better customer service, better pricing, stronger relationships with municipal governments and industrial companies, greater familiarity with local market conditions, larger client base, larger teams of professional staff and greater financial, technical, marketing and other resources and may be in a better position to develop and expand their range of services and market share. The competitors of the Company may, from time to time, engage in aggressive pricing to gain market share and the Company may be under pressure to offer products at comparable price to maintain its competitiveness. In addition, companies which currently do not compete directly with the Company may expand their business to offer competing wastewater treatment engineering services and the Company cannot give any assurance that they will not compete with it in the future. There is no assurance that the Company will be able to effectively compete with its competitors in winning such projects in the future. If the Company fails to compete successfully against existing or future competitors, the business, financial condition and operating results of the Company will be materially and adversely affected.

Risks arising from the Expansion of New Environmental Protection Business

We have developed a professional image as a wastewater and drinking water treatment engineering service provider in the PRC. Recently, we also plan to expand to other fields of environmental protection. However, there can be no assurance that we can remain profitable in these new business areas. Should we fail to effectively meet the challenges arising from these new business areas, such as (i) shortage of technical staff; (ii) significant technical updates; (iii) intensifying competition; and (iv) significant change in relevant regulations and/or government policies in the new business areas, our business, financial condition and results of operations may be materially and adversely affected.

Change in Preferential Tax Treatment Risk

Under the PRC Enterprise Income Tax (the "**EIT**") Law, enterprises in the PRC are generally subject to a uniform 25% enterprise income tax rate on their worldwide income. Guangzhou Great Water Environmental Protection Company Limited (廣州中科建禹環保有限公司), being our operating subsidiary in the PRC, was subject to 15% enterprise income tax rate during the year ended 31 December 2024 as a result of its accreditation as a High and New Technology Enterprise by the Guangdong Provincial Science and Technology Department and relevant authorities in the PRC. Our current High and New Technology Enterprises certificate was renewed in November 2024 and is effective for a period of three years.

There is no assurance that the current policies in the PRC with respect to the preferential tax treatment the Company currently enjoys will not be unfavourably changed or discontinued, or that the approval for such preferential tax treatment will be granted to the Company in a timely manner. In the event that the termination or expiration of the preferential tax treatment, or the imposition of additional taxes to the Company, its business, financial conditions and results of operations could be adversely affected.

Manpower and Retention Risk

The Company may face the risk of not being able to attract and retain key personnel and talents with appropriate and required skills, experience and competence which would meet the business objectives of the Company. The Company will provide attractive remuneration package to suitable candidates and personnel.

ENVIRONMENTAL POLICY AND PERFORMANCE

Since the establishment in 2001, the Company has been working in the environmental protection industry in China for 23 years. Starting from the wastewater and drinking water treatment engineering business, the Group is now gradually expanding to a wider and more comprehensive environmental protection business.

Throughout all these years, sustainability is regarded as an important concept in the Company's corporate value. Guided by the corporate value and with the aid of a thorough Integrated Management System (the "**IMS**"), which was certified with the international environmental management system ISO14001:2015 and the quality management system ISO9001:2015 standards in 2016, the Company is not only pursuing continuity in business development, but also, most importantly, contributing to a better environment for the Group and the next generation.

The Company's mission is to create positive impacts to the environment in China. To achieve this, as an environmental protection engineering services company in China, the Company aims not only to minimise adverse environmental impacts from operations, but also to bring positive impacts by providing environmental protection solutions to customers.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group's operations are mainly carried out by the Company's subsidiaries in the PRC while the Company itself is listed on the GEM. Compliance procedures are put in place to ensure that the Group's establishment and operations accordingly shall comply with relevant laws and regulations in the PRC and Hong Kong. During the year ended 31 December 2024, the Company has complied with all the relevant laws and regulations in the PRC and Hong Kong.

REPORT OF THE DIRECTORS

KEY RELATIONSHIPS

Employees

The Company recognises that employees are valuable assets to the Group. Thus the Group provides competitive remuneration package, as well as on-the-job training and development opportunities to attract and motivate the employees. The Group regularly reviews the remuneration package of employees and makes necessary adjustments to conform to the market standard.

The Group has also put in place the human resource policy which serves to safeguard terms and conditions of employment as well as the rights and benefits of the employees.

Suppliers and sub-contractors

The Company has developed long-standing relationships with a number of suppliers and sub-contractors and the Company takes great care to ensure that they share its commitment to product quality and business ethics. The Company carefully selects its suppliers and sub-contractors and assesses them on the basis of various criteria including track record, experience, financial strength, reputation, ability to produce high-quality products and constructions for the projects of the Company. The Company also requires them to comply with its anti-bribery policy.

Customers

The Company is committed to be a high quality environmental service provider to its customers. As such, the Company is active in staying in touch with its customers in order to find out about customers' needs and expectation. The Company maintains a customers database and has ongoing communications with its current and potential customers through various channels like having face to face meetings and inviting customers to attend site visits to inspect the work-in-progress and finished projects.

DIRECTORS

The Directors during the year under review and up to the date of this report were as follows:

Executive Directors

Mr. Xie Yang *(Chairman & Chief Executive Officer)*	(appointed on 25 March 2015)
Mr. He Xuanxi	(appointed on 27 May 2015)
Ms. Liu Chujun	(appointed on 6 January 2024)
Ms. Sun Zhaoyang	(appointed on 15 May 2024)
Ms. Feng Li	(appointed on 2 July 2024)

Independent Non-executive Directors

Ms. Bai Shuang	(appointed on 24 November 2015)
Mr. Ha Chengyong	(appointed on 24 November 2015)
Mr. Tse Chi Wai	(resigned on 5 March 2025)
Mr. Yam Yuet Hang	(appointed on 5 March 2025)

Pursuant to the Company's articles of association (the "**Articles of Association**"), one-third of the Directors will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company ("**AGM**").

DIRECTORS' SERVICE CONTRACTS

Each of the non-executive Directors has entered into a service contract with the Company for an initial term of three years commencing from the date of the Listing, provided that either the Company or the non-executive Directors may terminate such appointment at any time by giving at least three months' notice in writing to the other.

None of the Directors proposed for re-election at the AGM of the Company has a service contract with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN CONTRACTS

There was no transaction, arrangement or contract of significance to the business of the Group to which the Company, its holding companies or, its subsidiaries, and its controlling shareholders or any of its subsidiaries was a party subsisted during the year ended 31 December 2024, and no Director or an entity connected with the Director is or was materially interested either directly or indirectly in any such transaction, arrangement or contract.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his/her independence pursuant to Rule 5.09 under the GEM Listing Rules. The Company considers all of the independent non-executive Directors are independent.

TAX RELIEF

As at 31 December 2024, according to the laws of the Cayman Islands, holders of listed securities of the Company are not entitled to tax relief for their status as the holder of such securities.

PERMITTED INDEMNITY PROVISION

The Company has arranged appropriate insurance coverage for Directors' liabilities in respect of legal actions against them for corporate activities of the Group. Such insurance coverage has been in force throughout the year ended 31 December 2024.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year ended 31 December 2024.

EMOLUMENT POLICY

The Company has established a Remuneration Committee in compliance with the GEM Listing Rules. The primary duties of the Remuneration Committee are to review and make recommendations to the Board on the remuneration policy and other remuneration related matters, including benefits-in-kind and other compensation payable to the Directors and senior management of the Company.

Under the remuneration policy of the Company, the Remuneration Committee will consider factors such as corporate and individual performance, salaries paid by comparable companies, time commitment, responsibilities and employment conditions elsewhere in the Group in assessing the amount of remuneration payable to the Directors and senior management.

DISCLOSURE OF INTERESTS

Interests and short positions of Directors and chief executive in the shares, underlying shares and debentures of the Group and its associated corporations

As at 31 December 2024, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (as defined in Part XV of the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or required to be entered in the register of the Company pursuant to section 352 of the SFO, or required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Long positions in the underlying Shares

Name of director	Capacity	Number of the underlying Shares	Approximate percentage of shareholding of the issued share capital of the Company (Note)
Mr. XIE Yang	Beneficial Owner	300,000	0.94%
Mr. HE Xuanxi	Beneficial Owner	100,000	0.31%

Note:

The percentage were calculated based on 31,937,400 Shares in issue as at 31 December 2024.

Save as disclosed above, as at 31 December 2024, none of the Directors and chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or required to be entered in the register of the Company pursuant to section 352 of the SFO, or required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

The interests of substantial Shareholders and the interests and short position of other persons in the Shares and underlying Shares

As at 31 December 2024, so far as the Directors are aware, the interests or short positions owned by the following persons (other than the Directors or chief executive of the Company) in the shares or underlying shares of the Company which are required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO or which are required to be recorded in the register of the Company required to be kept under section 336 of the SFO are as follows:

Long positions in the Shares

Name of shareholder(s)	Capacity	Number of Ordinary Shares (Note 1)	Approximate percentage of the total number of Shares in issue
Able Talent Asia Limited	Beneficial owner	5,100,000 (L)	15.97%
Direct Profit Enterprises Limited	Beneficial owner	2,700,000 (L)	8.45%

Note:

1. The letter "L" denotes a long position.

Save as disclosed above, as at 31 December 2024, the Directors are not aware of any interests or short positions owned by any persons (other than the Directors or chief executive of the Company) in the shares or underlying shares of the Company which were required to be disclosed under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO.

AUDIT COMMITTEE

The Company had established its audit committee (the "**Audit Committee**") on 24 November 2015 with written terms of reference in compliance with the GEM Listing Rules. Details of the role and work performed by the committee are set out in the Corporate Governance Report.

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2024 and is of the view that such results complied with the applicable accounting standards, the GEM Listing Rules and other applicable legal requirements, and that adequate disclosure has been made.

PENSION SCHEMES

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for those employees who are eligible to participate in the MPF Scheme. The employees of the Group's subsidiaries in the PRC are required to participate in a central pension scheme operated by the local municipal government. Particulars of these pension schemes are set out in note 4 to the consolidated financial statements. Both the MPF Scheme and central pension scheme in the PRC are funded by the Company and employees in accordance with the relevant laws and regulations in Hong Kong and the PRC. No forfeited contribution under the defined contribution retirement benefit plans is available to reduce the contribution payable in future years.

RELATED PARTY TRANSACTIONS

There was no loan to and dealing in favor of any Directors of the Company during the year ended 31 December 2024. Details of related party transactions of the Group during the year ended 31 December 2024 are set out in note 38 to the consolidated financial statements. None of the related party transaction constituted connected transaction as defined under Chapter 20 of the GEM Listing Rules. There were no connected transactions of the Group during the year ended 31 December 2024 and the Company has complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

During the year ended 31 December 2024, based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Directors confirm that the Company maintained sufficient amount of public float as required under the GEM Listing Rules.

EVENTS AFTER THE END OF REPORTING PERIOD

Save as those disclosed in this announcement, there were no important events affecting the Group, which occurred after the end of the reporting period and up to the date of this Annual Report.

CLOSURE OF REGISTER OF MEMBERS

The AGM is scheduled to be held on Friday, 23 May 2025. 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, 23 May 2025. 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, 16 May 2025.

AUDITORS

Zhonghui Anda CPA Limited ("**Zhonghui**") resigned as the auditors of the Company with effect from 19 November 2024. The Board appointed Beijing Xinghua Caplegend CPA Limited ("**Beijing Xinghua**") with effect from 19 November 2024 to fill the vacancy following the resignation of Zhonghui.

Beijing Xinghua will retire at the forthcoming AGM and, being eligible offer themselves for re-appointment. A resolution for the re-appointment of Beijing Xinghua as auditors of the Company will be proposed at the forthcoming annual general meeting of the Company.

By Order of the Board
Xie Yang
Chairman

28 March 2025

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, 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 2024. 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 five executive Directors (including Mr. Xie) and three independent non-executive Directors as at 31 December 2024 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 2024.

BOARD OF DIRECTORS

Board Composition

During the year ended 31 December 2024, the Board comprised of five executive Directors and three independent non-executive Directors. As at the date of this report, the Board comprised of five executive Directors and three independent non-executive Directors. The composition of the Board is as follows:

Executive Directors

Mr. XIE Yang *(Chairman and the Chief Executive Officer)*
Mr. HE Xuanxi
Ms. LIU Chujun
Ms. SUN Zhaoyang
Ms. FENG Li

Independent Non-executive Directors

Ms. BAI Shuang
Mr. HA Chengyong
Mr. YAM Yuet Hang

The biographical details of the Directors of the Company as at the date of this report are set out under the section headed "Biographical Details of Directors and Senior Management" in this report. Save as disclosed therein, each of the Directors does not have any relationship (including financial, business, family or other material relationship) with other Directors, senior management or substantial or Controlling Shareholders of the Company.

Functions, Roles and Responsibilities of the Board and Management

The Board is responsible for leadership and control of the Group and is collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board focuses on formulating the Group's overall strategies, authorising the development plan and budget; monitoring financial and operating performance; reviewing the effectiveness of the internal control system; supervising and managing management's performance of the Group; and setting the Group's values and standards. The Board delegates the day-to-day management, administration and operation of the Group to the chief executive officer and senior management. The delegated functions are reviewed by the Board periodically to ensure that they accommodate the needs of the Group. The abovementioned personnel should report back and obtain prior approval from the Board before making any significant decisions or entering into any significant commitments on the Company's behalf, and they may not exceed any authority given to them by resolutions of the Board or the Company.

The independent non-executive Directors bring a wide range of business and financial expertise, experience and independent judgement to the Board, on issues of strategic direction, policies, development, performance and risk management. Through active participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, they scrutinise the Company's performance in achieving corporate goals and objectives and monitor performance reporting. By doing so, they are able to contribute positively to the Company's strategy and policies through independent, constructive and informed comments at Board and committee meetings.

Each Director has confirmed that he/she can give sufficient time and attention to the Company's affairs, and has regularly provided information on the number and nature of offices held in public companies or organisations and other significant commitments, including the identities of such companies or organisations and an indication of the time involved.

Permitted Indemnity Provision

The Company has arranged appropriate insurance coverage for Directors' liabilities in respect of legal actions against them for corporate activities of the Group.

Board/Board Committee Meetings

The Board is scheduled to meet in person or through other electronic means of communication at least four times a year to, among other matters, review past financial and operating performance and discuss the Group's direction and strategies. An agenda and accompanying papers together with all appropriate information will be sent to all Directors at least three days before each Board or committee meeting so as to ensure timely access to relevant information. Appropriate notice of at least 14 days for regular Board meetings and reasonable notice for other Board committee meetings will be given to all Directors, who will all be given an opportunity to attend and include matters in the agenda for discussion. Senior management will be invited to join all Board meetings to enhance communication between the Board and the senior management; the Board and each Director will also have separate and independent access to senior management whenever necessary. The company secretary will take detailed minutes of the meetings and keep records of matters discussed and decisions resolved at the meetings, including any concerns raised or dissenting views expressed by Directors, and the voting results of Board meetings fairly reflect Board consensus. Both draft and final versions of the minutes will be sent to all Directors for their comments and records respectively, within a reasonable time after each meeting, and such minutes will be open for inspection with reasonable advance notice by any Director. Directors are entitled to have access to board papers and related materials, and any queries will be responded to fully.

Upon reasonable request to the Board, the Directors can seek independent professional advice in performing their duties at the Company's expense, if necessary. According to the current Board's practice, should a potential conflict of interest involving a substantial Shareholder or Director arise, the matter shall be discussed in a Board meeting, as opposed to being dealt with by written resolution. Independent non– executive Directors with no conflict of interest should be present at such meetings. When the Board considers any proposal or transaction in which a Director has a conflict of interest, the Director declares his/her interest and abstains from voting.

DIRECTORS' ATTENDANCE AT BOARD/BOARD COMMITTEE AND GENERAL MEETINGS

A summary of all Directors' attendance at the Board and Board committee meetings and general meetings held during the year 2024 and up to the date of this annual report are set out in the following table:

	Attendance/Number of meetings				
Name of Director	**Board meeting**	**Audit Committee meeting**	**Nomination Committee meeting**	**Remuneration Committee meeting**	**Annual general meeting**
Mr. XIE Yang	5/6	N/A	2/2	2/2	1/1
Mr. HE Xuanxi	6/6	N/A	N/A	N/A	1/1
Ms. LIU Chujun (appointed on 6 January 2024)	5/6	N/A	N/A	N/A	N/A
Ms. SUN Zhaoyang (appointed on 15 May 2024)	4/6	N/A	N/A	N/A	N/A
Ms. FENG Li (appointed on 2 July 2024)	2/6	N/A	N/A	N/A	N/A
Ms. BAI Shuang	6/6	3/3	2/2	2/2	1/1
Mr. HA Chengyong	6/6	3/3	N/A	2/2	1/1
Mr. TSE Chi Wai (resigned on 5 March 2025)	5/6	2/3	1/2	N/A	1/1
Mr. YAM Yuet Hang (appointed on 5 March 2025)	1/6	1/3	1/2	N/A	0/1

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CORPORATE GOVERNANCE FUNCTIONS

No corporate governance committee of the Company has been established. In compliance with code provision A.2.1 of the CG Code, the Board as a whole is responsible for performing the corporate governance duties including: (a) to develop and review the Company's policies and practices on corporate governance; (b) to review and monitor the training and continuous professional development of Directors and senior management; (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and (e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

CHAIRMAN AND CHIEF EXECUTIVE

Mr. Xie is the chairman of the Board who is primarily responsible for providing leadership to the Board, overseeing the overall operation of the Group and leading and directing the Group's overall business and development strategies. Mr. Xie chairs the Board and meetings of the nomination committee of the Company (the "**Nomination Committee**") and briefs the Board members and Nomination Committee members on the issues arising at the respective meetings to ensure that the Directors receive adequate information in a timely manner which is accurate, clear, complete and reliable. He encourages all Directors to make full and active contribution to the Board's affairs and takes the lead to ensure that the Board acts in the Company's best interests. He aims to ensure constructive relations between executive and non-executive Directors. Mr. Xie is also the chief executive officer of the Company and is primarily responsible for day-to-day management and operation; overseeing risk management; corporate communication and marketing; product development; information technology and accounting matters of the Group. In accordance with code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual and their respective responsibilities should be clearly defined in writing. 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. During the year ended 31 December 2024, the Board comprised of five executive Directors (including Mr. Xie), one non-executive Director and three independent non-executive Directors and therefore has sufficient independent elements in its composition.

Code provision C.2.7 of the CG Code requires the chairman of the Board to hold meetings at least annually with the non-executive Directors (including independent non-executive Directors) without the executive Directors present. During the year ended 31 December 2024, one meeting between the chairman of the Board and the independent non-executive Directors was held.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Save for Ms. Liu Chujun and Ms. Sun Zhaoyang who have entered into a service contract for an initial term of two years and is renewable for successive terms of one year each until terminated by either party by giving not less than three months' notice, each of the executive Directors has entered into a service contract with the Company for an initial term of three years commencing from the date of the Listing and is renewable for a further term of three years until terminated by either party by giving not less than three months' notice in writing to the other.

Each of the independent non-executive Directors has entered into a service contract or letter of appointment respectively, with the Company for an initial term of three years commencing from the date of the Listing and is renewable for a further term of one year, provided that either the Company or the independent non-executive Directors may terminate such appointment at any time by giving at least three months' notice in writing to the other.

By virtue of article 83(3) of the Articles of Association, the Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Board. Also, any Director so appointed shall hold office only until the first annual general meeting of the Company after his appointment and shall then be eligible for re-election at that meeting. The Board has delegated the power to the Nomination Committee to make recommendations to the Board on the appointment and re-appointment of Directors. The responsibilities of the Nomination Committee are set out in the subheading "Nomination Committee" below. Directors to be appointed will have a formal letter of appointment setting out the key terms and conditions of their appointment.

In compliance with code provision B.2.2 of the CG Code, every Director shall be subject to retirement by rotation at least once every three years. Furthermore, pursuant to article 84(1) of the Articles of Association, at every annual general meeting of the Company one-third of the Directors for the time being shall retire from office by rotation. A retiring Director shall retain office until the close of the meeting at which he/she retires and shall be eligible for re-election thereat.

BOARD INDEPENDENCE

All the Directors have full and timely access to the information of the Company (including but not limited to financial reports, audit results and other relevant data) as well as the advice and services of the company secretary of the Company (the "Company Secretary"). So that Board members are equipped with necessary professional advice in their decision-making process, the Board may, in appropriate circumstances, seek independent professional advice at the Company's expenses to assist them. Board members are also encouraged to seek inputs from other members, employees and other stakeholders in appropriate circumstances to ensure that different perspectives are taken into account in the decision-making process. There are formal or informal channels in place to ensure that independent views and inputs are available to the Board.

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

According to code provision C.1.4 of the CG Code, all Directors shall participate in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant. The Company would arrange and/or introduce suitable training and information for the Directors to ensure they are fully aware of their responsibilities under statute and common law, the GEM Listing Rules and other applicable legal and regulatory requirements. During the year ended 31 December 2024, the Company had arranged seminars on the GEM Listing Rules, the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "**Companies Ordinance**") and the SFO for the Directors. All Directors attended at least one of the seminars.

All Directors have confirmed that they had participated in continuous professional development by attending seminars and reading materials during the year ended 31 December 2024, and have provided a record of their training to the Company, in compliance with code provision C.1.4 of the CG Code.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee, to oversee particular aspects of the Company's affairs. All Board committees are established with written terms of reference, which have complied with the CG Code and are available on the Stock Exchange website at www.hkexnews.hk and the Company's website at www.greatwater.com.cn and are available to Shareholders upon request. The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense. The Board committees will report back to the Board on their decisions or recommendations.

AUDIT COMMITTEE

The Company had established the Audit Committee on 24 November 2015 with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and the effectiveness of the risk management and internal control systems of the Company, make recommendations to the Board on the appointment, reappointment and removal of the external auditor, and review the Company's financial information.

During the year ended 31 December 2024, the Audit Committee comprised of three independent non-executive Directors, namely, Mr. Tse Chi Wai, Ms. Bai Shuang and Mr. Ha Chengyong. Mr. Tse Chi Wai was the chairman of the Audit Committee. Mr. Tse Chi Wai had tendered its resignation as an independent non-executive director and the chairman of the Audit Committee of the Company with effect from 5 March 2025. Mr. Yam Yuet Hang has been appointed as an independent non-executive Director and the chairman of the Audit Committee with effect from 5 March 2025.

During the year ended 31 December 2024 and up to the date of this annual report, the Audit Committee held three meetings. The meetings of the Audit Committee were held to review and discuss the consolidated financial statements of the Group and the interim and annual results announcements and reports. The Audit Committee is of the view that such results complied with the applicable accounting standards, the GEM Listing Rules and other applicable legal requirements, and that adequate disclosure had been made. Also, there has been no disagreement between the Directors and the Audit Committee regarding the selection and appointment of the external auditors. The Audit Committee has also reviewed the effectiveness of the risk management and internal control systems and the internal audit function of the Group, as detailed in the section headed "Internal Control and Risk Management" below. All members of the Audit Committee attended the meetings.

REMUNERATION COMMITTEE

The Company had established the Remuneration Committee on 24 November 2015 with written terms of reference in compliance with the GEM Listing Rules.

The primary duties of the Remuneration Committee are to review and make recommendations to the Board on the remuneration policy and other remuneration related matters, including benefits-in-kind and other compensation payable to the Directors and senior management.

During the year ended 31 December 2024, the Remuneration Committee comprised of one executive Director and two independent non-executive Directors, namely, Mr. Xie, Ms. Bai Shuang and Mr. Ha Chengyong. Mr. Ha Chengyong is the chairman of the Remuneration Committee.

During the year ended 31 December 2024 and up to the date of this annual report, two meetings of the Remuneration Committee was held to make recommendations to the Board on the Company's policy and structure for remuneration of the Directors and the senior management and on the establishment of a procedure for developing policy on such remuneration; to determine, with delegated responsibility, the remuneration packages of all the executive Directors and the senior management; to assess the performance of the executive Directors and to approve the terms of their service contracts; to make recommendations to the Board on the remuneration of the independent non-executive Directors.

NOMINATION COMMITTEE

The Company had established the Nomination Committee on 24 November 2015 with written terms of reference in compliance with the GEM Listing Rules. The primary duty of the Nomination Committee is to make recommendations to the Board regarding the structure, size and composition of the Board and candidates to fill vacancies on the Board.

During the year ended 31 December 2024, the Nomination Committee comprised of one executive Director and two independent non-executive Directors, namely, Mr. Xie, Ms. Bai Shung and Mr. Tse Chi Wai. Mr. Xie is the chairman of the Nomination Committee. Mr. Tse Chi Wai had tendered its resignation as an independent non-executive director and a member of the Nomination Committee of the Company with effect from 5 March 2025. Mr. Yam Yuet Hang has been appointed as an independent non-executive Director and a member of the Nomination Committee with effect from 5 March 2025.

During the year ended 31 December 2024 and up to the date of this annual report, two meetings of the Nomination Committee was held to review the structure and composition of the Board, to determine the policy for nomination of Directors, and to review and make recommendations to the Board on adoption of the Board diversity policy. All members of the Nomination Committee attended the meeting.

The Board is committed to achieving diversity on the Board. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. The Board has in its composition a balance of skills, expertise, qualifications, experience and diversity of perspectives necessary for independent decision making and fulfilling its business needs. The Board will consider a number of aspects when selecting candidates, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. All Board appointments will ultimately be based on merit and the contribution that the selected candidates will bring to the Board, having due regard to the benefits of diversity to the Board.

NOMINATION POLICY

On 28 December 2018, the Company adopted a nomination policy (the "**Policy**").

The Policy applies to the nomination and appointment of Directors.

The Policy:

- sets out the criteria and process in the nomination and appointment of directors of the Company;
- ensures that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company; and
- ensures the Board continuity and appropriate leadership at Board level.

In evaluating and selecting any candidate for directorship, the following factors should be considered:

- Character and integrity.
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy.
- Diversity in all aspects with reference to the diversity policy of the Board.
- Any measurable objectives adopted for achieving diversity on the Board.
- Requirement for the Board to have independent non-executive Directors in accordance with the GEM Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines set out in the GEM Listing Rules.
- Any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and diversity.
- Willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company.
- Such other perspectives that are appropriate to the Company's business and succession plan and where applicable, may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for nomination of Directors and succession planning.

Notwithstanding that the Board has delegated its responsibilities and authority for selection and appointment of directors of the Company to the Nomination Committee of the Company, the ultimate responsibility for selection and appointment of directors of the Company rests with the entire Board.

The Nomination Committee will conduct regular review on the structure, size and composition of the Board and the Policy and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and business needs.

If the candidate is proposed to be appointed as an independent non-executive Director, his or her independence shall be assessed in accordance with, among other things, the factors as set out in Rule 5.09 of the GEM Listing Rules, subject to any amendments as may be made by the Stock Exchange from time to time. Where applicable, the totality of the candidate's education, qualifications and experience shall also be evaluated to consider whether he or she has the appropriate professional qualifications or accounting or related financial management expertise for filling the office of an independent non-executive Director with such qualifications or expertise as required under Rule 5.05(2) of the GEM Listing Rules.

DIVERSITY POLICY

On 28 December 2018, the Company has adopted a diversity policy.

The diversity policy applies to the Board.

The Company believes that diversity at the Board level is good for corporate governance and enhances the effectiveness of the Board.

Board nomination and appointments will be made on merit basis based on its business needs from time to time having regards to the Policy while taking into account diversity.

Selection of Board candidates shall be based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience.

During the year ended 31 December 2024 and as at the date of this annual report, the Company had four male Directors and four female Directors on the Board, as such the Board is of the view that Board gender diversity is achieved. The Board and the Nomination Committee will continue considering potential successors to the Board to maintain or enhance gender diversity and depending on the business needs of the Group, the Board will take opportunities to increase the proportion of female Directors as and when suitable candidates are identified.

For further details in relation to the Company's diversity policy, please refer to the section headed "Nomination Committee" in this annual report.

GENDER DIVERSITY OF GENERAL WORKFORCE

As at 31 December 2024, the Company had 39 employees. Male staff accounted for approximately 62% of the workforce. The general workforce is considered to be with proper gender diversity.

SAFETY COMMITTEE

The Company has established the safety committee (the "**Safety Committee**") in March 2013 which is currently chaired by Mr. Xie and co– managed by Mr. Feng Huan (the Group's vice general manager) and Ms. Chen Shao Juan (the head of human resources and administration department). A Safety Committee meeting is held on a quarterly basis for the purpose of setting strategic guidelines for our safety department to (i) manage occupational health and safety measures relating to our operation; and (ii) monitor the implementation of safety management for the Group. We also designate one safety supervisor to monitor on-site safety management and report any non-compliance to the project manager who will report to the Safety Committee.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board is responsible for overseeing the preparation of financial statements on an on-going concern basis, with supporting assumptions or qualifications as necessary, for each financial period with a view to ensuring that such financial statements give a true and fair view of the state of affairs of the Group and of the results and cash flow for the financial year.

Management of the Company has provided explanation and information to the Board to enable the Board to make an informed assessment of financial and other information put before the Board for approval. This includes monthly management updates to the Board, with a balanced, understandable and sufficiently detailed assessment of the Company's performance, position and prospects, enabling the Board and each Director to discharge their duties under the GEM Listing Rules.

The Group accounts were prepared in accordance with the GEM Listing Rules, the Companies Ordinance, all relevant statutory requirements and applicable accounting standards. The Group has selected appropriate accounting policies and has applied them consistently based on prudent and reasonable judgements and estimates. The Directors endeavor to ensure a balanced, clear and understandable assessment of the Group's position and prospects in the annual reports, interim reports, price-sensitive announcements and other disclosures required under the GEM Listing Rules and other regulatory requirements.

The Directors acknowledge their responsibility for the preparation of consolidated financial statements of the Group that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the GEM Listing Rules and the Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The responsibility of the Company's auditor, Beijing Xinghua Caplegend CPA Limited, is set out in the section headed "Independent Auditor's Report" on pages 61 to 64 of this report.

Internal Control and Risk Management

The Board acknowledges its responsibility for maintaining a sound and effective risk management and internal control systems, and reviewing their effectiveness to safeguard the Company's assets and shareholders' interests. The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The day-to-day risk management process of the Group, including the process to identify, evaluate and manage significant risks, is coordinated and facilitated by the compliance officer of the Company, Mr. He Xuan Xi, and is overseen by the chief executive officer of the Company, Mr. Xie. The Group has established an internal audit team to conduct internal risk evaluation and review in respect of the Group's business risks, financial risks, compliance risks as well as operational and other risks by submitting relevant reports to the Audit Committee and the Board. Meanwhile, the Audit Committee of the Group also assists the Board by providing independent view of the effectiveness of the financial reporting process and internal control and risk management systems, and overseeing the audit process.

During the year, the internal audit team had reviewed and evaluated the control process and monitored any risk factors. Also, the Group has engaged a professional firm as an independent advisor to hold an annual internal control review and risk management assessment to aid the Group in ensuring the internal controls and risk management systems are functioning adequately.

The Board convened meetings at least annually to discuss business risks, financial risks, compliance risks and operation and other risks. During the year ended 31 December 2024, the Board, through the Audit Committee, has conducted a review of the effectiveness of the risk management and internal control systems, and the internal audit function of the Group, covering all material controls such as financial, operational and compliance controls and risk management functions, and considered that the internal control system and procedures of the Group, including the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting function, and their training programs and budget, are adequate and effective and have complied with the provisions of the CG Code during the year ended 31 December 2024.

DISSEMINATION OF INSIDE INFORMATION

The Company has in place a framework for the disclosure of inside information by reference to the Guidelines on Disclosure of Inside Information issued by the Securities and Futures Commission. The framework sets out the procedures and internal controls for the handling and dissemination of inside information in an appropriate and timely manner, such as steps to ascertain sufficient details, conduct internal assessment of the matter and its likely impact on the Company, seek professional advice where required and verification of the facts. Before the information is fully disclosed to the public, any persons who possess the knowledge of such information must ensure strict confidentiality and must not deal in any of the Company's securities.

SENIOR MANAGEMENT'S REMUNERATION

The remuneration payment of the senior management of the Group (excluding the Directors) in the year ended 31 December 2024 falls within the following band:

	Number of senior management
Nil to RMB1,000,000 The remuneration includes salaries and pension scheme contributions	3

AUDITOR'S REMUNERATION

The Audit Committee is responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal.

Beijing Xinghua Caplegend CPA Limited was appointed by the Board as the auditor of the Company with effect from 19 November 2024. Save for the audit services, Beijing Xinghua Caplegend CPA Limited did not provide any non-audit services to the Group during the year ended 31 December 2024. The remuneration paid or payable to Beijing Xinghua Caplegend CPA Limited for services rendered for the year ended 31 December 2024 was as follows:

	RMB'000
Audit services	800
Non-audit services	–
	800

COMPANY SECRETARY

Mr. Tse Kwok Hing Henry ("**Mr. Tse**"), has been appointed the company secretary of the Company (the "**Company Secretary**") on 28 June 2024. The biographical details of Mr. Tse are set out under the section headed "Biographical Details of Directors and Senior Management" in this annual report.

The primary duties of the Company Secretary include, but are not limited to (a) to ensure the Board procedures are followed and that the activities of the Board are carried out efficiently and effectively; (b) to assist the chairman to prepare agendas and Board papers for meetings and disseminate such documents to the Directors and Board committees in a timely manner; (c) to timely disseminate announcements and information relating to the Group; and (d) to maintain formal minutes of the Board meetings and other Board committee meetings.

Mr. Tse has confirmed that he had received no less than 15 hours of relevant professional training for the year ended 31 December 2024, in compliance with Rule 5.15 of the GEM Listing Rules.

COMPLIANCE OFFICER

Mr. He Xuanxi ("**Mr. He**") was appointed as the compliance officer of the Company. The biographical details of Mr. He are set out in the section headed "Biographical Details of Directors and Senior Management".

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the Shareholders and the Board. An AGM of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than the AGM, shall be called an extraordinary general meeting.

To ensure compliance with the CG Code and the Articles and Association, the notice of the AGM, the annual report and the circular containing information on the proposed resolutions will be sent to Shareholders at least 21 days before the AGM. Voting at the AGM will be taken by way of a poll. An explanation of the detailed procedures of conducting a poll will be provided to the Shareholders at the commencement of the AGM to ensure that the Shareholders are familiar with such procedures.

Poll results will be counted by the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, and will be posted on the websites of the Company and of the Stock Exchange on the day the Shareholders' meeting is held. The general meetings of the Company provide an opportunity for communication between the Shareholders and the Board. The chairman of the Board as well as the chairmen of the Remuneration Committee, Nomination Committee and Audit Committee, or in their absence, other members of the respective committees, are available to answer questions at the Shareholders' meetings. The Company will also arrange for the external auditor of the Company to attend the AGM to answer relevant questions if necessary.

Separate resolutions are proposed at Shareholders' meetings on each substantial issue, including the election of individual Directors.

SHAREHOLDERS COMMUNICATION POLICY

The Company has established a shareholders communication policy to set out the Company's procedures in providing the Shareholders and the investment community with ready, equal and timely access to balanced and understandable information about the Company, in order to enable the Shareholders to exercise their rights in an informed manner and to allow the Shareholders and the investment community to engage actively with the Company. The channels for Shareholders to communicate their views on the Company's matters include the Company having setup a company e-mail (ir@greatwater.com.cn) for any enquires from exiting and potential Shareholders. The Company has reviewed its Shareholders communication policy during the year ended 31 December 2024 and given the above, the Company is of the view that its shareholders communication policy is effective.

Rights to convene an extraordinary general meeting

Pursuant to Article 58 of the Articles of Association, any one or more members holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company, shall at all times have the right, by written requisition sent to the Company's principal office as set out in the manner below, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

The written requisition must state the objects of the meeting, be signed by the requisitionist(s), be marked for the attention of the Board or the Company Secretary and be deposited at the principal place of business of the Company in Hong Kong.

If within 21 days from the date of the deposit of the requisition the Board fails to proceed to convene such meeting to be duly held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them may convene a meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed by the Company to the requisitionist(s).

The notice period to be given to the Shareholders for general meetings varies as follows:

(a) At least 14 days' notice in writing if the proposal constitutes an ordinary resolution of the Company;

(b) At least 21 days' notice in writing if calling for an AGM or the proposal constitutes a special resolution of the Company in an extraordinary general meeting.

Right to Put Enquiries to the Board

Shareholders have the right to put enquiries to the Board. All enquiries shall be in writing and sent by post to the principal place of business of the Company in Hong Kong or by e-mail to ir@greatwater.com.cn for the attention of the Company Secretary.

Right to Put Forward Proposals at General Meetings

There are no provisions allowing Shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised). However, Shareholders may follow the procedure set out in the section headed "Rights to convene an extraordinary general meeting" above for including a resolution at an extraordinary general meeting. The requirements and procedures are set out above.

Right to Propose a Person for Election as a Director

Detailed procedures for a Shareholder to propose a person for election as a Director are available on the Company's website.

INVESTOR RELATIONS

The Company has established a range of communication channels between itself and the Shareholders, its investors and other stakeholders. These include annual general meetings, the annual, interim and quarterly reports, notices, announcements and circulars and the Company's website at www.greatwater.com.cn.

CONSTITUTIONAL DOCUMENTS

In order to comply with the latest requirements under the GEM Listing Rules, the Company has adopted the second amended and restated memorandum of association and the second amended and restated articles of association of the Company at the AGM on 10 May 2023.

ENVIRONMENTAL, SOCIAL & GOVERNANCE REPORT

ABOUT THIS REPORT

The Group is pleased to present the Environmental, Social and Governance ("**ESG**") report for the year ended 31 December 2024 ("**Year 2024**"), with an aim to provide stakeholders with details of the Group's system establishment and performance in respect of sustainable development.

The core business of the Group is to help clients of the Group in China to reduce pollutant emissions for the protection of the environment. Starting from the wastewater and drinking water treatment engineering business, the Group is now gradually expanding to a wider and more comprehensive environmental protection business, including soil remediation, solid and hazardous wastes management, sludge treatment, air pollutants treatment, as well as integrated environmental services.

Since the establishment of the Group, the concept of sustainability has been deeply embedded in the Group's corporate value. Guided by its corporate value and with the aid of a thorough Integrated Management System ("**IMS**", the business of the Group in China is in conformity with the international environmental management system ISO14001:2015 and quality management system ISO9001:2015 standards starting from 2016), the Group not only focuses on pursuing continuous success in business development for the Group, but more importantly, cares for the creation of a better environment and the needs of the next generation.

The Group realises that not only does the report serve as a channel to communicate with stakeholders, but it is also an important tool to summarise the Group's sustainability performance and to aid in evaluating its sustainability practice. Furthermore, disclosing the environmental key performance indicators ("**KPIs**") via this report, we can evaluate and track the performance of the Company more accurately. Therefore, the Group will continue this ESG reporting as part of the strategy to improve the Group's sustainability performance continuously.

REPORTING FRAMEWORK

This report is prepared according to the ESG reporting guide under the Appendix C2 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited. The report complies with the ESG disclosure requirements of "comply or explain" in the ESG reporting guide. The report primarily highlights the environmental and social measures and activities of the Group during the Year 2024. Information regarding the Group's corporate governance is addressed in detail in the Corporate Governance Report.

The report follows the four reporting principles in the ESG reporting guide, including (i) Materiality: the Group has identified a number of issues which cover ESG, and invited stakeholders to assess the materiality of such issues in Year 2024; (ii) Quantitative: this report details the standards, methodologies used and source of conversion factors used for the KPIs related to emissions and energy consumption; (iii) Balance: both positive and negative impacts brought by the business are presented with high transparency; and (iv) Consistency: unless otherwise stated, the report uses the same methodologies and KPIs as disclosed in previous ESG reports of the Group to facilitate comparability at any time.

If you have any comments on the ESG report of the Group, please email to ir@greatwater.com.cn.

ENVIRONMENTAL, SOCIAL & GOVERNANCE REPORT

REPORTING SCOPE

This report mainly discloses the sustainability performance of three major subsidiaries of the Company, namely Guangzhou Lintao Environmental Protection Technology Co., Ltd (廣州霖濤環保技術有限公司) ("**Lintao EP**"), Guangzhou Hongrun Environmental Protection Technology Co., Ltd. (廣州宏潤環保技術有限公司) ("**Hongrun EP**"), and Guangzhou Great Water Environmental Protection Co., Ltd (廣州中科建禹環保有限公司) ("**Guangzhou Great Water**"). Lintao EP and Hongrun EP engage in design, construction and sale of equipment for wastewater projects. Guangzhou Great Water engages in design and construction and sale of equipment for environmental protection projects. Since the above subsidiaries have higher relevance to ESG aspects. Therefore, this report mainly discloses the policies and KPIs of the above subsidiaries in four environmental aspects and eight social aspects in Year 2024.

GOVERNANCE STRUCTURE

The Board's oversight of ESG issues

The Directors of the Company are committed to the long-term sustainability of the environment and communities in which the Group operates, and continuously enhance the investment value of stakeholders throughout the operation through appropriate and effective internal control systems and ESG risk management measures. The Board considers ESG-related risks and opportunities as part of the Group's overall strategic planning, and daily operations and business activities often have a significant impact on ESG. The Board has been monitoring ESG issues and identifying and assessing relevant issues, and confirms that, to the best of their knowledge, this report covers material issues related to the Group's operations and fairly presents its ESG performance and impact.

The Board's management approach and strategy for material ESG-related issues

The Board has appointed the management of the Group to oversee the Group's ESG-related issues and works. The management of the Group is responsible for monitoring and reviewing the compliance with local laws and regulations on ESG-related issues. To better understand the opinions and expectations of different stakeholders on ESG matters, the Group conducts materiality assessment annually. The Group ensures that various platforms and communication channels are used to reach, listen and respond to its key stakeholders. Through comprehensive communication with stakeholders, the Group is able to understand the expectations and concerns of its stakeholders. The feedbacks obtained allow the Group to make more informed decisions and to better assess and manage the impact of these business decisions.

The Board's review progress against ESG-related objectives and targets

The Board has appointed the management of the Group to set ESG-related goals, develop sustainable development strategies, policies and measures, and regularly review the implementation progress. If the progress does not meet the expected targets or the operating conditions change, we will strengthen the communication with stakeholders and adjust the sustainable development strategies.

STAKEHOLDER ENGAGEMENT

The Company places great emphasis on stakeholder engagement and it believes meeting the expectations of the stakeholders is crucial to the future of the Group's business. Hence, their feedback plays a crucial role in formulating the future sustainability strategy. Through multiple communication channels, including the annual general meetings, the corporate website, the dedicated customer services channels, and through the internal communication channels for employees, the Board will listen and respond to stakeholders' concerns related to the performance in the ESG areas.

Stakeholders include Shareholders, government and regulatory authorities, employees, customers, suppliers, society and the public. The Group discussed the expectations and demands of the stakeholders with them through various channels, and the relevant feedback of the Group is as follows:

Stakeholders	Expectations and demands	Communication and responses
Shareholders	• Financial results • Corporate transparency • Improving the risk control	• Improve profitability • Daily information disclosure • Optimising the risk management and internal control
Government and regulatory authorities	• Compliance with laws and regulations • Tax payment	• Compliance operation • Tax payment in full and on time
Employees	• Career development platform • Remuneration and welfare • Safe working environment	• Promotion Mechanism • Provide attractive remuneration packages • Safety committee is formed to oversee the implementation of safety measures
Customers	• Customer information security • Customer rights protection	• Protecting customer privacy • Compliance marketing
Suppliers	• Honest cooperation • Business ethics and reputation	• Building a responsible supply chain • Performance of contracts in accordance with laws
Society and the public	• Green enterprise • Employment opportunities	• Business helps customers to reduce environmental emissions • Providing jobs

EMISSION

With the corporate mission of "Contribute to the environmental protection in China for a cleaner sky and water", the Group strives to create positive impacts on the environment. As an environmental protection engineering service provider, the Group aims not only to minimise adverse environmental impacts from operations, but also to bring positive impacts by providing innovative environmental protection solutions to customers.

The operations of the Group are mainly in relation to environmental construction, which involve assisting customers to install environmental facilities at their premises. Therefore, in view of the Company's business nature, neither significant environmental emissions are generated, nor extensive use of natural resources is required. The Group has commenced a ten-year operating project as regards the development and construction of a sludge treatment project at a wastewater treatment plant in Dashadi, Guangzhou and another three-and-a-half-year sludge treatment project at Guangzhou Baiyun Airport since mid-2020. The electricity consumption, water consumption and indirect greenhouse gas emissions of these two sludge treatment operating projects (the "**Environmental operations**") were relatively huge. The relevant impact has been identified with its details set out in the following sections.

AIR EMISSIONS AND GREENHOUSE GAS EMISSIONS

Due to the nature of its operation, which is mainly office-based, the Company only generates and emits a small amount of air pollutants, mainly generated by the use of vehicles. Such air pollutants include nitrogen oxides (NO_x), sulphur oxides (SO_x) and particulate matter (PM). In Year 2024, the KPIs of the Company's emissions are set out in the table below:

Air Pollutants[1]	Unit	Year 2024 Emissions	Year 2023 Emissions
NO_x	kg	5.03	9.29
SO_x	kg	0.13	0.21
PM	kg	0.37	0.68

1. The emission factors used in the calculation of air pollutants are sourced from the EPD Vehicle Emission Calculation model and the Vehicle Emission Modeling Software of the United States Environmental Protection Agency. These factors are calculated on the assumption that the relative humidity is 80% and the temperature is 25 degrees Celsius with an average speed of 30 kilometers per hour and include running exhaust emission only.

In response to the challenge of climate change, the Group believes that it is its responsibility to cut carbon footprints. Therefore, the Group has formulated the "Greenhouse Gas Emission Policy" and recorded the greenhouse gas emissions in the business process on a monthly basis to minimize the greenhouse gas emissions within the controlled scope.

The Group's main sources of greenhouse gas emissions come from the consumption of vehicle fuel, refrigerant, and electricity for the operations. The Group will continue to look for opportunities to lower greenhouse gas emissions within the operations with reference to the greenhouse gas emissions reporting standards.

In Year 2024, the KPIs of the Group's emissions are set out in the table below:

Greenhouse gas emissions	Unit	Year 2024 Emissions	Year 2023 Emissions
Direct emissions (Scope 1)			
Vehicle fuel	tCO_2e	23.15	37.31
Refrigerant	tCO_2e	1,235.00	1,560.00
Indirect emissions (Scope 2)[2]			
Electricity used for non-environmental operations	tCO_2e	168.05	85.37
Electricity used for environmental protection operations	tCO_2e	5,568.69	5,148.98
Total greenhouse gas emissions	tCO_2e	6,994.89	6,831.66
Total number of employees	Number	39	52
Intensity of greenhouse gas emissions	tCO_2e/per employee	179.36	131.38

Scope 1: The greenhouse gas emissions generated directly from operations that are owned or controlled by the Group, including greenhouse gas emissions from vehicles and refrigerants used by the Company.

Scope 2: The greenhouse gas emissions generated indirectly from the purchased electricity and gas consumed by the Group.

2. The greenhouse gas emissions generated indirectly from the purchased electricity consumed by the Group is calculated based on the national emission factor 0.6101 kg CO_2/kWh of Ministry of Ecology and Environment of the People's Republic of China (2019).

The Group's 5-year target is to reduce the air emissions and the greenhouse gas emissions intensity by 5% respectively based on the 2021 baseline by the year of 2026.

Environmental KPIs	Emission reduction targets	Base year	Status
Intensity of NO_x emissions	Reduce by 5% by the year of 2026	Year 2021	In progress
Intensity of SO_x emissions	Reduce by 5% by the year of 2026	Year 2021	In progress
Intensity of PM emissions	Reduce by 5% by the year of 2026	Year 2021	In progress
Intensity of greenhouse gas emissions	Reduce by 5% by the year of 2026	Year 2021	In progress

WASTE MANAGEMENT

The Group has issued a clear guidance regarding the management of both hazardous and non-hazardous wastes. In our office, limited amount of non-hazardous wastes such as paper and domestic waste were collected at designated locations by qualified waste collectors. As the amount of non-hazardous wastes produced are insignificant, the Group will further collaborate with the waste collectors in the future for collection of relevant data on the amount of wastes produced and its intensity. The Group has given employees sufficient guidance on how to and where to dispose of wastes. In addition, the Group has appointed recycling companies to treat recyclables such as printer ink toner so as to lessen the burden on the landfill.

Waste	Unit	Year 2024 Emissions	Year 2023 Emissions
Total hazardous waste generated	kg	N/A	N/A
Intensity of hazardous waste generated	kg/employee	N/A	N/A
Total non-hazardous waste generated	kg	N/A	N/A
Intensity of non-hazardous waste generated	kg/employee	N/A	N/A

In Year 2024, the Group did not generate any hazardous waste. Potentially, hazardous wastes may be produced from the research and development laboratory during experiments. In case hazardous wastes are produced, the Group will label, store, treat, and transport them with strict compliance with related laws and regulations in China. In addition, since the non-hazardous wastes generated by the Group is minimal, therefore, no relevant figure is quantified.

The Group aims to maintain zero generation of hazardous waste and minimum generation of non-hazardous waste in the next five years.

Under the Integrated Management System ("**IMS**") which is in conformance to ISO14001: 2015 certified Environmental Management System, the Company is committed to utilising resources efficiently, reducing waste generation and minimising negative impacts on the environment within its operations through formulating its goals and corresponding actions.

#	Goal	Practical actions and policies
1.	100% compliance rate of wastewater discharge	— Strengthening the monitoring of water quality — Appoint qualified third-party unit to conduct monthly investigation — Ensure meeting regulatory standards before discharge
2.	100% compliance rate of sludge discharge	— Ensure effective rainproof and leak-proof work
3.	100% correct handling rate of hazardous waste	— Establish chemical material safety data sheet database — Offer training on proper handling of chemicals — Provision of protective equipment
4.	Zero fire accident	— Configure with sufficient fire-safety equipment — Conduct training and fire drills — Inspect the power system and circuit periodically — Supervise maintenance work closely

The IMS also sets out the management framework, with relevant rules and procedures for proper control on the activities. The Company further ensures the compliance with all applicable laws and regulations by closely following relevant updates in China.

The Group considers environmental protection and preserving natural resources as an important component of its sustainable and responsible business. The Group has also established an Environmental Action Group, which is responsible for identifying and constantly evaluating environmental issues arising from operations including work carried out in the research and development building, and during the provision of operation and maintenance ("**O&M**") for the clients at project sites. The evaluation results act as a base to establish the improvement strategy in pursuing sustainable development.

In Year 2024, the Group was not aware of any material non-compliance with the relevant laws and regulations relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous wastes, including the Environmental Protection Law of the People's Republic of China and the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste. In addition, there was no report of significant fines or sanctions as a result of noncompliance with the relevant laws and regulations in Year 2024.

USE OF RESOURCES

Using resources wisely and responsibly not only helps to lower operating costs, but also to reduce the carbon footprints. As the Company believes that it is the joint responsibility of all of us to reduce the use of resources, the Company aims to raise the environmental protection awareness among employees by promoting green office practices such as using recycled paper and posting reminders near switches.

Use of energy

The Group is committed to reducing the energy usage and thus the corresponding greenhouse gas emissions by promoting the idea of operations in "green" offices and venues to the employees. For instance, signs are placed near the switches to remind employees to switch off electrical appliances when they are not in use.

Resources	Unit	Year 2024 Consumption	Year 2023 Consumption
Vehicle fuel (diesel) consumed	kWh	N/A	N/A
Vehicle fuel (petrol) consumed	kWh	84,338.82	135,923.21
Electricity consumed (Non-environmental operation)	kWh	275,446.00	139,930.00
Electricity consumed (Environmental operation)	kWh	9,127,500.00	8,439,566.00
Total energy consumption[3]	kWh	9,487,284.82	8,715,429.21
Total energy consumption intensity	kWh/employee	243,263.71	167,604.41

3. Conversion factor used for converting data collected (diesel and petrol) to kWh unit is sourced from the Energy Statistics Manual from the International Energy Agency.

Water resources

Knowing how precious the Group's water resources are, it is responsibility of the Group to manage the use of water in an efficient way. In the Group's premises, signs to encourage water-saving are placed in washrooms to remind the employees to conserve water.

Water resource	Unit	Year 2024 Consumption	Year 2023 Consumption
Water consumption (Non-environmental operations)	m^3	2,094.00	2,551.00
Water Consumption (Environmental operations)	m^3	41,798.00	70,702.00
Total water consumption	m^3	43,892.00	73,253.00
Water consumption intensity	m^3/employee	1,125.44	1,408.71

During the Year 2024, the Group has not experienced any difficulty in sourcing water that is fit for the usage of the Group.

The Group's 5-year target is to reduce the total energy consumption intensity and water consumption by 5% based on the 2021 baseline by the year of 2026.

Environmental KPIs	Emission reduction targets	Base year	Status
Total energy consumption intensity	Reduce by 5% by the year of 2026	Year 2021	In progress
Water consumption intensity	Reduce by 5% by the year of 2026	Year 2021	In progress

Packaging materials

The Group operations involve the use of a limited amount of packaging materials. Major types of packaging materials consumed by the Group are paper, plastic, and wood.

Packaging Materials	Unit	Year 2024 Consumption	Year 2023 Consumption
Paper	tonnes	0.07	0.29
Plastic	tonnes	0.01	0.01
Wood	tonnes	0.01	0.30
Total packaging materials used	tonnes	0.09	0.60
Intensity of packaging materials used	tonnes/employee	0.002	0.012

THE ENVIRONMENT AND NATURAL RESOURCES

With the extensive experience in the environmental engineering services and investment in R&D, over the years the Group has devoted its resources to providing over 100 customers in China with an extended range of engineering solutions. These range from wastewater and drinking water treatment to other businesses including soil remediation and waste disposal, with an aim of helping our clients to solve the environmental issues in their operations.

Constructions of all these treatment facilities may cause negative impacts on the environment if not managed properly. By closely following the rules and procedures contained in the IMS, the Group ensures that all construction work is strictly in compliance with the applicable environmental laws and regulations in the China, by adopting the following measures:

— Environmental impact assessment is carried out and relevant approval is obtained prior to the construction of the facilities where required;

— During the construction of the project, environmental monitoring and auditing are conducted to ensure implementation of proper pollution control measures; and

— Final inspection is carried out before the operation of the facilities.

The Group also provides O&M services to the owners of environmental facilities, where the Company strives to ensure the smooth operation and effectiveness of the facilities in dealing with the environmental issues. For example, the prime objective of O&M services for wastewater treatment facilities is to ensure that the effluent quality meets the government's water quality standard. In doing so, the Company has engaged third-party agents to monitor the effluent quality regularly. Likewise, the Company has implemented special measures such as effective leak-proofing and rain-proofing are put in place to prevent leakage and rainwater from infiltrating into the sludge for handling of sewage sludge from wastewater treatment, to avoid any environmental pollution.

In addition, the Group places high importance on research and development on environmental protection treatment technologies in order to improve the existing technologies, and has continually developed other technologies with higher efficiency and effectiveness.

As of 31 December 2024, the Group possesses several patents and will continue to file more patent applications, so as to maintain the Group's competitiveness in the environmental protection treatment market in China.

CLIMATE CHANGE

The continuous emission of greenhouse gas leads to climate change. In response to climate change, the Group made reference the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) framework to assess climate-related risks. There are two main types of risks, which are: (i) physical risks associated with climate change impacts; and (ii) transition risks associated with low-carbon economy.

The climate-related risks identified by the Group are mainly structural damage to premises of the Group and where the Group's construction and operating projects are held due to the increase in frequency of extreme weather events and flooding due to changes in rainfall patterns. Such climate change may affect labour management and planning, and also increase the risk of work-related injuries for the employees. In addition, there is a risk that the Group's infrastructure and machines may be damaged due to climate change, and facilities damage will affect operations and lead to an increase in operation costs.

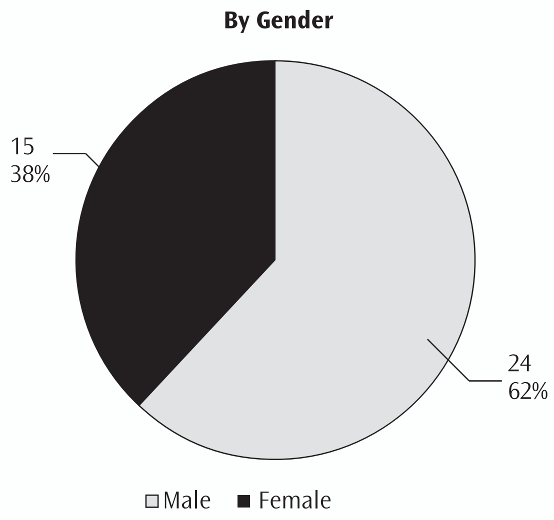
In response to the above climate-related risks, the Group has purchased employee injury insurances for all employees. Such insurances covers the expenditure coverage for employees' injuries due to weather conditions. In addition, the Group has also purchased relevant property insurance for all construction projects, operating projects and the Group's key fixed assets to cover property losses due to weather conditions and reduce maintenance costs that may be required.

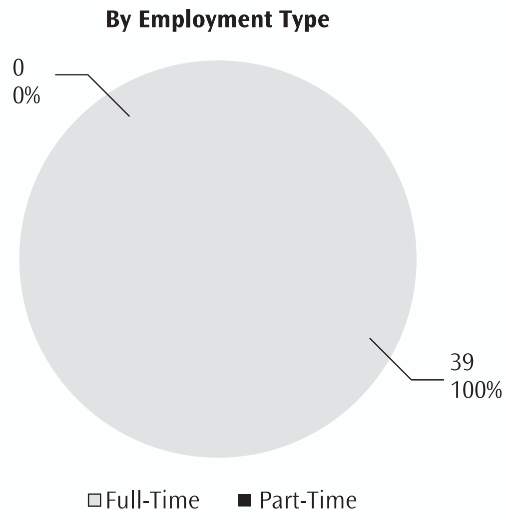
EMPLOYMENT

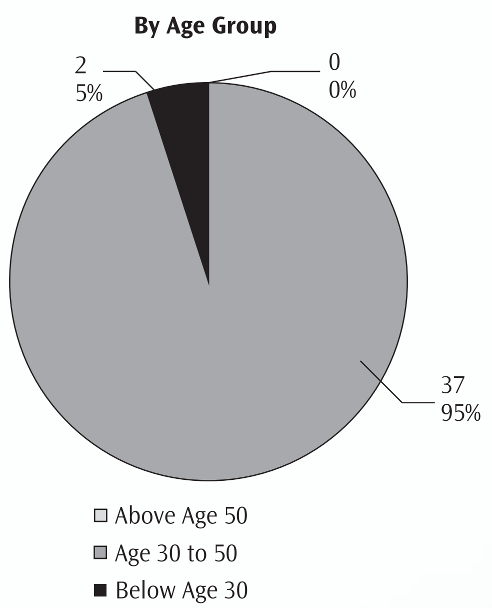
Employees are the most valuable assets as the Group fully relies on them to carry out its business activities. With the business principle of "improve ourselves, improve the environment, and improve the world", the Company understands that it is fundamental to continuously better itself first before it can improve others. Therefore, the Group pays the upmost care about its employees and strives to provide a pleasant workplace where people are valued and treasured.

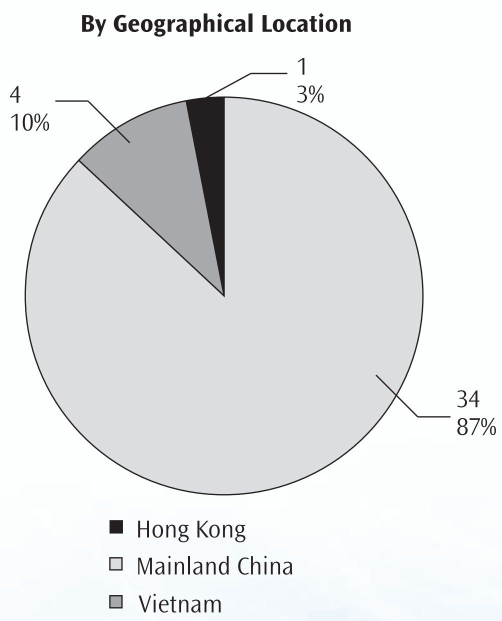
The Group gives competitive remuneration packages to the Company's employees in line with the market, and ensure that the Company is in full compliance with all applicable laws and regulations related to employment including compensation and dismissal, working hours and wages in China. The Company has developed a comprehensive "Human Resource Management Policy" and an "Employee Handbook", both of which detail all the necessary rules and procedures related to human resources management.

As of 31 December 2024, the Group had 39 employees, all of them were full-time employees.









In Year 2024, the employee turnover rate of the Group by categories is as follows:

Employee turnover rate	Year 2024	Year 2023
By gender		
— Male	20.3%	12.5%
— Female	9.1%	27.3%
By age group		
— Under 30	9.3%	14.0%
— 30 to 50	23.2%	21.4%
— Above 50	–	–
By geographical region		
— Hong Kong	100%	–
— China	17.6%	17.6%
— Vietnam	–	18.2%

4. Employee turnover rate by categories is calculated by dividing the total number of employees lost in such category by the average number of employees in the corresponding category.

The Group provides a number of benefits and welfares to the employees based on different needs and characteristics of their job duties. For example, the Group gives subsidies to employees who unavoidably have to work in challenging working conditions with unpleasant odour or high temperature outdoor working environments; allowances and subsidies are given to employees to compensate for any work– related and living expenses such as transportation, meals, and telecommunications.

During the recruitment of employees, the Group upholds the principles including equal opportunity, anti-discrimination and diversity to ensure a fair recruitment process is applied to all candidates, so that only the most suitable candidate is selected and promoted. Likewise, through its comprehensive "Performance Appraisal System" led by the Appraisal Committee, the Group reviews the performances of employees regularly. The Group reward and promote the employees fairly based on their contributions and work performance. In addition, the Group offers various kinds of bonuses to employees as rewards for their outstanding performance, contribution to the Group, and safety performance.

When employees resign, the reasons for resignation and time of departure are required to be provided. After responsible department head and the human resources department have approved the dismissal, the employment contract can be terminated.

The Group has regulated working hours and forbade forced labour or forced overtime work as set out in the employment agreements. Moreover, the Group has established the rest periods system according to national laws and regulations. Employees are entitled to national statutory holidays, paid annual leave, marriage leave, maternity leave and nursery leave, compassionate leave, etc. during their term of employment with the Group.

The Group has stipulated the strict ethical rules, policies, and guidance especially on fair competition, anti-corruption, and conflict-of-interest in the Employee Handbook and have effectively implemented rules, policies and guidances. A whistle-blower system has been put in place which allows employees to directly report on any corruption acts, misconduct, or malpractice related to the Company to relevant personnel for investigation if necessary. The head of human resources directly handles the report of the investigation, and initiates further action by the Board where appropriate. Furthermore, the Audit Committee of the Company holds regular meetings to safeguard the integrity of the Company.

Employees, who are involved in the Group's business operations, are restricted from conducting any insider trading of the Company's stock, or from disclosing any insider information which allows the public to benefit from investing into the Company's stock, or affect the trading price of the stock.

In Year 2024, the Group is not aware of any material non-compliance with the Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China and other applicable laws and regulations, that have a significant impact relating to remuneration and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare on the Group. In addition, no non-compliance with laws that resulted in significant fines or sanctions had been reported in Year 2024.

HEALTH AND SAFETY

The Group does its utmost to safeguard the workplace safety of its employees. "Safety comes first, emphasis on precaution" is the Company's motto. In order to achieve this, the Group has established a safety management system to govern the identification, implementation and operation of all necessary safety measures. The safety management system stresses the importance of safety prevention and education in order to prevent potential safety hazards.

A Safety Committee, which comprised of senior management and employees who had received professional safety training, oversees the implementation of safety measures in the Company. The Safety Committee holds meetings regularly to evaluate the performance of the Company in safety, and continuously review its safety management policies.

Out of all identified safety risks in a working environment, the Group pays particular attention to fire hazard and is determined to raise employees' awareness towards fire safety in the workplace. The Group has fire safety training for all employees, and conducts fire drills from time to time to practise and perfect its emergency response to fire hazards.

There are also potential safety hazards in research and development laboratory of the Group during handling of chemicals and when conducting experiments. The Group has established a "Laboratory Management Plan" which provides rules and procedures to govern the safety of laboratories. This Plan covers areas such as chemical and hazardous waste handling, fire and explosion emergency response, and employees injuries. For example, the Group has strict procedures for handling toxic chemicals, and has prepared the material safety data sheet for all the chemicals involved in the research and development laboratory, to ensure that the employees who handle the chemicals are well aware of the potential hazards (health, fire, reactivity and environment), and understand how to work safely with the chemical products. To ensure employees' work safety, the Group provides safety training and proper personal protective equipment. Hazardous wastes are required to be treat with special cares and in lines with the necessary instructions such that they can only be discharged or disposed of safely, so as to bring the least harm to people and the environment.

In Year 2024, the number of lost days due to work injury is as follows:

	Year 2024	**Year 2023**	**Year 2022**
Number of work-related fatalities	–	–	–
Work-related fatalities rate (%)	–	–	–
Lost days due to work injury	–	–	–

In Year 2024, there were no work-related injuries, thus there were no lost days due to work-related injuries and no work-related fatalities.

In Year 2024, the Group was not aware of any material non-compliance with the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases, the Regulation on Work-Related Injury Insurance of the People's Republic of China, the Fire Protection Law of the People's Republic of China and other applicable laws and regulations that have a significant impact on the Group relating to providing a safe working environment and protecting employees from occupational hazards. In addition, no noncompliance with laws that resulted in significant fines or sanctions had been reported in Year 2024.

During the construction of environmental protection facilities for the Group's clients, safety always comes first. Therefore the subcontractors are required to sign a safety agreement, which commits the subcontractors to complying with the Company's safety requirements, including safety risk identification and evaluation, safety training and inspection, etc.

DEVELOPMENT AND TRAINING

The Group has developed an "Employee Training Management System" to manage all training related activities for different levels of employees within the Group, with the following objectives:

- To establish a corporate culture of continuous learning and development;
- Properly manage all training with the Group and align them with the developments of the Group;
- Continuously develop employees' knowledge base;
- Strengthen employees professional skills;
- Raise overall quality of the business; and
- Increase the Group's competitiveness and internal bonding.

Based on the results of training needs, surveys and assessments, the Group designs corresponding monthly and annual training plans for each employee. Various types of training, including new hire training, soft skills training, technical training, and job-specific training, are provided by the Group in order to cater for the needs of employees and the Group's internal strategic plan. The Group also places emphasis on self-learning, and encourages employees to continuously study. Rewards are given by the Group to employees who acquire relevant qualifications from further education.

For career development at the Group, the Group has provided equal opportunity in promotion based on appraisal on their work performance. Apart from performance, as a means of promoting learning and education, employees also need to attain a certain number of training hours per year in order to be promoted.

	Year 2024	Year 2023
Average total hours of training per employee (hours)	4.0	5.0
Average training hours completed by employee by gender		
— Male (hours)	5	6
— Female (hours)	3	4
Average training hours completed by employee by employee categories		
— Senior Level (hours)	4	6
— Middle Level (hours)	3	3
— Entry Level (hours)	1	1
Percentage of trained employees[5]	89.7%	92.3%
Percentage of employees trained by gender[6]		
— Male	71.4%	70.8%
— Female	28.6%	29.2%
Percentage of employees trained by employee categories		
— Senior Level	2.9%	2.1%
— Middle Level	22.0%	20.8%
— Entry Level	77.1%	77.1%

5. Percentage of trained employees is calculated by dividing the number of trained employees by the total number of employees.

6. Percentage of employees trained by employee categories is calculated by dividing the number of trained employees of that category by the number of trained employees.

LABOR STANDARDS

The Group believes that the employment of child labour and forced labour is a serious violation of universal values, and is therefore strongly against all employment of child labour and forced labour. The Group strictly complies with all the laws and regulations against child labour and forced labour. The Group has taken measures to avoid child and forced labour to ensure that no person who is underage or under coercion is employed. The administration and human resources department verifies the identity card of the candidates to avoid child labour. In addition, all employees have signed employment contracts with no forced labour practices. If child labour and forced labour are found during the recruitment process, the relevant authorities will be notified.

In Year 2024, the Group was not aware of any material non-compliance with the Labour Law of the People's Republic of China, Prohibition of Child Labour Provisions and other applicable laws and regulations by the Group in preventing child or forced labour. In Year 2024, there were no non-compliance with the relevant laws and regulations that resulted in significant fines or sanctions.

SUPPLY CHAIN MANAGEMENT

The Group values highly the quality and performance of our suppliers and subcontractors. Following the "Procurement Control Procedure", the Group performs supplier assessment for all potential suppliers, and conducts annual assessment for existing suppliers to ensure their supplies and services fulfil our expectations. Apart from the consideration of quality and costs, the Group also takes into consideration heavily the environmental and safety aspects of raw materials procured from or used by the suppliers. For example, the Group always opts for raw materials that are more environmentally friendly, monitors the safety conditions of raw material storage, and reviews the working environment and labour conditions during the assessment.

The Group implements a "Subcontractor Management System" for the selection and management of the sub-contractors. Through the system, only qualified parties with good reputation, strong technical expertise, competence, and with good management records are selected and assigned for the work. Our engineering department is responsible for managing the subcontractors for the execution of the projects and ensures the quality of the work can meet the required standards.

The Group strives to compete with its competitors fairly and honestly in the market and strictly complies with the relevant fair competition laws and regulations. Violations of the Group's policies or laws will result in penalties and legal liabilities. In particular, the Group strictly prohibits any price monopoly, market allocation and fraudulent or improper advertising and promotion activities. The Group also ensures fair competition between suppliers and subcontractors, and prohibits any unfair termination of contractual relationships with them.

The Group is engaged in environmental protection engineering and operation of environmental protection projects. When undertaking engineering and operation projects, the Group must construct facilities or operate in accordance with the local government's emission standards for such engineering and operation. Upon completion of the construction, the project is also subject to inspection and acceptance by the customer's local environmental protection department, while the operating project is required to provide emission data to the local environmental protection department on a regular basis.

Number of suppliers by geographical region:

Region	Year 2024	Year 2023
Mainland China	129	158
Vietnam	1	5
Hong Kong	1	0

PRODUCT RESPONSIBILITY

The Group strives to pursue excellence in our products and services, with the aim of achieving maximum customer satisfaction. Apart from providing the best support to customers on their environmental issues in their business operations, the Group has also developed a systematic approach on quality management following the international standard ISO9001, and has set up procedures from project design to after-sales services. For example, a warranty is provided by the Group to ensure that the installed wastewater treatment facilities are operated appropriately and effluent quality meets the government standards.

Customer Feedback and Handling

A customer satisfaction survey is conducted annually to continuously check if the Group's products and services can meet customers' expectations. The valuable opinions obtained are used to review and improve our services. If any complaints were received from customers or any quality issues were identified from regular audits on the product and service quality, the Group would promptly investigate and rectify the problems. In Year 2024, the Group did not recall any products sold or shipped because of safety and health reasons. By all these means, the Group is determined to pursue continuous improvement in the services. The Group has also formulated the "Customer Complaint Handling Procedures" to improve the customer complaint procedures and require relevant departments to keep and manage the complaint records. In Year 2024, the Group did not receive any product recall or complaint on its service or product quality from the customers.

Protection of privacy and intellectual property

Protection of privacy information is also essential to gain trust from clients. The Group has put policies in place and has an "Intellectual Property Management Regulation" and the "Information Security Management Procedure" to regulate how to collect and handle customers' information, and is devoted to protecting intellectual property rights. Policies to protect intellectual property rights in areas such as proprietary technologies, trademarks, inventions, copyrights, and business secrets are developed for the benefits of the Group and its customers.

In Year 2024, the Group was not aware of any material non-compliance with the Regulations on the Work Safety Management of Construction Projects, Ordinance of Quality Control on Construction Works and other applicable laws and regulations. In Year 2024, there was no significant fines or sanctions as a result of non-compliance with any relevant laws and regulations relating to health and safety, advertising, labelling and privacy matters in connection to the products and services provided by the Group.

ANTI-CORRUPTION

The Group forbids any form of bribery to or from suppliers and customers as stated in the related laws and regulations. Suppliers are required to sign agreements to acknowledge and agree to comply with the Company's "Anti-bribery Policy". The policy also forbids employees to receive any benefits from the Company's business partners for any advantages or favours in business. In Year 2024, the Group invited external training institutions to provide training under the theme of anti-corruption to its Directors and employees to help them understand the importance of anti-corruption and the terms of laws and regulations.

The Group has also set up and implemented the "Anti-Corruption Policy" and "Whistleblowing Policy" to regulate improper trading practices. The Group encourages employees to report suspected misconduct and is committed to protecting the identity of whistleblowers and ensure strict confidentiality of information provided by them.

In Year 2024, the Group was not aware of any material non-compliance with the Anti-unfair Competition Law of the People's Republic of China, the Anti-Money Laundering Law of the People's Republic of China and other applicable laws and regulations. In Year 2024, there was no legal case regarding corruption brought against the Group or its employees.

COMMUNITY

The Group insists that, as a listed public company, it must shoulder social responsibilities and make contributions to the society, especially in the aspects of society, environment, education and community. Since 2016, the Group has formulated a "Community Investment Policy" and has planned to set up a team for organizing and participating in community activities aiming at making contributions to the community.

During the year 2024, the economy of the PRC was weak after the control of the Coronavirus pandemic and the Group endeavored to control expenses and streamline the Group's workforce. Therefore, the Group did not organize and participate in community activities in 2024. The Group is considering restarting relevant activities in 2025.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. XIE Yang (謝楊先生), aged 61, is an executive Director, the chairman and the chief executive officer of the Company. Mr. Xie joined the Group since August 2001 and was appointed as a director of the Company on 25 March 2015 before his re-designated as an executive Director on 27 May 2015. Mr. Xie is one of the Controlling Shareholders. Mr. Xie is also a director of each of Guangzhou Hongrun Environmental Protection Technology Co., Ltd. (廣州宏潤環保技術有限公司) ("**Hongrun EP**"), Guangzhou Lintao Environmental Protection Technology Co., Ltd. (廣州霖濤環保技術有限公司) ("**Lintao EP**"), Guangzhou Great Water Environmental Protection Co., Ltd. (廣州中科建禹環保有限公司) ("**Guangzhou Great Water**") and Great Water EP Investment (China) Limited ("**Great Water Hong Kong**"), all being wholly-owned subsidiaries of the Company. He has over 13 years of experience in wastewater and water treatment engineering service industry in the PRC. Mr. Xie is primarily responsible for the overall management, strategic planning and business development of the Group. He is also the legal representative and general manager of Guangzhou Great Water. Mr. Xie is one of the founding shareholders of Guangzhou Great Water in August 2001. Prior to the establishment of Guangzhou Great Water, Mr. Xie was a shareholder and a director of Guangzhou Sunshine Gas Development Co. Ltd. (廣州陽光燃氣發展有限公司), a company principally engaged in the design, implementation and management of natural gas facilities and pipes from 1996 to 2001, where he was responsible for its overall management, strategic planning and business development.

Mr. Xie graduated from the Hunan Normal University (湖南師範大學), the PRC in July 1981. He further completed his education in political sciences at Central School of China Communist Youth League (中國共產主義青年團中央團校) (currently known as China Youth University of Political Studies (中國青年政治學院)) in January 1988. In November 2003, Mr. Xie was appointed as a visiting professor at Hunan Technology College (湖南科技學院). He is also a senior engineer in the field of environmental engineering recognised by Chinese Academy of Sciences (中國科學院) in November 2004.

As at 31 December 2023, Mr. Xie was interested in 91,350,000 Shares. For details, please refer to the section headed "Report of the Directors – Disclosure of Interests" in this report.

Mr. HE Xuanxi (何炫曦先生), aged 43, is an executive Director and the compliance officer of the Company. Mr. He was appointed as an executive Director on 27 May 2015 and he is primarily responsible for general management and overseeing major affairs of the Group, including project management and strategic development of the Group. Mr. He has over 9 years of experience in accounting and financial management. Mr. He joined the Group as an accountant in January 2007 and was later promoted to finance supervisor in November 2007, finance deputy manager in March 2008, finance manager in January 2009 and assistant to general manager in March 2014. Mr. He graduated from Guangdong Finance and Economics College (廣東財經職業學院大學專科) in July 2005 with a diploma in accountancy. He further obtained a bachelors degree in accountancy from South China University of Technology School of Continuing Education (華南理工大學繼續教育學院) in Guangzhou, the PRC, in January 2011.

Ms. LIU Chujun (劉楚君女士), aged 51, was appointed as an executive Director and the compliance officer of the Company on 6 January 2024. Ms. Liu is primarily responsible for corporate management and market development of the Group. Ms. Liu has more than 18 years of experience in electronics, semiconductor and integrated circuit industries in the PRC. From June 2005 to December 2023, Ms. Liu was the general manager of Shenzhen Sawink Technology Co., Ltd. Ms. Liu obtained a Bachelor of Business Administration degree and a Master of Business Administration degree from UNIVERSIDAD PANAMERICANA in Mexico by way of distance learning in 2015 and 2016 respectively.

Ms. SUN Zhaoyang (孫朝陽女士), aged 36, has been appointed as an executive Director of the Company on 15 May 2024. Ms. Sun has extensive experience in corporate management and market development who would assist the Company in expanding its business and to further develop its existing business.

Ms. Sun obtained a Bachelor of Business Administration degree and a Master of Business Administration degree from UNIVERSIDAD PANAMERICANA in Mexico by way of distance learning in 2019 and 2020 respectively. Ms. Sun has over 14 years of experience in the field of network communication in the PRC. Since August 2009, Ms. Sun has been a deputy managing director of Xinjiang Guangxinxing Network Communication Equipment Co., Ltd.* (新疆廣信興網路通訊設備有限公司) and since July 2020, she has been the supervisor of and a shareholder holding 75% equity interest in such company. Since October 2015, she has been employed as a deputy general manager of Guangzhou Nulun Communication Equipment Technology Co., Ltd.* (廣州紐倫通信設備科技有限公司). She had been mainly responsible for technology related works and market development in the above two companies.

Ms. FENG Li (馮莉女士), aged 51, has been appointed as an executive Director of the Company on 2 July 2024. Ms. Feng has extensive experience in project management. She obtained the qualification certificate of geological survey engineer in March 2013. She obtained a bachelor's degree in business administration and a master's degree in business administration from Universidad Empresario de Costa Rica in 2012 and 2018, respectively, by way of distance learning.

Ms. Feng has over 14 years of experience in engineering investigation in the PRC. Ms. Feng has been working as an engineering project manager in Panjin Zicheng Construction and Installation Engineering Company Limited* (盤錦梓誠建築安裝工程有限公司) since December 2019. She worked as a geological survey engineer from April 2013 to November 2019 in Panjin Hailu Geotechnical Engineering Co., Ltd.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. BAI Shuang (白爽女士), aged 53, has been appointed as an independent non-executive Director since December 2015. Ms. Bai is a seasoned practising lawyer in the PRC and has more than twenty years practising legal experience in the PRC. She is currently a partner of Beijing Dacheng (Guangzhou) Law Offices (北京大成(廣州)律師事務所) since November 2010. From October 2006 to October 2010, Ms. Bai was a partner of Guangdong Debi Law Offices (廣東德比律師事務所). From October 2001 to October 2006, she worked as a lawyer at Guangdong Kings Law Firm (廣東金領律師事務所). Ms. Bai graduated from Southwest University of Political Science and Law (西南政法大學) with a bachelor's degree in laws in July 1992.

Mr. HA Chengyong (哈成勇先生), aged 66, has been appointed as an independent non-executive Director since December 2015. Mr. Ha has 33 years of experience in research, application of and management regarding chemistry and natural sciences. During the period from December 2000 to June 2009, Mr. Ha was the deputy head of Guangzhou Chemistry Research Institutes of Chinese Academy of Sciences (中國科學院廣州化學研究所) who was responsible for overseeing chemistry research activities. From December 2001 to May 2009, Mr. Ha served as a managing director of Chinese Academy of Sciences Guangzhou Chemistry Co., Ltd. (中科院廣州化學有限公司), a company principally engaged in the research and development on chemical engineering and other engineering services where he was responsible for the overall management, the strategic development and formulation of research area and direction of the Company. During the period from January 2012 to October 2015, Mr. Ha has served as an assistant to the Dean of Institute of Industry Technology, Guangzhou & Chinese Academy of Sciences, a national academy for natural sciences of the PRC and Mr. Ha was responsible for property investment and supervising the research on the application of polymer materials. During the period between August 2015 and September 2018, Mr. Ha has been the Deputy Chief Officer (副主任) of Yinchuan Technology Innovation & Incubation Center of China Academy of Sciences (a business unit jointly organized by China Academy of Sciences and Yinchuan City Government and designated to improve the transference and transformation of the technological achievements of China Academy of Sciences in Yichuan), mainly responsible for monitoring the whole process of technological achievement transference and providing consultation and training for new technology applications. Since November 1997, Mr. Ha worked as a researcher and was later promoted to tutor for master students at Guangzhou Chemistry Research Institute of Chinese Academy of Sciences. Mr. Ha retired since December 2018.

Mr. Ha graduated from Wuxi Light Industry College (無錫輕工業學院) (now known as Jiangnan University (江南大學)) with a bachelor's degree in industrial chemistry in December 1982. He then obtained a master's degree in forest chemical processing engineering at Institute of Chemical Industry of Forest Products (中國林業科學研究院) in September 1985 and later completed his PhD at the same institute in October 1991. During the period between November 2008 and December 2014, Mr. Ha was an independent director of Xilong Chemical Co., Ltd. (西隴化工股份有限公司) (a company principally engaged in the production, sale, research and development of chemical reagent, which is established in the PRC and listed on the Shenzhen Stock Exchange (stock code: 002584)).

Mr. YAM Yuet Hang (任悅恒先生), aged 37, has been appointed as an independent non-executive Director since 5 March 2025. Mr. Yam has over 10 years of accounting, audit and finance experience. Mr. Yam obtained his master degree of science in data science and business statistic from The Chinese University of Hong Kong in November 2017 and bachelor degree of commerce in accounting from Macquarie University in April 2012. He has been Certified Practising Accountant (CPA Australia) since August 2015. Mr. Yam has been serving as the independent non-executive director of Litian Pictures Holdings Limited (stock code: 9958) since November 2024 and Fullwealth International Group Holdings Limited (stock code: 1034) since January 2024. Both companies are listed on the main board of the Stock Exchange.

Mr. Yam worked as an auditor junior in Akin CPA Limited for the period from May 2012 to May 2013; a global trust accounting in HSBC Trustee (Hong Kong) Limited for the period from August 2013 to July 2014; a senior financial analysis officer in Corporate Credit Information of Corporate Credit Management Center of Bank of China (Hong Kong) Limited for the period from August 2014 to August 2015; a contract teacher in Bethel High School for the period from September 2015 to August 2017; a financial manager in VMI Securities Limited for the period from August 2017 to December 2020; and a senior vice-president in Venture Markit (Hong Kong) Limited for the period from January 2021 to October 2023; a senior finance manager in Crosstec Business Management Limited for the period from November 2023 to November 2024. He is current the managing director of Huiyou Business Services Limited.

Save as disclosed above, each of the Directors do not have any relationship (including financial, business, family or other material relationship) with other Directors, senior management or substantial or Controlling Shareholders of the Company.

SENIOR MANAGEMENT

Mr. FENG Huan (馮奐先生), aged 42, is the Group's vice general manager. Mr. Feng joined the Group as the head of our marketing department in January 2016 and was promoted to the Group's vice president in 2017. Mr. Feng is responsible for assisting the Group's general manger in overseeing every aspect of the Group's daily operation. Mr. Feng worked as a sales manager in South China and the top customer manager in China at Alfa Laval Group and Sidel, respectively. He has over 15 years of experience in industrial customer base and the field of engineering. Mr. Feng graduated from Central South University (中南大學) in Hunan in 2006 with a bachelor's degree in chemical engineering and technology.

Ms. CHEN Shaojuan (陳少娟女士), aged 46, is the head of human resources and administration department of the Company. Ms. Chen joined the Group as the human resources and administration manager in February 2007. She has over 15 years of human resources and administration experience. Ms. Chen is responsible for overseeing human resources and administration matters of the Group. Prior to joining the Group, from August 2001 to June 2006, she worked as an officer of general management office at Guangdong Zhongke Green Spring Co., Ltd (廣東中科綠源水務有限公司), a company principally engaged in water and wastewater treatment engineering projects, where she was responsible for human resources management.

Ms. Chen graduated from Guangdong Vocational Polytechnic Normal University (廣東職業技術師範學院) (currently known as the Guangdong Polytechnic Normal University (廣東技術師範學院)) in July 2000 with a diploma in electronic engineering. She further obtained a bachelor's degree in human resources management from Nanjing University of Science and Technology (南京理工大學) in July 2005. Ms. Chen is certified to be a human resources professional admitted by Ministry of Labour and Social Security of the PRC (中華人民共和國勞動和社會保障部) in February 2006. She is also certified to be an assistant economist by the Human Resources and Social Security Bureau of Guangzhou Development District, the PRC (廣州開發區人力資源和社會保障局) in February 2012.

Mr. LENG Derong (冷德榮先生), aged 46, is the head of finance department of the Company in China. Mr. Leng joined the Group in May 2014 and is responsible for the Group's financial management in China. Prior to joining the Group, Mr. Leng was responsible for financial management at Tianci Hi-tech Material Co., Ltd. (天賜高新材料股份公司) (a company listed on the Shenzhen Stock exchange (stock code: 2709)) and Doppler Electronic Technologies Co., Ltd. (多浦樂電子科技公司). He has years of experience in financial management at listed companies and high-tech companies. Mr. Leng obtained the qualification of an intermediate accountant in May 2009 and a Chinese certified tax agent in August 2012.

Mr. Tse Kwok Hing Henry (謝國興先生), aged 40, has been appointed as the Company Secretary, the Chief Financial Officer, the Authorised Representative with effect from 28 June 2024. Mr. Tse is responsible for overseeing the accounting and financial operations of the Group.

Since November 2019, Mr. Tse has been the company secretary and authorised representative of Moody Technology Holdings Limited, a company listed on the main board of the Stock Exchange (Stock Code: 1400). Mr. Tse was the chief financial officer and company secretary of China Yuanbang Property Holdings Limited, a company listed on the main board of the Singapore Exchange Securities Trading Limited (Stock Code: BCD.SI) from April 2016 to May 2018. Mr. Tse has been appointed as an independent non-executive director of China Environmental Technology and Bioenergy Holdings Limited (Stock Code: 1237) since 1 September 2022, an independent non-executive director of CROSSTEC Group Holdings Limited (Stock Code: 3893) since 20 July 2023, and an independent non-executive director of Litian Pictures Holdings Limited (Stock Code: 9958) since 13 August 2024. The issued shares of these companies are listed on the main board of the Stock Exchange.

Mr. Tse has over 17 years of experience in accounting, auditing and finance fields. Mr. Tse obtained a bachelor's degree of Business Administration in Accounting and Finance from The University of Hong Kong in 2007. He is currently a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants in England and Wales.

INDEPENDENT AUDITOR'S REPORT

北京兴华
BEIJINGXINGHUA

TO THE SHAREHOLDERS OF FUTIAN HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Futian Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 65 to 133, which comprise the consolidated statement of financial position as at 31 December 2024; the consolidated statement of profit or loss and other comprehensive for the year then ended; the consolidated statement of changes in equity for the year then ended; the consolidated statement of cash flows for the year then ended; and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (continued)

Impairment provision of trade receivables and contract assets

Refer to Note 24 and Note 25 to the consolidated financial statements.

The Group's trade receivables and contract assets amounted to RMB67 million, representing approximately 40% of the current assets as at 31 December 2024.

Loss allowances for trade receivables and contract assets are based on management's estimate of the lifetime expected credit losses ("ECL") to be incurred, which is estimated by taking the past events, current conditions and forecasts of future economic conditions (e.g. credit loss experience, ageing of trade receivables, customers' repayment histories and financial positions, etc.) into account. The Group needs to group receivables and contract assets into various customer segments that have similar credit risk patterns and considers how it can incorporate forward-looking information into its historical customer collectability rates, in which a significant degree of management judgement is involved.

Our audit procedures included, among others:

– Reviewed the ECL model prepared by the management and the relevant disclosures;

– Evaluated the design, implementation and operating effectiveness of key internal controls over the Group's credit control policy and construction projects' acceptance processes;

– Verified the customer nature, background, credit standing for each of the material trade receivables and contract assets as at year end by performing public research and interviewed of major customers, confirmed the on-going business relationship and project status by sending letters to corroborate explanations from management;

– Checked key assumptions and input data in the ECL model;

– Checked arithmetical accuracy of the ECL model; and

– Circularised confirmations and checked bank receipts subsequent to the year end.

We consider that the Group's impairment provision of trade receivables and contract assets are supported by the available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The audit committee are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Beijing Xinghua Caplegend CPA Limited
Certified Public Accountants

Wan Ho Yuen
Practising Certificate Number P04309

Hong Kong, 28 March 2025

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
REVENUE	9	**45,801**	106,584
Cost of sales		**(34,741)**	(76,003)
Gross profit		**11,060**	30,581
Other income	10	**7,111**	4,786
Selling and distribution expenses		**(1,696)**	(1,690)
Administrative expenses		**(16,016)**	(19,865)
Impairment losses on financial and contract assets, net	12	**(5,973)**	(7,952)
Other expenses		**(1,809)**	(2,735)
Finance costs	11	**(209)**	(128)
(LOSS)/PROFIT BEFORE TAXATION		**(7,532)**	2,997
Income tax credit/(expense)	14	**490**	(127)
(LOSS)/PROFIT FOR THE YEAR	12	**(7,042)**	2,870
Other comprehensive income/(loss) for the year, net of tax:			
Items that will not be reclassified to profit or loss:			
Loss on equity investments designated at fair value through other comprehensive income		**(1,388)**	(440)
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**223**	9
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		**(1,165)**	(431)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		**(8,207)**	2,439
(LOSS)/EARNINGS PER SHARE	16		(Restated)
Basic and diluted (RMB)		**(0.23)**	0.96

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	17	**6,649**	7,035
Investment properties	18	**25,800**	27,500
Right-of-use assets	19	**11**	178
Other intangible assets	20	**49**	64
Receivables under a service concession arrangement	22	**25,191**	32,315
Equity investments designated at fair value through other comprehensive income	23	**1,910**	2,960
		59,610	70,052
CURRENT ASSETS			
Receivables under a service concession arrangement	22	**7,124**	7,124
Trade and bills receivables	24	**51,458**	103,764
Contract assets	25	**15,803**	18,334
Prepayments, other receivables and other assets	26	**19,562**	7,793
Pledged deposits	27	**–**	3,864
Cash and cash equivalents	27	**72,333**	53,360
		166,280	194,239
CURRENT LIABILITIES			
Trade payables	28	**87,791**	129,798
Contract liabilities	25	**22,571**	27,719
Other payables and accruals	29	**26,564**	23,730
Borrowings	30	**–**	67
Tax payable		**976**	2,397
		137,902	183,711
NET CURRENT ASSETS		**28,378**	10,528
TOTAL ASSETS LESS CURRENT LIABILITIES		**87,988**	80,580
NON-CURRENT LIABILITIES			
Borrowings	30	**9,397**	65
Deferred tax liabilities	31	**5,055**	5,509
		14,452	5,574
NET ASSETS		**73,536**	75,006

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
CAPITAL AND RESERVES			
Equity attributable to owners of the Company			
Share capital	*32*	**2,579**	2,397
Reserves	*33*	**70,957**	72,609
TOTAL EQUITY		**73,536**	75,006

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

The consolidated financial statements on pages 65 to 133 were approved and authorised for issue by the board of directors on 28 March 2025 and are signed on its behalf by:

Approved by:

Xie Yang	**He Xuan Xi**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

	Attributable to owners of the Company								
	Share capital *RMB'000*	Share premium* *RMB'000*	Merger reserve^* *RMB'000*	Revaluation reserve* *RMB'000*	Statutory surplus reserve#* *RMB'000*	Share-based payment reserve* *RMB'000*	Exchange fluctuation reserve* *RMB'000*	Accumulated losses* *RMB'000*	Total *RMB'000*
At 1 January 2023	2,397	98,818	(13,830)	15,252	15,029	1,647	3,913	(52,173)	71,053
Profit for the year	–	–	–	–	–	–	–	2,870	2,870
Other comprehensive income/(loss) for the year:									
Loss on equity investments designated at fair value through other comprehensive income	–	–	–	(440)	–	–	–	–	(440)
Exchange difference on translation of foreign operations	–	–	–	–	–	–	9	–	9
Total comprehensive income/(loss) for the year	–	–	–	(440)	–	–	9	2,870	2,439
Share-based payments	–	–	–	–	–	1,514	–	–	1,514
Transfer from retain profits	–	–	–	–	1,795	–	–	(1,795)	–
At 31 December 2023	2,397	98,818	(13,830)	14,812	16,824	3,161	3,922	(51,098)	75,006
At 1 January 2024	**2,397**	**98,818**	**(13,830)**	**14,812**	**16,824**	**3,161**	**3,922**	**(51,098)**	**75,006**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(7,042)**	**(7,042)**
Other comprehensive income/(loss) for the year:									
Loss on equity investments designated at fair value through other comprehensive income	**–**	**–**	**–**	**(1,388)**	**–**	**–**	**–**	**–**	**(1,388)**
Exchange difference on translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**–**	**223**	**–**	**223**
Total comprehensive income/(loss) for the year	**–**	**–**	**–**	**(1,388)**	**–**	**–**	**223**	**(7,042)**	**(8,207)**
Issuance of shares upon the right issue (Note 32 (b))	**182**	**5,110**	**–**	**–**	**–**	**–**	**–**	**–**	**5,292**
Share-based payments	**–**	**–**	**–**	**–**	**–**	**1,445**	**–**	**–**	**1,445**
At 31 December 2024	**2,579**	**103,928**	**(13,830)**	**13,424**	**16,824**	**4,606**	**4,145**	**(58,140)**	**73,536**

* These reserve accounts comprise the consolidated reserves of approximately RMB70,957,000 (2023: RMB72,609,000) in the consolidated statement of financial position.

^ The merger reserve of the Group represents the capital contributions from the equity holders of certain subsidiaries now comprising the Group before the completion of the Group's reorganisation (the "Reorganisation") which was completed on 10 July 2015. The Reorganisation only involved the addition of new holding entities on top of Great Water Guangzhou Environmental Protection Co., Ltd., then the holding company of the Group, and has not resulted in any change of economic substances.

Pursuant to the relevant laws and regulations relating to foreign investment enterprises, a portion of the profits of certain subsidiaries in the People's Republic of China (the "PRC") is required to be transferred to the PRC statutory surplus reserve which is restricted as to use. These PRC entities are not required to make any further transfer when the amount of the PRC statutory surplus reserve reaches 50% of their registered capital. The PRC statutory surplus reserve can be used to offset their accumulated losses or to increase their registered capital, provided the remaining balance of the PRC statutory surplus reserve is not less than 25% of the registered capital.

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	2024 RMB'000	2023 RMB'000
(Loss)/profit before taxation	**(7,532)**	2,997
Adjustments for:		
Finance cost	**209**	128
Bank interest income	**(1,342)**	(447)
Fair value loss on investment properties	**1,700**	2,700
Depreciation of property, plant and equipment	**389**	498
Depreciation of right-of-use assets	**166**	176
Amortization of other intangible assets	**15**	248
Impairment loss on trade receivables	**4,976**	9,593
Impairment loss/(reversal of impairment) on contract assets	**1,743**	(930)
Reversal of impairment loss on prepayments, other receivables and other assets	**(746)**	(711)
Loss on written-off of property, plant and equipment	**–**	1
Loss on disposal of property, plant and equipment	**–**	4
Share-based payments	**1,445**	1,514
Operating cash flows before movements in working capital	**1,023**	15,771
Change in inventories	**–**	12,567
Change in receivables under service concession arrangements	**7,124**	7,040
Change in trade and bills receivables	**47,330**	14,070
Change in contract assets	**788**	9,698
Change in prepayments, other receivables and other assets	**(11,023)**	10,798
Change in pledged deposits	**3,864**	(976)
Change in trade payables	**(42,007)**	(51,854)
Change in other payables and accruals	**(3,884)**	5,835
Cash generated from operations	**3,215**	22,949
Interest received	**1,342**	447
Lease interest paid	**(24)**	(7)
Net cash flows generated from operating activities	**4,533**	23,389
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	**(3)**	(105)
Capital injection of equity investments at fair value through other comprehensive income	**(338)**	–
Net cash flows used in investing activities	**(341)**	(105)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	2024 *RMB'000*	2023 *RMB'000*
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares upon the right issue	**5,292**	–
New borrowings raised	**9,397**	–
Repayments of bank loans	**–**	(25,000)
Interest paid	**–**	(121)
Principal portion of lease payments	**(132)**	(65)
Net cash flows generated from/(used in) financing activities	**14,557**	(25,186)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**18,749**	(1,902)
Cash and cash equivalents at beginning of year	**53,360**	55,260
Net foreign exchange difference	**224**	2
Cash and cash equivalents at end of year	**72,333**	53,360
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	**72,333**	53,360

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

1. GENERAL INFORMATION

Futian Holdings Limited (the "Company") was incorporated on 25 March 2015 as an exempted company in the Cayman Islands with limited liability under the Companies Law of the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is located at Suite A, 20/F, Wah Hen Commercial Centre, 383 Hennessy Road, Hong Kong. The shares of the Company were listed on the GEM of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 9 December 2015 (the "Listing").

The Company is an investment holding company. During the year, the Company's subsidiaries were principally engaged in (i) environmental protection business, such as wastewater treatment and soil remediation, through design, construction, operation and maintenance service of related facilities; (ii) trading of related equipments; and (iii) provision of online advertising and related services for online games.

These consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these consolidated financial statements.

(b) Basis of preparation

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except for investment properties and equity investments designated at fair value through other comprehensive income which are measured at fair values.

The preparation of the consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 5.

Certain comparative figures have been regrouped to conform with the current year's presentation of the consolidated financial statements.

3. CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to HKFRSs issued by the HKICPA to these consolidated financial statements for the current accounting period:

– Amendments to HKAS 1, Presentation of financial statements – Classification of liabilities as current or non-current and amendments to HKAS 1, Presentation of financial statements – Non-current liabilities with covenants

– Amendments to HKFRS 16, Leases – Lease liability in a sale and leaseback

– Amendments to HKAS 7, Statement of cash flows and HKFRS 7, Financial instruments: Disclosures – Supplier finance arrangements

– Hong Kong Interpretation 5 (Revised), Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause

The adoption of new or amended HKFRSs did not have any material impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2024 and which have not been adopted in these consolidated financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 21, The effects of changes in foreign exchange rates – Lack of exchangeability	1 January 2025
Amendments to HKFRS 9, Financial instruments and HKFRS 7, Financial instruments: disclosures – Amendments to the classification and measurement of financial instruments	1 January 2026
Annual improvements to HKFRSs – Volume 11	1 January 2026
HKFRS 18, Presentation and disclosure in financial statements	1 January 2027
HKFRS 19, Subsidiaries without public accountability: disclosures	1 January 2027
Amendments to HK-Int 5, Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause	1 January 2027
Amendments to HKFRS 10 and HKAS 28, Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The directors of the Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

4. MATERIAL ACCOUNTING POLICIES

The material accounting policies applied in the preparation of these consolidated financial statements are set out below.

(a) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-Group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-Group transactions, are eliminated. Unrealised losses resulting from intra-Group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interest ("NCI") and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in that former subsidiary is measured at fair value when control is lost.

In the company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 4(f)), unless it is classified as held for sale.

(b) Other investments in securities

The Group's policies for investments in securities are set out below.

Investments in securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("FVPL") for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 7. These investments are subsequently accounted for equity investments.

An investment in equity securities is classified as FVPL, unless the investment is not held for trading purposes and on initial recognition the Group makes an irrevocable election to designate the investment at fair value through other comprehensive income ("FVOCI") (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income ("OCI"). Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. If such election is made for a particular investment, at the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings and not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income.

(c) Investment property

Investment property is initially measured at cost, and subsequently at fair value with changes therein recognised in profit or loss.

Any gain or loss on disposal of investment property is recognised in profit or loss. Rental income from investment properties is recognised in accordance with Note 4(o).

4. MATERIAL ACCOUNTING POLICIES (continued)

(d) Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components).

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment less their estimated residual values, if any, using the straight line method over their estimated useful lives, and is generally recognised in profit or loss. The estimated annual rates are as follows:

Buildings	1.9% to 5%
Building improvements	20%
Electronic equipment	19% to 33%
Dedicated equipment	19%
Furniture and fixtures	19%
Motor vehicles	19%

Depreciation methods, useful lives and residual values are reviewed annually and adjusted if appropriate.

Construction in progress represents buildings under construction and plant and machinery pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

4. MATERIAL ACCOUNTING POLICIES (continued)

(e) Leased assets

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) *Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	20 years
Office	2 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) *Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in borrowings.

(c) *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis.

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES (continued)

(e) Leased assets (continued)

Group as a lessee (continued)

(c) Short-term leases and leases of low-value assets (continued)

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

(f) Credit losses and impairment of assets

(i) Credit losses from financial instruments, contract assets and lease receivables

The Group recognises a loss allowance for expected credit losses ("ECL" s) on:

– financial assets measured at amortised cost (including cash and cash equivalents, trade receivables and other receivables, including those loans to associates and joint ventures that are held for the collection of contractual cash flows which represent solely payments of principal and interest);

– contract assets (see Note 4(g)); and

– lease receivables.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

4. MATERIAL ACCOUNTING POLICIES (continued)

(f) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments, contract assets and lease receivables (continued)

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade and bills receivables and contract assets which apply the simplified approach as detailed below.

Stage 1	–	Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2	–	Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3	–	Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade and bills receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES (continued)

(f) Credit losses and impairment of assets (continued)

(ii) Impairment of other non-current assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than property carried at revalued amounts, investment property, inventories and other contract costs, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are Grouped together into the smallest Group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGU"s). Goodwill arising from a business combination is allocated to CGUs or Groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(g) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see Note 4(o)) before being unconditionally entitled to the consideration under the terms in the contract. Contract assets are assessed for ECLs (see Note 4(g)) and are reclassified to receivables when the right to the consideration becomes unconditional (see Note 4(i)).

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see Note 4(o)). A contract liability is also recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such latter cases, a corresponding receivable is also recognised (see Note 4(h)).

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see Note 4(o)).

(h) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration and only the passage of time is required before payment of that consideration is due.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost (see Note 4(f)).

4. MATERIAL ACCOUNTING POLICIES (continued)

(i) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

(j) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(k) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequently, these borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with Note 4(r).

(l) Employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme in accordance with the rules of the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute 14% of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

4. MATERIAL ACCOUNTING POLICIES (continued)

(m) Income taxes

Income tax expense comprises current tax and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

– temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;

– temporary differences related to investment in subsidiaries, associates and joint venture to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;

– taxable temporary differences arising on the initial recognition of goodwill; and

– those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

The Group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Where investment properties are carried at their fair value in accordance with Note 1(j), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date, unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

4. MATERIAL ACCOUNTING POLICIES (continued)

(n) Provisions and contingent liabilities

Generally provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

A provision for warranties is recognised when the underlying products or services are sold, based on historical warranty data and a weighting of possible outcomes against their associated probabilities.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

(o) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Further details of the Group's revenue and other income recognition policies are as follows:

Revenue from contract with customers

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

– the customer simultaneously receives and consumes the benefits provided by the Group's performance;

– the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

– the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is satisfied over time, revenue is recognised by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the product or service.

4. MATERIAL ACCOUNTING POLICIES (continued)

(o) Revenue and other income (continued)

Other revenue

Interest income is recognised using the effective interest method.

Rental income is recognised on a straight-line basis over the lease term.

Finance income from service concession arrangements is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

(p) Service concession arrangement

A service concession arrangement refers to a contractual service arrangement granted by a government authority in Mainland China (the "Grantor") to allow the Group to operate an infrastructure to provide to the public. Such arrangement involves the Group to develop, finance, operate, and maintain the public-service infrastructure for a specified period of time for a service fee. At the end of the service period, the Group is obligated to hand over the infrastructure to the Grantor in a specified condition for little or no incremental consideration.

Such service concession arrangement is governed by a contract between the Group and the relevant Grantor which sets out, inter alia, performance standards, the mechanism for service fee adjustment, specific obligations of the Group for the maintenance of the infrastructure and arrangement for arbitrating disputes.

A service concession arrangement is classified as a financial assert model under HK(IFRIC)-Int 12 and is recognised as a financial asset – Receivables under a service concession arrangement when (a) the Group has an unconditional right to receive cash or another financial asset from, or at the direction of, the Grantor for the construction service rendered and/or the consideration paid and payable by the Group for the right to charge users of the public service; and (b) the Grantor has little, if any, discretion to avoid payment, usually because the agreement is enforceable by law. The Group has an unconditional right to receive cash if the Grantor contractually guarantees to pay the Group (a) specified or determinable amounts or (b) the shortfall, if any, between amounts received from users of the public service and the specified or determinable amounts, even if the payment is contingent on the Group ensuring that the infrastructure meets specified quality of efficiency requirements. During the period of construction of the infrastructures, the relevant portion of consideration of consideration of construction services rendered included in the receivables under service concession arrangements is accounted for as "contract assets". Upon completion of construction, the relevant portion of consideration of construction services rendered included in the receivables under a service concession arrangement is accounted for as financial assets under the accounting policy for "financial assets at amortized cost".

(q) Translation of foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

However, foreign currency differences arising from the translation of the following items are recognised in OCI as an investment in equity securities designated as at FVOCI.

4. MATERIAL ACCOUNTING POLICIES (continued)

(q) Translation of foreign currencies (continued)

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into RMB at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into RMB at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI and accumulated in the exchange reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the exchange reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. On disposal of a subsidiary that includes a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation that have been attributed to the NCI shall be derecognised, but shall not be reclassified to profit or loss. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(r) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

(s) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(t) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(u) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attached to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

(v) Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the Notes to the consolidated financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

4. MATERIAL ACCOUNTING POLICIES (continued)

(w) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources to, and assessing the performance of the Group's various lines of business in different geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of productions processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(x) Related parties

A related party is a person or entity that is related to the Group.

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Company or of a parent of the Company.

(b) An entity is related to the Group (reporting entity) if any of the following conditions applies:

(i) The entity and the Company are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements.

(a) Classification between intangible assets or financial assets and property, plant and equipment under service concession arrangements

The Group makes judgement in determining whether a service concession arrangement is classified as an intangible asset or financial asset in accordance with HK(IFRIC)-Int 12, or as property, plant and equipment in accordance with HKAS 16. For a service concession arrangement where (a) the Grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and (b) the Grantor controls, through ownerships, beneficial entitlement or otherwise, any significant residual interest in the infrastructure at the end of the term of the arrangement, no property, plant and equipment is recognised.

The Group further determines whether a financial asset exists to the extent that (a) it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the Grantor; and (b) the Grantor has little, if any, discretion to avoid payment, usually because the agreement is enforceable by law. The Group will otherwise recognise a service concession arrangement as an intangible asset if the above conditions are not fulfilled.

(b) Revenue from contracts with customers

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

Identifying performance obligations in construction projects with sale of equipment

The Group provides construction projects with sale of equipment. The construction services are a promise to transfer services in the future and are part of the negotiated exchange between the Group and the customer.

The Group determined that both sale of equipment and construction services are each capable of being distinct. The fact that the Group regularly sells both equipment and construction services on a standalone basis indicates that the customer can benefit from both products on their own. The Group also determine that the promises to transfer the equipment and to provide construction services are distinct within the context of the contract. The equipment and construction services are not inputs to a combined item in the contract. The Group is not providing a significant integration service because the presence of the equipment and construction services together in the contract does not result in any additional or combined functionality and neither the equipment nor the construction modifies or customizes the other. In addition, the equipment and construction modifies or customizes the other. In addition, the equipment and construction services are not highly interdependent or highly interrelated, because the Group would be able to transfer the equipment even if the customer declined installation and would be able to provide construction services in relation to equipment sold by other distributors. Consequently, the Group has allocated a portion of the transaction price to the equipment and the construction services based on relative standalone selling prices.

Determining the transaction price and the amounts allocated to performance obligations in construction projects with sale of equipments

To determine the proper revenue recognition method for contracts for construction projects with sale of equipment, the Group separate the contract into more than one performance obligation. Moreover, standalone selling prices for each performance obligation is not readily observable. The Group use the expected cost plus a margin approach to estimate the standalone selling price of each performance obligation.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (continued)

Critical judgements in applying accounting policies (continued)

(b) Revenue from contracts with customers (continued)

Determining the timing of satisfaction of construction projects

The Group conducted that revenue for construction services is recognised over time because the customer simultaneously receives and consumes the benefits provided by the Group. The fact that another entity would not need to re-perform the construction that the Group has provided to date demonstrates that the customer simultaneously receives and consumes the benefits of the Group's performance as it performs.

The Group determined that the input method is the best method in measuring the progress of the construction services because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The Group recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services.

(c) Distinction between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property. In making its judgement, the Group considers whether the property generates cash flows largely independently of the other assets held by the Group. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals and another portion that is held for use in the production of goods. If these portions can be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the production of goods. Judgement is applied in determining whether ancillary services are so significant that a property does not qualify as an investment property. The Group considers each property separately in making its judgement.

(d) Deferred tax for investment properties

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred tax for investment properties, the directors have rebutted the presumption that investment properties measured using the fair value model are recovered through sale.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Provision for expected credit losses on trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on the collectability rate for Groupings of various customer segments that have similar credit risk patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's evaluation of historical observed collectability rate and ageing analysis and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realization of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors of the Group were to deteriorate, resulting in an impairment of their abilities to make payments, additional allowances may be required.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (continued)

Key sources of estimation uncertainty (continued)

(a) Provision for expected credit losses on trade receivables and contract assets (continued)

The assessment of the correlation among historical observed collectability rate, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets are disclosed in Notes 24 and 25 to the consolidated financial statements, respectively.

(b) Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(i) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those difference;

(ii) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the dates of the transactions that occurred at those prices; and

(iii) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition. and using the discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of investment properties at 31 December 2024 was RMB25,800,000 (2023: RMB27,500,000). Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in Note 18 to the consolidated financial statements.

(c) Provision for income taxes

Provision for income taxes is made based on the taxable income for the period as determined by the Group. The determination of taxable income involves the exercise of judgement on interpretation of the relevant tax rules and regulations. The amounts of income taxes and hence profit and loss could be affected by any interpretations and clarifications which the tax authority may issue from time to time.

(d) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, interest rate risk, price risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily Hong Kong dollars ("HK$"), United States dollar ("US$") and Vietnam Dong ("VND"). The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	Increase/ (decrease) in RMB rate *%*	Increase/ (decrease) in loss before tax or decrease/ (increase) in profit before tax *RMB'000*	Increase/ (decrease) in equity* *RMB'000*
2024			
If the RMB weakness against the VND	**5**	**120**	**120**
If the RMB strengthens against the VND	**(5)**	**(120)**	**(120)**
If the RMB weakness against the US$	**5**	**2,057**	**(2,057)**
If the RMB strengthens against the US$	**(5)**	**(2,057)**	**2,057**
If the RMB weakness against the HK$	**5**	**771**	**771**
If the RMB strengthens against the HK$	**(5)**	**(771)**	**(771)**
2023			
If the RMB weakness against the VND	5	555	555
If the RMB strengthens against the VND	(5)	(555)	(555)
If the RMB weakness against the US$	5	1,308	(1,308)
If the RMB strengthens against the US$	(5)	(1,308)	1,308
If the RMB weakness against the HK$	5	80	80
If the RMB strengthens against the HK$	(5)	(80)	(80)

* Excluding retained profits

6. FINANCIAL RISK MANAGEMENT (continued)

(a) Foreign currency risk (continued)

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis is performed on the same basis for 2023.

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from other borrowings issued at fixed rates, which expose the Group to fair value interest rate risk.

At 31 December 2024, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's loss after tax and retained profits by approximately RMB47,000 (2023: Nil).

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. The analysis is performed on the same basis as 2023.

(c) Price risk

The Group is exposed to equity price changes arising from unquoted equity investments held for strategic purposes.

All of the Group's unquoted investments are held for long term strategic purposes. Their performance is assessed at least bi-annually against performance of similar listed entities, based on the limited information available to the Group, together with an assessment of their relevance to the Group's long term strategic plans.

In the opinion of the directors, the unquoted investment would have no significant impact on the price risk of the Group.

(d) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The carrying amount of the cash and bank balances, trade and other receivables, contract assets and receivables under a service concession arrangement included in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk on cash and bank balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The Group does not provide any other guarantees which would expose the Group to credit risk.

6. FINANCIAL RISK MANAGEMENT (continued)

(d) Credit risk (continued)

The Group considers whether there has been a significant increase in credit risk of financial assets on an ongoing basis throughout each reporting period by comparing the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following information is used:

– internal credit rating;

– actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;

– actual or expected significant changes in the operating results of the borrower;

– significant increases in credit risk on other financial instruments of the same borrower; and

– significant changes in the expected performance and behavior of the borrower, including changes in the payment status of borrowers.

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 60 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group normally categorizes a loan or receivable for write off when a debtor fails to make contractual payments greater than 360 days past due. Where loans or receivables have been written off, the Group, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due.

The Group uses three categories for non-trade receivables which reflect their credit risk and how the loss provision is determined for each of the categories. In calculating the expected credit loss rates, the Group considers historical loss rates for each category and adjusts for forward looking data.

Stage 1	Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2	Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3	Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. At the end of the reporting period, the Group had certain concentrations of credit risk as 49% (2023: 42%) of the Group's trade receivables were due from the Group's five largest customers. Other than that, the Group has no significant concentrations of credit risk.

6. FINANCIAL RISK MANAGEMENT (continued)

(e) Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g. trade receivables) and projected cash flows from operations.

The maturity analysis, based on undiscounted cash flows, of the Group's financial liabilities is as follows:

31 December 2024	**On demand** *RMB'000*	**Less than 3 months** *RMB'000*	**3 to less than 12 months** *RMB'000*	**More than 12 months** *RMB'000*	**Total** *RMB'000*
Borrowings	**–**	**–**	**–**	**11,746**	**11,746**
Trade payables	**87,791**	**–**	**–**	**–**	**87,791**
Financial liabilities included in other payables and accruals	**25,029**	**–**	**–**	**–**	**25,029**
	112,820	**–**	**–**	**11,746**	**124,566**

31 December 2023	On demand *RMB'000*	Less than 3 months *RMB'000*	3 to less than 12 months *RMB'000*	More than 12 months *RMB'000*	Total *RMB'000*
Lease liabilities	–	33	46	80	159
Trade payables	129,798	–	–	–	129,798
Financial liabilities included in other payables and accruals	22,172	–	–	–	22,172
	151,970	33	46	80	152,129

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6. FINANCIAL RISK MANAGEMENT (continued)

(f) Categories of financial instruments

	2024	2023
	RMB'000	*RMB'000*
Financial assets:		
Equity investments designated at FVOCI	**1,910**	2,960
Financial assets at amortized cost		
– Receivables under a service concession arrangement	**32,315**	39,439
– Trade and bills receivables	**51,458**	103,764
– Other receivables and other assets	**8,079**	7,980
– Pledged deposits	**–**	3,864
– Cash and cash equivalents	**72,333**	53,360
	164,185	208,407
	166,095	211,367
Financial liabilities:		
Financial liabilities at amortized cost		
– Trade payables	**87,791**	129,798
– Other payables and accruals	**25,029**	22,172
– Borrowings	**9,397**	132
	122,217	152,102

(g) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2024 and 2023.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt includes borrowings, trade payables and other payables and accruals, less cash and cash equivalents. Capital represents equity attributable to owners of the Company.

6. FINANCIAL RISK MANAGEMENT (continued)

(g) Capital management (continued)

The gearing ratios as at the end of the reporting periods were as follows:

	2024 ***RMB'000***	2023 *RMB'000*
Borrowings	**9,397**	132
Trade payables	**87,791**	129,798
Financial liabilities included in other payables and accruals	**26,564**	23,730
Less: Cash and cash equivalents	**(72,333)**	(53,360)
Net debt	**51,419**	100,300
Total capital	**73,536**	75,006
Capital and net debt	**124,955**	175,306
Gearing ratio	**41%**	57%

7. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorizes into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs:	quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
Level 2 inputs:	inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3 inputs:	unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

7. FAIR VALUE MEASUREMENTS (continued)

(a) Disclosures of level in fair value hierarchy:

Description	**Fair value measurements using:** **Level 2** *RMB'000*	**Level 3** *RMB'000*	**Total** *RMB'000*
Recurring fair value measurements at 31 December 2024:			
Equity investments designated at FVOCI			
Private equity investments	**–**	**1,910**	**1,910**
Investment properties			
Industrial properties – PRC	**25,800**	**–**	**25,800**
Total recurring fair value measurements	**25,800**	**1,910**	**27,710**

Description	Fair value measurements using: Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
Recurring fair value measurements at 31 December 2023:			
Equity investments designated at FVOCI			
Private equity investments	–	2,960	2,960
Investment properties			
Industrial properties – PRC	27,500	–	27,500
Total recurring fair value measurements	27,500	2,960	30,460

There were no transfers between Level 1, 2 and 3 fair value measurements in both years.

7. FAIR VALUE MEASUREMENTS (continued)

(b) Reconciliation of assets measured at fair value based on Level 3:

Description	**Equity investments designated at FVOCI** *RMB'000*	**Total** *RMB'000*
At 1 January 2023	3,400	3,400
Total gains or losses recognised in other comprehensive income	(440)	(440)
At 31 December 2023 and 1 January 2024	2,960	2,960
Capital injection during the year	338	338
Total gains or losses recognised in other comprehensive income	(1,388)	(1,388)
At 31 December 2024	1,910	1,910

The total gains or losses recognised in other comprehensive income are presented in "Loss on equity investments designated at fair value through other comprehensive income" in the statement of profit or loss and other comprehensive income.

The total gains or losses recognised in profit or loss including those for assets held at end of reporting period are presented in statement of profit or loss.

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2024:

The Group's financial controller is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The financial controller reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the financial controller and the Board of Directors at least twice a year.

Level 2 fair value measurements

Description	**Valuation technique**	**Inputs**	**Fair value 2024** *RMB'000*
Industrial investment properties – PRC	**Direct comparison approach**	**Market unit selling price**	**25,800**

Description	Valuation technique	Inputs	Fair value 2023 *RMB'000*
Industrial investment properties – PRC	Direct comparison approach	Market unit selling price	27,500

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7. FAIR VALUE MEASUREMENTS (continued)

Level 3 fair value measurements

Description	**Valuation technique**	**Unobservable inputs**	**Effect on fair value for increase of inputs**	**Total 2024** *RMB'000*
Private equity investments classified as equity investments at FVOCI	**Net asset value**	**N/A**	**N/A**	**1,910**

Description	Valuation technique	Unobservable inputs	Effect on fair value for increase of inputs	Total 2023 *RMB'000*
Private equity investments classified as equity investments at FVOCI	Net asset value	N/A	N/A	2,960

During the two years, there were no changes in the valuation techniques used.

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

8. SEGMENT INFORMATION

For management purposes, the Group is organized 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 optimize 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. During the year ended 31 December 2024, the "Others" segment also comprise the provision of online advertising and related services for online games.

8. 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, pledged deposits 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:

Year ended 31 December 2024	**EPC Projects** *RMB'000*	**Construction Projects** *RMB'000*	**Equipment Projects** *RMB'000*	**Service Concession Arrangement** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
Revenue from external customers	**5,384**	**1,431**	**14,106**	**13,370**	**11,510**	**45,801**
Segment profit	**1,147**	**1,098**	**7,343**	**1,012**	**460**	**11,060**
Depreciation and amortisation	**–**	**–**	**–**	**–**	**570**	**570**
Additions to segment non-current assets	**–**	**–**	**–**	**–**	**3**	**3**
As at 31 December 2024						
Segment assets	**16,432**	**7,296**	**32,881**	**43,508**	**12,655**	**112,772**
Segment liabilities	**40,832**	**10,305**	**38,256**	**20,030**	**939**	**110,362**

Year ended 31 December 2023	EPC Projects *RMB'000*	Construction Projects *RMB'000*	Equipment Projects *RMB'000*	Service Concession Arrangement *RMB'000*	Others *RMB'000*	Total *RMB'000*
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
As at 31 December 2023						
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

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8. SEGMENT INFORMATION (continued)

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

	2024 *RMB'000*	2023 *RMB'000*
Revenue		
Total revenue of reportable segments	**45,801**	106,584
Consolidated revenue	**45,801**	106,584
Profit or loss		
Total profit of reportable segments	**11,060**	30,581
Interest income	**1,342**	447
Unallocated gains	**5,769**	4,339
Impairment losses on financial and contract assets, net	**(5,973)**	(7,952)
Fair value loss on investment properties	**(1,700)**	(2,700)
Corporate and other unallocated expenses	**(17,845)**	(21,597)
Finance costs (other than interest on lease liabilities)	**(185)**	(121)
Consolidated (loss)/profit before tax	**(7,532)**	2,997
Assets		
Total assets of reportable segments	**112,772**	165,400
Corporate and other unallocated assets	**113,118**	98,891
Total assets	**225,890**	264,291
Liabilities		
Total liabilities of reportable segments	**110,362**	157,517
Corporate and other unallocated liabilities	**41,992**	31,768
Total liabilities	**152,354**	189,285

8. SEGMENT INFORMATION (continued)

Geographical information:

	Revenue		Non-current assets	
	2024	2023	**2024**	2023
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Mainland China	**42,501**	106,544	**32,337**	34,582
Vietnam	**3,300**	40	**172**	195
	45,801	106,584	**32,509**	34,777

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

Revenue from major customers:

	2024	2023
	RMB'000	*RMB'000*
Construction Projects		
Customer A	**N/A***	32,691
Customer B	**N/A***	24,627
Equipment Projects		
Customer C	**8,937**	26,082
Service Concession Arrangement		
Customer D	**13,370**	12,636
Others		
Customer E	**6,910**	N/A*

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

For the year ended 31 December 2024

9. REVENUE

	2024	2023
	RMB'000	*RMB'000*
Sale of equipment	**14,325**	51,704
Construction services	**6,596**	38,105
Other services	**24,880**	16,775
Total revenue from contracts with customers	**45,801**	106,584

Disaggregation of revenue from contracts with customers:

	2024					
Segments	**EPC Projects**	**Construction Projects**	**Equipment Projects**	**Service Concession Arrangement**	**Others**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Geographical markets						
Mainland China	**2,084**	**1,431**	**14,106**	**13,370**	**11,510**	**42,501**
Vietnam	**3,300**	**–**	**–**	**–**	**–**	**3,300**
Total	**5,384**	**1,431**	**14,106**	**13,370**	**11,510**	**45,801**
Major products/service						
Sale of equipment	**219**	**–**	**14,106**	**–**	**–**	**14,325**
Construction services	**5,165**	**1,431**	**–**	**–**	**–**	**6,596**
Other services	**–**	**–**	**–**	**13,370***	**11,510**	**24,880**
Total	**5,384**	**1,431**	**14,106**	**13,370**	**11,510**	**45,801**
Timing of revenue recognition						
At a point in time	**219**	**–**	**14,106**	**–**	**6,910**	**21,235**
Over time	**5,165**	**1,431**	**–**	**13,370**	**4,600**	**24,566**
Total	**5,384**	**1,431**	**14,106**	**13,370**	**11,510**	**45,801**

9. REVENUE (continued)

Disaggregation of revenue from contracts with customers: (continued)

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

* Included in the revenue from other services is an amount of approximately RMB707,000 (2023: RMB834,000) of finance income from service concession arrangement for the year ended 31 December 2024.

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.

9. REVENUE (continued)

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.

During the year ended 31 December 2024, the Group through its wholly-owned subsidiary engaged in the provision of online advertising and related services for online games.

The performance obligation is satisfied upon delivery of services and payment is generally due within 120 days of issuing the relevant invoices.

10. OTHER INCOME

	2024	2023
	RMB'000	*RMB'000*
Bank interest income	**1,342**	447
Rental income from investment property operating leases:		
Other lease payments, including fixed payments	**4,943**	3,362
Government grants	**75**	308
Others	**751**	669
	7,111	4,786

11. FINANCE COSTS

	2024	2023
	RMB'000	*RMB'000*
Interest on borrowings	**185**	121
Interest on lease liabilities (Note 19)	**24**	7
	209	128

12. (LOSS)/PROFIT FOR THE YEAR

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

	2024 ***RMB'000***	2023 *RMB'000*
Auditors' remuneration		
– audit service	**800**	1,000
Cost of inventories sold	**7,075**	29,312
Cost of construction contracting	**4,530**	43,437
Cost of services provided	**23,136**	3,254
	34,741	76,003
Depreciation of property, plant and equipment (Note 17)	**389**	498
Depreciation of right-of-use assets (Note 19)	**166**	176
Amortisation of other intangible assets (Note 20)	**15**	248
Direct operating expenses (including repairs and maintenance arising from rental-earning investment properties)	**25**	82
Loss on disposal of property, plant and equipment (Note 17)	**–**	4
Loss on written-off of property, plant and equipment (Note 17)	**–**	1
Fair value loss on investment properties	**1,700**	2,700
Impairment losses of financial and contract assets, net:		
Impairment loss on trade receivables (Note 24)	**4,976**	9,593
Impairment loss/(reversal of impairment loss) on contract assets (Note 25)	**1,743**	(930)
Reversal of impairment loss on prepayments, other receivables and other assets (Note 26)	**(746)**	(711)
	5,973	7,952
Staff costs including directors' remuneration:		
Wages and salaries	**6,382**	12,936
Pension scheme contributions*	**668**	904
Other welfare expenses	**121**	514
Employee share option benefits (equity-settled)	**1,445**	1,514
	8,616	15,868

* As at the end of the years 2024 and 2023, the Group had no material forfeited contributions available to reduce its contributions to the retirement benefit schemes in future years.

13. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2024	2023
	RMB'000	*RMB'000*
Fees	**1,486**	745
Other emoluments:		
Salaries, allowances and benefits in kind	**530**	716
Pension scheme contribution	**9**	–
Employee share option benefits (equity-settled)	**453**	1,084
	992	1,800
	2,478	2,545

(a) Directors' and Chief Executive's Emoluments

		For the year ended 31 December 2024					
	Notes	Fees	Salaries, allowances and benefits in kind	Performance related bonus	Pension scheme contribution	Employee share option benefits (equity-settled)	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Independent non-executive directors:							
Mr. TSE Chi Wai	*(vii)*	111	–	–	–	–	111
Mr. HA Cheng Yong		111	–	–	–	–	111
Mr. BAI Shuang		111	–	–	–	–	111
Mr. Yam Yuet Hang	*(viii)*	–	–	–	–	–	–
		333	–	–	–	–	333
Executive directors:							
Mr. XIE Yang		251	164	–	–	340	755
Mr. HE Xuan Xi		128	366	–	–	113	607
Ms. LIU Chujun	*(iv)*	332	–	–	3	–	335
Ms. SUN Zhaoyang	*(v)*	221	–	–	3	–	224
Ms. Feng Li	*(vi)*	221	–	–	3	–	224
		1,153	530	–	9	453	2,145
		1,486	530	–	9	453	2,478

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13. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS (continued)

(a) Directors' and Chief Executive's Emoluments (continued)

		For the year ended 31 December 2023					
	Notes	Fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Performance related bonus *RMB'000*	Pension scheme contribution *RMB'000*	Employee share option benefits (equity-settled) *RMB'000*	Total *RMB'000*
Independent non-executive directors:							
Mr. TSE Chi Wai	*(vii)*	109	–	–	–	–	109
Mr. HA Cheng Yong		109	–	–	–	–	109
Mr. BAI Shuang		109	–	–	–	–	109
		327	–	–	–	–	327
Executive directors:							
Mr. XIE Yang		251	462	–	–	813	1,526
Mr. HE Xuan Xi		140	254	–	–	271	665
Mr. GAO Xue Feng	*(ii)*	–	–	–	–	–*	–
Mr. ZHAO Yanwei	*(iii)*	–	–	–	–	–*	–
		391	716	–	–	1,084	2,191
Non-executive director:							
Ms. GONG Lan Lan	*(i)*	27	–	–	–	–	27
		745	716	–	–	1,084	2,545

Notes:

(i) Ms. GONG Lan Lan was resigned as a non-executive director of the Company with effect from 03 April 2023.

(ii) Mr. GAO Xue Feng was resigned as an executive director of the Company with effect from 31 August 2023.

(iii) Mr. ZHAO Yanwei was resigned as an executive director of the Company with effect from 29 December 2023.

(iv) Ms. LIU Chujun was appointed as an executive director of the Company with effect from 6 January 2024.

(v) Ms. SUN Zhaoyang was appointed as an executive director of the Company with effect from 15 May 2024.

(vi) Ms. FENG Li was appointed as an executive director of the Company with effect from 2 July 2024.

(vii) Mr. Tse Chi Wai was resigned as an independent non-executive director of the Company with effect from 5 March 2025.

(viii) Mr. Yam Yuet Hang was appointed as an independent non-executive director of the Company with effect from 5 March 2025.

There were no other emoluments payable to the independent non-executive directors during the current year and the prior year.

For the year ended 31 December 2024

13. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS (continued)

(a) Directors' and Chief Executive's Emoluments (continued)

Notes: (continued)

* Mr. GAO Xue Feng and Mr. ZHAO Yanwei had resigned as an executive director of the Company during the year and their respective employee share option benefits (equity-settled) amounted to HK$2,090,000 (equivalent to RMB1,900,000) expenses had been written back during the year ended 31 December 2023.

Mr. GAO Xue Feng and Mr. ZHAO Yan Wei were appointed as the Company's executive directors on 28 January 2022 and 10 March 2022 respectively. Whilst it has been stated in the Company's announcements dated 28 January 2022 and 10 March 2022 that Mr. GAO Xue Feng and Mr. ZHAO Yan Wei would be entitled to a monthly remuneration of HK$10,000 for their appointment as the Company's executive directors, Mr. GAO Xue Feng and Mr. ZHAO Yan Wei have on 20 March 2023, agreed to waive the remuneration for their appointment as the Company's executive directors for the year ended 31 December 2023. The total amount of directors' remuneration waived by Mr. GAO Xue Feng and Mr. ZHAO Yan Wei during the year ended 31 December 2023 amounted to approximately of HK$200,000. Save as disclosed above, there was no other arrangement under which a director or the chief executive of the Company waived or agreed to waive any remuneration during the year ended 31 December 2023.

During the year and the prior years, no emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

(b) Five highest paid individual emoluments

The five highest paid individuals of the Group included two (2023: two) directors, details of whose remuneration are set out above. The emoluments of the remaining three (2023: three) highest paid employees are as follows:

	2024 ***RMB'000***	2023 *RMB'000*
Salaries, allowances and benefits in kind	**1,748**	1,617
Pension scheme contribution	**114**	80
	1,862	1,697

Emoluments of these employees were within the following bands:

	Number of employees	
Emolument band:	**2024**	2023
Nil – HK$1,000,000	**3**	3

14. INCOME TAX (CREDIT)/EXPENSE

	2024 **RMB'000**	2023 RMB'000
Current taxation:		
PRC	**(36)**	358
Deferred taxation	**(454)**	(231)
Income tax (credit)/expense	**(490)**	127

Hong Kong Profits Tax has been provided at the rate of 16.5% (2023: 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% (2023: 8.25%), and the remaining assessable profits are taxed at the rate of 16.5% (2023: 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 2024 and 2023.

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.

The reconciliation of the tax expense applicable to (loss)/profit before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e. the statutory tax rates) to the effective tax rates, are as follows:

	2024 **RMB'000**	2023 RMB'000
(Loss)/profit before taxation	**(7,532)**	2,997
Tax calculated at weighted average tax rate	**(2,193)**	1,339
Tax effect of income not taxable	**(593)**	(231)
Tax effect of expenses not deductible	**2,296**	1,726
Tax effect of utilisation of tax loss not previously recognised	**–**	(2,707)
Taxation for the year	**(490)**	127

15. DIVIDENDS

The Directors do not recommend the payment of any dividend for each of the years ended 31 December 2024 (2023: Nil).

16. (LOSS)/EARNINGS PER SHARE

The calculation of the basic loss (2023: earnings) per share is based on the loss for the year attributable to owners of the Company of RMB7,042,000 (2023: profit of RMB2,870,000), and the weighted average number of ordinary shares of 30,932,000 (2023: 30,000,000) in issue during the year.

No diluted loss/earnings per share are presented as the Company did not have any dilutive potential ordinary shares during the years ended 31 December 2024 and 2023.

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

	2024	2023
	RMB'000	*RMB'000*
(Loss)/profit		
(Loss)/profit attributable to owners of the Company for the purpose of basic and diluted (loss)/earnings per share	**(7,042)**	2,870

	Number of shares	
	2024	2023
		(Restated)
No. of shares		
Weighted average number of ordinary shares for calculating basic and diluted (loss)/earnings per share	**30,932,000**	30,000,000

The weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share has been adjusted retrospectively for the effect of Share consolidation completed on 6 December 2024.

For the year ended 31 December 2024

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Building improvements RMB'000	Electronic equipment RMB'000	Dedicated equipment RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST:								
At 1 January 2023	5,693	1,091	431	1,560	1,237	3,675	1,588	15,275
Additions	–	–	34	2	69	–	–	105
Write-off	–	–	(16)	–	–	–	–	(16)
Disposals	–	–	–	–	(77)	–	–	(77)
At 31 December 2023 and 1 January 2024	5,693	1,091	449	1,562	1,229	3,675	1,588	15,287
Additions	–	–	–	–	3	–	–	3
At 31 December 2024	**5,693**	**1,091**	**449**	**1,562**	**1,232**	**3,675**	**1,588**	**15,290**
ACCUMULATED DEPRECIATION AND IMPAIRMENT:								
At 1 January 2023	1,042	1,091	349	1,345	869	3,146	–	7,842
Provided during the year	108	–	24	35	81	250	–	498
Write-off	–	–	(15)	–	–	–	–	(15)
Disposal	–	–	–	–	(73)	–	–	(73)
At 31 December 2023 and 1 January 2024	1,150	1,091	358	1,380	877	3,396	–	8,252
Provided during the year	108	–	25	27	91	138	–	389
At 31 December 2024	**1,258**	**1,091**	**383**	**1,407**	**968**	**3,534**	**–**	**8,641**
CARRYING AMOUNT:								
At 31 December 2024	**4,435**	**–**	**66**	**155**	**264**	**141**	**1,588**	**6,649**
At 31 December 2023	4,543	–	91	182	352	279	1,588	7,035

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18. INVESTMENT PROPERTIES

	2024	2023
	RMB'000	*RMB'000*
At 1 January	**27,500**	30,200
Fair value loss	**(1,700)**	(2,700)
At 31 December	**25,800**	27,500

The Group's investment properties are situated in Mainland China, which consist of one industrial building and one land use right. The land use right is held under a long term lease and the building is owned by a subsidiary of the Group. The Group's investment properties were revalued on 31 December 2024 based on valuations performed by Roma Appraisals Limited, an independent professionally qualified valuer, at RMB25,800,000 (2023: RMB27,500,000). Each year, the Group's property manager and the chief financial officer decide, after approval from the directors, to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's property manager and the chief financial officer have discussions with the valuer on the valuation assumptions and valuation results once a year around the year end when the valuation is performed for annual financial reporting.

The Group leases its investment properties consisting of one industrial property in the PRC under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the prevailing market conditions. Rental income recognised by the Group during the year was RMB4,943,000 (2023: RMB3,362,000), details of which are included in Note 10 to the consolidated financial statements.

The Group's future undiscounted lease payments under operating leases receivable as follows:

	2024	2023
	RMB'000	*RMB'000*
Within 1 year	**1,688**	3,707
Between 1 and 2 years	**1,262**	1,679
Between 2 and 3 years	**8**	1,323
Between 3 and 4 years	**8**	8
Between 4 to 5 years	**8**	8
Over 5 years	**8**	8
	2,982	6,733

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19. LEASES AND RIGHT-OF-USE ASSETS

Disclosures of lease-related items:

	2024 *RMB'000*	2023 *RMB'000*
At 31 December:		
Right-of-use assets		
– Buildings	**–**	88
– Leasehold land	**11**	90
	11	178

The maturity analysis, based on undiscounted cash flows, of the Group's lease liabilities is as follows:

	2024 *RMB'000*	2023 *RMB'000*
– Less than 1 year	**–**	67
– Over 1 year	**–**	65
	–	132
Year ended 31 December:		
Depreciation charge of right-of-use assets		
– Buildings	**(88)**	(98)
– Leasehold land	**(78)**	(78)
	(166)	(176)
Lease interests (Note 11)	**24**	7
Total cash outflow for leases	**(307)**	(70)

20. OTHER INTANGIBLE ASSETS

	Patents and licences *RMB'000*
COST:	
At 1 January 2023, 31 December 2023, 1 January 2024 and 31 December 2024	3,649
ACCUMULATED AMORTISATION AND IMPAIRMENT:	
At 1 January 2023	3,337
amortisation for the year	248
At 31 December 2023 and 1 January 2024	3,585
amortisation for the year	15
At 31 December 2024	3,600
CARRYING AMOUNT:	
At 31 December 2024	49
At 31 December 2023	64

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21. SUBSIDIARIES

Particulars of the principal subsidiaries are as follows:

Company name	Place of incorporation or registration/ operations	Issued and paid up capital	Percentage of equity interests attributable to the Company		Principal activities
			2024	2023	
Great Water EP Investments Limited*	Hong Kong	HK$60,125,001	**100%**	100%	Provision of online advertising and related services for online games
Lintao Environmental Protection Co., Ltd.@ (廣州霖濤環保技術有限公司)	PRC^	RMB48,000,000	**100%**	100%	Design and construction and sale of equipment for wastewater projects
Hongrun Environmental Protection Co., Ltd.@ (廣州宏潤環保技術有限公司)	PRC^^	RMB48,000,000	**100%**	100%	Design and construction and sale of equipment for wastewater projects
Guangzhou Great Water Environmental Protection Co., Ltd.@ ("**Guangzhou Great Water**") (廣州中科建禹環保有限公司)	PRC^^	RMB33,333,300+	**100%**	100%	Design and construction and sale of equipment for environmental protection projects
Trung Khoa Kien Vu Environmental Protection (Vietnam) Company Limited	Vietnam	US$180,000	**100%**	100%	Design and construction for wastewater projects

@ The English names of these companies represent the best effort made by management of the Company to directly translate the Chinese names as these companies do not register any official English names.

^ The subsidiary was registered as wholly-foreign-owned enterprises under the PRC law.

^^ These subsidiaries were registered as domestic enterprises under the PRC law.

* The subsidiary was registered as company limited by shares.

\+ Guangzhou Great Water was established in the PRC with limited liability on 2 August 2001. The registered capital of Guangzhou Great Water is RMB50,000,000 (2023: RMB50,000,000), of which RMB33,333,300 has been paid by the Group as at 31 December 2024 and 2023.

22. RECEIVABLES UNDER A SERVICE CONCESSION ARRANGEMENT

	2024 RMB'000	2023 RMB'000
Receivables under a service concession arrangement	**32,315**	39,439
Analyzed as:		
Current assets	**7,124**	7,124
Non-current assets	**25,191**	32,315
	32,315	39,439

Receivables under a service concession arrangement was due from the Grantor in respect of the Group's sludge treatment operations.

The expected credit loss rate for the Group's receivables under a service concession arrangement is minimal. No impairment loss was recognised by the Group as at 31 December 2024 in respect of this asset (2023: Nil).

23. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2024 RMB'000	2023 RMB'000
Equity securities, at fair value		
Unlisted equity securities		
– Guangzhou Environmental Technology Company Limited* (廣州環科環保有限公司)	**1,910**	2,960

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

As at 31 December 2024 and 2023, the Group held 5% equity interest of Guangzhou Environmental Technology Company Limited* (廣州環科環保有限公司).

* The English names of these companies represent the best effort made by management of the Company to directly translate the Chinese names as these companies do not register any official English names.

24. TRADE AND BILLS RECEIVABLES

	2024 *RMB'000*	2023 *RMB'000*
Trade receivables and bills receivables	**87,533**	135,619
Provision for loss allowance	**(36,075)**	(31,855)
	51,458	103,764

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 minimize 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:

	2024 *RMB'000*	2023 *RMB'000*
0 – 30 days	**29,158**	22,927
31 – 90 days	**3,131**	15,829
91 – 365 days	**1,254**	15,797
1 – 2 years	**10,236**	6,734
2 – 3 years	**5,496**	8,267
Over 3 years	**2,183**	34,210
	51,458	103,764

Reconciliation of the loss allowance for trade receivables:

	2024 *RMB'000*	2023 *RMB'000*
At 1 January	**31,855**	22,262
Impairment loss	**4,976**	9,593
Amount written off as uncollectible	**(756)**	–
At 31 December	**36,075**	31,855

24. TRADE AND BILLS RECEIVABLES (continued)

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
At 31 December 2024					
Weighted average expected loss rate	**2%**	**13%**	**54%**	**84%**	
Receivable amount (RMB$'000)	**852**	**43,124**	**32,899**	**10,658**	**87,533**
Loss allowance (RMB$'000)	**(1)^**	**(6,980)^**	**(25,887)^***	**(3,207)^**	**(36,075)**
At 31 December 2023					
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)^	(5,781)^	(22,953)^*	(3,106)^	(31,855)

^ A specific trade receivable with gross carrying amount of approximately RMB20,783,000 (2023: approximately RMB72,829,000) was assessed individually which were considered in default due to indicators and an impairment of approximately RMB16,422,000 (2023: approximately RMB30,794,000) was made.

* A specific trade receivable with gross carrying amount of approximately RMB11,193,000 (2023: approximately RMB21,712,000) was assessed individually as the Group considered the default risk was minimal and the outstanding contractual amount was likely to be recovered in full.

25. CONTRACT ASSETS AND LIABILITIES

Disclosures of revenue-related items:

	As at 31 December 2024 RMB'000	As at 31 December 2023 RMB'000	As at 1 January 2023 RMB'000
Contract assets – construction	**20,850**	21,638	31,336
Impairment of contract assets	**(5,047)**	(3,304)	(4,234)
Total contract assets	**15,803**	18,334	27,102
Contract liabilities – construction	**10,890**	11,959	11,740
Contract liabilities – sale of equipment	**11,681**	15,760	3,257
Total contract liabilities	**22,571**	27,719	14,997
Contract receivables (include in trade receivables)	**51,458**	103,764	127,427

Year ended 31 December	**2024 RMB'000**	2023 RMB'000
Revenue recognised in the year that was included in contract liabilities at beginning of year	**6,593**	12,507

Management expects that 18% of the transaction price allocated to unsatisfied performance obligations as of 31 December 2024 will be recognised as revenue during the next reporting period (RMB4,065,000). The remaining amount will be expected to recognise over 1 year. The account disclosed above does not include variable consideration which is constrained.

For the year ended 31 December 2024

25. CONTRACT ASSETS AND LIABILITIES (continued)

Contract assets are initially recognised for revenue earned from the sale of equipment and the provision of construction services as the receipt of consideration is conditional on successful completion of delivery of equipment and construction, respectively. Included in contract assets for construction services are retention receivables. Upon completion of delivery of equipment or construction and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade and bills receivables.

Contract assets are initially recognised for revenue earned from the provision of construction services for the infrastructures during the period of construction under the service concession arrangement. Pursuant to the service concession agreement, the Group receives no payment form the Grantors during the construction period and receives service fees when relevant provision of sludge treatment is rendered. The receivables under the service concession arrangement (including the contract assets therein) are not yet due for payment and will be settled by service fees to be received during the operating periods of the service concession arrangement. Amounts billed will then be transferred to trade receivables.

During the year ended 31 December 2024, RMB5,047,000 (2023: RMB3,304,000) was recognised as an allowance for expected credit losses on contract assets. The Group's trading terms and credit policy with customers are disclosed in Note 24 to the consolidated financial statements.

The expected timing of recovery or settlement for contract assets as at 31 December is as follows:

	2024 ***RMB'000***	2023 *RMB'000*
Within one year	**15,803**	18,334

The movements in the loss allowance for impairment of contract assets are as follows:

	2024 ***RMB'000***	2023 *RMB'000*
At 1 January	**3,304**	4,234
Impairment loss/(reversal of impairment loss)	**1,743**	(930)
At 31 December	**5,047**	3,304

25. CONTRACT ASSETS AND LIABILITIES (continued)

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on the collectability rate of trade receivables 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.

Set out below is the information about the credit risk exposure on the Group's contract assets using a provision matrix:

	Category A	Category B	Category C	Category D	Total
At 31 December 2024					
Weighted average expected loss rate	**0%**	**34%**	**23%**	**17%**	
Gross carrying amount (RMB$'000)	**–**	**4,119**	**13,289**	**3,442**	**20,850**
Loss allowance (RMB$'000)	**–**	**(1,385)**	**(3,068)**	**(594)**	**(5,047)**
At 31 December 2023					
Weighted average expected loss rate	0%	1%	12%	17%	
Gross carrying amount (RMB$'000)	–	1,759	2,758	17,121	21,638
Loss allowance (RMB$'000)	–	(12)	(322)	(2,970)^	(3,304)

^ As at 31 December 2023, a specific contract assets with gross carrying amount of RMB1,900,000 was assessed individually which were considered in default due to indicators and an impairment of RMB1,900,000 were made.

Contract liabilities include short-term advances received to deliver equipment and construction services.

26. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2024 *RMB'000*	2023 *RMB'000*
Prepayments	**34,113**	23,189
Deposits and other receivables	**8,079**	7,980
	42,192	31,169
Impairment	**(22,630)**	(23,376)
	19,562	7,793

The movements in the loss allowance for prepayments, other receivables and other assets are as follows:

	2024 *RMB'000*	2023 *RMB'000*
At 1 January	**23,376**	24,087
Reversal of impairment loss	**(746)**	(711)
At 31 December	**22,630**	23,376

Twelve (2023: Fifteen) specific prepayments with gross carrying amount of RMB22,630,000 (2023: RMB23,376,000) was assessed individually which were considered in default due to indicators and an impairment of RMB22,630,000 (2023: RMB23,376,000) was made.

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27. PLEDGED DEPOSITS AND CASH AND CASH EQUIVALENTS

	2024 *RMB'000*	2023 *RMB'000*
Cash and bank balances	**72,333**	57,224
Less: Pledged deposits	**–**	(3,864)
Cash and cash equivalents	**72,333**	53,360
Denominated in:		
RMB	**22,745**	18,644
HK$	**5,320**	2,039
US$	**41,140**	26,160
VND	**3,128**	10,381
	72,333	57,224

The RMB is not freely convertible into other currencies, however, under the Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

The VND is also not freely convertible into other currencies, however, under the State Bank of Vietnam, the Group is permitted to exchange VND for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

28. TRADE PAYABLES

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

	2024 *RMB'000*	2023 *RMB'000*
0 to 30 days	**9,683**	7,582
31 to 90 days	**1,459**	888
91 days to 365 days	**778**	14,076
Over 1 year	**75,871**	107,252
	87,791	129,798

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

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29. OTHER PAYABLES AND ACCRUALS

	2024	2023
	RMB'000	*RMB'000*
Other payables	**26,564**	23,730

Other payables are non-interest-bearing and repayable on demand.

30. BORROWINGS

	2024	2023
	RMB'000	*RMB'000*
Other borrowings (Note (a))	**9,397**	–
Lease liabilities (Note (b))	**–**	132
	9,397	132

The borrowings are repayable as follows:

	2024		2023	
	Other borrowings	**Total**	Lease Liabilities	Total
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
On demand or within one year	**–**	**–**	67	67
Beyond one year	**9,397**	**9,397**	65	65
	9,397	**9,397**	132	132
Less: Amount due for settlement within 12 months (shown under current liabilities)	**–**	**–**	(67)	(67)
Amount due for settlement after 12 months	**9,397**	**9,397**	65	65

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30. BORROWINGS (continued)

The effective interest rates at 31 December were as follows:

	2024		2023	
	Non-current	**Current**	Non-current	Current
Other borrowings	**5.0%**	**N/A**	4.75%	4.75%

Notes:

(a) During the year ended 31 December 2024, the Company borrowed an amount of HK$10,000,000 (equivalent to RMB9,397,000), which is unsecured, bears interest at 5.0% per annum and repayable in 5 years from the date of borrowings.

(b)

	Lease payments 2023 *RMB'000*	Present value of lease payments 2023 *RMB'000*
Within one year	70	67
Beyond one year	68	65
	138	
Less: Future finance charges	(6)	
Present value of lease liabilities	132	132
Less: Amount due for settlement within 12 months (shown under current liabilities)		(67)
Amount due for settlement after 12 months		65

31. DEFERRED TAX

The movements in deferred tax assets are as follows:

	Impairment losses on financial and contract assets *RMB'000*	Provision for accruals *RMB'000*	Total *RMB'000*
At 1 January 2023	1,691	11	1,702
Charge to profit or loss for the year	–	59	59
At 31 December 2023 and 1 January 2024	1,691	70	1,761
Credit to profit or loss for the year	–	(7)	(7)
At 31 December 2024	**1,691**	**63**	**1,754**

The movements in deferred tax liabilities are as follows:

	Fair value adjustments arising from investment properties *RMB'000*	Service concession arrangement *RMB'000*	Total *RMB'000*
At 1 January 2023	6,584	858	7,442
(Credit)/charge to profit or loss for the year	(675)	503	(172)
At 31 December 2023 and 1 January 2024	5,909	1,361	7,270
Credit to profit or loss for the year	(425)	(36)	(461)
At 31 December 2024	**5,484**	**1,325**	**6,809**

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31. DEFERRED TAX (continued)

The following is the analysis of the deferred tax balances (after offset) for statement of financial position purposes:

	2024 *RMB'000*	2023 *RMB'000*
Deferred tax assets	**(1,754)**	(1,761)
Deferred tax liabilities	**6,809**	7,270
	5,055	5,509

The Group has tax losses arising in Mainland China of RMB8,314,000 (2023: RMB28,642,000) that are available for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilized.

The Group has tax losses arising in Hong Kong of RMB1,753,000 (2023: RMB1,642,000) that are available offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilized.

The Group has tax losses arising in Vietnam of RMB3,131,000 (2023: RMB1,897,000) that are available offsetting against future taxable profits of the companies in which the losses arose and will expire in five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilized.

Deferred tax assets have not been recognised in respect of the following items:

	2024 *RMB'000*	2023 *RMB'000*
Tax losses	**2,746**	4,296
Deductible temporary differences	**15,837**	14,078
	18,583	18,374

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2024, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of a subsidiary of the Group established in Mainland China. In the opinion of the directors, it is not probable that this subsidiary will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with the investment in the subsidiary in Mainland China for which no deferred tax liabilities have not been recognised as at 31 December 2024 (2023: Nil).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

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32. SHARE CAPITAL

	Number of Shares	Amount	Equivalent to
		HK$'000	*RMB'000*
Authorised:			
Ordinary shares of HK$0.01 (2023: HK$0.01) each			
At 1 January 2023, 31 December 2023 and 1 January 2024	2,000,000,000	20,000	2,397
Share consolidation *(Note (a))*	(1,800,000,000)	–	–
At 31 December 2024	**200,000,000**	**20,000**	**2,397**
Issued and fully paid:			
Ordinary shares of HK$0.01 (2023: HK$0.01) each			
At 1 January 2023, 31 December 2023 and 1 January 2024	300,000,000	3,000	2,397
Issuance of shares upon the right issue *(Note (b))*	19,374,000	194	182
Share consolidation *(Note (a))*	(287,436,600)	–	
At 31 December 2024	**31,937,400**	**3,194**	**2,579**

Notes:

(a) On 6 December 2024, every ten issued and unissued shares of the Company with par value HK$0.01 each were consolidated into one consolidated share with par value of HK$0.10.

(b) On 14 June 2024, the Company proposed to implement the rights issue on the basis of one rights share for every two existing share held on 13 June 2024 (the "**Rights Issue**"), being the record date, at the subscription price of HK$0.3 per rights share. The Rights Issue was completed on 9 July 2024. As such, 19,374,000 shares, with par value of HK$0.3 each, were issued and allotted under the Rights Issue with proceeds of approximately HK$5.51 million after deducting direct cost credited to the Company's equity under "Share premium".

33. RESERVES

(a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Company

The amounts of the Company's reserves and the movements therein for the year ended 31 December 2024 are as follows:

	Share premium	Exchange fluctuation reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2023	103,125	8,690	(43,250)	68,565
Loss for the year	–	–	(5,931)	(5,931)
Exchange differences on translation of foreign operations	–	690	–	690
At 31 December 2023 and 1 January 2024	103,125	9,380	(49,181)	63,324
Loss for the year	–	–	(7,119)	(7,119)
Issuance of shares upon the right issue *(Note 32(b))*	5,110	–	–	5,110
Exchange differences on translation of foreign operations	–	2,304	–	2,304
At 31 December 2024	**108,235**	**11,684**	**(56,300)**	**63,619**

(c) Nature and purpose of reserves

(i) Share premium account

Share premium represents premium arising from the issue of shares at a price in excess of their par value per share and is not distributable but may be applied in paying up unissued shares of the Company to be issued to the shareholders of the Company as fully paid bonus shares or in providing for the premiums payable on repurchase of shares.

(ii) Exchange fluctuation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in Note 4 to the consolidated financial statements.

(iii) Share-based payment reserve

The share-based payment reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Company recognised in accordance with the accounting policy adopted for equity-settled share-based payments in Note 4 to the consolidated financial statements.

34. SHARE OPTION SCHEME

The Company operates a share option scheme (the "**Scheme**") for the purpose of providing incentives and/or rewards to eligible persons thereunder for their contributions to the Group. Eligible persons of the Scheme include current employees, executive or office of the Group or directors (including non-executive and independent non-executive directors).

Subject to the conditions of the Scheme, the Scheme shall be valid and effective for a period of 10 years from 17 June 2022 (the "**Adoption Date**"), after which period no further share options may be offered or granted but the provisions of the Scheme shall remain in force to the extent necessary to give effect to the exercise of any share options which have been granted and remain outstanding.

The maximum number of shares which may be issued pursuant to the Scheme will be 18,000,000 Shares, representing 6% of the total number of shares in issue as at the Adoption Date. Upon adoption of the Scheme or any other share option scheme by the Company, the maximum number of shares which may be issued upon exercise of share options to be granted under the Scheme, the new and other existing share option schemes of the Company shall not exceed 10% of the total number of issued shares. The maximum number of shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Scheme and any other share option schemes of the Company shall not exceed 30% of the total number of Shares in issue from time to time.

The eligibility of any of the eligible persons shall be determined by the Directors from time to time on the basis of the Directors' opinion as to such eligible persons' contribution to the development and growth of the Group. The Board will assess the eligibility of the eligible persons based on various factors such as performance conditions, targets to be achieved and potential and/or actual contribution to the business affairs of and benefits to the Group. The inclusion of the Directors and employees as eligible persons is in line with the objectives of the Scheme, which include attracting and retaining quality personnel and motiving them to contribute to the continued growth of the Group.

An offer shall be made to an eligible person in writing (and unless so made shall be invalid) in such form as the Directors may from time to time determine, either generally or on a case-by-case basis, specifying the name, address and position of the eligible person, the number of shares to be issued upon the exercise of the share options in respect of which the offer is made and the exercise price for such shares, the exercisable period of share options, the last date by which the offer must be accepted, the procedure for acceptance, the vesting conditions, the vesting period, the applicable vesting date and other terms and conditions of the offer as may be imposed by the Directors, and further requiring the eligible person to undertake to hold the share option on the terms on which it is to be granted and to be bound by the provisions of the Scheme and shall remain open for acceptance by the eligible person for a period of up to 10 days from the grant date.

An offer shall have been accepted by an eligible person in respect of the shares which are offered to such eligible person when the duplicate letter comprising acceptance of the offer duly signed by the eligible person together with a remittance in favour 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 shall not be later than 10 days from the grant date). Such remittance shall in no circumstances be refundable.

Upon an offer being accepted by an eligible person, the share options to which the offer relates will be deemed to have been granted by the Company to such eligible person on the grant date. 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.

34. SHARE OPTION SCHEME (continued)

The exercise price of the share options granted under the Scheme shall be the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on grant date, 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 grant date.

Subject to fulfilment of the vesting conditions to be imposed by the Board at its sole and absolute discretion, the share options granted to a grantee will be vested in the grantee at the following ratios on the date of issuance of the audited financial report of the Group for the relevant financial year:

(a) the first financial year immediately following the year of the grant date, 40% of the total number of share options granted to the grantee;

(b) the second financial year immediately following the year of the grant date, 30% of the total number of share options granted to the grantee; and

(c) the third financial year immediately following the year of the grant date, 30% of the total number of share options granted to the grantee.

If the vesting conditions are not fulfilled for a relevant financial year, the corresponding portion of share options granted will lapse.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the Scheme during the year:

	Weighted average exercise price *HK$ per share*	**Number of options**
At 1 January 2023	1.19	18,000,000
Lapsed during the year	1.19	(6,000,000)
At 31 December 2023 and 1 January 2024	1.19	12,000,000
Share consolidation *(Note 32(a))*	–	(10,800,000)
At 31 December 2024	**11.90**	**1,200,000**

For the year ended 31 December 2024

34. SHARE OPTION SCHEME (continued)

The exercise price and exercise period of the share options outstanding as at the end of the reporting period are as follows:

Number of options	Exercise price* *HK$ per share*	Exercise period
480,000	11.90	Date of issuance of the audited financial report for the year ended 31 December 2023 to 28 June 2032
360,000	11.90	Date of issuance of the audited financial report for the year ended 31 December 2024 to 28 June 2032
360,000	11.90	Date of issuance of the audited financial report for the year ended 31 December 2025 to 28 June 2032
1,200,000		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

As a result of the share consolidation completed on 6 December 2024, adjustments were made to the number of shares subject to, and exercise price of, the outstanding share options under the Scheme (the "**Share Options Adjustments**"). The Share Option Adjustment took effect on the same date of the share consolidation.

The fair value of the share options granted on 29 June 2022 was approximately of HK$9,154,000. As of 31 December 2024, the Group recognised a net share option expense of approximately HK$1,538,000 (equivalent to RMB1,445,000) (2023: HK$1,666,000 (equivalent to RMB1,514,000).

The fair value of equity-settled share options granted during the year was estimated as at the date of grant, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2022
Dividend yield (%)	0%
Expected volatility (%)	44.186%
Risk-free interest rate (%)	3.36%
Weighted average share price (HK$ per share)	11.90

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the reporting period, the Company had 1,200,000 (2023: 12,000,000) share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 1,200,000 additional ordinary shares of the Company and additional share capital of HK$14,280,000 (before issue expense).

At the date of approval of these consolidated financial statements, the Company had 1,200,000 (2023: 12,000,000) share options outstanding under the Scheme, which represented approximately 4% of the Company's shares in issue as at that date.

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

The following table shows the Group's changes in liabilities arising from financing activities during the year:

	Bank and other loans	Lease liabilities	Total liabilities from financing activities
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2023	25,000	195	25,195
Change in cash flows	(25,121)	(70)	(25,191)
Non-cash changes			
– Interest expense	121	7	128
At 31 December 2023 and 1 January 2024	–	132	132
Change in cash flows	9,397	(156)	9,241
Non-cash changes			
– Interest expense	–	24	24
At 31 December 2024	**9,397**	**–**	**9,397**

36. CONTINGENT LIABILITIES

At the end of the reporting period, the Group did not have any significant contingent liabilities (2023: Nil).

37. COMMITMENTS

As at 31 December 2024, the Group contracted commitments of approximately RMB3,547,000 (2023: RMB2,592,000) on EPC and construction projects. It mainly represents the procurement of plant and machinery and construction materials.

38. RELATED PARTY TRANSACTIONS

(a) The Group's balances with directors are included in other payables (Note 29 to the consolidated financial statements). All the balances are unsecured, interest-free and repayment on demand. Details are as follows:

	2024	2023
	RMB'000	*RMB'000*
Mr. Xie Yang	**30**	55
Mr. He Xuan Xi	**29**	29
Mr. Tse Chi Wai	**28**	55
Mr. Ha Cheng Yong	**28**	55
Mr. Bai Shuang	**28**	55
	143	249

(b) Compensation of key management personnel of the Group:

	2024	2023
	RMB'000	*RMB'000*
Short term employee benefits	**2,181**	3,754

Further details of directors' and the chief executive's emoluments are disclosed in Note 13 to the consolidated financial statements.

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2024 *RMB'000*	2023 *RMB'000*
NON-CURRENT ASSET		
Investments in subsidiaries	**44,723**	44,874
	44,723	44,874
CURRENT ASSETS		
Prepayments, other receivables and other assets	**28,292**	22,476
Bank balances	**3,965**	–
	32,257	22,476
CURRENT LIABILITIES		
Other payables and accruals	**1,378**	1,629
	1,378	1,629
NET CURRENT ASSETS	**30,879**	20,847
TOTAL ASSETS LESS CURRENT LIABILITIES	**75,602**	65,721
NON-CURRENT LIABILITIES		
Borrowings	**9,586**	–
NET ASSETS	**66,016**	65,721
EQUITY		
Share capital	**2,397**	2,397
Reserves	**63,619**	63,324
TOTAL EQUITY	**66,016**	65,721

The statement of financial position of the Company was approved by the Board of Directors on 28 March 2025 and was signed on its behalf:

Xie Yang *Director*	**He Xuan Xi** *Director*

40. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorised for issue by the Board of Directors on 28 March 2025.

FIVE-YEAR FINANCIAL SUMMARY

	Year ended 31 December				
	2020	2021	2022	2023	**2024**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
CONTINUING OPERATIONS					
Revenue	75,624	118,377	256,749	106,584	**45,801**
(Loss)/profit before taxation	(104,853)	(17,005)	(12,061)	2,997	**(7,532)**
Income tax (expense)/credit	(1,793)	(37)	514	(127)	**490**
Profit/(loss) for the year	(106,646)	(17,042)	(11,547)	2,870	**(7,042)**
Attributable to:					
Owners of the Company	(106,646)	(17,042)	(11,547)	2,870	**(7,042)**
Non-controlling interests	–	–	–	–	**–**
	(106,646)	(17,042)	(11,547)	2,870	**(7,042)**

	At 31 December				
	2020	2021	2022	2023	**2024**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
ASSETS AND LIABILITIES					
Total assets	319,439	344,552	331,300	264,291	**225,890**
Total liabilities	(227,544)	(269,729)	(260,247)	(189,285)	**(152,354)**
	91,895	74,823	71,053	75,006	**73,536**
Attributable to owners of the Company	91,901	74,823	71,053	75,006	**73,536**
Non-controlling interests	(6)	–	–	–	**–**
	91,895	74,823	71,053	75,006	**73,536**