



Futian Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8196

2025
Annual Report

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

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*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
Mr. HUANG Shiping (appointed on 25 July 2025)
Ms. SUN Zhaoyang (resigned on 25 July 2025)
Ms. FENG Li (resigned on 25 July 2025)

Independent Non-executive Directors

Mr. YAM Yuet Hang (appointed on 5 March 2025)
Mr. YANG Yucheng (appointed on 25 July 2025)
Dr. CHANG Cheng Hui (appointed on 25 July 2025)
Mr. TSE Chi Wai (resigned on 5 March 2025)
Ms. BAI Shuang (resigned on 25 July 2025)
Mr. HA Chengyong (resigned on 25 July 2025)

BOARD COMMITTEES

Audit Committee

Mr. YAM Yuet Hang (appointed as the Chairman on 5 March 2025)
Mr. YANG Yucheng (appointed on 25 July 2025)
Dr. CHANG Cheng Hui (appointed on 25 July 2025)
Mr. TSE Chi Wai (resigned as the Chairman on 5 March 2025)
Mr. HA Chengyong (resigned on 25 July 2025)
Ms. BAI Shuang (resigned on 25 July 2025)

Remuneration Committee

Mr. YANG Yucheng (appointed as the Chairman on 25 July 2025)
Mr. XIE Yang
Dr. CHANG Cheng Hui (appointed on 25 July 2025)
Mr. HA Chengyong (resigned as the Chairman on 25 July 2025)
Ms. BAI Shuang (resigned on 25 July 2025)

Nomination Committee

Mr. XIE Yang (*Chairman*)
Mr. YAM Yuet Hang (appointed on 5 March 2025)
Ms. LIU Chujun (appointed on 25 July 2025)
Mr. YANG Yucheng (appointed on 25 July 2025)
Dr. CHANG Cheng Hui (appointed on 25 July 2025)
Mr. TSE Chi Wai (resigned on 5 March 2025)
Ms. BAI Shuang (resigned on 25 July 2025)

COMPLIANCE OFFICER

Mr. HE Xuanxi

COMPANY SECRETARY

Mr. TSE Kwok Hing Henry

AUTHORISED REPRESENTATIVES

Mr. XIE Yang
Mr. TSE Kwok Hing Henry

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 2025.

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**”).

According to relevant statistics, China's GDP growth rate was 5% in 2025, broadly in line with that of 2024, indicating a relatively stable domestic economic environment. However, over the past year, China's GDP growth was mainly driven by final consumption expenditure, i.e., “growth in personal consumption” in layman's terms. Corporate investment and corporate consumption, which are more closely related to the Group's traditional environmental protection business, have yet to show a clear recovery due to the impact of international conditions and geopolitics on the export-driven economy. In light of this, the Group will continue to adopt its previous strategy of prudent and pragmatic operations. On the one hand, it will consolidate the foundation of its traditional businesses; on the other hand, it will also seek new development opportunities, particularly in businesses more closely related to personal consumption.

For the year ended 31 December 2025, the revenue of the Group amounted to approximately RMB130,573,000, representing an increase of approximately RMB79,829,000 or approximately 157.3% as compared with that of approximately RMB50,744,000 in 2024. For the year ended 31 December 2025, the Group recognized (i) revenue from engineering, procurement and construction projects (“**EPC Projects**”) of approximately RMB59,789,000, (ii) revenue from the development, construction and operating agreement of a sewage treatment project (“**Service Concession Arrangement**”) of approximately RMB13,103,000, (iii) revenue from sale of equipment (“**Equipment Projects**”) of approximately RMB28,000, (iv) revenue from advertising (“**Advertising**”) of approximately RMB24,976,000, (v) revenue from property leasing (“**Property Leasing**”) from investment properties and sub-leasing of approximately RMB5,654,000 and RMB14,840,000, respectively, (vi) and revenue from others of approximately RMB12,183,000. For the year ended 31 December 2024, (i) revenue from EPC Projects of approximately RMB5,384,000, (ii) revenue from Service Concession Arrangement of approximately RMB13,370,000, (iii) revenue from Equipment Projects of approximately RMB14,106,000, (iv) revenue from Advertising of approximately RMB6,910,000, (v) revenue from Property Leasing from investment properties of approximately RMB4,943,000 and (vi) revenue from others of approximately RMB6,031,000 were recognised.

For the year ended 31 December 2025, the profit attributable to owners of the Company reached approximately RMB583,000 while the loss attributable to owners of the Company for the year ended 31 December 2024 amounted to approximately RMB7,042,000.

The recorded profit attributable to owners of the Company over the Reporting Period was mainly because the Group has engaged a new business stream of property sub-leasing which increased the overall revenue, gross profits and profits in 2025.

OUTLOOK

In terms of business operations, the Group has continued its previous strategic considerations and increased its investment in the Vietnam market. A relatively large-scale project from a long-standing customer commenced construction at the end of 2024 and progressed smoothly throughout 2025. As at year-end, revenue generated from this project had become a significant contributor to the Group's environmental protection revenue. The Group has also stepped up its efforts in expanding both new and existing customers in Vietnam, including this long-term customer. At the same time, the Group has increased its human resources investment in the Vietnam market, particularly in business development and construction management. The Group believes that Vietnam will gradually become one of its key markets for sustainable development.

CHAIRMAN'S STATEMENT

With respect to local customers, in addition to continuing the normal execution of service concession arrangement projects and other environmental protection projects, the Group has adopted a more prudent approach in undertaking new engineering, procurement and construction (EPC) projects. In terms of customer selection, the Group currently shows a preference for large enterprises or customers with whom it has maintained long-term cooperation, and has also allocated more resources to maintaining relationships with existing customers. Geographically, the Group continues to focus on the Greater Bay Area. The Group believes that, based on the economic development of the Greater Bay Area and its years of operation in the region, it will have greater confidence in undertaking environmental protection projects located within the Greater Bay Area.

In 2024, the Group began to enter the advertising related data business market. In 2025, the Group recorded revenue of over RMB20 million from the advertising related data business segment. Admittedly, this amount remains relatively small within the advertising related data business market; however, the Group believes that, based on its operational considerations, expanding into businesses more closely related to personal consumption, in addition to its environmental protection business, will help diversify the Group's operations and contribute to more stable cash flows.

Following the same approach, the Group commenced its shopping mall leasing and management business in the Shenzhen region in 2025. Based on China's continuous introduction of policies to boost the "consumption market", personal consumption power in China is surging, and related retail, catering, lifestyle services and other personal consumption markets have also experienced significant growth. In 2025, the tertiary industry, which is closely related to personal consumption, grew by 5.4% of China's GDP, outperforming the overall GDP growth rate. This demonstrates that in the post-pandemic era, the consumption habits of the general public in China have gradually shifted from "savings first" to "spending first". The Group commenced its shopping mall leasing and management business in mid-2025 and recorded revenue exceeding RMB10 million in 2025. Similar to the data business market, the Group believes that these businesses effectively enrich and complement the Group's traditional business and its cash flow situation.

Although the Chinese economy is gradually recovering to pre-pandemic levels, the Board believes that, based on the Group's judgment, the business environment in which the Group operates may not immediately become more optimistic, given the various other challenges that remain. For example, the increasingly complex global political situation, geopolitical frictions, and the growing threat of regional wars will have a continued negative impact on the global economy, the Chinese economy, and Chinese enterprises. Therefore, considerations regarding the allocation of resources across various business lines, the combination of different business models, and diversified development will be important operational considerations for the Group in the future.

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
30 March 2026

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.

According to relevant statistics, China's GDP growth rate was 5% in 2025, broadly in line with that of 2024, indicating a relatively stable domestic economic environment. However, over the past year, China's GDP growth was mainly driven by final consumption expenditure, i.e., “growth in personal consumption” in layman's terms. Corporate investment and corporate consumption, which are more closely related to the Group's traditional environmental protection business, have yet to show a clear recovery due to the impact of international conditions and geopolitics on the export-driven economy. In light of this, the Group will continue to adopt its previous strategy of prudent and pragmatic operations. On the one hand, it will consolidate the foundation of its traditional businesses; on the other hand, it will also seek new development opportunities, particularly in businesses more closely related to personal consumption.

For the year ended 31 December 2025, the revenue of the Group amounted to approximately RMB130,573,000, representing an increase of approximately RMB79,829,000 or approximately 157.3% as compared with that of approximately RMB50,744,000 in 2024. For the year ended 31 December 2025, the Group recognized (i) revenue from engineering, procurement and construction projects (“**EPC Projects**”) of approximately RMB59,789,000, (ii) revenue from the development, construction and operating agreement of a sewage treatment project (“**Service Concession Arrangement**”) of approximately RMB13,103,000, (iii) revenue from sale of equipment (“**Equipment Projects**”) of approximately RMB28,000, (iv) revenue from advertising services (“**Advertising**”) of approximately RMB24,976,000, (v) revenue from rental income from investment properties and sub-leasing (“**Property Leasing**”) of approximately RMB5,654,000 and RMB14,840,000, respectively, and (vi) revenue from others of approximately RMB12,183,000. For the year ended 31 December 2024, (i) revenue from EPC Projects of approximately RMB5,384,000, (ii) revenue from Service Concession Arrangement of approximately RMB13,370,000, (iii) revenue from Equipment Projects of approximately RMB14,106,000, (iv) revenue from Advertising of approximately RMB6,910,000, (v) revenue from Property Leasing from investment properties of approximately RMB4,943,000 and (vi) revenue from others of approximately RMB6,031,000 were recognised.

For the year ended 31 December 2025, the profit for the year attributable to Owners of the Company reached approximately RMB583,000 while the loss attributable to Owners of the Company for the year ended 31 December 2024 amounted to approximately RMB7,042,000.

The recorded profit for the year attributable to Owners of the Company over the Reporting Period was mainly due to the Group has engaged in a new business line of Property Leasing which increased the total revenue and profit in 2025.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Operating revenue

For the year ended 31 December 2025, the Group's operating revenue amounted to approximately RMB130,573,000 representing an increase of approximately 157.3% as compared to approximately RMB50,744,000 for the year ended 31 December 2024.

EPC 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.

For the year ended 31 December 2025, the revenue generated from EPC Projects relating to wastewater and sludge treatment projects under construction and related business was approximately RMB59,789,000 (2024: approximately RMB5,384,000), representing an increase of approximately 1,010.5% over the corresponding period in 2024. The increase in revenue from EPC Projects for the year ended 31 December 2025 was primarily attributable to a large-scale project in Vietnam has commenced at the end of 2024 and its work progress is significantly recognized in 2025. The revenue of approximately RMB5,384,000 in 2024 was derived from other small-scale nine EPC Projects.

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 2025, the revenue generated from Equipment Projects amounted to approximately RMB28,000 (2024: approximately RMB14,106,000), representing a decrease of approximately 99.8% as compared to the corresponding period in 2024. The decrease in revenue from Equipment Projects for the year ended 31 December 2025 was primarily attributable to the recognition of revenue of approximately RMB28,000 from one Equipment Projects. In contrast, the revenue from Equipment Projects for the corresponding period in 2024 was derived from the recognition of revenue of approximately RMB14,106,000 from five Equipments Projects.

Service Concession Arrangement

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

For the year ended 31 December 2025, the revenue generated from the Service Concession Arrangement segment was approximately RMB13,103,000 (2024: approximately RMB13,370,000), representing a decrease of approximately 2.0% as compared to the corresponding period in 2024.

Advertising services

The Group has engaged in the provision of advertising services which comprises the provision of processing services for advertising materials and the placement of advertisements on various media platforms for customers since 2024. The Group produces advertisements for clients, provides feedback and makes revisions to their draft advertisements, or makes suggestions on their advertising placement plans (one or more of the above tasks), and publishes the advertisements on their behalf on the final advertising platform. For the year ended 31 December 2025, the revenue generated from Advertising was approximately RMB24,976,000 (2024: approximately RMB6,910,000). The increase in revenue was mainly attributable to an increase in numbers of advertising clients to three clients (2024: one client).

MANAGEMENT DISCUSSION AND ANALYSIS

Property Leasing

The Group has engaged in the property leasing services, which comprises rental income generated from the leasing of the Group's own investment property (“**IP Leasing**”) located in Guangzhou and the sub-leasing of commercial properties (“**Sub-leasing**”) located in Shenzhen leased from third-party landlords to independent tenants. Such properties are sub-leased to different tenants to meet their daily office or business needs, while also providing necessary property management services, including security, repairs, and organizing holiday promotional events, etc. For the year ended 31 December 2025, the revenue generated from Property Leasing from IP Leasing was approximately RMB5,654,000 (2024: approximately RMB4,943,000) and from Sub-leasing was approximately RMB14,840,000 (2024: RMBNil).

Others

The revenue under the Others segment comprises, principally, the Group's (i) construction projects (the “**Construction Projects**”) which projects other than EPC projects; and (ii) technical advisory projects and O&M projects.

For the year ended 31 December 2025, the revenue generated from the Construction amounted to approximately RMB7,674,000 (2024: approximately RMB1,431,000). The Group engaged in technical advisory projects and O&M projects, which revenue amounted to approximately RMB4,509,000 is recognised during the year ended 31 December 2025 as compared to approximately RMB4,600,000 in the corresponding period in 2024.

Cost of sales

For the year ended 31 December 2025, the cost of sales of the Group amounted to approximately RMB94,208,000 (2024: approximately RMB34,741,000), representing an increase of approximately 171.2% or approximately RMB59,467,000 compared to the corresponding period in 2024.

The increase in cost of sales was due to the EPC project in Vietnam commenced at the end of 2024. The cost of inventories sold decreased to approximately RMB18,000 for the year ended 31 December 2025 from approximately RMB7,075,000 for the year ended 31 December 2024. The cost of construction contracting increased to approximately RMB7,506,000 for the year ended 31 December 2025 from approximately RMB4,530,000 for the year ended 31 December 2024. The cost of services provided increased to approximately RMB86,684,000 for the year ended 31 December 2025 from approximately RMB23,136,000 for the year ended 31 December 2024.

Gross profit

For the year ended 31 December 2025, the gross profit of the Group was approximately RMB36,365,000 (2024: approximately RMB16,003,000), representing an increase of approximately 127.2% or approximately RMB20,362,000 as compared to the corresponding period in 2024. The increase in gross profit of the Group was mainly in line with an increase of the revenue of Group in 2025.

Other income

For the year ended 31 December 2025, other income amounted to approximately RMB1,776,000 (2024: approximately RMB2,168,000), representing a decrease of approximately 18.1% or approximately RMB392,000 as compared to the corresponding period in 2024.

Selling and distribution expenses

For the year ended 31 December 2025, the selling and distribution expenses of the Group amounted to approximately RMB2,295,000 (2024: approximately RMB1,696,000), representing an increase of approximately 35.3% or approximately RMB599,000 compared to the corresponding period in 2024.

Administrative expenses

For the year ended 31 December 2025, the administrative expenses of the Group amounted to approximately RMB24,857,000 (2024: RMB16,016,000), representing an increase of approximately 55.2% or approximately RMB8,841,000 compared to the corresponding period in 2024. The increase in the administrative expenses was mainly attributable to an increase in salaries expenses which is in line with an increase of number of employees in this year (2025: 80; 2024: 39).

MANAGEMENT DISCUSSION AND ANALYSIS

Other expenses

For the year ended 31 December 2025, the other expenses amounted to approximately RMB1,917,000 (2024: RMB1,809,000) representing an increase of approximately 6.0% or approximately RMB108,000 compared to the corresponding period in 2024.

Profit/(loss) for the year

The profit for the year ended 31 December 2025 amounted to approximately RMB1,104,000 (2024: loss of approximately RMB7,042,000). The generation of profit for the year ended 31 December 2025 was mainly attributable to that the Group has engaged in a new business line of property sub-leasing which increased the total revenue and profit in 2025.

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2025 (2024: Nil), in order to cope with the future business development of the Group. There is no arrangement under which a shareholder of the Company has waived or agreed to waive any dividend.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

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

As at 31 December 2025, the total equity attributable to the shareholders of the Company was approximately RMB87,382,000 (2024: approximately RMB73,536,000). The Group continued to maintain a healthy financial position with cash and cash equivalents amounted to approximately RMB57,982,000 (2024: approximately RMB69,698,000). The Group’s net current assets was approximately RMB17,751,000 (2024: approximately RMB28,378,000). 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 2025, the Group’s cash and cash equivalents were mainly denominated in RMB, Hong Kong dollars, VND and US dollars and they were placed in reputable financial institutions as deposits with maturity dates falling within one year. This is in line with the Group’s treasury policy to maintain liquidity of its funds and this will continue to contribute stable income to the Group.

As at 31 December 2025, the Group had general bank facilities amounted to (i) approximately RMB41,809,000, of which RMB10,000,000 had been drawn down from the bank facilities. Such bank facilities was secured by the mortgages over the Group’s investment properties and buildings; and (ii) RMB9,000,000, of which RMB5,900,000 had been drawn down from the bank facilities. Such bank facilities was secured by a personal guarantee. For details of the pledged assets, please refer to the paragraph headed “Charges on the Group’s Assets” below.

During the year ended 31 December 2025, the Company had completed three placing of new shares.

The First Placing

On 11 April 2025 and 14 April 2025, after trading hours of the Stock Exchange, the Company entered into a placing agreement (the “**First Placing Agreement**”) and a supplemental placing agreement (the “**Supplemental Agreement**”) with Zijing Capital Limited (the “**First Placing Agent**”) pursuant to which the Company appointed the First Placing Agent as its agent to procure not less than six places to subscribe up to 6,000,000 placing shares (the “**First Placing Shares**”) at a price of HK\$0.260 per First Placing Share on a best effort basis on the terms and subject to the condition of the First Placing Agreement and the Supplemental Agreement.

The Directors considered that the First Placing offered a good opportunity to raise further capital of the Company thereby increasing the liquidity of the shares as well as to strengthen the financial position of the Group. The Directors considered that the terms of First Placing Agreement and the Supplemental Agreement were fair and reasonable and the First Placing is in the interests of the Company and its Shareholders as a whole.

MANAGEMENT DISCUSSION AND ANALYSIS

On 7 May 2025, the First Placing was completed and an aggregate of 6,000,000 First Placing Shares were successfully placed by the First Placing Agent to not less than six placees at the placing price of HK\$0.260 per First Placing Share. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the placees are third parties independent of the Company and not connected nor acting in concert with any of the connected persons of the Company or any of their respective associates.

The First Placing shares represented approximately 18.79% of the issued share capital of the Company immediately before the First Placing and approximately 15.82% of the issued share capital of the Company as enlarged by the issue of the subscription shares immediately upon completion of the First Placing. The net proceeds from the First Placing of approximately HK\$1.50 million were fully used as intended for general working capital of the Group as at 31 December 2025.

Details of the First Placing are set out in the Company's announcements dated 11 April 2025, 14 April 2025 and 7 May 2025.

The Second Placing

On 5 August 2025, after trading hours of the Stock Exchange, the Company entered into a placing agreement (the "**Second Placing Agreement**") with Zijing Capital Limited (the "**Second Placing Agent**") pursuant to which the Company appointed the Second Placing Agent as its agent to procure not less than six placees to subscribe up to 7,587,480 placing shares (the "**Second Placing Shares**") at a price of HK\$0.730 per Second Placing Share on a best effort basis on the terms and subject to the condition of the Second Placing Agreement.

The Directors considered that the Second Placing offered a good opportunity to raise further capital of the Company thereby increasing the liquidity of the shares as well as to strengthen the financial position of the Group. The Directors considered that the terms of Second Placing Agreement were fair and reasonable and the Second Placing is in the interests of the Company and its Shareholders as a whole.

On 22 August 2025, the Second Placing was completed and an aggregate of 7,587,480 Second Placing Shares were successfully placed by the Second Placing Agent to not less than six placees at the placing price of HK\$0.730 per Second Placing Share. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the placees are third parties independent of the Company and not connected nor acting in concert with any of the connected persons of the Company or any of their respective associates.

The Second Placing shares represented approximately 20.00% of the issued share capital of the Company immediately before the Second Placing and approximately 16.67% of the issued share capital of the Company as enlarged by the issue of the subscription shares immediately upon completion of the Second Placing. The net proceeds from the Second Placing of approximately HK\$5.46 million were fully used as intended for general working capital of the Group as at 31 December 2025.

Details of the Second Placing are set out in the Company's announcements dated 5 August 2025 and 22 August 2025.

The Third Placing

On 10 December 2025, after trading hours of the Stock Exchange, the Company entered into a placing agreement (the "**Third Placing Agreement**") with KGI Asia Limited (the "**Third Placing Agent**") pursuant to which the Company appointed the Third Placing Agent as its agent to procure not less than six placees to subscribe up to 9,104,976 placing shares (the "**Third Placing Shares**") at a price of HK\$0.60 per Third Placing Share on a best effort basis on the terms and subject to the condition of the Third Placing Agreement.

The Directors considered that the Third Placing offered a good opportunity to raise further capital of the Company thereby increasing the liquidity of the shares as well as to strengthen the financial position of the Group. The Directors considered that the terms of Third Placing Agreement were fair and reasonable and the Third Placing is in the interests of the Company and its Shareholders as a whole.

MANAGEMENT DISCUSSION AND ANALYSIS

On 31 December 2025, the Third Placing was completed and an aggregate of 7,470,000 Third Placing Shares were successfully placed by the Third Placing Agent to not less than six placees at the placing price of HK\$0.60 per Third Placing Share. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the placees are third parties independent of the Company and not connected nor acting in concert with any of the connected persons of the Company or any of their respective associates.

The Third Placing shares represented approximately 16.41% of the issued share capital of the Company immediately before the Third Placing and approximately 14.10% of the issued share capital of the Company as enlarged by the issue of the subscription shares immediately upon completion of the Third Placing. The net proceeds from the Third Placing of approximately HK\$4.29 million was intended for general working capital of the Group as at 31 December 2025.

Details of the Third Placing are set out in the Company's announcements dated 10 December 2025 and 31 December 2025.

GEARING RATIO

As at 31 December 2025, the Group's gearing ratio (being the net debt of the Group divided by its total capital plus net debt) was 48% (2024: 42%). Net debt of the Group includes borrowings, trade payables, lease liabilities, 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 2025.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Save as those disclosed in note 36(a) in this report, the Group did not have any other material acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 December 2025.

COMMITMENTS

The contractual operating commitments of the Group were primarily related to the purchases of items of equipment for projects. As at 31 December 2025, the Group's contractual operating commitments amounted to approximately RMB3,788,000 (2024: approximately RMB3,547,000).

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 2025, the Group did not have material contingent liabilities.

CHARGES ON THE GROUP'S ASSETS

At 31 December 2025, the Group's investment properties situated in Mainland China, with carrying value of RMB33,700,000, were pledged to secure general banking facilities granted to the Group.

At 31 December 2025, the Group's buildings with a net carrying value of approximately RMB1,570,000, were pledged to secure general banking facilities granted to the Group.

FOREIGN EXCHANGE EXPOSURE

The Group's main operations are in the PRC with most of its transactions settled in RMB. The Directors are of the opinion that the Group's exposure to foreign exchange risk is insignificant. During the year ended 31 December 2025, the Group did not hedge any exposure to foreign exchange risk.

MANAGEMENT DISCUSSION AND ANALYSIS

ADVANCES TO AN ENTITY

As at 31 December 2025, the Group did not provide any advances to any entity outside the Group.

PLEDGING OF SHARES BY THE CONTROLLING SHAREHOLDERS

As at 31 December 2025, 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 2025, 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 2025, 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 2025, the Group did not provide any financial assistance and guarantees to affiliated companies of the Group.

SHARE OPTION SCHEME

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

No employees have been granted and will be granted in excess of the 1% individual limit.

Details of the Share Option Scheme

(1) **Purpose**

The purpose of the Share Option Scheme is to (i) motivate the eligible persons to work hard and provide for the Group’s future development by providing them with an opportunity to acquire the Shares, thereby promoting long-term stable development of the Group; (ii) provide the eligible persons with incentives and/or rewards for their contributions to the Group; and (iii) enhance the Group’s ability to attract and retain individuals with outstanding skills and extensive experience.

(2) **Participants**

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

(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.

MANAGEMENT DISCUSSION AND ANALYSIS

(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 6 years.

Name of grantee	Date of grant	Exercise period	Vesting Period	Exercise price as at 31 December 2025 (HKD)	Balance as at 1 January 2025	Granted during the period	Exercised during the period	Cancelled/ forfeited/ lapsed during the period	Balance as at 31 December 2025
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	11.9	120,000	-	-	-	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	11.9	90,000	-	-	-	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	11.9	90,000	-	-	-	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	11.9	40,000	-	-	-	40,000
		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	11.9	30,000	-	-	-	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	11.9	30,000	-	-	-	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	11.9	320,000	-	-	-	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	11.9	240,000	-	-	-	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	11.9	240,000	-	-	-	240,000

MANAGEMENT DISCUSSION AND ANALYSIS

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 (2024:1,200,000) 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 2025, the Group had 80 employees (2024: 39 employees). Employee costs amounted to approximately RMB13.2 million for the year ended 31 December 2025 (2024: approximately RMB8.6 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2025, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

EVENTS AFTER THE END OF REPORTING PERIOD

Save for disclosed in this report, there was no material event which could have material impact to the Group’s operating and financial performance after the Reporting Period and up to the date of this report.

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 2025.

BUSINESS REVIEW

The business performance of the Group for the year ended 31 December 2025 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 2025 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 major subsidiaries as at 31 December 2025 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 2025.

RESULTS

The results of the Group for the year ended 31 December 2025 and the financial position of the Group as at that date are set out in the consolidated financial statements on pages 46 to 48.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2025 (2024: 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.

REPORT OF THE DIRECTORS

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 120. 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 2025 are set out in the consolidated statement of changes in equity on page 49 and on page 118, respectively.

REPORT OF THE DIRECTORS

PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year ended 31 December 2025 in the property, plant and equipment of the Group are set out in note 16 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 RMB42.8 million (including portions of the buildings and investment properties) as at 31 December 2025. Details of the investment properties are set out in note 17 to the consolidated financial statements.

As at 31 December 2025, 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 RMB9.1 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 2025, 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 2025, the Company's reserves available for distribution to the Shareholders amounted to approximately RMB62.7 million.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2025, sales to the Group's largest customer accounted for 25.7% (2024: 26.3%) of the total revenue. For the year ended 31 December 2025, the percentage of revenue derived from the Group's five largest customers in aggregate was 69.2% (2024: 71.3%).

For the year ended 31 December 2025, purchases from the Group's largest supplier accounted for 24.1% (2024: 35.6%) of the total cost of sales. For the year ended 31 December 2025, purchases from the Group's five largest suppliers in aggregate accounted for 76.7% (2024: 87.2%) 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 2025.

REPORT OF THE DIRECTORS

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.

REPORT OF THE DIRECTORS

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 2025 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 2025, 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 (<i>Chairman & Chief Executive Officer</i>)	(appointed on 25 March 2015)
Mr. He Xuanxi	(appointed on 27 May 2015)
Ms. Liu Chujun	(appointed on 6 January 2024)
Mr. Huang Shiping	(appointed on 25 July 2025)
Ms. Sun Zhaoyang	(resigned on 25 July 2025)
Ms. Feng Li	(resigned on 25 July 2025)

Independent Non-executive Directors

Mr. Yam Yuet Hang	(appointed on 5 March 2025)
Mr. Yang Yucheng	(appointed on 25 July 2025)
Dr. Chang Cheng Hui	(appointed on 25 July 2025)
Ms. Bai Shuang	(resigned on 25 July 2025)
Mr. Ha Chengyong	(resigned on 25 July 2025)
Mr. Tse Chi Wai	(resigned 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**").

REPORT OF THE DIRECTORS

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 2025, 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 2025, 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 2025.

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 2025.

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.

REPORT OF THE DIRECTORS

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 2025, 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 Futures 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	0.57%
Mr. HE Xuanxi	Beneficial Owner	100,000	0.19%

Note:

The percentage were calculated based on 52,994,880 Shares in issue as at 31 December 2025.

Save as disclosed above, as at 31 December 2025, 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.

REPORT OF THE DIRECTORS

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

As at 31 December 2025, 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)	9.62%
Direct Profit Enterprises Limited	Beneficial owner	2,700,000 (L)	5.09%

Note:

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

Save as disclosed above, as at 31 December 2025, 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 2025 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.

REPORT OF THE DIRECTORS

RELATED PARTY TRANSACTIONS

There was no loan to and dealing in favor of any Directors of the Company during the year ended 31 December 2025. Details of related party transactions of the Group during the year ended 31 December 2025 are set out in note 39 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 2025 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 2025, 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 report, 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 18 May 2026. 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 18 May 2026. 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 12 May 2026.

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.

The consolidated financial statements for the year ended 31 December 2025 have been audited by Beijing Xinghua, who 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

30 March 2026

CORPORATE GOVERNANCE REPORT

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 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 2025. 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 four executive Directors (including Mr. Xie) and three independent non-executive Directors as at 31 December 2025 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 2025.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

Board Composition

During the year ended 31 December 2025, the Board comprised of five executive Directors and three independent non-executive Directors. As at the date of this report, the Board comprised of four 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

Mr. HUANG Shiping

Independent Non-executive Directors

Mr. YAM Yuet Hang

Mr. YANG Yucheng

Dr. CHANG Cheng Hui

Ms. Sun Zhaoyang and Ms. Feng Li resigned as executive Directors with effect from 25 July 2025 and Mr. Huang Shiping was appointed as an executive Director with effect from 25 July 2025.

Ms. Bai Shuang and Mr. Ha Chengyong resigned as independent non-executive Directors with effect from 25 July 2025 and Mr. Yang Yucheng and Dr. Chang Cheng Hui was appointed as independent non-executive Directors with effect from 25 July 2025.

Ms. Liu Chujun, who was appointed as an executive Director on 6 January 2024 has obtained the legal advice referred to under Rule 3.09D of the Listing Rules as regards the requirements under the Listing Rules that are applicable to her as a Director and the possible consequences of making a false declaration or giving false information to the Stock Exchange on 5 January 2024. Ms. Liu has confirmed that she understood her obligations as an executive Director.

Mr. Yam Yuet Hang, who was appointed as an executive Director on 5 March 2025 has obtained the legal advice referred to under Rule 3.09D of the Listing Rules as regards the requirements under the Listing Rules that are applicable to him as a Director and the possible consequences of making a false declaration or giving false information to the Stock Exchange on 3 March 2025. Mr. Yam has confirmed that he understood his obligations as an executive Director.

Mr. Huang Shiping, who was appointed as an executive Director on 25 July 2025 has obtained the legal advice referred to under Rule 3.09D of the Listing Rules as regards the requirements under the Listing Rules that are applicable to him as a Director and the possible consequences of making a false declaration or giving false information to the Stock Exchange on 24 July 2025. Mr. Huang has confirmed that he understood his obligations as an executive Director.

Mr. Yang Yucheng, who was appointed as an independent non-executive Director on 25 July 2025 has obtained the legal advice referred to under Rule 3.09D of the Listing Rules as regards the requirements under the Listing Rules that are applicable to him as a Director and the possible consequences of making a false declaration or giving false information to the Stock Exchange on 24 July 2025. Mr. Yang has confirmed that he understood his obligations as an independent non-executive Director.

Dr. Chang Cheng Hui, who was appointed as an independent non-executive Director on 25 July 2025 has obtained the legal advice referred to under Rule 3.09D of the Listing Rules as regards the requirements under the Listing Rules that are applicable to him as a Director and the possible consequences of making a false declaration or giving false information to the Stock Exchange on 24 July 2025. Dr. Chang has confirmed that he understood his obligations as an independent non-executive Director.

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.

CORPORATE GOVERNANCE REPORT

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.

CORPORATE GOVERNANCE REPORT

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 2025 and up to the date of this annual report are set out in the following table:

Name of Director	Attendance/Number of meetings				Annual general meeting	Extraordinary general meeting
	Board meeting	Audit Committee meeting	Nomination Committee meeting	Remuneration Committee meeting		
Mr. XIE Yang	6/8	N/A	2/2	2/2	1/1	1/1
Mr. HE Xuanxi	8/8	N/A	N/A	N/A	1/1	1/1
Ms. LIU Chujun	8/8	N/A	2/2	N/A	1/1	1/1
Ms. SUN Zhaoyang (resigned on 25 July 2025)	3/8	N/A	N/A	N/A	1/1	0/1
Ms. FENG Li (resigned on 25 July 2025)	3/8	N/A	N/A	N/A	1/1	0/1
Mr. HUANG Shiping (appointed on 25 July 2025)	5/8	N/A	N/A	N/A	0/1	0/1
Ms. BAI Shuang (resigned on 25 July 2025)	3/8	0/2	0/2	0/2	1/1	0/1
Mr. HA Chengyong (resigned on 25 July 2025)	3/8	0/2	N/A	0/2	1/1	0/1
Mr. TSE Chi Wai (resigned on 5 March 2025)	0/8	0/2	0/2	N/A	0/1	0/1
Mr. YAM Yuet Hang (appointed on 5 March 2025)	8/8	2/2	2/2	N/A	1/1	1/1
Mr. YANG Yucheng (appointed on 25 July 2025)	5/8	2/2	2/2	2/2	0/1	1/1
Dr. CHANG Cheng Hui (appointed on 25 July 2025)	5/5	2/2	2/2	2/2	0/1	1/1

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.

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 2025, 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 2025, 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 who has 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 thereafter.

CORPORATE GOVERNANCE REPORT

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 2025, 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 2025, 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 2025, 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 and Mr. Yam Yuet Hang filled his vacancy with effect from 5 March 2025. Ms. Bai Shuang and Mr. Ha Chengyong had tendered their resignations as independent non-executive directors and members of the Audit Committee and Mr. Yang Yucheng and Dr. Chang Cheng Hui filled their vacancies with effect from 25 July 2025.

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2025 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 2025, 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 has resigned as the chairman of the Remuneration Committee and Mr. Yang Yucheng filled his vacancy with effect from 25 July 2025. Furthermore, Ms. Bai Shuang has resigned as a member of the Remuneration Committee and Dr. Chang Cheng Hui filled her vacancy with effect from 25 July 2025.

During the year ended 31 December 2025 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 2025, the Nomination Committee comprised of one executive Director and two independent non-executive Directors, namely, Mr. Xie, Ms. Bai Shuang and Mr. Tse Chi Wai. Mr. Xie is the chairman of the Nomination Committee. Mr. Tse Chi Wai and Ms. Bai Shuang had tendered its resignation as an independent non-executive director and a member of the Nomination Committee of the Company and Mr. Yam Yuet Hang has filled his vacancy with effect from 5 March 2025. Ms. Bai Shuang resigned as a member of the Nomination Committee with effect from 25 July 2025. Mr. Yang Yucheng, Dr. Chang Cheng Hui and Ms. Liu Chujun have been appointed as members of the Nomination Committee with effect from 25 July 2025.

During the year ended 31 December 2025 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.

CORPORATE GOVERNANCE REPORT

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.

CORPORATE GOVERNANCE REPORT

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 2025 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 2025, the Company had 80 employees. Male staff accounted for approximately 60% 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.

CORPORATE GOVERNANCE REPORT

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 42 to 45 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 2025, 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 2025.

CORPORATE GOVERNANCE REPORT

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 2025 falls within the following band:

	Number of senior management
Nil to RMB1,000,000	
The remuneration includes salaries and pension scheme contributions	4

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. 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 2025. The remuneration paid or payable to Beijing Xinghua Caplegend CPA Limited for services rendered for the year ended 31 December 2025 was as follows:

	RMB'000
Audit services	1,000
Non-audit services	—
	1,000

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 2025, in compliance with Rule 5.15 of the GEM Listing Rules.

CORPORATE GOVERNANCE REPORT

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 2025 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.

CORPORATE GOVERNANCE REPORT

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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. XIE Yang (謝楊先生), aged 62, 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 2025, Mr. Xie was interested in 300,000 underlying 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 44, 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 52, 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.

Mr. HUANG Shiping (黃式平先生), aged 44, has been appointed as an executive Director of the Company on 25 July 2025. Mr. Huang has over 15 years of experience in corporate strategic planning and operational management. Mr. Huang obtained his bachelor's degree in computer science and technology from Ningbo University in 2003. Since March 2014, Mr. Huang served as the general manager of Rui'an Delong Car Parts Company Limited. He was mainly responsible for formulating the company's strategic development direction and annual operating goals, building the marketing system, overseeing the business development and managing the company's new projects.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. YAM Yuet Hang (任悦恒先生), aged 38, 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) from November 2024 to January 2026 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.

Mr. YANG Yucheng (楊宇成先生), aged 38, has been appointed as an independent non-executive Director of the Company on 25 July 2025. Mr. Yang has over 10 years in human resources management. Mr. Yang obtained his bachelor degree of science in opt-electric science and technology from Sun Yat-sen University in 2010. He further obtained a master degree of engineering in integrated circuits from SunYat-sen University in 2012. From 2012 to 2016, Mr. Yang served as vice-president in the research and development department of Guangzhou Aike Talent Services Co., Limited that mainly engaged in high-end talent search and assessment, focusing on the development and application of talent assessment tools. From 2016 to 2023, Mr. Yang served as vice general manager/general manager in the subsidiaries of Guangdong Nanyue Group Human Resource Services Co., Limited. Since 2024, Mr. Yang served as the general manager in Guangzhou Hongersi Information Technology Co., Limited that mainly engaged in talent development consulting and assessment, cross-border business expansion and human resources related services.

Dr. CHANG CHENG HUI (張正輝博士), aged 63, has been appointed as an independent non-executive Director of the Company on 25 July 2025. Dr. Chang has over 25 years of experience in design and operation in the medical technology industry and research in food nutrition and biotechnology. Dr. Chang obtained his doctor degree in business administration from California American University in 2007. He also completed the post doctor research fellowship program in the California State University Monterey Bay in September 2022 and the post doctoral development programme in the Homerton College of the University of Cambridge in July 2023. From 2006 to 2016, Dr. Chang served as general manager of Karson Technology Limited. Since 2018, He served a vice-president in ZCC Holding Group Limited, that mainly provide consulting service on corporate management, investment and financing as well as the expert consulting service for biotechnology and medical industry.

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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. FENG Huan (馮煥先生), aged 43, 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 manager 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 47, 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 47, 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 41, 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) from 13 August 2024 to 13 January 2026. The issued shares of these companies are listed on the main board of the Stock Exchange.

Mr. Tse has over 18 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



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 46 to 119, which comprise the consolidated statement of financial position as at 31 December 2025; the consolidated statement of profit or loss and other comprehensive income 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 2025, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards as 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”) as 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 as applicable to audits of financial statements of public interest entities. 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.

INDEPENDENT AUDITOR'S REPORT

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 RMB74 million, representing approximately 47% of the current assets as at 31 December 2025.

Impairment assessment for trade receivables and contract assets are based on management's estimate of the lifetime expected credit losses ("ECL"s) 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 trade 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 in relation to the management's impairment assessment of trade receivables and contract assets included the following:

- 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 confirming the on-going business relationship and project status;
- Reviewed the ECL model prepared by the management and the relevant disclosures and checked key assumptions and input data in the ECL model;
- Checked arithmetical accuracy of the ECL model;
- Engaging our valuation expert in assessing the significant assumptions used in estimating the ECLs, such as historical default data and forward-looking information;
- Assessing the appropriateness of valuation methodology and assumptions adopted by the management; and
- Evaluating the disclosures regarding ECLs assessment of trade receivables and contract assets in Notes 24 and 25 to the consolidated financial statements.

Based on the procedures above, we found the judgement and estimates applied by management were supported by the evidence we obtained.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included 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 HKFRS Accounting Standards as 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

INDEPENDENT AUDITOR'S REPORT

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

- 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, 30 March 2026

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000 (Restated)
REVENUE	8	130,573	50,744
Cost of sales		(94,208)	(34,741)
Gross profit		36,365	16,003
Other income	9	1,776	2,168
Selling and distribution expenses		(2,295)	(1,696)
Administrative expenses		(24,857)	(16,016)
Impairment loss on financial assets and contract assets, net		(1,795)	(6,719)
(Impairment loss)/reversal of impairment loss on prepayments		(3,792)	746
Other expenses		(1,917)	(1,809)
Finance costs	10	(934)	(209)
PROFIT/(LOSS) BEFORE TAXATION		2,551	(7,532)
Income tax (expense)/credit	13	(1,447)	490
PROFIT/(LOSS) FOR THE YEAR	11	1,104	(7,042)
Other comprehensive income/(loss) for the year, net of tax:			
Items that will not be reclassified to profit or loss:			
Fair value gains on transfers of owner-occupied properties to investment properties, net of tax	17	3,759	–
Loss on equity investments designated at fair value through other comprehensive income	23	(1,910)	(1,388)
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		619	223
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		2,468	(1,165)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		3,572	(8,207)
Profit/(loss) for the year attributable to:			
– Owners of the Company		583	(7,042)
– Non-controlling interest		521	–
		1,104	(7,042)
Total comprehensive income/(loss) for the year attributable to:			
– Owners of the Company		3,051	(8,207)
– Non-controlling interest		521	–
		3,572	(8,207)
Earnings/(losses) per share attributable to owners of the Company	15		
Basic and diluted (RMB)		0.02	(0.23)

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 2025

	<i>Notes</i>	2025 RMB'000	2024 <i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment	16	31,574	6,649
Investment properties	17	33,700	25,800
Goodwill	19	3,518	–
Right-of-use assets	18	9,106	11
Other intangible assets	20	336	49
Prepayments, other receivables and other assets	26	3,000	–
Receivables under a service concession arrangement	22	17,814	25,191
Equity investments designated at fair value through other comprehensive income	23	–	1,910
		99,048	59,610
CURRENT ASSETS			
Receivables under a service concession arrangement	22	7,293	7,124
Trade and bills receivables	24	55,568	51,458
Contract assets	25	18,015	15,803
Prepayments, other receivables and other assets	26	16,148	19,562
Pledged deposits	27	2,400	2,635
Cash and cash equivalents	27	57,982	69,698
		157,406	166,280
CURRENT LIABILITIES			
Trade payables	28	77,710	87,791
Contract liabilities	25	4,609	22,571
Other payables and accruals	29	27,671	16,564
Interest-bearing bank and other borrowings	30	15,900	–
Lease liabilities	31	616	–
Tax payable		13,149	10,976
		139,655	137,902
NET CURRENT ASSETS		17,751	28,378
TOTAL ASSETS LESS CURRENT LIABILITIES		116,799	87,988
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	30	8,990	9,397
Lease liabilities	31	8,761	–
Deferred tax liabilities	32	5,090	5,055
		22,841	14,452
NET ASSETS		93,958	73,536

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
CAPITAL AND RESERVES			
Share capital	33	4,472	2,579
Reserves	34	82,910	70,957
Equity attributable to owners of the Company			
Non-controlling interests		6,576	–
TOTAL EQUITY		93,958	73,536

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

The consolidated financial statements on pages 46 to 119 were approved and authorised for issue by the board of directors on 30 March 2026 and are signed on its behalf by:

Approved by:

Xie Yang
Director

He Xuan Xi
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025

	Attributable to owners of the Company									Non-controlling interest RMB'000	Total RMB'000
	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	Sub-total RMB'000		
At 1 January 2024	2,397	98,818	(13,830)	14,812	16,824	3,161	3,922	(51,098)	75,006	-	75,006
Loss for the year	-	-	-	-	-	-	-	(7,042)	(7,042)	-	(7,042)
Other comprehensive (loss)/income for the year:											
Loss on equity investments designated at fair value through other comprehensive income	-	-	-	(1,388)	-	-	-	-	(1,388)	-	(1,388)
Exchange difference on translation of foreign operations	-	-	-	-	-	-	223	-	223	-	223
Total comprehensive (loss)/income for the year	-	-	-	(1,388)	-	-	223	(7,042)	(8,207)	-	(8,207)
Issuance of shares upon the rights issue (Note 33(b))	182	5,110	-	-	-	-	-	-	5,292	-	5,292
Share-based payments	-	-	-	-	-	1,445	-	-	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	-	73,536
At 1 January 2025	2,579	103,928	(13,830)	13,424	16,824	4,606	4,145	(58,140)	73,536	-	73,536
Profit for the year	-	-	-	-	-	-	-	583	583	521	1,104
Other comprehensive income/(loss) for the year:											
Fair value gains on transfers of owner-occupied properties to investment properties, net of tax	-	-	-	3,759	-	-	-	-	3,759	-	3,759
Loss on equity investments designated at fair value through other comprehensive income	-	-	-	(1,910)	-	-	-	-	(1,910)	-	(1,910)
Exchange difference on translation of foreign operations	-	-	-	-	-	-	619	-	619	-	619
Total comprehensive income for the year	-	-	-	1,849	-	-	619	583	3,051	521	3,572
Issuance of shares on placement (Note 33(c))	1,893	8,401	-	-	-	-	-	-	10,294	-	10,294
Capital contribution from non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	-	-	400	400
Acquisition of a subsidiary (Note 36(a))	-	-	-	-	-	-	-	-	-	5,655	5,655
Share-based payments	-	-	-	-	-	501	-	-	501	-	501
At 31 December 2025	4,472	112,329	(13,830)	15,273	16,824	5,107	4,764	(57,557)	87,382	6,576	93,958

* These reserve accounts comprise the consolidated reserves of approximately RMB82,910,000 (2024: RMB70,957,000) 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 2025

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before taxation	2,551	(7,532)
Adjustments for:		
Finance cost	934	209
Bank interest income	(1,585)	(1,342)
Fair value loss on investment properties	1,547	1,700
Depreciation of property, plant and equipment	1,443	389
Depreciation of right-of-use assets	217	166
Amortization of other intangible assets	50	15
Loss on disposal of property, plant and equipment	2	–
Impairment loss on trade receivables	4,375	4,976
(Reversal of impairment loss)/impairment loss on contract assets	(2,580)	1,743
Impairment loss/(reversal of impairment loss) on prepayments, other receivables and other assets	3,792	(746)
Share-based payments	501	1,445
Operating cash flows before movements in working capital	11,247	1,023
Change in receivables under service concession arrangements	6,403	7,124
Change in trade and bills receivables	(6,392)	47,330
Change in contract assets	368	788
Change in prepayments, other receivables and other assets	3,121	(11,023)
Change in pledged deposits	235	1,229
Change in trade payables	(14,757)	(42,007)
Change in other payables and accruals	(23,788)	(3,884)
Cash (used in)/generated from operations	(23,563)	580
Interest received	1,585	1,342
Lease interest paid	–	(24)
Income tax paid	(1,198)	–
Net cash flows (used in)/generated from operating activities	(23,176)	1,898

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

	<i>Notes</i>	2025 RMB'000	2024 <i>RMB'000</i>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(2,708)	(3)
Acquisition of a subsidiary		(1,074)	–
Capital injection of equity investments at fair value through other comprehensive income		–	(338)
Net cash flows used in investing activities		(3,782)	(341)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of shares upon the rights issue		–	5,292
Proceeds from issuance of shares on placement	33(c)	10,294	–
Capital contribution from non-controlling shareholder of a subsidiary		400	–
New borrowings raised		10,000	9,397
Repayments of borrowings		(5,013)	–
Interest paid		(752)	–
Principal portion of lease payments		–	(132)
Net cash flows generated from financing activities		14,929	14,557
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of year		69,698	53,360
Net foreign exchange difference		313	224
Cash and cash equivalents at end of year		57,982	69,698
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		57,982	69,698

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 2025

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 Unit 01-06, Level 27, Wing On Centre, 111 Connaught Road, Central, 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; (iii) provision of online advertising and related services for online games; and (iv) property leasing and sub-leasing.

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

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with HKFRS Accounting Standards 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.

HKFRS Accounting Standards comprise the following authoritative literature:

- Hong Kong Financial Reporting Standards;
- Hong Kong Accounting Standards; and
- Interpretations developed by the Hong Kong Institute of Certified Public Accountants.

These consolidated financial statements have been prepared under the historical cost basis, except for investment properties and equity investments designated at fair value through other comprehensive income (“**FVOCI**”), which are measured at fair values.

The preparation of the consolidated financial statements in conformity with HKFRS Accounting Standards 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 HKFRS Accounting Standards that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 4.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. BASIS OF PREPARATION (continued)

Adoption of new or amended HKFRS Accounting Standards and changes in other accounting policies

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

- Amendments to HKAS 21, The effects of changes in foreign exchange rates and HKFRS 1 – Lack of exchangeability

The adoption of new or amended HKFRS Accounting Standards has no material impact on the Group's results, financial position and accounting policies.

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 2025 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 HKFRS 9, Financial instruments and HKFRS 7, Financial instruments: disclosures – Classification and measurement of financial instruments	1 January 2026
Amendments to HKFRS 9, Financial instruments and HKFRS 7, Financial instruments: disclosures – Contracts referencing nature – dependent electricity	1 January 2026
Annual improvements to HKFRS Accounting Standards – 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 Hong Kong Interpretation 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 HKAS 21, Translation to a hyperinflationary presentation currency	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

HKFRS 18 will replace HKAS 1 Presentation of Financial Statements, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though HKFRS 18 will not impact the recognition or measurement of items in the financial statements, its impacts on presentation and disclosure are expected to be pervasive, in particular those related to the consolidated statements of profit or loss and providing management-defined performance measures within the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. BASIS OF PREPARATION (continued)

Adoption of new or amended HKFRS Accounting Standards and changes in other accounting policies (continued)

Management is currently assessing the detailed implications of applying the new standard on the Group's consolidated financial statements. The Group expects to apply the new standard from its mandatory effective date of 1 January 2027. Retrospective application is required, and so the comparative information for the financial year ending 31 December 2026 will be restated in accordance with HKFRS 18.

Except for the abovementioned changes in presentation and disclosure, these pronouncements are not expected to have a material impact on the results or the financial position of the Group.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES

This note provides a list of the accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Subsidiaries

Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity where the Group 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 to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on which control ceases.

The acquisition method of accounting is used to account for all business combinations by the Group (refer to Note 3(b)).

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests ("NCI") in results and equity of subsidiaries are shown separate in the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(b) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- the fair values of the assets transferred;
- the liabilities incurred to the former owners of the acquired business;
- the equity interests issued by the Group;
- the fair value of any asset or liability resulting from a contingent consideration arrangement; and
- the fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any NCI in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the NCI's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- the consideration transferred,
- the amount of any NCI in the acquired entity, and
- the acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or as a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(c) Investments and other financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (“OCI”) or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity’s business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will be recorded either in profit or loss or in OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to present subsequent changes in fair value in other comprehensive income.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all of the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (“FVTPL”), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group’s business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/ (losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the consolidated statement of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(c) Investments and other financial assets (continued)

(iii) Measurement (continued)

Debt instruments (continued)

- FVOCI: assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as a separate line item in the consolidated statement of profit or loss.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

(d) 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.

(e) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(e) Property, plant and equipment (continued)

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).

If a property becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item (including the relevant leasehold land classified as right-of-use assets) at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the property, the relevant revaluation reserve will be transferred directly to accumulated losses.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

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	5% to 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.

(f) Intangible assets

Goodwill

Goodwill is measured as described in Note 3(b). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units ("CGU"s) for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(f) Intangible assets (continued)

Patents and software licences

Separately acquired software licences are shown at historical cost. Software licences acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

Amortisation is calculated to write-off the cost or valuation of the other intangible assets less their estimated residual values, if any, using the straight line method over their estimated useful lives, and it is generally recognised in profit or loss. The estimated annual rates are as follows:

Patents	10%
Software licenses	10% to 33%

(g) Inventories

Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(h) 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.

(i) *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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(h) Leased assets (continued)

Group as a lessee (continued)

(ii) *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.

(iii) *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.

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 term and is included in revenue in the consolidated 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.

When the Group is an intermediate lessor, the sub-lease is classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in Note 3(h), then the Group classifies the sub-lease as an operating lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(i) 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”) on:

- financial assets measured at amortised cost (including cash and cash equivalents, pledged deposits, trade receivables and other receivables, that are held for the collection of contractual cash flows which represent solely payments of principal and interest);
- contract assets; 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.

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 FVOCI 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 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

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

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

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.

(ii) Impairment of other non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than property carried at revalued amounts, investment properties, 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 CGUs. 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.

(j) Contract assets and contract liabilities

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

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue. 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.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(k) 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.

(l) 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.

(m) 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.

(n) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are derecognised when the obligation specified in the contract is extinguished, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless, at the end of the reporting period, the Group has a right to defer settlement of the liability for at least 12 months after the reporting period.

Covenants that the Group is required to comply with, on or before the end of the reporting period, are considered in classifying loan arrangements with covenants as current or non-current. Covenants that the Group is required to comply with after the reporting period do not affect the classification at the reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(o) Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

(p) 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.

(q) Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period’s taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation, and it considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The group measures its tax balances either based on either the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(q) Current and deferred income tax (continued)

Deferred income tax (continued)

The deferred tax liability in relation to investment properties that is measured at fair value is determined assuming that the property will be recovered entirely through sale.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(r) Share-based payments

Share-based compensation benefits are provided to employees via the share option scheme (the “Scheme”).

Information relating to these schemes is set out in Note 35.

Employee options

The fair value of options granted under the Scheme is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (such as the entity’s share price),
- excluding the impact of any service and non-market performance vesting conditions (such as profitability, sales growth targets and remaining an employee of the entity over a specified time period), and
- including the impact of any non-vesting conditions (such as the requirement for employees to save or hold shares for a specific period of time).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. The entity recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(s) 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.

Other revenue

Interest income is recognised using the effective interest method.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(t) 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 asset 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 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”.

(u) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the group’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The consolidated financial statements are presented in RMB, which is Group’s functional and presentation currency.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(u) Foreign currency translation (continued)

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the consolidated statement of profit or loss on a net basis within other income/(losses).

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at FVTPL are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as FVOCI are recognised in OCI.

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in OCI.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in OCI. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(v) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated 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.

(w) Equity instruments

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

(x) 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.

(y) 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.

(z) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated 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 production 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.

(aa) 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(aa) Related parties (continued)

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

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

4. 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) *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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES (continued)

Critical judgements in applying accounting policies (continued)

(c) *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.

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 2025 was RMB33,700,000 (2024: RMB25,800,000). Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in Notes 6 and 17 to the consolidated financial statements, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES (continued)

Key sources of estimation uncertainty (continued)

(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 CGU 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 CGU and choose a suitable discount rate in order to calculate the present value of those cash flows.

(e) *Impairment of goodwill*

Determining whether goodwill is impaired requires an estimation of the value in use of the CGU to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. The carrying amount of goodwill at the end of the reporting period was RMB3,518,000 after an impairment loss of RMBNil was recognised during 2025. Details of the impairment loss calculation are provided in Note 19 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

5. 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 dollars ("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. In this respect, it is assumed that the pegged rate between the HK\$ and the US\$ would be materially unaffected by any changes in movement in value of the US\$ against other currencies.

	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
2025			
If the RMB weakness against the VND	5	(135)	135
If the RMB strengthens against the VND	(5)	135	(135)
If the RMB weakness against the US\$	5	(1,751)	1,751
If the RMB strengthens against the US\$	(5)	1,751	(1,751)
If the RMB weakness against the HK\$	5	(917)	917
If the RMB strengthens against the HK\$	(5)	917	(917)
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)

* Excluding retained profits

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

5. FINANCIAL RISK MANAGEMENT (continued)

(a) Foreign currency risk (continued)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, and then translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purposes.

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 2024.

(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 pledged deposits and bank and other borrowings issued at fixed rates, which expose the Group to fair value interest rate risk.

At 31 December 2025, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would have decreased/increased (2024: increased/decreased) the Group's profit (2024: loss) after tax and retained profits by approximately RMB136,000 (2024: RMB60,000).

The sensitivity analysis above indicates the instantaneous change in the Group's profit/(loss) after tax (and retained profits/(accumulated losses)) 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 2024.

(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 amounts of the cash and bank balances, pledged deposits, 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 and pledged deposits are 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

5. 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 52% (2024: 49%) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

5. 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:

	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
31 December 2025					
Interest-bearing bank and other borrowings	16,441	–	–	9,296	25,737
Trade payables	77,710	–	–	–	77,710
Financial liabilities included in other payables and accruals	26,267	–	–	–	26,267
	120,418	–	–	9,296	129,714
	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
31 December 2024					
Interest-bearing bank and other borrowings	–	–	–	11,746	11,746
Trade payables	87,791	–	–	–	87,791
Financial liabilities included in other payables and accruals	15,029	–	–	–	15,029
	102,820	–	–	11,746	114,566

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

5. FINANCIAL RISK MANAGEMENT (continued)

(f) Categories of financial instruments

	2025 RMB'000	2024 RMB'000
Financial assets:		
Equity investments designated at FVOCI	–	1,910
Financial assets at amortized cost		
– Receivables under a service concession arrangement	25,107	32,315
– Trade and bills receivables	55,568	51,458
– Other receivables and other assets	16,593	8,079
– Pledged deposits	2,400	2,635
– Cash and cash equivalents	57,982	69,698
	157,650	164,185
	157,650	166,095
Financial liabilities:		
Lease liabilities	9,377	–
Financial liabilities at amortized cost		
– Trade payables	77,710	87,791
– Other payables and accruals	26,267	15,029
– Interest-bearing bank and other borrowings	24,890	9,397
	138,244	112,217

(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 2025 and 2024.

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, and lease liabilities less cash and cash equivalents. Capital represents equity attributable to owners of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

5. FINANCIAL RISK MANAGEMENT (continued)

(g) Capital management (continued)

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

	2025 RMB'000	2024 RMB'000
Interest-bearing bank and other borrowings	24,890	9,397
Trade payables	77,710	87,791
Lease liabilities	9,377	–
Financial liabilities included in other payables and accruals	26,267	26,564
Less: Cash and cash equivalents	(57,982)	(69,698)
Net debt	80,262	54,054
Total capital	87,382	73,536
Capital and net debt	167,644	127,590
Gearing ratio	48%	42%

6. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

6. 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 2025:			
Equity investments designated at FVOCI			
Private equity investments	–	–	–
Investment properties			
Industrial properties – PRC	33,700	–	33,700
Total recurring fair value measurements	33,700	–	33,700

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

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

(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 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 and 1 January 2025	1,910	1,910
Total gains or losses recognised in other comprehensive income	(1,910)	(1,910)
At 31 December 2025	–	–

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 consolidated 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 the consolidated statement of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

6. FAIR VALUE MEASUREMENTS (continued)

- (c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2025:

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 2025 RMB'000
Industrial investment properties – PRC	Direct comparison approach	Market unit selling price	33,700
			Fair value 2024 RMB'000
Description	Valuation technique	Inputs	
Industrial investment properties – PRC	Direct comparison approach	Market unit selling price	25,800

Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Effect on fair value for increase of inputs	Total 2025 RMB'000
Private equity investments classified as equity investments at FVOCI	Net asset value	N/A	N/A	–
			Effect on fair value for increase of inputs	Total 2024 RMB'000
Description	Valuation technique	Unobservable inputs		
Private equity investments classified as equity investments at FVOCI	Net asset value	N/A	N/A	1,910

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

7. SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on their products and services and has six 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 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;
- (3) 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;
- (4) the advertising (“**Advertising**”) segment, which comprises the provision of processing services for advertising materials and the placement of advertisements on various media platforms, including elevator media, for customers;
- (5) the property leasing (“**Property leasing**”) segment, which comprises rental income generated from (i) the leasing of the Group’s own investment property and (ii) the sub-leasing of commercial properties leased from third-party landlords to independent tenants; and
- (6) the “Others” segment comprises, principally, the Group’s (i) operation and maintenance services in which an 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; and (ii) construction projects which projects other than EPC projects.

Upon acquisition of a subsidiary under Property leasing segment during the year ended 31 December 2025, the directors considered that such segment would constitute a significant amount to the Group. In addition, there is also a significant increase in the Group’s advertising segment during the year ended 31 December 2025. In view of the above, management is of the view that the current reportable segment presentation by presenting separately the advertising segment and property leasing segment, as well as regrouping certain immaterial businesses into “others” segment would better reflect how management makes decision about the Group’s resources allocation and performance assessment.

Accordingly, certain comparative figures have been regrouped, including the reclassification of other income to revenue, and the segment information presented for the year ended 31 December 2024 and as at 31 December 2024 had been restated to conform with the current year’s presentation of the consolidated financial statements.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

7. SEGMENT INFORMATION (continued)

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

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

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

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

Year ended 31 December 2025	Service						Total RMB'000
	EPC Projects RMB'000	Concession Arrangement RMB'000	Equipments Projects RMB'000	Advertising RMB'000	Property leasing RMB'000	Others RMB'000	
Revenue from external customers	59,789	13,103	28	24,976	20,494	12,183	130,573
Segment profit	22,621	1,164	11	562	10,347	115	34,820
Depreciation and amortisation	–	–	–	–	217	–	217
Additions to segment non-current assets	–	–	–	–	9,312	–	9,312
Fair value loss on investment properties	–	–	–	–	1,547	–	1,547
As at 31 December 2025							
Segment assets	25,422	37,522	12,037	4,198	83,002	11,637	173,818
Segment liabilities	30,977	15,674	–	100	11,475	33,471	91,697

Year ended 31 December 2024 (Restated)	Service						Total RMB'000
	EPC Projects RMB'000	Concession Arrangement RMB'000	Equipments Projects RMB'000	Advertising RMB'000	Property leasing RMB'000	Others RMB'000	
Revenue from external customers	5,384	13,370	14,106	6,910	4,943	6,031	50,744
Segment profit	1,147	1,012	7,343	138	3,243	1,420	14,303
Depreciation and amortisation	–	–	–	–	166	–	166
Fair value loss on investment properties	–	–	–	–	1,700	–	1,700
As at 31 December 2024							
Segment assets	16,432	43,508	32,881	7,047	26,139	12,154	138,161
Segment liabilities	40,832	20,030	26,576	100	62	22,762	110,362

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

7. SEGMENT INFORMATION (continued)

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

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i> (Restated)
Revenue		
Total revenue of reportable segments	130,573	50,744
Consolidated revenue	130,573	50,744
Profit or loss		
Total profit of reportable segments	34,820	14,303
Interest income	1,585	1,342
Unallocated gains	191	826
Impairment losses on financial assets and contract assets, net (Impairment loss)/reversal of impairment loss on prepayments	(1,795) (3,792)	(6,719) 746
Corporate and other unallocated expenses	(27,589)	(17,845)
Finance costs (other than interest on lease liabilities)	(869)	(185)
Consolidated profit/(loss) before tax	2,551	(7,532)
Assets		
Total assets of reportable segments	173,818	138,161
Corporate and other unallocated assets	82,636	87,729
Total assets	256,454	225,890
Liabilities		
Total liabilities of reportable segments	91,697	110,362
Corporate and other unallocated liabilities	70,799	41,992
Total liabilities	162,496	152,354

Geographical information:

	Revenue		Non-current assets	
	2025 <i>RMB'000</i>	2024 <i>RMB'000</i> (Restated)	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Mainland China ("PRC")	104,726	47,444	98,232	59,438
Vietnam	25,847	3,300	816	172
	130,573	50,744	99,048	59,610

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

7. SEGMENT INFORMATION (continued)

Revenue from major customers:

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
EPC Projects		
Customer A	25,847	N/A*
Customer B	33,515	N/A*
Others		
Customer C	N/A*	8,937
Service Concession Arrangement		
Customer D	13,103	13,370
Advertising		
Customer E	N/A*	6,910

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

8. REVENUE

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i> (Restated)
Sale of equipment	28	14,106
Construction services	63,837	6,815
Advertising services	24,976	6,910
Other services	21,238	17,970
Revenue from contracts with customers	110,079	45,801
Rental income		
– From investment properties	5,654	4,943
– From sub-leasing	14,840	–
	20,494	4,943
Total revenue	130,573	50,744

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

8. REVENUE (continued)

Disaggregation of revenue from contracts with customers:

Segments	2025					Total RMB'000
	EPC Projects RMB'000	Service Concession Arrangement RMB'000	Equipment Projects RMB'000	Advertising RMB'000	Others RMB'000	
<i>Geographical markets</i>						
Mainland China	33,942	13,103	28	24,976	12,183	84,232
Vietnam	25,847	–	–	–	–	25,847
Total	59,789	13,103	28	24,976	12,183	110,079
<i>Major products/service</i>						
Sale of equipment	–	–	28	–	–	28
Construction services	59,789	–	–	–	7,674	67,463
Advertising services	–	–	–	24,976	–	24,976
Other services	–	13,103	–	–	4,509	17,612
Total	59,789	13,103	28	24,976	12,183	110,079
<i>Timing of revenue recognition</i>						
At a point in time	–	–	28	24,976	–	25,004
Over time	59,789	13,103	–	–	12,183	85,075
Total	59,789	13,103	28	24,976	12,183	110,079

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

8. REVENUE (continued)

Segments	2024					Total RMB'000
	EPC Projects RMB'000	Service Concession Arrangement RMB'000	Equipment Projects RMB'000	Advertising RMB'000	Others RMB'000	
<i>Geographical markets</i>						
Mainland China	2,084	13,370	14,106	6,910	6,031	42,501
Vietnam	3,300	–	–	–	–	3,300
Total	5,384	13,370	14,106	6,910	6,031	45,801
<i>Major products/service</i>						
Sale of equipment	219	–	14,106	–	–	14,325
Construction services	5,165	–	–	–	1,431	6,596
Advertising services	–	–	–	6,910	–	6,910
Other services	–	13,370	–	–	4,600	17,970
Total	5,384	13,370	14,106	6,910	6,031	45,801
<i>Timing of revenue recognition</i>						
At a point in time	219	–	14,106	6,910	–	21,235
Over time	5,165	13,370	–	–	6,031	24,566
Total	5,384	13,370	14,106	6,910	6,031	45,801

Revenue from contract with customers:

(a) 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.

(b) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

8. REVENUE (continued)

Revenue from contract with customers: (continued)

(c) Advertising services

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.

(d) 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 services 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.

Rental income

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments are recognised as income in the accounting period in which they are earned.

9. OTHER INCOME

	2025 RMB'000	2024 RMB'000 (Restated)
Bank interest income	1,585	1,342
Government grants	150	75
Others	41	751
	1,776	2,168

10. FINANCE COSTS

	2025 RMB'000	2024 RMB'000
Interest on bank and other borrowings	869	185
Interest on lease liabilities (Note 18)	65	24
	934	209

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

11. PROFIT/(LOSS) FOR THE YEAR

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

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Auditors' remuneration – audit service	1,000	800
Cost of inventories sold	18	7,075
Cost of construction contracting	7,506	4,530
Cost of services provided	86,684	23,136
	94,208	34,741
Depreciation of property, plant and equipment (Note 16)	1,443	389
Depreciation of right-of-use assets (Note 18)	217	166
Amortisation of other intangible assets (Note 20)	50	15
Direct operating expenses (including repairs and maintenance arising from rental-earning investment properties)	648	25
Loss on disposal of property, plant and equipment	2	–
Fair value loss on investment properties (Note 17)	1,547	1,700
Impairment losses of financial assets and contract assets, net:		
Impairment loss on trade receivables (Note 24)	4,375	4,976
(Reversal of impairment loss)/impairment loss on contract assets (Note 25)	(2,580)	1,743
	1,795	6,719
Impairment loss/(reversal of impairment loss) on prepayments, other receivables and other assets (Note 26)	3,792	(746)
Staff costs including directors' remuneration:		
Wages and salaries	11,632	6,382
Pension scheme contributions*	986	668
Other welfare expenses	99	121
Employee share option benefits (equity-settled)	501	1,445
	13,218	8,616

* As at 31 December 2025 and 2024, the Group had no material forfeited contributions available to reduce its contributions to the retirement benefit schemes in future years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' and Chief Executive's emoluments

The emoluments of each director were as follows:

	Notes	For the year ended 31 December 2025					Total RMB'000
		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	
<i>Independent non-executive directors:</i>							
Mr. Yam Yuet Hang	(iv)	61	-	-	-	-	61
Mr. Yang Yucheng	(vi)	8	-	-	-	-	8
Dr. Chang Cheng Hui	(vi)	8	-	-	-	-	8
Mr. Tse Chi Wai	(v)	9	-	-	-	-	9
Mr. Ha Cheng Yong	(vii)	46	-	-	-	-	46
Ms. Bai Shuang	(vii)	46	-	-	-	-	46
		178	-	-	-	-	178
<i>Executive directors:</i>							
Mr. Xie Yang		256	103	-	-	147	506
Mr. He Xuan Xi		122	164	-	38	49	373
Mr. Huang Shiping	(vi)	55	-	-	3	-	58
Ms. Liu Chujun	(i)	331	-	-	16	-	347
Ms. Sun Zhaoyang	(ii)	193	-	-	9	-	202
Ms. Feng Li	(iii)	258	-	-	9	-	267
		1,215	267	-	75	196	1,753
		1,393	267	-	75	196	1,931
<i>For the year ended 31 December 2024</i>							
	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
<i>Independent non-executive directors:</i>							
Mr. Yam Yuet Hang	(iv)	-	-	-	-	-	-
Mr. Tse Chi Wai	(v)	111	-	-	-	-	111
Mr. Ha Cheng Yong	(vii)	111	-	-	-	-	111
Ms. Bai Shuang	(vii)	111	-	-	-	-	111
		333	-	-	-	-	333
<i>Executive directors:</i>							
Mr. Xie Yang		251	164	-	-	340	755
Mr. He Xuan Xi		128	366	-	-	113	607
Ms. Liu Chujun	(i)	332	-	-	3	-	335
Ms. Sun Zhaoyang	(ii)	221	-	-	3	-	224
Ms. Feng Li	(iii)	221	-	-	3	-	224
		1,153	530	-	9	453	2,145
		1,486	530	-	9	453	2,478

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

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

Notes:

- (i) Appointed on 6 January 2024.
- (ii) Appointed on 15 May 2024 and resigned on 25 July 2025.
- (iii) Appointed on 2 July 2024 and resigned on 25 July 2025.
- (iv) Appointed on 5 March 2025.
- (v) Resigned on 5 March 2025.
- (vi) Appointed on 25 July 2025.
- (vii) Resigned on 25 July 2025.

There were no other emoluments payable to the independent non-executive directors during the years ended 31 December 2025 and 2024.

During the years ended 31 December 2025 and 2024, 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 in the Group during the year included 1 director (2024: 2 directors), details of whose remuneration are set out above. The emoluments of the remaining 4 (2024: 3) highest paid employees are as follows:

	2025 RMB'000	2024 RMB'000
Salaries, allowances and benefits in kind	2,533	1,748
Performance related bonus	–	114
	2,533	1,862

The emoluments fell within the following band:

Emolument band:	Number of employees	
	2025	2024
Nil – HK\$1,000,000	4	3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

13. INCOME TAX EXPENSE/(CREDIT)

	2025 RMB'000	2024 <i>RMB'000</i>
Current taxation:		
PRC	2,430	(36)
Vietnam	235	–
Deferred taxation	2,665 (1,218)	(36) (454)
Income tax expense/(credit)	1,447	(490)

Hong Kong Profits Tax has been provided at the rate of 16.5% (2024: 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% (2024: 8.25%), and the remaining assessable profits are taxed at the rate of 16.5% (2024: 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 Corporate Income Tax Law (“CIT”) and the respective regulations, the subsidiaries which operate in Mainland China are subject to 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 2025 and 2024.

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% (2024: 20%) on taxable income.

The reconciliation of the tax expense applicable to profit/(loss) 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:

	2025 RMB'000	2024 <i>RMB'000</i>
Profit/(loss) before taxation	2,551	(7,532)
Tax calculated at weighted average tax rate	(367)	(2,193)
Tax effect of income not taxable	(1,216)	(593)
Tax effect of expenses not deductible	3,210	2,296
Tax effect of utilisation of tax loss not previously recognised	(180)	–
Taxation for the year	1,447	(490)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

13. INCOME TAX EXPENSE/(CREDIT) (continued)

The tax charge relation to components of other comprehensive income/(loss) is as follows:

	Before tax RMB'000	2025 Tax RMB'000	After tax RMB'000
Fair value gains on transfers of owner-occupied properties to investment properties, net of tax	5,012	(1,253)	3,759
Loss on equity investments designated at fair value through other comprehensive income	(1,910)	–	(1,910)
Exchange difference arising on translation of foreign operations	619	–	619
Other comprehensive income/(loss)	3,721	(1,253)	2,468
Deferred tax		(1,253)	

14. DIVIDENDS

The Directors do not recommend the payment of any dividend for each of the years ended 31 December 2025 (2024: Nil).

15. EARNINGS/(LOSSES) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic earnings (2024: losses) per share is based on the earnings (2024: losses) for the year attributable to the owners of the Company of RMB583,000 (2024: losses of RMB7,042,000) and the weighted average number of ordinary shares in issue during the year.

No diluted earnings/(losses) per share are presented as the Company did not have any dilutive potential ordinary shares during the years ended 31 December 2025 and 2024.

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

	2025 RMB'000	2024 RMB'000
Profit/(loss) attributable to owners of the Company for the purpose of basic and diluted earnings/(losses) per share	583	(7,042)
Number of shares		
Weighted average number of ordinary shares for calculating basic and diluted earnings/(losses) per share	38,631,000	30,932,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

16. 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 2024	5,693	1,091	449	1,562	1,229	3,675	1,588	15,287
Additions	-	-	-	-	3	-	-	3
At 31 December 2024 and 1 January 2025	5,693	1,091	449	1,562	1,232	3,675	1,588	15,290
Acquisition of a subsidiary	-	28,010	-	-	188	-	-	28,198
Additions	-	2,286	-	57	365	-	-	2,708
Transfer from construction in progress to buildings	1,588	-	-	-	-	-	(1,588)	-
Transfer to investment properties	(5,693)	-	-	-	-	-	-	(5,693)
Disposal	-	-	(60)	(28)	-	-	-	(88)
Exchange realignment	-	-	-	(40)	-	(75)	-	(115)
At 31 December 2025	1,588	31,387	389	1,551	1,785	3,600	-	40,300
ACCUMULATED DEPRECIATION AND IMPAIRMENT:								
At 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 and 1 January 2025	1,258	1,091	383	1,407	968	3,534	-	8,641
Provided during the year	18	1,210	22	12	162	19	-	1,443
Transfer to investment properties	(1,258)	-	-	-	-	-	-	(1,258)
Disposal	-	-	(58)	(28)	-	-	-	(86)
Exchange realignment	-	-	-	(2)	-	(12)	-	(14)
At 31 December 2025	18	2,301	347	1,389	1,130	3,541	-	8,726
CARRYING AMOUNT:								
At 31 December 2025	1,570	29,086	42	162	655	59	-	31,574
At 31 December 2024	4,435	-	66	155	264	141	1,588	6,649

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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17. INVESTMENT PROPERTIES

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
At 1 January	25,800	27,500
Transfer from owner-occupied properties	9,447	–
Fair value loss	(1,547)	(1,700)
At 31 December	33,700	25,800

	2025 <i>RMB'000</i>
On the date of transfer	
– Fair value of the properties transferred	9,536
– Carrying amount of the properties transferred	(4,524)
Excess of fair value over carrying amounts	5,012
Less: Deferred taxation	(1,253)
Revaluation surplus recognised in other comprehensive income	3,759

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 2025 based on valuations performed by Roma Appraisals Limited, an independent professionally qualified valuer, at RMB33,700,000 (2024: RMB25,800,000). 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 RMB5,654,000 (2024: RMB4,943,000), details of which are included in Note 8 to the consolidated financial statements.

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

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Within 1 year	3,539	1,688
Between 1 and 2 years	1,387	1,262
Between 2 and 3 years	311	8
Between 3 and 4 years	8	8
Between 4 to 5 years	8	8
Over 5 years	–	8
	5,253	2,982

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18. RIGHT-OF-USE ASSETS

	2025 RMB'000	2024 RMB'000
At 31 December		
Right-of-use assets		
– Buildings	9,106	–
– Leasehold land	–	11
	9,106	11

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

– Less than 1 year	616	–
– Between 1 and 2 years	959	–
– Between 2 and 5 years	3,591	–
– Over 5 years	4,211	–
	9,377	–
Year ended 31 December:		
Depreciation charge of right-of-use assets		
– Buildings	(206)	(88)
– Leasehold land	(11)	(78)
	(217)	(166)
Lease interests (Note 10)	65	24
Expenses related to short-term leases	19	–
Expenses related to variable lease payments not included in lease liabilities	3,219	–
Income from subleasing right-of-use assets	21	–
Total cash outflow for leases	(3,303)	(180)
Additions to right-of-use assets	9,312	–

The Group leases various land and buildings. Lease agreements are typically made for fixed periods of 9 to 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants and the leased assets may not be used as security for borrowing purposes.

Some of the Group's property leases contain variable lease payment terms that are linked to revenue generated from the Group's commercial shops. There is a wide range of sales percentages applied. Variable lease payment terms are used to minimise the fixed costs for newly established shops. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs. A 5% increase in sales in 2025 across all shops in the Group with leases containing variable lease payment terms would increase total lease payments by approximately RMB741,000 in 2025.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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19. GOODWILL

	<i>RMB'000</i>
COST:	
Arising on acquisition of a subsidiary (Note 36(a))	3,518
At 31 December 2025	3,518
ACCUMULATED IMPAIRMENT LOSSES:	
At 1 January 2025 and 31 December 2025	–
CARRYING AMOUNT:	
At 31 December 2025	3,518

The recoverable amounts of the property leasing CGU, arising from the acquisition of a subsidiary as stipulated in Note 36(a), is determined on the basis of their value in use using discounted cash flow method. The key assumptions for the discounted cash flow method are those regarding the discount rates, growth rates and revenue during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the CGU operates. Revenue are based on past practices and expectations on market development.

The key inputs and assumptions used for the CGU for the year of 2025 are listed as follows:

Inputs	2026 to 2030
Revenue	-1.5% to 3%

The pre-tax discount rates applied to the impairment test were 14% which reflected current market assessment of the time value of money and the risk specific to the CGU.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years with the residual period using the growth rate of 3%. This rate does not exceed the average long-term growth rate for the relevant markets.

The rate used to discount the forecast cash flows is 10%, which is the pre-tax rate.

If the pre-tax discount rate applied to the cash flow projections of this CGU had been 1% higher than management's estimates (11% instead of 10%), the recoverable amount of the CGU would still exceed its carrying amount, and no impairment would be required.

Management has determined the recoverable amount of the CGU by assessing the fair value less costs of disposal of the underlying assets. Based on the management's assessment result, there was no impairment of goodwill as at 31 December 2025.

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For the year ended 31 December 2025

20. OTHER INTANGIBLE ASSETS

	Patents and software licences RMB'000
COST:	
At 1 January 2024, 31 December 2024 and 1 January 2025	3,649
Additions on acquisition of a subsidiary (Note 36(a))	337
At 31 December 2025	3,986
ACCUMULATED AMORTISATION AND IMPAIRMENT:	
At 1 January 2024	3,585
Amortisation for the year	15
At 31 December 2024 and 1 January 2025	3,600
Amortisation for the year	50
At 31 December 2025	3,650
CARRYING AMOUNT:	
At 31 December 2025	336
At 31 December 2024	49

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

21. SUBSIDIARIES

Particulars of the major subsidiaries as at 31 December 2025 and 2024 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
			2025	2024	
Direct					
Great Water EP Investments Limited*	Hong Kong	HK\$60,125,001	100%	100%	Provision of online advertising and related services for online games
Indirect					
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
Guangzhou Macallan Information & Technology Co., Ltd. [@] (“Guangzhou Macallan”) (廣州麥卡倫數據信息科技有限公司)	PRC ^{^^}	RMBNil ⁺⁺	100%	100%	Provision of online advertising and related services for online games
Shenzhen Far East Commercial Management Company Limited [@] (“Shenzhen Far East”) (深圳市遠東商業管理有限公司)	PRC ^{^^}	RMB20,000,000 (Note 36(a))	60%	N/A	Investment, operation and project management of commercial real estate 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.

^{^^} 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 (2024: RMB50,000,000), of which RMB33,333,300 has been paid by the Group as at 31 December 2025 and 2024.

⁺⁺ Guangzhou Macallan was established in the PRC with limited liability on 15 August 2024. The registered capital of Guangzhou Macallan is RMB5,000,000 (2024: RMB5,000,000), of which RMBNil has been paid by the Group as at 31 December 2025 and 2024.

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21. SUBSIDIARIES (continued)

The following table shows information of a subsidiary that has NCIs material to the Group. The summarised financial information represents amounts before inter-company eliminations.

Name	Shenzhen Far East 2025
Principal place of business/country of incorporation	PRC
% of ownership interests/voting rights held by NCI	40%
	RMB'000
At 31 December:	
Non-current assets	27,871
Current assets	17,056
Current liabilities	(28,905)
Net assets	16,022
Accumulated NCI	6,409
Year ended 31 December:	
Revenue	14,703
Profit for the year	1,960
Total comprehensive income	1,960
Profit allocated to NCI	754
Net cash used in operating activities	(5,663)
Net cash used in investing activities	(138)
Net cash generated from financing activities	4,987
Net decrease in cash and cash equivalents	(814)

22. RECEIVABLES UNDER A SERVICE CONCESSION ARRANGEMENT

	2025 RMB'000	2024 RMB'000
Receivables under a service concession arrangement	25,107	32,315
Analyzed as:		
Current assets	7,293	7,124
Non-current assets	17,814	25,191
	25,107	32,315

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

22. RECEIVABLES UNDER A SERVICE CONCESSION ARRANGEMENT (continued)

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 2025 in respect of this asset (2024: Nil).

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

	2025 RMB'000	2024 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

The above equity investments were irrevocably designated at FVOCI as the Group considers these investments to be strategic in nature.

As at 31 December 2025 and 2024, the Group held 5% equity interest of Guangzhou Environmental Technology Company Limited* (廣州環科環保有限公司).

* The English name of this company represents the best effort made by management of the Company to directly translate the Chinese names as this company does not register any official English name.

24. TRADE AND BILLS RECEIVABLES

	2025 RMB'000	2024 RMB'000
Trade receivables and bills receivables	96,018	87,533
Provision for loss allowance	(40,450)	(36,075)
	55,568	51,458

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 ranges from 30 days to 120 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

24. TRADE AND BILLS RECEIVABLES (continued)

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

	2025 RMB'000	2024 RMB'000
0 to 30 days	24,705	29,158
31 to 90 days	12,680	3,131
91 to 365 days	16,467	1,254
1 to 2 years	252	10,236
2 to 3 years	1,464	5,496
Over 3 years	–	2,183
	55,568	51,458

Reconciliation of the loss allowance for trade receivables:

	2025 RMB'000	2024 RMB'000
At 1 January	36,075	31,855
Impairment loss	4,375	4,976
Amount written off as uncollectible	–	(756)
At 31 December	40,450	36,075

An impairment analysis is performed at each reporting date using a provision matrix to measure ECLs. 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 2025					
Weighted average expected loss rate	0%	17%	78%	7%	
Receivable amount (RMB'000)	380	32,150	43,278	20,210	96,018
Loss allowance (RMB'000)	– [^]	(5,310) [^]	(33,679) ^{^*}	(1,461) [^]	(40,450)
At 31 December 2024					
Weighted average expected loss rate	0%	16%	79%	30%	
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)

[^] A specific trade receivable with gross carrying amount of approximately RMB25,028,000 (2024: approximately RMB20,783,000) was assessed individually which were considered in default due to indicators and an impairment of approximately RMB20,667,000 (2024: approximately RMB16,422,000) was made.

^{*} A specific trade receivable with gross carrying amount of approximately RMB12,405,000 (2024: approximately RMB11,193,000) was assessed individually as the Group considered the default risk was minimal and the outstanding contractual amount was likely to be recovered in full.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

25. CONTRACT ASSETS AND LIABILITIES

Disclosures of revenue-related items:

	As at 31 December 2025 RMB'000	As at 31 December 2024 RMB'000	As at 1 January 2024 RMB'000
Contract assets – construction	20,482	20,850	21,638
Impairment of contract assets	(2,467)	(5,047)	(3,304)
Total contract assets	18,015	15,803	18,334
Contract liabilities – construction	1,982	10,890	11,959
Contract liabilities – sale of equipment	2,627	11,681	15,760
Total contract liabilities	4,609	22,571	27,719
Year ended 31 December	2025 RMB'000	2024 RMB'000	
Revenue recognised in the year that was included in contract liabilities at beginning of year	16,506	6,593	

Management expects that the unsatisfied performance obligations as of 31 December 2025 will be recognised as revenue during the next reporting period.

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 from 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.

As at 31 December 2025, RMB2,467,000 (2024: RMB5,047,000) was recognised as an allowance for ECLs on contract assets. The Group's trading terms and credit policy with customers are disclosed in Note 24 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

25. CONTRACT ASSETS AND LIABILITIES (continued)

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

	2025 RMB'000	2024 RMB'000
Within one year	18,015	15,803

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

	2025 RMB'000	2024 RMB'000
At 1 January	5,047	3,304
(Reversal of impairment loss)/impairment loss	(2,580)	1,743
At 31 December	2,467	5,047

An impairment analysis is performed at each reporting date using a provision matrix to measure ECLs. The provision rates for the measurement of the ECLs 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 2025					
Weighted average expected loss rate	0%	11%	10%	20%	
Gross carrying amount (RMB'000)	–	1,950	15,181	3,351	20,482
Loss allowance (RMB'000)	–	(206)	(1,591)	(670)	(2,467)
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)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

26. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2025 RMB'000	2024 RMB'000
Prepayments	28,977	34,113
Deposits and other receivables	16,593	8,079
	45,570	42,192
Impairment loss	(26,422)	(22,630)
	19,148	19,562
Analyzed as:		
Current assets	16,148	19,562
Non-current assets	3,000	–
	19,148	19,562

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

	2025 RMB'000	2024 RMB'000
At 1 January	22,630	23,376
Impairment loss/(reversal of impairment loss)	3,792	(746)
At 31 December	26,422	22,630

Eleven (2024: Twelve) specific prepayments with gross carrying amount of RMB26,422,000 (2024: RMB22,630,000) was assessed individually which were considered in default due to indicators and an impairment of RMB26,422,000 (2024: RMB22,630,000) was made.

27. PLEDGED DEPOSITS AND CASH AND CASH EQUIVALENTS

	2025 RMB'000	2024 RMB'000
Cash and bank balances	60,382	72,333
Less: Pledged deposits	(2,400)	(2,635)
Cash and cash equivalents	57,982	69,698
Denominated in:		
RMB	12,027	22,745
HK\$	9,934	5,320
US\$	35,014	41,140
VND	3,407	3,128
	60,382	72,333

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

27. PLEDGED DEPOSITS AND CASH AND CASH EQUIVALENTS (continued)

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:

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
0 to 30 days	6,215	9,683
31 to 90 days	3,138	1,459
91 days to 365 days	10,491	778
Over 1 year	57,866	75,871
	77,710	87,791

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

29. OTHER PAYABLES AND ACCRUALS

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Other payables	27,671	16,564

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

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For the year ended 31 December 2025

30. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2025 RMB'000	2024 RMB'000
Bank loans – secured (Note (a) and (b))	15,900	–
Other borrowings (Note (c))	8,990	9,397
	24,890	9,397

The borrowings are repayable as follows:

	2025 RMB'000	2024 RMB'000
On demand or within one year	15,900	–
In the third to fifth years, inclusive	8,990	9,397
	24,890	9,397
Less: Amount due for settlement within 12 months (shown under current liabilities)	(15,900)	–
Amount due for settlement after 12 months (shown under non-current liabilities)	8,990	9,397

The effective interest rates at 31 December were as follows:

	2025		2024	
	Non-current	Current	Non-current	Current
Bank loans	N/A	2.65%-3.4%	N/A	N/A
Other borrowings	5.0%	N/A	5.0%	N/A

Notes:

- (a) The Group's facilities amounting to approximately of RMB41,809,000, of which RMB10,000,000 had been utilised as at the end of the reporting period, are secured by:
- (i) mortgages over the Group's investment properties situated in Mainland China, which had an aggregate carrying value at the end of the reporting period of RMB33,700,000 (Note 17); and
 - (ii) mortgage over the Group's buildings, which had a net carrying value at the end of the reporting period of approximately RMB1,570,000 (Note 16).
- (b) The Group's facilities amounting to RMB9,000,000, of which RMB5,900,000 had been utilised as at the end of the reporting period, are secured by:
- (i) a personal guarantee of the spouse of the non-controlling shareholder of the Company.
- (c) During the year ended 31 December 2025, the Company borrowed an amount of HK\$10,000,000 (equivalent to approximately RMB8,990,000 (2024: approximately of RMB9,397,000)), which is unsecured, bears interest at 5.0% per annum and repayable in 5 years from the date of borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

31. LEASE LIABILITIES

	Lease payments 2025 <i>RMB'000</i>	Present value of lease payments 2025 <i>RMB'000</i>
Within one year	940	616
In the second to fifth years, inclusive	5,096	4,550
After five years	4,954	4,211
	10,990	
Less: Future finance charges	(1,613)	
Present value of lease liabilities	9,377	9,377
Less: Amount due for settlement within 12 months (shown under current liabilities)		(616)
Amount due for settlement after 12 months		8,761

32. DEFERRED TAX

The movements in deferred tax assets are as follows:

	Impairment losses on financial and contract assets <i>RMB'000</i>	Lease liabilities <i>RMB'000</i>	Provision for accruals <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2024	1,691	–	70	1,761
Credited to profit or loss for the year	–	–	(7)	(7)
At 31 December 2024 and 1 January 2025	1,691	–	63	1,754
Charged to profit or loss for the year	–	2,300	26	2,326
At 31 December 2025	1,691	2,300	89	4,080

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

32. DEFERRED TAX (continued)

The movements in deferred tax liabilities are as follows:

	Fair value adjustments arising from investment properties <i>RMB'000</i>	Right-of-use assets <i>RMB'000</i>	Service concession arrangement <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2024	5,909	–	1,361	7,270
Credited to profit or loss for the year	(425)	–	(36)	(461)
At 31 December 2024 and 1 January 2025	5,484	–	1,325	6,809
(Credited)/charged to profit or loss for the year	(387)	2,300	(805)	1,108
Charged to equity	1,253	–	–	1,253
At 31 December 2025	6,350	2,300	520	9,170

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

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Deferred tax assets	(4,080)	(1,754)
Deferred tax liabilities	9,170	6,809
	5,090	5,055

The Group has tax losses arising in Mainland China of RMB2,947,000 (2024:RMB7,363,000) 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 RMB1,838,000 (2024: RMB1,753,000) 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 RMBNil (2024: RMB2,498,000) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

32. DEFERRED TAX (continued)

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

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Tax losses	–	2,746
Deductible temporary differences	16,535	15,837
	16,535	18,583

Pursuant to the PRC CIT 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 2025 and 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 2025 (2024: Nil).

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

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33. SHARE CAPITAL

	Number of Shares	Amount HK\$'000	Equivalent to RMB'000
Authorised:			
Ordinary shares of HK\$0.01 (2024: HK\$0.01) each			
At 1 January 2024	2,000,000,000	20,000	2,397
Share consolidation (Note (a))	(1,800,000,000)	–	–
At 31 December 2024, 1 January 2025 and 31 December 2025	200,000,000	20,000	2,397
Issued and fully paid:			
Ordinary shares of HK\$0.01 (2024: HK\$0.01) each			
At 1 January 2024	300,000,000	3,000	2,397
Issuance of shares upon the rights issue (Note (b))	19,374,000	194	182
Share consolidation (Note (a))	(287,436,600)	–	–
At 31 December 2024 and 1 January 2025	31,937,400	3,194	2,579
Issuance of shares on placement (Note (c))	21,057,480	2,106	1,893
At 31 December 2025	52,994,880	5,300	4,472

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”.
- (c) On 11 April 2025, the Company and Zijing Capital Limited entered into a placing agreement in respect of the placement of 6,000,000 ordinary shares of HK\$0.10 each to independent investors at a price of HK\$0.26 per share. The placement was completed on 7 May 2025 and the premium on the issue of shares, amounting to approximately HK\$929,000 (net of share issue expenses), was credited to the Company’s share premium account.

On 5 August 2025, the Company and Zijing Capital Limited entered into a placing agreement in respect of the placement of 7,587,480 ordinary shares of HK\$0.10 each to independent investors at a price of HK\$0.73 per share. The placement was completed on 22 August 2025 and the premium on the issue of shares, amounting to approximately HK\$4,714,000 (net of share issue expenses), was credited to the Company’s share premium account.

On 10 December 2025, the Company and KGI Asia Limited entered into a placing agreement in respect of the placement of 7,470,000 ordinary shares of HK\$0.10 each to independent investors at a price of HK\$0.60 per share. The placement was completed on 31 December 2025 and the premium on the issue of shares, amounting to approximately HK\$3,703,000 (net of share issue expenses), was credited to the Company’s share premium account.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

34. 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 2025 are as follows:

	Share premium RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2024	103,125	9,380	(49,181)	63,324
Loss for the year	–	–	(7,119)	(7,119)
Issuance of shares upon the rights issue (Note 32(b))	5,110	–	–	5,110
Exchange differences on translation of foreign operations	–	2,304	–	2,304
At 31 December 2024 and 1 January 2025	108,235	11,684	(56,300)	63,619
Loss for the year	–	–	(9,983)	(9,983)
Issuance of shares on placement (Note 32(c))	8,401	–	–	8,401
Exchange differences on translation of foreign operations	–	671	–	671
At 31 December 2025	116,636	12,355	(66,283)	62,708

(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 3 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 3 to the consolidated financial statements.

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35. 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 motivating 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.

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.

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35. SHARE OPTION SCHEME (continued)

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 2024	1.19	12,000,000
Share consolidation (Note 32(a))	–	(10,800,000)
At 31 December 2024, 1 January 2025 and 31 December 2025	11.90	1,200,000

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* <i>HK\$ per share</i>	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
<u>1,200,000</u>		

* 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

35. SHARE OPTION SCHEME (continued)

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 2025, the Group recognised a net share option expense of approximately HK\$557,000 (equivalent to RMB510,000) (2024: HK\$1,538,000 (equivalent to RMB1,445,000)).

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 (2024: 1,200,000) 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 and premium in aggregate of HK\$14,280,000 (before issue expense).

At the date of approval of these consolidated financial statements, the Company had 1,200,000 (2024: 1,200,000) share options outstanding under the Scheme, which represented approximately 4% of the Company’s shares in issue as at that date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Acquisition of a subsidiary

On 11 July 2025, the Group entered into an investment agreement with three independent third parties to acquire a total of 60% of the issued share capital of Shenzhen Far East (the “**Acquisition**”). The total consideration of the Acquisition was RMB12,000,000 which comprises (i) cash consideration of RMB2,000,000 and (ii) capital injection of RMB10,000,000 into Shenzhen Far East. Shenzhen Far East is principally engaged in the investment, operation and project management of commercial real estate projects during the year. The Acquisition is for the purpose of diversifying the Group’s business segments and broadening its sources of income by participating in the investment, operation and property management of quality commercial complex projects in the PRC. The acquisition costs directly attributable to the Acquisition, in the opinion of the director, is negligible.

The fair value of the identifiable assets and liabilities of Shenzhen Far East acquired as at its date of acquisition is as follows:

Net assets acquired:

	<i>RMB’000</i>
Property, plant and equipment (Note 16)	28,198
Other intangible assets (Note 20)	337
Trade receivables	2,093
Prepayments, deposits and other receivables	6,499
Bank and cash balances	10,926
Current tax payables	(1,537)
Trade payables	(4,676)
Other payables	(16,790)
Bank borrowings	(10,913)
	14,137
Less: Non-controlling interest	(5,655)
	8,482
Goodwill (Note 19)	3,518
	12,000
Satisfied by:	
Cash	12,000
Net cash outflow arising on acquisition:	
Cash consideration paid	12,000
Cash and cash equivalents acquired	(10,926)
	1,074

The goodwill arising on the acquisition of Shenzhen Far East is attributable to the anticipated profitability of the distribution of the Group’s products in the new markets and the anticipated future operating synergies from the combination.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(a) Acquisition of a subsidiary (continued)

Acquired receivables

The fair value of acquired trade receivables is RMB2,093,000. The gross contractual amount for trade receivables due is RMB2,093,000, with a loss allowance of RMBNil recognised on acquisition.

Accounting policy choice for NCI

The Group recognises NCI in an acquired entity either at fair value or at the NCI's proportionate share of the acquired entity's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. For the NCI in Shenzhen Far East, the Group elected to recognise the NCI at their proportionate share of the acquired net identifiable assets. See Note 3(b) for the Group's accounting policies for business combinations.

Revenue and profit contribution

The acquired business contributed revenues of approximately RMB14,703,000 and net profit of approximately RMB1,884,000 to the Group for the period from 11 July to 31 December 2025.

If the acquisition had occurred on 1 January 2025, consolidated pro-forma revenue and profit for the year ended 31 December 2025 would have been RMB143,151,000 and RMB2,110,000 respectively. These amounts have been calculated using the subsidiary's results.

(b) 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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 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 and 1 January 2025	9,397	–	9,397
Change in cash flows	5,739	–	5,739
Non-cash changes			
– Interest expense	(752)	(65)	(817)
– Acquisition of a subsidiary	10,913	–	10,913
– Exchange realignment	(407)	–	(407)
– Addition	–	9,442	9,442
At 31 December 2025	24,890	9,377	34,267

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

37. CONTINGENT LIABILITIES

At the end of the reporting period, the Group did not have any significant contingent liabilities (2024: Nil).

38. COMMITMENTS

As at 31 December 2025, the Group contracted commitments of approximately RMB3,788,000 (2024: RMB3,547,000) on EPC and construction projects. It mainly represents the procurement of plant and machinery and construction materials.

39. 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:

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Mr. Xie Yang	–	30
Mr. He Xuan Xi	39	29
Mr. Tse Chi Wai	–	28
Mr. Ha Cheng Yong	–	28
Ms. Bai Shuang	–	28
	39	143

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

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Short term employee benefits	1,692	2,181

Further details of directors' and the chief executive's emoluments are disclosed in Note 12 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
NON-CURRENT ASSET		
Investments in subsidiaries	44,723	44,723
	44,723	44,723
CURRENT ASSETS		
Prepayments, other receivables and other assets	33,482	28,474
Bank balances	33	3,965
	33,515	32,439
CURRENT LIABILITIES		
Other payables and accruals	2,068	1,378
	2,068	1,378
NET CURRENT ASSETS	31,447	31,061
TOTAL ASSETS LESS CURRENT LIABILITIES	76,170	75,784
NON-CURRENT LIABILITIES		
Borrowings	8,990	9,586
NET ASSETS	67,180	66,198
EQUITY		
Share capital	4,472	2,579
Reserves	62,708	63,619
TOTAL EQUITY	67,180	66,198

The statement of financial position of the Company was approved by the Board of Directors on 30 March 2026 and was signed on its behalf:

Xie Yang
Director

He Xuan Xi
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

41. COMPARATIVE FIGURES

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

42. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorised for issue by the Board of Directors on 30 March 2026.

FIVE-YEAR FINANCIAL SUMMARY

	Year ended 31 December				2025 RMB'000
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2024 RMB'000 (Restated)	
RESULTS					
Revenue	118,377	256,749	106,584	50,744	130,573
(Loss)/profit before taxation	(17,005)	(12,061)	2,997	(7,532)	2,551
Income tax (expense)/credit	(37)	514	(127)	490	(1,447)
(Loss)/profit for the year	(17,042)	(11,547)	2,870	(7,042)	1,104
Attributable to:					
Owners of the Company	(17,042)	(11,547)	2,870	(7,042)	583
Non-controlling interests	–	–	–	–	521
	(17,042)	(11,547)	2,870	(7,042)	1,104
At 31 December					
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2024 RMB'000	2025 RMB'000
ASSETS AND LIABILITIES					
Total assets	344,552	331,300	264,291	225,890	256,454
Total liabilities	(269,729)	(260,247)	(189,285)	(152,354)	(162,496)
	74,823	71,053	75,006	73,536	93,958