

China TianYF Holdings Group Limited

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

THIRD QUARTERLY REPORT **2023**



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FINANCIAL HIGHLIGHTS

For the nine months ended 30 September 2023

- Based on the unaudited condensed consolidated results of the Group for the nine months ended 30 September 2023 (the “**Period**”), the Group’s revenue for the Period was approximately RMB100,312,000, representing a decrease of approximately 24.4% as compared to approximately RMB132,687,000 for the corresponding period in 2022.
- During the Period, the Group’s gross profit was approximately RMB29,824,000, representing an increase of approximately 39.0% as compared to approximately RMB21,455,000 for the corresponding period in 2022.
- Profit attributable to owners of the Company was approximately RMB12,491,000 as compared to loss attributable to owners of the Company of approximately RMB1,075,000 for the corresponding period in 2022.
- The board (the “**Board**”) of Directors does not recommend the payment of an interim dividend for the Period.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2023

UNAUDITED THIRD QUARTERLY RESULTS

The Board announces the unaudited consolidated results of the Group for the three months and nine months ended 30 September 2023 together with the comparative unaudited figures for the corresponding periods in 2022 as follows:

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2023 RMB'000 Unaudited	2022 RMB'000 Unaudited	2023 RMB'000 Unaudited	2022 RMB'000 Unaudited
REVENUE	4	34,950	70,953	100,312	132,687
Cost of Sales		(23,863)	(60,860)	(70,488)	(111,232)
Gross profit		11,087	10,093	29,824	21,455
Other income and gains	4	587	1,598	3,868	3,483
Selling and distribution expenses		(302)	(358)	(975)	(1,343)
Administrative expenses		(5,643)	(7,251)	(16,689)	(22,089)
Finance costs	5	–	(631)	(118)	(1,819)
PROFIT/(LOSS) BEFORE TAX		5,729	3,451	15,910	(313)
Income tax (expense)/credit	7	(1,723)	(946)	(3,419)	(762)
PROFIT/(LOSS) FOR THE PERIOD		4,006	2,505	12,491	(1,075)
Other comprehensive loss for the Period, net to tax:					
Items that may be reclassified subsequently to profit or loss:					
Exchange difference on translation of foreign operations		193	(196)	1	(218)
OTHER COMPREHENSIVE PROFIT/(LOSS) FOR THE PERIOD, NET OF TAX		193	(196)	1	(218)
TOTAL COMPREHENSIVE PROFIT/(LOSS) FOR THE PERIOD		4,199	2,309	12,492	(1,293)
PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO:					
Owners of the Company		4,006	2,505	12,491	(1,075)
Non-controlling interests		–	–	–	–
		4,006	2,505	12,491	(1,075)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2023

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2023 RMB'000 Unaudited	2022 RMB'000 Unaudited	2023 RMB'000 Unaudited	2022 RMB'000 Unaudited
TOTAL COMPREHENSIVE PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO:					
Owners of the Company		4,199	(2,309)	12,492	(1,293)
Non-controlling interests		–	–	–	–
		4,199	(2,309)	12,492	(1,293)
PROFIT/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY					
Basic and diluted (RMB)	9	0.013	0.008	0.042	(0.004)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2023

	Share capital RMB'000	Share premium account RMB'000	Merge reserve RMB'000	Asset revaluation reserve RMB'000	Statutory surplus reserve RMB'000	Share-based payment reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
At 1 January 2022 (audited)	2,397	98,818	(13,830)	9,134	15,029	–	3,901	(40,626)	74,823	–	74,823
Loss for the period	–	–	–	–	–	–	–	(1,075)	(1,075)	–	(1,075)
Other comprehensive income/(loss) for the period:											
Exchange differences on translation of foreign operations	–	–	–	–	–	–	(218)	–	(218)	–	(218)
Total comprehensive income/(loss) for the period	–	–	–	–	–	–	(218)	(1,075)	(1,293)	–	(1,293)
At 30 September 2022 (unaudited)	2,397	98,818	(13,830)	9,134	15,029	–	3,683	(41,701)	73,530	–	73,530

	Share capital RMB'000	Share premium account RMB'000	Merger reserve RMB'000	Asset revaluation reserve RMB'000	Statutory surplus reserve RMB'000	Share-based payment reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
At 1 January 2023 (audited)	2,397	98,818	(13,830)	15,252	15,029	1,647	3,913	(52,173)	71,053	–	71,053
Loss for the period	–	–	–	–	–	–	–	12,491	12,491	–	12,491
Other comprehensive income/(loss) for the period:											
Exchange differences on translation of foreign operations	–	–	–	–	–	–	1	–	1	–	1
Total comprehensive income/(loss) for the period	–	–	–	–	–	–	1	12,491	12,492	–	12,492
Share-based payment	–	–	–	–	–	2,527	–	–	2,527	–	2,527
At 30 September 2023 (Unaudited)	2,397	98,818	(13,830)	15,252	15,029	4,174	3,914	(39,682)	86,072	–	86,072

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended 30 September 2023

1. GENERAL

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

The Company is an investment holding company. During the Period, the Group is principally engaged in the environmental protection business, such as wastewater treatment and soil remediation, through the design, construction, operation and maintenance service of related facilities and the trading of related equipment.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKAS**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of Hong Kong Companies Ordinance (Cap. 622 of the laws of Hong Kong). In addition, the unaudited condensed consolidated financial statements include applicable disclosures required under the GEM Listing Rules.

The condensed consolidated financial statements are unaudited, but have been reviewed by the audit committee (the “**Audit Committee**”) of the Company.

3. OPERATING SEGMENT INFORMATION

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

- (a) the engineering, procurement and construction projects (the “**EPC Project(s)**”) 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 water or wastewater treatment facilities pursuant to the contract and be responsible for the quality, safety, time control and pricing of the project;
- (b) the construction projects (the “**Construction Project(s)**”) segment represents construction projects other than EPC Projects;
- (c) the equipment projects (the “**Equipment Project(s)**”) segment comprises projects in which an enterprise is engaged by a customer for procurement of necessary materials, equipment and machinery, installation, testing and commissioning of the equipment and machinery for the treatment facilities as well as provision of technical consulting services to upgrade or optimise the design of the water or wastewater treatment facilities pursuant to the contract;
- (d) the service concession arrangement (the “**Service Concession Arrangement**”) segment comprises projects providing 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 terms of such arrangements, the Group is responsible for all of the costs of construction, operation and maintenance as well as restoration of the infrastructure; and

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended 30 September 2023

3. OPERATING SEGMENT INFORMATION *(continued)*

- (e) the others segment (“**Others**”) comprises principally, the Group’s operation and maintenance services in which an enterprise of the Group is retained to operate and maintain water or wastewater treatment facilities for a certain period for certain operation and maintenance fees on a monthly or quarterly basis.

The management of the Group monitors the results of the Group’s operating segments separately for the purpose of making decisions on resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is assessed consistently with the Group’s profit/(loss) before tax except that interest income, finance costs, fair value gains from the Group’s investment properties as well as head office and corporate expenses are excluded from such assessment.

The unaudited segment results for the Period are as follows:

	Services					Total RMB’000
	EPC Projects RMB’000	Construction Projects RMB’000	Equipment Projects RMB’000	Concession Arrangement RMB’000	Others RMB’000	
Segment revenue:						
Sales to external customers	56,665	–	25,034	16,662	1,951	100,312
Segment results	19,090	–	9,093	1,764	(123)	29,824
<i>Reconciliation:</i>						
Interest income						163
Unallocated gains						3,707
Corporate and other unallocated expenses						(17,666)
Finance costs						(118)
Profit before tax						15,910

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended 30 September 2023

3. OPERATING SEGMENT INFORMATION *(continued)*

The unaudited segment results for the nine months ended 30 September 2022 are as follows:

	EPC Projects RMB'000	Construction Projects RMB'000	Equipment Projects RMB'000	Services Concession Arrangement RMB'000	Others RMB'000	Total RMB'000
Segment revenue:						
Sales to external customers	15,351	1,715	95,447	16,827	3,347	132,687
Segment results	5,874	146	13,927	836	672	21,455
<i>Reconciliation:</i>						
Interest income						155
Unallocated gains						3,328
Corporate and other unallocated expenses						(23,432)
Finance costs						(1,819)
Loss before tax						(313)

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts; an appropriate proportion of contract revenue of construction contracts; the value of services rendered; and rental income received and receivable from investment properties during the relevant periods. An analysis of revenue, other income and gains is as follows:

	For the nine months ended 30 September	
	2023 RMB'000 Unaudited	2022 RMB'000 Unaudited
Revenue		
EPC Projects	56,665	15,351
Construction Projects	–	1,715
Equipment Projects	25,034	95,447
Services Concession Arrangement	16,662	16,827
Others	1,951	3,347
	100,312	132,687
Other income		
Bank interest income	163	155
Rental income	2,127	1,642
Government grants	300	80
Exchange gain	1,280	1,606
	3,870	3,483

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended 30 September 2023

5. FINANCE COSTS

An analysis of finance costs is as follows:

	For the nine months ended 30 September	
	2023 RMB'000 Unaudited	2022 RMB'000 Unaudited
Interest on bank loans	118	1,819

6. SHARE OPTION SCHEME

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

Subject to the conditions of the Share Option Scheme, the Share Option Scheme shall be valid and effective for a period of 10 years from the adoption date, i.e. 17 June 2022 (the “**Adoption Date**”), after which period no further share options may be offered or granted but the provisions of the Share Option 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 (the “**Shares**”) of the Company which may be issued pursuant to the Share Option 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 Share Option 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 Share Option 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 Share Option 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 Share Option 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 Share Option Scheme and shall remain open for acceptance by the eligible person for a period of up to ten (10) days from the grant date.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended 30 September 2023

6. SHARE OPTION SCHEME *(continued)*

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

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

- (i) the first financial year immediately following the year of the grant date, 40% of the total number of share options granted to the grantee;
- (ii) 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
- (iii) 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended 30 September 2023

6. SHARE OPTION SCHEME *(continued)*

The following share options were outstanding under the Share Option Scheme as at 30 September 2023:

	Weighted average exercise price <i>HK\$ per share</i>	Number of options
At 1 January 2023	1.19	18,000,000
Granted during the Period	–	–
Lapsed during the Period	1.19	(3,000,000)
At 30 September 2023	1.19	15,000,000

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

Number of options	Exercise price* <i>HK\$ per share</i>	Exercise period
6,000,000	1.19	Date of issuance of the audited financial report for the year ended 31 December 2023 to 28 June 2032
4,500,000	1.19	Date of issuance of the audited financial report for the year ended 31 December 2024 to 28 June 2032
4,500,000	1.19	Date of issuance of the audited financial report for the year ended 31 December 2025 to 28 June 2032
15,000,000		

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

The fair value of the share options granted on 29 June 2022 was approximately of HK\$9,154,000, of which the Group recognised a share option expense of approximately HK\$2,809,000 during the Period.

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:

	30 September, 2023
Dividend yield (%)	0%
Expected volatility (%)	44.186%
Risk-free interest rate (%)	3.36%
Weighted average exercise price (HK\$ per share)	1.19

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended 30 September 2023

6. SHARE OPTION SCHEME *(continued)*

At the end of the Period, the Company had 15,000,000 share options outstanding under the Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 15,000,000 additional ordinary shares of the Company and additional share capital of HK\$16,800,000 (before issue expense).

At the date of approval of these financial statements, the Company had 15,000,000 share options outstanding under the Share Option Scheme, which represented approximately 5% of the Company's shares in issue as at that date.

7. INCOME TAX

The statutory rate of Hong Kong profits tax was 16.5%, (2022: 16.5%) on the estimated assessable profits arising in Hong Kong. No provision for Hong Kong profits tax was made as the Group had no assessable profits arising in Hong Kong during the Period (2022: Nil).

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

Pursuant to the PRC Income Tax Law and the respective regulations, the subsidiary which operates in the People's Republic of China ("Mainland China" or the "PRC") is subject to corporate income tax at a rate of 25% on the taxable income. Preferential tax treatment is available to the Group's principal operating subsidiary, Guangzhou Great Water Environmental Protection Co., Ltd., since it was recognised as a High and New Technology Enterprise in Mainland China and a lower PRC corporate income tax rate of 15% had been applied during the nine months ended 30 September 2023 and 2022.

Pursuant to the Vietnam Income Tax Law and the respective regulations, the subsidiary which operates in Vietnam is subject to corporate income tax at a rate of 22% on the taxable income.

	For the nine months ended 30 September	
	2023 RMB'000 Unaudited	2022 RMB'000 Unaudited
Current — Elsewhere other than Hong Kong	3,419	762
Deferred	—	—
Total tax expenses for the period	3,419	762

8. DIVIDENDS

The Directors do not recommend payment of any dividend for the Period (2022: Nil).

9. PROFIT PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic profit per share for the Period is based on the profit for the period attributable to ordinary equity holders of RMB12,491,000 (2022: loss attributable to ordinary equity holders of RMB1,075,000), and the weighted average number of ordinary shares in issue of 300,000,000 (2022: 300,000,000).

No adjustment was made to the basic earnings per share amounts presented for the nine months ended 30 September 2023 and 2022 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during these periods.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a wastewater and drinking water treatment engineering services provider in the PRC. The Group is principally engaged in the provision of engineering services for wastewater and drinking water treatment facilities. The Group acts either as the contractor, which is responsible for the whole project from launch to final operational management of the engineering, procurement and construction projects (the “**EPC Projects**”), or as the equipment contractor, which is responsible for providing technical advice and equipment procurement services for the project (the “**Equipment Projects**”). Since mid-2020, the Group started operating 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.

During the Period, the revenue of the Group decreased by approximately RMB32,375,000, or 24.4% to approximately RMB100,312,000 as compared to the corresponding period in 2022. During the Period, the Group recognised approximately RMB56,665,000 in revenue from the EPC Projects, approximately RMB25,034,000 in revenue from Equipment Projects, approximately RMB16,662,000 in revenue from the Service Concession Arrangement and approximately RMB1,951,000 in revenue from the O&M Projects. In comparison, approximately RMB15,351,000 in revenue from the EPC Projects, approximately RMB1,715,000 in revenue from construction projects other than the EPC Projects (the “**Construction Projects**”), approximately RMB95,447,000 in revenue from the Equipment Projects, approximately RMB16,827,000 in revenue from the Service Concession Arrangement and approximately RMB3,347,000 in revenue from the O&M Projects were recognised in the corresponding period in 2022.

Profit attributable to owners of the Company for the Period amounted to approximately RMB12,491,000 as compared to loss attributable to owners of the Company of approximately RMB1,075,000 in the corresponding period in 2022. The generation of profit attributable to owners of the Company for the Period was mainly due to (i) the recognition of the progress income of approximately RMB53 million for a large size EPC Project in Vietnam which has a higher gross profit margin; (ii) the decrease in administrative expenses; and (iii) the decrease in finance costs.

OUTLOOK

As the three-year pandemic has subsided in the PRC as well as the rest of the world in 2022, comprehensive re-opening had begun in the PRC at the end of 2022. According to the National Institute of Statistics, the PRC’s GDP recorded a 4.9% year-on-year growth in the third quarter of 2023, which was better than market expectations. For the first three quarters of 2023, GDP recorded a 5.2% year-on-year growth. According to estimates by the National Bureau of Statistics, as long as the GDP growth rate in the fourth quarter of 2023 is above 4.4%, the expected target of around 5% GDP growth rate for the whole year can be achieved. As such, while the domestic market expectations in the PRC for the future are gradually improving, in view of the actual market situation, gaining market stability is still the main attitude in the PRC.

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

MANAGEMENT DISCUSSION AND ANALYSIS

In terms of business, the Group has adjusted the allocation of its resources for business development as mentioned previously. The Group will increase its investment in the Vietnamese market. The Group believes that the recovery of the Vietnamese market as a whole is relatively significant, and the Group has many years of successful experience in doing business in Vietnam which is also attractive to long-term customers and new customers. The Vietnam project, which was delayed due to the pandemic, had resumed in 2022 and is currently under successful construction. At the beginning of 2023, a new business contract worth tens of millions of RMB was signed between the Group and the project client. The project construction is expected to start in 2024. Meanwhile, the Group has also increased investment in human resources in the Vietnamese market. The Group believes that Vietnam will gradually become one of the key markets for the Group's continuous development. As to the local customers, the Group does not expect quick results after the end of the pandemic. With regards to the customers in long-term cooperation with the Group, the Group has invested relatively more resources. Even if new business connections cannot be generated immediately yet, the Group believes that good relationship with customers and their high recognition of the Group will be favourable to the Group's future business development. On the other hand, the Group continues to focus on the Greater Bay Area in the PRC and will keep an eye on our customers' operations whilst also communicating with new customers. The Group believes that it will perform better in more familiar markets with more stable customers.

In addition to increasing income, the Group has also endeavoured to reduce its costs. Various costs, such as administrative expenses, were significantly lower during the Period than in the corresponding period in 2022. Besides, the decrease in bank borrowing has led to the decrease in finance costs of the Group. It is estimated that there will be significant improvements in the annual figures for 2023 as compared with 2022. Although the abovementioned costs may subsequently re-escalate due to business development, the cost-reducing effect is still clear for this year.

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

Therefore, even after delivering profitable results for the Period, the Group remains prudent and pragmatic. The Group believes that prudent selection of customers, stable income, costs control and attention to cash flow should be maintained as the business strategies of the Group in the fourth quarter of 2023 and the whole year of 2024. The Group considers that (i) taking traditional business as the cornerstone of the Group, investment in all aspects should be increased, but not blindly aggressive, and cash flow risk should be controlled; (ii) for operating activities that can be realised into cash flow, the Group may seize opportunities to consolidate the Company's business foundation; (iii) cost-reducing work should be maintained; and (iv) new businesses should be handled with caution. Subject to the actual situation of various new businesses in the market under the premise of fully-lifted restrictions of the pandemic for nearly a year, good opportunities can be considered to be taken whenever they arise.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Operating revenue

For the Period, the Group's operating revenue amounted to approximately RMB100,312,000, representing a decrease of approximately 24.4% or RMB32,375,000 as compared to the corresponding period in 2022.

EPC Projects and Construction Projects

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

— Revenue relating to EPC Projects

For the Period, the revenue generated from the EPC Projects was approximately RMB56,665,000 (2022: approximately RMB15,351,000), representing an increase of approximately 269.1% or RMB41,314,000 over the corresponding period in 2022. The increase in the revenue was primarily attributable to the revenue in the Period which was derived from the recognition of the progress income of approximately RMB52,866,000 for a large-sized EPC Project in Vietnam and other seven small size EPC Projects of approximately RMB3,779,000, as compared to the revenue in the corresponding period in 2022 which was derived from four EPC Projects.

— Revenue relating to Construction Projects

For the Period, there was no revenue generated from the Construction Projects (2022: approximately RMB1,715,000). The revenue in the corresponding period in 2022 was derived from one Construction Project.

Equipment Projects

For 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 customer in identifying, evaluating and selecting different equipment before the procurement team comes into play.

For the Period, the revenue generated from the Equipment Projects was approximately RMB25,034,000 (2022: approximately RMB95,447,000), representing a decrease of approximately 73.8% or RMB70,413,000 over the corresponding period in 2022. The decrease in the revenue was primarily attributable to the revenue in the Period which was derived from the recognition of the progress income of approximately RMB25,034,000 for two Equipment Projects as compared to the corresponding revenue in the corresponding period in 2022 which was derived from one large size municipal Equipment Project in the Greater Bay Area in the PRC for wastewater treatment equipment and two other Equipment Projects.

Service Concession Arrangement

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

For the Period, the revenue generated from the Service Concession Arrangement segment amounted to approximately RMB16,662,000 (2022: approximately RMB16,827,000), representing a decrease of approximately 1.0% or RMB165,000 as compared to the corresponding period in 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Others

The revenue under the other segment included revenue attributable to O&M Projects and technical advisory services. As at 30 September 2023, the Group had three wastewater treatment O&M Projects and three drinking water treatment O&M Projects on hand.

For the Period, the revenue generated from rendering of maintenance services amounted to approximately RMB1,951,000 (2022: approximately RMB3,347,000), representing a decrease of approximately 41.7% or RMB1,396,000 as compared to the corresponding period in 2022. The decrease was primarily attributable to (i) one technical advisory project during the Period with revenue contribution of approximately RMB302,000 as compared to two technical advisory projects with revenue contribution of approximately RMB1,155,000 in the corresponding period in 2022; and (ii) O&M Projects which contributed approximately RMB1,649,000 in revenue during the Period as compared to approximately RMB2,192,000 in revenue in the corresponding period in 2022.

Other income and gains

For the Period, other income and gains amounted to approximately RMB3,870,000 (2022: approximately RMB3,483,000), representing an increase of approximately 11.1% or approximately RMB387,000 as compared to the corresponding period in 2022. The increase was primarily attributable to increase in rental income of approximately RMB485,000.

Cost of sales

For the Period, the cost of sales of the Group amounted to approximately RMB70,488,000 (2022: approximately RMB111,232,000), representing a decrease of approximately 36.6% or approximately RMB40,744,000 as compared to the corresponding period in 2022.

The increase in revenue but decrease in cost of sales was primarily due to the gross margin of the large-sized EPC Project in Vietnam during this Period being higher than the large size municipal Equipment Project in the Greater Bay Area of the PRC for wastewater treatment equipment in the corresponding period in 2022. The cost of inventories sold decreased to approximately RMB29,482,000 for the Period from approximately RMB88,484,000 for the corresponding period in 2022. The cost of contracting increased to approximately RMB32,453,000 for the Period from approximately RMB7,662,000 for the corresponding period in 2022. The cost of services provided decreased to approximately RMB8,553,000 for the Period from approximately RMB15,086,000 for the corresponding period in 2022.

Gross profit

For the Period, the Group recorded gross profit of approximately RMB29,824,000 (2022: approximately RMB21,455,000), representing an increase of approximately 39.0% or approximately RMB8,369,000 as compared to the corresponding period in 2022. The increase in gross profit of the Group was mainly due to the recognition of the progress income of approximately RMB53 million for a large size EPC Project in Vietnam which has a higher gross profit margin.

Selling and distribution expenses

For the Period, the selling and distribution expenses of the Group amounted to approximately RMB975,000 (2022: approximately RMB1,343,000), representing a decrease of approximately 27.4% or approximately RMB368,000 compared to the corresponding period in 2022. The decrease in the selling and distribution expenses was mainly attributed to (i) the decrease in salaries and employee benefits of approximately RMB294,000; and (ii) the decrease in business entertainment fees of approximately RMB107,000.

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative expenses

For the Period, the administrative expenses of the Group amounted to approximately RMB16,689,000 (2022: approximately RMB22,089,000), representing a decrease of approximately 24.4% or approximately RMB5,400,000 compared to the corresponding period in 2022. The decrease in the administrative expenses was mainly attributed to (i) the decrease in salaries and employee benefits of approximately RMB1,316,000; and (ii) the decrease in the research and development expenses of approximately RMB3,691,000.

Profit for the Period

For the Period, the profit for the Period amounted to approximately RMB12,491,000 as compared to the loss of approximately RMB1,075,000 for the corresponding period in 2022. The generation of profit for the Period is mainly due to (i) the recognition of the progress income of approximately RMB53 million for a large size EPC Project in Vietnam which has a higher gross profit margin; (ii) the decrease in administrative expenses; and (iii) the decrease in finance cost.

DIVIDEND

The Directors do not recommend the payment of an interim dividend for the Period (2022: nil).

CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining a good corporate governance standard, with the chairman of the Board 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 the shareholders and creditors of the Group. Therefore, the Board has reviewed and will continue to review and improve the Company's corporate governance practices from time to time.

The Company has adopted the Corporate Governance Code (the “CG Code”) contained in Part 2 of Appendix 15 to the GEM Listing Rules as its own code of corporate governance. Save for code provision C.2.1 of the CG Code, which provides that the roles of the chairman and chief executive officer of the Company should be separate and should not be performed by the same individual, the Board is satisfied that the Company has complied with the code provisions set out in the CG Code for the Period. Mr. Xie Yang (“Mr. Xie”) is the chairman of the Board 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 both the roles of chairman of the Board and chief executive officer of the Company 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, and the balance of power and authority is 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 three executive Directors (including Mr. Xie) and three independent non-executive Directors during the Period and therefore had sufficient independent elements in its composition.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

MANAGEMENT DISCUSSION AND ANALYSIS

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 September 2023, the interests and short positions of the Directors and chief executive of the Company in the ordinary shares (the “Shares”), underlying Shares and debentures of the Company or any of its associated corporation (as defined in Part XV of the Securities and Future Ordinance (Chapter 571 of the laws of Hong Kong) (the “SFO”)) which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or required to be entered in the register of the Company pursuant to section 352 of the SFO, or required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

(i) Long positions in Shares

Name of director	Capacity	Number of Shares (Note 1)	Approximate percentage of the total number of Shares in issue (Note 2)
Mr. XIE Yang (Note 3)	Interest in controlled corporation	91,350,000 (L)	30.45%
Mr. ZHOU Yan Wei	Beneficial Owner	15,000,000 (L)	5.00%

Notes:

1. The letter “L” denotes a long position.
2. The percentage were calculated based on 300,000,000 Shares in issue as at 30 September 2023.
3. These Shares are owned by Oceanic Expert Investments Limited which is wholly owned by Perfect Wave Holdings Limited, which is in turn 100% beneficially owned by Mr. Xie. Accordingly, Mr. Xie is taken or deemed to be interested in the 91,350,000 Shares held by Oceanic Expert Investments Limited by virtue of the SFO.

MANAGEMENT DISCUSSION AND ANALYSIS

(ii) Long positions in the underlying Shares

Name of Director	Capacity	Number of the underlying Shares <i>(Note 1)</i>	Approximate percentage of shareholding of the issued share capital of the Company <i>(Note 2)</i>
Mr. XIE Yang	Beneficial Owner	3,000,000	1.00%
Mr. ZHAO Yan Wei	Beneficial Owner	3,000,000	1.00%
Mr. HE Xuan Xi	Beneficial Owner	1,000,000	0.33%

Notes:

1. The number of underlying Shares represent the Shares in which the Directors are deemed to be interested for holding share options.
2. The percentage were calculated based on 300,000,000 Shares in issue as at 30 September 2023.

Save as disclosed above, as at 30 September 2023, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND SHORT POSITIONS IN SHARES OR UNDERLYING SHARES

As at 30 September 2023, 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 and the Stock Exchange 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
Oceanic Expert Investments Limited ^(Note 2)	Beneficial owner	91,350,000 (L)	30.45%
Perfect Wave Holdings Limited ^(Note 2)	Interest in controlled corporation	91,350,000 (L)	30.45%

Notes:

1. The letter "L" denotes a long position.
2. Mr. Xie beneficially owns the entire issued share capital of Perfect Wave Holdings Limited which in turn wholly owns Oceanic Expert Investments Limited which held 91,350,000 Shares.

Save as disclosed above, as at 30 September 2023, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

SHARE OPTION SCHEME

On 17 June 2022, the Company adopted 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 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. 3,000,000 Options had lapsed during the Period and there were 15,000,000 Options outstanding as at the end of the Period.

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

Details of the Share Option Scheme

(1) *Purposes*

The purposes of the Share Option Scheme are to (i) motivate the eligible persons to work hard 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 granted or 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 30 September 2023.

(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.

MANAGEMENT DISCUSSION AND ANALYSIS

Grant of Options to core connected persons

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

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

- (1) representing in aggregate over 0.1% of the Shares in issue as at the date of grant; and
- (2) having an aggregate value, based on the closing price of the Shares on the offer date of each grant, in excess of HK\$5 million;

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

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

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

(6) *Vesting Period*

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

MANAGEMENT DISCUSSION AND ANALYSIS

(7) Exercise price for the Shares

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

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

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

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

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

(9) The duration of the Share Option Scheme

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

Name of grantee	Date of grant (Note 1)	Exercise period	Vesting period	Exercise price (HKD)	Balance as at 1 January 2023	Granted during the Period	Exercised during the Period	Cancelled/ forfeited/ lapsed during the Period	Balance as at 30 September 2023
Directors									
Mr. XIE Yang	29 June 2022	Date of issuance of the audited financial report for the year ended 31 December 2023 to 28 June 2032	From the date of grant to the date preceding the date of issuance of the audited financial report for the year ended 31 December 2023	1.19	1,200,000	–	–	–	1,200,000
		Date of issuance of the audited financial report for the year ended 31 December 2024 to 28 June 2032	From the date of grant to the date preceding the date of issuance of the audited financial report for the year ended 31 December 2024	1.19	900,000	–	–	–	900,000
		Date of issuance of the audited financial report for the year ended 31 December 2025 to 28 June 2032	From the date of grant to the date preceding the date of issuance of the audited financial report for the year ended 31 December 2025	1.19	900,000	–	–	–	900,000

MANAGEMENT DISCUSSION AND ANALYSIS

Name of grantee	Date of grant (Note 1)	Exercise period	Vesting period	Exercise price (HKD)	Balance as at 1 January 2023	Granted during the Period	Exercised during the Period	Cancelled/ forfeited/ lapsed during the Period	Balance as at 30 September 2023
Mr. GAO Xue Feng	29 June 2022	Date of issuance of the audited financial report for the year ended 31 December 2023 to 28 June 2032	From the date of grant to the date preceding the date of issuance of the audited financial report for the year ended 31 December 2023	1.19	1,200,000	–	–	1,200,000 (Note 2)	–
		Date of issuance of the audited financial report for the year ended 31 December 2024 to 28 June 2032	From the date of grant to the date preceding the date of issuance of the audited financial report for the year ended 31 December 2024	1.19	900,000	–	–	900,000 (Note 2)	–
		Date of issuance of the audited financial report for the year ended 31 December 2025 to 28 June 2032	From the date of grant to the date preceding the date of issuance of the audited financial report for the year ended 31 December 2025	1.19	900,000	–	–	900,000 (Note 2)	–
Mr. ZHAO Yan Wei	29 June 2022	Date of issuance of the audited financial report for the year ended 31 December 2023 to 28 June 2032	From the date of grant to the date preceding the date of issuance of the audited financial report for the year ended 31 December 2023	1.19	1,200,000	–	–	–	1,200,000
		Date of issuance of the audited financial report for the year ended 31 December 2024 to 28 June 2032	From the date of grant to the date preceding the date of issuance of the audited financial report for the year ended 31 December 2024	1.19	900,000	–	–	–	900,000
		Date of issuance of the audited financial report for the year ended 31 December 2025 to 28 June 2032	From the date of grant to the date preceding the date of issuance of the audited financial report for the year ended 31 December 2025	1.19	900,000	–	–	–	900,000

MANAGEMENT DISCUSSION AND ANALYSIS

Name of grantee	Date of grant (Note 1)	Exercise period	Vesting period	Exercise price (HKD)	Balance as at 1 January 2023	Granted during the Period	Exercised during the Period	Cancelled/ forfeited/ lapsed during the Period	Balance as at 30 September 2023
Mr. HE Xuan Xi	29 June 2022	Date of issuance of the audited financial report for the year ended 31 December 2023 to 28 June 2032	From the date of grant to the date preceding the date of issuance of the audited financial report for the year ended 31 December 2023	1.19	400,000	–	–	–	400,000
		Date of issuance of the audited financial report for the year ended 31 December 2024 to 28 June 2032	From the date of grant to the date preceding the date of issuance of the audited financial report for the year ended 31 December 2024	1.19	300,000	–	–	–	300,000
		Date of issuance of the audited financial report for the year ended 31 December 2025 to 28 June 2032	From the date of grant to the date preceding the date of issuance of the audited financial report for the year ended 31 December 2025	1.19	300,000	–	–	–	300,000
Others									
Other Employees	29 June 2022	Date of issuance of the audited financial report for the year ended 31 December 2023 to 28 June 2032	From the date of grant to the date preceding the date of issuance of the audited financial report for the year ended 31 December 2023	1.19	3,200,000	–	–	–	3,200,000
		Date of issuance of the audited financial report for the year ended 31 December 2024 to 28 June 2032	From the date of grant to the date preceding the date of issuance of the audited financial report for the year ended 31 December 2024	1.19	2,400,000	–	–	–	2,400,000
		Date of issuance of the audited financial report for the year ended 31 December 2025 to 28 June 2032	From the date of grant to the date preceding the date of issuance of the audited financial report for the year ended 31 December 2025	1.19	2,400,000	–	–	–	2,400,000

Notes:

- For further details of the grant of Options, please refer to the announcement of the Company dated 29 June 2022.
- As Mr. Gao Xue Feng (“**Mr. Gao**”) resigned from his role as executive Director with effect from 31 August 2023, in accordance with the terms of the Share Option Scheme, the Options granted to Mr. Gao had lapsed on 31 August 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

Given that the maximum number of Shares which may be issued pursuant to the Share Option Scheme is 18,000,000 Shares, and the Company granted 18,000,000 Options (representing equal number of Shares issuable) under the Share Option Scheme on 29 June 2022, no more Options were available for grant under the Share Option Scheme as at 1 January 2023. As 3,000,000 Options had lapsed on 31 August 2023 upon Mr. Gao's resignation, 3,000,000 Options were available for grant under the Share Option Scheme as at 30 September 2023.

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

Given no Options were granted during the Period, it is not applicable for the Company to set out the number of Shares that may be issued in respect of Options granted under the Share Option Scheme during the Period divided by the weighted average number of Shares of the Shares in issue for the Period as required under Rule 23.07(3) GEM Listing Rules.

COMPLIANCE WITH THE CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors 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 “**Required Standard of Dealings**”). The Company had also made specific enquiry to all the Directors, and each of them has confirmed that he/she was in compliance with the Required Standard of Dealings during the Period.

REVIEW OF FINANCIAL STATEMENT

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

The Audit Committee has reviewed the accounting policies and practices adopted by the Group and has discussed with the management of the Company on the financial reporting matters including the review of the unaudited condensed consolidated financial statements of the Group for the Period.

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

Guangzhou, the PRC, 9 November 2023

As at the date of this report, the executive Directors are Mr. XIE Yang, Mr. ZHAO Yan Wei and Mr. HE Xuan Xi; and the independent non-executive Directors are Ms. BAI Shuang, Mr. HA Cheng Yong and Mr. TSE Chi Wai.

This report will remain on the “Latest Listed Company Announcements” page of the Stock Exchange website at www.hkexnews.hk for at least 7 days from the date of its posting and be posted on the website of the Company at www.greatwater.com.cn.