

# China TianYF Holdings Group Limited

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

## FIRST QUARTERLY REPORT 2023



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# FINANCIAL HIGHLIGHTS

For the three months ended 31 March 2023

- Based on the unaudited condensed consolidated results of the Group for the three months ended 31 March 2023 (the “**Period**”), the Group’s revenue for the Period increased to approximately RMB28,715,000, representing an increase of approximately 46.5% as compared to approximately RMB19,596,000 for the corresponding period in 2022.
- During the Period, the Group’s total gross profit increased to approximately RMB5,440,000, representing an increase of approximately 353.0% as compared to approximately RMB1,201,000 for the corresponding period in 2022.
- During the Period, the Group recorded loss attributable to owners of the Company of approximately RMB787,000, representing a decrease of approximately 86.0% as compared to loss attributable to owners of the Company of approximately RMB5,628,000 for the corresponding period in 2022.
- The Board does not recommend the payment of an interim dividend for the Period.

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2023

## UNAUDITED FIRST QUARTERLY RESULTS

The board of directors (the “**Board**”) of the Company announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the three months ended 31 March 2023 together with the comparative unaudited figures for the corresponding period of 2022 as follows:

	Notes	For the three months ended 31 March	
		2023 RMB'000 Unaudited	2022 RMB'000 Unaudited
<b>REVENUE</b>	4	<b>28,715</b>	19,596
Cost of Sales		<b>(23,275)</b>	(18,395)
Gross profit		<b>5,440</b>	1,201
Other income and gains	4	<b>862</b>	504
Selling and distribution expenses		<b>(325)</b>	(467)
Administrative expenses		<b>(6,706)</b>	(6,962)
Finance costs		<b>(118)</b>	(565)
<b>LOSS BEFORE TAX</b>		<b>(847)</b>	(6,289)
Income tax credit	5	<b>60</b>	661
<b>LOSS FOR THE PERIOD</b>		<b>(787)</b>	(5,628)
Other comprehensive loss for the Period, net of tax: Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		<b>(240)</b>	(162)
<b>OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX</b>		<b>(240)</b>	(162)
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>		<b>(1,027)</b>	(5,790)

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2023

	Notes	For the three months ended	
		31 March	2022
		2023	2022
		RMB'000	RMB'000
		Unaudited	Unaudited
<b>LOSS FOR THE PERIOD ATTRIBUTABLE TO:</b>			
Owners of the Company		(787)	(5,628)
Non-controlling interests		–	–
		(787)	(5,628)
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO:</b>			
Owners of the Company		(1,027)	(5,790)
Non-controlling interests		–	–
		(1,027)	(5,790)
<b>LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>			
Basic and diluted (RMB)	10	(0.003)	(0.019)

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2023

	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	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests 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	–	–	–	–	–	–	–	(5,628)	(5,628)	–	(5,628)
Other comprehensive income for the period:											
Exchange differences on translation of foreign operations	–	–	–	–	–	–	(162)	–	(162)	–	(162)
Total comprehensive income for the period	–	–	–	–	–	–	(5,790)	(5,628)	(5,790)	–	(5,790)
At 31 March 2022 (unaudited)	2,397	98,818	(13,830)	9,134	15,029	–	3,739	(46,254)	69,033	–	69,033

  

	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	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests 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	–	–	–	–	–	–	–	(787)	(787)	–	(787)
Other comprehensive income for the period:											
Exchange differences on translation of foreign operations	–	–	–	–	–	–	(240)	–	(240)	–	(240)
Total comprehensive income for the period	–	–	–	–	–	–	(240)	(787)	(1,027)	–	(1,027)
Share-based payments	–	–	–	–	–	809	–	–	809	–	809
At 31 March 2023 (unaudited)	2,397	98,818	(13,830)	15,252	15,029	2,456	(3,673)	(52,960)	(70,835)	–	(70,835)

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended 31 March 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 by 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 (“**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 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 (“**Construction Projects**”) segment represents construction projects other than EPC Projects;
- (c) the equipment projects (“**Equipment Projects**”) segment comprises projects in which an enterprise is engaged by a customer for procurement of necessary materials, equipment and machinery, installation, testing and commissioning of the equipment and machinery for the treatment facilities as well as provision of technical consulting services to upgrade or optimise the design of the water or wastewater treatment facilities pursuant to the contract;
- (d) the service concession arrangement (“**Service Concession Arrangement**”) segment comprises projects in which provides the construction of sludge treatment and operation of the sludge station upon the completion of construction for a long period, i.e. 10 years. The fee received under this arrangement for the provision of operation services includes a guaranteed tariff based on a guaranteed minimum treatment volume together with an additional tariff in excess of the minimum volume. Restoration of the infrastructure to a specified condition before it is handed over to the grantor at the end of the service arrangement is necessary. According to the term of such arrangement, the Group is responsible for all of the costs in construction, operation and maintenance as well as restoration of the infrastructure; and
- (e) the “Others” segment comprises, principally, the Group’s 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.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended 31 March 2023

## 3. OPERATING SEGMENT INFORMATION *(continued)*

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

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.

Period ended	EPC	Construction	Equipment	Services		
31 March 2023 (unaudited)	Projects	Projects	Projects	Concession	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	Arrangement	<i>RMB'000</i>	<i>RMB'000</i>
<b>Segment revenue:</b>						
Sales to external customers	24,160	–	–	4,159	396	28,715
<b>Segment results</b>	5,843	–	–	(284)	(119)	5,440
<i>Reconciliation:</i>						
Interest income						20
Unallocated gains						842
Corporate and other unallocated expenses						7,031
Finance costs						118
Loss before tax						(847)
<b>Other segment information:</b>						
Depreciation and amortisation						298



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended 31 March 2023

## 3. OPERATING SEGMENT INFORMATION *(continued)*

Period ended	EPC Projects <i>RMB'000</i>	Construction Projects <i>RMB'000</i>	Equipment Projects <i>RMB'000</i>	Services Concession Arrangement <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
31 March 2022 (unaudited)						
<b>Segment revenue:</b>						
Sales to external customers	1,268	2,228	10,285	5,082	733	19,596
<b>Segment results</b>	108	390	816	(96)	(17)	1,201
<i>Reconciliation:</i>						
Interest income						81
Unallocated gains						423
Corporate and other unallocated expenses						(7,429)
Finance costs						(565)
Loss before tax						(6,289)
<b>Other segment information:</b>						
Depreciation and amortisation						313

## Geographical information

### *Revenue from external customers*

	For the three months ended 31 March	
	2023 <i>RMB'000</i> Unaudited	2022 <i>RMB'000</i> Unaudited
Mainland China	8,930	19,596
Vietnam	19,785	–
	28,715	19,596

The revenue information above is based on the locations of the customers.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended 31 March 2023

## 4. REVENUE, OTHER INCOME AND GAINS

Revenue 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 three months ended 31 March	
	2023 <i>RMB'000</i> Unaudited	2022 <i>RMB'000</i> Unaudited
<b>Revenue</b>		
EPC Projects	24,160	1,268
Constructions Projects	–	2,228
Equipment Projects	–	10,285
Service Concession Arrangement	4,159	5,082
Others	396	733
	<b>28,715</b>	19,596
<b>Other income</b>		
Bank interest income	20	81
Rental income	642	423
Government grants	200	–
	<b>862</b>	504
	<b>29,577</b>	20,100

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended 31 March 2023

## 5. 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 has no assessable profits arising in Hong Kong for the three months ended 31 March 2023 (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 Mainland China 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 period ended 31 March 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 20% on the taxable income.

	For the three months ended 31 March	
	2023 RMB'000 Unaudited	2022 RMB'000 Unaudited
Current — Elsewhere other than Hong Kong	—	—
Deferred	(60)	(661)
	(60)	(661)

## 6. DIVIDENDS

The Directors did not recommend payment of an interim dividend for the three months ended 31 March 2023 (2022: Nil).

## 7. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic earnings per share for the three months ended 31 March 2023 is based on the loss attributable to owners of the Company of RMB787,000 (2022: loss attributable to owners of the Company RMB5,628,000), and the weighted average number of ordinary shares in issue of 300,000,000 (2022: 300,000,000).

No adjustment has been made to the basic earnings per share amounts presented for the period ended 31 March 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 provider of wastewater and drinking water treatment engineering services in the People's Republic of China (the “**PRC**” or “**China**”). The main business of the Group is the provision of engineering services for wastewater and drinking water treatment facilities. The Group acts either as the contractor, who is responsible for the whole project from launch to final operational management (the “**EPC Projects**”), or as the equipment contractor, who is responsible for providing technical advice and equipment procurement services for the project (the “**Equipment Projects**”). Since mid-2020, the Group started operating a sludge treatment service concession arrangement (the “**Service Concession Arrangement**”) in a wastewater treatment plant located in Guangzhou. The Group is also engaged in other environmental protection projects, the provision of operating and maintenance services (the “**O&M Projects**”) for customers in connection with the management of wastewater treatment and drinking water treatment facilities, as well as consultation services in relation to the improvement of wastewater and drinking water treatment facilities of various constructions.

During the Period, the revenue of the Group increased by approximately RMB9,119,000 or 46.5% to approximately RMB28,715,000 as compared to the corresponding period in 2022. During the Period, the Group recognised approximately RMB24,160,000 in revenue from the EPC Projects, approximately RMB4,159,000 in revenue from Service Concession Arrangement and approximately RMB396,000 in revenue from other environmental protection projects. In comparison, approximately RMB1,268,000 in revenue from the EPC Projects, approximately RMB2,228,000 in revenue from construction projects other than the EPC Projects (“**Construction Projects**”), approximately RMB10,285,000 in revenue from Equipment Projects, approximately RMB5,082,000 in revenue from Service Concession Arrangement and approximately RMB733,000 in revenue from other environmental protection projects were recognised in the corresponding period in 2022.

Loss attributable to owners of the Company for the Period amounted to approximately RMB787,000, representing a decrease of approximately 86.0% as compared to loss attributable to owners of the Company of approximately RMB5,628,000 in the corresponding period last year.

The increase in revenue and decrease in loss attribute to owners of the Company is mainly due to the recognition of the progress income of approximately RMB23.5 million for a large size EPC Project in the Vietnam and thus contributed to the increase in the overall revenue, gross profit and the decrease in the loss attribute to owners of the Company.

# MANAGEMENT DISCUSSION AND ANALYSIS

## OUTLOOK

As the three-year pandemic has ended in China as well as the rest of the world in 2022, comprehensive re-opening started in China at the end of 2022, despite problems such as there being a sudden increase in number of infected cases and there being the enormous pressure on the medical as well as other related systems in a short period of time, it is still the beginning of the Year of Rabbit in China welcoming the blossoming days in warm spring, when the economy is regaining its vitality. According to the National Institute of Statistics, GDP grew by 4.5% year-on-year in the first quarter of 2023, higher than market expectations of 4% according to the relevant statistics, proving that the economy of China has shown a relatively obvious recovery at the beginning of 2023.

During the previous three years, the Group was able to engage in businesses in market fields and regions which were relatively mature and stable and to which we were relatively familiar with limited resources by relying on a relatively conservative business strategy, keeping an eye on cash flow and customer qualifications and focusing on the Greater Bay Area and the Vietnamese market. Therefore, we could luckily “survive the winter” amid the unpredictable development of the pandemic and the possibility of acute change in epidemic prevention policies.

In terms of business, the Group has adjusted the allocation of resources for business development as mentioned previously. First of all, the Group would increase its investment in the Vietnamese market. The Group believes that the Vietnamese market is recovering generally and significantly, and we have many years of successful experience in our businesses in Vietnam which is also attractive to long-term customers and new customers to a certain extent. In 2022, the Vietnam project, which was delayed due to the pandemic, was resumed, and a new business contract which worth tens of millions of Renminbi was signed between the Group and the project client at the beginning of 2023. The Group believes that Vietnam will gradually become one of the key markets developed by the Group. As to the local market, the business strategy in place since 2021 will continue to be adopted, focusing on the Greater Bay Area. For the customers in long-term cooperation in the Greater Bay Area, the Group has invested relatively more resources in establishing and maintaining our relationships. We believe that good relationship with customers and their high recognition will be favourable to the Group’s future business development.

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

# MANAGEMENT DISCUSSION AND ANALYSIS

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

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

## FINANCIAL REVIEW

### Operating revenue

For the Period, the Group's operating revenue amounted to approximately RMB28,715,000, representing an increase of approximately 46.5% or RMB9,119,000 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, procure necessary raw materials and appoint sub-contractors to construct the facilities. The Group also engages in construction projects related to other environmental protection sectors (such as soil remediation project and flue gas treatment project, 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 RMB24,160,000 (2022: approximately RMB1,268,000), representing an increase of approximately 1,805.4% or RMB22,892,000 over the corresponding period in 2022. The increase in the revenue was primarily attributable to the revenue in the first quarter of 2022 which was derived from one large size EPC Project of approximately RMB23,509,000 and other three small size EPC Projects of approximately RMB651,000, as compared to the corresponding revenue in the first quarter of 2022 which was derived from one EPC Project.

#### — *Revenue relating to Construction Projects*

For the Period, there was no revenue from the Construction Projects was being generated (2022: approximately RMB2,228,000). The revenue in the corresponding revenue in the first quarter of 2022 which was derived from two Construction Projects.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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, there was no revenue from the Equipment Projects was being generated (2022: approximately RMB10,285,000). The revenue in the corresponding revenue in the first quarter of 2022 which was derived from two 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 RMB4,159,000 (2022: approximately RMB5,082,000), representing a decrease of approximately 18.2% or RMB923,000 as compared to the corresponding period in 2022. The decrease in revenue was primarily attributable to the recognition of revenue of approximately RMB4,159,000 in service income for the Service Concession Arrangement in the first quarter of 2023, while the corresponding revenue in the first quarter of 2022 was the revenue of approximately RMB5,082,000 for the recognition of service income for the Service Concession Arrangement in the corresponding period last year.

## Others

The revenue under the other segment included revenue attributable to O&M Projects and technical advisory services. As at 31 March 2023, the Group had one sludge treatment O&M project, one wastewater treatment O&M Project and two drinking water treatment O&M Projects on hand.

For the Period, the revenue generated from rendering of maintenance services amounted to approximately RMB396,000 (2022: approximately RMB733,000), representing a decrease of approximately 46.0% or RMB337,000 as compared to the corresponding period in 2022. The decrease was primarily attributable to O&M Projects which contributed approximately RMB396,000 in revenue in the first quarter of 2023 from one sludge treatment O&M project, one wastewater treatment O&M Project and two drinking water treatment O&M Projects as compared to approximately RMB733,000 in revenue in the first quarter of 2022 from one sludge treatment O&M Project, one wastewater treatment O&M Project and three drinking water treatment O&M Projects.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Other income and gains

For the Period, other income and gains amounted to approximately RMB862,000 (2022: approximately RMB504,000), representing an increase of approximately 71.0% or approximately RMB358,000 as compared to the corresponding period in 2022. The increase was primarily attributable to (i) office rental income increased approximately RMB219,000; and (ii) there is approximately RMB200,000 government grant during the Period which compared there was no government grant in the corresponding period in 2022.

## Cost of sales

For the Period, the cost of sales of the Group amounted to approximately RMB23,275,000 (2022: approximately RMB18,395,000), representing an increase of approximately 26.5% or approximately RMB4,880,000 as compared to the corresponding period in 2022.

The increase in cost of sales was mainly due to the increase in revenue during the Period. The cost of inventories sold decreased to approximately RMB2,235,000 for the Period from approximately RMB10,221,000 for the corresponding period in 2022. The cost of contracting increased to approximately RMB16,804,000 for the Period from approximately RMB4,117,000 for the corresponding period in 2022. The cost of services provided increased to approximately RMB4,236,000 for the Period from approximately RMB4,057,000 for the corresponding period in 2022.

## Gross profit

For the Period, the Group recorded gross profit of approximately RMB5,440,000 (2022: approximately RMB1,201,000), representing an increase of approximately 353.0% or approximately RMB4,239,000 as compared to the corresponding period in 2022. The increase in gross profit of the Group was mainly due to higher profit margin of a large size EPC Project in Vietnam during the Period which compared the lower profit margin of a large scale Equipment Project in the corresponding period last year.

## Selling and distribution expenses

For the Period, the selling and distribution expenses of the Group amounted to approximately RMB325,000 (2022: approximately RMB467,000), representing a decrease of approximately 30.4% or approximately RMB142,000 compared to the corresponding period in 2022. The decrease in the selling and distribution expenses was mainly attributed to (i) the salary and staff welfare decreased approximately RMB68,000; and (ii) the entertainment expenses decreased approximately RMB75,000.

## Administrative expenses

For the Period, the administrative expenses of the Group amounted to approximately RMB6,706,000 (2022: approximately RMB6,962,000), representing a decrease of approximately 3.7% or approximately RMB256,000 compared to the corresponding period in 2022. The decrease in the administrative expenses was mainly attributed to the decrease in office expenses of approximately RMB243,000.

## Loss for the Period

Loss for the period amounted to approximately RMB787,000 as compared to the loss of approximately RMB5,628,000 for the corresponding period in 2022, representing a decrease of approximately 86.0% or approximately RMB4,841,000 compared to the corresponding period in 2022. The decrease was mainly attributable to the recognition of the progress income of approximately RMB23.5 million for a large size EPC Project in the Vietnam and thus contributed to the increase in the overall revenue, gross profit and the decrease in the loss attribute to owners of the Company.



# MANAGEMENT DISCUSSION AND ANALYSIS

## DIVIDEND

The Directors do not recommend the payment of an interim dividend for the three months ended 31 March 2023 (2022: nil).

## 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. Therefore the Board has reviewed and will continue to review and improve the Company's corporate governance practices from time to time.

The Company adopted the Corporate Governance Code (the "CG Code") contained in Appendix 15 to the GEM Listing Rules as its own code of corporate governance. Save for code provision C.2.1 of the CG Code, that the roles of the chairman and chief executive of the Company should be separate and should not be performed by the same individual, the Board is satisfied that the Company had complied with the CG Code for the Period. Mr. Xie Yang ("Mr. Xie") is 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 and the balance of power and authority is ensured by the operation of the senior management and the Board, which comprises experienced individuals. The Board comprised two executive Directors (including Mr. Xie) and three independent non-executive Directors during the Period and therefore has sufficient independent elements in its composition.

## DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

During the Period, none of the Directors had material interests, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party.

## COMPETING INTERESTS

None of the Directors or the controlling shareholders of the Company or any of their respective close associates (as defined under the GEM Listing Rules) had any interest in a business that competes or may compete, either directly or indirectly, with the business of the Group, or of any other conflicts of interest which any such person has or may have with the Group during the Period.

## 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 GROUP AND ITS ASSOCIATED CORPORATIONS

As at 31 March 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 corporations (as defined in Part XV of the Securities and Future Ordinance (Chapter 571 of the laws of Hong Kong) (the “SFO”)) which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or required to be entered in the register of the Company pursuant to section 352 of the SFO, or required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

### Long positions in the ordinary shares of the Company (the “Shares”)

#### (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 <sup>(Note 3)</sup>	Interest in controlled corporation	91,350,000 (L)	30.45%
Mr. ZHOU Yanwei	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 31 December 2022.
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 Yang. Accordingly, Mr. Xie Yang 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	Approximate percentage of shareholding of the issued share capital of the Company <i>(Note)</i>
Mr. XIE Yang	Beneficial Owner	3,000,000	1.00%
Mr. GAO Xue Feng	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%

*Note:*

The percentage were calculated based on 300,000,000 Shares in issue as at 31 March 2023.

Save as disclosed above, as at 31 March 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

## THE INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND THE INTERESTS AND SHORT POSITION OF OTHER PERSONS IN THE SHARES AND UNDERLYING SHARES

As at 31 March 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 <sup>(Note 2)</sup>	Beneficial owner	91,350,000 (L)	30.45%
Perfect Wave Holdings Limited <sup>(Note 2)</sup>	Interest in controlled corporation	91,350,000 (L)	30.45%
Great Time Ventures Limited <sup>(Note 3)</sup>	Beneficial owner	44,032,500 (L)	14.68%
Topman Ventures Limited <sup>(Note 3)</sup>	Interest in controlled corporation	44,032,500 (L)	14.68%
Mr. Song Xiao Xing <sup>(Note 3)</sup>	Interest in controlled corporation	44,032,500 (L)	14.68%

#### Notes:

1. The letter "L" denotes a long position.
2. Mr. XIE Yang 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.
3. Mr. SONG Xiao Xing beneficially owns the entire issued share capital of Topman Ventures Limited which in turn wholly owns Great Time Ventures Limited which held 44,032,500 Shares.

Save as disclosed above, as at 31 March 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 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 granted 18,000,000 share options (the “**Option(s)**”) to certain Directors and employees of the Company to subscribe for an aggregate of 18,000,000 Shares pursuant to the terms of the Share Option Scheme.

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

### Details of the Share Option Scheme

(1) **Purpose**

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

(2) **Participants**

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

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

The total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme shall not in aggregate exceed 18,000,000 Shares, representing 6% of the total number of Shares in issue as at the date of the adoption of the Share Option Scheme and as at the date of 31 March 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 of the Company or any of their respective associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Option).

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

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

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

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

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

## **(6) *Vesting Period***

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

## **(7) *Exercise price for the Shares***

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

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

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

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

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## (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	Exercise period	Vesting Period	Exercise price (HKD)	Balance as at 1 January 2023	Granted during the period	Exercised during the period	Cancelled/ forfeited/ lapsed during the period	Balance as at 31 March 2023
<b>Directors</b>									
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	30 June 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	30 June 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	30 June 2025	1.19	900,000	–	–	–	900,000
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	30 June 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	30 June 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	30 June 2025	1.19	900,000	–	–	–	900,000
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	30 June 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	30 June 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	30 June 2025	1.19	900,000	–	–	–	900,000

# MANAGEMENT DISCUSSION AND ANALYSIS

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

*Note:* For further details of the grant of Options, please refer to the announcement of the Company dated 29 June 2022.

Given that the maximum number of Shares which may be issued pursuant to the Share Option Scheme is 18,000,000 Shares, and the Company granted 18,000,000 Options (representing equal number of Shares issuable) under the Share Option Scheme on 29 June 2022, no more Options are available for grant under the Share Option Scheme as at 1 January 2023 and 31 March 2023, respectively.

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.



# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 of the Company (“**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 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, 10 May 2023

*As at the date of this report, the executive Directors are Mr. XIE Yang, Mr. GAO Xue Feng, 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 Company Announcements” page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least 7 days from the date of its posting and be posted on the website of the Company at [www.greatwater.com.cn](http://www.greatwater.com.cn).*