



**GREAT WATER**

# **GREAT WATER HOLDINGS LIMITED**

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8196

Interim Report **2020**



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

**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.**

**Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

*Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.*

*This report, for which the directors (the “**Directors**”) of Great Water Holdings Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive; there are no other matters the omission of which would make any statement herein or this report misleading.*



## FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2020

- Based on the unaudited condensed consolidated results of the Group for the six months ended 30 June 2020 (the “**Period**”), the Group’s revenue for the Period amounted to approximately RMB23,322,000, representing an increase of approximately 44.8% as compared to approximately RMB16,112,000 for the corresponding period in 2019.
- During the Period, the Group’s total gross profit was approximately RMB2,071,000, representing a decrease of approximately 52.9% as compared to approximately RMB4,397,000 for the corresponding period in 2019.
- Loss attributable to ordinary equity holders was approximately RMB12,291,000, representing an increase of approximately 136.2% as compared to loss attributable to ordinary equity holders of approximately RMB5,204,000 for the corresponding period in 2019.
- The Board does not recommend the payment of an interim dividend for the Period.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

### UNAUDITED INTERIM RESULTS

The board of directors (the “**Board**”) of the Company announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2020 together with the comparative unaudited figures for the corresponding period in 2019 as follows:

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2020 RMB'000 Unaudited	2019 RMB'000 Unaudited	2020 RMB'000 Unaudited	2019 RMB'000 Unaudited
REVENUE	4	4,583	11,580	23,322	16,112
Cost of Sales		(3,822)	(7,894)	(21,251)	(11,715)
Gross profit		761	3,686	2,071	4,397
Other income and gains	4	958	5,301	1,416	6,098
Selling and distribution expenses		(822)	(902)	(1,179)	(1,605)
Administrative expenses		(5,776)	(5,818)	(15,130)	(12,978)
Finance costs	6	(717)	(779)	(1,387)	(1,834)
(LOSS)/PROFIT BEFORE TAX		(5,596)	1,488	(14,209)	(5,922)
Income tax expense	7	933	293	1,918	1,084
(LOSS)/PROFIT FOR THE PERIOD		(4,663)	1,781	(12,291)	(4,838)
Attributable to:					
Owners of parent		(4,663)	1,415	(12,291)	(5,204)
Non-controlling interests		–	366	–	366
		(4,663)	1,781	(12,291)	(4,838)
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT					
Basic and diluted	9	RMB(0.016)	RMB0.005	RMB(0.041)	RMB(0.017)

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	For the three months ended 30 June		For the six months ended 30 June		
	Notes	2020 RMB'000 Unaudited	2019 RMB'000 Unaudited	2020 RMB'000 Unaudited	2019 RMB'000 Unaudited
<b>OTHER COMPREHENSIVE INCOME</b>					
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Exchange difference on translation of foreign operations		(2,039)	1,033	(2,032)	17
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		(2,039)	1,033	(2,032)	17
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		(2,039)	1,033	(2,032)	17
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(6,702)	2,814	(14,323)	(4,821)
Attributable to:					
Owners of parent		(6,702)	2,448	(14,323)	(5,187)
Non-controlling interests		–	366	–	366
		(6,702)	2,814	(14,323)	(4,821)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	<i>Notes</i>	<b>30 June 2020 RMB'000 Unaudited</b>	31 December 2019 RMB'000 Audited
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>14,647</b>	15,867
Investment properties		<b>24,900</b>	24,900
Right-of-use assets		<b>367</b>	436
Other intangible asset		<b>2,133</b>	2,456
Deferred tax assets		<b>1,119</b>	–
Equity investments designated at fair value through other comprehensive income		<b>1,500</b>	1,500
<b>Total non-current assets</b>		<b>44,666</b>	45,159
<b>CURRENT ASSETS</b>			
Inventories		<b>5,576</b>	101
Contract assets		<b>153,339</b>	147,720
Trade and bills receivables	<i>10</i>	<b>121,612</b>	158,528
Prepayments, deposits and other receivables		<b>51,196</b>	53,634
Pledge deposits		<b>2,986</b>	2,022
Cash and bank balances		<b>46,791</b>	24,863
<b>Total current assets</b>		<b>381,500</b>	386,868
<b>CURRENT LIABILITIES</b>			
Trade payables	<i>11</i>	<b>133,987</b>	147,059
Other payables and accruals		<b>52,849</b>	35,942
Interest-bearing bank borrowing		<b>52,690</b>	42,687
Tax payable		–	3,296
<b>Total current liabilities</b>		<b>239,526</b>	228,984
<b>NET CURRENT ASSETS</b>		<b>141,974</b>	157,884
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>186,640</b>	203,043

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	<i>Notes</i>	<b>30 June 2020 RMB'000 Unaudited</b>	31 December 2019 RMB'000 Audited
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		–	800
Interest-bearing bank borrowing		<b>2,037</b>	3,317
<b>Total non-current liabilities</b>		<b>2,037</b>	4,117
<b>Net assets</b>		<b>184,603</b>	198,926
<b>EQUITY</b>			
Share capital		<b>2,397</b>	2,397
Reserves		<b>182,212</b>	196,535
<b>Non-controlling interests</b>		<b>184,609 (6)</b>	198,932 (6)
<b>Total equity</b>		<b>184,603</b>	198,926

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Share capital RMB'000	Share premium account RMB'000	Merge reserve RMB'000	Asset revaluation reserve RMB'000	Statutory surplus 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 2019 (audited)	2,397	98,818	(13,830)	9,134	15,029	3,422	107,229	222,199	(371)	221,828
Profit for the period	-	-	-	-	-	-	(5,204)	(5,204)	366	4,838
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	-	-	-	-	-	17	-	17	-	17
Total comprehensive income for the period	-	-	-	-	-	17	(5,204)	(5,187)	366	(4,821)
At 30 June 2019 (unaudited)	2,397	98,818	(13,830)	9,134	15,029	3,439	102,025	217,012	(5)	217,007
	<b>Share capital RMB'000</b>	<b>Share premium account RMB'000</b>	<b>Merger reserve RMB'000</b>	<b>Asset revaluation reserve RMB'000</b>	<b>Statutory surplus reserve RMB'000</b>	<b>Exchange fluctuation reserve RMB'000</b>	<b>Retained profits RMB'000</b>	<b>Total RMB'000</b>	<b>Non-controlling interest RMB'000</b>	<b>Total equity RMB'000</b>
At 1 January 2020 (audited)	2,397	98,818	(13,830)	9,134	15,029	4,322	83,062	198,932	(6)	198,926
Profit for the period	-	-	-	-	-	-	(12,291)	(12,291)	-	(12,291)
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	-	-	-	-	-	(2,032)	-	(2,032)	-	(2,032)
Total comprehensive income for the period	-	-	-	-	-	(2,032)	(12,291)	(14,323)	-	(14,323)
At 30 June 2020 (unaudited)	2,397	98,818	(13,830)	9,134	15,029	2,290	70,771	184,609	(6)	184,603

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 RMB'000 Unaudited	2019 RMB'000 Unaudited
Net cash from operating activities	15,443	14,474
Net cash (used in)/from investing activities	(96)	3,078
Net cash from financing activities	8,613	4,463
Net increase in cash and cash equivalents	23,960	22,015
Cash and cash equivalents at beginning of period	24,863	64,627
Effect of foreign exchanges, net	(2,032)	17
Cash and cash equivalents at end of period	46,791	86,659
Analysis of the balances of cash and cash equivalents:		
Cash and bank balances as stated in the condensed consolidated statement of financial position	46,791	86,659
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	46,791	86,659

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2020

### 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 2001, 20/F, Chinachem Johnston Plaza, 186 Johnston Road, Wan Chai, 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 Group's interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and with the applicable disclosure requirements of the GEM Listing Rules.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2019

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 four 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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2020

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

- (e) the other projects (“**Others**”) segment 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.

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resources 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 measured 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 measurement.

Segment assets exclude tax recoverable, cash and cash equivalents, property, plant and equipment, investment properties, prepaid land lease payments and other unallocated head office and corporate assets as these assets are managed on a group basis.

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

The unaudited segment results for the six months ended 30 June 2020 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
<b>Segment revenue:</b>						
Sales to external customers	–	2,534	14,313	2,693	3,782	23,322
<b>Segment results</b>	–	11	1,444	164	452	2,071
<i>Reconciliation:</i>						
Interest income						61
Unallocated gains						1,355
Corporate and other unallocated expenses						(16,309)
Finance costs						1,387
Loss before tax						(14,209)

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2020

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

The unaudited segment results for the six months ended 30 June 2019 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
<b>Segment revenue:</b>						
Sales to external customers	2,119	2,558	2,408	5,920	3,107	16,112
<b>Segment results</b>	238	457	1,313	283	2,106	4,397
<i>Reconciliation:</i>						
Interest income						47
Unallocated gains						6,051
Corporate and other unallocated expenses						(14,583)
Finance costs						(1,834)
Loss before tax						(5,922)

The unaudited segment asset and liabilities at 30 June 2020 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
<b>Segment assets</b>	78,451	46,776	121,037	66,745	13,923	326,932
<i>Reconciliation:</i>						
Corporate and other unallocated assets						99,234
Total assets						426,166
<b>Segment liabilities</b>	45,879	26,391	74,340	16,966	71	163,647
<i>Reconciliation:</i>						
Corporate and other unallocated liabilities						77,916
Total liabilities						241,563



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2020

### 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 six months ended 30 June	
	2020 RMB'000 Unaudited	2019 RMB'000 Unaudited
<b>Revenue</b>		
Income from construction contracting and related business	5,227	10,597
Sales of goods	14,313	2,408
Rendering of maintenance services	3,782	3,107
	<b>23,322</b>	16,112
<b>Other income</b>		
Bank interest income	61	47
Rental income	887	757
Government grants	455	716
Others	13	–
	<b>1,416</b>	1,520
<b>Gains</b>		
Gain on disposal of a subsidiary	–	4,578
	<b>1,416</b>	6,098

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2020

### 5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2020 RMB'000 Unaudited	2019 RMB'000 Unaudited
Cost of inventories sold	12,836	5,942
Cost of construction contracting	5,933	4,340
Cost of services provided	2,482	1,433
Depreciation of property, plant and equipment	1,100	1,108
Auditors' remuneration	710	691
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	8,172	7,955
Pension scheme contributions	346	835
Other welfare	353	287
	<b>8,871</b>	9,077
Foreign exchange differences, net	(301)	(47)
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	146	140
Bank interest income	(61)	(47)
Gain on disposal of a subsidiary	–	(4,578)

### 6. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2020 RMB'000 Unaudited	2019 RMB'000 Unaudited
Interest on bank loans	1,387	1,834

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2020

### 7. INCOME TAX

The statutory rate of Hong Kong profits tax was 16.5%, (2019: 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 six months ended 30 June 2020 (2019: 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 (the "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 period ended 30 June 2020 and 2019.

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 six months ended 30 June	
	2020 RMB'000 Unaudited	2019 RMB'000 Unaudited
Current — Elsewhere other than Hong Kong	–	–
Deferred	(1,918)	(1,084)
Total tax (recover)/charge for the period	(1,918)	(1,084)

### 8. DIVIDENDS

The Directors does not recommend payment of any dividend for the six months ended 30 June 2020 (2019: Nil).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2020

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

The calculation of the basic earnings per share for the six months ended 30 June 2020 is based on the loss attributable to ordinary equity holders of approximately RMB12,291,000 (2019: loss attributable to ordinary equity holders of approximately RMB5,204,000), and the weighted average number of ordinary shares in issue of 300,000,000 (2019: 300,000,000).

No adjustment has been made to the basic earnings per share amounts presented for the period ended 30 June 2020 and 2019 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during these periods.

The calculation of basic and diluted earnings per share is based on:

	<b>For the six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
	<b>Unaudited</b>	Unaudited
<hr/>		
<b>Earnings</b>		
Loss attributable to ordinary equity holders of the parent, used in the basic/diluted earnings per share calculation:	<b>(12,291)</b>	(5,204)
<hr/>		
	<b>Number of shares</b>	
	<b>2020</b>	2019
<hr/>		
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic/diluted earnings per share calculation	<b>300,000,000</b>	300,000,000
<hr/>		

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2020

### 10. TRADE AND BILLS RECEIVABLES

	<b>As at 30 June 2020 RMB'000 Unaudited</b>	As at 31 December 2019 RMB'000 Audited
Trade receivables	<b>139,397</b>	176,413
Impairment	<b>(17,885)</b>	(17,885)
	<b>121,512</b>	158,528
Bills receivables	<b>100</b>	–
	<b>121,612</b>	158,528

Trade receivables represented the outstanding contracted value for the sale of goods, construction contracts and rendering of services receivable from the customers at each of the reporting dates. The Group's trading terms with its customers are mainly on credit. Tax invoices are issued to the customers based on agreed schedules and the Group's trade receivables are subject to various credit terms. The credit period granted to the customers is 30 days from the date of issuing tax invoice, extending up to the date of final acceptance of the whole projects for certain customers. For retention monies receivable in respect of construction work carried out by the Group, the due dates are usually one year after the completion of the construction work. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise the credit risk. Overdue balances are reviewed regularly by senior management. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. The Group does not hold any collateral or other credit enhancements over these balances. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the end of the reporting period, based on the transaction date and net of loss allowance, is as follows:

	<b>As at 30 June 2020 RMB'000 Unaudited</b>	As at 31 December 2019 RMB'000 Audited
Within one month	<b>117</b>	34,539
One to three months	<b>713</b>	1,578
Three months to one year	<b>10,424</b>	7,734
One to two years	<b>1,323</b>	27,347
Two to three years	<b>80,684</b>	79,694
Over three years	<b>28,351</b>	7,636
	<b>121,612</b>	158,528

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2020

### 11. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the transaction date, is as follows:

	<b>As at 30 June 2020 RMB'000 Unaudited</b>	As at 31 December 2019 RMB'000 Audited
Within one month	<b>3,729</b>	26,909
One to three months	<b>8,828</b>	11,495
Three months to one year	<b>24,923</b>	4,722
Over one year	<b>96,507</b>	103,933
	<b>133,987</b>	147,059

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

### 12. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	<b>As at 30 June 2020 RMB'000 Unaudited</b>	As at 31 December 2019 RMB'000 Audited
Contracted, but not provided for:		
Purchases of items of equipment for projects	<b>174,926</b>	93,190
Capital contributions payable to a joint venture company	<b>11,500</b>	20,400
	<b>186,426</b>	113,590

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2020

### 13. RELATED PARTY TRANSACTIONS

- (a) The Group's balances with the directors are included in other payables. All the balances are unsecured, interest-free and repayable on demand. Details are as follows:

	<b>As at 30 June 2020 RMB'000 Unaudited</b>	As at 31 December 2019 RMB'000 Audited
Mr. Xie Yang	60	60
Mr. He Xuan Xi	25	190
Ms. Gong Lan Lan	54	53
Mr. Tse Chi Wai	54	53
Mr. Ha Cheng Yong	54	53
Ms. Bai Shuang	54	53
	<b>301</b>	462

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

	<b>For the six months ended 30 June 2020 RMB'000 Unaudited</b>	2019 RMB'000 Unaudited
Short term employee benefits	<b>2,208</b>	2,195

## 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 ("**EPC Projects**"), or as the equipment contractor, who is responsible for providing technical advice and equipment procurement services for the project ("**Equipment Projects**"). The Group is also engaged in other environmental protection projects, provision of operating and maintenance services ("**O&M Projects**") for the 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 worldwide economy has been hit hard by the sudden outbreak of the COVID-19. In the first half of 2020, China's GDP fell by 1.6%, marking the first negative growth since records began in 1992. Under the influence of the COVID-19 pandemic, the operating environment of the Group has become more severe. Although the Group's revenue in the first half of 2020 increased by 44.8% the corresponding period last year, the Group recorded a higher net loss after tax compared to the corresponding period last year.

During the Period, the revenue of the Group increased by approximately RMB7,210,000, or 44.8% to approximately RMB23,322,000 as compared to RMB16,112,000 for the corresponding period in 2019. The significant increase in revenue was mainly attributable to revenue generated from an on-schedule delivery of one Equipment Project partially off-set by the decrease in revenue from the EPC Project and the development, construction and operating agreement of a sewage treatment project ("**Service Concession Arrangement**"). During the Period, the Group recognised approximately RMB2,534,000 in revenue from construction project other than the EPC Projects ("**Construction Project**"), approximately RMB14,313,000 in revenue from Equipment Projects, approximately RMB2,693,000 in revenue from the Service Concession Arrangement and approximately RMB3,782,000 in revenue from other environmental protection projects for the first half of 2020. In comparison, approximately RMB2,119,000 in revenue from EPC Projects, approximately RMB2,558,000 in revenue from Construction Projects, approximately RMB2,408,000 in revenue from Equipment Projects, approximately RMB5,920,000 in revenue from Service Concession Arrangement and approximately RMB3,107,000 in revenue from other environmental protection projects was recognised in the corresponding period in 2019.

The increase in net loss after tax was mainly attributable to (1) a slump in new demands for domestic water supply and water treatment facilities due to the negative economic growth in the PRC for the first half of 2020 as a result of the outbreak of COVID-19; (2) a delay in the commencement of projects since the end of the Spring Festival holidays in 2020 as a result of the COVID-19; (3) additional costs for projects in progress, which was required to cope with the dual requirements of epidemic prevention and work schedules concurrently due to a shortage of manpower as a result of the COVID-19 policies; and (4) the absence of the one-off revenue of approximately RMB4,578,000 recorded from the disposal of a subsidiary during the corresponding period last year while no such revenue was recorded for this year.

Loss attributable to ordinary equity holders for the Period amounted to approximately RMB12,291,000, representing an increase of approximately 136.2% as compared to loss attributable to ordinary equity holders of approximately RMB5,204,000 last year.

## MANAGEMENT DISCUSSION AND ANALYSIS

### OUTLOOK

Under the influence of the COVID-19 pandemic, the loss trend of the Group is expected to continue in the third quarter of 2020. Despite China's outstanding performance in handling COVID-19, occasional small-scale outbreaks reminds us that the risks still present. Although China's economy rose by 3.2% year-on-year in its second quarter and has managed to make a turnaround from the 6.8% decline in the first quarter, and the market also generally expects that there will be a strong rebound in the third and fourth quarters with a hope to maintain positive growth throughout the year, it is estimated that significant time would be required to fight against the epidemic and restore the economy. On the other hand, the tense Sino-US relations and the substantial variation in the performance of epidemic prevention among countries have created tremendous obstacles to global stability and economic recovery.

During such uncertain times, the business emphasis of the Group in 2020 will be maintaining stable income and controlling costs for existing projects, constructing new projects as well as preventing potential risks. The Group currently has several projects that will commence construction, such as the water treatment equipment project of Chengdu Wanxing Power Plant (成都萬興電廠) with a contract amount of approximately RMB20,000,000 and the water treatment engineering project of Pacific Textiles Vietnam (互太越南紡織) with a contract amount of approximately USD9,000,000. The Group and Guangzhou Sewage have entered into a ten-year operating agreement for the development and construction of a sludge treatment project at a sewage treatment plant in Dashadi, Guangzhou, the PRC. The project passed the acceptance test in June 2020 and has officially entered the operation stage.

Taking into account delay in the Group's environmental protection engineering project in Vietnam due to the epidemic and challenges in the domestic market development compared to the previous years, the Group plans to (1) optimize its constructions in progress, including having in-depth communication with its clients in response to the requirements of epidemic prevention to control the costs; (2) deploy more resources on marketing potential new projects of existing premium clients; (3) strengthen and enhance the Group's operating cash flow.

In conclusion, the Group considers that the market condition may not be desirable in view of the global economic downturn, and a certain period of time is needed for reviving from the profound impact of the COVID-19 pandemic and for the economic recovery. However, by virtue of the Group's confidence in the Chinese government, the Group believes that China's economy will be able to return to its pre-epidemic level, and the Group's outlook about the market as well as its related adjustments may improve its current state of affairs in future, and will be able maintain normal operations in the foreseeable future and to face future challenges optimistically.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

#### Revenue

For the Period, the Group's revenue amounted to approximately RMB23,322,000, representing an increase of approximately 44.8% or RMB7,210,000 compared to the corresponding period in 2019.

#### *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 from EPC Projects*

For the Period, there was no revenue generated from the EPC Projects (2019: approximately RMB2,119,000). The revenue from the EPC Projects in the corresponding period of last year was primarily attributable to the recognition of revenue from one EPC Project.

— *Revenue from Construction Projects*

For the Period, the revenue generated from Construction Projects was approximately RMB2,534,000 (2019: approximately RMB2,558,000), representing a decrease of approximately 0.9% or RMB24,000 over the corresponding period in 2019. The decrease in the revenue was primarily attributable to the revenue in the first half of 2020 which was derived from one Construction Project, as compared to the corresponding revenue in the half of 2019 which was derived from four Construction Projects.

#### *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 options before the involvement of the procurement team.

For the Period, the revenue generated from Equipment Projects was approximately RMB14,313,000 (2019: approximately RMB2,408,000), representing an increase of approximately 494.4% or RMB11,905,000 over the corresponding period in 2019. Each of the revenue from Equipment Projects for each of the Period and the corresponding period in 2019 was derived from one Equipment Project and the contract amount of the Equipment Project for the year is greater than the contract amount of the Equipment Project last year.

## MANAGEMENT DISCUSSION AND ANALYSIS

### ***Service Concession Arrangement***

For 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 the operation of the sludge treatment project for a term of 10 years. The construction of the project has been completed, the trial operation was also completed and the project passed the official examination in June 2020.

For the Period, the revenue generated from the Service Concession Arrangement segment amounted to approximately RMB2,693,000 (2019: approximately RMB5,920,000), representing a decrease of approximately 54.5% or RMB3,227,000 as compared to the corresponding period in 2019. The decrease was primarily attributable to the recognition of revenue of approximately RMB2,693,000 in service income for the Service Concession Arrangement of the Dashadi wastewater treatment plant during the trial period in the first half of 2020, while the corresponding revenue in the half of 2019 was the revenue of approximately RMB5,920,000 for the recognition of construction progress.

### ***Others***

The revenue under the other segment included revenue attributable to O&M Projects and technical advisory services. As at 30 June 2020, the Group had one sludge treatment O&M project, one wastewater treatment O&M Project and four drinking water treatment O&M Projects.

For the Period, the revenue generated from the provision of maintenance services amounted to approximately RMB3,782,000 (2019: approximately RMB3,107,000), representing an increase of approximately 21.7% or RMB675,000 as compared to the corresponding period in 2019. The increase was primarily attributable to (i) one technical advisory project in the first half of 2020 with revenue contribution of approximately RMB2,170,000 as compared to three technical advisory project with revenue contribution of approximately RMB1,622,000 in the corresponding period in 2019; and (ii) O&M projects which contributed approximately RMB1,612,000 in revenue in the first half of 2020 as compared to approximately RMB1,485,000 in the corresponding period in 2019.

### **Other income and gains**

For the Period, other income and gains amounted to approximately RMB1,416,000 (2019: approximately RMB6,098,000), representing a decrease of approximately 76.8% or approximately RMB4,682,000 as compared to the corresponding period in 2019. The decrease was primarily attributable to an one-off revenue of approximately RMB 4,578,000 recorded by the disposal of a subsidiary during the corresponding period last year while no such revenue is recorded for this year.

### **Cost of sales**

For the Period, the cost of sales of the Group amounted to approximately RMB21,251,000 (2019: approximately RMB11,715,000), representing an increase of approximately 81.4% or approximately RMB9,536,000 as compared to the corresponding period in 2019. The increase in cost of sales was mainly due to increased in revenue and additional costs for the projects, which was required to cope with the dual requirements of epidemic prevention and work schedules concurrently due to a shortage of manpower as a result of the COVID-19 policies. The construction subcontracting costs increased to approximately RMB5,933,000 during the Period from approximately RMB4,340,000 for the corresponding period in 2019. The costs of inventories sold increased to approximately RMB12,836,000 during the Period from approximately RMB5,942,000 for the corresponding period in 2019, representing an increase of approximately 116.0% or approximately RMB6,894,000 over the corresponding period in 2019.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Gross profit

For the Period, the Group's gross profit was approximately RMB2,071,000 (2019: approximately RMB4,397,000), representing a decrease of approximately 52.9% or approximately RMB2,326,000 as compared to the corresponding period in 2019. The decrease in gross profit of the Group was mainly attributable to the significant decline in gross profit margin offsetting the growth in revenue from business due to the effect of global economic environment downturn factor.

### Selling and distribution expenses

For the Period, the selling and distribution expenses of the Group amounted to approximately RMB1,179,000 (2019: approximately RMB1,605,000), representing a decrease of approximately 26.5% or approximately RMB426,000 compared to the corresponding period in 2019. The decrease in the selling and distribution expenses was mainly attributed to the decrease in salaries and employee benefit during the Period.

### Administrative expenses

For the Period, the administrative expenses of the Group amounted to approximately RMB15,130,000 (2019: approximately RMB12,978,000), representing an increase of approximately 16.6% or approximately RMB2,152,000 compared to the corresponding period in 2019. The increase in the administrative expenses was mainly attributed to those related expenses arising from upgrading the Group's construction license qualification during the Period.

### Loss for the Period

The loss for the Period amounted to approximately RMB12,291,000 (2019: loss of approximately RMB4,838,000), representing an increase of approximately 154.1% or approximately RMB7,453,000 compared to the corresponding period in 2019. The increase in the loss for the period was mainly attributed to the significant decline in gross profit margin offsetting the growth in revenue from operations due to the global economic environment downturn factor and there was an one-off revenue of approximately RMB 4,578,000 recorded from the disposal of a subsidiary during the corresponding period last year while no such revenue was recorded for this year.

## DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2020 (2019: nil).

## CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The shares ("Shares") of the Company were listed (the "Listing") on the GEM of the Stock Exchange on 9 December 2015. Since then, there has been no change in the capital structure of the Group. The capital of the Group comprises ordinary shares only.

As at 30 June 2020, the total equity attributable to the Company's shareholders (the "Shareholders") was approximately RMB184,609,000 (31 December 2019: approximately RMB198,932,000). The Group's cash bank balances amounted to approximately RMB46,791,000 (31 December 2019: approximately RMB24,863,000). The Group's net current asset was approximately RMB141,974,000 (31 December 2019: approximately RMB157,884,000). Based on the Group's existing cash and cash equivalents on hand and bank facilities available to the Group, the Group has adequate financial resources to fund the working capital required for its operation in the coming year. There was no hedging through any financial instruments.

During the Period, the Group's cash and cash equivalents were mainly denominated in RMB, Hong Kong dollar and United States dollar and were placed in reputable financial institutions as deposits with maturity dates falling within one year. This is in line with the Group's treasury policy to maintain liquidity of its funds whilst contributing to the stable income to the Group.

## MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2020, the Group had general banking facilities amounting to approximately RMB87,000,000. The total borrowing from the banking facilities of the Group as at 30 June 2020 amounted to approximately RMB54,727,000 (31 December 2019: RMB45,953,000). The borrowing is due within one year and the interest rate is variable with reference to the People's Bank of China benchmark interest rate. The banking facilities were pledged by the Group's buildings. For details of the pledged assets, please refer to the section headed "Charges on the Group's Assets" below.

### GEARING RATIO

As at 30 June 2020, the Group's gearing ratio (being the net debt of the Group divided by its total capital plus net debt) was 47% (31 December 2019: 50%). Net debt of the Group includes interest-bearing bank borrowing, trade payables and other payables and accruals, less cash and bank balances. Capital represents equity attributable to owners of the Company.

### SIGNIFICANT INVESTMENTS HELD BY THE GROUP

There was no significant investments held by the Group as at 30 June 2020.

### MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND JOINT VENTURES

The Group did not have any material acquisitions or disposals of subsidiaries and joint ventures during the Period.

### COMMITMENTS

The contractual operating commitments of the Group were primarily related to the purchases of items of equipment for projects. As at 30 June 2020, the Group's contractual operating commitments amounted to approximately RMB174,926,000 (31 December 2019: approximately RMB93,190,000).

As at 30 June 2020, there was capital commitment amounted to approximately RMB11,500,000 for the Group (31 December 2019: approximately RMB20,400,000).

### FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 30 June 2020, the Group does not have other plans for material investments and capital assets as at the date of this report.

### CONTINGENT LIABILITIES

As at 30 June 2020, the Group did not have material contingent liabilities.

### CHARGES ON THE GROUP'S ASSETS

As at 30 June 2020 and 31 December 2019, the Group's buildings, with net carrying amount of RMB7,018,000 and RMB7,101,000, respectively, were pledged to secure certain general banking facilities granted to the Group.

As at 30 June 2020 and 31 December 2019, the Group's investment properties, with net carrying amount of RMB24,900,000 and RMB24,900,000, respectively, were pledged to secure certain general banking facilities granted to the Group.

As at 30 June 2020 and 31 December 2019, the Group's leasehold land, with net carrying amount of RMB360,000 and RMB399,000, respectively, were pledged to secure certain general banking facilities granted to the Group.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FOREIGN EXCHANGE EXPOSURE

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

### ADVANCES TO AN ENTITY

As at 30 June 2020, the Group did not provide any advances to any entity outside the Group.

### PLEDGING OF SHARES BY THE CONTROLLING SHAREHOLDERS

As at 30 June 2020, there was no pledging of Shares by the controlling Shareholders.

### LOAN AGREEMENTS OF THE GROUP

As at 30 June 2020, the Group did not enter into any loan agreement with covenants relating to specific performance of the controlling shareholders of the Company.

During the Period, the Group did not breach any terms of agreement in respect of any loan that is significant to the Group's operations.

### FINANCIAL ASSISTANCE AND GUARANTEES TO AFFILIATED COMPANIES

As at 30 June 2020, the Group did not provide any financial assistance or guarantee to affiliated companies of the Group.

### SHARE OPTION SCHEME

As at 30 June 2020, the Group has not adopted any share option scheme.

### EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2020, the Group employed 86 employees (31 December 2019: 89 employees). Employee costs amounted to approximately RMB8.9 million for the six months ended 30 June 2020 (2019: approximately RMB9.1 million). The Group will endeavour to ensure that the employees' salary levels are in line with industry practice and prevailing market conditions and that employees' remuneration is determined based on their performance.

### IMPORTANT EVENTS AFTER THE REPORTING PERIOD

There was no important events affecting the Group which have occurred since the end of the Period.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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 A.2.1 of the CG Code, 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 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 the same person 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), one non-executive Director 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

The Directors are not aware of any business or interest of the Directors nor the controlling shareholders of the Company nor any of their respective close associates (as defined under the GEM Listing Rules) 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 COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2020, 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:

#### Long positions in Shares

Name of director	Capacity	Number of Shares (Note 1)	Approximate percentage of the total number of Shares in issue
Mr. Xie Yang <sup>(Note 2)</sup>	Interest in controlled corporation	91,350,000 (L)	30.45%

Notes:

- The letter “L” denotes a long position.
- 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.

Save as disclosed above, as at 30 June 2020, 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 June 2020, 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%
Waterman Global Limited <sup>(Note 3)</sup>	Beneficial owner	67,117,500 (L)	22.37%
Keen Leap Investments Limited <sup>(Note 3)</sup>	Interest in controlled corporation	67,117,500 (L)	22.37%
Keen Leap Investments Limited <sup>(Note 3)</sup>	Beneficial owner	2,732,000 (L)	0.91%
Mr. Zhang Yao <sup>(Note 3)</sup>	Interest in controlled corporation	69,849,500 (L)	23.28%
Great Time Ventures Limited <sup>(Note 4)</sup>	Beneficial owner	44,032,500 (L)	14.68%
Topman Ventures Limited <sup>(Note 4)</sup>	Interest in controlled corporation	44,032,500 (L)	14.68%
Mr. Song Xiao Xing <sup>(Note 4)</sup>	Interest in controlled corporation	44,032,500 (L)	14.68%

#### Notes:

- The letter "L" denotes a long position.
- 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.
- Mr. Zhang Yao beneficially owns the entire issued share capital of Keen Leap Investments Limited which held 2,732,000 Share directly and in turn wholly owns Waterman Global Limited which held 67,117,500 Shares.
- 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 30 June 2020, 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

### DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors, its employees, and the directors and employees of its subsidiaries and holding companies, who may likely possess inside information on the Company or its securities, on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the “**Required Standard of Dealings**”). The Company had made specific enquiry of 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 accounting policies and practices adopted by the Group and has discussed with the management of the Company on the financial reporting matters including review of the unaudited condensed consolidated financial statements of the Group for the Period and the interim results and interim report of the Group for the Period, and is of the view that the interim results and the interim report have complied with the applicable accounting standards, the GEM Listing Rules and other applicable legal requirements, and that adequate disclosure has been made.

By order of the Board  
**Great Water Holdings Limited**  
**XIE YANG**  
*Chairman*

Guangzhou, the PRC, 10 August 2020

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