

# China TianYF Holdings Group Limited

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

Interim Report  
**2022**

## **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.**

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*This report, for which the directors (the “**Directors**”) of China TianYF Holdings Group 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 2022

- Based on the unaudited condensed consolidated results of the Group for the six months ended 30 June 2022 (the “**Period**”), the Group’s revenue for the Period amounted to approximately RMB61,734,000, representing an increase of approximately 139.6% as compared to approximately RMB25,761,000 for the corresponding period in 2021.
- During the Period, the Group’s total gross profit was approximately RMB11,362,000, representing an increase of approximately 104.5% as compared to approximately RMB5,557,000 for the corresponding period in 2021.
- Loss attributable to owners of the Company was approximately RMB3,580,000, representing a decrease of approximately 42.2% as compared to loss attributable to owners of the Company of approximately RMB6,192,000 for the corresponding period in 2021.
- 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 2022

### 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 2022 together with the comparative unaudited figures for the corresponding period in 2021 as follows:

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2022 RMB'000 Unaudited	2021 RMB'000 Unaudited	2022 RMB'000 Unaudited	2021 RMB'000 Unaudited
REVENUE	4	42,138	19,952	61,734	25,761
Cost of Sales		(31,977)	(9,372)	(50,372)	(20,204)
Gross profit		10,161	3,580	11,362	5,557
Other income and gains	4	1,381	538	1,885	1,379
Selling and distribution expenses		(518)	(293)	(985)	(538)
Administrative expenses		(7,876)	(5,043)	(14,838)	(11,872)
Finance costs	6	(623)	(686)	(1,188)	(1,246)
PROFIT/(LOSS) BEFORE TAX		2,525	(1,904)	(3,764)	(6,720)
Income tax credit/(expense)	8	(477)	159	184	528
PROFIT/(LOSS) FOR THE PERIOD		2,048	(1,745)	(3,580)	(6,192)
Other comprehensive loss for the Period, net of tax:					
Items that may be reclassified subsequently to profit or loss:					
Exchange difference on translation of foreign operations		140	(223)	(22)	(280)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX		140	(223)	(22)	(280)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		2,188	(1,968)	(3,602)	(6,472)
PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO:					
Owners of the Company		2,048	(1,745)	(3,580)	(6,192)
Non-controlling interests		–	–	–	–
		2,048	(1,745)	(3,580)	(6,192)

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	<i>Notes</i>	For the three months ended 30 June		For the six months ended 30 June	
		<b>2022</b> <i>RMB'000</i> <b>Unaudited</b>	2021 <i>RMB'000</i> Unaudited	<b>2022</b> <i>RMB'000</i> <b>Unaudited</b>	2021 <i>RMB'000</i> Unaudited
TOTAL COMPREHENSIVE PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO:					
Owners of the Company		<b>2,188</b>	(1,968)	<b>(3,602)</b>	(6,472)
Non-controlling interests		–	–	–	–
		<b>2,188</b>	(1,968)	<b>(3,602)</b>	(6,472)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY					
Basic and diluted (RMB)	10	<b>0.007</b>	(0.006)	<b>(0.012)</b>	(0.021)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	<i>Notes</i>	<b>30 June 2022 RMB'000 Unaudited</b>	31 December 2021 RMB'000 Audited
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		9,674	9,673
Investment properties		25,400	25,400
Right-of-use assets		509	500
Other intangible asset		670	1,027
Prepayments, other receivables and other assets		20	6
Receivables under a service concession arrangement		43,334	46,479
Equity investments designated at fair value through other comprehensive income		3,400	3,400
		<b>83,007</b>	86,485
<b>CURRENT ASSETS</b>			
Inventories		72,910	4,357
Receivables under a service concession arrangement		6,959	6,959
Trade and bills receivables	11	98,996	111,818
Contract assets		52,966	53,084
Prepayments, deposits and other receivables		17,034	26,700
Pledge deposits		3,968	9,140
Cash and bank balances		57,621	46,009
		<b>310,454</b>	258,067
<b>CURRENT LIABILITIES</b>			
Trade payables	12	146,167	127,652
Other payables and accruals		126,367	97,085
Interest-bearing bank borrowing		45,088	38,582
Tax payable		–	1,451
		<b>317,622</b>	264,770
<b>NET CURRENT LIABILITIES</b>		<b>(7,168)</b>	(6,703)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>75,839</b>	79,782

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

<i>Notes</i>	<b>30 June 2022 RMB'000 Unaudited</b>	31 December 2021 RMB'000 Audited
<b>NON-CURRENT LIABILITIES</b>		
Interest-bearing bank borrowing	–	175
Deferred tax liabilities	<b>4,618</b>	4,784
Total non-current liabilities	<b>4,618</b>	4,959
<b>NET ASSETS</b>		
<b>CAPITAL AND RESERVES</b>		
<b>Equity attributable to owner of the parent</b>		
Share capital	<b>2,397</b>	2,397
Reserves	<b>68,824</b>	74,426
<b>TOTAL EQUITY</b>	<b>71,221</b>	74,823

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	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 2021 (audited)	2,397	98,818	(13,830)	9,134	15,029	3,937	(23,584)	91,901	(6)	91,895
Loss for the period	-	-	-	-	-	-	(6,192)	(6,192)	-	(6,192)
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	-	-	-	-	-	(280)	-	(280)	-	(280)
Total comprehensive income for the period	-	-	-	-	-	(280)	(6,192)	(6,472)	(6)	(6,472)
At 30 June 2021 (unaudited)	2,397	98,818	(13,830)	9,134	15,029	3,657	(29,776)	85,429	(6)	85,423
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	-	-	-	-	-	-	(3,580)	(3,580)	-	(3,580)
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	-	-	-	-	-	(22)	-	(22)	-	(22)
Total comprehensive income for the period	-	-	-	-	-	(22)	(3,580)	(3,602)	-	(3,602)
At 30 June 2022 (unaudited)	2,397	98,818	(13,830)	9,134	15,029	3,879	(44,206)	71,221	-	71,221



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022 <i>RMB'000</i> Unaudited	2021 <i>RMB'000</i> Unaudited
Net cash from operating activities	6,444	47,475
Net cash used in investing activities	(125)	(62)
Net cash from financing activities	5,315	2,883
Net increase in cash and cash equivalents	11,634	50,296
Cash and cash equivalents at beginning of period	46,009	46,611
Effect of foreign exchanges, net	(22)	(280)
Cash and cash equivalents at end of period	57,621	96,627
Analysis of the balances of cash and cash equivalents:		
Cash and bank balances as stated in the condensed consolidated statement of financial position	57,621	96,627
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	57,621	96,627

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2022

## 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 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 2021.

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 2022

### 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 2022 are as follows:

	EPC Projects RMB’000	Construction Projects RMB’000	Equipment Projects RMB’000	Services Concession Arrangement RMB’000	Others RMB’000	Total RMB’000
<b>Segment revenue:</b>						
Sales to external customers	14,416	1,268	32,916	10,731	2,403	61,734
<b>Segment results</b>	4,157	108	6,307	182	608	11,362
<i>Reconciliation:</i>						
Interest income						109
Unallocated gains						1,776
Corporate and other unallocated expenses						(15,823)
Finance costs						(1,188)
Loss before tax						(3,764)

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

For the six months ended 30 June 2022

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

The unaudited segment results for the six months ended 30 June 2021 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	246	598	6,607	11,698	6,612	25,761
<b>Segment results</b>	(50)	73	2,184	467	2,883	5,557
<i>Reconciliation:</i>						
Interest income						92
Unallocated gains						1,287
Corporate and other unallocated expenses						(12,410)
Finance costs						(1,246)
Loss before tax						(6,720)

The unaudited segment asset and liabilities at 30 June 2022 are as follows:

	EPC Projects RMB'000	Construction Projects RMB'000	Equipment Projects RMB'000	Services Concession Arrangement RMB'000	Others RMB'000	Total RMB'000
<b>Segment assets</b>	<b>40,300</b>	<b>20,249</b>	<b>165,218</b>	<b>62,492</b>	<b>3,548</b>	<b>291,807</b>
<b>Segment liabilities</b>	<b>46,501</b>	<b>22,501</b>	<b>150,036</b>	<b>20,145</b>	<b>2,002</b>	<b>241,185</b>

The audited segment asset and liabilities at 31 December 2021 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>	43,115	15,816	123,795	65,076	4,073	251,875
<b>Segment liabilities</b>	48,365	25,302	94,594	24,901	502	193,664

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

For the six months ended 30 June 2022

### 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	
	2022 RMB'000 Unaudited	2021 RMB'000 Unaudited
<b>Revenue</b>		
EPC Projects	14,416	246
Construction Projects	1,268	598
Equipment Projects	32,916	6,607
Service Concession Arrangement	10,731	11,698
Others	2,403	6,612
	<b>61,734</b>	25,761
<b>Other income</b>		
Bank interest income	109	92
Rental income	1,008	852
Government grants	43	450
Exchange gain	725	–
Others	–	15
	<b>1,885</b>	1,379

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

For the six months ended 30 June 2022

### 5. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2022 RMB'000 Unaudited	2021 RMB'000 Unaudited
Cost of inventories sold	33,803	6,472
Cost of construction contracting	9,347	4,962
Cost of services provided	7,222	8,770
Depreciation of property, plant and equipment	392	943
Auditors' remuneration	498	740
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	8,391	7,997
Pension scheme contributions	926	835
Equity-settled share based payments	27	–
Other welfare	315	306
	<b>9,659</b>	9,138
Foreign exchange differences, net	(725)	86
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	71	159
Bank interest income	(109)	(92)

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

For the six months ended 30 June 2022

### 6. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2022 RMB'000 Unaudited	2021 RMB'000 Unaudited
Interest on bank loans	1,188	1,246

### 7. SHARE OPTION SCHEME

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

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

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

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

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



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

For the six months ended 30 June 2022

### 7. SHARE OPTION SCHEME *(continued)*

An offer shall have been accepted by an eligible person in respect of the shares which are offered to such eligible person when the duplicate letter comprising acceptance of the offer duly signed by the eligible person together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof is received by the Company within such time as may be specified in the offer (which shall not be later than ten (10) days from the grant date). Such remittance shall in no circumstances be refundable.

Upon an offer being accepted by an eligible person, the share options to which the offer relates will be deemed to have been granted by the Company to such eligible person on the grant date. To the extent that the Offer is not accepted within the time specified in the Offer, it will be deemed to have been irrevocably declined.

The exercise price of the share options granted under the Scheme shall be the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on grant date, which must be a business day; and (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the grant date.

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

- (i) the first financial year immediately following the year of the grant date, 40% of the total number of share options granted to the grantee;
- (ii) the second financial year immediately following the year of the grant date, 30% of the total number of share options granted to the grantee; and
- (iii) the third financial year immediately following the year of the grant date, 30% of the total number of share options granted to the grantee.

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

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

The following share options were outstanding under the Scheme as at 30 June 2022:

	<b>Weighted average exercise price</b> <i>HK\$ per share</i>	<b>Number of options</b>
At 1 January 2022	–	–
Granted during the Period	1.19	18,000,000
At 30 June 2022	1.19	18,000,000



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

For the six months ended 30 June 2022

### 7. SHARE OPTION SCHEME (continued)

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

Number of options	Exercise price* HK\$ per share	Exercise period
7,200,000	1.19	Date of issuance of the audited financial report for the year ended 31 December 2023 to 28 June 2032
5,400,000	1.19	Date of issuance of the audited financial report for the year ended 31 December 2024 to 28 June 2032
5,400,000	1.19	Date of issuance of the audited financial report for the year ended 31 December 2025 to 28 June 2032
18,000,000		

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

The fair value of the share options granted on 29 June 2022 was approximately of HK\$9,154,000, of which the Group recognised a share option expense of HK\$31,960 during the six months ended 30 June 2022.

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

	30 June, 2022
Dividend yield (%)	0%
Expected volatility (%)	44.186%
Risk-free interest rate (%)	3.36%
Weighted average exercise price (HK\$ per share)	1.19

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

At the end of the reporting period, the Company had 18,000,000 share options outstanding under Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 18,000,000 additional ordinary shares of the Company and additional share capital of HK\$20,160,000 (before issue expense).

At the date of approval of these financial statements, the Company had 18,000,000 share options outstanding under Share Option Scheme, which represented approximately 6% of the Company's shares in issue as at that date.

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

For the six months ended 30 June 2022

### 8. INCOME TAX

The statutory rate of Hong Kong profits tax was 16.5%, (2021: 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 2022 (2021: 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 2022 and 2021.

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	
	2022 RMB'000 Unaudited	2021 RMB'000 Unaudited
Current — Elsewhere other than Hong Kong	–	–
Deferred	(184)	(528)
Total tax (recover)/charge for the period	(184)	(528)

### 9. DIVIDENDS

The Directors does not recommend payment of any dividend for the six months ended 30 June 2022 (2021: Nil).

### 10. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share for the six months ended 30 June 2021 is based on the loss attributable to ordinary equity holders of approximately RMB3,554,000 (2021: loss attributable to ordinary equity holders of approximately RMB6,192,000), and the weighted average number of ordinary shares in issue of 300,000,000 (2021: 300,000,000).

No adjustment has been made to the basic loss per share amounts presented for the period ended 30 June 2022 and 2021 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during these periods.

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

For the six months ended 30 June 2022

### 10. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

(continued)

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

	For the six months ended 30 June	
	2022 RMB'000 Unaudited	2021 RMB'000 Unaudited
<b>Loss</b>		
Loss attributable to ordinary equity holders of the parent, used in the basic/diluted loss per share calculation:	(3,554)	(6,192)
	Number of shares	
	2022	2021
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic/diluted loss per share calculation	300,000,000	300,000,000

### 11. TRADE AND BILLS RECEIVABLES

	As at 30 June 2022 RMB'000 Unaudited	As at 31 December 2021 RMB'000 Audited
	Trade receivables	161,506
Provision for loss allowance	(62,510)	(62,510)
	<b>98,996</b>	111,818

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.

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

For the six months ended 30 June 2022

### 11. TRADE AND BILLS RECEIVABLES *(continued)*

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:

	As at 30 June 2022 <i>RMB'000</i> Unaudited	As at 31 December 2021 <i>RMB'000</i> Audited
0–30 days	9,152	15,031
31–90 days	1,722	28,081
91–365 days	37,628	18,314
1–2 years	4,836	4,734
2–3 years	–	46
Over 3 years	45,658	45,612
	<b>98,996</b>	111,818

### 12. 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:

	As at 30 June 2022 <i>RMB'000</i> Unaudited	As at 31 December 2021 <i>RMB'000</i> Audited
0–30 days	22,390	12,772
31–90 days	6,694	14,213
91–365 days	27,500	11,197
Over 1 year	89,583	89,470
	<b>146,167</b>	127,652

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

### 13. COMMITMENTS

As at 30 June 2022, the Group contracted commitments of approximately RMB122,903,000 (31 December 2021: RMB158,149,000) on EPC and construction projects. It mainly represents the procurement of plant and machinery and construction materials.

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

For the six months ended 30 June 2022

### 14. 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 2022 RMB'000 Unaudited</b>	As at 31 December 2021 RMB'000 Audited
Mr. Xie Yang	94	60
Mr. He Xuan Xi	29	109
Ms. Gong Lan Lan	50	74
Mr. Tse Chi Wai	50	74
Mr. Ha Cheng Yong	50	74
Ms. Bai Shuang	50	74
	<b>323</b>	465

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

	<b>For the six months ended 30 June</b>	
	<b>2022 RMB'000 Unaudited</b>	2021 RMB'000 Unaudited
Short term employee benefits	<b>1,948</b>	1,927

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

The Group is a wastewater and drinking water treatment engineering services provider in the People's Republic of China (the "PRC" or "China"). The Group is principally engaged in the provision of engineering services for wastewater and drinking water treatment facilities. The Group acts either as the contractor, 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 RMB35,973,000, or 139.6% to approximately RMB61,734,000 as compared to the corresponding period in 2021. During the Period, the Group recognised approximately RMB14,416,000 in revenue from the EPC Projects, approximately RMB1,268,000 in revenue from construction projects other than the EPC Projects ("Construction Projects"), approximately RMB32,916,000 in revenue from Equipment Projects, approximately RMB10,731,000 in revenue from Service Concession Arrangement and approximately RMB2,403,000 in revenue from O&M Projects. In comparison, approximately RMB246,000 in revenue from the EPC Projects, approximately RMB598,000 in revenue from the Construction Projects, approximately RMB6,607,000 in revenue from Equipment Projects, approximately RMB11,698,000 in revenue from Service Concession Arrangement and approximately RMB5,612,000 in revenue from O&M Projects were recognised in the corresponding period in 2021.

Loss attributable to owners of the Company for the Period amounted to approximately RMB3,580,000, representing a decrease of approximately 42.2% as compared to loss attributable to owners of the Company of approximately RMB6,192,000 in the corresponding period last year.

The significant increase in turnover and decrease in loss attributable to owners of the Company is mainly due to the recognition of the progress income of approximately RMB30 million for a large size municipal Equipment Project in the Greater Bay Area for wastewater treatment equipment and thus contributed to the increase in the overall turnover, gross profit and decrease in loss attributable to owners of the Company.

## OUTLOOK

China has experienced slower rate of economic growth. The National Bureau of Statistics announced on July 15 that GDP growth in the second quarter of 2022 was 0.4% y-o-y, the lowest growth rate in nine quarters, and the worst performance since the outbreak of the COVID-19 pandemic in the first quarter of 2020, both on a yearly and quarterly basis. China's economic development was being challenged again since the outbreak.

In this macroeconomic environment, the Group will continue to follow its business philosophy since 2020, which is to prevent direct or indirect operational risks caused by the pandemic, select customers more prudently, control costs, stabilise income, pay attention to cash flow, focus on key market areas with better economic development, pay attention to new market demands and new trends under the background of the pandemic, and seek development opportunities for traditional businesses and new businesses.

For existing projects, the Group has been actively catching up with the progress of projects that have been delayed due to the occasional impact of the pandemic. Due to the effective control of the pandemic in China, projects in China have basically caught up with the progress. The project in Vietnam previously delayed due to the pandemic will commence construction in the second half of 2022.



## MANAGEMENT DISCUSSION AND ANALYSIS

In terms of new project expansion, the Group intends to continue to adopt the business strategy proposed since 2020. In consideration of the direct and indirect impact of the pandemic, the Group will be more cautious in the selection of customers and projects. For long-term quality customers, the Group will invest more resources in continuous follow-up. Meanwhile, it will stabilise its presence in the Guangdong-Hong Kong-Macao Greater Bay Area (the “**Greater Bay Area**”) and strive to participate in the construction of more municipal projects. In 2021, the Group has obtained several new project contracts in the Greater Bay Area from our long-term customers and new customers respectively, these projects will also contribute to the business development and project portfolio of the Group. Given that one large-scale project of the Group has proceeded to the stage of delivery and installation in the first quarter of 2022, contributing revenue of approximately RMB30 million, and the Vietnam project, which has been delayed due to the pandemic, will be resumed in 2022, it is believed that the Group’s revenue in 2022 will be improved. However, in view of (i) the sporadic outbreaks in various regions of the PRC, especially in response to the uncertain impact brought by various new variant viruses, (ii) the impact of the PRC’s epidemic prevention policies, which are unpredictable, differences in epidemic prevention policies across the country, and its adjustments from time to time, (iii) the slowdown of the domestic economy and the decreasing demand for new projects, business expansion will face greater pressure, (iv) the political tension caused by various events, which in turn brings negative impact to the global economy and the PRC economy, the Directors and the management of the Group remain cautious about the business prospects in 2022.

On the other hand, the Group has begun the attempt of entering the big health market. On 12 April 2022, the Group entered into a non-legally binding memorandum of understanding with Jilin Haotian Health Service Co., Ltd. (吉林市昊天健康服務有限公司), with a view to jointly develop the big health market in the PRC. It is believed that the overall market demand for the big health business would be strong in the PRC, a country with a large population and great economic strength. The Group also wishes to further enhance the business performance of the Group and further enrich the business structure of the Company with the development of the big health business. For the next step, it is believed that the Group’s determination and investment of resources in developing the big health market will be further enhanced. For further details, please refer to the announcement of the Company dated 12 April 2022.

The Group has long track record history in engaging environmental protection businesses. While our core vision remains as to contribute to a better future of mankind, the Group believes that the big health business can demonstrate the same goal, especially when the pandemic ravages the world.

### FINANCIAL REVIEW

#### Operating revenue

For the Period, the Group’s operating revenue amounted to approximately RMB61,734,000, representing an increase of approximately 139.6% or RMB35,973,000 as compared to the corresponding period in 2021.

#### 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 RMB14,416,000 (2021: approximately RMB246,000), representing an increase of approximately 5,760.2% or RMB14,170,000 over the corresponding period in 2021. The increase in the revenue was primarily attributable to the revenue in the first half of 2022 which was derived from three EPC Project, as compared to the corresponding revenue in the first half of 2021 which was derived from one small size EPC Project.

## MANAGEMENT DISCUSSION AND ANALYSIS

### — Revenue relating to Construction Projects

For the Period, the revenue generated from Construction Projects was approximately RMB1,268,000 (2021: approximately RMB598,000), representing an increase of approximately 112.0% or RMB670,000 over the corresponding period in 2021. The increase in the revenue was primarily attributable to the revenue in the first half of 2022 which was derived from one Construction Project, as compared to the corresponding revenue in the first half of 2021 which was derived from one Construction Project.

### Equipment Projects

For Equipment Projects, the Group mainly provides procurement services to a pre-defined section of a project. In determining the equipment and machinery best suited for the project operator's requirements, the Group's technical team often needs to work closely with the customer in identifying, evaluating and selecting different equipment before the procurement team comes into play.

For the Period, the revenue generated from Equipment Projects was approximately RMB32,916,000 (2021: approximately RMB6,607,000), representing an increase of approximately 398.2% or RMB26,309,000 over the corresponding period in 2021. The increase in the revenue was primarily attributable to the revenue in the first half of 2022 which was derived from one large size municipal Equipment Project in the Greater Bay Area for wastewater treatment equipment and another two Equipment Projects, as compared to the corresponding revenue in the first half of 2021 which was derived from three 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 RMB10,731,000 (2021: approximately RMB11,698,000), representing a decrease of approximately 8.3% or RMB967,000 as compared to the corresponding period in 2021. The increase in revenue was primarily attributable to the recognition of revenue of approximately RMB10,731,000 in service income for the Service Concession Arrangement in the first half of 2022, while the corresponding revenue in the first half of 2021 was the revenue of approximately RMB11,698,000 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 30 June 2022, the Group had one sludge treatment O&M project, two wastewater treatment O&M Projects and three drinking water treatment O&M Projects on hand.

For the Period, the revenue generated from rendering of maintenance services amounted to approximately RMB2,403,000 (2021: approximately RMB6,612,000), representing a decrease of approximately 63.7% or RMB4,209,000 as compared to the corresponding period in 2021. The decrease was primarily attributable to (i) one technical advisory projects in the first half of 2022 with revenue contribution of approximately RMB964,000 as compared to three technical advisory project with revenue contribution of approximately RMB3,946,000 in the corresponding period in 2021; and (ii) O&M Projects which contributed approximately RMB1,439,000 in revenue in the first half of 2022 from one sludge treatment O&M project, two wastewater treatment O&M Projects and three drinking water treatment O&M Projects as compared to approximately RMB2,666,000 in revenue in the first half of 2021 from one wastewater treatment O&M Project, one one-off short-term water 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 RMB1,885,000 (2021: approximately RMB1,379,000), representing an increase of approximately 36.7% or approximately RMB506,000 as compared to the corresponding period in 2021. The increase was primarily attributable to increase in exchange gain of approximately RMB725,000.

### Cost of sales

For the Period, the cost of sales of the Group amounted to approximately RMB50,372,000 (2021: approximately RMB20,204,000), representing an increase of approximately 149.3% or approximately RMB30,168,000 as compared to the corresponding period in 2021.

The increase in cost of sales was generally in line with the increase in revenue during the Period. The cost of inventories sold increased to approximately RMB33,803,000 for the Period from approximately RMB6,472,000 for the corresponding period in 2021. The cost of contracting increased to approximately RMB9,347,000 for the Period from approximately RMB4,962,000 for the corresponding period in 2021. The cost of services provided decreased to approximately RMB7,222,000 for the Period from approximately RMB8,770,000 for the corresponding period in 2021.

### Gross profit

For the Period, the Group recorded gross profit of approximately RMB11,362,000 (2021: approximately RMB5,557,000), representing an increase of approximately 104.5% or approximately RMB5,805,000 as compared to the corresponding period in 2021. The increase in gross profit of the Group was mainly due to the recognition of the progress income of approximately RMB30 million for a large size municipal Equipment Project in the Greater Bay Area for wastewater treatment equipment and thus contributed to the increase in the overall turnover and gross profit.

### Selling and distribution expenses

For the Period, the selling and distribution expenses of the Group amounted to approximately RMB985,000 (2021: approximately RMB538,000), representing an increase of approximately 83.1% or approximately RMB447,000 compared to the corresponding period in 2021. The increase in the selling and distribution expenses was mainly attributed to (i) the increase in salaries and employee benefit of approximately RMB119,000; (ii) the increase in maintenance expense of approximately RMB130,000; and (iii) the increase in business entertainment fee of approximately RMB149,000.

### Administrative expenses

For the Period, the administrative expenses of the Group amounted to approximately RMB14,838,000 (2021: approximately RMB11,872,000), representing an increase of approximately 25.0% or approximately RMB2,966,000 compared to the corresponding period in 2021. The increase in the administrative expenses was mainly attributed to the increase in the research and development expenses of approximately RMB2,917,000.

### Loss for the Period

For the Period, the loss for the period amounted to approximately RMB3,580,000 as compared to the loss of approximately RMB6,192,000 for the corresponding period in 2021, representing a decrease of approximately 42.2% or approximately RMB2,612,000 as compared to the corresponding period in 2021. The decrease was mainly attributed to the recognition of the progress income of approximately RMB30 million for a large size municipal Equipment Project in the Greater Bay Area for wastewater treatment equipment and thus contributed to the increase in the overall turnover, gross profit and decrease in loss for the period.

### DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2022 (2021: nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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 2022, the total equity attributable to the Company’s shareholders (the “Shareholders”) was approximately RMB71,221,000 (31 December 2021: approximately RMB74,823,000). The Group’s cash and bank balances amounted to approximately RMB57,621,000 (31 December 2021: approximately RMB46,009,000). The Group’s net current asset was approximately RMB7,168,000 (31 December 2021: net current liabilities approximately RMB6,703,000). 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.

As at 30 June 2022, the Group had general banking facilities amounting to approximately RMB75,000,000. The total borrowing from the banking facilities of the Group as at 30 June 2022 amounted to approximately RMB45,088,000 (31 December 2021: RMB38,497,000). 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 2022, the Group’s gearing ratio (being the net debt of the Group divided by its total capital plus net debt) was 70% (31 December 2021: 67%). 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 2022.

### 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 2022, the Group’s contractual operating commitments amounted to approximately RMB122,903,000 (31 December 2021: approximately RMB158,149,000).

As at 30 June 2022, the capital commitment of the Group amounted to approximately RMB28,667,000 (31 December 2021: approximately RMB33,767,000).

### FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group does not have any plans for material investments or additions of capital assets as at the date of this report.

### CONTINGENT LIABILITIES

As at 30 June 2022, the Group did not have material contingent liabilities.

## MANAGEMENT DISCUSSION AND ANALYSIS

### CHARGES ON THE GROUP'S ASSETS

As at 30 June 2022 and 31 December 2021, the Group's buildings, with net carrying amount of RMB6,688,000 and RMB6,771,000, respectively, were pledged to secure certain general banking facilities granted to the Group.

As at 30 June 2022 and 31 December 2021, the Group's investment properties, with net carrying amount of RMB25,400,000 and RMB25,400,000, respectively, were pledged to secure certain general banking facilities granted to the Group.

As at 30 June 2022 and 31 December 2021, the Group's leasehold land, with net carrying amount of RMB205,000 and RMB244,000, respectively, were pledged to secure certain general banking facilities granted to the Group.

### FOREIGN EXCHANGE EXPOSURE

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

### ADVANCES TO AN ENTITY

As at 30 June 2022, the Group did not provide any advances to any entity outside the Group.

### PLEDGING OF SHARES BY THE CONTROLLING SHAREHOLDERS

As at 30 June 2022, there was no pledging of Shares by the controlling Shareholders.

### LOAN AGREEMENTS OF THE GROUP

As at 30 June 2022, 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 2022, the Group did not provide any financial assistance or guarantee to affiliated companies of the Group.

## 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 subsequently granted 18,000,000 share options (the “Options”) 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. Set forth below the details of the Options granted as at 30 June 2022:

Grantee	Date of grant	Closing price of the securities immediately before the date on which the Options were granted (HKD per share)	Exercise period	Exercise price (HKD)	Balance as at 1 January 2022	Grant during the Period	Exercised during the Period	Cancelled/ forfeited/ lapsed during the Period	Balance as at 30 June 2022
<b>Directors</b>									
Mr. XIE Yang	29 June 2022	1.12	Date of issuance of the audited financial report for the year ended 31 December 2023 to 28 June 2032	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	1.19	–	90,000	–	–	90,000
			Date of issuance of the audited financial report for the year ended 31 December 2025 to 28 June 2032	1.19	–	90,000	–	–	90,000
Mr. GAO Xue Feng	29 June 2022	1.12	Date of issuance of the audited financial report for the year ended 31 December 2023 to 28 June 2032	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	1.19	–	90,000	–	–	90,000
			Date of issuance of the audited financial report for the year ended 31 December 2025 to 28 June 2032	1.19	–	90,000	–	–	90,000
Mr. ZHAO Yan Wei	29 June 2022	1.12	Date of issuance of the audited financial report for the year ended 31 December 2023 to 28 June 2032	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	1.19	–	90,000	–	–	90,000
			Date of issuance of the audited financial report for the year ended 31 December 2025 to 28 June 2032	1.19	–	90,000	–	–	90,000

## MANAGEMENT DISCUSSION AND ANALYSIS

Grantee	Date of grant	Closing price of the securities immediately before the date on which the Options were granted (HKD per share)	Exercise period	Exercise price (HKD)	Balance	Grant	Exercised	Cancelled/ forfeited/ lapsed	Balance
					as at 1 January 2022	during the Period	during the Period	during the Period	as at 30 June 2022
Mr. HE Xuan Xi	29 June 2022	1.12	Date of issuance of the audited financial report for the year ended 31 December 2023 to 28 June 2032	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	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	1.19	–	300,000	–	–	300,000
<b>Others</b>									
Other Employees	29 June 2022	1.12	Date of issuance of the audited financial report for the year ended 31 December 2023 to 28 June 2032	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	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	1.19	–	2,400,000	–	–	2,400,000

### EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2022, the Group employed 84 employees (31 December 2021: 88 employees). Employee costs amounted to approximately RMB9.7 million for the six months ended 30 June 2022 (2021: 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

On 20 June 2022, the English name of the Company was changed from "GREAT WATER HOLDINGS LIMITED" to "China TianYF Holdings Group Limited" and the Chinese name "中國天億福控股集團有限公司" was adopted to replace "建禹集團控股有限公司". The English and Chinese stock short name of the Company were subsequently changed to "CHINA TIANYF" and "中國天億福" with effect from 9:00 a.m. on 27 July 2022. For further details, please refer to the announcements of the Company dated 20 April 2022, 17 June 2022 and 22 July 2022 and the circular of the Company dated 25 May 2022.

Save as disclosed above, 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 code provisions set out in the Corporate Governance Code (the “CG Code”) contained in Part 2 of Appendix 15 to the GEM Listing Rules as its own code of corporate governance. Save for code C.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 four 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.

### 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 2022, 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:



## MANAGEMENT DISCUSSION AND ANALYSIS

### (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:

- The letter "L" denotes a long position.
- The percentage were calculated based on 300,000,000 Shares in issue as at 30 June 2022.
- 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.

### (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 (Note)
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 30 June 2022.

## MANAGEMENT DISCUSSION AND ANALYSIS

Save as disclosed above, as at 30 June 2022, 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.

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

As at 30 June 2022, 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:

- 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. 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 2022, 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  
**China TianYF Holdings Group Limited**  
**XIE YANG**  
*Chairman*

Guangzhou, the PRC, 9 August 2022

*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; 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.*