



**GREAT WATER
GREAT WATER HOLDINGS LIMITED**

建禹集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8196)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 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.

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*This announcement, 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 announcement 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 announcement misleading.*

ANNUAL RESULTS

The board of Directors (the “**Board**”) of the Company announce the consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2020 together with the comparative audited figures for the corresponding period for the year ended 31 December 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2020

	<i>Notes</i>	2020 RMB'000	2019 <i>RMB'000</i>
REVENUE	4	75,624	121,601
Cost of sales		<u>(65,605)</u>	<u>(102,992)</u>
Gross profit		10,019	18,609
Other income and gains	4	2,456	8,662
Selling and distribution expenses		(2,191)	(3,020)
Administrative expenses		(29,232)	(29,459)
Impairment losses on financial and contract assets	5	(82,580)	(20,158)
Other expenses		(835)	(10)
Finance costs	6	<u>(2,490)</u>	<u>(3,395)</u>
LOSS BEFORE TAX	5	(104,853)	(28,771)
Income tax credit/(expense)	7	<u>(1,793)</u>	<u>4,979</u>
LOSS FOR THE YEAR		<u>(106,646)</u>	<u>(23,792)</u>
Attributable to:			
Owners of the parent		(106,646)	(24,157)
Non-controlling interests		<u>–</u>	<u>365</u>
		<u>(106,646)</u>	<u>(23,792)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	9	<u>RMB(0.36)</u>	<u>RMB(0.08)</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME (continued)**

Year ended 31 December 2020

	<i>Notes</i>	2020 RMB'000	2019 <i>RMB'000</i>
OTHER COMPREHENSIVE (LOSS)/INCOME			
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		<u>(385)</u>	<u>900</u>
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods		(385)	900
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX		<u>(385)</u>	<u>900</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		<u>(107,031)</u>	<u>(22,892)</u>
Attributable to:			
Owners of the parent		(107,031)	(23,257)
Non-controlling interests		<u>–</u>	<u>365</u>
		<u>(107,031)</u>	<u>(22,892)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	<i>Notes</i>	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		13,065	15,867
Investment properties		24,500	24,900
Right-of-use assets		414	436
Other intangible assets		1,741	2,456
Receivables under a service concession arrangement		51,190	–
Equity investments designated at fair value through other comprehensive income		1,500	1,500
Total non-current assets		92,410	45,159
CURRENT ASSETS			
Inventories		11,328	101
Receivables under a service concession arrangement		6,629	–
Trade and bills receivables	10	95,614	158,528
Contract assets		50,611	147,720
Prepayments, other receivables and other assets		11,332	53,634
Pledged deposits		4,904	2,022
Cash and cash equivalents		46,611	24,863
Total current assets		227,029	386,868
CURRENT LIABILITIES			
Trade payables	11	125,625	147,059
Other payables and accruals		52,610	35,942
Interest-bearing bank and other borrowings	12	42,875	42,687
Tax payable		1,206	3,296
Total current liabilities		222,316	228,984
NET CURRENT ASSETS		4,713	157,884
TOTAL ASSETS LESS CURRENT LIABILITIES		97,123	203,043
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	12	545	3,317
Deferred tax liabilities		4,683	800
Total non-current liabilities		5,228	4,117
Net assets		91,895	198,926

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)*31 December 2020*

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
EQUITY		
Equity attributable to owners of the parent		
Share capital	2,397	2,397
Other reserves	89,504	196,535
	91,901	198,932
Non-controlling interests	(6)	(6)
Total equity	91,895	198,926

NOTES

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and equity investments which have been measured at fair value. These financial statements are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand except when otherwise indicated.

During the year ended 31 December 2020, the Company and its subsidiaries (collectively referred to as the “**Group**”) recorded a consolidated net loss of RMB106,646,000 (2019: RMB23,792,000). As at 31 December 2020, the Group had net current assets of RMB4,713,000 (2019: RMB157,884,000).

The directors of the Company have prepared a cash flow forecast for the Group which covers a period of twelve months from the end of the reporting period. They are of the opinion that, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future. Accordingly, the directors are of the opinion as and when they fall due in the foreseeable future. Accordingly, the directors are of the opinion that it is appropriate to prepare the consolidated financial statements of the Group for the year ended 31 December 2020 on a going concern basis.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group has directly disposed of the related assets or liabilities.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions</i> (early adopted)
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

- (a) *Conceptual Framework for Financial Reporting 2018* (the “**Conceptual Framework**”) sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.
- (b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.
- (c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate (“**RFR**”). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below: (continued)

- (d) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the pandemic during the year ended 31 December 2020. During the year ended 31 December 2020, there are no reduction or waivers by the lessors on monthly lease payments for the leases of the Group's office as a result of the pandemic and there are no other changes to the terms of the leases. The amendments did not have any impact on the financial position and performance of the Group.

- (e) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

3. OPERATING SEGMENT INFORMATION

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

- (a) the Engineering, Procurement and Construction projects ("**EPC Projects**") segment comprises projects in which an enterprise is commissioned by a customer to act as a general contractor to take care of the overall design, procurement and construction of sludge 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;

3. OPERATING SEGMENT INFORMATION (continued)

- (d) the service concession arrangement (“**Service Concession Arrangement**”) segment comprises projects in which provides the construction of sludge treatment and operation of the sludge station upon the completion of construction for a long period, i.e. 10 years. The fee received under this arrangement for the provision of operation services includes a guaranteed tariff based on a guaranteed minimum treatment volume together with an additional tariff in excess of the minimum volume. Restoration of the infrastructure to a specified condition before it is handed over to the grantor at the end of the service arrangement is necessary. According to the term of such arrangement, the Group is responsible for all of the costs in construction, operation and maintenance as well as restoration of the infrastructure; and
- (e) the “others” segment comprises, principally, the Group’s operation and maintenance services in which an enterprise of the Group is retained to operation and maintenance water or wastewater treatment facilities for a certain period for certain operation and maintenance fees on a monthly or quarterly basis.

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group’s profit before tax except that interest income, non-lease-related finance costs, 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, right-of-use assets, prepaid land lease payments, equity investments and other unallocated head office and corporate assets as these assets are managed on a group basis.

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

3. OPERATING SEGMENT INFORMATION (continued)

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

Year ended 31 December 2020	EPC Projects RMB'000	Construction Projects RMB'000	Equipment Projects RMB'000	Service Concession Arrangement RMB'000	Others RMB'000	Total RMB'000
Segment revenue						
Sales to external customers	<u>5,742</u>	<u>3,194</u>	<u>36,927</u>	<u>22,737</u>	<u>7,024</u>	<u>75,624</u>
Segment results	(221)	44	6,316	2,088	1,792	10,019
<i>Reconciliation:</i>						
Interest income						99
Unallocated gains						2,357
Impairment loss						(82,580)
Corporate and other unallocated expenses						(32,296)
Finance costs (other than interest on lease liabilities)						<u>(2,452)</u>
Loss before tax						<u>(104,853)</u>
Segment assets	31,884	20,100	92,319	76,124	8,466	228,893
<i>Reconciliation:</i>						
Corporate and other unallocated assets						<u>90,546</u>
Total assets						<u>319,439</u>
Segment liabilities	43,150	21,101	68,560	18,582	172	151,565
<i>Reconciliation:</i>						
Corporate and other unallocated liabilities						<u>75,979</u>
Total liabilities						<u>227,544</u>
Other segment information:						
Depreciation and amortisation						3,516
Capital expenditure*						<u>197</u>

* Capital expenditure consists of additions to property, plant and equipment.

3. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2019	EPC Projects <i>RMB'000</i>	Construction Projects <i>RMB'000</i>	Equipment Projects <i>RMB'000</i>	Service Concession Arrangement <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue						
Sales to external customers	<u>20,283</u>	<u>6,625</u>	<u>74,108</u>	<u>16,101</u>	<u>4,484</u>	<u>121,601</u>
Segment results	4,281	1,101	9,757	960	2,510	18,609
<i>Reconciliation:</i>						
Interest income						96
Unallocated gains						8,566
Impairment loss						(20,158)
Corporate and other unallocated expenses						(32,536)
Finance costs						<u>(3,348)</u>
Loss before tax						<u>(28,771)</u>
Segment assets	77,515	47,776	153,405	61,725	9,391	349,812
<i>Reconciliation:</i>						
Corporate and other unallocated assets						<u>82,215</u>
Total assets						<u>432,027</u>
Segment liabilities	51,734	15,584	69,829	16,970	123	154,240
<i>Reconciliation:</i>						
Corporate and other unallocated liabilities						<u>78,861</u>
Total liabilities						<u>233,101</u>
Other segment information:						
Depreciation and amortisation						3,556
Capital expenditure*						<u>65</u>

* Capital expenditure consists of additions to property, plant and equipment.

3. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	2020 RMB'000	2019 RMB'000
Mainland China	75,254	120,685
Vietnam	370	916
	<u>75,624</u>	<u>121,601</u>

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

(b) Non-current assets

	2020 RMB'000	2019 RMB'000
Mainland China	39,627	43,227
Vietnam	93	432
	<u>39,720</u>	<u>43,659</u>

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about major customers

Revenue derived from sales to each of the major customers, including sales to a group of entities which are known to be under common control with the customers of Service Concession Arrangement, EPC Projects and Equipment Projects segments, which accounted for 10% or more of the Group's revenue for the year is set out below:

	2020 RMB'000	2019 RMB'000
Customer A	22,737	58,041
Customer B	16,442	20,283
Customer C	16,105	16,101

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Revenue from contracts with customers	<u>75,624</u>	<u>121,601</u>

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2020

Segments	EPC Projects <i>RMB'000</i>	Construction Projects <i>RMB'000</i>	Equipment Projects <i>RMB'000</i>	Service Concession Arrangement <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Types of goods or services						
Sale of equipment	–	–	33,460	–	–	33,460
Construction services	3,550	3,194	–	9,214	–	15,958
Other services	2,192	–	3,467	13,523	7,024	26,206
	<u>5,742</u>	<u>3,194</u>	<u>36,927</u>	<u>22,737</u>	<u>7,024</u>	<u>75,624</u>
Total revenue from contracts with customers	<u>5,742</u>	<u>3,194</u>	<u>36,927</u>	<u>22,737</u>	<u>7,024</u>	<u>75,624</u>
Geographical markets						
Mainland China	5,742	2,824	36,927	22,737	7,024	75,254
Vietnam	–	370	–	–	–	370
	<u>5,742</u>	<u>3,194</u>	<u>36,927</u>	<u>22,737</u>	<u>7,024</u>	<u>75,624</u>
Total revenue from contracts with customers	<u>5,742</u>	<u>3,194</u>	<u>36,927</u>	<u>22,737</u>	<u>7,024</u>	<u>75,624</u>
Timing of revenue recognition						
Equipment transferred at a point in time	–	–	33,460	–	–	33,460
Services transferred over time	5,742	3,194	3,467	22,737	7,024	42,164
	<u>5,742</u>	<u>3,194</u>	<u>36,927</u>	<u>22,737</u>	<u>7,024</u>	<u>75,624</u>
Total revenue from contracts with customers	<u>5,742</u>	<u>3,194</u>	<u>36,927</u>	<u>22,737</u>	<u>7,024</u>	<u>75,624</u>

4. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

For the year ended 31 December 2019

Segments	EPC Projects RMB'000	Construction Projects RMB'000	Equipment Projects RMB'000	Service Concession Arrangement RMB'000	Others RMB'000	Total RMB'000
Types of goods or services						
Sale of equipment	6,682	–	74,108	–	–	80,790
Construction services	8,899	6,625	–	16,101	–	31,625
Other services	4,702	–	–	–	4,484	9,186
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total revenue from contracts with customers	<u>20,283</u>	<u>6,625</u>	<u>74,108</u>	<u>16,101</u>	<u>4,484</u>	<u>121,601</u>
Geographical markets						
Mainland China	20,283	5,785	74,108	16,101	4,408	120,685
Vietnam	–	840	–	–	76	916
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total revenue from contracts with customers	<u>20,283</u>	<u>6,625</u>	<u>74,108</u>	<u>16,101</u>	<u>4,484</u>	<u>121,601</u>
Timing of revenue recognition						
Equipment transferred at a point in time	–	–	74,108	–	–	74,108
Services transferred over time	20,283	6,625	–	16,101	4,484	47,493
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total revenue from contracts with customers	<u>20,283</u>	<u>6,625</u>	<u>74,108</u>	<u>16,101</u>	<u>4,484</u>	<u>121,601</u>

4. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

Set out below is the reconciliation of the revenue from contracts to customers with the amounts disclosed in the segment information:

For the year ended 31 December 2020

Segments	EPC Projects RMB'000	Construction Projects RMB'000	Equipment Projects RMB'000	Service Concession Arrangement RMB'000	Others RMB'000	Total RMB'000
Revenue from contracts with customers						
External customers	5,742	3,194	36,927	22,737	7,024	75,624
Total revenue from contracts with customers	<u>5,742</u>	<u>3,194</u>	<u>36,927</u>	<u>22,737</u>	<u>7,024</u>	<u>75,624</u>

For the year ended 31 December 2019

Segments	EPC Projects RMB'000	Construction Projects RMB'000	Equipment Projects RMB'000	Service Concession Arrangement RMB'000	Others RMB'000	Total RMB'000
Revenue from contracts with customers						
External customers	20,283	6,625	74,108	16,101	4,484	121,601
Total revenue from contracts with customers	<u>20,283</u>	<u>6,625</u>	<u>74,108</u>	<u>16,101</u>	<u>4,484</u>	<u>121,601</u>

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2020 RMB'000	2019 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of equipment	4	–
Construction services	–	18
	<u>4</u>	<u>18</u>

4. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of equipment

The performance obligation is satisfied upon delivery of equipment and payment is generally due within 30 days from the date of issuing tax invoice, extending up to the date of final acceptance of the whole projects for certain customers. Some contracts provide customers with a right of return and volume rebates which give rise to variable consideration subject to constraint.

Construction services

The performance obligation is satisfied over time as services are rendered and payment is generally due within 30 days from the date of issuing tax invoice, extending up to the date of final acceptance of the whole projects for certain customers. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

Other services

The performance obligation is satisfied over time as services are rendered. Other service contracts are for periods of one year or less and are billed based on the time incurred.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2020 are as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Amounts expected to be recognised as revenue:		
Within one year	63,404	83,609
After one year	<u>122,489</u>	<u>188,683</u>
	<u><u>185,893</u></u>	<u><u>272,292</u></u>

All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

4. REVENUE, OTHER INCOME AND GAINS (continued)

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Other income		
Bank interest income	99	96
Rental income from investment property operating leases:		
Other lease payments, including fixed		
Payments	1,784	1,508
Government grants*		
— Related to income	487	1,413
Exchange gains, net	—	165
Others	14	2
	<u>2,384</u>	<u>3,184</u>
Gains		
Fair value gains on investment properties	—	900
Gain on disposal of items of property, plant and equipment	72	—
Gain on disposal of a subsidiary	—	4,578
	<u>72</u>	<u>5,478</u>
	<u><u>2,456</u></u>	<u><u>8,662</u></u>

* Government grants for the year ended 31 December 2020 were received from the government for the subsidies of high-tech enterprises. Government grants for the year ended 31 December 2019 were received from the government authorities of the PRC in recognition of the Group's efforts in intellectual properties in Guangzhou.

5. LOSS BEFORE TAX

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

	2020	2019
	RMB'000	RMB'000
Cost of inventories sold	30,611	64,351
Cost of construction contracting	29,762	36,736
Cost of services provided	5,232	1,905
Depreciation of property, plant and equipment	2,663	2,703
Depreciation of right-of-use assets	138	139
Amortisation of other intangibles assets	715	714
 Auditor's remuneration	 1,365	 1,381
 Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	14,843	15,046
Pension scheme contributions [#]	63	1,202
Other welfare expenses	1,901	3,477
	<hr/> 16,807	<hr/> 19,725
 Foreign exchange differences, net	 430	 (165)
Impairment of financial and contract assets:		
Impairment of trade receivables	43,804	14,838
Impairment of contract assets	15,176	5,320
Impairment of prepayments, other receivables and other assets	23,600	–
 Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	 336	 374
 Changes in fair value of investment properties*	 400	 (900)
 Bank interest income*	 (99)	 (96)
Gain on disposal of items of property, plant and equipment*	(72)	–
Gain on disposal of a subsidiary	–	(4,578)
	<hr/> <hr/>	<hr/> <hr/>

* Gains are included in "Other income and gains" and the losses are included in "Other expenses", as appropriate, in the consolidated statement of profit or loss and other comprehensive income.

[#] As at the end of the years 2020 and 2019, the Group had no material forfeited contributions available to reduce its contributions to the retirement benefit schemes in future years.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Interest on bank loans	2,452	3,348
Interest on lease liabilities	38	47
	<u>2,490</u>	<u>3,395</u>

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

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 subsidiaries which operate in Mainland China are subject to Corporate Income Tax (“CIT”) at the rate of 25% on taxable income. Preferential tax treatment is available to the Group’s principal operating subsidiary, Great Water Guangzhou, since it was recognised as a High and New Technology Enterprise in Mainland China and a lower PRC CIT rate of 15% had been applied during the years ended 31 December 2020 and 2019.

Pursuant to the Vietnam Income Tax Law and the respective regulations, the subsidiary which operates in Vietnam is subject to CIT at a rate of 20% on taxable income.

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current — Elsewhere other than Hong Kong	(2,090)	(1,259)
Deferred	3,883	(3,720)
	<u>1,793</u>	<u>(4,979)</u>

8. DIVIDENDS

The board of directors does not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: Nil).

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

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent of loss of RMB106,646,000 (2019: RMB24,157,000), and the weighted average number of ordinary shares of 300,000,000 (2019: 300,000,000) in issue during the year, as adjusted to reflect the rights issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2020 and 2019.

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation:	<u>106,646</u>	<u>24,157</u>
	Number of shares	
	2020	2019
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	<u>300,000,000</u>	<u>300,000,000</u>

10. TRADE AND BILLS RECEIVABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade receivables	157,264	176,413
Impairment	<u>(61,650)</u>	<u>(17,885)</u>
	<u>95,614</u>	<u>158,528</u>

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. 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.

10. TRADE AND BILLS RECEIVABLES (continued)

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Within one month	11,357	34,539
One to three months	15,555	1,578
Three months to one year	2,244	7,734
One to two years	4,182	27,347
Two to three years	20,730	79,694
Over three years	41,546	7,636
	<u>95,614</u>	<u>158,528</u>

The movements in the loss allowance for impairment of trade receivables are as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
At beginning of year	17,885	3,047
Impairment loss	43,804	14,838
Exchange realignment	(39)	—
At end of year	<u>61,650</u>	<u>17,885</u>

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on the collectability rate for groupings of various customer segments with similar credit risk patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

10. TRADE AND BILLS RECEIVABLES (continued)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2020

	Category A	Category B	Category C	Category D	Total
Expected credit loss rate	9%	46%	20%	94%	39%
Gross carrying amount (RMB'000)	2,584	42,093	86,128	26,459	157,264
Expected credit losses (RMB'000)	232 [^]	19,445 ^{^*}	16,974 ^{^*}	24,999 [^]	61,650

As at 31 December 2019

	Category A	Category B	Category C	Category D	Total
Expected credit loss rate	0%	5%	7%	29%	10%
Gross carrying amount (RMB'000)	1,801	53,722	92,863	28,027	176,413
Expected credit losses (RMB'000)	–	2,872 [*]	6,895	8,118 [^]	17,885

[^] Specific trade receivables with gross carrying amount of RMB58,896,000 (2019: RMB23,296,000) were assessed individually which were considered in default due to indicators and the impairment of RMB56,694,000 (2019: RMB7,688,000) were made.

^{*} Specific trade receivables with gross carrying amount of RMB16,956,000 (2019: RMB34,313,000) were assessed individually as the Group considered the default risk were minimal and the outstanding contractual amounts were likely to be recovered in full.

Transfers of financial assets

At 31 December 2020, the Group presented or endorsed certain bills receivable accepted by banks in Mainland China (the “**Derecognised Bills**”) to certain suppliers and banks with an aggregate carrying amount of RMB1,979,000 (2019: RMB250,000). The Derecognised Bills are all matured at the end of the reporting period.

During the year ended 31 December 2020, the Group had not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the year and cumulatively.

11. TRADE PAYABLES

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

	2020 RMB'000	2019 RMB'000
Within one month	6,744	26,909
One to three months	4,771	11,495
Three months to one year	14,254	4,722
Over one year	99,856	103,933
	<u>125,625</u>	<u>147,059</u>

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

12. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2020			31 December 2019		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Lease liabilities	4.75	2021	54	4.75	2020	51
Bank loans — secured	5.00–5.39	2021	42,821	5.00–6.70	2020	42,636
			<u>42,875</u>			<u>42,687</u>
Non-Current						
Lease liabilities	4.75	2022	48			–
Bank loan — secured	6.70	2022	497	6.70	2022	3,317
			<u>545</u>			<u>3,317</u>
			<u>43,420</u>			<u>46,004</u>
				2020	2019	
				RMB'000	RMB'000	
Analysed into:						
Bank loans repayable:						
Within one year				42,821		42,636
Beyond one year				497		3,317
				<u>43,318</u>		<u>45,953</u>
Other borrowings repayable:						
Within one year				54		51
Beyond one year				48		–
				<u>102</u>		<u>51</u>
				<u>43,420</u>		<u>46,004</u>

12. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

Notes:

- (a) The Group's banking facilities amounting to RMB67,000,000 (2019: RMB87,000,000), of which RMB43,318,000 (2019: RMB45,953,000) had been utilised as at the end of the reporting period, are secured by:
- (i) mortgages over the Group's investment properties situated in Mainland China, which had an aggregate carrying value at the end of the reporting period of RMB24,500,000 (2019: RMB24,900,000);
 - (ii) mortgages over the Group's buildings, which had a net carrying value at the end of the reporting period of approximately RMB6,936,000 (2019: RMB7,101,000); and
 - (iii) mortgages over the Group's right-of-use assets, which had an aggregate carrying value at the end of the reporting period of RMB321,000 (2019: RMB399,000).
- (b) The bank loans are denominated in RMB.

13. COMMITMENTS

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

	2020 RMB'000	2019 <i>RMB'000</i>
Contracted, but not provided for:		
Purchases of items of equipment for projects	30,167	93,190
Capital contribution payable to joint venture companies	17,300	20,400
	47,467	113,590

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 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 waste water 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.

The Group has acquired a sludge treatment Service Concession Arrangement (“**Service Concession Arrangement**”) 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 and the trial operation have been completed and the project passed the official examination in June 2020. The Service Concession Arrangement segment lay a solid foundation for the Group's revenue for the next 5 to 10 years.

In 2020, the global economy has been hit by the sudden outbreak of the new coronavirus disease. As one of the countries severely affected in the early stage, China's economy has been significantly affected by the epidemic from 2020 onwards. Fortunately, since the Chinese government actively responded to the epidemic, the situation was contained and the economy has recovered to some extent in China, however the impact on the whole year was still significant. Under the influence of the epidemic, the operating environment of the Group has become severe.

Relying on the normal operation of projects, the Group maintained a certain level of cash flow income in 2020. Construction of new construction projects cannot commence as scheduled under the influence of epidemic prevention, and the costs of the projects close to completion increase due to the dual requirements of shorter construction period and tightened epidemic prevention measures. Despite the poor performance of Group's revenue and profitability, our scale of operations and number of staff remain stable.

For the year ended 31 December 2020, the revenue of the Group decreased by approximately RMB45,977,000, or approximately 37.8%, to approximately RMB75,624,000 as compared to the year of 2019. For the year ended 31 December 2020, the Group recognised approximately RMB5,742,000 in revenue from EPC Projects, approximately RMB3,194,000 from construction projects other than EPC Projects (“**Construction Projects**”), approximately RMB36,927,000 from Equipment Projects, and approximately RMB22,737,000 from Service Concession Arrangement for the year ended 31 December 2020, compared to approximately RMB20,283,000 from EPC Projects, approximately RMB6,625,000 from Construction Projects, approximately RMB74,108,000 from Equipment Projects and approximately RMB16,101,000 from Service Concession Arrangement for the year of 2019.

Loss attributable to ordinary equity holders for the year ended 31 December 2020 amounted to approximately RMB106,646,000, representing an increase of approximately RMB82,854,000 or approximately 348.2% as compared to loss attributable to ordinary equity holders of approximately RMB23,792,000 for the year of 2019.

The significant decrease in the Group's revenue and deterioration in loss attributable to ordinary equity holders was mainly attributable to (1) a slump in new demands for domestic water supply and water treatment facilities in the PRC due to the negative economic growth across the world as a result of the epidemic; (2) a delay in the commencement of projects since the end of the Spring Festival holidays in 2020 as a result of the epidemic; (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 epidemic policies; (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; and (5) the provision for impairment of certain account receivables, contract assets and prepayments in an aggregate amount of approximately RMB82,580,000 made by the Group on a prudent basis for projects with long ageing.

OUTLOOK

According to relevant data, China's GDP growth in 2020 will be "negative first and back to positive" until the third quarter, with an annual growth rate of approximately 2.3%. By reasonable extrapolation, the global impact of the epidemic will continue for some time and become as "new normal". Facing this new normal, the Group believes that to prevent direct or indirect operational risks caused by the epidemic, prudent customer selection, cost control, maintaining stable income, and paying attention to cash flow will be the Group's operational priorities in the next few years.

At the same time, with a more stable situation, the Group will actively promote the restart of projects that have delayed under the influence of the epidemic, such as the industrial solid waste treatment equipment project in the east of Guangzhou (廣州東部工業固廢處理設備項目) with a contract amount of approximately RMB47,880,000 and the water treatment engineering project of Pacific Textiles Vietnam (互太越南紡織水處理工程項目) with a contract amount of approximately USD9,000,000. The relevant pre-construction work has been resumed by late 2020, and it is believed that construction will be officially commence in 2021.

On the other hand, the Group also actively looks for new projects. In consideration of the direct and indirect impact of the epidemic, the Group will be more cautious in the selection of customers and projects. For long-term quality customers, the Group invests more resources in continuous follow-up. It is believed that based on many years of mutual trust, the Group has signed new project contracts with such long-term customers with a total amount of more than RMB10 million in 2020. For new customers, in view of the development of the epidemic in China, the Group believes that the state will increase investment in the construction of key cities and new developments of municipal projects. The Group will increase its presence in the Greater Bay Area and strive to participate in more municipal construction projects. At the beginning of 2021, the municipal project for wastewater treatment equipment in the Greater Bay Area that the Group had tendered amounted to more than RMB 100 million, with the letter of acceptance granted to us. This is our first time to work with this project customer. Therefore, the Group will devote more resources to existing industrial customers and future municipal customers in the selection of customers and projects.

Therefore, the directors and management of the Group are cautiously optimistic about the business prospects of the Group in 2021. Since project construction will gradually resume, it is believed that the Group's revenue and profitability will improve in 2021.

In conclusion, the Group considers that the new normal, in light of the global economic downturn and the variation of performance of epidemic prevention and economic recovery among countries, the Group's business strategy in the domestic market and Vietnam market will also be adjusted. The market needs more time to absorb the impact of the epidemic and the Group needs to be more prepared and patient in such period. Meanwhile, as the majority of the Group's business is located in China, by virtue of the Group's confidence in the Chinese government, we believe that a series of measures will be implemented to promote economic recovery in the future, and the Group's judgment on the market and related adjustments are also expected to improve our current operating conditions of in the future. The Group will respond to future challenges with a more stable and pragmatic attitude.

FINANCIAL REVIEW

Operating revenue

For the year ended 31 December 2020, the Group's operating revenue amounted to approximately RMB75,624,000, representing a decrease of approximately 37.8% or RMB45,977,000 as compared to the year ended 31 December 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 building a treatment plant from initiation to commissioning for a predetermined contract amount. As an engineering, procurement and construction contractor, the Group provides engineering design of the treatment facilities, procures necessary materials and appoints sub-contractors to build the facilities. The Group also engages in construction projects related to other environmental protection areas (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 year ended 31 December 2020, the revenue generated from EPC Projects relating to wastewater and drinking water treatment projects under construction and related business was approximately RMB5,742,000 (2019: approximately RMB20,283,000), representing a decrease of approximately 71.7% or RMB14,541,000 over the corresponding period in 2019. The decrease in revenue from EPC Projects for the year ended 31 December 2020 was primarily attributable to the recognition of revenue of approximately RMB2,612,000 in revenue from one large-scale EPC Project and of approximately RMB3,130,000 in revenue from two small-sized EPC Projects. In contrast, the revenue from EPC Projects for the year ended 31 December 2019 was derived from one large-scale EPC Project in the amount of approximately RMB20,283,000.

— *Revenue relating to Construction Projects*

For the year ended 31 December 2020, the revenue generated from Construction Projects was approximately RMB3,194,000 (2019: approximately RMB6,625,000), representing a decrease of approximately 51.8% or RMB3,431,000 over the corresponding period in 2019. The decrease in revenue from Construction Projects for the year ended 31 December 2020 was primarily attributable to the recognition of revenue of approximately RMB3,194,000 in revenue from three small-sized Construction Projects. In contrast, the revenue from Construction Projects for the corresponding period in 2019 was derived from seven small-sized Construction Projects in the amount of approximately RMB6,625,000.

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 procurement team comes into play.

For the year ended 31 December 2020, the revenue generated from Equipment Projects amounted to approximately RMB36,927,000 (2019: approximately RMB74,108,000), representing a decrease of approximately 50.2% or RMB37,181,000 as compared to the corresponding period in 2019. The decrease in revenue from Equipment Projects for the year ended 31 December 2020 was primarily attributable to the recognition of revenue of approximately RMB36,927,000 in revenue from two large-scale Equipment Projects. In contrast, the revenue from Equipment Projects for the corresponding period in 2019 was derived from one large-scale Equipments Projects in the amount of approximately RMB67,998,000 and another three small-sized Equipment Projects in the amount of approximately RMB6,110,000.

Service Concession Arrangement

For Service Concession Arrangement, the Group has acquired a sludge treatment Service Concession Arrangement 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 and the trial operation have been completed and the project passed the official examination in June 2020.

For the year ended 31 December 2020, the revenue generated from the Service Concession Arrangement segment was approximately RMB22,737,000 (2019: approximately RMB16,101,000), representing an increase of approximately 41.2% or RMB6,636,000 as compared to the corresponding period in 2019. The increase in revenue from Service Concession Arrangement for the year ended 31 December 2020 was primarily attributable to the recognition of revenue of approximately RMB9,214,000 in construction work, approximately RMB12,969,000 revenue from service income and approximately RMB554,000 revenue from interest income. In contrast, the revenue for the corresponding period in 2019 was derived from the recognition of revenue of approximately RMB8,937,000 in construction work and approximately RMB7,164,000 revenue from service income of the Service Concession Arrangement.

Others

The revenue under the other segment included revenue attributable to O&M Projects and technical advisory services. As at 31 December 2020, the Group had one sludge treatment O&M project, one wastewater treatment O&M Project and four drinking water treatment O&M Projects on hand.

For the year ended 31 December 2020, the revenue generated from rendering of maintenance services amounted to approximately RMB7,024,000 (2019: approximately RMB4,484,000), representing an increase of approximately 56.6% or RMB2,540,000 as compared to the corresponding period in 2019. The increase was primarily attributable to (i) two technical advisory projects during the year ended 31 December 2020 with revenue contribution of approximately RMB4,830,000 as compared to three technical advisory projects with revenue contribution of approximately RMB1,623,000 in the corresponding period in 2019; and (ii) O&M projects which contributed approximately RMB2,194,000 in revenue during the year ended 31 December 2020 as compared to approximately RMB2,861,000 in the corresponding period in 2019.

Other income and gains

For the year ended 31 December 2020, other income and gains amounted to approximately RMB2,456,000 (2019: approximately RMB8,662,000), representing a decrease of approximately 71.6% or approximately RMB6,206,000 as compared to the corresponding period in 2019. The decrease was primarily attributable to (i) an one-off revenue of approximately RMB4,578,000 recorded by the disposal of a subsidiary during the corresponding year of 2019 while no such revenue was recorded for the year ended 31 December 2020; (ii) decrease in government grants of approximately RMB926,000; and (iii) decrease in fair value gains on investment properties of approximately RMB900,000.

Cost of sales

For the year ended 31 December 2020, the cost of sales of the Group amounted to approximately RMB65,605,000 (2019: approximately RMB102,992,000), representing a decrease of approximately 36.3% or approximately RMB37,387,000 compared to the corresponding period in 2019.

The decrease in cost of sales was mainly due to the decreased operating revenue for the year ended 31 December 2020. The subcontracting costs decreased to approximately RMB10,390,000 for the year ended 31 December 2020 from approximately RMB23,358,000 for the corresponding period in 2019. The material costs decreased to approximately RMB41,292,000 for the year ended 31 December 2020 from approximately RMB66,411,000 for the corresponding period in 2019, representing a decrease of approximately 37.8% or approximately RMB25,119,000 over the corresponding period in 2019.

Gross profit

For the year ended 31 December 2020, the gross profit of the Group was approximately RMB10,019,000 (2019: approximately RMB18,609,000), representing a decrease of approximately 46.2% or approximately RMB8,590,000 as compared to the corresponding period in 2019. The decrease in gross profit of the Group was mainly due to the fact that the revenue for the year ended 31 December 2020 decreased by approximately 37.8% as compared to the corresponding period in 2019 and the overall lower gross profit margins to approximately 13.2% for the year ended 31 December 2020 as compared to approximately 15.3% the corresponding period in 2019.

Selling and distribution expenses

For the year ended 31 December 2020, the selling and distribution expenses of the Group amounted to approximately RMB2,191,000 (2019: approximately RMB3,020,000), representing a decrease of approximately 27.5% or approximately RMB829,000 compared to the corresponding period in 2019. The decrease in the selling and distribution expenses was mainly due to the decrease in salaries and employee benefit as a result of reducing manpower in the marketing department.

Administrative expenses

For the year ended 31 December 2020, the administrative expenses of the Group amounted to approximately RMB29,232,000 (2019: approximately RMB29,459,000), representing a decrease of approximately 0.8% or approximately RMB227,000 compared to the corresponding period in 2019.

Impairment losses on financial and contract assets

For the year ended 31 December 2020, the impairment losses on financial and contract assets amounted to approximately RMB82,580,000 (2019: approximately RM20,158,000) representing an increase of approximately 309.7% or approximately RMB62,422,000 compared to the corresponding period in 2019. The increase in the impairment losses on

financial and contract assets was mainly due to (i) the Group provided impairment for the year ended 31 December 2020 in relation to long-aged receivables and contract assets with no historical repayment during the last two years, which was considered the uncertainty of the settlement was high; (ii) significant provision was made in relation to long-aged prepayment which the related projects that had been terminated during the year. The Group is currently negotiating with the counterparties to apply the purchased equipments in other on-going projects of the Group or refund the prepayment; and (iii) to provide higher provision on a prudent basis after considering the impact of uncertainty in the economic environment in the coming future.

Loss for the year

The loss for the year ended 31 December 2020 amounted to approximately RMB106,646,000 (2019: loss of approximately RMB23,792,000), representing an increase of approximately 348.2% or approximately RMB82,854,000 as compared to the corresponding period in 2019. The increase for the year was mainly due to (i) significant decline in gross profit margin due to the global economic environment downturn; (ii) 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; and (iii) the provision for impairment of certain account receivables, contract assets and prepayments in an aggregate amount of approximately RMB82,580,000 made by the Group on a prudent basis for projects with long ageing.

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: Nil), in order to cope with the future business development of the Group. There is no arrangement under which a shareholder of the Company has waived or agreed to waive any dividend.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

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

As at 31 December 2020, the total equity attributable to the shareholders of the Company was approximately RMB91,901,000 (2019: approximately RMB198,932,000). The Group continued to maintain a healthy financial position with cash and cash equivalents amounted to approximately RMB46,611,000 (2019: approximately RMB24,863,000). The Group's net current assets was approximately RMB4,713,000 (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 business operations in the coming year. There was no hedging for any financial instruments.

During the year ended 31 December 2020, the Group's cash and cash equivalents were mainly denominated in RMB, Hong Kong dollars, VND and US dollars and placed in reputable financial institutions as deposits with maturity dates falling within one year. This is in line with the Group's treasury policy to maintain liquidity of its funds and will continue to contribute stable income to the Group.

As at 31 December 2020, the Group had general banking facilities amounted to approximately RMB67,000,000. The total borrowing drawn down from the banking facilities of the Company as at 31 December 2020 amounted to RMB43,318,000 (2019: RMB45,953,000). The banking facilities were pledged by the Group's land and buildings. For details of the pledged assets, please refer to the paragraph headed "Charges on the Group's Assets" below.

GEARING RATIO

As at 31 December 2020, the Group's gearing ratio (being the net debt of the Group divided by its total capital plus net debt) was 62% (2019: 50%). Net debt of the Group includes an interest-bearing bank borrowing, trade payables and other payables and accruals, less cash and cash equivalents. Capital represents equity attributable to owners of the Company.

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

There was no significant investment held by the Group for the year ended 31 December 2020.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group did not have any other material acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 December 2020.

COMMITMENTS

The contractual operating commitments of the Group were primarily related to the purchases of items of equipment for projects. As at 31 December 2020, the Group's contractual operating commitments amounted to approximately RMB30,167,000 (2019: approximately RMB93,190,000).

As at 31 December 2020, there was capital commitment amounting to approximately RMB17,300,000 for the Group (2019: RMB20,400,000).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group does not have future plans for material investments and capital assets as at the date of this announcement.

CONTINGENT LIABILITIES

As at 31 December 2020, the Group did not have material contingent liabilities.

CHARGES ON THE GROUP'S ASSETS

At 31 December 2020 and 2019, the Group's buildings, with net carrying amount of RMB6,936,000 for 2020 and RMB7,101,000 for 2019, were pledged to secure general banking facilities granted to the Group.

At 31 December 2020 and 2019, the Group's investment properties, with carrying amount of RMB24,500,000 for 2020 and RMB24,900,000 for 2019, were pledged to secure general banking facilities granted to the Group.

At 31 December 2020 and 2019, the Group's leasehold land, with carrying amount of RMB321,000 for 2020 and RMB399,000 for 2019, were pledged to secure general banking facilities granted to the Group.

FOREIGN EXCHANGE EXPOSURE

The Group's main operations are in the PRC with most of its transactions settled in RMB. The Directors are of the opinion that the Group's exposure to foreign exchange risk is insignificant. During the year ended 31 December 2020, the Group did not hedge any exposure to foreign exchange risk.

ADVANCES TO AN ENTITY

As at 31 December 2020, the Group did not provide any advances to any entity outside the Group.

PLEDGING OF SHARES BY THE CONTROLLING SHAREHOLDERS

As at 31 December 2020, there was no pledging of Shares by the controlling shareholders of the Company (the "**Controlling Shareholders**").

LOAN AGREEMENTS OF THE GROUP

As at 31 December 2020, the Group did not enter into any loan agreement with covenants relating to specific performance of the Controlling Shareholders.

During the year ended 31 December 2020, the Group did not breach any terms of agreement in respect of any loan that is significant to the Group's operations.

FINANCIAL ASSISTANCE AND GUARANTEES TO AFFILIATED COMPANIES

As at 31 December 2020, the Group did not provide any financial assistance and guarantees to affiliated companies of the Group.

SHARE OPTION SCHEME

As at 31 December 2020, the Group did not adopt any share option scheme.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2020, the Group had 84 employees (2019: 89 employees). Employee costs amounted to approximately RMB18.5 million for the year ended 31 December 2020 (2019: approximately RMB21.4 million). The Group will endeavor to ensure that the employees' salary levels are in line with industry practice and prevailing market conditions and that employees' remuneration is determined based on their performance.

TRAINING AND SUPPORT FOR DIRECTORS AND EMPLOYEES

The Company recognises the importance of keeping the Directors up to date with latest information of duties and obligations of a director of a company the shares of which are listed on the Stock Exchange and the general regulatory requirements and environment for such listed company. To meet this goal, each newly appointed Director would receive an introductory training regarding the statutory and regulatory obligations of a director of a listed company in Hong Kong. As part of the continuous professional development program, the Company has also kept the Directors updated of any material changes in the GEM Listing Rules and corporate governance practices from time to time. Directors are provided with reading materials summarising the duties and responsibilities in acting as directors from time to time to keep the Directors abreast of such duties and responsibilities.

Periodical training will be provided to the employees of the Group in order to maintain and enhance their professional and technical skills. Those trainings will be organised internally by the Group or will involve course and forums organised by external parties.

ANNUAL GENERAL MEETING

The annual general meeting of the Company for the year ended 31 December 2020 (the "AGM") will be held on Monday, 10 May 2021. A notice convening the AGM will be issued and sent to the shareholders of the Company in due course.

The register of members of the Company will not be closed for the purpose of ascertaining the right of Shareholders of the Company to attend and vote at the forthcoming AGM to be held on Monday, 10 May 2021. However, in order to qualify for attending and voting at the forthcoming AGM, all transfers documents accompanied by the relevant share certificates must be deposited with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 4 May 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

EVENTS AFTER 31 DECEMBER 2020

On 26 January 2021, Guangzhou Great Water Environmental Protection Company Limited (“**Guangzhou Great Water**”), an indirect wholly-owned subsidiary of the Company, disposed of 10% equity interest (the “**Disposal**”) in Guangzhou Environmental Technology Company Limited (“**Guangzhou Environmental Technology**”) to Guangzhou Environment Investment Group Limited (the “**Second Investor**”). As at the date of this announcement, the capital contributions have yet to be made. The disposal was at nil consideration. Upon completion of the disposal, the outstanding capital contribution of Great Water Guangzhou will be reduced to RMB1,900,000. As all of the relevant applicable percentage ratios in respect of the Disposal are less than 5%, the Disposal does not constitute a notifiable transaction for the Company under Chapter 19 of the GEM Listing Rules.

On the same date, Guangzhou Environmental Technology entered into a term loan agreement with Shanghai Pudong Development Bank Co., Ltd., Guangzhou Branch (the “**Lender**”). In connection with the term loan, each of the shareholders of Guangzhou Environmental Technology agreed to guarantee the repayment obligations of Guangzhou Environmental Technology in the amount pro-rated to their respective shareholdings. The pro-rated guaranteed amount for Guangzhou Great Water is RMB13,585,000.

As one of the percentage ratios set out in Rule 19.06 of the GEM Listing Rules in respect of the amount guaranteed by Guangzhou Great Water under the term loan is more than 5% but is less than 25%, the financial assistance provided by Guangzhou Great Water constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

Further details are set out in the announcement of the Company dated 26 January 2021.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining a good corporate governance standard, with the chairman being primarily responsible for establishing relevant practices and procedures. The Board believes that a good corporate governance standard will provide a framework for the Group to formulate its business strategies and policies, and manage the associated risks through effective internal control procedures. It will also enhance the transparency of the Group and strengthen accountability to shareholders and creditors. The Board acknowledges the responsibility for reviewing the effectiveness of the Group’s internal control and risk management systems. The Board communicates regularly with the Audit Committee and independent advisor to identify, evaluate and manage significant risks associated with the Group’s business and operations. Therefore the Board has reviewed and will continue to review and improve the Company’s corporate governance practices from time to time.

The Company adopted the Corporate Governance Code (the “**CG Code**”) contained in Appendix 15 to the GEM Listing Rules as its own code of corporate governance. Save for code provision A.2.1 of the CG Code, that the roles of the chairman and chief executive of the Company should be separate and should not be performed by the same individual, the Board is satisfied that the Company had complied with the CG Code for the year ended 31 December 2020. Mr. Xie Yang (“**Mr. Xie**”) is chairman and the chief executive officer of the Company. With extensive experience in the wastewater and water treatment engineering services industry, Mr. Xie is responsible for the Group’s overall strategic planning and management of its business. The Board considers that vesting the roles of chairman and chief executive officer in Mr. Xie is beneficial to the business prospects and management of the Group and the balance of power and authority is ensured by the operation of the senior management and the Board, which comprises experienced individuals. The Board comprised of two executive Directors (including Mr. Xie), one non-executive Director and three independent non-executive Directors during the year ended 31 December 2020 and therefore has sufficient independent elements in its composition.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors, its employees, and the directors and employees of its subsidiaries and holding companies, who may likely possess inside information on the Company or its securities, on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiry of all the Directors and the Company was not aware of any non-compliance with the required standard of dealings regarding securities transactions by the Directors for the year ended 31 December 2020.

REVIEW OF FINANCIAL STATEMENT

During the year ended 31 December 2020, the audit committee of the Company (the “**Audit Committee**”) comprised three independent non-executive Directors, namely, Mr. Tse Chi Wai, Ms. Bai Shuang and Mr. Ha Cheng Yong. Mr. Tse Chi Wai is the chairman of the Audit Committee.

The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2020 and this announcement and is of the view that such results and the annual report complied with the applicable accounting standards, the GEM Listing Rules and other applicable legal requirements, and that adequate disclosure has been made. The Audit Committee has also reviewed the effectiveness of the internal control and risk management systems of the Group.

FINANCIAL INFORMATION

The financial information set out in this announcement does not constitute the Group's audited consolidated financial statements for the year ended 31 December 2020, but represents an extract from those financial statements. The financial information has been reviewed by the Audit Committee, approved by the Board and agreed by the Group's external auditors, Ernst & Young, as to the amounts set out in the Group's consolidated financial statements. The work performed by the Group's auditors in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the Group's auditors on this announcement.

By order of the Board
Great Water Holdings Limited
XIE Yang
Chairman

Guangzhou, PRC, 25 March 2021

As at the date of this announcement, 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.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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 announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and be posted on the website of the Company at www.greatwater.com.cn.