



**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 2021**

**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 2021 together with the comparative audited figures for the corresponding period for the year ended 31 December 2020 as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 December 2021*

	<i>Notes</i>	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>REVENUE</b>	4	<b>118,377</b>	75,624
Cost of sales		<u>(102,948)</u>	<u>(65,605)</u>
<b>Gross profit</b>		<b>15,429</b>	10,019
Other income and gains	5	<b>3,465</b>	2,456
Selling and distribution expenses		<b>(1,397)</b>	(2,191)
Administrative expenses		<b>(26,733)</b>	(29,232)
Impairment losses on financial and contract assets	6	<b>(3,481)</b>	(82,580)
Other expenses		<b>(1,697)</b>	(835)
Finance costs	7	<u><b>(2,591)</b></u>	<u>(2,490)</u>
<b>LOSS BEFORE TAXATION</b>		<b>(17,005)</b>	(104,853)
Income tax expense	8	<u><b>(37)</b></u>	<u>(1,793)</u>
<b>LOSS FOR THE YEAR</b>	6	<u><b>(17,042)</b></u>	<u>(106,646)</u>
<b>Other comprehensive loss for the year, net of tax:</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Exchange difference arising on translation of foreign operations		<u><b>(36)</b></u>	<u>(385)</u>
<b>OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX</b>		<u><b>(36)</b></u>	<u>(385)</u>
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>		<u><u><b>(17,078)</b></u></u>	<u><u>(107,031)</u></u>

	<i>Notes</i>	<b>2021</b> <b>RMB'000</b>	2020 <i>RMB'000</i>
<b>LOSS FOR THE YEAR ATTRIBUTABLE TO:</b>			
Owners of the Company		<b>(17,042)</b>	(106,646)
Non-controlling interests		<u>—</u>	<u>—</u>
		<b><u>(17,042)</u></b>	<b><u>(106,646)</u></b>
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO:</b>			
Owners of the Company		<b>(17,078)</b>	(107,031)
Non-controlling interests		<u>—</u>	<u>—</u>
		<b><u>(17,078)</u></b>	<b><u>(107,031)</u></b>
<b>LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>			
Basic and diluted (RMB)	<i>10</i>	<b><u>(0.06)</u></b>	<b><u>(0.36)</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2021*

	<i>Notes</i>	<b>2021</b>	2020
		<b>RMB'000</b>	<b>RMB'000</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>9,673</b>	13,065
Investment properties		<b>25,400</b>	24,500
Right-of-use assets		<b>500</b>	414
Other intangible assets		<b>1,027</b>	1,741
Prepayments, other receivables and other assets		<b>6</b>	–
Receivables under a service concession arrangement		<b>46,479</b>	51,190
Equity investments designated at fair value through other comprehensive income		<b>3,400</b>	1,500
		<b>86,485</b>	92,410
<b>CURRENT ASSETS</b>			
Inventories		<b>4,357</b>	11,328
Receivables under a service concession arrangement		<b>6,959</b>	6,629
Trade and bills receivables	<i>11</i>	<b>111,818</b>	95,614
Contract assets		<b>53,084</b>	50,611
Prepayments, other receivables and other assets		<b>26,700</b>	11,332
Pledged deposits		<b>9,140</b>	4,904
Cash and cash equivalents		<b>46,009</b>	46,611
		<b>258,067</b>	227,029
<b>CURRENT LIABILITIES</b>			
Trade payables	<i>12</i>	<b>127,652</b>	125,625
Other payables and accruals		<b>97,085</b>	52,610
Interest-bearing bank and other borrowings	<i>13</i>	<b>38,582</b>	42,875
Tax payable		<b>1,451</b>	1,206
		<b>264,770</b>	222,316
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		<b>(6,703)</b>	4,713
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>79,782</b>	97,123

	<i>Notes</i>	<b>2021</b> <b>RMB'000</b>	2020 <i>RMB'000</i>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	13	175	545
Deferred tax liabilities		<u>4,784</u>	<u>4,683</u>
		<u>4,959</u>	<u>5,228</u>
<b>NET ASSETS</b>		<u><u>74,823</u></u>	<u><u>91,895</u></u>
<b>CAPITAL AND RESERVES</b>			
Share capital		2,397	2,397
Reserves		<u>72,426</u>	<u>89,504</u>
<b>Equity attributable to owners of the Company</b>		<b>74,823</b>	91,901
Non-controlling interests		<u>–</u>	<u>(6)</u>
<b>TOTAL EQUITY</b>		<u><u>74,823</u></u>	<u><u>91,895</u></u>

## NOTES

### 1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”) (which comprise all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKAS**”), and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of 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 2021, the Company and its subsidiaries (collectively referred to as the “**Group**”) recorded a consolidated net loss of RMB17,042,000 (2020: RMB106,646,000). As at 31 December 2021, the Group had net current liabilities of RMB6,703,000 (2020: net current assets of RMB4,713,000).

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 that it is appropriate to prepare the consolidated financial statements of the Group for the year ended 31 December 2021 on a going concern basis.

### 2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2021. HKFRSs comprise Hong Kong Financial Reporting Standards, HKAS, and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s consolidated financial statements and amounts reported for the current year and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The application of these new HKFRSs will not have material impact on the consolidated financial statements of the Group.

## 2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

### New/Revised HKFRSs

HKFRS 16	Amendments in relation to Covid-19-Related Rent Concessions <sup>#</sup>
HKFRS 3	Amendments in relation to Reference to the Conceptual Framework <sup>^</sup>
HKAS 16	Amendments in relation to Proceeds before Intended Use <sup>^</sup>
HKAS 37	Amendments in relation to Onerous Contracts — Cost of Fulfilling a Contract <sup>^</sup>
HKFRS 17	Insurance Contracts <sup>+</sup>
HKAS 1	Amendments in relation to Classification of Liabilities as Current or Non-current <sup>+</sup>
HKAS 1	Amendments in relation to Disclosure of Accounting Policies <sup>+</sup>
HKAS 8	Amendments in relation to Definition of Accounting Estimates <sup>+</sup>
HKAS 12	Amendments in relation to Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>+</sup>
HK-int 5	Amendments in relation to Amendments to HKAS 1 <sup>+</sup>
HKFRS 10 and HKAS 28	Amendments in relation to Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>@</sup>

### Annual Improvements to HKFRSs 2018-2020 Cycle

HKFRS 1	Subsidiary as a first-time adopter <sup>^</sup>
HKFRS 9	Fees in the '10 per cent' test for derecognition of financial liabilities <sup>^</sup>
HKFRS 16	Lease incentives <sup>^</sup>
HKAS 41	Taxation in fair value measurements <sup>^</sup>

<sup>#</sup> Effective for accounting period beginning on or after 1 April 2021

<sup>^</sup> Effective for accounting period beginning on or after 1 January 2022

<sup>+</sup> Effective for accounting period beginning on or after 1 January 2023

<sup>@</sup> No mandatory effective date yet determined but available for adoption

### 3. 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:

- (1) the engineering, procurement and construction project (“**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;
- (2) the construction projects (“**Construction Projects**”) segment represents construction projects other than EPC Projects;
- (3) 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;
- (4) 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
- (5) the “others” segment comprises, principally, the Group’s operation and maintenance services in which as 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 changes from the Group’s investment properties as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude cash and cash equivalents, property, plant and equipment, investment properties, right-of-use assets, equity investments and other unallocated head office and corporate assets as these assets are managed on a group basis.

### 3. SEGMENT INFORMATION (continued)

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.

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.

Information about reportable segment profit or loss, assets and liabilities:

	EPC projects RMB'000	Construction projects RMB'000	Equipment projects RMB'000	Service concession arrangement RMB'000	Others RMB'000	Total RMB'000
<b>Year ended 31 December 2021</b>						
Revenue from external customers	19,800	286	72,792	19,244	6,255	118,377
Segment profit	10,021	28	660	2,160	2,560	15,429
Depreciation	-	-	-	-	2,957	2,957
Additions to segment non-current assets	-	-	-	-	301	301
<b>As at 31 December 2021</b>						
Segment assets	43,115	15,816	123,795	65,076	4,073	251,875
Segment liabilities	48,365	25,302	94,594	24,901	502	193,664
<b>Year ended 31 December 2020</b>						
Revenue from external customers	5,742	3,194	36,927	22,737	7,024	75,624
Segment (loss)/profit	(221)	44	6,316	2,088	1,792	10,019
Depreciation	-	-	-	-	3,516	3,516
Additions to segment non-current assets	-	-	-	-	197	197
<b>As at 31 December 2020</b>						
Segment assets	31,884	20,100	92,319	76,124	8,466	228,893
Segment liabilities	43,150	21,101	68,560	18,582	172	151,565

### 3. SEGMENT INFORMATION (continued)

Reconciliations of reportable segment revenue, profit or loss, assets and liabilities:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>Revenue</b>		
Total revenue of reportable segments	<u>118,377</u>	<u>75,624</u>
Consolidated revenue	<u><u>118,377</u></u>	<u><u>75,624</u></u>
<b>Profit or loss</b>		
Total profit or loss of reportable segments	15,429	10,019
Interest income	223	99
Unallocated gains	3,242	2,357
Impairment loss	(3,481)	(82,580)
Corporate and other unallocated expenses	(29,870)	(32,296)
Finance costs (other than interest on lease liabilities)	<u>(2,548)</u>	<u>(2,452)</u>
Consolidated loss before tax	<u><u>(17,005)</u></u>	<u><u>(104,853)</u></u>
<b>Assets</b>		
Total assets of reportable segments	251,875	228,893
Corporate and other unallocated assets	<u>92,677</u>	<u>90,546</u>
Total assets	<u><u>344,552</u></u>	<u><u>319,439</u></u>
<b>Liabilities</b>		
Total liabilities of reportable segments	193,664	151,565
Corporate and other unallocated liabilities	<u>76,065</u>	<u>75,979</u>
Total liabilities	<u><u>269,729</u></u>	<u><u>227,544</u></u>

### 3. SEGMENT INFORMATION (continued)

Geographical information:

	Revenue		Non-current assets	
	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Mainland China	118,337	75,254	36,426	39,627
Vietnam	40	370	180	93
	<u>118,377</u>	<u>75,624</u>	<u>36,606</u>	<u>39,720</u>

In presenting the geographical information, revenue is based on the locations of the customers.

Revenue from major customers:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>EPC projects</b>		
Customer A	13,265	N/A*
<b>Equipment projects</b>		
Customer B	N/A*	16,442
Customer C	N/A*	16,105
Customer D	38,301	N/A*
<b>Service concession arrangement</b>		
Customer E	<u>19,244</u>	<u>22,737</u>

\* The corresponding revenue did not contribute over 10% of the total revenue of the Group.

### 4. REVENUE

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Sale of equipment	61,952	33,460
Construction services	8,059	15,958
Other services	<u>48,366</u>	<u>26,206</u>
Total revenue from contracts with customers	<u>118,377</u>	<u>75,624</u>

#### 4. REVENUE (continued)

Disaggregation of revenue from contracts with customers:

Segments	2021					Total RMB'000
	EPC projects RMB'000	Construction projects RMB'000	Equipment projects RMB'000	Service concession arrangement RMB'000	Others RMB'000	
<i>Geographical markets</i>						
Mainland China	19,800	246	72,792	19,244	6,255	118,337
Vietnam	-	40	-	-	-	40
Total	<u>19,800</u>	<u>286</u>	<u>72,792</u>	<u>19,244</u>	<u>6,255</u>	<u>118,377</u>
<i>Major products/service</i>						
Sale of equipment	-	-	61,952	-	-	61,952
Construction services	6,535	286	-	1,238	-	8,059
Other services	13,265	-	10,840	18,006*	6,255	48,366
Total	<u>19,800</u>	<u>286</u>	<u>72,792</u>	<u>19,244</u>	<u>6,255</u>	<u>118,377</u>
<i>Timing of revenue recognition</i>						
At a point in time	-	-	61,952	-	-	61,952
Over time	19,800	286	10,840	19,244	6,255	56,425
Total	<u>19,800</u>	<u>286</u>	<u>72,792</u>	<u>19,244</u>	<u>6,255</u>	<u>118,377</u>
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
<i>Geographical markets</i>						
Mainland China	5,742	2,824	36,927	22,737	7,024	75,254
Vietnam	-	370	-	-	-	370
Total	<u>5,742</u>	<u>3,194</u>	<u>36,927</u>	<u>22,737</u>	<u>7,024</u>	<u>75,624</u>
<i>Major products/service</i>						
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
Total	<u>5,742</u>	<u>3,194</u>	<u>36,927</u>	<u>22,737</u>	<u>7,024</u>	<u>75,624</u>
<i>Timing of revenue recognition</i>						
At a point in time	-	-	33,460	-	-	33,460
Over time	5,742	3,194	3,467	22,737	7,024	42,164
Total	<u>5,742</u>	<u>3,194</u>	<u>36,927</u>	<u>22,737</u>	<u>7,024</u>	<u>75,624</u>

\* Included in the revenue from other services is an amount of approximately RMB1,037,000 (2020: RMB554,000) of finance income from service concession arrangement for the year ended 31 December 2021.

#### **4. REVENUE (continued)**

##### **Sale of equipment**

Revenue from the sale of equipment is recognised at the point in time when the control of asset is transferred to the customer, generally on delivery of the 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**

Revenue from the provision of construction services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the 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 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**

Revenue from the provision of other services is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

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.

## 5. OTHER INCOME AND GAINS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Other income comprise:		
Bank interest income	223	99
Rental income from investment property operating leases:		
Other lease payments, including fixed payments	1,788	1,784
Government grants*	450	487
Others	13	14
	<u>2,474</u>	<u>2,384</u>
Gains comprise:		
Fair value gain on investment properties	900	–
Gain on disposal of items of property, plant and equipment	–	72
Gain on deregistration of a subsidiary	76	–
Gain on early termination of lease	15	–
	<u>991</u>	<u>72</u>
	<u><u>3,465</u></u>	<u><u>2,456</u></u>

\* Government grants for the year ended 31 December 2021 and 2020 were received from the government for the subsidies of high-tech enterprises.

## 6. LOSS FOR THE YEAR

The Group's loss for the year is arrived at after charging/(crediting):

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Auditors' remuneration	950	1,365
Cost of inventories sold	72,132	30,611
Cost of construction contracting	27,120	29,762
Cost of services provided	<u>3,696</u>	<u>5,232</u>
	<u>102,948</u>	<u>65,605</u>
Depreciation of property, plant and equipment	2,104	2,663
Depreciation of right-of-use assets	138	138
Amortisation of other intangible assets	715	715
Direct operating expenses (including repairs and maintenance arising from rental-earning investment properties)	86	336
Loss/(gain) on disposal of property, plant and equipment	1,411	(72)
Loss on written-off of property, plant and equipment	8	–
Fair value (gain)/loss on investment properties	(900)	400
Foreign exchange differences, net	224	430
Impairment losses of financial and contract assets:		
Impairment of trade receivables	872	43,804
Impairment of contract assets	1,563	15,176
Impairment of prepayments, other receivables and other assets	<u>1,046</u>	<u>23,600</u>
	<u>3,481</u>	<u>82,580</u>
Staff costs including directors' remuneration:		
Wages and salaries	16,296	15,622
Pension scheme contributions*	1,451	135
Other welfare expenses	<u>2,989</u>	<u>1,972</u>
	<u>20,736</u>	<u>17,729</u>

\* As at the end of the years 2021 and 2020, the Group had no material forfeited contributions available to reduce its contributions to the retirement benefit schemes in future years.

## 7. FINANCE COSTS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Interest on bank and other borrowings	2,548	2,452
Interest on lease liabilities	43	38
	<u>2,591</u>	<u>2,490</u>

## 8. INCOME TAX EXPENSE

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current tax — PRC		
Over-provision in prior years	(64)	(2,090)
Deferred taxation	101	3,883
	<u>37</u>	<u>1,793</u>

Hong Kong Profits Tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong for the year, except for one group entity operating in Hong Kong, which is a qualifying corporate under the two-tiered Profits Tax rate regime. For the qualifying group entity, the first HK\$2 million of assessable profits are taxed at the rate of 8.25% (2020: 8.25%), and the remaining assessable profits are taxed at the rate of 16.5% (2020: 16.5%).

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 2021 and 2020.

Pursuant to 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.

## 9. DIVIDENDS

The Directors do not recommend the payment of any dividend for each of the years ended 31 December 2021 and 2020.

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

The calculation of the basic loss per share amount is based on the loss for the year attributable to owners of the Company of loss of RMB17,042,000 (2020: RMB106,646,000), and the weighted average number of ordinary shares of 300,000,000 (2020: 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 2021 and 2020.

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

	<b>2021</b>	2020
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
<b>Loss</b>		
Loss attributable to owners of the Company for the purpose of basic and diluted loss per share	<u><b>(17,042)</b></u>	<u>(106,646)</u>
	<b>Number of shares</b>	
	<b>2021</b>	2020
<b>No. of shares</b>		
Weighted average number of shares for the purpose of basic and diluted loss per share	<u><b>300,000,000</b></u>	<u>300,000,000</u>

## 11. TRADE AND BILLS RECEIVABLES

	<b>2021</b>	2020
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Trade receivables	<b>174,328</b>	157,264
Provision for loss allowance	<u><b>(62,510)</b></u>	<u>(61,650)</u>
	<u><b>111,818</b></u>	<u>95,614</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.

## 11. TRADE AND BILLS RECEIVABLES (continued)

The aging analysis of trade and bills receivables, based on the invoice dates, and net of allowance, is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
0–30 days	15,031	11,357
31–90 days	28,081	15,555
91–365 days	18,314	2,244
1–2 years	4,734	4,182
2–3 years	46	20,730
Over 3 years	45,612	41,546
	<u>111,818</u>	<u>95,614</u>

Reconciliation of the loss allowance for trade receivables:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
At 1 January	61,650	17,885
Impairment loss	872	43,804
Amounts written-off	(30)	–
Exchange realignment	18	(39)
	<u>62,510</u>	<u>61,650</u>
At 31 December		

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.

## 11. TRADE AND BILLS RECEIVABLES (continued)

	Category A	Category B	Category C	Category D	Total
<b>At 31 December 2021</b>					
Weighted average expected loss rate	1%	27%	22%	99%	
Receivable amount (RMB'000)	1,690	73,658	72,532	26,448	174,328
Loss allowance (RMB'000)	(23) <sup>^</sup>	(19,889) <sup>^*</sup>	(16,311) <sup>^*</sup>	(26,287) <sup>^</sup>	(62,510)
<b>At 31 December 2020</b>					
Weighted average expected loss rate	9%	46%	20%	94%	
Receivable amount (RMB'000)	2,584	42,093	86,128	26,459	157,264
Loss allowance (RMB'000)	(232) <sup>^</sup>	(19,445) <sup>^*</sup>	(16,974) <sup>^*</sup>	(24,999) <sup>^</sup>	(61,650)

<sup>^</sup> Specific trade receivables with gross carrying amount of RMB59,732,000 (2020: RMB58,896,000) were assessed individually which were considered in default due to indicators and the impairment of RMB58,156,000 (2020: RMB56,694,000) were made.

<sup>^\*</sup> Specific trade receivables with gross carrying amount of RMB53,118,000 (2020: RMB16,956,000) 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. The Derecognised Bills are all matured at the end of the reporting period.

During the year ended 31 December 2020, the Group has 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.

## 12. TRADE PAYABLES

The aging analysis of trade payables, based on the date of receipt of goods, is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
0 to 30 days	12,772	6,744
31 to 90 days	14,213	4,771
91 days to 365 days	11,197	14,254
Over 1 year	89,470	99,856
	<u>127,652</u>	<u>125,625</u>

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

### 13. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Bank loans — secured	38,497	43,318
Other borrowings		
— Lease liabilities ( <i>Note (c)</i> )	<u>260</u>	<u>102</u>
	<u><u>38,757</u></u>	<u><u>43,420</u></u>

The borrowings are repayable as follows:

	2021			2020		
	Bank loans <i>RMB'000</i>	Other borrowings <i>RMB'000</i>	Total <i>RMB'000</i>	Bank loans <i>RMB'000</i>	Other borrowings <i>RMB'000</i>	Total <i>RMB'000</i>
On demand or within one year	38,497	85	38,582	42,821	54	42,875
Beyond one year	<u>-</u>	<u>175</u>	<u>175</u>	<u>497</u>	<u>48</u>	<u>545</u>
	38,497	260	38,757	43,318	102	43,420
Less: Amount due for settlement within 12 months (shown under current liabilities)	<u>(38,497)</u>	<u>(85)</u>	<u>(38,582)</u>	<u>(42,821)</u>	<u>(54)</u>	<u>(42,875)</u>
Amount due for settlement after 12 months	<u><u>-</u></u>	<u><u>175</u></u>	<u><u>175</u></u>	<u><u>497</u></u>	<u><u>48</u></u>	<u><u>545</u></u>

The effective interest rates at 31 December were as follows:

	2021		2020	
	Non-current	Current	Non-current	Current
Bank loans	N/A	5%–6.7%	6.7%	5%-5.39%
Other Borrowings	<u>4.75%</u>	<u>4.75%</u>	<u>4.75%</u>	<u>4.75%</u>

*Notes:*

- (a) The Group's facilities amounting to RMB75,000,000 (2020: RMB67,000,000), of which RMB38,497,000 (2020: RMB43,318,000) had been utilised as at the end of the reporting period, are secured by:
- (i) mortgages over the Groups investment properties situated in Mainland China, which had an aggregate carrying value at the end of the reporting period of RMB25,400,000 (2020: RMB24,500,000);
  - (ii) mortgage over the Group's buildings, which had a net carrying value at the end of the reporting period of approximately RMB6,771,000 (2020: RMB6,936,000); and
  - (iii) mortgages over the Groups right-of-use assets, which had an aggregate carrying value at the end of the reporting period of RMB244,000 (2020: RMB321,000).

### 13. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

(b) The bank loans are denominated in RMB.

(c)

	Lease payments		Present value of lease payments	
	2021	2020	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	95	105	85	54
Beyond one year	182	61	175	48
	<u>277</u>	<u>166</u>		
Less: Future finance charges	<u>(17)</u>	<u>(64)</u>		
Present value of lease liabilities	<u>260</u>	<u>102</u>	260	102
Less: Amount due for settlement within 12 months (shown under current liabilities)			<u>(85)</u>	<u>(54)</u>
Amount due for settlement after 12 months			<u>175</u>	<u>48</u>

### 14. COMMITMENTS

As at 31 December 2021, the Group contracted commitments of approximately RMB158,149,000 (2020: RMB30,167,000) on EPC and construction projects. It mainly represents the procurement of plant and machinery and construction materials.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The Group is a provider of wastewater and drinking water treatment engineering services in the People's Republic of China (the “**PRC**” or “**China**”). The main business of the Group is the provision of engineering services for wastewater and drinking water treatment facilities. The Group acts either as the contractor, who is responsible for the whole project from launch to final operational management (the “**EPC Projects**”), or as the equipment contractor, who is responsible for providing technical advice and equipment procurement services for the project (the “**Equipment Projects**”). Since mid-2020, the Group started operating a sludge treatment service concession arrangement (the “**Service Concession Arrangement**”) in a wastewater treatment plant located in Guangzhou. The Group is also engaged in other environmental protection projects, the provision of operating and maintenance services (the “**O&M Projects**”) for customers in connection with the management of wastewater treatment and drinking water treatment facilities, as well as consultation services in relation to the improvement of wastewater and drinking water treatment facilities of various constructions.

In 2021, the global economy was still suffering from the severe impact of the COVID-19 pandemic. Countries around the world were trying to contain the pandemic and resume normal economic development. The Chinese government also actively invested resources to cope with the epidemic and achieved good results. As a result, China's economy recovered to a certain extent in 2021. However, in the past two years, the epidemic and the epidemic prevention and control work have had a considerable impact and burden to the domestic economy. At present, the occasional epidemic in China has also continuously disrupted the pace of economic recovery. At the same time, under the economic globalization, even though the epidemic prevention and control situation are diverse in countries worldwide, but the impact is still far-reaching for the economy as a whole, and more time is needed to recover. The Group, which has a foothold in the home country, and also participates in foreign construction projects, its operating environment remains extremely challenging.

Relying on the normal operation of projects, the Group maintained a certain level of cash flow income in 2021. Construction of new construction projects cannot commence as scheduled or continuously under the influence of epidemic prevention, and the costs of the projects also increased due to the impact of the epidemic on the construction period, global price inflation and other factors. Despite the unsatisfactory performance of the Group's revenue and profitability, benefited from the Group's operational consideration in response to the pandemic since 2020, the Group's operation scale and number of staff remained stable and improved to a certain extent as compared to 2020.

For the year ended 31 December 2021, the revenue of the Group increased by approximately RMB42,753,000, or approximately 56.5%, to approximately RMB118,377,000 as compared to approximately RMB75,624,000 for the year of 2020. For the year ended 31 December 2021, the Group recognized approximately RMB19,800,000 in revenue from engineering, procurement and construction projects (the “**EPC Projects**”), approximately RMB286,000 from construction projects other than the EPC Projects (the “**Construction Projects**”), approximately RMB72,792,000 from equipment projects (the “**Equipment Projects**”), approximately RMB19,244,000 from the development, construction and operating agreement of a sewage treatment project (the “**Service Concession Arrangement**”) and approximately RMB6,255,000 from other environmental protection projects. Compared to approximately RMB5,742,000 in revenue from EPC Projects, approximately RMB3,194,000 from Construction Projects, approximately RMB36,927,000 from Equipment Projects, approximately RMB22,737,000 from Service Concession Arrangement and approximately RMB7,024,000 from other environmental protection projects were recognized for the year ended 31 December 2020.

Loss attributable to the owners of the Company for the year ended 31 December 2021 amounted to approximately RMB17,042,000, representing a decrease of approximately RMB89,604,000, or approximately 84.0% as compared to loss attributable to the owners of the Company of approximately RMB106,646,000 for the year ended 31 December 2020.

The increase in the Group’s revenue was mainly due to the construction progress of the Group’s projects, which previously experienced severe lagging due to the pandemic, has gradually returned to normal since the fourth quarter of 2020. And the decrease in net loss attributable to ordinary equity holders was mainly due to the decrease in the Group’s provision for impairment of certain aged accounts receivables, contract assets and prepayments of approximately RMB3.5 million in 2021, as compared to approximately RMB82.6 million in 2020.

## **OUTLOOK**

In 2021, the economy began to improve as the pandemic was effectively controlled in China. According to public information, China’s GDP grew by 8.1% in 2021. The growth was the highest in the past decade. However, the growth first rose then dropped, in the first half of the year, it skyrocketed, and in the second half of the year, there was a sharp decline. In particular, the manufacturing industry and construction industry dropped significantly, and the construction industry even experienced negative growth in the second half of the year. Based on reasonable analysis, the impact of the epidemic in 2020 caused the imbalance in supply and demand, it created a short-term glorious achievement under the atmosphere of working hard and to catch up with progress in the first half of 2021. However, the economic recovery was not as satisfactory as expected,

the rapid development was not sustainable in the second half of the year. The wait-and-see sentiment remains strong on whether new investment and new construction would be continued. On the other hand, there were occasional outbreaks from time to time and in some regions, the occasional outbreaks are long-standing, the pace of economic recovery has been constantly disrupted.

As it takes time for the national economy to fully recover, the impact of the pandemic on the world will continue to be the “new normal”. As an environmental protection engineering company with business operations in both China and Vietnam, the Group will continue to follow the gradually clear business philosophy from 2020, that is, to prevent direct or indirect operational risks caused by the pandemic, and to carefully select customers, control costs, stabilise income, pay attention to the cash flow, pay attention to the 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.

The Group has been actively promoting the restart of projects that were delayed under the influence of the epidemic and the epidemic affected projects have been catching up with the delayed construction progress. In this regard, based on the fact that pandemic is well under control in China, projects in China have been progressing gradually, 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, which is currently in the commissioning stage. However, for the projects in Vietnam, due to the recurrence of the local epidemic, the preparation for the construction resumption has been suspended again. The Group is actively communicating and coordinating with the customers and is expected to commence construction in the first half of 2022.

In terms of new projects development, the Group intends to continue to adopt the business strategy proposed last year. 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 to continue to follow up, to stabilise its presence in the Guangdong-Hong Kong-Macao Greater Bay Area (the “**Greater Bay Area**”) and strive to participate in more constructions of the municipal projects. In 2021, the Group secured several new project contracts in the Greater Bay Area, from long-term customers and new customers respectively, the abovementioned projects will also contribute to the business development of the Group.

Given that one of the Group’s large-scale projects will enter the arrival and installation stage in the first half of 2022, and the Vietnam project which has been delayed due to the pandemic is expected to be able to resume in 2022, it is believed that the Group’s revenue will improve in 2022. However, in view of (i) the uncertain impact of occasional outbreaks in various regions of the PRC, (ii) the impact of irregular adjustments in the

PRC's epidemic prevention policies, (iii) the impact of delays in construction schedule and delivery schedule caused by insufficient domestic energy supply, especially energy supply, in the second half of 2021, (iv) the impact of rising costs caused by the continuous and significant increase in raw material prices since the outbreak of the epidemic, the Directors and the management of the Group remain cautious about the business prospects in 2022.

On the other hand, based on the business philosophy of paying attention to new market demands and new developments and new trends under the background of the pandemic, and seeking development opportunities for traditional businesses and new businesses, the Group revisited the relevant resources in non-environmental protection areas that the Group had approached in the past, hoping to seek more diversified business support and development. After careful consideration, the Group decided to allocate resources to try to enter the big health industry. China is a country with large population. Benefiting from economic development, the living standard of the public has generally improved, and the average life expectancy is growing strong. The demand for physical and mental health and high-quality life has become increasingly strong. Since the outbreak of the epidemic, the awareness of having a physically strong body to overcome the epidemic has become clearer. The Group believes that the big health industry may become another important business support of the Group in the future. Considering the consumer market expansion and brand marketing-oriented nature of the large health industry, although the Group has no specific revenue or profit target for the operation of the large health business in 2022, the Group will still adopt a more aggressive attitude and allocate more resources in order to develop the large health industry in 2022.

## **FINANCIAL REVIEW**

### **Operating revenue**

For the year ended 31 December 2021, the Group's operating revenue amounted to approximately RMB118,377,000, representing an increase of approximately 56.5% as compared to approximately RMB75,624,000 for the year ended 31 December 2020.

### ***EPC Projects and Construction Projects***

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

— *Revenue relating to EPC Projects*

For the year ended 31 December 2021, the revenue generated from EPC Projects relating to wastewater and sludge treatment projects under construction and related business was approximately RMB19,800,000 (2020: approximately RMB5,742,000), representing an increase of approximately 244.8% over the corresponding period in 2020. The increase in revenue from EPC Projects for the year ended 31 December 2021 was primarily attributable to the recognition of revenue of approximately RMB13,265,000 in revenue from one large-scale EPC Project and of approximately RMB6,535,000 in revenue from five small-sized EPC Projects. In contrast, the revenue from EPC Projects for the year ended 31 December 2020 was derived from 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.

— *Revenue relating to Construction Projects*

For the year ended 31 December 2021, the revenue generated from Construction Projects was approximately RMB286,000 (2020: approximately RMB3,194,000), representing a decrease of approximately 91.0% over the corresponding period in 2020. The decrease in revenue from Construction Projects for the year ended 31 December 2021 was primarily attributable to the recognition of revenue of approximately RMB286,000 in revenue from three small-sized Construction Projects. In contrast, the revenue from Construction Projects for the corresponding period in 2020 was derived from three small-sized Construction Projects in the amount of approximately RMB3,194,000.

***Equipment Projects***

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

For the year ended 31 December 2021, the revenue generated from Equipment Projects amounted to approximately RMB72,792,000 (2020: approximately RMB36,927,000), representing an increase of approximately 97.1% as compared to the corresponding period in 2020. The increase in revenue from Equipment Projects for the year ended 31 December 2021 was primarily attributable to the recognition of revenue of approximately RMB49,142,000 in revenue from two large-scale Equipment Projects and of approximately RMB23,650,000 in revenue from ten small-sized Equipments Projects. In contrast, the revenue from Equipment Projects for the corresponding period in 2020 was derived from two large-scale Equipments Projects in the amount of approximately RMB36,927,000.

## **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 year ended 31 December 2021, the revenue generated from the Service Concession Arrangement segment was approximately RMB19,244,000 (2020: approximately RMB22,737,000), representing a decrease of approximately 15.4% as compared to the corresponding period in 2020. The decrease in revenue from Service Concession Arrangement for the year ended 31 December 2021 was primarily attributable to the recognition of revenue of approximately RMB1,238,000 in construction work, approximately RMB16,969,000 revenue from service income and approximately RMB1,037,000 revenue from interest income. In contrast, the revenue for the corresponding period in 2020 was derived from the recognition of revenue of approximately RMB9,214,000 in construction work, approximately RMB12,929,000 revenue from service income and approximately RMB554,000 revenue from interest 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 2021, the Group had one sludge treatment O&M project, one wastewater treatment O&M Project and three drinking water treatment O&M Projects on hand.

For the year ended 31 December 2021, the revenue generated from rendering of maintenance services amounted to approximately RMB6,255,000 (2020: approximately RMB7,024,000), representing a decrease of approximately 10.9% as compared to the corresponding period in 2020. The decrease was primarily attributable to (i) two technical advisory projects during the year ended 31 December 2021 with revenue contribution of approximately RMB4,300,000 as compared to two technical advisory projects with revenue contribution of approximately RMB4,830,000 in the corresponding period in 2020; and (ii) O&M projects which contributed approximately RMB1,955,000 in revenue during the year ended 31 December 2021 as compared to approximately RMB2,194,000 in the corresponding period in 2020.

## **Other income and gains**

For the year ended 31 December 2021, other income and gains amounted to approximately RMB3,465,000 (2020: approximately RMB2,456,000), representing an increase of approximately 41.1% or approximately RMB1,009,000 as compared to the corresponding period in 2020. The increase was primarily attributable to fair value gain on investment properties amounted of RMB900,000 in 2021.

## **Cost of sales**

For the year ended 31 December 2021, the cost of sales of the Group amounted to approximately RMB102,948,000 (2020: approximately RMB65,605,000), representing an increase of approximately 56.9% or approximately RMB37,343,000 compared to the corresponding period in 2020.

The increase in cost of sales was mainly due to the corresponding increased operating revenue for the year ended 31 December 2021.

The cost of inventories sold increased to approximately RMB72,132,000 for the year ended 31 December 2021 from approximately RMB30,611,000 for the year ended 31 December 2020. The cost of construction contracting decreased to approximately RMB27,120,000 for the year ended 31 December 2021 from approximately RMB29,762,000 for the year ended 31 December 2020. The cost of services provided decreased to approximately RMB3,696,000 for the year ended 31 December 2021 from approximately RMB5,232,000 for the year ended 31 December 2020.

## **Gross profit**

For the year ended 31 December 2021, the gross profit of the Group was approximately RMB15,429,000 (2020: approximately RMB10,019,000), representing an increase of approximately 54.0% or approximately RMB5,410,000 as compared to the corresponding period in 2020. The increase in gross profit of the Group was mainly attributable to the corresponding increased operating revenue for the year ended 31 December 2021.

## **Selling and distribution expenses**

For the year ended 31 December 2021, the selling and distribution expenses of the Group amounted to approximately RMB1,397,000 (2020: approximately RMB2,191,000), representing a decrease of approximately 36.2% or approximately RMB794,000 compared to the corresponding period in 2020. The decrease in the selling and distribution expenses was mainly attributable to (1) the decrease in maintenance expense of approximately RMB637,000; and (2) the decrease in tender processing fee of approximately RMB176,000.

## **Administrative expenses**

For the year ended 31 December 2021, the administrative expenses of the Group amounted to approximately RMB26,733,000 (2020: approximately RMB29,232,000), representing a decrease of approximately 8.6% or approximately RMB2,499,000 compared to the corresponding period in 2020. The decrease in the administrative expenses was mainly attributable to the fact that the Group incurred expenses of approximately RMB3 million in 2020 due to the upgrading of the construction qualification, while there was no such expense in 2021..

## **Impairment losses on financial and contract assets**

For the year ended 31 December 2021, the impairment losses on financial and contract assets amounted to approximately RMB3,481,000 (2020: approximately RMB82,580,000) representing a decrease of approximately 95.8% or approximately RMB79,099,000 compared to the corresponding period in 2020. The decrease in the impairment losses on financial and contract assets was mainly attributable to most of the aged trade receivables, contract assets and prepayments, other receivables and other assets has been impaired in 2020 already.

## **Loss for the year**

The loss for the year ended 31 December 2021 amounted to approximately RMB17,042,000 (2020: loss of approximately RMB106,646,000), representing a decrease of approximately 84.0% or approximately RMB89,604,000 as compared to the corresponding period in 2020. The decrease for the year was mainly attributable to the decrease in the Group's provision for impairment of certain aged trade receivables, contract assets and prepayments, other receivables and other assets of approximately RMB3.5 million in 2021, as compared to approximately RMB82.6 million for 2020.

## **DIVIDEND**

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: 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 2021, the total equity attributable to the shareholders of the Company was approximately RMB74,823,000 (2020: approximately RMB91,901,000). The Group continued to maintain a healthy financial position with cash and cash equivalents amounted to approximately RMB46,009,000 (2020: approximately RMB46,611,000). The Group's net current liabilities was approximately RMB6,703,000 (2020: net current assets approximately RMB4,173,000). 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 2021, 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 2021, the Group had general banking facilities amounted to approximately RMB75,000,000 (2020: approximately RMB67,000,000). The total borrowing drawn down from the banking facilities of the Company as at 31 December 2021 amounted to RMB38,497,000 (2020: RMB43,318,000). 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 2021, the Group's gearing ratio (being the net debt of the Group divided by its total capital plus net debt) was 67% (2020: 62%). 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 2021.

## **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES**

The Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 December 2021.

## **COMMITMENTS**

The contractual operating commitments of the Group were primarily related to the purchases of items of equipment for projects. As at 31 December 2021, the Group's contractual operating commitments amounted to approximately RMB158,149,000 (2020: approximately RMB30,167,000).

As at 31 December 2021, there was capital commitment amounting to approximately RMB33,767,000 for the Group (2020: RMB17,300,000).

## **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 2021, the Group did not have material contingent liabilities.

## **CHARGES ON THE GROUP'S ASSETS**

At 31 December 2021 and 2020, the Group's buildings, with net carrying amount of RMB6,771,000 for 2021 and RMB6,936,000 for 2020, were pledged to secure general banking facilities granted to the Group.

At 31 December 2021 and 2020, the Group's investment properties, with carrying amount of RMB25,400,000 for 2021 and RMB24,500,000 for 2020, were pledged to secure general banking facilities granted to the Group.

At 31 December 2021 and 2020, the Group's leasehold land, with carrying amount of RMB244,000 for 2021 and RMB321,000 for 2020, 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 2021, the Group did not hedge any exposure to foreign exchange risk.

## **ADVANCES TO AN ENTITY**

As at 31 December 2021, the Group did not provide any advances to any entity outside the Group.

## **PLEDGING OF SHARES BY THE CONTROLLING SHAREHOLDERS**

As at 31 December 2021, 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 2021, 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 2021, 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 2021, the Group did not provide any financial assistance and guarantees to affiliated companies of the Group.

## **SHARE OPTION SCHEME**

As at 31 December 2021, the Group did not adopt any share option scheme.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2021, the Group had 88 employees (2020: 84 employees). Employee costs amounted to approximately RMB20.7 million for the year ended 31 December 2021 (2020: approximately RMB17.7 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 2021 (the “AGM”) will be held on Tuesday, 10 May 2022. 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 Tuesday, 10 May 2022. 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, 3 May 2022.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the year ended 31 December 2021, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

## **EVENTS AFTER 31 DECEMBER 2021**

There are no important events affecting the Group that have occurred since the end of the year ended 31 December 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 2021. 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 2021 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 2021.

## **REVIEW OF FINANCIAL STATEMENT**

During the year ended 31 December 2021, 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 2021 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 2021, 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, Zhonghui Anda CPA Limited, 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, 22 March 2022

*As at the date of this announcement, 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.*

*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](http://www.hkgem.com) for at least 7 days from the date of its posting and be posted on the website of the Company at [www.greatwater.com.cn](http://www.greatwater.com.cn).*