



GREAT WATER

GREAT WATER **HOLDINGS LIMITED**

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

First Quarterly Report **2022**



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FINANCIAL HIGHLIGHTS

For the three months ended 31 March 2022

- Based on the unaudited condensed consolidated results of the Group for the three months ended 31 March 2022 (the “**Period**”), the Group’s revenue for the Period increased to approximately RMB19,596,000, representing an increase of approximately 53.0% as compared to approximately RMB12,809,000 for the corresponding period in 2021.
- During the Period, the Group’s total gross profit decreased to approximately RMB1,201,000, representing a decrease of approximately 39.3% as compared to approximately RMB1,977,000 for the corresponding period in 2021.
- During the Period, the Group recorded loss attributable to owners of the Company of approximately RMB5,628,000, representing an increase of approximately 26.6% as compared to loss attributable to owners of the Company of approximately RMB4,447,000 for the corresponding period in 2021.
- The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2022.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2022

UNAUDITED FIRST QUARTERLY RESULTS

The board of directors (the “**Board**”) of the Company announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the three months ended 31 March 2022 together with the comparative unaudited figures for the corresponding period of 2021 as follows:

	Notes	For the three months ended 31 March	
		2022 RMB'000 Unaudited	2021 RMB'000 Unaudited
REVENUE	4	19,596	12,809
Cost of Sales		(18,395)	(10,832)
Gross profit		1,201	1,977
Other income and gains	4	504	841
Selling and distribution expenses		(467)	(245)
Administrative expenses		(6,962)	(6,829)
Finance costs		(565)	(560)
LOSS BEFORE TAX		(6,289)	(4,816)
Income tax credit	5	661	369
LOSS FOR THE PERIOD		(5,628)	(4,447)
Other comprehensive loss for the Period, net of tax: Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		(162)	(57)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX		(162)	(57)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(5,790)	(4,504)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2022

	<i>Note</i>	For the three months ended 31 March	
		2022 <i>RMB'000</i> Unaudited	2021 <i>RMB'000</i> Unaudited
LOSS FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		(5,628)	(4,447)
Non-controlling interests		–	–
		(5,628)	(4,447)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		(5,790)	(4,504)
Non-controlling interests		–	–
		(5,790)	(4,504)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic and diluted (RMB)	7	(0.019)	(0.015)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2022

	Share capital RMB'000	Share premium account RMB'000	Merger reserve RMB'000	Asset revaluation reserve RMB'000	Statutory surplus reserve RMB'000	Exchange fluctuation reserve RMB'000	Accumulated Losses RMB'000	Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
At 1 January 2021 (audited)	2,397	98,818	(13,830)	9,134	15,029	3,937	(23,584)	91,901	(6)	91,895
Loss for the period	-	-	-	-	-	-	(4,447)	(4,447)	-	(4,447)
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	-	-	-	-	-	(57)	-	(57)	-	(57)
Total comprehensive income for the period	-	-	-	-	-	(57)	(4,447)	(4,504)	-	(4,504)
At 31 March 2021 (unaudited)	2,397	98,818	(13,830)	9,134	15,029	3,880	(28,031)	87,397	(6)	87,391
At 1 January 2022 (audited)	2,397	98,818	(13,830)	9,134	15,029	3,901	(40,626)	74,823	-	74,823
Loss for the period	-	-	-	-	-	-	(5,628)	(5,628)	-	(5,628)
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	-	-	-	-	-	(162)	-	(162)	-	(162)
Total comprehensive income for the period	-	-	-	-	-	(5,790)	(5,628)	(5,790)	-	(5,790)
At 31 March 2022 (unaudited)	2,397	98,818	(13,830)	9,134	15,029	3,739	(46,254)	69,033	-	69,033

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended 31 March 2022

1. GENERAL

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 25 March 2015. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is located at Suite A, 20/F, Wah Hen Commercial Centre, 383 Hennessy Road, Hong Kong.

The Company is an investment holding company. During the Period, the Group is principally engaged in the environmental protection business, such as wastewater treatment and soil remediation, through the design, construction, operation and maintenance service of related facilities and the trading of related equipment.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKAS**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of Hong Kong Companies Ordinance (Cap. 622 of the laws of Hong Kong). In addition, the unaudited condensed consolidated financial statements include applicable disclosures required by the GEM Listing Rules.

The condensed consolidated financial statements are unaudited, but have been reviewed by the audit committee (the “**Audit Committee**”) of the Company.

3. OPERATING SEGMENT INFORMATION

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended 31 March 2022

3. OPERATING SEGMENT INFORMATION *(continued)*

- (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, finance costs, fair value gains from the Group’s investment properties as well as head office and corporate expenses are excluded from such measurement.

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended 31 March 2022

3. OPERATING SEGMENT INFORMATION *(continued)*

Period ended	EPC Projects RMB'000	Construction Projects RMB'000	Equipment Projects RMB'000	Services		Total RMB'000
				Concession Arrangement RMB'000	Others RMB'000	
31 March 2021 (unaudited)						
Segment revenue:						
Sales to external customers	598	–	3,780	4,812	3,619	12,809
Segment results	74	–	253	(411)	2,061	1,977
<i>Reconciliation:</i>						
Interest income						26
Unallocated gains						815
Corporate and other unallocated expenses						(7,074)
Finance costs						(560)
Loss before tax						(4,816)
Other segment information:						
Depreciation and amortisation						669

Geographical information

Revenue from external customers

	For the three months ended 31 March	
	2022 RMB'000 Unaudited	2021 RMB'000 Unaudited
Mainland China	19,596	12,805
Vietnam	–	4
	19,596	12,809

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended 31 March 2022

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts; an appropriate proportion of contract revenue of construction contracts; the value of services rendered; and rental income received and receivable from investment properties during the relevant periods.

An analysis of revenue, other income and gains is as follows:

	For the three months ended 31 March	
	2022 <i>RMB'000</i> Unaudited	2021 <i>RMB'000</i> Unaudited
Revenue		
EPC Projects	1,268	598
Constructions Projects	2,228	–
Equipment Projects	10,285	3,780
Service Concession Arrangement	5,082	4,812
Others	733	3,619
	19,596	12,809
Other income		
Bank interest income	81	26
Rental income	423	415
Government grants	–	400
	504	841
	20,100	13,650

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended 31 March 2022

5. INCOME TAX

The statutory rate of Hong Kong profits tax was 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong. No provision for Hong Kong profits tax was made as the Group has no assessable profits arising in Hong Kong for the three months ended 31 March 2022 (2021: Nil).

Pursuant to the rules and regulations of the Cayman Islands, the Company is not subject to any income tax in the Cayman Islands.

Pursuant to the PRC Income Tax Law and the respective regulations, the subsidiary which operates in Mainland China is subject to Corporate Income Tax at a rate of 25% on the taxable income. Preferential tax treatment is available to the Group's principal operating subsidiary, Guangzhou Great Water Environmental Protection Co., Ltd, since it was recognised as a High and New Technology Enterprise in Mainland China and a lower PRC corporate income tax rate of 15% had been applied during the period ended 31 March 2022 and 2021.

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

	For the three months ended 31 March	
	2022	2021
	RMB'000	RMB'000
	Unaudited	Unaudited
Current — Elsewhere other than Hong Kong	—	—
Deferred	(661)	(369)
	(661)	(369)

6. DIVIDENDS

The Directors did not recommend payment of an interim dividend for the three months ended 31 March 2022 (2021: Nil).

7. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic earnings per share for the three months ended 31 March 2022 is based on the loss attributable to owners of the Company of RMB5,628,000 (2021: loss attributable to owners of the Company RMB4,447,000), and the weighted average number of ordinary shares in issue of 300,000,000 (2021: 300,000,000).

No adjustment has been made to the basic earnings per share amounts presented for the period ended 31 March 2022 and 2021 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during these periods.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

During the Period, the revenue of the Group increased by approximately RMB6,787,000, or 53.0% to approximately RMB19,596,000 as compared to the corresponding period in 2021. During the Period, the Group recognised approximately RMB1,268,000 in revenue from the EPC Projects, approximately RMB2,228,000 in revenue from construction projects other than the EPC Projects ("Construction Projects"), approximately RMB10,285,000 in revenue from Equipment Projects, approximately RMB5,082,000 in revenue from Service Concession Arrangement and approximately RMB733,000 in revenue from other environmental protection projects for the first quarter of 2022. In comparison, approximately RMB598,000 in revenue from the EPC Projects, approximately RMB3,780,000 in revenue from Equipment Projects, approximately RMB4,812,000 in revenue from Service Concession Arrangement and approximately RMB3,619,000 in revenue from other environmental protection projects were recognised in the corresponding period in 2021.

Loss attributable to owners of the Company for the Period amounted to approximately RMB5,628,000, representing an increase of approximately 26.6% as compared to loss attributable to owners of the Company of approximately RMB4,447,000 in the corresponding period last year.

The increase in the Group's revenue is mainly due to the recognition of revenue of approximately RMB9,602,000 from a large scale Equipment Project. While the increase in the loss attributable to owners of the Company was mainly due to (i) the low gross profit derived from the aforementioned Equipment Project and (2) the absence of the government grant of approximately RMB400,000 as compared to the corresponding period in 2021.

OUTLOOK

In 2021, the pandemic in China was effectively controlled, and it created a short-term glorious achievement under the atmosphere of working hard 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. On the other hand, as the highly contagious new variant virus "Omicron" emerged in late 2021 spread rapidly around the world, this new variant virus also threatened some provinces and cities in the PRC such as Xian, Jilin, Changchun and Shanghai in the first quarter of 2022, causing the economy of the PRC to be clouded by instability in 2022.

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

MANAGEMENT DISCUSSION AND ANALYSIS

The Group has been actively promoting the restart of projects that have been delayed under the influence of the pandemic and to catch up with the progress of affected projects that have been delayed due to the pandemic. In this regard, due to the effective control of the pandemic in China, projects in China have been progressing gradually, such as a sewage treatment project in Shenzhen and a sewage treatment project in Zhaoqing. However, for the project in Vietnam, due to the resurgence of the local epidemic, the pre-construction preparations that had been restarted were forced to be suspended again. The Group is actively communicating and coordinating with the customers and strives to commence construction in the first half of 2022.

In terms of new project expansion, 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 in continuous follow-up. Meanwhile, it will stabilise its presence in the Guangdong-Hong Kong-Macao Greater Bay Area (the “**Greater Bay Area**”) and strive to participate in the construction of more municipal projects. In 2021, the Group has secured several new project contracts in the Greater Bay Area from our long-term customers and new customers respectively, the abovementioned projects will also contribute to the business development of the Group. Given that one large-scale project of the Group has entered the stage of delivery and installation in the first quarter of 2022, and the Vietnam project, which has been delayed due to the pandemic, is expected to be resumed in 2022, it is believed that the Group’s revenue in 2022 will be improved. However, in view of (i) the sporadic outbreaks in various regions of the PRC, especially in response to the uncertain impact brought by the new variant virus “Omicron”, (ii) the impact of the PRC’s epidemic prevention policies, which are unpredictable, differences in epidemic prevention policies across the country, and its adjustments from time to time, (iii) the impact of rising costs caused by the continuous and significant increase in raw material prices since the outbreak of the epidemic, (iv) the political tension caused by various events, which in turn brings negative impact to the global economy and the PRC economy, the Directors and the management of the Group remain cautious about the business prospects in 2022.

On the other hand, the Group has begun the attempt of entering the big health market. On 12 April 2022, the Group entered into a cooperation memorandum with Jilin Haotian Health Service Co., Ltd. (吉林市昊天健康服務有限公司), with a view to jointly develop the big health market in the PRC. It is believed that the overall market demand for the big health business should be strong in the PRC, a country with a large population and great economic strength. The Group also wishes to further enhance the business performance of the Group and further enrich the business structure of the Company with the development of the big health business. In addition, the Group’s commitment and resources in developing the big health market are believed to be further enhanced.

Environmental protection business has been the principal operating business of the Group for many years. Our core vision is to make contribution to the future of mankind, and as the pandemic continues to ravage the world, the Group hopes that the big health business can also contribute to the future of mankind.

FINANCIAL REVIEW

Operating revenue

For the Period, the Group’s operating revenue amounted to approximately RMB19,596,000, representing an increase of approximately 53.0% or RMB6,787,000 as compared to the corresponding period in 2021.

EPC Projects and Construction Projects

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

MANAGEMENT DISCUSSION AND ANALYSIS

— Revenue relating to EPC Projects

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

— Revenue relating to Construction Projects

For the Period, the revenue generated from the Construction Projects was approximately RMB2,228,000 (2021: Nil). The revenue in the first quarter of 2022 which was derived from two Construction Projects.

Equipment Projects

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

For the Period, the revenue generated from Equipment Projects was approximately RMB10,285,000 (2021: approximately RMB3,780,000), representing an increase of approximately 172.1% or RMB6,505,000 over the corresponding period in 2021. The increase in the revenue was primarily attributable to the revenue in the first quarter of 2022 which was derived from two Equipment Projects, as compared to the corresponding revenue in the first quarter of 2021 which was derived from two Equipment Projects.

Service Concession Arrangement

For the Service Concession Arrangement, the Group acquired a sludge treatment project in a wastewater treatment plant located in Dashadi from Guangzhou Sewage in the third quarter of 2018. The Group, as a contractor, is responsible for the development, construction and operation of the sludge treatment project for a term of 10 years. The construction of the project was completed and the plant passed the official examination in mid-2020 and since then, the Group has commenced its operation.

For the Period, the revenue generated from the Service Concession Arrangement segment amounted to approximately RMB5,082,000 (2021: approximately RMB4,812,000), representing an increase of approximately 5.6% or RMB270,000 as compared to the corresponding period in 2021. The increase in revenue was primarily attributable to the recognition of revenue of approximately RMB5,082,000 in service income for the Service Concession Arrangement in the first quarter of 2022, while the corresponding revenue in the first quarter of 2021 was the revenue of approximately RMB4,812,000 for the recognition of service income for the Service Concession Arrangement in the corresponding period last year.

Others

The revenue under the other segment included revenue attributable to O&M Projects and technical advisory services. As at 31 March 2022, 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 Period, the revenue generated from rendering of maintenance services amounted to approximately RMB733,000 (2021: approximately RMB3,619,000), representing a decrease of approximately 79.7% or RMB2,886,000 as compared to the corresponding period in 2021. The decrease was primarily attributable to (i) the absence of technical advisory project in the first quarter of 2022 as compared to one small size technical advisory project with revenue contribution of approximately RMB4,000 in the corresponding period in 2021; and (ii) O&M Projects which contributed approximately RMB733,000 in revenue in the first quarter of 2022 from one sludge treatment O&M project and three drinking water treatment O&M Projects as compared to approximately RMB3,288,000 in the corresponding period in 2021 from one wastewater treatment O&M Project, one one-off short-term water treatment O&M Project and three drinking water treatment O&M Projects.

MANAGEMENT DISCUSSION AND ANALYSIS

Other income and gains

For the Period, other income and gains amounted to approximately RMB504,000 (2021: approximately RMB841,000), representing a decrease of approximately 40.1% or approximately RMB337,000 as compared to the corresponding period in 2021. The decrease was primarily attributable to the absence of the government grant of approximately RMB400,000 as compared to the corresponding period in 2021.

Cost of sales

For the Period, the cost of sales of the Group amounted to approximately RMB18,395,000 (2021: approximately RMB10,832,000), representing an increase of approximately 69.8% or approximately RMB7,563,000 as compared to the corresponding period in 2021.

The increase in cost of sales was mainly due to the increase in revenue during the Period. The cost of inventories sold increased to approximately RMB10,221,000 for the Period from approximately RMB4,757,000 for the corresponding period in 2021. The cost of contracting increased to approximately RMB4,117,000 for the Period from approximately RMB1,948,000 for the corresponding period in 2021. The cost of services provided decreased to approximately RMB4,057,000 for the Period from approximately RMB4,127,000 for the corresponding period in 2021.

Gross profit

For the Period, the Group recorded gross profit of approximately RMB1,201,000 (2021: approximately RMB1,977,000), representing a decrease of approximately 39.3% or approximately RMB776,000 as compared to the corresponding period in 2021. The decrease in gross profit of the Group was mainly due to the low profit margin of a large scale Equipment Project.

Selling and distribution expenses

For the Period, the selling and distribution expenses of the Group amounted to approximately RMB467,000 (2021: approximately RMB245,000), representing an increase of approximately 90.6% or approximately RMB222,000 compared to the corresponding period in 2021. The increase in the selling and distribution expenses was mainly attributed to (i) the salary and staff welfare increased approximately RMB69,000; (ii) the entertainment expenses increased approximately RMB87,000; and (iii) the repair and maintenance expenses increased approximately RMB40,000.

Administrative expenses

For the Period, the administrative expenses of the Group amounted to approximately RMB6,962,000 (2021: approximately RMB6,829,000), representing an increase of approximately 1.9% or approximately RMB133,000 compared to the corresponding period in 2021. The increase in the administrative expenses was mainly attributed to the increase in office expenses of approximately RMB104,000.

Loss for the Period

For the Period, the loss for the period amounted to approximately RMB5,628,000 as compared to the loss of approximately RMB4,447,000 for the corresponding period in 2021, representing an increase of approximately 26.6% or approximately RMB1,181,000 compared to the corresponding period in 2021. The increase was mainly attributed to (i) the low gross profit derived from a large scale Equipment Project and (2) the absence of the government grant of approximately RMB400,000 as compare to the corresponding period in 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

DIVIDEND

The Directors do not recommend the payment of an interim dividend for the three months ended 31 March 2022 (2021: nil).

CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining a good corporate governance standard, with the chairman being primarily responsible for establishing relevant practices and procedures. The Board believes that a good corporate governance standard will provide a framework for the Group to formulate its business strategies and policies, and manage the associated risks through effective internal control procedures. It will also enhance the transparency of the Group and strengthen accountability to shareholders and creditors. Therefore the Board has reviewed and will continue to review and improve the Company's corporate governance practices from time to time.

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

COMPETING INTERESTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

MANAGEMENT DISCUSSION AND ANALYSIS

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE GROUP AND ITS ASSOCIATED CORPORATIONS

As at 31 March 2022, the interests and short positions of the Directors and chief executive of the Company in the ordinary shares (the “**Shares**”), underlying Shares and debentures of the Company or any of its associated corporations (as defined in Part XV of the Securities and Future Ordinance (Chapter 571 of the laws of Hong Kong) (the “**SFO**”) which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or required to be entered in the register of the Company pursuant to section 352 of the SFO, or required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

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

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

Notes:

- The letter “L” denotes a long position.
- These Shares are owned by Oceanic Expert Investments Limited which is wholly owned by Perfect Wave Holdings Limited, the 100% interests of which is in turn beneficially owned by Mr. Xie Yang. Accordingly, Mr. Xie Yang is taken or deemed to be interested in the 91,350,000 Shares held by Oceanic Expert Investments Limited by virtue of the SFO.

Save as disclosed above, as at 31 March 2022, none of the Directors and chief executive of the Company had any interest or short position in the Shares, underlying shares and debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or required to be entered in the register of the Company pursuant to section 352 of the SFO, or required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

MANAGEMENT DISCUSSION AND ANALYSIS

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

As at 31 March 2022, so far as the Directors are aware, the interests or short positions owned by the following persons (other than the Directors or chief executive of the Company) in the Shares or underlying Shares of the Company which are required to be notified to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO or which are required to be recorded in the register of the Company required to be kept under section 336 of the SFO are as follows:

Long positions in the Shares

Name of shareholder(s)	Capacity	Number of Ordinary Shares (Note 1)	Approximate percentage of the total number of Shares in issue
Oceanic Expert Investments Limited ^(Note 2)	Beneficial owner	91,350,000 (L)	30.45%
Perfect Wave Holdings Limited ^(Note 2)	Interest in controlled corporation	91,350,000 (L)	30.45%
Waterman Global Limited ^(Note 3)	Beneficial owner	16,017,500 (L)	5.34%
Keen Leap Investments Limited ^(Note 3)	Interest in controlled corporation	16,017,500 (L)	5.34%
Keen Leap Investments Limited	Beneficial owner	2,732,000 (L)	0.91%
Mr. Zhang Yao ^(Note 3)	Interest in controlled corporation	18,749,500 (L)	6.25%
Great Time Ventures Limited ^(Note 4)	Beneficial owner	44,032,500 (L)	14.68%
Topman Ventures Limited ^(Note 4)	Interest in controlled corporation	44,032,500 (L)	14.68%
Mr. Song Xiao Xing ^(Note 4)	Interest in controlled corporation	44,032,500 (L)	14.68%

Notes:

- The letter "L" denotes a long position.
- Mr. Xie Yang beneficially owns the entire issued share capital of Perfect Wave Holdings Limited which in turn wholly owns Oceanic Expert Investments Limited which held 91,350,000 Shares.
- Mr. Zhang Yao beneficially owns the entire issued share capital of Keen Leap Investments Limited which held 2,732,000 Shares directly and in turn wholly owns Waterman Global Limited which held 18,749,500 Shares.
- Mr. Song Xiao Xing beneficially owns the entire issued share capital of Topman Ventures Limited which in turn wholly owns Great Time Ventures Limited which held 44,032,500 Shares.

Save as disclosed above, as at 31 March 2022, the Directors are not aware of any interests or short positions owned by any persons (other than the Directors or Chief Executive of the Company) in the Shares or underlying Shares of the Company which were required to be disclosed under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO.

MANAGEMENT DISCUSSION AND ANALYSIS

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors, its employees, and the directors and employees of its subsidiaries and holding companies, who may likely possess inside information on the Company or its securities, on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The 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 during the Period.

REVIEW OF FINANCIAL STATEMENT

During the Period, the audit committee of the Company ("**Audit Committee**") comprised three independent non-executive Directors, namely, Mr. Tse Chi Wai, Ms. Bai Shuang and Mr. Ha Cheng Yong. Mr. Tse Chi Wai is the chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the Period.

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

Guangzhou, the PRC, 10 May 2022

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

This report 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.