



GREAT WATER

GREAT WATER HOLDINGS LIMITED

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



THIRD QUARTERLY REPORT
2021

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FINANCIAL HIGHLIGHTS

For the nine months ended 30 September 2021

- Based on the unaudited condensed consolidated results of the Group for the nine months ended 30 September 2021 (the “**Period**”), the Group’s revenue for the Period was approximately RMB65,329,000, representing an increase of approximately 77.9% as compared to approximately RMB36,733,000 for the corresponding period in 2020.
- During the Period, the Group’s gross profit was approximately RMB8,738,000, representing an increase of approximately 115.8% as compared to approximately RMB4,050,000 for the corresponding period in 2020.
- During the Period, the Group’s loss attributable to ordinary equity holders was approximately RMB10,639,000, representing a decrease of approximately 38.6% as compared to loss attributable to ordinary equity holders of approximately RMB17,333,000 for the corresponding period in 2020.
- The board of Directors (the “**Board**”) of the Company did not recommend the payment of any dividend for the Period.



CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2021

UNAUDITED THIRD QUARTERLY RESULTS

The Board announces the unaudited consolidated results of the Group for the nine months ended 30 September 2021 together with the comparative unaudited figures for the corresponding period in 2020 as follows:

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2021 RMB'000 Unaudited	2020 RMB'000 Unaudited	2021 RMB'000 Unaudited	2020 RMB'000 Unaudited
REVENUE	4	39,568	13,411	65,329	36,733
Cost of Sales		(36,387)	(11,432)	(56,591)	(32,683)
Gross profit		3,181	1,979	8,738	4,050
Other income and gains	4	504	468	1,883	1,884
Selling and distribution expenses		(370)	(449)	(908)	(1,628)
Administrative expenses		(7,156)	(7,163)	(19,028)	(22,293)
Finance costs	5	(668)	(555)	(1,914)	(1,942)
LOSS BEFORE TAX		(4,509)	(5,720)	(11,229)	(19,929)
Income tax credit	6	62	678	590	2,596
LOSS FOR THE PERIOD		(4,447)	(5,042)	(10,639)	(17,333)
Attributable to:					
Owner of parent		(4,447)	(5,042)	(10,639)	(17,333)
Non-controlling interests		–	–	–	–
		(4,447)	(5,042)	(10,639)	(17,333)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT					
Basic and diluted	8	RMB(0.015)	RMB(0.017)	RMB(0.035)	RMB(0.058)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2021

	For the three months ended 30 September		For the nine months ended 30 September	
	2021 RMB'000 Unaudited	2020 RMB'000 Unaudited	2021 RMB'000 Unaudited	2020 RMB'000 Unaudited
OTHER COMPREHENSIVE INCOME/(LOSS)				
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:				
Exchange difference on translation of foreign operations	(155)	105	(435)	(1,927)
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	(155)	105	(435)	(1,927)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	(155)	105	(435)	(1,927)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	(4,602)	(4,937)	(11,074)	(19,260)
Attributable to:				
Owner of parent	(4,602)	(4,937)	(11,074)	(19,260)
Non-controlling interests	–	–	–	–
	(4,602)	(4,937)	(11,074)	(19,260)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2021

	Share capital RMB'000	Share premium account RMB'000	Merge reserve RMB'000	Asset revaluation reserve RMB'000	Statutory surplus reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
At 1 January 2020 (audited)	2,397	98,818	(13,830)	9,134	15,029	4,322	83,062	198,932	(6)	198,926
Loss for the period	-	-	-	-	-	-	(17,333)	(17,333)	-	(17,333)
Other comprehensive income/(loss) for the period:										
Exchange differences on translation of foreign operations	-	-	-	-	-	(1,927)	-	(1,927)	-	(1,927)
Total comprehensive income/(loss) for the period	-	-	-	-	-	(1,927)	(17,333)	(19,260)	(6)	(19,260)
At 30 September 2020 (unaudited)	2,397	98,818	(13,830)	9,134	15,029	2,395	65,729	179,672	(6)	179,666
	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	Retained profits RMB'000	Total RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
At 1 January 2021 (audited)	2,397	98,818	(13,830)	9,134	15,029	3,937	(23,584)	91,901	(6)	91,895
Loss for the period	-	-	-	-	-	-	(10,639)	(10,639)	-	(10,639)
Other comprehensive income/(loss) for the period:										
Exchange differences on translation of foreign operations	-	-	-	-	-	(435)	-	(435)	-	(435)
Total comprehensive income/(loss) for the period	-	-	-	-	-	(435)	(10,639)	(11,074)	-	(11,074)
At 30 September 2021 (Unaudited)	2,397	98,818	(13,830)	9,134	15,029	3,502	(34,233)	80,827	(6)	80,821

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended 30 September 2021

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 under 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 four reportable operating segments as follows:

- (a) the engineering, procurement and construction projects (the “**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 (the “**Construction Projects**”) segment represents construction projects other than EPC Projects;
- (c) the equipment projects (the “**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 (the “**Service Concession Arrangement**”) segment comprises projects providing 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 terms of such arrangements, the Group is responsible for all of the costs of construction, operation and maintenance as well as restoration of the infrastructure; and



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended 30 September 2021

3. OPERATING SEGMENT INFORMATION *(continued)*

- (e) the other projects (the “**Others**”) segment comprises, principally, the Group’s operation and maintenance services in which an enterprise of the Group is retained to operate and maintain water or wastewater treatment facilities for a certain period for certain operation and maintenance fees on a monthly or quarterly basis.

The management of the Group monitors the results of the Group’s operating segments separately for the purpose of making decisions on resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is assessed consistently with the Group’s profit/(loss) before tax except that interest income, finance costs, fair value gains from the Group’s investment properties as well as head office and corporate expenses are excluded from such assessment.

The unaudited segment results for the nine months ended 30 September 2021 are as follows:

	EPC Project RMB’000	Construction Project RMB’000	Equipment Project RMB’000	Services Concession Arrangement RMB’000	Others RMB’000	Total RMB’000
Segment revenue:						
Sales to external customers	428	3,031	36,284	18,401	7,185	65,329
Segment results	(33)	804	4,139	1,126	2,702	8,738
<i>Reconciliation:</i>						
Interest income						151
Unallocated gains						1,732
Corporate and other unallocated expenses						(19,936)
Finance costs						(1,914)
Loss before tax						(11,229)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended 30 September 2021

3. OPERATING SEGMENT INFORMATION *(continued)*

The unaudited segment results for the nine months ended 30 September 2020 are as follows:

	EPC Project RMB'000	Construction Project RMB'000	Equipment Project RMB'000	Services Concession Arrangement RMB'000	Others RMB'000	Total RMB'000
Segment revenue:						
Sales to external customers	793	2,716	26,380	2,693	4,151	36,733
Segment results	101	12	3,349	151	437	4,050
<i>Reconciliation:</i>						
Interest income						71
Unallocated gains						1,813
Corporate and other unallocated expenses						(23,921)
Finance costs						(1,942)
Loss before tax						(19,929)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended 30 September 2021

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, 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 nine months ended 30 September	
	2021 RMB'000 Unaudited	2020 RMB'000 Unaudited
Revenue		
EPC Projects	428	793
Construction Projects	3,031	2,716
Equipment Projects	36,284	26,380
Services Concession Arrangement	18,401	2,693
Others	7,185	4,151
	65,329	36,733
Other income		
Bank interest income	151	71
Rental income	1,282	1,313
Government grants	450	487
Others	–	13
	1,883	1,884

5. FINANCE COSTS

An analysis of finance costs is as follows:

	For the nine months ended 30 September	
	2021 RMB'000 Unaudited	2020 RMB'000 Unaudited
Interest on bank loans	1,914	1,942

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended 30 September 2021

6. INCOME TAX

The statutory rate of Hong Kong profits tax was 16.5%, (2020: 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 nine months ended 30 September 2021 (2020: Nil).

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

Pursuant to the PRC Income Tax Law and the respective regulations, the subsidiary which operates in the People's Republic of China (the "Mainland China" or the "PRC") is subject to Corporate Income Tax at a rate of 25% on the taxable income. Preferential tax treatment is available to the Group's principal operating subsidiary, Guangzhou Great Water Environmental Protection Co., Ltd., since it was recognised as a High and New Technology Enterprise in Mainland China and a lower PRC corporate income tax rate of 15% had been applied during the nine months ended 30 September 2021 and 2020.

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 22% on the taxable income.

	For the nine months ended 30 September	
	2021	2020
	RMB'000	RMB'000
	Unaudited	Unaudited
Current — Elsewhere other than Hong Kong	—	—
Deferred	(590)	(2,596)
Total tax recover for the period	(590)	(2,596)

7. DIVIDENDS

The Directors do not recommend payment of any dividend for the nine months ended 30 September 2021 (2020: Nil).

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

The calculation of the basic earnings per share for the nine months ended 30 September 2021 is based on the loss for the period attributable to ordinary equity holders of RMB10,639,000 (2020: loss attributable to ordinary equity holders of RMB17,333,000), and the weighted average number of ordinary shares in issue of 300,000,000 (2020: 300,000,000).

No adjustment was made to the basic earnings per share amounts presented for the nine months ended 30 September 2021 and 2020 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 PRC. 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 RMB28,596,000, or 77.9% to approximately RMB65,329,000 as compared to the corresponding period in 2020. During the Period, the Group recognised approximately RMB428,000 in revenue from the EPC Projects, approximately RMB3,031,000 in revenue from construction projects other than the EPC Projects (the “**Construction Projects**”), approximately RMB36,284,000 in revenue from the Equipment Projects, approximately RMB18,401,000 in revenue from the Service Concession Arrangement and approximately RMB7,185,000 in revenue from other environmental protection projects. In comparison, approximately RMB793,000 in revenue from the EPC Projects, approximately RMB2,716,000 in revenue from the Construction Projects, approximately RMB26,380,000 in revenue from the Equipment Projects, approximately RMB2,693,000 in revenue from the Service Concession Arrangement and approximately RMB4,151,000 in revenue from other environmental protection projects were recognised in the corresponding period in 2020.

Loss attributable to ordinary equity holders for the Period amounted to approximately RMB10,639,000, representing a decrease of approximately 38.6% as compared to loss attributable to ordinary equity holders of approximately RMB17,333,000 in the corresponding period last year.

OUTLOOK

In 2021, as the pandemic was gradually brought under control in the PRC, the economy started making progress. Nonetheless, occasional domestic outbreaks of the pandemic continue to have a negative impact on the economic recovery in the region and for this reason, the overall economic growth in the third quarter has been slowing down and fell below market expectations. As it will take time for the country’s economy to fully recover, the effects of the global pandemic will continue to be felt in the near future and will become the “new normal”. Against this backdrop, as an environmental protection engineering company with operations covering the PRC and Vietnam, the Group will prioritize the prevention of direct or indirect operational risks caused by the pandemic, prudent customer selection, cost control, maintaining stable income and paying attention to cash flow for the next few years.

The Group has been actively seeking to recommence projects that were delayed due to the pandemic and to catch up on affected projects that have fallen behind schedule as a result of the pandemic. In this regard, the effective management of the pandemic in the PRC has enabled projects in the PRC to gradually make progress. For example, 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, has now entered the substantive procurement stage. It is expected that the delivery and installation stage will appear in the fourth quarter this year. However, for projects in Vietnam, in light of the resurgence of the pandemic, the pre-construction preparations which were originally resumed have been postponed again. The Group is actively communicating and coordinating arrangements with its customers for an early commencement of projects.

MANAGEMENT DISCUSSION AND ANALYSIS

In terms of new project expansion, the Group intends to continue adopting the business strategy it developed last year. The Group will be more cautious of the choice of customers and projects based on the direct and indirect effects of the pandemic. For long-term quality customers, more resources have been invested for constant follow-up. Concurrently, the Group will increase its presence in the Guangdong-Hong Kong-Macao Greater Bay Area (the “**Greater Bay Area**”) and strive to participate in more municipal construction projects. In the second and third quarters of 2021, new project contracts were acquired from long-term customers and new customers respectively in the Greater Bay Area. Given the typical characteristic of the industry — i.e. the time consuming process between project establishment and contract signing for the Group’s mainstay operations — the business strategy adopted by the Group last year could only be implemented this year.

As the delivery and installation stage of a large-scale project of the Group will take place in the fourth quarter, it is believed that the income and profitability of the Group will see improvement in 2021, although the preliminary work of the project will still take some time to complete. That said, given that (i) there have been occasional outbreaks of the pandemic in various parts of the PRC; and (ii) the PRC’s policies on pandemic prevention have been under constant adjustment, projects of the Group will inevitably be affected. Furthermore, in the second half of 2021, there was a shortage of energy supply, particularly power supply, in the PRC. This has had a certain impact on most enterprises, especially production enterprises, and for the Group, the supplier’s delivery period and project construction period were also affected. For the above-mentioned reasons, in the first three quarters of 2021, the Group’s income and profit contribution are still mainly subject to operating projects. Therefore, while the Group’s profitability in the first three quarters of 2021 has improved compared to the corresponding period in 2020, but the results remain unsatisfactory. Regarding the annual profitability for 2021, the Group will strive to make improvement in the fourth quarter. However, the Directors and management of the Group are still cautious in relation to the annual results.

FINANCIAL REVIEW

Revenue

For the Period, the Group’s revenue amounted to approximately RMB65,329,000, representing an increase of approximately 77.9% or RMB28,596,000 compared to the corresponding period in 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 from EPC Projects

For the Period, the revenue generated from the EPC Projects was approximately RMB428,000 (2020: approximately RMB793,000), representing a decrease of approximately 46.0% or RMB365,000 over the corresponding period in 2020. The revenue from the EPC Projects for each of the Period and the corresponding period in 2020 was derived from one EPC Project.

— Revenue from Construction Projects

For the Period, the revenue generated from the Construction Projects was approximately RMB3,031,000 (2020: approximately RMB2,716,000), representing an increase of approximately 11.6% or RMB315,000 over the corresponding period in 2020. The increase in the revenue was primarily attributable to the revenue for the nine months ended 30 September 2021 which was derived from three Construction Projects, as compared to the revenue in the corresponding period of 2020 which was derived from two Construction Projects.

MANAGEMENT DISCUSSION AND ANALYSIS

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 Period, the revenue generated from the Equipment Projects was approximately RMB36,284,000 (2020: approximately RMB26,380,000), representing an increase of approximately 37.5% or RMB9,904,000 over the corresponding period in 2020. The increase in the revenue was primarily attributable to the revenue generated in the nine months ended 30 September 2021 which was derived from six Equipment Projects, as compared to the corresponding revenue in the nine months ended 30 September 2020 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 RMB18,401,000 (2020: approximately RMB2,693,000), representing an increase of approximately 583.3% or RMB15,708,000 as compared to the corresponding period in 2020. The increase in revenue was primarily attributable to the recognition of revenue of approximately RMB18,401,000 in service income for the Service Concession Arrangement for the nine months ended 30 September 2021 while the corresponding revenue in the for the nine months ended 30 September 2020 was the revenue of approximately RMB2,693,000 for the recognition of service income for the Service Concession Arrangement during the trial period in the corresponding period last year.

Others

The revenue under the Others segment included revenue attributable to the O&M Projects and technical advisory services. As at 30 September 2021, the Group had one sludge treatment O&M project, one wastewater treatment O&M Project and three drinking water treatment O&M Projects.

For the Period, the revenue generated from the provision of maintenance services amounted to approximately RMB7,185,000 (2020: approximately RMB4,151,000), representing an increase of approximately 73.1% or RMB3,034,000 as compared to the corresponding period in 2020. The increase was primarily attributable to (i) five technical advisory projects for the nine months ended 30 September 2021 with revenue contribution of approximately RMB4,823,000 as compared to one technical advisory project with revenue contribution of approximately RMB2,170,000 in the corresponding period in 2020; and (ii) the O&M projects which contributed approximately RMB2,362,000 in revenue in the nine months ended 30 September 2021 as compared to approximately RMB1,981,000 in the corresponding period in 2020.

Other income and gains

For the Period, other income and gains amounted to approximately RMB1,883,000 (2020: approximately RMB1,884,000), representing a decrease of approximately 0.1% or approximately RMB1,000 as compared to the corresponding period in 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of sales

For the Period, the cost of sales of the Group amounted to approximately RMB56,591,000 (2020: approximately RMB32,683,000), representing an increase of approximately 73.2% or approximately RMB23,908,000 as compared to the corresponding period in 2020.

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 RMB34,976,000 for the nine months ended 30 September 2021 from approximately RMB22,989,000 for the corresponding period in 2020. The cost of contracting increased to approximately RMB9,922,000 for the nine months ended 30 September 2021 from approximately RMB2,664,000 for the corresponding period in 2020. The cost of services provided increased to approximately RMB11,693,000 for the nine months ended 30 September 2021 from approximately RMB7,030,000 for the corresponding period in 2020.

Gross profit

For the Period, the Group's gross profit was approximately RMB8,738,000 (2020: approximately RMB4,050,000), representing an increase of approximately 115.8% or approximately RMB4,688,000 as compared to the corresponding period in 2020. The increase in gross profit of the Group was mainly attributable to (1) the increase in the Group's gross profit for the nine months ended 30 September 2021 as compared to the corresponding period in 2020 as the Group undertook a technical advisory project with high gross profit margin; and (2) the increase in revenue of the Group for the nine months ended 30 September 2021 mainly from the segments of the Equipments Projects and the Services Concession Arrangement as compared to the corresponding period in 2020.

Selling and distribution expenses

For the Period, the selling and distribution expenses of the Group amounted to approximately RMB908,000 (2020: approximately RMB1,628,000), representing a decrease of approximately 44.2% or approximately RMB720,000 as compared to the corresponding period in 2020. The decrease in the selling and distribution expenses was mainly attributable to (1) the decrease in salaries and employee benefit of approximately RMB120,000; (2) the decrease in maintenance expense of approximately RMB411,000; and (3) the decrease in tender processing fee of approximately RMB174,000.

Administrative expenses

For the Period, the administrative expenses of the Group amounted to approximately RMB19,028,000 (2020: approximately RMB22,293,000), representing a decrease of approximately 14.6% or approximately RMB3,265,000 as 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 for the nine months ended 30 September 2020 due to the upgrading of the construction qualification, while there was no such expense for the nine months ended 30 September 2021.

Loss for the Period

The loss for the Period amounted to approximately RMB10,639,000 (2020: loss of approximately RMB17,333,000), representing a decrease of approximately 38.6% or approximately RMB6,694,000 as compared to the corresponding period in 2020. The decrease was mainly attributable to (1) the increase in the Group's gross profit for the nine months ended 30 September 2021 as compared to the corresponding period in 2020 as the Group undertook a technical advisory project with high gross profit margin; (2) the increase in revenue of the Group for the nine months ended 30 September 2021 mainly from the segments of Equipment Projects and Services Concession Arrangement as compared to the corresponding period in 2020; and (3) the absence of approximately RMB3 million of expenses incurred during the corresponding period in 2020 for upgrading the construction qualification of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Dividend

The Board did not recommend the payment of any dividend for the nine months ended 30 September 2021 (2020: nil).

CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining a good corporate governance standard, with the chairman of the Board 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 the shareholders and creditors of the Group. Therefore, the Board has reviewed and will continue to review and improve the Company's corporate governance practices from time to time.

The Company has 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, which provides that the roles of the chairman and chief executive officer of the Company should be separate and should not be performed by the same individual, the Board is satisfied that the Company has complied with the code provisions set out in the CG Code for the Period. Mr. Xie Yang (“**Mr. Xie**”) is the chairman of the Board 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 both the roles of chairman of the Board and chief executive officer of the Company 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 had sufficient independent elements in its composition.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

As at 30 September 2021, the interests and short positions of the Directors and chief executive of the Company in the ordinary shares (the “**Shares**”), underlying Shares and debentures of the Company or any of its associated corporation (as defined in Part XV of the Securities and Future Ordinance (Chapter 571 of the laws of Hong Kong) (the “**SFO**”)) which are 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 are as follows:

Long positions in Shares

Name of director	Capacity	Number of Shares (Note 1)	Approximate percentage of the total number of Shares in issue (Note 2)
Mr. Xie Yang ^(Note 3)	Interest in controlled corporation	91,350,000 (L)	30.45%

Notes:

1. The letter “L” denotes a long position.
2. The percentage was calculated based on 300,000,000 Shares in issue as at 30 September 2021.
3. These Shares are owned by Oceanic Expert Investments Limited which is wholly owned by Perfect Wave Holdings Limited, which is in turn 100% beneficially owned by Mr. Xie Yang. Accordingly, Mr. Xie Yang is taken or deemed to be interested in the 91,350,000 Shares held by Oceanic Expert Investments Limited by virtue of the SFO.

Save as disclosed above, as at 30 September 2021, 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 is required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or required to be entered in the register of the Company pursuant to section 352 of the SFO, or required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

MANAGEMENT DISCUSSION AND ANALYSIS

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

As at 30 September 2021, 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 (Note 2)
Oceanic Expert Investments Limited ^(Note 3)	Beneficial owner	91,350,000 (L)	30.45%
Perfect Wave Holdings Limited ^(Note 3)	Interest in controlled corporation	91,350,000 (L)	30.45%
Waterman Global Limited ^(Note 4)	Beneficial owner	67,117,500 (L)	22.37%
Keen Leap Investments Limited ^(Note 4)	Interest in controlled corporation	67,117,500 (L)	22.37%
Keen Leap Investments Limited ^(Note 4)	Beneficial owner	2,732,000 (L)	0.91%
Mr. Zhang Yao ^(Note 4)	Interest in controlled corporations	69,849,500 (L)	23.28%
Great Time Ventures Limited ^(Note 5)	Beneficial owner	44,032,500 (L)	14.68%
Topman Ventures Limited ^(Note 5)	Interest in controlled corporation	44,032,500 (L)	14.68%
Mr. Song Xiao Xing ^(Note 5)	Interest in controlled corporations	44,032,500 (L)	14.68%

Notes:

- The letter "L" denotes a long position.
- The percentage was calculated based on 300,000,000 Shares in issue as at 30 September 2021.
- Mr. Xie Yang beneficially owns the entire issued share capital of Perfect Wave Holdings Limited which in turn wholly owns Oceanic Expert Investments Limited which held 91,350,000 Shares.
- Mr. Zhang Yao beneficially owns the entire issued share capital of Keen Leap Investments Limited which held 2,732,000 Share directly and in turn wholly owns Waterman Global Limited which held 67,117,500 Shares.
- Mr. Song Xiao Xing beneficially owns the entire issued share capital of Topman Ventures Limited which in turn wholly owns Great Time Ventures Limited which held 44,032,500 Shares.

Save as disclosed above, as at 30 September 2021, 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 are required to be disclosed 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.

MANAGEMENT DISCUSSION AND ANALYSIS

SHARE OPTION SCHEME

As at 30 September 2021, the Group did not adopt any share option scheme.

COMPLIANCE WITH THE CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the “**Required Standard of Dealings**”). The Company had also made specific enquiry to all the Directors, and each of them has confirmed that he/she was in compliance with the Required Standard of Dealings during the Period.

REVIEW OF FINANCIAL STATEMENT

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

The Audit Committee has reviewed the accounting policies and practices adopted by the Group and has discussed with the management of the Company on the financial reporting matters including the review of 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, 9 November 2021

As at the date of this report, the executive Directors are Mr. XIE Yang and Mr. HE Yuan 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.