



GREAT WATER

GREAT WATER HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8196

First Quarterly Report **2020**



CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

*This report, 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 report is accurate and complete in all material respects and not misleading or deceptive; there are no other matters the omission of which would make any statement herein or this report misleading.*



FINANCIAL HIGHLIGHTS

For the three months ended 31 March 2020

- Based on the unaudited condensed consolidated results of the Group for the three months ended 31 March 2020 (the “**Period**”), the Group’s revenue for the Period increased to approximately RMB18,739,000, representing an increase of approximately 313.5% as compared to approximately RMB4,532,000 for the corresponding period in 2019.
- During the Period, the Group’s total gross profit increased to approximately RMB1,310,000, representing an increase of approximately 84.3% as compared to approximately RMB711,000 for the corresponding period in 2019.
- During the Period, the Group recorded loss attributable to ordinary equity holders of approximately RMB7,628,000, representing an increase of approximately 15.2% as compared to loss attributable to ordinary equity holders of approximately RMB6,619,000 for the corresponding period in 2019.
- The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2020.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2020

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 2020 together with the comparative unaudited figures for the corresponding period of 2019 as follows:

	Notes	For the three months ended 31 March	
		2020 RMB'000 Unaudited	2019 RMB'000 Unaudited
REVENUE	4	18,739	4,532
Cost of Sales		(17,429)	(3,821)
Gross profit		1,310	711
Other income and gains	4	458	797
Selling and distribution expenses		(357)	(703)
Administrative expenses		(9,354)	(7,160)
Finance costs		(670)	(1,055)
LOSS BEFORE TAX		(8,613)	(7,410)
Income tax credit	5	985	791
LOSS FOR THE PERIOD		(7,628)	(6,619)
Attributable to:			
Owners of the parent		(7,628)	(6,619)
Non-controlling interests		–	–
		(7,628)	(6,619)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	7	RMB(0.025)	RMB(0.022)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2020

	For the three months ended 31 March	
	2020 RMB'000 Unaudited	2019 RMB'000 Unaudited
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange difference on translation of foreign operations	7	(1,016)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	7	(1,016)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	–	–
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	7	(1,016)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(7,621)	(7,635)
Attributable to:		
Owners of the parent	(7,621)	(7,635)
Non-controlling interests	–	–
	(7,621)	(7,635)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2020

	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 interests RMB'000	Total equity RMB'000
At 1 January 2019 (audited)	2,397	98,818	(13,830)	9,134	15,029	3,422	107,229	222,199	(371)	221,828
Loss for the period	-	-	-	-	-	-	(6,619)	(6,619)	-	(6,619)
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	-	-	-	-	-	(1,016)	-	(1,016)	-	(1,016)
Total comprehensive income for the period	-	-	-	-	-	(1,016)	(6,619)	(7,635)	-	(7,635)
At 31 March 2019 (unaudited)	2,397	98,818	(13,830)	9,134	15,029	2,406	100,610	214,564	(371)	214,193
At 1 January 2020 (audited)	2,397	98,818	(13,830)	9,134	15,029	4,322	83,062	198,932	(6)	198,926
Profit for the period	-	-	-	-	-	-	(7,628)	(7,628)	-	(7,628)
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	-	-	-	-	-	7	-	7	-	7
Total comprehensive income for the period	-	-	-	-	-	7	(7,628)	(7,621)	-	(7,621)
At 31 March 2020 (unaudited)	2,397	98,818	(13,830)	9,134	15,029	4,329	75,434	191,311	(6)	191,305

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended 31 March 2020

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 2001, 20/F, Chinachem Johnston Plaza, 186 Johnston Road, Wan Chai, 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 2020

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 2020 (unaudited)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue:						
Sales to external customers	337	2,534	10,389	2,693	2,786	18,739
Segment results	(107)	12	774	164	467	1,310
<i>Reconciliation:</i>						
Interest income						28
Unallocated gains						430
Corporate and other unallocated expenses						(9,711)
Finance costs						(670)
Loss before tax						(8,613)
Other segment information:						
Depreciation and amortisation						745

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended 31 March 2020

3. OPERATING SEGMENT INFORMATION *(continued)*

Period ended	EPC Projects RMB'000	Construction Projects RMB'000	Equipment Projects RMB'000	Services Concession Arrangement RMB'000	Others RMB'000	Total RMB'000
31 March 2019 (unaudited)						
Segment revenue:						
Sales to external customers	–	2,042	–	1,656	834	4,532
Segment results						
	–	221	–	108	382	711
<i>Reconciliation:</i>						
Interest income						28
Unallocated gains						769
Corporate and other unallocated expenses						(7,863)
Finance costs						(1,055)
Loss before tax						(7,410)
Other segment information:						
Depreciation and amortisation						750

Geographical information

Revenue from external customers

	For the three months ended 31 March	
	2020 RMB'000 Unaudited	2019 RMB'000 Unaudited
Mainland China	18,739	4,532
Vietnam	–	–
	18,739	4,532

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 2020

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	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	Unaudited	Unaudited
Revenue		
Construction contracts	5,564	3,698
Sale of equipment	10,389	–
Rendering of services	2,786	834
	18,739	4,532
Other income		
Bank interest income	28	28
Rental income	406	379
Government grants	24	390
	458	797
	19,197	5,329

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended 31 March 2020

5. INCOME TAX

The statutory rate of Hong Kong profits tax was 16.5% (2019: 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 2020 (2019: 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 2020 and 2019.

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	
	2020 RMB'000 Unaudited	2019 RMB'000 Unaudited
Current — Elsewhere other than Hong Kong	–	–
Deferred	(985)	(791)
	(985)	(791)

6. DIVIDENDS

The Directors did not recommend payment of an interim dividend for the three months ended 31 March 2020 (2019: Nil).

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

The calculation of the basic earnings per share for the three months ended 31 March 2020 is based on the loss attributable to ordinary equity holders of RMB7,628,000 (2019: loss attributable to ordinary equity holders RMB6,619,000), and the weighted average number of ordinary shares in issue of 300,000,000 (2019: 300,000,000).

No adjustment has been made to the basic earnings per share amounts presented for the period ended 31 March 2020 and 2019 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 ("**EPC Projects**"), or as the equipment contractor, who is responsible for providing technical advice and equipment procurement services for the project ("**Equipment Projects**"). The Group is also engaged in other environmental protection projects, provision of operating and maintenance services ("**O&M Projects**") for the customers in connection with the management of 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.

When the market is expecting signs of economic recovery in 2020, the worldwide economy has been hit hard by the sudden outbreak of the Novel Coronavirus epidemic. In the first quarter of 2020, China's economic GDP fell by 6.8%, marking the first negative growth since records began in 1992. Under the influence of the Novel Coronavirus epidemic, the operating environment of the Group has become more severe. Although the Group's revenue in the first quarter of 2020 increased significantly over the corresponding period last year, the relative gross profit margin also declined significantly due to the economic downturn, together with the increase of approximately RMB2.2 million in the administrative expenses during the Period, resulting in the increase in loss for the first quarter of 2020 as compared to the corresponding period last year.

During the Period, the revenue of the Group increased by approximately RMB14,207,000, or 313.5% to approximately RMB18,739,000 as compared to the corresponding period in 2019. During the Period, the Group recognised approximately RMB337,000 in revenue from the EPC Projects, approximately RMB2,534,000 in revenue from construction projects other than the EPC Projects ("**Construction Projects**"), approximately RMB10,389,000 in revenue from Equipment Projects, approximately RMB2,693,000 in revenue from the development, construction and operating agreement of a sewage treatment project ("**Service Concession Arrangement**") and approximately RMB2,786,000 in revenue from other environmental protection projects for the first quarter of 2020. In comparison, approximately RMB2,042,000 in revenue from Construction Projects, approximately RMB1,656,000 in revenue from Service Concession Arrangement and approximately RMB834,000 in revenue from other environmental protection projects was recognised in the corresponding period in 2019.

Loss attributable to ordinary equity holders for the Period amounted to approximately RMB7,628,000, representing an increase of approximately 15.2% as compared to loss attributable to ordinary equity holders of approximately RMB6,619,000 last year.

OUTLOOK

Under the influence of the Novel Coronavirus epidemic, the loss trend of the Group is expected to continue in the first half of 2020. Fortunately, the Chinese government has been actively taking measures to fight against the Novel Coronavirus epidemic. It is believed that, after the epidemic, the Chinese Government will strive to revitalize the economy. According to the National Bureau of Statistics, the economic indicators improved significantly in March 2020. It is expected that the economic performance in the second quarter will be better than the same in the first quarter, and the greater performance in the second half as compared to the first half. The market also generally expects that there will be a strong rebound in the second and third quarters with a hope to maintain positive growth throughout the year. However, it is estimated that significant time would be required to fight against the epidemic and restore the global economy. During such period, the business emphasis of the Group in 2020 will lay on maintaining stable income and controlling costs for existing projects, developing outstanding new projects as well as preventing potential new risks.

However, the Group began to seek for more changes in the second half of 2019 to actively respond to the related trend. Externally, regardless of business direction or its form of implementation, the Group has consciously extended to the industries related to its main business in both upstream and downstream directions. The Group will consider additional business expansion by means of, inter alia, investment with construction or construction with operation, so as to offer more choices to its customers, while expanding the spectrum of services for the customers.

MANAGEMENT DISCUSSION AND ANALYSIS

Benefiting from the contracts entered into throughout 2019, the Group has several projects that are commencing construction in 2020, such as the water treatment equipment project of Chengdu Wanxing Power Plant (成都萬興電廠) with a contract amount of approximately RMB20,000,000 and the water treatment engineering project of Pacific Textiles Vietnam (互太越南紡織) with a contract amount of approximately USD9,000,000. Such projects will allow the Group to maintain stable operations in 2020.

Therefore, the Directors and management of the Group are cautiously optimistic about the Group's business in 2020.

In conclusion, the Group considers that the market condition may not be desirable in view of the global economic downturn, and a certain period of time is needed for reviving from the profound impact from fighting against the Novel Coronavirus epidemic and for the economic recovery. However, by virtue of the Group's confidence in the Chinese government, it is believed that there would be a promising future whether in terms of relevant policies or macroeconomics, whereas it is also probable that the Group's judgement about the market as well as its adjustment in relation to it may improve its current state of affairs in future. The Group will optimistically face its future challenges in an empirical and diligent manner and by its operational strategy of being grounded.

FINANCIAL REVIEW

Operating revenue

For the Period, the Group's operating revenue amounted to approximately RMB18,739,000, representing an increase of approximately 313.5% or RMB4,532,000 compared to the corresponding period in 2019.

EPC Projects and Construction Projects

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

— Revenue relating to EPC Projects

For the Period, the revenue generated from the EPC Projects was approximately RMB337,000 (2019: nil). The revenue from the EPC Projects in the first quarter of 2020 was primarily attributable to the recognition of revenue from one EPC Project.

— Revenue relating to Construction Projects

For the Period, the revenue generated from Construction Projects was approximately RMB2,534,000 (2019: approximately RMB2,042,000), representing an increase of approximately 24.1% or RMB492,000 over the corresponding period in 2019. The increase in the revenue was primarily attributable to the revenue in the first quarter of 2020 which was derived from one Construction Project, as compared to the corresponding revenue in the first quarter of 2019 which was derived from three Construction Projects.

MANAGEMENT DISCUSSION AND ANALYSIS

Equipment Projects

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

For the Period, the revenue generated from Equipment Projects was approximately RMB10,389,000 (2019: nil). The revenue from Equipment Projects in the first quarter of 2020 was primarily attributable to one Equipment Project.

Service Concession Arrangement

For Service Concession Arrangement, the Group has 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 the operation of the sludge treatment project for a term of 10 years. The construction of the project has been completed and is currently in trial operation. The project is expected to officially commence its operation later this year.

For the Period, the revenue generated from the Service Concession Arrangement segment amounted to approximately RMB2,693,000 (2019: approximately RMB1,656,000), representing an increase of approximately 62.6% or RMB1,037,000 as compared to the corresponding period in 2019. The increase in revenue was primarily attributable to the recognition of revenue of approximately RMB2,693,000 in service income for the Service Concession Arrangement during the trial period in the first quarter of 2020, while the corresponding revenue in the first quarter of 2019 was the revenue of approximately RMB1,656,000 for the recognition of construction progress.

Others

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

For the Period, the revenue generated from rendering of maintenance services amounted to approximately RMB2,786,000 (2019: approximately RMB834,000), representing an increase of approximately 234.1% or RMB1,952,000 as compared to the corresponding period in 2019. The increase was primarily attributable to (i) one technical advisory project in the first quarter of 2020 with revenue contribution of approximately RMB2,170,000 as compared to one technical advisory project with revenue contribution of approximately RMB87,000 only in the corresponding period in 2019; and (ii) O&M projects which contributed approximately RMB616,000 in revenue in the first quarter of 2020 as compared to approximately RMB747,000 in the corresponding period in 2019.

Other income and gains

For the Period, other income and gains amounted to approximately RMB458,000 (2019: approximately RMB797,000), representing a decrease of approximately 42.5% or approximately RMB339,000 as compared to the corresponding period in 2019. The decrease was primarily attributable to the decrease in the income from government grants of approximately RMB366,000 in the first quarter of 2020 as compared to the corresponding period in 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of sales

For the Period, the cost of sales of the Group amounted to approximately RMB17,429,000 (2019: approximately RMB3,821,000), representing an increase of approximately 356.1% or approximately RMB13,608,000 as compared to the corresponding period in 2019.

The increase in cost of sales was mainly due to increased operating revenue. The subcontracting costs increased to approximately RMB2,482,000 for the three months ended 31 March 2020 from approximately RMB1,492,000 for the corresponding period in 2019. The costs of raw material increased to approximately RMB10,547,000 for the three months ended 31 March 2020 from approximately RMB1,574,000 for the corresponding period in 2019, representing an increase of approximately 570.1% or approximately RMB8,973,000 over the corresponding period in 2019.

Gross profit

For the Period, the Group's gross profit of approximately RMB1,310,000 (2019: approximately RMB711,000), representing an increase of approximately 84.2% or approximately RMB599,000 as compared to the corresponding period in 2019. The increase in gross profit of the Group was mainly due to the fact that the revenue in the first quarter of 2019 increased by approximately 313.5% as compared to the corresponding period of last year, but the significant decline in gross profit margin offset the growth in revenue from business due to the effect of global economic environment downturn factor.

Selling and distribution expenses

For the Period, the selling and distribution expenses of the Group amounted to approximately RMB357,000 (2019: approximately RMB703,000), representing a decrease of approximately 49.2% or approximately RMB346,000 compared to the corresponding period in 2019. The decrease in the selling and distribution expenses was mainly attributed to (i) the decrease in salaries and employee benefit of approximately RMB270,000; (ii) the decrease in travelling expense of approximately RMB27,000; and (iii) the decrease in business entertainment fees of approximately RMB59,000.

Administrative expenses

For the Period, the administrative expenses of the Group amounted to approximately RMB9,354,000 (2019: approximately RMB7,160,000), representing an increase of approximately 30.6% or approximately RMB2,194,000 compared to the corresponding period in 2019. The increase in the administrative expenses was mainly attributed to those related expenses arising from the Group's upgrading construction qualification during the Period.

Loss for the Period

For the Period, the loss for the period amounted to approximately RMB7,628,000 as compared to the loss of approximately RMB6,619,000 for the corresponding period in 2019.

DIVIDEND

The Directors do not recommend the payment of an interim dividend for the three months ended 31 March 2020 (2019: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE GOVERNANCE PRACTICES

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

The Company adopted the 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 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 2020, 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 2020, 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 2020, 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	67,117,500 (L)	22.37%
Keen Leap Investments Limited ^(Note 3)	Interest in controlled corporation	67,117,500 (L)	22.37%
Keen Leap Investments Limited	Beneficial owner	2,732,000 (L)	0.91%
Mr. Zhang Yao ^(Note 3)	Interest in controlled corporation	69,849,500 (L)	23.28%
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 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 31 March 2020, 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, 11 May 2020

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

This report, 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 report 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 report misleading.

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.