



**GREAT WATER**

# **GREAT WATER HOLDINGS LIMITED**

(Incorporated in the Cayman Islands with limited liability)

**Stock Code: 8196**

# 2019

## **First Quarterly Report**

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

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

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

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*This 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 2019

- Based on the unaudited condensed consolidated results of the Group for the three months ended 31 March 2019 (the “**Period**”), the Group’s revenue for the Period decreased to approximately RMB4,532,000, representing a decrease of approximately 90.7% as compared to approximately RMB48,704,000 for the corresponding period in 2018.
- During the Period, the Group’s total gross profit decreased to approximately RMB711,000, representing a decrease of approximately 94.6% as compared to approximately RMB13,091,000 for the corresponding period in 2018.
- During the Period, the Group recorded loss attributable to ordinary equity holders of approximately RMB6,619,000 as compared to profit attributable to ordinary equity holders of approximately RMB6,378,000 for the corresponding period in 2018.
- The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2019.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2019

### UNAUDITED FIRST QUARTERLY RESULTS

The board of directors (the “Board”) of the Company is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the Group) for the three months ended 31 March 2019 together with the comparative unaudited figures for the corresponding period of 2018 as follows:

	Notes	For the three months ended 31 March	
		2019 RMB'000 Unaudited	2018 RMB'000 Unaudited
REVENUE	4	4,532	48,704
Cost of Sales		(3,821)	(35,613)
Gross profit		711	13,091
Other income and gains	4	797	3,517
Selling and distribution expenses		(703)	(1,237)
Administrative expenses		(7,160)	(6,783)
Finance costs		(1,055)	(765)
(LOSS)/PROFIT BEFORE TAX		(7,410)	7,823
Income tax expense	5	791	(1,508)
(LOSS)/PROFIT FOR THE PERIOD		(6,619)	6,315
Attributable to:			
Owners of the parent		(6,619)	6,378
Non-controlling interests		–	(63)
		6,619	6,315
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	7	RMB(0.022)	RMB0.021

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the three months ended 31 March 2019

	<b>For the three months ended 31 March</b>	
	<b>2019 RMB'000 Unaudited</b>	2018 RMB'000 Unaudited
<b>OTHER COMPREHENSIVE INCOME</b>		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange difference on translation of foreign operations	<b>(1,016)</b>	(1,947)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	<b>(1,016)</b>	(1,947)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	–	–
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<b>(1,016)</b>	(1,947)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<b>(1,016)</b>	4,368
Attributable to:		
Owners of the parent	<b>(7,635)</b>	4,431
Non-controlling interests	–	(63)
	<b>(7,635)</b>	4,368

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2019

	Share capital <i>RMB'000</i>	Share premium account <i>RMB'000</i>	Merger reserve <i>RMB'000</i>	Asset revaluation reserve <i>RMB'000</i>	Statutory surplus reserve <i>RMB'000</i>	Exchange fluctuation reserve <i>RMB'000</i>	Retained profits <i>RMB'000</i>	Total <i>RMB'000</i>	Non-controlling interests <i>RMB'000</i>	Total equity <i>RMB'000</i>
At 1 January 2018 (audited)	2,397	98,818	(13,830)	9,134	13,192	1,388	104,349	215,448	(64)	215,384
Profit for the period	-	-	-	-	-	-	6,378	6,378	(63)	6,315
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	-	-	-	-	-	(1,947)	-	(1,947)	-	(1,947)
Total comprehensive income for the period	-	-	-	-	-	(1,947)	6,378	4,431	(63)	4,368
At 31 March 2018 (unaudited)	2,397	98,818	(13,830)	9,134	13,192	(559)	110,727	219,879	(127)	219,752
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	8,122	2,406	100,610	214,564	(371)	214,193

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended 31 March 2019

### 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 2019

### 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 RMB’000	Construction Projects RMB’000	Equipment Projects RMB’000	Concession Arrangement RMB’000	Others RMB’000	
31 March 2019 (unaudited)						
<b>Segment revenue:</b>						
Sales to external customers	–	2,042	–	1,656	834	4,532
<b>Segment results</b>	–	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)
<b>Other segment information:</b>						
Depreciation and amortisation						750

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended 31 March 2019

### 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 2018 (unaudited)						
<b>Segment revenue:</b>						
Sales to external customers	28,129	–	19,729	–	846	48,704
<b>Segment results</b>	3,785	–	9,025	–	281	13,091
<i>Reconciliation:</i>						
Interest income						31
Unallocated gains						3,486
Corporate and other unallocated expenses						(8,020)
Finance costs						(765)
Profit before tax						7,823
<b>Other segment information:</b>						
Depreciation and amortisation						746

### Geographical information

#### *Revenue from external customers*

	For the three months ended 31 March	
	2019 RMB'000 Unaudited	2018 RMB'000 Unaudited
Mainland China	4,532	48,704
Vietnam	–	–
	4,532	48,704

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 2019

### 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	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	Unaudited	Unaudited
<b>Revenue</b>		
Construction contracts	3,698	28,129
Sale of equipment	–	19,729
Rendering of services	834	846
	<b>4,532</b>	48,704
<b>Other income</b>		
Bank interest income	28	31
Rental income	379	3,386
Government grants	390	100
	<b>797</b>	3,517
	<b>5,329</b>	52,221

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended 31 March 2019

### 5. INCOME TAX

The statutory rate of Hong Kong profits tax was 16.5% (2018: 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 2019 (2018: 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 2019 and 2018.

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	
	2019 RMB'000 Unaudited	2018 RMB'000 Unaudited
Current — Elsewhere other than Hong Kong	(791)	1,508
Deferred	—	—
Total tax charge for the period	(791)	1,508

### 6. DIVIDENDS

The Directors did not recommend payment of an interim dividend for the three months ended 31 March 2019 (2018: Nil).

### 7. EARNINGS 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 2019 is based on the loss attributable to ordinary equity holders of RMB6,619,000 (2018: profit attributable to ordinary equity holders RMB6,378,000), and the weighted average number of ordinary shares in issue of 300,000,000 (2018: 300,000,000).

No adjustment has been made to the basic earnings per share amounts presented for the period ended 31 March 2019 and 2018 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"). 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 ("Other Environmental Protection Projects"), provision of operating and maintenance services ("O&M Projects") for the customers in connection with the management of waste water treatment and drinking water treatment facilities, as well as consultation services in relation to the improvement of wastewater and drinking water treatment facilities of various constructions.

During the Period, the Group recorded a significant decrease in its revenue and loss for the Period as compared to the corresponding period in 2018. Such undesirable performance are mainly attributable to (1) a slowdown in additional demands for water or water treatment facilities due to the sluggish economy in the People's Republic of China in 2018 and early 2019; and (2) the extension of the commencement of construction for certain projects of the Group from 2018 to 2019. The significant decrease in the Group's revenue led to a corresponding significant decrease in gross profit, resulting in a loss for the Period.

During the Period, the revenue of the Group decreased by approximately RMB44,172,000, or 90.7% to approximately RMB4,532,000 as compared to the corresponding period in 2018. The decrease in revenue was primarily attributable to the factors set out in the above paragraph. During the Period, the Group recognised approximately RMB2,042,000 in revenue from construction projects ("Construction Projects"), approximately RMB1,656,000 in revenue from the development, construction and operating agreement of a sewage treatment project ("Service Concession Arrangement") and approximately RMB834,000 in revenue from Other Environmental Protection Projects for the first quarter of 2019. In comparison, approximately RMB28,129,000 in revenue from EPC Projects, approximately RMB19,729,000 in revenue from Equipment Projects and approximately RMB846,000 in revenue from Other Environmental Protection Projects was recognized in the corresponding period in 2018.

Loss attributable to ordinary equity holders for the Period amounted to approximately RMB6,619,000 as compared to profit attributable to ordinary equity holders approximately RMB6,378,000 last year.

### OUTLOOK

Amid the global economic downturn, domestic economy in the PRC has also inevitably encountered pressure. A series of events including the sluggish economy, increasing pressure in export, on-going overproduction remedies, the "deleveraging" and "relentless monitoring" in the PRC's financial sector as well as expected inflation have inflicted downward pressure on the PRC's economy to a certain extent.

According to the preliminary data from the China National Bureau of Statistics (中國國家統計局), the GDP in the PRC increased 6.6% in 2018, which was 0.2 percentage point lower than that of 2017, and have hit new lows in recent years. The tertiary industry (i.e. financial sector and service industry) has experienced greatest growth. However, the growth in the secondary industry (i.e. manufacturing industry, construction industry and public works) which is closely related to the business of the Group was not desirable. Such trend continue in the first quarter of 2019. Therefore, there has been a consequential slowdown in the additional demands for water or water treatment facilities. In the meantime, the timelines for new projects has been extended considerably. Under such circumstances, there is a significant drop in the total income and profitability, which inevitable resulted in the poor performance, including tightening of income and profit margin, as well as a reduction in liquidity. In addition, as the progress of the new projects has been delayed, it is expected the construction progress of the projects of the Group in the first half of 2019 will be significantly lower than that compared with the corresponding period of 2018.

## MANAGEMENT DISCUSSION AND ANALYSIS

Although the Group currently remains cautious in its performance expectations for 2019, the Group began to seek more changes in second half of 2018 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 and in both upstream and downstream directions. The Group will consider business expansion through investment with construction or construction with operation, so as to offer more choices for the customers, while expanding the spectrum of services for the customers. In terms of choosing customers, the Group will also consciously raise the proportion of state-owned enterprise or state-invested enterprise customers, enhancing our development of and investment in municipal business. Internally, the Group will further strengthen the management of human resources and capital flow to further control our costs and protect our cash flow.

Under the premise of swerving operational concept, the Group has obtained achievement in business development to some extent after successfully entering into the operation agreement with Guangzhou Sewage for the development and construction of a sludge treatment project for the wastewater treatment plant located in Dashadi, Guangzhou, the PRC for a term of ten years in the third quarter of 2018. The project, which is expected to commence at the end of second quarter of 2019, is estimated to lay the solid foundation for the Group's revenue for the next few years.

On the other hand, for some of the projects which are postponed from 2018 to 2019, the Group is optimistic that specific contracts will be executed in 2019 followed by construction commencement. Besides, project deferral may provide the Group with additional time for project-related preparation, which in turn may smoothen our project accomplishment.

### FINANCIAL REVIEW

#### Operating revenue

For the Period, the Group's operating revenue amounted to approximately RMB4,532,000, representing a decrease of approximately 90.7% or RMB44,172,000 compared to the corresponding period in 2018.

#### *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 EPC Project 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, there was no revenue generated from the EPC Projects (2018: approximately RMB28,129,000) as there was no EPC Projects under construction being carried forward from the end of 2018.

#### — *Revenue relating to Construction Projects*

For the Period, the revenue generated from Construction Projects was approximately RMB2,042,000 (2018: Nil). The revenue from Construction Projects in the first quarter of 2018 was primarily attributable to the recognition of revenue from three 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 customer in evaluating and selecting different equipment options before the procurement team comes into play.

For the Period, there was no revenue generated from the Equipment Projects (2018: approximately RMB19,729,000) as there was no Equipments Projects being carried forward from the end of 2018.

### ***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 agreement for a term of 10 years of the project. The project is expected to commence its operation at the end of second quarter of 2019.

For the three months ended 31 March 2019, the revenue generated from the Service Concession Arrangement segment was approximately RMB1,656,000 (2018: Nil). The revenue for the Period was attributable to the relative revenue of work recognized based on the actual costs incurred according to the progress of development and construction work of the Service Concession Arrangement. There was no such gain for the corresponding period last year as the Group did not acquire any Service Concession Arrangement.

### ***Others***

The revenue generated from other environmental protection projects included revenue attributable to O&M Projects and technical advisory services. As at 31 March 2019, the Group had one wastewater treatment O&M Project and four drinking water treatment O&M Projects on hand.

For the three months ended 31 March 2019, the revenue generated from the rendering of maintenance services amounted to approximately RMB834,000 (2018: approximately RMB846,000), representing a decrease of approximately 1.4% or RMB12,000 as compared to the corresponding period in 2018.

### **Other income and gains**

For the Period, other income and gains amounted to approximately RMB797,000 (2018: approximately RMB3,517,000), representing a decrease of approximately 77.3% or approximately RMB2,720,000 as compared to the corresponding period in 2018. The decrease was attributable to there was a rental income (net of cost) from construction equipment of approximately RMB3,023,000 corresponding period of 2018 but there was no such income during the Period.

### **Cost of sales**

For the Period, the cost of sales of the Group amounted to approximately RMB3,821,000 (2018: approximately RMB35,613,000), representing a decrease of approximately 89.3% or approximately RMB31,792,000 compared to the corresponding period in 2018.

The decrease in cost of sales was mainly due to decreased operating revenue. The subcontracting costs increased to approximately RMB1,574,000 for the three months ended 31 March 2019 from approximately RMB153,000 for the corresponding period in 2018. The material costs decreased to approximately RMB1,492,000 for the three months ended 31 March 2019 from approximately RMB34,785,000 for the corresponding period in 2018, representing a decrease of approximately 95.7% or approximately RMB33,293,000 over the corresponding period in 2018.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Gross profit

For the Period, the Group's gross profit of approximately RMB711,000 (2018: approximately RMB13,091,000), representing a decrease of approximately 94.6% or approximately RMB12,380,000 as compared to the corresponding period in 2018. The decrease in gross profit of the Group was mainly due to the fact that the revenue in the first quarter of 2019 decreased by approximately 90.7% as compared to the corresponding period of last year.

### Selling and distribution expenses

For the Period, the selling and distribution expenses of the Group amounted to approximately RMB703,000 (2018: approximately RMB1,237,000), representing a decrease of approximately 43.2% or approximately RMB534,000 compared to the corresponding period in 2018. The decrease in the selling and distribution expenses was mainly attributed to (i) the decrease in salaries and employee benefit of approximately RMB107,000; (ii) the decrease in transportation cost of approximately RMB305,000; and (iii) the decrease in maintenance fee of approximately RMB90,000.

### Administrative expenses

For the Period, the administrative expenses of the Group amounted to approximately RMB7,160,000 (2018: approximately RMB6,783,000), representing an increase of approximately 5.6% or approximately RMB377,000 compared to the corresponding period in 2018. The increase in the administrative expenses was mainly attributed to increase in research and development expenses of approximately RMB260,000.

### Profit for the Period

For the Period, the loss for the period amounted to approximately RMB6,619,000 as compared to a profit for the period of approximately RMB6,315,000 for the corresponding period last year.

## DIVIDEND

The Directors do not recommend the payment of an interim dividend for the three months ended 31 March 2019 (2018: 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 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 the same person is beneficial to the business prospects and management of the Group and the balance of power and authority is ensured by the operation of the senior management and the Board, which comprises experienced individuals. The Board comprised of two executive Directors (including Mr. Xie), one non-executive Director and three independent non-executive Directors during the Period and therefore has sufficient independent elements in its composition.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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.

### 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 2019, 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 Shares

Name of director	Capacity	Number of Shares (Note 1)	Approximate percentage of the total number of Shares in issue
Mr. Xie Yang <sup>(Note 2)</sup>	Interest in controlled corporation	91,350,000 (L)	30.45%
Ms. Gong Lan Lan <sup>(Note 3)</sup>	Interest in controlled corporation	67,117,500 (L)	22.37%

## MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

1. The letter “L” denotes a long position.
2. 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.
3. These Shares are owned by Waterman Global Limited which is wholly owned by The Thinker Global Limited, the 100% interests of which is in turn beneficially owned by Ms. Gong Lan Lan. Accordingly, Ms. Gong Lan Lan is taken or deemed to be interested in the 67,117,500 Shares held by Waterman Global Limited by virtue of the SFO.

Save as disclosed above, as at 31 March 2019, 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.

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

As at 31 March 2019, 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 <sup>(Note 2)</sup>	Beneficial owner	91,350,000 (L)	30.45%
Perfect Wave Holdings Limited <sup>(Note 2)</sup>	Interest in controlled corporation	91,350,000 (L)	30.45%
Waterman Global Limited <sup>(Note 3)</sup>	Beneficial owner	67,117,500 (L)	22.37%
The Thinker Global Limited <sup>(Note 3)</sup>	Interest in controlled corporation	67,117,500 (L)	22.37%
Great Time Ventures Limited <sup>(Note 4)</sup>	Beneficial owner	44,032,500 (L)	14.68%
Topman Ventures Limited <sup>(Note 4)</sup>	Interest in controlled corporation	44,032,500 (L)	14.68%
Mr. Song Xiao Xing <sup>(Note 4)</sup>	Interest in controlled corporation	44,032,500 (L)	14.68%

## MANAGEMENT DISCUSSION AND ANALYSIS

Name of shareholder(s)	Capacity	Number of Ordinary Shares (Note 1)	Approximate percentage of the total number of Shares in issue
Woody Industrial Limited <sup>(Note 5)</sup>	Beneficial owner	17,724,000 (L)	5.91%
Acute Capital Investments Limited <sup>(Note 5)</sup>	Interest in controlled corporation	17,724,000 (L)	5.91%
Mr. Yang Chen Kuo <sup>(Note 5)</sup>	Interest in controlled corporation	17,724,000 (L)	5.91%

*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.
- Ms. Gong Lan Lan beneficially owns the entire issued share capital of The Thinker Global Limited which 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.
- Mr. Yang Chen Kuo beneficially owns the entire issued share capital of Acute Capital Investments Limited which in turn wholly owns Woody Industrial Limited which held 17,724,000 Shares.

Save as disclosed above, as at 31 March 2019, 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.

### 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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, 9 May 2019

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