



**GREAT WATER
GREAT WATER HOLDINGS LIMITED**

建禹集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8196)

**THIRD QUARTERLY RESULTS ANNOUNCEMENT
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020**

**CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG
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*This announcement, for which the directors (the “**Directors**”) of Great Water Holdings Limited (the “**Company**” together with its subsidiaries, the “**Group**”) collectively and individually accept full responsibility, include particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

FINANCIAL HIGHLIGHTS

For the nine months ended 30 September 2020

- Based on the unaudited condensed consolidated results of the Group for the nine months ended 30 September 2020 (the “**Period**”), the Group’s revenue for the Period was approximately RMB36,733,000, representing an increase of approximately 52.2% as compared to approximately RMB24,141,000 for the corresponding period in 2019.
- During the Period, the Group’s gross profit was approximately RMB4,050,000, representing a decrease of approximately 42.4% as compared to approximately RMB7,026,000 for the corresponding period in 2019.
- During the Period, the Group’s loss attributable to ordinary equity holders was approximately RMB17,333,000, representing an increase of approximately 98.1% as compared to loss attributable to ordinary equity holders of approximately RMB8,748,000 for the corresponding period in 2019.
- The Board did not recommend the payment of any dividend for the Period.

UNAUDITED THIRD QUARTERLY RESULTS

The board of Directors (the “**Board**”) of the Company announce the unaudited consolidated results of the Group for the nine months ended 30 September 2020 together with the comparative unaudited figures for the corresponding period in 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2020

	<i>Notes</i>	For the three months ended 30 September		For the nine months ended 30 September	
		2020 <i>RMB'000</i> Unaudited	2019 <i>RMB'000</i> Unaudited	2020 <i>RMB'000</i> Unaudited	2019 <i>RMB'000</i> Unaudited
REVENUE	4	13,411	8,029	36,733	24,141
Cost of Sales		(11,432)	(5,400)	(32,683)	(17,115)
Gross profit		1,979	2,629	4,050	7,026
Other income and gains	4	468	885	1,884	6,983
Selling and distribution expenses		(449)	(656)	(1,628)	(2,261)
Administrative expenses		(7,163)	(6,011)	(22,293)	(18,989)
Finance costs	5	(555)	(822)	(1,942)	(2,656)
LOSS BEFORE TAX		(5,720)	(3,975)	(19,929)	(9,897)
Income tax credit	6	678	431	2,596	1,515
LOSS FOR THE PERIOD		(5,042)	(3,544)	(17,333)	(8,382)
Attributable to:					
Owner of parent		(5,042)	(3,544)	(17,333)	(8,748)
Non-controlling interests		—	—	—	366
		(5,042)	(3,544)	(17,333)	(8,382)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT					
Basic and diluted	8	RMB(0.017)	RMB(0.012)	RMB(0.058)	RMB(0.029)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Continued)

For the three months and nine months ended 30 September 2020

	For the three months ended 30 September		For the nine months ended 30 September	
	2020	2019	2020	2019
Notes	RMB'000	RMB'000	RMB'000	RMB'000
	Unaudited	Unaudited	Unaudited	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	<u>105</u>	<u>1,441</u>	<u>(1,927)</u>	<u>1,458</u>
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	<u>105</u>	<u>1,441</u>	<u>(1,927)</u>	<u>1,458</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	<u>105</u>	<u>1,441</u>	<u>(1,927)</u>	<u>1,458</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	<u>(4,937)</u>	<u>(2,103)</u>	<u>(19,260)</u>	<u>(6,924)</u>
Attributable to:				
Owner of parent	(4,937)	(2,103)	(19,260)	(7,290)
Non-controlling interests	<u>-</u>	<u>-</u>	<u>-</u>	<u>366</u>
	<u>(4,937)</u>	<u>(2,103)</u>	<u>(19,260)</u>	<u>(6,924)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2020

	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 interest <i>RMB'000</i>	Total equity <i>RMB'000</i>
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	-	-	-	-	-	-	(8,748)	(8,748)	366	(8,382)
Other comprehensive income/(loss) for the period:										
Exchange differences on translation of foreign operations	-	-	-	-	-	1,458	-	1,458	-	1,458
Total comprehensive income/(loss) for the period	-	-	-	-	-	1,458	(8,748)	(7,290)	366	(6,924)
At 30 September 2019 (Unaudited)	<u>2,397</u>	<u>98,818</u>	<u>(13,830)</u>	<u>9,134</u>	<u>15,029</u>	<u>4,880</u>	<u>98,481</u>	<u>214,909</u>	<u>5</u>	<u>214,904</u>
	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 interest <i>RMB'000</i>	Total equity <i>RMB'000</i>
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)	<u>2,397</u>	<u>98,818</u>	<u>(13,830)</u>	<u>9,134</u>	<u>13,192</u>	<u>2,395</u>	<u>65,729</u>	<u>179,672</u>	<u>(6)</u>	<u>179,666</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

For the nine months ended 30 September 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 A, 20/F, Wah Hen Commercial Centre, 383 Hennessy Road, Hong Kong.

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

2. BASIS OF PREPARATION

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

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

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four 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

- (e) the other projects (“**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.

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resources 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 measured 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 measurement.

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	<u>793</u>	<u>2,716</u>	<u>26,380</u>	<u>2,693</u>	<u>4,151</u>	<u>36,733</u>
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						<u>(1,942)</u>
Loss before tax						<u>(19,929)</u>

The unaudited segment results for the nine months ended 30 September 2019 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	<u>3,206</u>	<u>2,692</u>	<u>6,132</u>	<u>8,254</u>	<u>3,857</u>	<u>24,141</u>
Segment results	365	504	3,376	341	2,440	7,026
<i>Reconciliation:</i>						
Interest income						78
Unallocated gains						6,905
Corporate and other unallocated expenses						(21,250)
Finance costs						<u>(2,656)</u>
Loss before tax						<u>(9,897)</u>

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	
	2020	2019
	RMB'000	RMB'000
	Unaudited	Unaudited
Revenue		
Income from construction contracting and related business	6,202	14,152
Sales of goods	26,380	6,132
Rendering of maintenance services	4,151	3,857
	36,733	24,141
Other income		
Bank interest income	71	78
Rental income	1,313	1,138
Government grants	487	1,189
Others	13	–
	1,884	2,405
Gains		
Gain on disposal of a subsidiary	–	4,578
	1,884	6,983

5. FINANCE COSTS

An analysis of finance costs is as follows:

	For the nine months ended 30 September	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	Unaudited	Unaudited
Interest on bank loans	<u>1,942</u>	<u>2,656</u>

6. 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 nine months ended 30 September 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 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 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 22% on the taxable income.

	For the nine months ended 30 September	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	Unaudited	Unaudited
Current — Elsewhere other than Hong Kong	—	—
Deferred	<u>(2,596)</u>	<u>(1,515)</u>
Total tax recover for the period	<u>(2,596)</u>	<u>(1,515)</u>

7. DIVIDENDS

The Directors do not recommend payment of any dividend for the nine months ended 30 September 2020 (2019: 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 2020 is based on the loss for the period attributable to ordinary equity holders of RMB17,333,000 (2019: loss attributable to ordinary equity holders of RMB8,748,000), 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 nine months ended 30 September 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.

During the Period, the worldwide economy has been hit hard by the sudden outbreak of COVID-19. In the nine months of 2020, China's GDP rose slightly by 0.7%, the first time it turned from negative to positive during the year. Under the influence of the COVID-19 pandemic, the operating environment of the Group has become severe. Although the Group's revenue in the nine months ended 30 September 2020 increased by 52.2% as compared to the corresponding period last year, the Group recorded a higher net loss after tax as compared to the corresponding period last year.

During the Period, the revenue of the Group increased by approximately RMB12,592,000, or 52.2% to approximately RMB36,733,000 as compared to RMB24,141,000 for the corresponding period in 2019. The significant increase in revenue was mainly attributable to revenue generated from an on schedule delivery of one Equipment Project entered into last year partially off-set by the decrease in revenue from the EPC Project and the development, construction and operating agreement of a sewage treatment project (“**Service Concession Arrangement**”). During the Period, the Group recognized approximately RMB793,000 in revenue from EPC Projects, approximately RMB2,716,000 in revenue from construction project other than the EPC Projects (“**Construction Project**”), approximately RMB26,380,000 in revenue from 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 for the nine months ended 30 September 2020. In comparison, approximately RMB3,206,000 in revenue from EPC Projects, approximately RMB2,692,000 in revenue from Construction Projects, approximately RMB6,132,000 in revenue from Equipment Projects, approximately RMB8,254,000 in revenue from Service Concession Arrangement and approximately RMB3,857,000 in revenue from other environmental protection projects were recognised in the corresponding period in 2019.

The increase in net loss after tax was mainly attributable to (1) a slump in new demands for domestic water supply and water treatment facilities in the PRC due to the negative economic growth across the world as a result of the outbreak of COVID-19; (2) a delay in the commencement of projects since the end of the Spring Festival holidays in 2020 as a result of the outbreak of COVID-19; (3) additional costs for projects in progress, which was required to cope with the dual requirements of epidemic prevention and work schedules concurrently due to a shortage of manpower as a result of the policies imposed due to the outbreak of COVID-19; and (4) the absence of the one-off revenue of approximately RMB4,578,000 recorded from the disposal of a subsidiary during the corresponding period last year.

Loss attributable to ordinary equity holders for the Period amounted to approximately RMB17,333,000, representing an increase of approximately 98.1% as compared to loss attributable to ordinary equity holders of approximately RMB8,748,000 for the corresponding period last year.

OUTLOOK

Under the influence of the COVID-19 pandemic, the loss trend of the Group is expected to continue in the fourth quarter of 2020 and for the year of 2020. Despite China's outstanding performance in handling COVID-19, occasional small-scale outbreaks remind us of the existence of the risks. Although China's GDP rose by 4.9% year-on-year in its third quarter and slightly rose by 0.7% year-on-year in the first three quarters and has managed to make a turnaround from negative growth in the first two quarters, and the market also generally expects that there will be a strong rebound in the fourth quarters with a hope to maintain positive growth throughout the year, it is estimated that significant time would be required to fight against the epidemic and restore the economy. On the other hand, the tense Sino-US relations and the substantial variation in the performance of epidemic prevention among countries have created tremendous obstacles to global stability and economic recovery.

During such uncertain times, the business emphasis of the Group in 2020 will be maintaining stable income and controlling costs for existing projects, constructing new projects as well as preventing potential risks. The Group currently has several projects that will commence construction, such as the industrial solid waste treatment equipment project in the east of Guangzhou (廣州東部工業固廢處理設備項目) with a contract amount of approximately RMB47,880,000 and the water treatment engineering project of Pacific Textiles Vietnam (互太越南紡織水處理工程項目) with a contract amount of approximately USD9,000,000. The Group and Guangzhou Sewage have entered into a ten-year operating agreement for the development and construction of a sludge treatment project at a sewage treatment plant in Dashadi, Guangzhou, the PRC. The project passed the acceptance test in June 2020 and has officially entered the operation stage.

Taking into account delay in the Group's environmental protection engineering project in Vietnam due to the epidemic and challenges in the domestic market development compared to the previous years, the Group plans to (1) optimize its constructions in progress, including having in-depth communication with its clients in response to the requirements of epidemic prevention to control the costs; (2) deploy more resources on marketing potential new projects of existing premium clients; (3) strengthen and enhance the Group's operating cash flow.

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 of the COVID-19 pandemic and for the economic recovery. However, by virtue of the Group's confidence in the Chinese government, the Group believes that China's economy will be able to return to its pre-epidemic level, and the Group's outlook about the market as well as its related adjustments may improve its current state of affairs in the future, and will be able to maintain normal operations in the foreseeable future and to face future challenges optimistically.

FINANCIAL REVIEW

Revenue

For the Period, the Group's revenue amounted to approximately RMB36,733,000, representing an increase of approximately 52.2% or RMB12,592,000 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 from EPC Projects*

For the Period, the revenue generated from EPC Projects was approximately RMB793,000 (2019: approximately RMB3,206,000). Each of the revenue from EPC Projects for each of the Period and the corresponding period in 2019 was derived from one EPC Project and the EPC Project for the year was started in the third quarter and in initial stage, hence the revenue being recognized was lower than the revenue of the corresponding period last year.

— *Revenue from Construction Projects*

For the Period, the revenue generated from Construction Projects was approximately RMB2,716,000 (2019: approximately RMB2,692,000), representing an increase of approximately 0.9% or RMB24,000 over the corresponding period in 2019. The increase in the revenue was primarily attributable to the revenue in the nine months ended of 2020 which was derived from two Construction Projects, as compared to the revenue in the corresponding period of 2019 which was derived from four Construction Projects.

Equipment Projects

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

For the Period, the revenue generated from Equipment Projects was approximately RMB26,380,000 (2019: approximately RMB6,132,000), representing an increase of approximately 330.2% or RMB20,248,000 over the corresponding period in 2019. The increase in the revenue was primarily attributable to the revenue generated in the nine months ended 30 September 2020 which was derived from two Equipment Projects, as compared to the corresponding revenue in the nine months ended 30 September 2019 which was derived from one Equipment Project.

Service Concession Arrangement

For Service Concession Arrangement, the Group acquired a sludge treatment project in a wastewater treatment plant located in Dashadi, Guangzhou, the PRC 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 and the trial operation have been completed and the project passed the official examination in June 2020.

For the Period, the revenue generated from the Service Concession Arrangement segment amounted to approximately RMB2,693,000 (2019: approximately RMB8,254,000), representing a decrease of approximately 67.4% or RMB5,561,000 as compared to the corresponding period in 2019. The decrease was primarily attributable to the recognition of revenue of approximately RMB2,693,000 in service income for the Service Concession Arrangement of the Dashadi wastewater treatment plant for the nine months ended 30 September 2020, while the corresponding revenue in the nine months ended 30 September 2019 was the revenue of approximately RMB8,254,000 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 30 September 2020, the Group had one sludge treatment O&M project, one wastewater treatment O&M Project and four drinking water treatment O&M Projects.

For the Period, the revenue generated from the provision of maintenance services amounted to approximately RMB4,151,000 (2019: approximately RMB3,857,000), representing an increase of approximately 7.6% or RMB294,000 as compared to the corresponding period in 2019. The increase was primarily attributable to (i) one technical advisory project completed during the nine months ended 30 September 2020 with revenue contribution of approximately RMB2,170,000 as compared to three technical advisory projects with revenue contribution of approximately RMB1,622,000 in the corresponding period in 2019; and (ii) O&M projects which contributed approximately RMB1,981,000 in revenue in the nine months ended 30 September 2020 as compared to approximately RMB2,235,000 in the corresponding period in 2019.

Other income and gains

For the Period, other income and gains amounted to approximately RMB1,884,000 (2019: approximately RMB6,983,000), representing a decrease of approximately 73.0% or approximately RMB5,099,000 as compared to the corresponding period in 2019. The decrease was primarily attributable to an one-off revenue of approximately RMB4,578,000 recorded by the disposal of a subsidiary during the corresponding period last year while no such revenue was recorded for the Period.

Cost of sales

For the Period, the cost of sales of the Group amounted to approximately RMB36,683,000 (2019: approximately RMB17,115,000), representing an increase of approximately 91.0% or approximately RMB15,568,000 as compared to the corresponding period in 2019. The increase in cost of sales was mainly due to the increase in revenue and additional costs for the projects caused by the dual requirements of epidemic prevention and a shortage of manpower for concurrent work schedules as a result of the COVID-19 policies. The construction subcontracting costs increased to approximately RMB22,989,000 during the Period from approximately RMB8,839,000 for the corresponding period in 2019. The costs of inventories sold decreased to approximately RMB2,664,000 during the Period from approximately RMB6,345,000 for the corresponding period in 2019, representing a decrease of approximately 58.0% or approximately RMB3,681,000 over the corresponding period in 2019.

Gross profit

For the Period, the Group's gross profit was approximately RMB4,050,000 (2019: approximately RMB7,026,000), representing a decrease of approximately 42.4% or approximately RMB2,976,000 as compared to the corresponding period in 2019. The decrease in gross profit of the Group was mainly attributable to the significant decline in gross profit margin offsetting the growth in revenue from business due to the effect of global economic environment downturn.

Selling and distribution expenses

For the Period, the selling and distribution expenses of the Group amounted to approximately RMB1,628,000 (2019: approximately RMB2,261,000), representing a decrease of approximately 28.0% or approximately RMB633,000 as compared to the corresponding period in 2019. The decrease in the selling and distribution expenses was mainly attributed to the decrease in salaries and employee benefits during the Period.

Administrative expenses

For the Period, the administrative expenses of the Group amounted to approximately RMB22,293,000 (2019: approximately RMB18,989,000), representing an increase of approximately 17.4% or approximately RMB3,304,000 as compared to the corresponding period in 2019. The increase in the administrative expenses was mainly attributed to the related expenses arising from upgrading the Group's construction license qualification during the Period.

Loss for the Period

The loss for the Period amounted to approximately RMB17,333,000 (2019: loss of approximately RMB8,382,000), representing an increase of approximately 106.8% or approximately RMB8,951,000 as compared to the corresponding period in 2019. The increase in the loss for the period was mainly attributed to the significant decline in gross profit margin offsetting the growth in revenue from operations due to the global economic environment downturn and there was an one-off revenue of approximately RMB4,578,000 recorded from the disposal of a subsidiary during the corresponding period last year while no such revenue was recorded for the Period.

Dividend

The Board did not recommend the payment of any dividend for the nine months ended 30 September 2020 (2019: 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, 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 had 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), a 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.

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 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 corporation (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 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 2020.
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 June 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.

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

As at 30 September 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 (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:

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 2020.
3. 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.
4. 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.
5. 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 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.

SHARE OPTION SCHEME

As at 30 September 2020, 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, 10 November 2020

As at the date of this announcement, 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 announcement 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.