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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

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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 announcement, 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 announcement 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 announcement misleading.*

ANNUAL RESULTS

The board of Directors (the "**Board**") of the Company is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2019 together with the comparative audited figures for the corresponding period for the year ended 31 December 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2019

	Notes	**2019** *RMB'000*	2018 *RMB'000*
REVENUE	*4*	**121,601**	178,450
Cost of sales		**(102,992)**	(143,469)
Gross profit		**18,609**	34,981
Other income and gains	*4*	**8,662**	9,137
Selling and distribution expenses		**(3,020)**	(4,101)
Administrative expenses		**(29,459)**	(25,817)
Impairment losses on financial and contract assets	*5*	**(20,158)**	1,630
Other expenses		**(10)**	(16)
Finance costs	*6*	**(3,395)**	(3,362)
PROFIT/(LOSS) BEFORE TAX	*5*	**(28,771)**	12,452
Income tax credit/(expense)	*7*	**4,979**	(4,396)
PROFIT/(LOSS) FOR THE YEAR		**(23,792)**	8,056
Attributable to:			
Owners of the parent		**(24,157)**	8,362
Non-controlling interests		**365**	(306)
		(23,792)	8,056
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	*9*	**RMB(0.08)**	RMB0.03

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)
Year ended 31 December 2019

	Notes	**2019** **RMB'000**	2018 RMB'000
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**900**	2,033
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		**900**	2,033
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**900**	2,033
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**(22,892)**	10,089
Attributable to:			
Owners of the parent		**(23,257)**	10,396
Non-controlling interests		**365**	(307)
		(22,892)	10,089

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**15,867**	56,001
Investment properties		**24,900**	24,000
Right-of-use assets		**436**	–
Prepaid land lease payments		**–**	465
Other intangible assets		**2,456**	3,170
Equity investments designated at fair value through other comprehensive income		**1,500**	–
Total non-current assets		**45,159**	83,636
CURRENT ASSETS			
Inventories		**101**	101
Trade and bills receivables	*10*	**158,528**	162,420
Contract assets		**147,720**	133,652
Prepayments, other receivables and other assets		**53,634**	37,682
Pledged deposits		**2,022**	3,974
Cash and cash equivalents		**24,863**	64,627
Total current assets		**386,868**	402,456
CURRENT LIABILITIES			
Trade payables	*11*	**147,059**	140,432
Other payables and accruals		**35,942**	32,276
Interest-bearing bank and other borrowings	*12*	**42,687**	65,000
Tax payable		**3,296**	4,135
Total current liabilities		**228,984**	241,843
NET CURRENT ASSETS		**157,884**	160,613
TOTAL ASSETS LESS CURRENT LIABILITIES		**203,043**	244,249
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**800**	4,520
Interest-bearing bank and other borrowings	*12*	**3,317**	17,901
Total non-current liabilities		**4,117**	22,421
Net assets		**198,926**	221,828

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
31 December 2019

	2019	2018
	RMB'000	*RMB'000*
EQUITY		
Equity attributable to owners of the parent		
Share capital	**2,397**	2,397
Reserves	**196,535**	219,802
	198,932	222,199
Non-controlling interests	**(6)**	(371)
Total equity	**198,926**	221,828

NOTES

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and equity investments which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group has directly disposed of the related assets or liabilities.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except for the amendments to HKFRS 9 and HKAS 19, and *Annual Improvements to HKFRSs 2015–2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 Determining whether an *Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases — Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under HKAS 17 and related interpretations.

New definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contract for property. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("**short-term leases**") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) (continued)

As a lessee — Leases previously classified as operating leases (continued)

Impact on transition

The Group adopted the transitional provisions in HKFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January. Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in interest-bearing bank and other borrowings. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease

Financial impact at 1 January 2019

The impact arising from the adoption of HKFRS 16 at 1 January 2019 was as follows:

	RMB'000
Assets	
Increase in right-of-use assets	575
Decrease in prepaid land lease payments	(465)
Decrease in prepayments, other receivables and other assets	(12)
Increase in total assets	98
Liabilities	
Increase in interest-bearing bank and other borrowings	108
Increase in total liabilities	108
Decrease in retained profits	(10)

2. **CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)**

(a) (continued)

Financial impact at 1 January 2019 (continued)

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	RMB'000
Operating lease commitments as at 31 December 2018	158
Weighted average incremental borrowing rate as at 1 January 2019	4.75%
Discounted operating lease commitments as at 1 January 2019	108
Lease liabilities as at 1 January 2019	108

(b) Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continued to be measured at amortised cost in accordance with HKFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions. Based on the Group's tax compliance study, the Group determined that it is probable that its tax treatment will be accepted by the tax authorities. Accordingly, the interpretation did not have any impact on the financial position or performance of the Group.

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

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

Segment assets exclude tax recoverable, pledged deposits, cash and cash equivalents, property, plant and equipment, investment properties, right-of-use assets, prepaid land lease payments, equity investments and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude tax payable, deferred tax liabilities, interest-bearing bank and other borrowings (other than lease liabilities) and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

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.

3. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2019	EPC Projects *RMB'000*	Construction Projects *RMB'000*	Equipment Projects *RMB'000*	Service Concession Arrangement *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment revenue						
Sales to external customers	**20,283**	**6,625**	**74,108**	**16,101**	**4,484**	**121,601**
Segment results	**4,281**	**1,101**	**9,757**	**960**	**2,510**	**18,609**
Reconciliation:						
Interest income						**96**
Unallocated gains						**8,566**
Impairment loss						**(20,158)**
Corporate and other unallocated expenses						**(32.536)**
Finance costs (other than interest on lease liabilities)						**(3,348)**
Loss before tax						**(28,771)**
Segment assets	**77,515**	**47,776**	**153,405**	**61,725**	**9,391**	**349,812**
Reconciliation:						
Corporate and other unallocated assets						**82,215**
Total assets						**432,027**
Segment liabilities	**51,734**	**15,584**	**69,829**	**16,970**	**123**	**154,240**
Reconciliation:						
Corporate and other unallocated liabilities						**78,861**
Total liabilities						**233,101**
Other segment information:						
Depreciation and amortisation						**3,556**
Capital expenditure*						**65**

* Capital expenditure consists of additions to property, plant and equipment.

3. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2018	EPC Projects *RMB'000*	Construction Projects *RMB'000*	Equipment Projects *RMB'000*	Service Concession Arrangement *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment revenue						
Sales to external customers	42,983	41,161	46,668	44,629	3,009	178,450
Segment results	908	12,532	17,392	3,104	1,045	34,981
Reconciliation:						
Interest income						112
Unallocated gains						9,025
Reversal of impairment loss, net						1,630
Corporate and other unallocated expenses						(29,934)
Finance costs						(3,362)
Profit before tax						12,452
Segment assets	73,716	70,330	129,339	46,642	9,204	329,231
Reconciliation:						
Corporate and other unallocated assets						156,861
Total assets						486,092
Segment liabilities	48,026	21,026	48,289	26,162	14	143,517
Reconciliation:						
Corporate and other unallocated liabilities						120,747
Total liabilities						264,264
Other segment information:						
Depreciation and amortisation						5,314
Capital expenditure*						4,889

* Capital expenditure consists of additions to property, plant and equipment and other intangible assets.

3. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	2019	2018
	RMB'000	*RMB'000*
Mainland China	**120,685**	177,295
Vietnam	**916**	1,155
	121,601	178,450

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

(b) Non-current assets

	2019	2018
	RMB'000	*RMB'000*
Mainland China	**44,727**	83,120
Vietnam	**432**	516
	45,159	83,636

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about major customers

Revenue derived from sales to each of the major customers, including sales to a group of entities which are known to be under common control with the customers of Service Concession Arrangement, EPC Projects and Equipment Projects segments, which accounted for 10% or more of the Group's revenue for the year is set out below:

	2019	2018
	RMB'000	*RMB'000*
Customer A	**58,041**	44,629
Customer B	**20,283**	42,000
Customer C	**16,101**	35,621
Customer D	**9,957**	22,845

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2019	2018
	RMB'000	*RMB'000*
Revenue from contracts with customers	**121,601**	178,450

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2019

Segments	**EPC Projects**	**Construction Projects**	**Equipment Projects**	**Service Concession Arrangement**	**Others**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Type of goods or services						
Sale of equipment	**6,682**	**–**	**74,108**	**–**	**–**	**80,790**
Construction services	**8,899**	**6,625**	**–**	**16,101**	**–**	**31,625**
Other services	**4,702**	**–**	**–**	**–**	**4,484**	**9,186**
Total revenue from contracts with customers	**20,283**	**6,625**	**74,108**	**16,101**	**4,484**	**121,601**
Geographical markets						
Mainland China	**20,283**	**5,785**	**74,108**	**16,101**	**4,408**	**120,685**
Vietnam	**–**	**840**	**–**	**–**	**76**	**916**
Total revenue from contracts with customers	**20,283**	**6,625**	**74,108**	**16,101**	**4,484**	**121,601**
Timing of revenue recognition						
Equipment transferred at a point in time	**–**	**–**	**74,108**	**–**	**–**	**74,108**
Services transferred over time	**20,283**	**6,625**	**–**	**16,101**	**4,484**	**47,493**
Total revenue from contracts with customers	**20,283**	**6,625**	**74,108**	**16,101**	**4,484**	**121,601**

4. **REVENUE, OTHER INCOME AND GAINS (continued)**

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

For the year ended 31 December 2018

Segments	EPC Projects *RMB'000*	Construction Projects *RMB'000*	Equipment Projects *RMB'000*	Service Concession Arrangement *RMB'000*	Others *RMB'000*	Total *RMB'000*
Type of goods or services						
Sale of equipment	30,906	–	46,668	14,090	–	91,664
Construction services	12,077	41,161	–	30,539	–	83,777
Other services	–	–	–	–	3,009	3,009
Total revenue from contracts with customers	42,983	41,161	46,668	44,629	3,009	178,450
Geographical markets						
Mainland China	42,983	40,006	46,668	44,629	3,009	177,295
Vietnam	–	1,155	–	–	–	1,155
Total revenue from contracts with customers	42,983	41,161	46,668	44,629	3,009	178,450
Timing of revenue recognition						
Equipment transferred at a point in time	–	–	46,668	–	–	46,668
Services transferred over time	42,983	41,161	–	44,629	3,009	131,782
Total revenue from contracts with customers	42,983	41,161	46,668	44,629	3,009	178,450

4. **REVENUE, OTHER INCOME AND GAINS (continued)**

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

Set out below is the reconciliation of the revenue from contracts to customers with the amounts disclosed in the segment information:

For the year ended 31 December 2019

Segments	**EPC Projects** *RMB'000*	**Construction Projects** *RMB'000*	**Equipment Projects** *RMB'000*	**Service Concession Arrangement** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
Revenue from contracts with customers						
External customers	**20,283**	**6,625**	**74,108**	**16,101**	**4,484**	**121,601**
Total revenue from contracts with customers	**20,283**	**6,625**	**74,108**	**16,101**	**4,484**	**121,601**

For the year ended 31 December 2018

Segments	EPC Projects *RMB'000*	Construction Projects *RMB'000*	Equipment Projects *RMB'000*	Service Concession Arrangement *RMB'000*	Others *RMB'000*	Total *RMB'000*
Revenue from contracts with customers						
External customers	42,983	41,161	46,668	44,629	3,009	178,450
Total revenue from contracts with customers	42,983	41,161	46,668	44,629	3,009	178,450

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2019 ***RMB'000***	2018 *RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of equipment	**–**	1,618
Construction services	**18**	–
	18	1,618

4. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of equipment

The performance obligation is satisfied upon delivery of equipment and payment is generally due within 30 days from the date of issuing tax invoice, extending up to the date of final acceptance of the whole projects for certain customers. Some contracts provide customers with a right of return and volume rebates which give rise to variable consideration subject to constraint.

Construction services

The performance obligation is satisfied over time as services are rendered and payment is generally due within 30 days from the date of issuing tax invoice, extending up to the date of final acceptance of the whole projects for certain customers. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

Other services

The performance obligation is satisfied over time as services are rendered. Other service contracts are for periods of one year or less, and are billed based on the time incurred.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2019 are as follows:

	2019	2018
	RMB'000	*RMB'000*
Amounts expected to be recognised as revenue:		
Within one year	**83,609**	31,266
After one year	**188,683**	135,957
	272,292	167,223

All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

4. REVENUE, OTHER INCOME AND GAINS (continued)

	2019	2018
	RMB'000	*RMB'000*
Other income		
Bank interest income	**96**	112
Rental income from investment property operating leases:		
Other lease payments, including fixed payments	**1,508**	4,536
Government grants*		
— Related to income	**1,413**	308
Exchange gains, net	**165**	1,447
Others	**2**	8
	3,184	6,411
Gains		
Fair value gains on investment properties	**900**	650
Gain on disposal of items of property, plant and equipment	**–**	2,076
Gain on disposal of a subsidiary	**4,578**	–
	5,478	2,726
	8,662	9,137

* Government grants for the year ended 31 December 2019 were received from the government authorities of the PRC in recognition of the Group's efforts in intellectual properties in Guangzhou. Government grants for the year ended 31 December 2018 were received from the government authorities of the PRC in recognition of the Group's efforts in high-quality services in Guangzhou.

5. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	2019	2018
	RMB'000	*RMB'000*
Cost of inventories sold	**64,351**	29,276
Cost of construction contracting	**36,736**	112,234
Cost of services provided	**1,905**	1,959
Depreciation of property, plant and equipment	**2,703**	4,758
Depreciation of right-of-use assets (2018: amortisation of land lease payments)	**139**	78
Amortisation of other intangibles assets	**714**	478
Minimum lease payments under operating leases	**104**	–
Auditor's remuneration	**1,381**	1,359
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	**15,046**	13,025
Pension scheme contributions#	**1,202**	1,114
Other welfare expenses	**3,477**	3,348
	19,725	17,487
Foreign exchange differences, net	**(165)**	(1,447)
Impairment of financial and contract assets:		
Impairment/(reversal of impairment) of trade receivables	**14,838**	(1,924)
Impairment of contract assets	**5,320**	294
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	**374**	369
Changes in fair value of investment properties*	**(900)**	(650)
Bank interest income*	**(96)**	(112)
Gain on disposal of items of property, plant and equipment*	**–**	(2,076)
Gain on disposal of a subsidiary	**(4,578)**	–

* Gains are included in "Other income and gains" and the losses are included in "Other expenses", as appropriate, in the consolidated statement of profit or loss and other comprehensive income.

\# As at the end of the years 2019 and 2018, the Group had no material forfeited contributions available to reduce its contributions to the retirement benefit schemes in future years.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2019	2018
	RMB'000	*RMB'000*
Interest on bank loans	**3,348**	3,362
Interest on lease liabilities	**47**	–
	3,395	3,362

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

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 subsidiaries which operate in Mainland China are subject to Corporate Income Tax ("**CIT**") at the rate of 25% on taxable income. Preferential tax treatment is available to the Group's principal operating subsidiary, Great Water Guangzhou, since it was recognised as a High and New Technology Enterprise in Mainland China and a lower PRC CIT rate of 15% had been applied during the years ended 31 December 2019 and 2018.

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

	2019	2018
	RMB'000	*RMB'000*
Current — Elsewhere other than Hong Kong	**(1,259)**	3,186
Deferred	**(3,720)**	1,210
	(4,979)	4,396

8. DIVIDENDS

The board of directors does not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: Nil).

9. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings/(loss) per share amount is based on the profit/(loss) for the year attributable to ordinary equity holders of the parent of loss of RMB24,157,000 (2018: profit of RMB8,362,000), and the weighted average number of ordinary shares of 300,000,000 (2018: 300,000,000) in issue during the year, as adjusted to reflect the rights issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2019 and 2018.

The calculation of basic and diluted earnings/(loss) per share is based on:

	2019	2018
	RMB'000	*RMB'000*
Earnings/(Loss)		
Profit/(Loss) attributable to ordinary equity holders of the parent, used in the basic earnings/(loss) per share calculation:	**(24,157)**	8,362

	Number of shares	
	2019	2018
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**300,000,000**	300,000,000

10. TRADE AND BILLS RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
Trade receivables	**176,413**	164,667
Impairment	**(17,885)**	(3,047)
	158,528	161,620
Bills receivables	**–**	800
	158,528	162,420

Trade receivables represented the outstanding contracted value for the sale of goods, construction contracts and rendering of services receivable from the customers at each of the reporting dates. The Group's trading terms with its customers are mainly on credit. Tax invoices are issued to the customers based on agreed schedules and the Group's trade receivables are subject to various credit terms. The credit period granted to the customers is 30 days from the date of issuing tax invoice, extending up to the date of final acceptance of the whole projects for certain customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise the credit risk. Overdue balances are reviewed regularly by senior management. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. The Group does not hold any collateral or other credit enhancements over these balances. Trade receivables are non-interest-bearing.

10. TRADE AND BILLS RECEIVABLES (continued)

An ageing analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2019	2018
	RMB'000	*RMB'000*
Within one month	**34,539**	1,491
One to three months	**1,578**	594
Three months to one year	**7,734**	54,461
One to two years	**27,347**	94,878
Two to three years	**79,694**	313
Over three years	**7,636**	10,683
	158,528	162,420

The movements in the loss allowance for impairment of trade receivables are as follows:

	2019	2018
	RMB'000	*RMB'000*
At beginning of year	**3,047**	4,971
Impairment loss/(reversal of impairment loss)	**14,838**	(1,924)
At end of year	**17,885**	3,047

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on the collectability rate for groupings of various customer segments with similar credit risk patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

10. TRADE AND BILLS RECEIVABLES (continued)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2019

	Category A	**Category B**	**Category C**	**Category D**	**Total**
Expected credit loss rate	**0%**	**5%**	**7%**	**29%**	**10%**
Gross carrying amount (RMB'000)	**1,801**	**53,722**	**92,863**	**28,027**	**176,413**
Expected credit losses (RMB'000)	**–**	**2,872***	**6,895**	**8,118^**	**17,885**

As at 31 December 2018

	Category A	Category B	Category C	Category D	Total
Expected credit loss rate	0%	0%	0%	10%	1.9%
Gross carrying amount (RMB'000)	1,243	4,238	128,715	30,471	164,667
Expected credit losses (RMB'000)	–	–	–	3,047	3,047

* The impairment excluded an amount of RMB34,313,000 for specific trade receivables which were considered minimum default risk which showed that the Group was likely to receive the outstanding contractual amounts in full.

^ The impairment included an amount of RMB23,296,000 made for specific trade receivables which were considered in default due to indicators which showed that the Group was unlikely to receive the outstanding contractual amounts of RMB7,688,000.

Transfers of financial assets

At 31 December 2019, the Group presented or endorsed certain bills receivable accepted by banks in Mainland China (the "**Derecognised Bills**") to certain suppliers and banks with an aggregate carrying amount of RMB250,000. The Derecognised Bills are all matured at the end of the reporting period.

During the year ended 31 December 2019, the Group had not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively.

11. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the transaction date, is as follows:

	2019	2018
	RMB'000	*RMB'000*
Within one month	**26,909**	30,314
One to three months	**11,495**	988
Three months to one year	**4,722**	62,625
Over one year	**103,933**	46,505
	147,059	140,432

The trade payables are unsecured, non-interest-bearing and are normally settled in 30 to 90 days.

12. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2019			1 January 2019	31 December 2018		
	Effective interest rate (%)	**Maturity**	***RMB'000***	*RMB'000*	Effective interest rate (%)	Maturity	*RMB'000*
Current							
Lease liabilities	**4.75**	**2020**	**51**	108	–	–	–
Bank loans — secured	**5.00–6.70**	**2020**	**42,636**	65,000	5.00–6.09	2019	65,000
			42,687	65,108			65,000
Non-Current							
Bank loan — secured	**6.70**	**2022**	**3,317**	17,901	5.88	2027	17,901
			3,317	17,901			17,901
			46,004	83,009			82,901

	2019	2018
	RMB'000	*RMB'000*
Analysed into:		
Bank loans repayable:		
Within one year	**42,636**	65,000
Beyond one year	**3,317**	17,901
	45,953	82,901
Other borrowings repayable:		
Within one year	**51**	–
	51	–
	46,004	82,901

12. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

Notes:

(a) The Group's banking facilities amounting to RMB87,000,000 (2018: RMB112,901,000), of which RMB45,953,000 (2018: RMB82,901,000) had been utilised as at the end of the reporting period, are secured by:

(i) mortgages over the Group's investment properties situated in Mainland China, which had an aggregate carrying value at the end of the reporting period of RMB24,900,000 (2018: RMB24,000,000);

(ii) mortgages over the Group's buildings, which had an aggregate carrying value at the end of the reporting period of approximately RMB7,101,000 (2018: RMB44,759,000); and

(iii) mortgages over the Group's right-of-use assets (2018: prepaid lease payments), which had an aggregate carrying value at the end of the reporting period of RMB399,000 (2018: RMB477,000).

(b) The bank loans are denominated in RMB.

13. COMMITMENTS

(a) The Group had the following capital commitments at the end of the reporting period:

	2019	2018
	RMB'000	*RMB'000*
Contracted, but not provided for:		
Purchases of items of equipment for projects	**93,190**	103,005
Capital contribution payable to joint venture companies	**20,400**	20,400
	113,590	123,405

(b) Operating lease commitments as at 31 December 2018

The Group leased certain of its office properties in Vietnam and Mainland China under operating lease arrangements. Leases for office properties are negotiated for terms ranging from three to five years.

At 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018
	RMB'000
Within one year	100
In the second to fifth years, inclusive	58
	158

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 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 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.

The global economy has experienced a downturn in 2019. According to the World Economic Situation and Prospects 2020 published by the United Nations, the global economic growth rate decreased to 2.3% in 2019, being the lowest in the last decade. As an important part of the global economy, although China's GDP growth rate remained at 6.1% in 2019, a significant decline was recorded as compared to 6.6% in 2018. In the first three quarters of 2019, China's GDP growth rate showed a downward trend, which was 6.4%, 6.2% and 6.0% respectively. The GDP growth rate significantly recovered in the fourth quarter, resulting in the annual growth rate was 6.1%

Environmental protection industry, which is closely related to economic growth, has undergone tremendous pressure in 2019. Many listed environmental protection companies have experienced decline in profit, and only a few companies recorded growth in gross profit margin and net profit margin. On the other hand, numerous environmental protection companies have been seeking for larger and stronger partners, and the mixed-ownership reform of environmental protection industry has been undergoing in full swing. Many state-owned enterprises have vigorously developed their environmental protection sectors, or actively participated in the environmental protection industry by virtue of taking former private environmental company as its new holding party. The situation of the environmental protection industry in China was not optimistic in 2019.

The Group is inevitably affected. On one hand, in view of the overall economic downturn in 2019, the growth in the secondary industries (i.e. the manufacturing industry, the construction industry and public works, etc.), which are closely related to the business of the Group, was still not desirable compared with that in the past, resulting in a slowdown in additional demands for water or water treatment facilities. In the meantime, the timelines for new projects have been extended considerably. Under such circumstances, there was a significant drop in indicators such as total income and profitability, which has unavoidably resulted in poor performance including shrinking of income and profit margin, as well as a reduction in liquidity. On the other hand, as the progress of the new projects has been delayed, the overall construction progress of the projects of the Group in 2019 has experienced a drastic decline when compared with the corresponding period in 2018. In addition, the Group has provided for impairment of certain account receivables and contract assets in aggregate of approximately RMB20,158,000 in relation to projects with long-aged receivables and contract assets on a prudent basis. Accordingly, for the first time in recent years, the Group inevitably recorded a loss for the year ended 31 December 2019 of approximately RMB23,792,000.

For the year ended 31 December 2019, the revenue of the Group decreased by approximately RMB56,849,000, or approximately 31.9%, to approximately RMB121,601,000 as compared to the year of 2018. For the year ended 31 December 2019, the Group recognised approximately RMB20,283,000 in revenue from the EPC Projects, approximately RMB6,625,000 from construction projects other than EPC Projects ("**Construction Projects**"), approximately RMB74,108,000 from Equipment Projects, and approximately RMB16,101,000 from the development, construction and operating agreement of a sewage treatment project ("**Service Concession Arrangement**") for the year ended 31 December 2019, compared to approximately RMB42,983,000 from EPC Projects, approximately RMB41,161,000 from Construction Projects, approximately RMB46,668,000 from Equipment Projects and approximately RMB44,629,000 from Service Concession Arrangement for the year of 2018.

Loss for the year ended 31 December 2019 amounted to approximately RMB23,792,000, while profit for the year ended 31 December 2018 amounted to approximately RMB8,056,000.

OUTLOOK

When the market is expecting signs of economic recovery in 2020, the worldwide economy, more particularly in China, has been hit hard by the sudden outbreak of the Novel Coronavirus. According to the forecasts from certain financial news websites, there may be no economic growth in China in the first quarter of 2020. As China has been playing a prominent role in globalization, the China market would definitely affect the development of the world economy. 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. 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. In the meantime, the Group has a certain level of business reserve at the end of 2019.

Of the projects currently under construction or operation of the Group, there are two large-scale projects, which were the Equipment Project of sewage treatment in Guangzhou Huashan signed in 2019, with a contract amount of approximately RMB110,000,000 and the sludge treatment project in Guangzhou Baiyun Airport for an operation of 3.5 years, with a construction contract amount of approximately RMB32,000,000 and the estimated annual service fee of approximately RMB4,000,000. Equipment Project of sewage treatment in Huashan is currently under construction, while the construction of sludge treatment project in Baiyun Airport has been completed, and its operation has commenced in the end of 2019. These projects will lay a solid foundation for the Group's business performance in the first half of 2020.

Benefiting from the contracts entered into throughout 2019, the Group has several projects that are expected to commence 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 a 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 surviving from the profound impact from fighting against the Novel Coronavirus epidemic and for the economic recovery. However, by virtue of our 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 our adjustment in relation to it may improve our current state of affairs in future. The Group will optimistically face our future challenges in an empirical and diligent manner and by our operational strategy of being grounded.

FINANCIAL REVIEW

Operating revenue

For the year ended 31 December 2019, the Group's operating revenue amounted to approximately RMB121,601,000, representing a decrease of approximately 31.9% or RMB56,849,000 as compared to the year ended 31 December 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 building a treatment plant from initiation to commissioning for a predetermined contract amount. As an engineering procurement and construction contractor, the Group provides engineering design of the treatment facilities, procures necessary materials and appoints sub-contractors to build the facilities. The Group also engages in construction projects related to other environmental protection areas (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 year ended 31 December 2019, the revenue generated from EPC Projects relating to wastewater and drinking water treatment projects under construction and related business was approximately RMB20,283,000 (2018: approximately RMB42,983,000), representing a decrease of approximately 52.8% or RMB22,700,000 over the corresponding period in 2018. The decrease in revenue from EPC Projects for the year ended 31 December 2019 was primarily attributable to the recognition of revenue of approximately RMB20,283,000 in revenue from one large-scale EPC Project. In contrast, the revenue from EPC Projects for the year ended 31 December 2018 was derived from one large-scale EPC Project in the amount of approximately RMB42,000,000 and one small-sized EPC Project in the amount of approximately RMB983,000.

— *Revenue relating to Construction Projects*

For the year ended 31 December 2019, the revenue generated from Construction Projects was approximately RMB6,625,000 (2018: approximately RMB41,161,000), representing a decrease of approximately 83.9% or RMB34,536,000 over the corresponding period in 2018. The decrease in revenue from Construction Projects for the year ended 31 December 2019 was primarily attributable to the recognition of revenue of approximately RMB6,625,000 in revenue from seven small-sized Construction Projects. In contrast, the revenue from Construction Projects for the corresponding period in 2018 was derived from three large-scale Construction Projects in the amount of approximately RMB36,504,000 and another eight small-sized Construction Projects in the amount of approximately RMB4,657,000.

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 year ended 31 December 2019, the revenue generated from Equipment Projects amounted to approximately RMB74,108,000 (2018: approximately RMB46,668,000), representing an increase of approximately 58.8% or RMB27,440,000 as compared to the corresponding period in 2018. The increase in revenue from Equipment Projects for the year ended 31 December 2019 was primarily attributable to the recognition of revenue of approximately RMB67,998,000 in revenue from one large-scale Equipment Project. The rest of the revenue, in the amount of approximately RMB6,110,000, was generated from another three small-sized Equipment Projects. In contrast, the revenue from Equipment Projects for the corresponding period in 2018 was derived from seven large-scale Equipments Projects in the amount of approximately RMB25,558,000 and another eight small-sized Equipment Projects in the amount of approximately RMB21,110,000.

Service Concession Arrangement

For Service Concession Arrangement, the Group has acquired a sludge treatment Service Concession Arrangement in a wastewater treatment plant located in Dashadi from Guangzhou Sewage in the third quarter of 2018. The Group, as a contractor, is responsible for the development, construction and operation of the slugde treatment project for a term of 10 years. The construction of the project is completed and is currently under trial run. It is expected to commence its formal operation later in this year.

For the year ended 31 December 2019, the revenue generated from the Service Concession Arrangement segment was approximately RMB16,101,000 (2018: approximately RMB44,629,000). The decrease in revenue from Service Concession Arrangement for the year ended 31 December 2019 was primarily attributable to the recognition of revenue of approximately RMB8,937,000 in construction work and approximately RMB7,164,000 revenue from service income during the trial period. In contrast, the revenue for the corresponding period in 2018 was derived from the revenue of construction work of the Service Concession Arrangement.

Others

The revenue under the other segment included revenue attributable to O&M Projects and technical advisory services. As at 31 December 2019, the Group had one wastewater treatment O&M Project and four drinking water treatment O&M Projects on hand.

For the year ended 31 December 2019, the revenue generated from rendering of maintenance services amounted to approximately RMB4,484,000 (2018: approximately RMB3,009,000), representing an increase of approximately 49.0% or RMB1,475,000 as compared to the corresponding period in 2018. The increase was primarily attributable to (i) three technical advisory projects during the year ended 31 December 2019 with revenue contribution of approximately RMB1,623,000 as compared to three technical advisory projects with revenue contribution of approximately RMB94,000 in the corresponding period in 2018; and (ii) O&M projects which contributed approximately RMB2,861,000 in revenue during the year ended 31 December 2019 as compared to approximately RMB2,915,000 in the corresponding period in 2018.

Other income and gains

For the year ended 31 December 2019, other income and gains amounted to approximately RMB8,662,000 (2018: approximately RMB9,137,000), representing a decrease of approximately 5.2% or approximately RMB475,000 as compared to the corresponding period in 2018.

Cost of sales

For the year ended 31 December 2019, the cost of sales of the Group amounted to approximately RMB102,992,000 (2018: approximately RMB143,469,000), representing a decrease of approximately 28.2% or approximately RMB40,447,000 compared to the corresponding period in 2018.

The decrease in cost of sales was mainly due to the decreased operating revenue for the year ended 31 December 2019. The subcontracting costs decreased to approximately RMB23,358,000 for the year ended 31 December 2019 from approximately RMB45,628,000 for the corresponding period in 2018. The material costs decreased to approximately RMB66,411,000 for the year ended 31 December 2019 from approximately RMB93,043,000 for the corresponding period in 2018, representing a decrease of approximately 28.6% or approximately RMB26,632,000 over the corresponding period in 2018.

Gross profit

For the year ended 31 December 2019, the gross profit of the Group was approximately RMB18,609,000 (2018: approximately RMB34,981,000), representing a decrease of approximately 46.8% or approximately RMB16,372,000 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 for the year ended 31 December 2019 decreased by approximately 31.9% as compared to the corresponding period in 2018 and the overall lower gross profit margins of approximately 15.3% for the year ended 31 December 2019 as compared to approximately 19.6% the corresponding period in 2018.

Selling and distribution expenses

For the year ended 31 December 2019, the selling and distribution expenses of the Group amounted to approximately RMB3,020,000 (2018: approximately RMB4,101,000), representing a decrease of approximately 26.4% or approximately RMB1,081,000 compared to the corresponding period in 2018. The decrease in the selling and distribution expenses was mainly due to (i) the decrease in salaries and employee benefit of approximately RMB700,000 as a result of reducing manpower in the marketing department; (ii) the decrease in travelling expenses of approximately RMB166,000; and (iii) the decrease in transportation cost of approximately RMB144,000.

Administrative expenses

For the year ended 31 December 2019, the administrative expenses of the Group amounted to approximately RMB29,459,000 (2018: approximately RMB25,817,000), representing an increase of approximately 14.1% or approximately RMB3,642,000 compared to the corresponding period in 2018. The increase in the administrative expenses was mainly due to (i) the increase in salaries and employee benefit of approximately RMB614,000; and (ii) the increase in research and development cost of approximately RMB2,724,000.

Impairment losses on financial and contract assets

For the year ended 31 December 2019, the impairment losses on financial and contract assets amounted to approximately RMB20,158,000 as compared to recovering of approximately RMB1,630,000 for the corresponding in 2018. The Group provided significant amount of impairment for the year ended 31 December 2019 in relation to projects with long-aged receivables and contract assets on a prudent basis after considering the impact of the unstable economy environment in the coming future.

Profit/loss for the year

The loss for the year ended 31 December 2019 amounted to approximately RMB23,792,000 as compared to profit for the year of approximately RMB8,056,000 for the corresponding in 2018. The decrease was a consequence of the decrease in revenue of the Group and the provision for impairment of certain account receivables and contract assets for the year ended 31 December 2019.

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: Nil), in order to cope with the future business development of the Group. There is no arrangement under which a shareholder of the Company has waived or agreed to waive any dividend.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The shares of the Company were successfully listed on the GEM of the Stock Exchange on 9 December 2015, since then there was no change in the capital structure of the Group. The capital of the Company comprises only of ordinary shares.

As at 31 December 2019, the total equity attributable to the shareholders of the Company was approximately RMB198,932,000 (2018: approximately RMB222,199,000). The Group continued to maintain a healthy financial position with cash and cash equivalents amounted to approximately RMB24,863,000 (2018: approximately RMB64,627,000). The Group's net current assets was approximately RMB157,884,000 (2018: approximately RMB160,613,000). Based on the Group's existing cash and cash equivalents on hand and bank facilities available to the Group, the Group has adequate financial resources to fund the working capital required for its business operations in the coming year. There was no hedging for any financial instruments.

During the year ended 31 December 2019, the Group's cash and cash equivalents were mainly denominated in RMB, Hong Kong dollars and US dollars and placed in reputable financial institutions as deposits with maturity dates falling within one year. This is in line with the Group's treasury policy to maintain liquidity of its funds and will continue to contribute stable income to the Group.

As at 31 December 2019, the Group had general banking facilities amounted to approximately RMB87,000,000. The total borrowing drawn down from the banking facilities of the Company as at 31 December 2019 amounted to RMB45,953,000 (2018: RMB82,901,000). The banking facilities were pledged by the Group's land and buildings. For details of the pledged assets, please refer to the paragraph headed "Charges on the Group's Assets" below.

GEARING RATIO

As at 31 December 2019, the Group's gearing ratio (being the net debt of the Group divided by its total capital plus net debt) was 50% (2018: 46%). Net debt of the Group includes an interest-bearing bank borrowing, trade payables and other payables and accruals, less cash and cash equivalents. Capital represents equity attributable to owners of the Company.

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

There was no significant investment held by the Group as at 31 December 2019.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group formed a joint venture company ("**JV Company**") (together with its subsidiary, the "**JV Group**") with Best Well Ventures Limited ("**Best Well**") in the fourth quarter of 2016. The JV Group with a total capital commitment of RMB50,000,000 (the "**Capital Commitment**") were formed to develop and promote business in the hazardous wastes treatment industry in the PRC pursuant to its shareholders' agreement. Upon establishment of the JV Company in December 2016, Strong Wave Group Limited ("**Strong Wave**"), a direct wholly-owned subsidiary of the Company, and Best Well held 92% and 8% equity interests in the JV Company, respectively. For details of the formation and management of the JV Group, please refer to the announcement of the Company dated 30 September 2016. On 31 January 2019, the Group entered into an agreement to dispose of all of its investment in the JV Company. The disposal was completed in March 2019 and the Group no longer have any interest in the JV Company and the financial results of the JV Company no longer be consolidated into the Group's financial statements. Further details are set out in the announcement of the Company dated 31 January 2019. Except as disclosed above, the Group did not have any other material acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 December 2019.

COMMITMENTS

The contractual operating commitments of the Group were primarily related to the purchases of items of equipment for projects. As at 31 December 2019, the Group's contractual operating commitments amounted to approximately RMB93,190,000 (2018: approximately RMB103,005,000).

As at 31 December 2019, there was capital commitment amounting to approximately RMB20,400,000 for the Group (2018: RMB20,400,000).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group does not have future plans for material investments and capital assets as at the date of this announcement.

CONTINGENT LIABILITIES

As at 31 December 2019, the Group did not have material contingent liabilities.

CHARGES ON THE GROUP'S ASSETS

At 31 December 2019 and 2018, the Group's buildings, with net carrying amount of RMB7,101,000 for 2019 and RMB44,759,000 for 2018, were pledged to secure general banking facilities granted to the Group.

At 31 December 2019 and 2018, the Group's investment properties, with carrying amount of RMB24,900,000 for 2019 and RMB24,000,000 for 2018, were pledged to secure general banking facilities granted to the Group.

At 31 December 2019 and 2018, the Group's leasehold land, with carrying amount of RMB399,000 for 2019 and RMB477,000 for 2018, were pledged to secure general banking facilities granted to the Group.

FOREIGN EXCHANGE EXPOSURE

The Group's main operations are in the PRC with most of its transactions settled in RMB. The Directors are of the opinion that the Group's exposure to foreign exchange risk is insignificant. During the year ended 31 December 2019, the Group did not hedge any exposure to foreign exchange risk.

ADVANCES TO AN ENTITY

As at 31 December 2019, the Group did not provide any advances to any entity outside the Group.

PLEDGING OF SHARES BY THE CONTROLLING SHAREHOLDERS

As at 31 December 2019, there was no pledging of Shares by the controlling shareholders of the Company (the "**Controlling Shareholders**").

LOAN AGREEMENTS OF THE GROUP

As at 31 December 2019, the Group did not enter into any loan agreement with covenants relating to specific performance of the Controlling Shareholders.

During the year ended 31 December 2019, the Group did not breach any terms of agreement in respect of any loan that is significant to the Group's operations.

FINANCIAL ASSISTANCE AND GUARANTEES TO AFFILIATED COMPANIES

As at 31 December 2019, the Group did not provide any financial assistance and guarantees to affiliated companies of the Group.

SHARE OPTION SCHEME

As at 31 December 2019, the Group did not adopt any share option scheme.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2019, the Group had 89 employees (2018: 87 employees). Employee costs amounted to approximately RMB21.4 million for the year ended 31 December 2019 (2018: approximately RMB19.3 million). The Group will endeavor to ensure that the employees' salary levels are in line with industry practice and prevailing market conditions and that employees' remuneration is determined based on their performance.

TRAINING AND SUPPORT FOR DIRECTORS AND EMPLOYEES

The Company recognises the importance of keeping the Directors up to date with latest information of duties and obligations of a director of a company the shares of which are listed on the Stock Exchange and the general regulatory requirements and environment for such listed company. To meet this goal, each newly appointed Director would receive an introductory training regarding the statutory and regulatory obligations of a director of a listed company in Hong Kong. As part of the continuous professional development program, the Company has also kept the Directors updated of any material changes in the GEM Listing Rules and corporate governance practices from time to time. Directors are provided with reading materials summarising the duties and responsibilities in acting as directors from time to time to keep the Directors abreast of such duties and responsibilities.

Periodical training will be provided to the employees of the Group in order to maintain and enhance their professional and technical skills. Those trainings will be organised internally by the Group or will involve course and forums organised by external parties.

ANNUAL GENERAL MEETING

The annual general meeting of the Company for the year ended 31 December 2019 (the "**AGM**") will be held on Monday, 11 May 2020. A notice convening the AGM will be issued and sent to the shareholders of the Company in due course.

The register of members of the Company will not be closed for the purpose of ascertaining the right of Shareholders of the Company to attend and vote at the forthcoming AGM to be held on Monday, 11 May 2020. However, in order to qualify for attending and voting at the forthcoming AGM, all transfers documents accompanied by the relevant share certificates must be deposited with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 5 May 2020.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2019, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

EVENTS AFTER 31 DECEMBER 2019

The outbreak of the Novel Coronavirus in early 2020 has spread across mainland China and beyond, causing disruptions to businesses and economic activity. The Group considers this outbreak to be a non-adjusting post balance sheet event. As the epidemic is fluid and rapidly evolving, the related impact on the Group's consolidated results of operations, cash flows and financial condition could not be reasonably estimated at this stage and will be reflected in the Group's 2020 financial statements.

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 year ended 31 December 2019. 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 year ended 31 December 2019 and therefore has sufficient independent elements in its composition.

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 for the year ended 31 December 2019.

REVIEW OF FINANCIAL STATEMENT

During the year ended 31 December 2019, the audit committee of the Company (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 annual results of the Group for the year ended 31 December 2019 and this announcement and is of the view that such results and the annual report complied with the applicable accounting standards, the GEM Listing Rules and other applicable legal requirements, and that adequate disclosure has been made. The Audit Committee has also reviewed the effectiveness of the internal control and risk management systems of the Group.

FINANCIAL INFORMATION

The financial information set out in this announcement does not constitute the Group's audited consolidated financial statements for the year ended 31 December 2019, but represents an extract from those financial statements. The financial information has been reviewed by the Audit Committee, approved by the Board and agreed by the Group's external auditors, Ernst & Young, as to the amounts set out in the Group's consolidated financial statements. The work performed by the Group's auditors in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the Group's auditors on this announcement.

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

Guangzhou, PRC, 23 March 2020

As at the date of this announcement, 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.