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 2016

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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 2016 together with the comparative audited figures for the corresponding period for the year ended 31 December 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2016

	Notes	**2016** *RMB'000*	2015 *RMB'000*
REVENUE	*4*	**179,329**	166,985
Cost of sales		**(119,212)**	(122,855)
Gross profit		**60,117**	44,130
Other income and gains	*4*	**10,249**	3,012
Selling and distribution expenses		**(2,521)**	(1,755)
Administrative expenses		**(21,158)**	(24,312)
Other expenses		**(107)**	(45)
Finance costs	*6*	**(178)**	(618)
PROFIT BEFORE TAX	*5*	**46,402**	20,412
Income tax expense	*7*	**(8,181)**	(3,495)
PROFIT FOR THE YEAR		**38,221**	16,917
Attributable to:			
Owners of the parent		**38,223**	16,917
Non-controlling interests		**(2)**	–
		38,221	16,917
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	*9*	**RMB0.13**	RMB0.07

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)
Year ended 31 December 2016

	2016 *RMB'000*	2015 *RMB'000*
PROFIT FOR THE YEAR	**38,221**	16,917
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**3,816**	1,144
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**3,816**	1,144
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**3,816**	1,144
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**42,037**	18,061
Attributable to:		
Owners of the parent	**42,039**	18,061
Non-controlling interests	**(2)**	–
	42,037	18,061

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	Notes	**2016** **RMB'000**	2015 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**13,637**	6,216
Investment properties		**20,788**	20,425
Prepaid land lease payments		**644**	158
Total non-current assets		**35,069**	26,799
CURRENT ASSETS			
Inventories		**77**	130
Gross amounts due from contract customers		**34,466**	1,608
Trade and bills receivables	*10*	**84,430**	72,604
Prepayments, deposits and other receivables		**25,618**	14,139
Pledged deposits		**1,035**	–
Cash and cash equivalents		**124,971**	111,792
Total current assets		**270,597**	200,273
CURRENT LIABILITIES			
Trade payables	*11*	**58,751**	55,612
Other payables and accruals		**18,520**	15,218
Interest-bearing bank borrowing	*12*	**40,000**	15,000
Tax payable		**6,732**	3,143
Total current liabilities		**124,003**	88,973
NET CURRENT ASSETS		**146,594**	111,300
TOTAL ASSETS LESS CURRENT LIABILITIES		**181,663**	138,099
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**4,460**	2,933
Total non-current liabilities		**4,460**	2,933
Net assets		**177,203**	135,166
EQUITY			
Equity attributable to owners of the parent			
Share capital		**2,397**	2,397
Reserves		**174,808**	132,769
		177,205	135,166
Non-controlling interests		**(2)**	–
Total equity		**177,203**	135,166

NOTES

1. BASIS OF PREPARATION

These 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 ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**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 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 for the year ended 31 December 2016. 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 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
HKFRS 14	*Regulatory Deferral Accounts*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012–2014 Cycle	Amendments to a number of HKFRSs

The adoption of the above new and revised standards has had no significant financial effect on these financial statements.

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, including soil remediation project;

(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; and

(d) 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 resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, finance costs, fair value gains from the Group's investment properties as well as head office and corporate expenses are excluded from such measurement.

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

3. **OPERATING SEGMENT INFORMATION (continued)**

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.

Year ended 31 December 2016	**EPC Projects** *RMB'000*	**Construction Projects** *RMB'000*	**Equipment Projects** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
Segment revenue:					
Sales to external customers	**48,949**	**10,735**	**112,929**	**6,716**	**179,329**
Segment results	**7,936**	**1,848**	**45,925**	**4,408**	**60,117**
Reconciliation:					
Interest income					**83**
Unallocated gains					**10,166**
Corporate and other unallocated expenses					**(23,786)**
Finance costs					**(178)**
Profit before tax					**46,402**
Segment assets	**45,132**	**20,047**	**74,711**	**1,589**	**141,479**
Reconciliation:					
Corporate and other unallocated assets					**164,187**
Total assets					**305,666**
Segment liabilities	**25,886**	**6,396**	**31,090**	**15**	**63,387**
Reconciliation:					
Corporate and other unallocated liabilities					**65,076**
Total liabilities					**128,463**
Other segment information:					
Depreciation and amortisation					**736**
Capital expenditure*					**3,644**

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

3. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2015	EPC Projects *RMB'000*	Construction Projects *RMB'000*	Equipment Projects *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment revenue:					
Sales to external customers	5,840	12,041	144,275	4,829	166,985
Segment results	862	2,910	37,659	3,073	44,504
Reconciliation:					
Interest income					89
Unallocated gains					2,549
Corporate and other unallocated expenses					(26,112)
Finance costs					(618)
Profit before tax					20,412
Segment assets	19,643	2,752	62,029	2,482	86,906
Reconciliation:					
Corporate and other unallocated assets					140,166
Total assets					227,072
Segment liabilities	2,018	2,743	54,730	530	60,021
Reconciliation:					
Corporate and other unallocated liabilities					31,885
Total liabilities					91,906
Other segment information:					
Depreciation and amortisation					515
Capital expenditure*					2,504

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

Geographical information

(a) Revenue from external customers

	2016 *RMB'000*	2015 *RMB'000*
Mainland China	**172,363**	163,535
Vietnam	**6,966**	3,450
	179,329	166,985

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

3. OPERATING SEGMENT INFORMATION (continued)

Geographical information (continued)

(b) Non-current assets

	2016	2015
	RMB'000	*RMB'000*
Mainland China	**34,284**	26,791
Vietnam	**785**	8
	35,069	26,799

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 these customers of EPC Projects and Equipment Projects segments, which accounted for 10% or more of the Group's revenue for the year is set out below:

	2016	2015
	RMB'000	*RMB'000*
Customer A	**37,795**	48,205
Customer B	**35,316**	31,525
Customer C	**29,217**	24,171

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts; an appropriate proportion of contract revenue of construction contracts; the value of services rendered; and rental income received and receivable from investment properties during the year ended 31 December 2016.

An analysis of revenue, other income and gains is as follows:

	2016	2015
	RMB'000	*RMB'000*
Revenue		
Income from construction contracting and related business	**59,684**	17,881
Sale of goods	**112,929**	144,275
Rendering of maintenance services	**6,716**	4,829
	179,329	166,985
Other income		
Bank interest income	**83**	89
Rental income	**1,642**	1,946
Government grants*		
— Related to income	**2,175**	15
Exchange gains, net	**874**	542
Others	**113**	23
	4,887	2,615
Gains		
Fair value gains on investment properties	**5,361**	319
Gain on disposal of items of property, plant and equipment	**1**	78
	5,362	397
	10,249	3,012

* Government grants for the year ended 31 December 2016 were received from the government authorities of the People's Republic of China (the "**PRC**") in recognition of the Group's efforts in technology innovation in Guangzhou. The PRC Government grants for the year ended 31 December 2015 were received by a subsidiary of the Company in Mainland China as compensation for expenses already incurred. There were no unfulfilled conditions or contingencies in relation to the grants.

5. PROFIT BEFORE TAX

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

	Note	**2016** *RMB'000*	2015 *RMB'000*
Cost of inventories sold		**67,004**	106,990
Cost of construction contracting		**49,900**	14,109
Cost of services provided		**2,308**	1,756
Depreciation		**711**	490
Amortisation of land lease payments		**25**	25
Auditor's remuneration		**1,233**	2,913
Employee benefit expense (excluding directors' and chief executive's remuneration):			
Wages and salaries		**9,559**	6,888
Pension scheme contributions#		**1,066**	466
Other welfare expenses		**2,477**	1,883
		13,102	9,237
Foreign exchange differences, net		**(874)**	(542)
Changes in fair value of investment properties*		**(5,361)**	(319)
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties		**420**	464
Bank interest income*	*4*	**(83)**	(89)
Gain on disposal of items of property, plant and equipment*		**(1)**	(78)

* 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 for both 2016 and 2015, 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:

	2016 *RMB'000*	2015 *RMB'000*
Interest on bank loans	**178**	618

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. No provision for Hong Kong profits tax was made as the Group had no assessable profits arising in Hong Kong during the year (2015: 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 subsidiaries which operate in Mainland China are subject to Corporate Income Tax ("**CIT**") at the 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 CIT rate of 15% had been applied during the years ended 31 December 2016 and 2015.

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 the taxable income.

	2016	2015
	RMB'000	*RMB'000*
Current — Elsewhere other than Hong Kong	**6,652**	3,418
Deferred	**1,529**	77
Total tax charge for the year	**8,181**	3,495

8. DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: Nil).

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

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent of RMB38,223,000 (2015: RMB16,917,000), and the weighted average number of ordinary shares of 300,000,000 (2015: 229,726,027) in issue during the year ended 31 December 2016 as adjusted to reflect the rights issue during the year ended 31 December 2016.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2016 and 2015 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during these years.

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

The calculation of basic and diluted earnings per share is based on:

	2016	2015
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic/diluted earnings per share calculation:	**38,223**	16,917

	Number of shares	
	2016	2015
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic/diluted earnings per share calculation	**300,000,000**	229,726,027

10. TRADE AND BILLS RECEIVABLES

	2016	2015
	RMB'000	*RMB'000*
Trade receivables	**84,330**	72,604
Bills receivable	**100**	–
	84,430	72,604

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. For retention monies receivable in respect of construction work carried out by the Group, the due dates are usually one year after the completion of the construction work. 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 aged analysis of the trade receivables as at the end of the reporting period, based on the transaction date, is as follows:

	2016	2015
	RMB'000	*RMB'000*
Within one month	**25,345**	37,005
One to three months	**11,685**	8,082
Three months to one year	**24,802**	7,444
One to two years	**15,501**	17,526
	77,333	70,057
Retention monies receivable	**7,097**	2,547
	84,430	72,604

Transfers of financial assets

At 31 December 2016, 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 RMB1,000,000. The Derecognised Bills have a maturity of six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "**Continuing Involvement**"). In the opinion of the Directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the Directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the year ended 31 December 2016, 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 aged analysis of the trade payables as at the end of the reporting period, based on the transaction date, is as follows:

	2016	2015
	RMB'000	*RMB'000*
Within one month	**30,827**	4,405
One to three months	**4,718**	21,428
Three months to one year	**8,147**	18,213
Over one year	**15,059**	11,566
	58,751	55,612

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

12. INTEREST-BEARING BANK BORROWING

	2016			2015		
	Effective interest rate (%)	**Maturity**	***RMB'000***	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loan — secured	**4.79**	**2017**	**40,000**	5.89	2016	15,000

	2016 *RMB'000*	2015 *RMB'000*
Analysed into:		
Bank loan payable within one year	**40,000**	15,000

Notes:

(a) The Group's banking facilities amounting to RMB88,890,000 (2015: RMB40,000,000), of which RMB40,000,000 (2015: RMB15,000,000) 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 RMB20,788,000 (2015: RMB20,425,000);

(ii) mortgages over the Group's buildings, which had an aggregate carrying value at the end of the reporting period of approximately RMB7,619,000 (2015: RMB3,213,000); and

(iii) mortgages over the Group's prepaid lease payments, which had an aggregate carrying value at the end of the reporting period of RMB660,000 (2015: RMB162,000).

(b) The bank loan is denominated in RMB.

13. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties under operating lease arrangements, with leases negotiated for terms ranging from three to ten years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2016, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2016	2015
	RMB'000	*RMB'000*
Within one year	**1,807**	1,993
In the second to fifth years, inclusive	**7,229**	7,229
After five years	**3,847**	5,654
	12,883	14,876

(b) As lessee

The Group leases certain of its office properties in Vietnam and Mainland China under operating lease arrangements. The leases for the properties are negotiated for a term of one to two years.

At 31 December 2016, the Group had total future minimum lease payments under the non-cancellable operating lease falling due as follows:

	2016	2015
	RMB'000	*RMB'000*
Within one year	**113**	97
In the second to fifth years, inclusive	**8**	97
	121	194

14. COMMITMENTS

In addition to the operating lease commitments detailed in note 13(b) above, the Group had the following capital commitments at the end of the reporting period:

	2016	2015
	RMB'000	*RMB'000*
Contracted, but not provided for:		
Purchases of items of equipment for projects	**77,305**	50,082
Capital contributions payable to a joint venture company	**46,000**	–
	123,305	50,082

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a provider of wastewater and drinking water treatment engineering services in the PRC. The main business of the Group is the provision of engineering services for wastewater and drinking treatment facilities. The Group acts as the contractor, who is responsible for the whole project from launch to final operational management ("**EPC Projects**"), or as the equipment contractor, who is responsible for providing technical advice and equipment procurement services for the project ("**Equipment Projects**"). The Group is also engaged in other environmental protection projects ("**Other Environmental Protection Projects**"), provision of operating and maintenance services ("**O&M Projects**") for the customers in connection with the management of waste water treatment and drinking water treatment facilities, as well as consultation services in relation to the improvement of wastewater and drinking water treatment facilities of various constructions.

As a result of the increasing domestic and overseas requirement for environmental protection in recent years, the Group will keep pace with the growth trend of the environmental protection industry so as to proactively expand the environmental protection engineering services and operation businesses. The Group has set up an office in Shanghai in the first quarter of 2016 in order to expand the Group's business in central and northern regions of the PRC. As announced by the Company, the Group entered into a shareholders' agreement (the "**Shareholders' Agreement**") with Best Well Ventures Limited ("**Best Well**") on 30 September 2016 in relation to the establishment of a joint venture company (the "**JV Company**"). Formation of the JV Company was completed at the end of December 2016 and is under the progress of setting up the operating team and planning to provide operation services for a hazardous waste treatment plant of Best Well in Shanghai. For details of the formation and management of the JV Company, please refer to the announcement of the Company dated 30 September 2016.

For the year ended 31 December 2016, the revenue of the Group increased by approximately RMB12.3 million, or approximately 7.4%, to approximately RMB179.3 million as compared to the year of 2015. Profit for the year amounted to approximately RMB38.2 million, representing an increase of approximately RMB21.3 million, or approximately 125.9%, as compared to the year of 2015. Such increase was mainly due to (i) higher revenue from EPC Projects and higher profit margin for EPC Projects and Equipment Projects of the Group that increased the gross profit by approximately RMB16.0 million; (ii) the government grants of approximately RMB2.2 million received by the Group from the PRC government authorities in recognition of the Group's effort in technology innovation; and (iii) fair value gains on investment properties recognised as other income of the Group of approximately RMB5.4 million.

As at 31 December 2016, save for O&M Projects, the Group had the following uncompleted projects on hand: (i) 4 EPC Projects; (ii) 2 Construction Projects; and (iii) 2 Equipment Projects, with an aggregate value of approximately RMB113.4million. The Directors expect that the abovementioned uncompleted projects on hand will be fully completed by the end of 2017.

OUTLOOK

The Group is of the view that the environment protection market in China will witness greater development potentials. The number of upgrading and transformation projects on environmental protection facilities and concentration environmental protection disposal projects is expected to rise substantially due to greater enforcement of the environmental laws and regulations by the PRC government. Customers' demand for comprehensive environmental protection services will continue to increase and, as a result, environmental protection technologies with higher efficiency and more energy conservation features will become more popular. Benefiting from the market effect generated by the environmental protection inspections, outstanding enterprises of environmental protection will further consolidate their positions. Strengthening cooperation among outstanding enterprises of environmental protection to come up with more sophisticated environmental protection technologies, developing more comprehensive environmental protection businesses and providing customers with more comprehensive and effective environmental protection services will be the development trend of the environmental protection market in China.

In 2017, the Group, being a specialist in environmental protection services, will continue to consolidate its market position in some of its business segments by stepping up its efforts in developing traditional businesses such as industrial and municipal sewage treatment, water supply, soil remediation, etc. which include projects from new customers beyond Guangdong province. Meanwhile, the Group established a branch office in Shanghai in 2016 to explore the markets in eastern China, central China and northern China. The Group is confident that the above steps will facilitate further development of the Group's businesses.

On the other hand, the Group has also tapped into new segments of the environmental protection business through cooperation with other environmental protection companies. The Group formed the JV Company with Best Well in the fourth quarter of 2016 which was planned to provide operation services to a hazardous wastes treatment plant of Best Well in Shanghai, marking an important milestone in the Group's development of hazardous wastes treatment segment in China.

Furthermore, the Group is committing more resources to research and development for enhancement of its existing proprietary processing technologies and development of more environmental protection technologies to meet market demand in future. At the same time, the Group is also in the process of upgrading its existing qualifications and obtaining further qualifications for carrying out different types of environmental protection projects.

The Group believes that providing customers with more comprehensive and effective environmental protection services by diversifying into other environmental protection segments based on the achievements made in the Group's existing environmental protection businesses will be the Group's primary goal in future.

FINANCIAL REVIEW

Operating revenue

For the year ended 31 December 2016, the Group's operating revenue amounted to approximately RMB179,329,000, representing an increase of approximately 7.4% or RMB12,344,000 over the corresponding period in 2015.

EPC Projects and Construction Projects

For 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 EPC Project contractor, the Group provides engineering design of the treatment facilities, procures necessary materials and appoint 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 2016, the revenue from EPC Projects relating to wastewater and drinking water treatment projects under construction and related business was approximately RMB48,949,000 (2015: approximately RMB5,840,000), representing an increase of approximately 738.2% or RMB43,109,000 as compared to the corresponding period in 2015. The increase in revenue from EPC Projects was primarily attributable to the recognition of an aggregate revenue in respect of three large sized water treatment projects of approximately RMB47.8 million in the second half of 2016. These three projects refer to (i) the water treatment project in Vietnam, which was obtained at the end of 2015 with a contract value of approximately RMB10.0 million; (ii) the water treatment project in Guangdong province, the PRC, which was obtained in the third quarter of 2016 with a contract value of approximately RMB23.1 million; and (iii) the water treatment project in Guangxi, the PRC, which was obtained in the forth quarter of 2016 with a contract value of approximately RMB63.1 million. All those projects are still in progress and the remaining works of the projects in Vietnam and Guangdong province are estimated to be completed in second quarter of 2017 and the project in Guangxi is estimated to be completed by the end of 2017.

— *Revenue relating to Construction Projects*

For the year ended 31 December 2016, the revenue from the segment of Construction Projects, relating mainly to Other Environmental Protection Projects, was approximately RMB10,735,000 (2015: approximately RMB12,041,000), representing a decrease of approximately 10.8% or RMB1,306,000 compared to the corresponding period in 2015. The revenue of the year of RMB10,735,000 was mainly attributable to four Construction Projects newly obtained during the year, with a total contract value of approximately RMB14.6 million. Among those Construction Projects, two of which have already been completed and the two other projects are estimated to be completed in the second quarter of 2017.

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 2016, the revenue from the segment of Equipment Projects amounted to approximately RMB112,929,000 (2015: approximately RMB144,275,000), representing a decrease of approximately 21.7% or approximately RMB31,346,000 as compared to the corresponding period in 2015. The revenue for the year was attributable to ten Equipment Projects with an aggregate contract value of RMB151.4 million. As at 31 December 2016, the Group had two Equipment Projects on hand which have not been completed, with an aggregate value of works to be completed amounting to approximately RMB31.3 million. They are estimated to be completed in the third quarter and the fourth quarter of 2017 respectively.

Others

The revenue from segments of others included those attributable to O&M Projects and technical advisory services. As at 31 December 2016, 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 2016, the income from maintenance services amounted to approximately RMB6,716,000 (2015: approximately RMB4,829,000), representing an increase of approximately 39.1% or approximately RMB1,887,000 as compared to the corresponding period in 2015. The increase was mainly due to the increase in revenue from O&M Projects of approximately RMB107,000 and increase in revenue from technical advisory projects of approximately RMB1,780,000 during the year. Revenue from technical advisory projects was mainly derived from provision of technical solutions to a customer in respect of hazardous wastes treatments in the third quarter of 2016, which had a contract value of approximately RMB3,302,000 and other two small size technical service contracts with total contract value of approximately RMB472,000.

Other income and revenue

For the year ended 31 December 2016, other income and revenue amounted to approximately RMB10,249,000 (2015: approximately RMB3,012,000), representing an increase of approximately 240.3% or approximately RMB7,237,000 as compared to the corresponding period in 2015. The increase was mainly due to the receipt of government grants from the PRC government authorities in recognition of the Group's effort in technology innovation in Guangzhou, the PRC, of approximately RMB2,175,000, and the fair value gains on investment properties of approximately RMB5,361,000.

Cost of sales

For the year ended 31 December 2016, the cost of sales of the Group amounted to approximately RMB119,212,000 (2015: approximately RMB122,855,000), representing a decrease of approximately 3.0% or approximately RMB3,643,000 as compared to the corresponding period in 2015. The decrease in cost of sales was mainly due to decrease in the material costs, partly set off by the increase in subcontracting costs incurred during the year.

The material costs decreased from approximately RMB108,325,000 for the year ended 31 December 2015 to approximately RMB68,728,000 for the year ended 31 December 2016. The decrease was mainly attributable to (i) decrease in cost of equipment sourced for Equipment Projects, despite a higher mark-up charged for these projects during the year; and (ii) the greater contract size of EPC Projects and Construction Projects in which the Group participated in the second half of 2016, whilst most of the costs incurred for these projects were subcontracting costs as they were still under the construction phase during the period.

As a result of the foregoing, the cost of subcontracting increased from approximately RMB11,129,000 for the year ended 31 December 2015 to approximately RMB47,238,000 for the year ended 31 December 2016.

Gross profit

For the year ended 31 December 2016, the Group achieved gross profit of approximately RMB60,117,000 (2015: approximately RMB44,130,000), representing an increase of approximately 36.2% or approximately RMB15,987,000 as compared to the corresponding period in 2015. The increase was mainly due to higher revenue from EPC Projects and higher profit margin for both EPC Projects and Equipment Projects of the Group, resulting in the increase of the Group's gross profit margin from 26.4% in 2015 to 33.5% in 2016.

Selling and distribution expenses

For the year ended 31 December 2016, selling and distribution expenses of the Group amounted to approximately RMB2,521,000 (2015: approximately RMB1,755,000), representing an increase of approximately 43.6% or approximately RMB766,000 as compared to the corresponding period in 2015. The increase was mainly due to (i) increase in salary and welfare of approximately RMB229,000; (iii) increase in repair and maintenance fee incurred for those completed EPC Projects and Equipment Projects of approximately RMB267,000; and (iii) increase in advertising and promotion fee of approximately RMB120,000.

Administrative expenses

For the year ended 31 December 2016, the administrative expenses of the Group amounted to approximately RMB21,158,000 (2015: approximately RMB24,312,000), representing a decrease of approximately 13.0% or approximately RMB3,154,000 as compared to the corresponding period in 2015. The decrease in the administrative expenses was mainly attributed to the recognition of non-recurring listing expenses of approximately RMB9,923,000 for the year of 2015. However, such decrease was set off largely by the increase in staff remuneration and staff welfare of approximately RMB3,942,000 and research and development expenses of approximately RMB1,989,000 for the year ended 31 December 2016.

Profit for the year

For the year ended 31 December 2016, the profit for the year amounted to approximately RMB38,221,000 (2015: RMB16,917,000), representing an increase of approximately RMB21,304,000 or 125.9% as compared to the corresponding period in 2015. The increase was mainly due to (i) increase in gross profit by approximately RMB15,987,000 as discussed above; (ii) the government grants in other income of the Group from the PRC government authorities in recognition of the Group's effort in technology innovation of approximately RMB2,175,000; and (iii) fair value gains on investment properties in other income of the Group for approximately RMB5,361,000.

DIVIDENDS

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: nil), in order to cope with the future business development of the Group.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

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

As at 31 December 2016, the total equity attributable to the Company's shareholders (the "**Shareholders**") was approximately RMB177,203,000 (2015: approximately RMB135,166,000). The Group continued to maintain a strong financial position with cash and cash equivalents amounted to approximately RMB124,971,000 (2015: approximately RMB111,792,000). The Group's net current asset was approximately RMB146,594,000 (2015: approximately RMB111,300,000). 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 2016, 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 2016, the Group had general banking facilities amounted to approximately RMB88,890,000. The total borrowing drawn down from our banking facilities as at 31 December 2016 amounted to RMB40,000,000 (2015: RMB15,000,000). 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 2016, the Group's gearing ratio (being the net debt of the Group divided by its total capital plus net debt) was -7% (2015: -29%). Net debt of the Group includes interest-bearing bank borrowing, trade payables and other payables and accruals, less cash and cash equivalent. Capital represents equity attributable to owners of the Company.

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

As disclosed in the paragraph under the section headed "Management discussion and analysis — Business review" in this announcement, the Group formed the JV Company with Best Well in the fourth quarter of 2016. The JV Company and its subsidiaries (collectively, 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 the 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. Save as disclosed above, there was no significant investment held by the Group as at 31 December 2016.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 December 2016.

COMMITMENTS

The contractual operating commitments of the Group were primarily related to the purchases of items of equipment for projects. As at 31 December 2016, the Group's contractual operating commitments amounted to approximately RMB77,305,000 (2015: approximately RMB50,082,000).

As at 31 December 2016, there was capital commitment amounting to approximately RMB46,000,000 for the Group (2015: nil).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed above and in the prospectus of the Company dated 30 November 2015 (the "**Prospectus**"), the Group does not have other plans for material investments and capital assets as at the date of this announcement.

CONTINGENT LIABILITIES

As at 31 December 2016, the Group did not have material contingent liabilities.

CHARGES ON THE GROUP'S ASSETS

At 31 December 2016 and 2015, the Group's buildings, with net carrying amount of RMB7,619,000 for 2016 and RMB3,213,000 for 2015, were pledged to secure general banking facilities granted to the Group.

At 31 December 2016 and 2015, the Group's investment properties, with carrying amount of RMB20,788,000 for 2016 and RMB20,425,000 for 2015, were pledged to secure general banking facilities granted to the Group.

At 31 December 2016 and 2015, the Group's leasehold land, with carrying amount of RMB660,000 for 2016 and RMB162,000 for 2015, 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 2016, the Group did not hedge any exposure to foreign exchange risk.

ADVANCES TO AN ENTITY

As at 31 December 2016, the Group did not provide any advances to any entity outside the Group.

PLEDGING OF SHARES BY THE CONTROLLING SHAREHOLDERS

As at 31 December 2016, there was no pledging of Shares by the controlling Shareholders ("**Controlling Shareholders**").

LOAN AGREEMENTS OF THE GROUP

As at 31 December 2016, the Group did not enter into any loan agreement with covenants relating to specific performance of the Controlling Shareholders.

During the year of 2016, 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 2016, the Group did not provide any financial assistance and guarantees to affiliated companies of the Group.

SHARE OPTION SCHEME

As at 31 December 2016, the Group did not adopt any share option scheme.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2016, the Group employed 88 employees (2015: 70 employees). Employee costs amounted to approximately RMB14.7 million for the year ended 31 December 2016 (2015: approximately RMB9.8 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 updated 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 of a listed company 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.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The principal business objective of the Group is to further strengthen its position in the wastewater treatment engineering services in the PRC in order to achieve sustainable growth in its business and create long term Shareholders' value. An analysis comparing the business objectives as set out in the Prospectus with the Group's actual business progress for the period from the date of the Listing to 31 December 2016 is set out below:

Business strategies	**Implementation plan**	**Sources of funding**	**Actual progress up to 31 December 2016**
(i) Strengthen the Group's market position	Identify new office locations in central and northern regions of the PRC	Listing proceeds of approximately HK$0.1 million	After conducting market research and analysis, the Group set up its branch office in Shanghai (the "**Shanghai Branch**") in the first quarter of 2016 in order to expand its coverage of the environmental protection markets in central and northern regions of the PRC. The listing proceeds of approximately HK$0.8 million have been fully utilised in 2016 as set up costs of the Shanghai Branch, including employees' salaries, office rental payments and office expenses.
	Open a new office in central region of the PRC	Listing proceeds of approximately HK$0.5 million	
	Recruit marketing and administrative staff	Listing proceeds of approximately HK$0.2 million	
	Purchase an office premises in north region of the PRC	Listing proceeds of approximately HK$10.5 million	The listing proceeds of approximately HK$10.5 million have not being utilised as at 31 December 2016. Great Water Environmental Technology (Shanghai Company Limited* （建禹環保科技（上海）有限公司）)(the "**Great Water Shanghai**"), a non-wholly owned subsidiary of the Company, has identified office premises in Shanghai and has been negotiating the terms of the sales and purchase agreement with the premises developer at the end of 2016. Great Water Shanghai has agreed to purchase such office premises in Shanghai for an aggregate consideration of approximately RMB40,000,000 in January 2017, details of which are set out in the announcement of the Company dated 18 January 2017. The listing proceeds of approximately HK$10.5 million have been fully utilised as at the date of this announcement.

Business strategies	Implementation plan	Sources of funding	Actual progress up to 31 December 2016
	Participate in national and regional industry events to identify business opportunities and invite potential customers to visit the Group's completed projects	Listing proceeds of approximately HK$0.5 million	The Group launched several wastewater environmental business promotional activities and invited potential customers to visit the Group's completed projects during 2016. The listing proceeds of approximately HK$0.5 million have been fully utilised in 2016 as related expenses of these activities, such as accommodation and transportation expenses for related employees and potential customers.
(ii) Expand the Group's soil remediation project business	Participate in national and regional industry events to identify business opportunities and invite the Group's potential customers to visit the Group's completed projects	Listing proceeds of approximately HK$1.4 million	The Group launched several soil remediation business promotional activities such as joining soil remediation industrial conferences organised by local governments and visiting leading soil remediation companies for technical exchange. We also invited potential customers to visit the Group's completed projects in 2016. The listing proceeds of approximately HK$0.8 million have been utilised in 2016 as related expenses of these activities, such as accommodation and transportation expenses for related employees and customers. The remaining proceeds of HK$0.6 million are expected to be utilised in 2017.

Business strategies	Implementation plan	Sources of funding	Actual progress up to 31 December 2016
(iii) Enhance the Group's research and development capabilities	Identify equipment and machinery for the Group's research and development laboratory	Internal resources of the Group	The Group has drawn up a general proposal for enhancing the research and development capabilities of the laboratory in the Guangzhou headquarters. The upgrading of the research and development facilities is in progress as planned.
	Purchase of laboratory equipment and testing materials for performing pilot runs: ozone generation equipment, air compressors, air filters, metres and pumps and thermo reactor, heat exchanger, vacuum pumps, and filtration system	Listing proceeds of approximately HK$7.5 million	Listing proceeds of approximately HK$7.5 million have been fully utilised in purchasing laboratory equipments and research and development materials for laboratory tests and pilot runs in 2016.
(iv) Upgrade the Group's qualification in construction and design engineering	Initial planning	Internal resources of the Group	The planning stage has been completed and the implementation of the plan is in progress as planned.
	Recruit additional qualified professionals and provide relevant training/ course to the Group's existing engineering and technical staff	Listing proceeds of approximately HK$1.0 million	A number of experienced engineering and technical staff have been recruited in 2016 in order to upgrade the Group's qualification in construction and design engineering. The listing proceeds of approximately HK$1.0 million have been fully utilised in 2016 for salaries and training costs of these staff.

Business strategies	Implementation plan	Sources of funding	Actual progress up to 31 December 2016
(v) Fund the working capital for EPC Projects	Fund the cashflow deficit for projects in the Group's pipeline, including a wastewater EPC Project to be entered into with a brand new PRC textile manufacturer in Vietnam	Listing proceeds of approximately HK$12.0 million	The listing proceeds of HK$12.0 million have been fully utilised to fund the EPC project in Vietnam in 2016.
	Fund the cashflow deficit for projects in the Group's pipeline, including an EPC Project to be entered into with a textile manufacturer to build an industrial wastewater treatment facility in Dongguan	Listing proceeds of approximately HK$5.6 million	The listing proceeds of HK$5.6 million have been fully utilised to fund the Dongguan EPC project in 2016.

USE OF PROCEEDS

The net proceeds from the placing of the Shares (the "**Placing**"), for the purpose of the Listing, were approximately HK$48.7 million, which were based on the placing price of HK$0.96 per share and the actual expenses related to the Listing. After the Listing, these proceeds were and will be used for the purposes in accordance with the future plans as set out in the Prospectus.

The net proceeds from the Placing from the date of the Listing to 31 December 2016 were used as follows:

	Planned use of proceeds as shown in the Prospectus from the date of Listing to 31 December 2016	**Actual use of proceeds from the date of the Listing to 31 December 2016**	**Unutilised amount as at 31 December 2016**
	HK$'000	*HK$'000*	*HK$'000*
Strengthen the Group's market position	11,800	1,300	10,500
Expand the Group's soil remediation project business	1,400	800	600
Enhance the Group's research and development capabilities	7,500	7,500	–
Upgrade the Group's qualification in construction and design engineering	1,000	1,000	–
Fund the working capital for EPC Projects	17,600	17,600	–
	39,300	28,200	11,100

Notes:

(a) The unutilised proceeds are deposited in a licensed bank in Hong Kong.

(b) Please refer to the section headed "Comparison of business objectives with actual business progress" in this announcement for the update of the actual progress and the expected timing for utilisation of net proceeds.

ANNUAL GENERAL MEETING

The annual general meeting of the Company for the year ended 31 December 2016 (the "**AGM**") will be held on Tuesday, 9 May 2017. A notice convening the AGM will be issued and sent to the Shareholders 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 Tuesday, 9 May 2017. 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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 2 May 2017.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2016, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

EVENTS AFTER 31 DECEMBER 2016

As disclosed in the paragraph under the section headed "Comparison of business objectives with actual business progress" in this announcement, Great Water Shanghai agreed to purchase a total of six units with a total saleable floor area of 815.54 square metres at 2801 to 2803, 2805 to 2807 on the 28th floor of Shanghai International Commerce Centre* (上海城開國際商業中心), located at No. 166 Min Hong Road, Minghang Qu, Shanghai, the PRC (the "**Properties**"), from Shanghai Shengkai Group Longcheng Property Company Limited* (上海城開集團龍城置業有限公司) (the "**Vendor**") at an aggregate consideration of RMB40,000,000 pursuant to the six agreements all dated 18 January 2017 and entered into between Great Water Shanghai and the Vendor (the "**Acquisition**"). The Acquisition was completed on 18 January 2017. The Properties are intended to serve as office space for Great Water Shanghai. For details of the Acquisition, please refer to the announcement of the Company dated 18 January 2017.

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. According to code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual and their respective responsibilities should be clearly defined in writing. With extensive experience in the wastewater and water treatment engineering services industry, Mr. Xie Yang, the chairman of the Board, an executive Director and the chief executive officer of the Company, is responsible for the Group's overall strategic planning and management of its business. The Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the business prospects and management of the Group and the balance of power and authority is ensured by the operation of the senior management and the Board, which comprises experienced individuals. The Board comprised of two executive Directors (including Mr. Xie Yang), two non-executive Directors and three independent non-executive Directors during the year ended 31 December 2016 and therefore has sufficient independent elements in its composition. The Board is in the process of looking for a potential candidate from the market to act as the role of chief executive officer of the Company in order to comply with the CG Code. 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 2016.

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 2016.

REVIEW OF FINANCIAL STATEMENT

During the year under review, the audit committee of the Company (the "**Audit Committee**") comprised of 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 2016 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 system 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 2016, 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, 21 March 2017

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

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this 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.

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.

* *For identification purpose only*