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 2017

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

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

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

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 2017 together with the comparative audited figures for the corresponding period for the year ended 31 December 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
REVENUE	4	**247,550**	179,329
Cost of sales		**(176,858)**	(119,212)
Gross profit		**70,692**	60,117
Other income and gains	4	**12,682**	10,249
Selling and distribution expenses		**(3,173)**	(2,521)
Administrative expenses		**(26,444)**	(21,158)
Other expenses		**(12)**	(107)
Finance costs	6	**(2,862)**	(178)
PROFIT BEFORE TAX	5	**50,883**	46,402
Income tax expense	7	**(9,133)**	(8,181)
PROFIT FOR THE YEAR		**41,750**	38,221
Attributable to:			
Owners of the parent		**41,812**	38,223
Non-controlling interests		**(62)**	(2)
		41,750	38,221
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	9	**RMB0.14**	RMB0.13

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)

Year ended 31 December 2017

	Notes	**2017** **RMB'000**	2016 *RMB'000*
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(3,569)**	3,816
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**(3,569)**	3,816
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**(3,569)**	3,816
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**38,181**	42,037
Attributable to:			
Owners of the parent		**38,243**	42,039
Non-controlling interests		**(62)**	(2)
		38,181	42,037

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**61,265**	13,637
Investment properties		**23,350**	20,788
Prepaid land lease payments		**541**	644
Total non-current assets		**85,156**	35,069
CURRENT ASSETS			
Inventories		**26**	77
Gross amounts due from contract customers		**56,502**	34,466
Trade and bills receivables	*10*	**155,774**	84,430
Prepayments, deposits and other receivables		**30,544**	25,618
Pledged deposits		**5,869**	1,035
Cash and cash equivalents		**108,086**	124,971
Total current assets		**356,801**	270,597
CURRENT LIABILITIES			
Trade payables	*11*	**108,628**	58,751
Other payables and accruals		**45,794**	18,520
Interest-bearing bank borrowing	*12*	**40,000**	40,000
Tax payable		**7,258**	6,732
Total current liabilities		**201,680**	124,003
NET CURRENT ASSETS		**155,121**	146,594
TOTAL ASSETS LESS CURRENT LIABILITIES		**240,277**	181,663
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**5,003**	4,460
Interest-bearing bank borrowing	*12*	**19,890**	–
Total non-current liabilities		**24,893**	4,460
Net assets		**215,384**	177,203
EQUITY			
Equity attributable to owners of the parent			
Share capital		**2,397**	2,397
Reserves		**213,051**	174,808
		215,448	177,205
Non-controlling interests		**(64)**	(2)
Total equity		**215,384**	177,203

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 2017. 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 had 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 HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 included in *Annual Improvements to HKFRSs 2014–2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12*

The nature and the impact of the amendments are described below:

(a) Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Disclosure of the changes in liabilities arising from financing activities is provided in note 30 to the financial statements.

(b) Amendments to HKAS 12 clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The amendments have had no impact on the financial position or performance of the Group as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

(c) Amendments to HKFRS 12 clarify that the disclosure requirements in HKFRS 12, other than those disclosure requirements in paragraphs B10 to B16 of HKFRS 12, apply to an entity's interest in a subsidiary, a joint venture or an associate, or a portion of its interest in a joint venture or an associate that is classified as held for sale or included in a disposal group classified as held for sale. The amendments have had no impact on the Group's financial statements as no subsidiary, joint venture or associate of the Group are classified as a disposal group held for sale as at 31 December 2017 and so no additional information is required to be disclosed.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

(a) the Engineering, Procurement and Construction projects ("**EPC Projects**") segment comprises projects in which an enterprise is commissioned by a customer to act as a general contractor to take care of the overall design, procurement and construction of water or wastewater treatment facilities pursuant to the contract and be responsible for the quality, safety, time control and pricing of the project;

(b) the construction projects ("**Construction Projects**") segment represents construction projects other than EPC Projects;

(c) the equipment projects ("**Equipment Projects**") segment comprises projects in which an enterprise is engaged by a customer for procurement of necessary materials, equipment and machinery, installation, testing and commissioning of the equipment and machinery for the treatment facilities as well as provision of technical consulting services to upgrade or optimise the design of the water or wastewater treatment facilities pursuant to the contract; and

(d) the other projects ("**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.

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

Management of the Company 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, an interest-bearing bank borrowing 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.

Year ended 31 December 2017	**EPC Projects** *RMB'000*	**Construction Projects** *RMB'000*	**Equipment Projects** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
Segment revenue:					
Sales to external customers	**75,418**	**39,166**	**121,947**	**11,019**	**247,550**
Segment results	**12,647**	**8,678**	**40,535**	**8,832**	**70,692**
Reconciliation:					
Interest income					**244**
Unallocated gains					**12,438**
Corporate and other unallocated expenses					**(29,629)**
Finance costs					**(2,862)**
Profit before tax					**50,883**
Segment assets	**83,387**	**37,345**	**113,819**	**4,694**	**239,245**
Reconciliation:					
Corporate and other unallocated assets					**202,712**
Total assets					**441,957**
Segment liabilities	**47,184**	**10,193**	**55,886**	**26**	**113,289**
Reconciliation:					
Corporate and other unallocated liabilities					**113,284**
Total liabilities					**226,573**
Other segment information:					
Depreciation and amortisation					**1,945**
Capital expenditure*					**49,513**

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

3. OPERATING SEGMENT INFORMATION (continued)

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)

Geographical information

(a) Revenue from external customers

	2017 *RMB'000*	2016 *RMB'000*
Mainland China	**243,010**	172,363
Vietnam	**4,540**	6,966
	247,550	179,329

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

(b) Non-current assets

	2017 *RMB'000*	2016 *RMB'000*
Mainland China	**84,561**	34,284
Vietnam	**595**	785
	85,156	35,069

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:

	2017 *RMB'000*	2016 *RMB'000*
Customer A	**49,782**	37,795
Customer B	**36,118**	35,316
Customer C	**34,877**	29,217
Customer D	**27,255**	14,862

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.

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

	2017	2016
	RMB'000	*RMB'000*
Revenue		
Income from construction contracting and related business	**114,584**	59,684
Sale of goods	**121,947**	112,929
Rendering of maintenance services	**11,019**	6,716
	247,550	179,329
Other income		
Bank interest income	**244**	83
Rental income	**4,717**	1,642
Government grants*		
— Related to income	**6,489**	2,175
Exchange (losses)/gains, net	**(1,335)**	874
Others	**5**	113
	10,120	4,887
Gains		
Fair value gains on investment properties	**2,562**	5,361
Gain on disposal of items of property, plant and equipment	**–**	1
	2,562	5,362
	12,682	10,249

* Government grants for the year ended 31 December 2017 were received from the government authorities of the PRC as incentives to the listed entities in Guangzhou. Government grants for the year ended 31 December 2016 were received from the government authorities of the PRC in recognition of the Group's efforts in technology innovation in Guangzhou.

5. PROFIT BEFORE TAX

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

	2017	2016
	RMB'000	*RMB'000*
Cost of inventories sold	**81,412**	67,004
Cost of construction contracting	**93,259**	49,900
Cost of services provided	**2,187**	2,308
Depreciation	**1,840**	711
Amortisation of land lease payments	**105**	25
Auditor's remuneration	**1,247**	1,233
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	**15,009**	9,559
Pension scheme contributions#	**1,360**	1,066
Other welfare expenses	**2,841**	2,477
	19,210	13,102
Foreign exchange differences, net	**1,335**	(874)
Changes in fair value of investment properties*	**(2,562)**	(5,361)
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	**415**	420
Bank interest income*	**(244)**	(83)
Gain on disposal of items of property, plant and equipment*	**–**	(1)

* 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 2017 and 2016, 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:

	2017	2016
	RMB'000	*RMB'000*
Interest on bank loans	**2,862**	178

7. INCOME TAX

Hong Kong profits tax is provided at the rate of 16.5% (2016: 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 (2016: 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 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 2017 and 2016.

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.

	2017	2016
	RMB'000	*RMB'000*
Current — Elsewhere other than Hong Kong	**8,592**	6,652
Deferred	**541**	1,529
Total tax charge for the year from continuing operations	**9,133**	8,181

8. DIVIDENDS

The board of directors does not recommend the payment of a final dividend for the year ended 31 December 2017 (2016: Nil).

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent of RMB41,812,000 (2016: RMB38,223,000), and the weighted average number of ordinary shares of 300,000,000 (2016: 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 2017 and 2016.

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:

	2017	2016
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:	**41,812**	38,223

	Number of shares	
	2017	2016
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

	2017	2016
	RMB'000	*RMB'000*
Trade receivables	**155,774**	84,330
Bills receivable	**–**	100
	155,774	84,430

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:

	2017	2016
	RMB'000	*RMB'000*
Within one month	**44,132**	25,345
One to three months	**670**	11,685
Three months to one year	**83,536**	24,802
One to two years	**7,657**	15,501
Two to three years	**1,843**	–
	137,838	77,333
Retention monies receivable	**17,936**	7,097
	155,774	84,430

Transfers of financial assets

At 31 December 2017, 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 RMB100,000. 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 2017, 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:

	2017	2016
	RMB'000	*RMB'000*
Within one month	**12,649**	30,827
One to three months	**6,763**	4,718
Three months to one year	**61,521**	8,147
Over one year	**27,695**	15,059
	108,628	58,751

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

12. INTEREST-BEARING BANK BORROWING

	2017			2016		
	Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loan — secured	**4.79**	**2018**	**40,000**	4.79	2017	40,000
Non-Current						
Bank loan – secured	**5.88**	**2027**	**19,890**	–	–	–

	2017	2016
	RMB'000	*RMB'000*
Analysed into:		
Bank loan repayable within one year	**40,000**	40,000
Bank loan repayable beyond one year	**19,890**	–
	59,890	40,000

Notes:

(a) The Group's banking facilities amounting to RMB99,890,000 (2016: RMB88,890,000), of which RMB59,890,000 (2016: RMB40,000,000) 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 RMB23,350,000 (2016: RMB20,788,000);

(ii) mortgages over the Group's buildings, which had an aggregate carrying value at the end of the reporting period of approximately RMB46,916,000 (2016: RMB7,619,000); and

(iii) mortgages over the Group's prepaid lease payments, which had an aggregate carrying value at the end of the reporting period of RMB555,000 (2016: RMB660,000).

(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 2017, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2017	2016
	RMB'000	*RMB'000*
Within one year	**5,857**	1,807
In the second to fifth years, inclusive	**7,229**	7,229
After five years	**2,039**	3,847
	15,125	12,883

(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 2017, the Group had total future minimum lease payments under the non-cancellable operating lease falling due as follows:

	2017	2016
	RMB'000	*RMB'000*
Within one year	**56**	113
In the second to fifth years, inclusive	**–**	8
	56	121

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:

	2017	2016
	RMB'000	*RMB'000*
Contracted, but not provided for:		
Purchases of items of equipment for projects	**102,399**	77,305
Capital contribution payable to a joint venture company	**46,000**	46,000
	148,399	123,305

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

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.

For the year ended 31 December 2017, the revenue of the Group increased by approximately RMB68,221,000, or approximately 38.0%, to approximately RMB247,550,000 as compared to the year of 2016. The increase in revenue was primarily because the Group had recognised approximately RMB75,418,000 in revenue from EPC Projects, approximately RMB39,166,000 from Construction Projects, and approximately RMB121,947,000 from Equipment Projects for the year ended 31 December 2017, compared to approximately RMB48,949,000 from EPC Projects, approximately RMB10,735,000 from Construction Projects, and approximately RMB112,929,000 from Equipment Projects for the year of 2016.

Profit for the year ended 31 December 2017 amounted to approximately RMB41,750,000, which represented an increase of approximately RMB3,529,000, or approximately 9.2%, as compared to the year of 2016.

As at 31 December 2017, save for O&M Projects, the Group had the following uncompleted projects on hand: (i) 4 EPC Projects; and (ii) 10 Equipment Projects, with an aggregate value of approximately RMB135.0 million. The Directors expect that the abovementioned uncompleted projects on hand will be fully completed by the end of 2018.

OUTLOOK

In view of the PRC government's further emphasis on environmental protection, realization of the concept of "Clear waters and lush mountains are invaluable assets", the actual needs of "upgrading and reconstructing" environmental protection projects in the PRC, the Group believes that, the number of environmental protection facility projects with renewed requirements and a higher standard as well as that of integrated and centralized projects related to environmental protection treatment are expected to increase substantially, promoting more environmental protection technologies with higher efficiency and more energy saving features. On the other hand, integration of upstream and downstream segments in the environmental protection industry, in-depth cooperation and mutual assistance among corporates in different sectors under the environmental protection industry and stronger cooperation between suppliers and clients for environmental protection services are the future development trends of the environmental protection industry. In addition, environmental protection service providers vary in terms of operating capability such as technology level and management level, resulting in the inability of certain environmental protection service providers to meet the current market demand, for which the environmental protection industry has to be self-regulated in order to work in a more orderly and sustainable way.

In 2017, the Group, being a specialist providing environmental protection services, continues to consolidate its market position in its current business sectors in the southern part of China. In the meantime, the Group also eagerly develops its markets in both the central and eastern part of China, by making efforts in the Group's traditional businesses such as wastewater treatment, water supply and soil remediation for industrial use and civil services, so that it can provide services of high quality and better efficiency to more sizeable clients.

Moreover, the Group actively reacts to the "One Belt, One Road" policy introduced by the PRC government and strives to develop overseas markets. Given that the recent overseas investment cases of PRC enterprises and also the Group's existing construction experience on overseas environmental protection projects, by means of providing high quality and more efficient services to sizable clients, the Group strives to become a preferred environmental protection service provider of those clients when they are making their overseas investments.

Furthermore, the Group is committing more resources to research and development for the continuous enhancement of its existing environmental protection technologies and the research and development of more advanced environmental protection technologies to meet market demand in the future. In 2017, the Group obtained several new patents, which involve aspects such as wastewater treatment and soil remediation. The Group is of the view that the Group's sustainable competitiveness in the environmental protection industry would be maintained by continuous investment on research and development, and its achievements on newer innovations.

In conclusion, the Group considers that, consolidating the Group's existing environmental protection businesses, exploring a broader market region and diversifying into other environmental protection operations by various means to provide environmental protection services of higher quality and better efficiency to clients would be the main direction of the Group's future development.

FINANCIAL REVIEW

Operating Revenue

For the year ended 31 December 2017, the Group's operating revenue amounted to approximately RMB247,550,000, representing an increase of approximately 38.0% or RMB68,221,000 over the corresponding period in 2016.

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 appoints sub-contractors to build the facilities. The Group is also engaged 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 2017, the revenue generated from EPC Projects relating to wastewater and drinking water treatment projects under construction and related business was approximately RMB75,418,000 (2016: approximately RMB48,949,000), representing an increase of approximately 54.1% or RMB26,469,000 as compared to the corresponding period in 2016. The increase in revenue from EPC Projects for the year ended 31 December 2017 was primarily attributable to the recognition of revenue of approximately RMB73,441,000 from three large-sized wastewater treatment projects. The rest of the revenue, in the amount of approximately RMB1,977,000, was from other two EPC Projects. In contrast, the revenue from EPC Projects for the year of 2016 was attributable to three large-sized wastewater treatment projects for approximately RMB47,764,000 and four small-sized wastewater water treatment projects for approximately RMB1,185,000.

— *Revenue relating to Construction Projects*

For the year ended 31 December 2017, the revenue generated from Construction Projects was approximately RMB39,166,000 (2016: approximately RMB10,735,000), representing an increase of approximately 2.6 times or RMB28,431,000 as compared to the corresponding period in 2016. The increase in revenue from Construction Projects for the year ended 31 December 2017 was mainly attributable to the recognition of approximately RMB21,405,000 in revenue from a wastewater treatment facility construction project in Guangzhou. The rest of the revenue, in the amount of approximately RMB17,761,000, was from fifteen Construction Projects. In contrast, only revenue from seven small-sized Construction Projects were recognised for the year of 2016.

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 customers in identifying, evaluating and selecting different equipment options before the procurement team comes into play.

For the year ended 31 December 2017, the revenue from the segment of Equipment Projects amounted to approximately RMB121,947,000 (2016: approximately RMB112,929,000), representing an increase of approximately 8.0% or approximately RMB9,018,000 as compared to the corresponding period in 2016. The increase in revenue from Equipment Projects for the year ended 31 December 2017 was primarily attributable to the recognition of revenue of approximately RMB104,007,000 from seven large-sized Equipment Projects. The rest of the revenue, in the amount of approximately RMB17,940,000, was from other eleven small-sized Equipment Projects. In contrast, the revenue from Equipment Projects for the year of 2016 was attributable to four large-sized Equipment Projects for approximately RMB96,758,000 and six small-sized Equipment Projects for approximately RMB16,171,000.

Others

The revenue from segments of other projects included those attributable to O&M Projects and technical advisory services. As at 31 December 2017, the Group had one wastewater treatment O&M Project and five drinking water treatment O&M Projects on hand.

For the year ended 31 December 2017, the income from maintenance services amounted to approximately RMB11,019,000 (2016: approximately RMB6,716,000), representing an increase of approximately 64.1% or approximately RMB4,303,000 as compared to the corresponding period in 2016. The increase was mainly attributable to the recognition in the year ended 31 December 2017 of (i) approximately RMB7,821,000 in revenue from nine technical advisory projects, representing an increase of approximately RMB4,045,000 over the corresponding period in 2016; and (ii) approximately RMB3,198,000 in revenue from O&M Projects, representing an increase of approximately RMB258,000 over the corresponding period in 2016.

Other income and gains

For the year ended 31 December 2017, other income and gains amounted to approximately RMB12,682,000 (2016: approximately RMB10,249,000), representing an increase of approximately 23.7% or approximately RMB2,433,000 as compared to the corresponding period in 2016. The increase was mainly due to the receipt of government grants from the PRC government authorities of approximately RMB6,489,000 in the year ended 31 December 2017, representing an increase of approximately RMB4,314,000 as compared to the corresponding period in 2016 partly set off by the exchange loss of approximately RMB1,335,000 and decrease on fair value gains on investment properties of approximately RMB2,799,000 this year.

Cost of sales

For the year ended 31 December 2017, the cost of sales of the Group amounted to approximately RMB176,858,000 (2016: approximately RMB119,212,000), representing an increase of approximately 48.4% or approximately RMB57,646,000 as compared to the corresponding period in 2016.

The increase in cost of sales was mainly due to a significant increase in subcontracting costs of EPC Projects and Construction Projects. Accompanying a significant increase in operating revenue from EPC Projects and Construction Projects, the cost of subcontracting increased from approximately RMB47,238,000 for the corresponding period in 2016 to approximately RMB51,477,000 for the year ended 31 December 2017, and the material costs also increased from approximately RMB68,728,000 for the corresponding period in 2016 to approximately RMB121,974,000 for the year ended 31 December 2017.

Gross profit

For the year ended 31 December 2017, the Group achieved gross profit of approximately RMB70,692,000 (2016: approximately RMB60,117,000), representing an increase of approximately 17.6% or approximately RMB10,575,000 as compared to the corresponding period in 2016. The increase in gross profit of the Group was mainly attributable to the increase in revenue for the year ended 31 December 2017 by approximately 38.0% as compared to the corresponding period in 2016, partially offset by the increase in cost of sales in the same period. The gross profit margin of the Group for the year ended 31 December 2017 decreased from 33.5% for corresponding period in last year to 28.6%, mainly because the EPC Projects and Construction Projects of the Group had overall lower gross profit margins, and this is related to the higher level of subcontracting cost being incurred in civil construction and equipment installation for EPC Projects and Construction Projects.

Selling and distribution expenses

For the year ended 31 December 2017, selling and distribution expenses of the Group amounted to approximately RMB3,173,000 (2016: approximately RMB2,521,000), representing an increase of approximately 25.9% or approximately RMB652,000 as compared to the corresponding period in 2016. The increase was mainly due to increase in salary and welfare of approximately RMB330,000, increase in transportation expenses of approximately RMB55,000, increase in travelling expenses of approximately RMB146,000 and increase in entertainment expenses of approximately RMB113,000.

Administrative expenses

For the year ended 31 December 2017, the administrative expenses of the Group amounted to approximately RMB26,444,000 (2016: approximately RMB21,158,000), representing an increase of approximately 25.0% or approximately RMB5,286,000 as compared to the corresponding period in 2016. The increase in the administrative expenses was mainly attributed to (i) increase in salary and welfare of approximately RMB3,365,000; (ii) increase in office expenses of approximately RMB254,000; (iii) increase in entertainment expenses of approximately RMB132,000; (iv) increase in R&D cost of approximately RMB1,030,000; and (v) increase in depreciation expenses of approximately RMB538,000.

Profit for the year

For the year ended 31 December 2017, the profit for the year amounted to approximately RMB41,750,000 (2016: RMB38,221,000), representing an increase of approximately RMB3,529,000 or 9.2% as compared to the corresponding period in 2016.

DIVIDENDS

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2017 (2016: 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 ordinary shares.

As at 31 December 2017, the total equity attributable to the Shareholders was approximately RMB215,384,000 (2016: approximately RMB177,203,000). The Group continued to maintain a strong financial position with cash and cash equivalents amounted to approximately RMB108,086,000 (2016: approximately RMB124,971,000). The Group's net current asset was approximately RMB155,121,000 (2016: approximately RMB146,594,000). 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 2017, 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 2017, the Group had general banking facilities amounted to approximately RMB99,890,000. The total borrowing drawn down from the banking facilities of the Company as at 31 December 2017 amounted to RMB59,890,000 (2016: RMB40,000,000). 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 2017, the Group's gearing ratio (being the net debt of the Group divided by its total capital plus net debt) was 32% (2016: N/A). 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

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. Save as disclosed above, there were no other significant investments held by the Group as at 31 December 2017.

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 2017.

COMMITMENTS

The contractual operating commitments of the Group were primarily related to the purchases of items of equipment for projects. As at 31 December 2017, the Group's contractual operating commitments amounted to approximately RMB102,399,000 (2016: approximately RMB77,305,000).

As at 31 December 2017, there was capital commitment amounting to approximately RMB46,000,000 for the Group (2016: 46,000,000).

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 2017, the Group did not have material contingent liabilities.

CHARGES ON THE GROUP'S ASSETS

At 31 December 2017 and 2016, the Group's buildings, with net carrying amount of RMB46,916,000 for 2017 and RMB7,619,000 for 2016, were pledged to secure general banking facilities granted to the Group.

At 31 December 2017 and 2016, the Group's investment properties, with carrying amount of RMB23,350,000 for 2017 and RMB20,788,000 for 2016, were pledged to secure general banking facilities granted to the Group.

At 31 December 2017 and 2016, the Group's leasehold land, with carrying amount of RMB555,000 for 2017 and RMB660,000 for 2016, 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 2017, the Group did not hedge any exposure to foreign exchange risk.

ADVANCES TO AN ENTITY

As at 31 December 2017, the Group did not provide any advances to any entity outside the Group.

PLEDGING OF SHARES BY THE CONTROLLING SHAREHOLDERS

As at 31 December 2017, there was no pledging of Shares by its controlling shareholders (the "**Controlling Shareholders**").

LOAN AGREEMENTS OF THE GROUP

As at 31 December 2017, the Group did not enter into any loan agreement with covenants relating to specific performance of the Controlling Shareholders.

During the year of 2017, 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 2017, the Group did not provide any financial assistance and guarantees to affiliated companies of the Group.

SHARE OPTION SCHEME

As at 31 December 2017, the Group did not adopt any share option scheme.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2017, the Group employed 88 employees (2016: 88 employees). Employee costs amounted to approximately RMB21.8 million for the year ended 31 December 2017 (2016: approximately RMB14.7 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.

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 2017 is set out below:

Business strategies	Implementation plan	Sources of funding	Actual progress up to 31 December 2017
(i) Strengthen the Group's market position	Identify new office locations in the central and northern regions of the PRC Open a new office in the central region of the PRC Recruit marketing and administrative staff	Listing proceeds of approximately HK$0.1 million Listing proceeds of approximately HK$0.5 million Listing proceeds of approximately HK$1.1 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$1.7 million had been fully utilised as at 31 December 2017 as set up costs of the Shanghai Branch, including employees' salaries, office rental payments and office expenses.
	Purchase office premises in the northern region of the PRC	Listing proceeds of approximately HK$10.5 million	Great Water Environmental Technology (Shanghai) Company Limited ("**Great Water Shanghai**"), a non-wholly owned subsidiary of the Company, purchased an office premises in Shanghai for an aggregate consideration of approximately RMB40,000,000 on 18 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 had been fully utilised as at 31 December 2017.

Business strategies	Implementation plan	Sources of funding	Actual progress up to 31 December 2017
	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$1.2 million	The Group launched several promotions of its wastewater treatment business and invited potential customers to visit the Group's completed projects. As at 31 December 2017, the listing proceeds of approximately HK$2.2 million had been fully utilised as related expenses of these activities, such as accommodation expenses and transportation fees for related employees and potential customers.
	Conduct marketing activities in the central and northern regions of the PRC	Listing proceeds of approximately HK$1.0 million	
(ii) Expand the Group's soil remediation project business	Participate in industry events to identify business opportunities and invite potential customers to visit the Group's completed projects	Listing proceeds of approximately HK$2.6 million	The Group launched several promotions of its soil remediation business by, for example, participating in soil remediation industry meetings organised by local governments and touring leading soil remediation companies for technical communication. We also invited potential customers to visit the Group's completed projects. As at 31 December 2017, the listing proceeds of approximately HK$2.6 million had been fully utilised as related expenses of these activities, such as exhibition fees, accommodation expenses and transportation fees for related employees and customers.

Business strategies	Implementation plan	Sources of funding	Actual progress up to 31 December 2017
(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 thermal reactor, heat exchanger, vacuum pumps and filtration system, high pressure pumps, centralised control system, various electronic testing equipment, pressure filters and all kinds of filters and blenders	Listing proceeds of approximately HK$12.1 million	As at 31 December 2017, the listing proceeds of approximately HK$12.1 million had been fully utilised to purchase laboratory equipment and research and development materials for laboratory tests and pilot runs.
(iv) Upgrade the Group's qualification in construction and design engineering	Initial planning	Internal resources of the Group	The planning has been completed and the implementation of the plan has started 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$2.0 million	A number of experienced engineering and technical staff have been recruited in 2016 and the first half of 2017 in order to upgrade the Group's construction and design engineering capabilities. As at 31 December 2017, the listing proceeds of approximately HK$2.0 million had been fully utilised for salaries and training costs of these staff.

Business strategies	Implementation plan	Sources of funding	Actual progress up to 31 December 2017
(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 new PRC textile manufacturer in Vietnam	Listing proceeds of approximately HK$12.0 million	The listing proceeds of HK$12.0 million had been fully utilised to the 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 had been fully utilised to the fund the Dongguan EPC Project in 2016.

USE OF PROCEEDS

The net proceeds from the Placing 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 used for purposes which are in line 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 2017 were used as follows:

	Planned use of net proceeds as shown in the Prospectus *HK$'000*	Actual use of net proceeds from the date of the Listing to 31 December 2017 *HK$'000*	Unutilised amount of net proceeds as at 31 December 2017 *HK$'000*
Strengthen the Group's market position	14,400	14,400	–
Expand the Group's soil remediation project business	2,600	2,600	–
Enhance the Group's research and development capabilities	12,100	12,100	–
Upgrade the Group's qualification in construction and design engineering	2,000	2,000	–
Fund the working capital for EPC Projects	17,600	17,600	–
	48,700	48,700	–

Notes:

(a) 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 2017 (the “**AGM**”) will be held on Wednesday, 9 May 2018. 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 Wednesday, 9 May 2018. 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 Thursday, 3 May 2018.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2017, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

EVENTS AFTER 31 DECEMBER 2017

There are no significant events affecting the Group that have occurred after the year ended 31 December 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. Save for code A.2.1 of the CG Code, that the roles of the chairman and chief executive of the Company should be separate and should not be performed by the same individual, the Board is satisfied that the Company had complied with the CG Code for the year ended 31 December 2017. Mr. Xie Yang (“**Mr. Xie**”) is chairman and the chief executive officer of the Company. With extensive experience in the wastewater and water treatment engineering services industry, Mr. Xie is responsible for the Group’s overall strategic planning and management of its business. The Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the business prospects and management of the Group and the balance of power and authority is ensured by the operation of the senior management and the Board, which comprises experienced individuals. The Board comprised of two executive Directors (including Mr. Xie), two non-executive Directors and three independent non-executive Directors during the year ended 31 December 2017 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.

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 2017.

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 2017 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 2017, 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 2018

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*