



GREAT WATER

GREAT WATER HOLDINGS LIMITED

建禹集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8196)

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

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

FINANCIAL HIGHLIGHTS

For the nine months ended 30 September 2016

- Based on the unaudited condensed consolidated results of the Group for the nine months ended 30 September 2016 (the “**Period**”), the Group’s revenue for the Period was approximately RMB96,293,000, representing a decrease of approximately 5.0% as compared to approximately RMB101,314,000 for the corresponding period in 2015.
- During the Period, the Group’s total gross profit was approximately RMB38,516,000, representing an increase of approximately 44.5% as compared to approximately RMB26,659,000 for the corresponding period in 2015.
- During the Period, the Group’s net profit was approximately RMB23,174,000, representing an increase of approximately 93.3% as compared to approximately RMB11,986,000 for the corresponding period in 2015.
- The Board does not recommend the payment of any dividend for the nine months ended 30 September 2016.

UNAUDITED THIRD QUARTERLY RESULTS

The board of directors (the “**Board**”) of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the nine months ended 30 September 2016 together with the comparative unaudited figures for the corresponding period in 2015 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 September 2016

	<i>Notes</i>	For the three months ended 30 September		For the nine months ended 30 September	
		2016 <i>RMB'000</i> Unaudited	2015 <i>RMB'000</i> Unaudited	2016 <i>RMB'000</i> Unaudited	2015 <i>RMB'000</i> Unaudited
REVENUE	4	41,267	38,263	96,293	101,314
Cost of Sales		<u>(28,731)</u>	<u>(28,827)</u>	<u>(57,777)</u>	<u>(74,655)</u>
Gross profit		12,536	9,436	38,516	26,659
Other income and gains	4	1,414	848	4,418	2,178
Selling and distribution expenses		(338)	(256)	(1,413)	(1,210)
Administrative expenses		(4,632)	(3,260)	(13,949)	(12,732)
Finance costs	5	<u>(38)</u>	<u>(225)</u>	<u>(130)</u>	<u>(392)</u>
PROFIT BEFORE TAX		8,942	6,543	27,442	14,503
Income tax expense	6	<u>(1,377)</u>	<u>(449)</u>	<u>(4,268)</u>	<u>(2,517)</u>
PROFIT FOR THE PERIOD		<u>7,565</u>	<u>6,094</u>	<u>23,174</u>	<u>11,986</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT					
Basic and diluted	8	<u>RMB0.025</u>	<u>RMB0.027</u>	<u>RMB0.077</u>	<u>RMB0.053</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(Continued)

For the nine months ended 30 September 2016

	For the three months ended 30 September		For the nine months ended 30 September	
	2016	2015	2016	2015
<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	Unaudited	Unaudited	Unaudited	Unaudited
OTHER COMPREHENSIVE INCOME				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Exchange difference on translation of foreign operations	<u>(32)</u>	<u>434</u>	<u>(542)</u>	<u>421</u>
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	<u>(32)</u>	<u>434</u>	<u>(542)</u>	<u>421</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<u>(32)</u>	<u>434</u>	<u>(542)</u>	<u>421</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>7,533</u>	<u>6,528</u>	<u>22,632</u>	<u>12,407</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2016

	Share capital <i>RMB'000</i>	Share premium account <i>RMB'000</i>	Merger reserve <i>RMB'000</i>	Asset revaluation reserve <i>RMB'000</i>	Statutory surplus reserve <i>RMB'000</i>	Exchange fluctuation reserve <i>RMB'000</i>	Retained profits <i>RMB'000</i>	Total equity <i>RMB'000</i>
At 1 January 2015 (audited)	-	-	34,170	9,134	2,063	(3)	18,526	63,890
Profit for the period	-	-	-	-	-	-	11,986	11,986
Other comprehensive income for the period:								
Exchange differences on translation of foreign operations	-	-	-	-	-	421	-	421
Total comprehensive income for the period	-	-	-	-	-	421	11,986	12,407
Issue of shares	1,776	45,694	-	-	-	-	-	47,470
Distribution to shareholders	-	-	(48,000)	-	-	-	-	(48,000)
Transfer from retained profits	-	-	-	-	1,201	-	(1,201)	-
At 30 September 2015 (unaudited)	<u>1,776</u>	<u>45,694</u>	<u>(13,830)</u>	<u>9,134</u>	<u>3,264</u>	<u>418</u>	<u>29,311</u>	<u>75,767</u>
	Share capital <i>RMB'000</i>	Share premium account <i>RMB'000</i>	Merger reserve <i>RMB'000</i>	Asset revaluation reserve <i>RMB'000</i>	Statutory surplus reserve <i>RMB'000</i>	Exchange fluctuation reserve <i>RMB'000</i>	Retained profits <i>RMB'000</i>	Total equity <i>RMB'000</i>
At 1 January 2016 (audited)	2,397	98,818	(13,830)	9,134	3,828	1,141	33,678	135,166
Profit for the period	-	-	-	-	-	-	23,174	23,174
Other comprehensive income for the period:								
Exchange differences on translation of foreign operations	-	-	-	-	-	(542)	-	(542)
Total comprehensive income for the period	-	-	-	-	-	(542)	23,174	22,632
At 30 September 2016 (unaudited)	<u>2,397</u>	<u>98,818</u>	<u>(13,830)</u>	<u>9,134</u>	<u>3,828</u>	<u>599</u>	<u>56,852</u>	<u>157,798</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

For the nine months ended 30 September 2016

1. GENERAL

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 25 March 2015. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is located at Suite 2001, 20/F, Chinachem Johnston Plaza, 186 Johnston Road, Wan Chai, Hong Kong.

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

2. BASIS OF PREPARATION

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

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

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has 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 segment represents construction projects other than EPC projects, including soil remediation project;
- (c) the 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 is retained to operate and maintain water or wastewater treatment facilities for a certain period for certain operation and maintenance fee on a monthly or quarterly basis.

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group’s profit/(loss) before tax except that interest income, finance costs, fair value gains from the Group’s investment properties as well as head office and corporate expenses are excluded from such measurement.

The unaudited segment results for the nine months ended 30 September 2016 are as follows:

	EPC projects <i>RMB'000</i>	Construction projects <i>RMB'000</i>	Equipment projects <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue:					
Sales to external customers	<u>10,239</u>	<u>9,955</u>	<u>70,109</u>	<u>5,990</u>	<u>96,293</u>
Segment results	1,043	1,711	31,509	4,253	38,516
<i>Reconciliation:</i>					
Interest income					65
Unallocated gains					4,353
Corporate and other unallocated expenses					(15,362)
Finance costs					<u>(130)</u>
Profit before tax					<u>27,442</u>

The unaudited segment results for the nine months ended 30 September 2015 are as follows:

	EPC projects <i>RMB'000</i>	Construction projects <i>RMB'000</i>	Equipment projects <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue:					
Sales to external customers	<u>5,768</u>	<u>10,800</u>	<u>82,317</u>	<u>2,429</u>	<u>101,314</u>
Segment results	1,197	3,356	20,871	1,235	26,659
<i>Reconciliation:</i>					
Interest income					53
Unallocated gains					2,125
Corporate and other unallocated expenses					(13,942)
Finance costs					<u>(392)</u>
Profit before tax					<u>14,503</u>

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts; an appropriate proportion of contract revenue of construction contracts; the value of services rendered; and rental income received and receivable from investment properties during the relevant periods. An analysis of revenue, other income and gains is as follows:

	For the nine months ended 30 September	
	2016 RMB'000 Unaudited	2015 RMB'000 Unaudited
Revenue		
Income from construction contracting and related business	20,194	16,568
Sales of goods	70,109	82,317
Rendering of maintenance services	5,990	2,429
	<u>96,293</u>	<u>101,314</u>
Other income		
Bank interest income	65	53
Rental income	1,255	1,438
Exchange gains, net	2,457	368
Government grants	639	–
Others	2	–
	<u>4,418</u>	<u>1,859</u>
Gains		
Fair value gains on investment properties	–	319
	<u>4,418</u>	<u>2,178</u>

5. FINANCE COSTS

An analysis of finance costs is as follows:

	For the nine months ended 30 September	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
	Unaudited	Unaudited
Interest on bank loans	<u>130</u>	<u>392</u>

6. INCOME TAX

The statutory rate of Hong Kong profits tax was 16.5%, (2015: 16.5%) on the estimated assessable profits arising in Hong Kong. No provision for Hong Kong profits tax was made as the Group has no assessable profits arising in Hong Kong for the nine months ended 30 September 2016 (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 subsidiary which operates in the People's Republic of China (the "Mainland China" or the "PRC") is subject to Corporate Income Tax at a rate of 25% on the taxable income. Preferential tax treatment is available to the Group's principal operating subsidiary, Guangzhou Great Water Environmental Protection Co., Ltd., since it was recognised as a High and New Technology Enterprise in Mainland China and a lower PRC corporate income tax rate of 15% had been applied during the nine months ended 30 September 2016 and 2015.

Pursuant to the Vietnam Income Tax Law and the respective regulations, the subsidiary which operates in Vietnam is subject to Corporate Income Tax at a rate of 22% on the taxable income.

	For the nine months ended 30 September	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
	Unaudited	Unaudited
Current — Elsewhere other than Hong Kong	4,268	2,075
Deferred	<u>—</u>	<u>442</u>
Total tax charge for the period	<u>4,268</u>	<u>2,517</u>

7. DIVIDENDS

The Directors do not recommend payment of any dividend for the nine months ended 30 September 2016 (2015: Nil).

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

The calculation of the basic earnings per share for the nine months ended 30 September 2016 is based on the profit for the period attributable to ordinary equity holders of RMB23,174,000 (2015: RMB11,986,000), and the weighted average number of ordinary shares in issue of 300,000,000 (2015: 225,000,000) on the assumption that the shares issued through the Reorganisation and capitalisation issue prior to the listing of the shares of the Company on GEM of the Stock Exchange had been in issue since 1 January 2015.

No adjustment has been made to the basic earnings per share amounts presented for the nine months ended 30 September 2016 and 2015 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during these periods.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a provider of wastewater and drinking water treatment engineering services in the PRC. The main business of the Group is to provide construction services for wastewater and drinking water treatment facilities. The Group serves as the contractor, who is responsible for the whole project from launch to final operational management (“**EPC Project**”), or the equipment contractor, who is responsible for providing technical advice and equipment procurement services for the project (“**Equipment Project**”). The Group also engages in other environmental projects (“**Other Environmental Projects**”). Moreover, the Group also provides operating and maintenance service (“**O&M Project**”) for the customers for the management of wastewater and drinking water treatment facilities as well as consultation services in relation to the improvement of wastewater and drinking water treatment facilities of various constructions.

The shares of the Company were successfully listed on the GEM of the Stock Exchange on 9 December 2015 (the “**Listing**”) by way of placing (the “**Placing**”), which marked an important step of the Group towards its next stage of growth. The Listing has enhanced the Group’s profile and its future development potential in the domestic wastewater environmental industry and has provided the Group with additional avenues to raise capital for future expansion. The net proceeds raised from the Placing have also strengthened the Group’s operational capability.

As a result of the increasing domestic and overseas requirement for environmental protection in recent years, the Group will keep pace with the growing trend of the environmental protection industry so as to proactively expand its 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 an agreement on 30 September 2016 to form a joint venture with Best Well Ventures Limited (“**Best Well**”). Through this joint venture, the Group intends to provide operational services to a hazardous wastes treatment center of Best Well in Shanghai from the fourth quarter of 2016 onwards.

For the nine months ended 30 September 2016, the revenue of the Group decreased by approximately RMB5.0 million, or approximately 5.0%, to approximately RMB96.3 million as compared to the corresponding period in 2015.

Profit for the Period amounted to approximately RMB23.2 million, which represented an increase of approximately RMB11.2 million, or approximately 93.3%, as compared to corresponding period in 2015. Such increase was mainly due to higher profit margin for the Equipment Projects of the Group for the nine months ended 30 September 2016.

In the third quarter of 2016, the Group had entered into contracts for two new EPC Projects, four new construction projects, five new Equipment Projects and one new technical advisory project, with a total contract value of approximately RMB123.5 million. As at 30 September 2016, save for the O&M Projects, the Company had the following uncompleted projects on hand: (i) six EPC Projects; (ii) four construction projects; and (iii) eight Equipment Projects, with the aggregate value of work to be completed amounting to approximately RMB158.1 million. The Directors expect that the abovementioned uncompleted projects on hand will be fully completed by the end of 2017.

Save as disclosed above, no important events affecting the Group have occurred since the publication of the annual report of the Company for the year ended 31 December 2015.

OUTLOOK

As a professional environmental protection services company, apart from continuing to strengthen its market position in existing business segments, the Group has contemplated to expand into other environmental protection business areas through sourcing diversified projects at the same time, and gradually transforming itself into a comprehensive environmental protection services provider. Therefore, in addition to the wastewater treatment, gas treatment and soil remediation business, the Group had begun to expand its reach into other environmental protection service segments, such as hazardous waste disposal, solid waste disposal, as well as operation, management and maintenance of relevant facilities since the end of 2015. In this connection, through the formation of the joint venture with Best Well on 30 September 2016, the Group intends to provide operational services to a hazardous wastes treatment center of Best Well in Shanghai, which shall mark an important milestone in the Group's plan to enter the hazardous wastes treatment industry in the PRC. Apart from that, the Group is also deploying more resources in research and development in order to continuously improve the existing proprietary treatment technologies and develop other new treatment technologies in relation to environmental protection. The Group believes that diversifying in various business areas in the environmental protection services industry will be the key direction for the Group's future development.

FINANCIAL REVIEW

Operating revenue

For the nine months ended 30 September 2016, the Group's operating revenue amounted to approximately RMB98,293,000, representing a decrease of approximately 5.0% or RMB5,021,000 as compared to the corresponding period in 2015.

EPC Projects and Construction Projects

For the EPC Projects, the Group assumes the role of main contractor in charge of overall project management of building a treatment plant from initiation to commissioning for a predetermined contract amount. As an EPC contractor, the Group provides engineering design of the treatment facilities, procures necessary materials and appoints sub-contractors to build the facilities. The Group also engages in construction projects related to other environmental protection areas (such as soil remediation project and flue gas treatment project, involving the provision of engineering and procurement services for the project owner).

— *Revenue relating to EPC Projects*

For the nine months ended 30 September 2016, the revenue from EPC Projects relating to wastewater and drinking water treatment projects under construction and related business was approximately RMB10,239,000 (2015: approximately RMB5,768,000), representing an increase of approximately 77.5% or RMB4,471,000 as compared to the corresponding period in 2015. The increase in revenue from EPC Projects was primarily attributable to the recognition of aggregate revenue in respect of two large sized water treatment projects of approximately RMB10.0 million in the third quarter of 2016. These two 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, and (ii) the water treatment project in Guangdong province, the PRC, which was obtained in the third quarter of 2016 with the contract value of approximately RMB23.1 million. Both projects are still in progress and the remaining works thereof are estimated to be completed around the third quarter of 2017.

— *Revenue relating to construction projects*

For the nine months ended 30 September 2016, the revenue from construction projects was approximately RMB9,955,000 (2015: approximately RMB10,800,000) representing a decrease of approximately 7.8% or RMB845,000 as compared to corresponding period in 2015. The revenue of the Period of RMB9,955,000 was mainly attributable to four construction projects newly obtained during the Period, with a total contract value of approximately RMB14.6 million. Two of these projects are expected to be completed in the fourth quarter of 2016 and the other two projects are estimated to be completed in the second quarter of 2017.

Equipment Projects

For the Equipment Projects, the Group mainly provides procurement services to a pre-defined section of the projects. 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 nine months ended 30 September 2016, the revenue from Equipment Projects segment amounted to approximately RMB70,109,000 (2015: approximately RMB82,317,000) representing a decrease of approximately 14.8% or RMB12,208,000 as compared to the corresponding period in 2015. The revenue for the Period was attributable to eight Equipment Projects with aggregate contract value of RMB148.6 million. As at 30 September 2016, the Group had seven Equipment Projects on hand which have not been completed, with an aggregate value of works to be completed amounting to approximately RMB45.4 million. They are estimated to be fully completed by the second quarter of 2017.

Others

The revenue under the other segment included those attributable to O&M Projects and technical advisory services. As at 30 September 2016, the Group had one wastewater treatment O&M Project and four drinking water treatment O&M Projects on hand.

For the nine months ended 30 September 2016, the income from rendering maintenance services amounted to approximately RMB5,990,000 (2015: approximately RMB2,429,000), representing an increase of approximately 146.6% or approximately RMB3,561,000 as compared to the corresponding period in 2015. The increase was mainly due to the increase in revenue from O&M Projects of approximately RMB165,000 and from technical advisory projects of approximately RMB3,396,000 in this Period. 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 RMB3.3 million.

Other income and gains

For the nine months ended 30 September 2016, other income and gains amounted to approximately RMB4,418,000 (2015: approximately RMB2,178,000), representing an increase of approximately 102.9% or approximately RMB2,240,000 as compared to the corresponding period in 2015. The increase was mainly due to recognition of net exchange gain by approximately RMB2,457,000 for the first nine months of 2016 (2015: net exchange gain of RMB368,000) which was related to appreciation in exchange rates against RMB for the unused proceeds from the Listing denominated in Hong Kong dollar and the amounts received by the Group from a project in Vietnam denominated in United State dollar. In addition, during the Period, the Group received government grants of approximately RMB639,000 (2015: nil) in connection with the recognition of the Group's efforts in environmental protection patent development pursuant to the subsidy policies of the local government.

Cost of sales

For the nine months ended 30 September 2016, the cost of sales of the Group amounted to approximately RMB57,777,000 (2015: approximately RMB74,655,000), representing a decrease of approximately 22.6% or approximately RMB16,878,000 as compared to the corresponding period in 2015. The decrease in cost of sales was mainly due to the decrease in the material costs.

The material costs decreased from RMB66,162,000 for the nine months ended 30 September 2015 to approximately RMB38,950,000 for the nine months ended 30 September 2016. The decrease was mainly attributable to decrease in equipment costs sourced for the Equipment Projects, despite a higher mark up charged for these projects during the Period.

The cost of subcontracting increased from approximately RMB6,703,000 for the nine months ended 30 September 2015 to approximately RMB16,449,000 for the corresponding period in 2016. The increase was mainly due to the greater contract size of the EPC Projects and construction projects in which the Group participated in the third quarter of 2016, whilst most of the costs incurred for these projects were subcontracting costs as they were still under the initial construction phase during the three months ended 30 September 2016.

Gross profit

For the nine months ended 30 September 2016, the Group achieved gross profit of approximately RMB38,516,000 (2015: approximately RMB26,659,000), representing an increase of approximately 44.5% or approximately RMB11,857,000 as compared to the corresponding period in 2015. The increase in gross profit of the Group was mainly due to higher gross profit margin generated from Equipment Projects compared to those in the corresponding period in 2015.

Selling and distribution expenses

For the nine months ended 30 September 2016, selling and distribution expenses of the Group amounted to approximately RMB1,429,000 (2015: approximately RMB1,210,000), representing an increase of approximately 18.1% or approximately RMB219,000 as compared to the corresponding period in 2015. The increase was mainly due to the increase in repair and maintenance fees incurred for those completed EPC Projects and Equipment Projects during the Period.

Administrative expenses

For the nine months ended 30 September 2016, the administrative expenses of the Group amounted to approximately RMB13,919,000 (2015: approximately RMB12,732,000), representing an increase of approximately 9.3% or approximately RMB1,187,000 compared to the corresponding period in 2015. The increase was mainly due to the increase in staff remuneration and staff welfare during the Period.

Profit for the Period

For the nine months ended 30 September 2016, the profit for the Period amounted to approximately RMB23,174,000 (2015: RMB11,986,000), representing an increase of approximately RMB11,188,000 or 93.3% as compared to the corresponding period in 2015. The increase was mainly due to higher gross profit margin for the Equipment Projects of the Group for the nine months ended 30 September 2016.

DIVIDENDS

The Directors do not recommend the payment of any dividend for the nine months ended 30 September 2016 (2015: nil), in order to cope with the future business development needs of the Group.

Advances to an entity

As at 30 September 2016, the Group did not provide any advances to any entity outside the Group.

Pledging of shares by the controlling shareholders

As at 30 September 2016, there were no pledging of shares of the Company by the controlling shareholders of the Company (“**Controlling Shareholders**”).

Loan agreements of the Group

As at 30 September 2016, the Group did not enter into any loan agreement with covenants relating to specific performance of the Controlling Shareholders.

During the Period, 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 30 September 2016, the Group did not provide any financial assistance and guarantees to affiliated companies of the Group.

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 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 during the Period.

Currently, Mr. Xie Yang (“**Mr. Xie**”) is the chairman of the Board and chief executive officer of the Company. In accordance with 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 drinking 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 Period and therefore has sufficient independent elements in its composition.

DIRECTORS’ INTERESTS IN CONTRACTS OF SIGNIFICANCE

During the Period, none of the Directors had material interests, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party.

INTERESTS OF THE COMPLIANCE ADVISER

As at 30 September 2016, as notified by the Company’s compliance adviser, Shenwan Hongyuan Capital (H.K.) Limited (the “**Compliance Adviser**”), except for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 24 November 2015, neither the Compliance Adviser nor its directors, employees or its close associates (as defined under the GEM Listing Rules) had any interests in relation to the Company which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

COMPETING INTERESTS

The Directors are not aware of any business or interest of the Directors nor the controlling shareholders of the Company nor any of their respective close associates (as defined under the GEM Listing Rules) that competes or may compete, either directly or indirectly, with the business of the Group, or of any other conflicts of interest which any such person has or may have with the Group during the Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE GROUP AND ITS ASSOCIATED CORPORATIONS

As at 30 September 2016, the interests and short positions of the Directors and chief executive of the Company in the ordinary shares (the “**Shares**”), underlying Shares and debentures of the Company or any of its associated corporations (as defined in Part XV of the Securities and Future Ordinance (Chapter 571 of the laws of Hong Kong) (the “**SFO**”)) which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or required to be entered in the register of the Company pursuant to section 352 of the SFO, or required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Long positions in Shares

Name of Director(s)	Number of ordinary Shares		Interest of controlled corporation	Number of ordinary Shares held (Note 1)	Approximate percentage of interest
	Personal interest	Family interest			
Mr. Xie Yang ^(Note 2)	–	–	91,350,000	91,350,000 (L)	30.45%
Ms. Gong Lan Lan ^(Note 3)	–	–	67,117,500	67,117,500 (L)	22.37%
Mr. Song Xiao Xing ^(Note 4)	–	–	44,032,500	44,032,500 (L)	14.68%

Notes:

- The letter “L” denotes a long position.
- These Shares are owned by Oceanic Expert Investments Limited which is wholly owned by Perfect Wave Holdings Limited, the 100% interests of which is in turn beneficially owned by Mr. Xie Yang. Accordingly, Mr. Xie Yang is taken or deemed to be interested in the 91,350,000 Shares held by Oceanic Expert Investments Limited by virtue of the SFO.
- These Shares are owned by Waterman Global Limited which is wholly owned by The Thinker Global Limited, the 100% interests of which is in turn beneficially owned by Ms. Gong Lan Lan. Accordingly, Ms. Gong Lan Lan is taken or deemed to be interested in the 67,117,500 Shares held by Waterman Global Limited by virtue of the SFO.
- These Shares are owned by Great Time Ventures Limited which is wholly owned by Topman Ventures Limited, the 100% interests of which is in turn beneficially owned by Mr. Song Xiao Xing. Accordingly, Mr. Song Xiao Xing is taken or deemed to be interested in the 44,032,500 Shares held by Great Time Ventures Limited by virtue of the SFO.

Save as disclosed above, as at 30 September 2016, none of the Directors and chief executive of the Company had any interest or short position in the Shares, underlying shares and debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or required to be entered in the register of the Company pursuant to section 352 of the SFO, or required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

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

As at 30 September 2016, so far as the Directors are aware, the interests or short positions owned by the following persons (other than the Directors or chief executive of the Company) in the Shares or underlying Shares of the Company which are required to be notified to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO or which are required to be recorded in the register of the Company required to be kept under section 336 of the SFO are as follows:

Long positions in the Shares

Name	Capacity	Number of ordinary Shares held (Note 1)	Approximate percentage of interest
Oceanic Expert Investments Limited ^(Note 1)	Beneficial owner	91,350,000 (L)	30.45%
Perfect Wave Holdings Limited ^(Note 2)	Interest in controlled corporation	91,350,000 (L)	30.45%
Waterman Global Limited ^(Note 3)	Beneficial owner	67,117,500 (L)	22.37%
The Thinker Global Limited ^(Note 3)	Interest in controlled corporation	67,117,500 (L)	22.37%
Great Time Ventures Limited ^(Note 4)	Beneficial owner	44,032,500 (L)	14.68%
Topman Ventures Limited ^(Note 4)	Interest in controlled corporation	44,032,500 (L)	14.68%
Woody Industrial Limited ^(Note 5)	Beneficial owner	22,500,000 (L)	7.5%
Acute Capital Investments Limited ^(Note 5)	Interest in controlled corporation	22,500,000 (L)	7.5%
Mr. Yang Chen Kuo ^(Note 5)	Interest in controlled corporation	22,500,000 (L)	7.5%

Notes:

1. The letter “L” denotes a long position.
2. Mr. Xie Yang beneficially owns the entire issued share capital of Perfect Wave Holdings Limited which in turn wholly owns Oceanic Expert Investments Limited which held 91,350,000 Shares.
3. Ms. Gong Lan Lan beneficially owns the entire issued share capital of The Thinker Global Limited which in turn wholly owns Waterman Global Limited which held 67,117,500 Shares.
4. Mr. Song Xiao Xing beneficially owns the entire issued share capital of Topman Ventures Limited which in turn wholly owns Great Time Ventures Limited which held 44,032,500 Shares.
5. Mr. Yang Chen Kuo beneficially owns the entire issued share capital of Acute Capital Investments Limited which in turn wholly owns Woody Industrial Limited which held 22,500,000 Shares.

Save as disclosed above, as at 30 September 2016, the Directors are not aware of any interests or short positions owned by any persons (other than the Directors or Chief Executive of the Company) in the Shares or underlying Shares of the Company which were required to be disclosed under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO.

SHARE OPTION SCHEME

As at 30 September 2016, the Group did not adopt any share option scheme.

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 “**Required Standard of Dealings**”). The Company had also made specific enquiry of all the Directors, and each of them has confirmed that he/she was in compliance with the Required Standard of Dealings during the Period.

REVIEW OF FINANCIAL STATEMENT

During the Period, the Audit Committee of the Company (“**Audit Committee**”) comprised three independent non-executive Directors, namely, Mr. Tse Chi Wai, Ms. Bai Shuang and Mr. Ha Cheng Yong. Mr. Tse Chi Wai is the chairman of the Audit Committee.

The Audit Committee has reviewed the accounting policies and practices adopted by the Group and has discussed with the management of the Company on the financial reporting matters including review of the unaudited condensed consolidated financial statements of the Group for the nine months ended 30 September 2016 and the quarterly results and quarterly report of the Group for the nine months ended 30 September 2016, and is of the view that the quarterly results and the quarterly report have complied with the applicable accounting standards, the GEM Listing Rules and other applicable legal requirements, and that adequate disclosure has been made.

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

Guangzhou, the PRC, 8 November 2016

As at the date of this announcement, the executive Directors are Mr. XIE Yang and Mr. HE Yuan 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 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.