



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 2017**

**CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE
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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 2017

- Based on the unaudited condensed consolidated results of the Group for the nine months ended 30 September 2017 (the “**Period**”), the Group’s revenue for the Period was approximately RMB175,816,000, representing an increase of approximately 82.6% as compared to approximately RMB96,293,000 for the corresponding period in 2016.
- During the Period, the Group’s gross profit was approximately RMB47,641,000, representing an increase of approximately 23.7% as compared to approximately RMB38,516,000 for the corresponding period in 2016.
- During the Period, the Group’s net profit was approximately RMB24,409,000, representing an increase of approximately 5.3% as compared to approximately RMB23,174,000 for the corresponding period in 2016.
- The Board does not recommend the payment of any dividend for the nine months ended 30 September 2017.

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 2017 together with the comparative unaudited figures for the corresponding period in 2016 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 September 2017

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2017 RMB'000 Unaudited	2016 RMB'000 Unaudited	2017 RMB'000 Unaudited	2016 RMB'000 Unaudited
REVENUE	4	65,851	41,267	175,816	96,293
Cost of Sales		(49,397)	(28,731)	(128,175)	(57,777)
Gross profit		16,454	12,536	47,641	38,516
Other income and gains	4	437	1,414	4,574	4,418
Selling and distribution expenses		(815)	(338)	(2,247)	(1,413)
Administrative expenses		(5,749)	(4,632)	(19,213)	(13,949)
Finance costs	5	(677)	(38)	(1,639)	(130)
PROFIT BEFORE TAX		9,650	8,942	29,116	27,442
Income tax expense	6	(1,674)	(1,377)	(4,707)	(4,268)
PROFIT FOR THE PERIOD		7,976	7,565	24,409	23,174
Attributable to:					
Owner of parent		7,982	7,565	24,415	23,174
Non-controlling interests		(6)	–	(6)	–
		7,976	7,565	24,409	23,174
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT					
Basic and diluted	8	RMB0.027	RMB0.025	RMB0.081	RMB0.077

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Continued)

For the nine months ended 30 September 2017

	For the three months ended 30 September		For the nine months ended 30 September	
Notes	2017 <i>RMB'000</i> Unaudited	2016 <i>RMB'000</i> Unaudited	2017 <i>RMB'000</i> Unaudited	2016 <i>RMB'000</i> Unaudited
OTHER COMPREHENSIVE INCOME				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Exchange difference on translation of foreign operations	(1,051)	(32)	(2,660)	(542)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	(1,051)	(32)	(2,660)	(542)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	(1,051)	(32)	(2,660)	(542)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	6,925	7,533	21,749	22,632
Attributable to:				
Owner of parent	6,931	7,533	21,755	22,632
Non-controlling interests	(6)	–	(6)	–
	6,925	7,533	21,749	22,632

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2017

	Share capital <i>RMB'000</i>	Share premium account <i>RMB'000</i>	Merge reserve <i>RMB'000</i>	Asset revaluation reserve <i>RMB'000</i>	Statutory surplus reserve <i>RMB'000</i>	Exchange fluctuation reserve <i>RMB'000</i>	Retained profits <i>RMB'000</i>	Total <i>RMB'000</i>	Non- controlling interest <i>RMB'000</i>	Total equity <i>RMB'000</i>
At 1 January 2016 (audited)	2,397	98,818	(13,830)	9,134	3,828	1,141	33,678	135,166	-	135,166
Profit for the period	-	-	-	-	-	-	23,174	23,174	-	23,174
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	-	-	-	-	-	(542)	-	(542)	-	(542)
Total comprehensive income for the period	-	-	-	-	-	(542)	23,174	22,632	-	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>	<u>-</u>	<u>157,798</u>
	Share capital <i>RMB'000</i>	Share premium account <i>RMB'000</i>	Merger reserve <i>RMB'000</i>	Asset revaluation reserve <i>RMB'000</i>	Statutory surplus reserve <i>RMB'000</i>	Exchange fluctuation reserve <i>RMB'000</i>	Retained profits <i>RMB'000</i>	Total <i>RMB'000</i>	Non- controlling interest <i>RMB'000</i>	Total equity <i>RMB'000</i>
At 1 January 2017 (audited)	2,397	98,818	(13,830)	9,134	8,122	4,957	67,607	177,205	(2)	177,203
Profit for the period	-	-	-	-	-	-	24,415	24,415	(6)	24,409
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	-	-	-	-	-	(2,660)	-	(2,660)	-	(2,660)
Total comprehensive income for the period	-	-	-	-	-	(2,660)	24,415	21,755	(6)	21,749
At 30 September 2017 (Unaudited)	<u>2,397</u>	<u>98,818</u>	<u>(13,830)</u>	<u>9,134</u>	<u>8,122</u>	<u>2,297</u>	<u>92,022</u>	<u>198,960</u>	<u>(8)</u>	<u>198,952</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) For the nine months ended 30 September 2017

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 (“**Construction Projects**”) segment represents construction projects other than EPC Projects, including soil remediation project;
- (c) the equipment projects (“**Equipment Projects**”) segment comprises projects in which an enterprise is engaged by a customer for procurement of necessary materials, equipment and machinery, installation, testing and commissioning of the equipment and machinery for the treatment facilities as well as provision of technical consulting services to upgrade or optimise the design of the water or wastewater treatment facilities pursuant to the contract; and
- (d) the “others” segment comprises, principally, the Group’s operation and maintenance services in which an enterprise 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 2017 are as follows:

	EPC Project RMB'000	Construction Project RMB'000	Equipment Project RMB'000	Others RMB'000	Total RMB'000
Segment revenue:					
Sales to external customers	<u>73,275</u>	<u>25,692</u>	<u>70,538</u>	<u>6,311</u>	<u>175,816</u>
Segment results	16,550	5,994	20,409	4,688	47,641
<i>Reconciliation:</i>					
Interest income					157
Unallocated gains					4,417
Corporate and other unallocated expenses					(21,460)
Finance costs					<u>(1,639)</u>
Profit before tax					<u><u>29,116</u></u>

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

	EPC Project RMB'000	Construction Project RMB'000	Equipment Project RMB'000	Others RMB'000	Total RMB'000
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><u>27,442</u></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	
	2017	2016
	RMB'000	RMB'000
	Unaudited	Unaudited
Revenue		
Income from construction contracting and related business	98,967	20,194
Sales of goods	70,538	70,109
Rendering of maintenance services	6,311	5,990
	175,816	96,293
Other income		
Bank interest income	157	65
Rental income	1,087	1,255
Exchange gains, net	–	2,457
Government grants	3,330	639
Others	–	2
	4,574	4,418
	180,390	100,711

5. FINANCE COSTS

An analysis of finance costs is as follows:

	For the nine months ended 30 September	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
	Unaudited	Unaudited
Interest on bank loans	<u>1,639</u>	<u>130</u>

6. INCOME TAX

The statutory rate of Hong Kong profits tax was 16.5%, (2016: 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 2017 (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 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 2017 and 2016.

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	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
	Unaudited	Unaudited
Current — Elsewhere other than Hong Kong	4,707	4,268
Deferred	<u>—</u>	<u>—</u>
Total tax charge for the period	<u>4,707</u>	<u>4,268</u>

7. DIVIDENDS

The Directors do not recommend payment of any dividend for the nine months ended 30 September 2017 (2016: 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 2017 is based on the profit for the period attributable to ordinary equity holders of RMB24,415,000 (2016: RMB23,174,000), and the weighted average number of ordinary shares in issue of 300,000,000 (2016: 300,000,000).

No adjustment has been made to the basic earnings per share amounts presented for the nine months ended 30 September 2017 and 2016 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 the provision of engineering services for wastewater and drinking water treatment facilities. The Group acts as the contractor, who is responsible for the whole project from launch to final operational management (“**EPC Projects**”), or as the equipment contractor, who is responsible for providing technical advice and equipment procurement services for the project (“**Equipment Projects**”). The Group is also engaged in other environmental protection projects (“**Other Environmental Protection Projects**”), provision of operating and maintenance services (“**O&M Projects**”) for the customers in connection with the management of 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.

In the nine months ended 30 September 2017, the Group continuously expanded its main business in wastewater treatment EPC Projects and Equipment Projects in the PRC, developed main businesses such as soil remediation and actively explored new businesses such as hazardous wastes and solid wastes treatment.

For the nine months ended 30 September 2017, the revenue of the Group increased by approximately RMB79,523,000, or approximately 82.6%, to approximately RMB175,816,000 as compared to the corresponding period in 2016. The increase in revenue was primarily because the Group had recognised approximately RMB73,275,000 in revenue from EPC Projects, approximately RMB25,692,000 from construction projects (“**Construction Projects**”), and approximately RMB70,538,000 from Equipment Projects for the nine months ended 30 September 2017, compared to only approximately RMB10,239,000 from EPC Projects, approximately RMB9,955,000 from Construction Projects, and approximately RMB70,109,000 from Equipment Projects for the corresponding period in 2016.

Profit for the nine months ended 30 September 2017 amounted to approximately RMB24,409,000, which represented an increase of approximately RMB1,235,000, or approximately 5.3%, as compared to the corresponding period in 2016.

As at 30 September 2017, save for the O&M Projects, the Group had the following uncompleted projects on hand: (i) 4 EPC Projects; and (ii) 5 Equipment Projects, with the aggregate contract value of works to be completed amounting to approximately RMB141.0 million. The Directors expect that the abovementioned uncompleted projects on hand will be fully completed by the end of 2018.

Save as disclosed in this announcement, no material events affecting the Group have occurred since the end of the Period.

OUTLOOK

As a specialist in providing environmental protection services, the Group will continue to consolidate its market position in its existing business segments by stepping up its efforts in developing traditional businesses such as industrial and municipal sewage treatment, water supply and soil remediation, including projects from new customers beyond the Guangdong province. Meanwhile, the Group will, through its branch office in Shanghai, explore the markets in eastern China, central China, and northern China. The Group is confident that these moves will facilitate the further development of its primary businesses.

On the other hand, the Group will continue to tap into new segments of environmental protection industry through cooperation with other companies. During the Period, the Group is actively negotiating with a number of domestic enterprises for hazardous wastes treatment and solid wastes treatment on comprehensive cooperation opportunities.

Furthermore, the Group intends to commit more resources to research and development (“**R&D**”) for enhancement of its existing proprietary processing technologies and development of more environmental protection technologies to meet market demand in the future. In terms of research and development, the Group developed two new processes for wastewater treatment with energy conservation features, and has filed application for patents in this regard. Moreover, the Group has conducted technical research on resource recycling of hazardous wastes and solid wastes. Currently, the Group has achieved certain research results in the specialized technologies for hazardous wastes and solid wastes treatment for pharmaceutical industry and smelting industries, and is planning to apply these new technologies to some of the upcoming projects of the Group. At the same time, the Group is also in the process of upgrading its existing qualifications and obtaining further qualifications for carrying out additional types of environmental protection projects.

The Group believes that providing customers with more comprehensive and effective environmental protection services by consolidating its existing environmental protection operations and diversifying into other environmental protection segments will be the main direction for its future business development.

FINANCIAL REVIEW

Operating revenue

For the nine months ended 30 September 2017, the Group’s operating revenue amounted to approximately RMB175,816,000, representing an increase of approximately 82.6% or RMB79,523,000 as compared to the corresponding period in 2016.

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 2017, the revenue from EPC Projects relating to wastewater and drinking water treatment projects under construction and related business was approximately RMB73,275,000 (2016: approximately RMB10,239,000), representing an increase of approximately 6.2 times or RMB63,036,000 as compared to the corresponding period in 2016. The increase in revenue from EPC Projects in the nine months ended 30 September 2017 was primarily attributable to the recognition of revenue of approximately RMB58,132,000 from three large-sized wastewater treatment projects. The rest of the revenue, in the amount of approximately RMB15,143,000, was from other eleven EPC Projects. In contrast, the revenue from EPC Projects for the same period of 2016 was only from four small-sized wastewater treatment projects and one small-sized drinking water treatment project.

— Revenue relating to Construction Projects

For the nine months ended 30 September 2017, the revenue from Construction Projects was approximately RMB25,692,000 (2016: approximately RMB9,955,000), representing an increase of approximately 1.6 times or RMB15,737,000 as compared to the corresponding period in 2016. The increase in revenue from Construction Projects for the nine months ended 30 September 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 RMB4,287,000, was from four Construction Projects. In contrast, only revenue from five small-sized Construction Projects were recognised for the same period of last year.

Equipment Projects

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

For the nine months ended 30 September 2017, the revenue from Equipment Projects segment amounted to approximately RMB70,538,000 (2016: approximately RMB70,109,000), representing an increase of approximately 0.6% or RMB429,000 as compared to the corresponding period in 2016. The revenue from Equipment Projects for the nine months ended 30 September 2017 was attributable to the recognition of approximately RMB57,998,000 in revenue from two wastewater facility projects located in Henan province and Liaoning province, respectively.

Others

The revenue under the other segment included revenue attributable to O&M Projects and technical advisory services. As at 30 September 2017, the Group had one wastewater treatment O&M Project and five drinking water treatment O&M Projects on hand.

For the nine months ended 30 September 2017, the income from rendering maintenance and technical advisory services amounted to approximately RMB6,311,000 (2016: approximately RMB5,990,000), representing an increase of approximately 5.4% or approximately RMB321,000 as compared to the corresponding period in 2016. The increase was mainly attributable to the recognition in the nine months ended 30 September 2017 of (i) approximately RMB3,906,000 in revenue from four technical advisory projects, representing an increase of approximately RMB148,000 over the same period of last year; and (ii) approximately RMB2,405,000 in revenue from O&M Projects, representing an increase of approximately RMB173,000 over the same period of last year.

Other income and gains

For the nine months ended 30 September 2017, other income and gains amounted to approximately RMB4,574,000 (2016: approximately RMB4,418,000), representing an increase of approximately 3.5% or approximately RMB156,000 as compared to the corresponding period in 2016. The increase was mainly due to the recognition of (i) approximately RMB3,330,000 in revenue from government subsidies, as compared to approximately RMB639,000 of such revenue from corresponding period in 2016; and (ii) approximately RMB157,000 in revenue from bank interest income, representing an increase of approximately RMB92,000 over corresponding period in 2016, which was partially set off by the decrease of rental income by approximately RMB168,000 from approximately RMB1,255,000 to approximately RMB1,087,000 for the nine months ended 30 September 2017. There was no gain from currency appreciation for the nine months ended 30 September 2017 but approximately RMB2,457,000 over the same period of last year.

Cost of sales

For the nine months ended 30 September 2017, the cost of sales of the Group amounted to approximately RMB128,175,000 (2016: approximately RMB57,777,000), representing an increase of approximately 121.8% or approximately RMB70,398,000 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 RMB16,449,000 for the same period of 2016 to approximately RMB50,000,000 for the nine months ended 30 September 2017, and the material costs also increased from approximately RMB38,950,000 for the same period of 2016 to approximately RMB75,224,000 for the nine months ended 30 September 2017.

Gross profit

For the nine months ended 30 September 2017, the Group achieved gross profit of approximately RMB47,641,000 (2016: approximately RMB38,516,000), representing an increase of approximately 23.7% or approximately RMB9,125,000 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 nine months ended 30 September 2017 by approximately 82.6% as compared to the corresponding period in last year, partially offset by the increase in cost of sales in the same period. The gross profit margin of the Group for the nine months ended 30 September 2017 decreased from 40.0% for corresponding period in last year to 27.1%, 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 nine months ended 30 September 2017, selling and distribution expenses of the Group amounted to approximately RMB2,247,000 (2016: approximately RMB1,413,000), representing an increase of approximately 59.0% or approximately RMB834,000 as compared to the corresponding period in 2016. The increase in selling and distribution expenses was mainly attributable to increase in salary and welfare of approximately RMB271,000, increase in transportation expenses of approximately RMB253,000, increase in travelling expenses of approximately RMB104,000 and increase in entertainment expenses of approximately RMB106,000.

Administrative expenses

For the nine months ended 30 September 2017, the administrative expenses of the Group amounted to approximately RMB19,213,000 (2016: approximately RMB13,949,000), representing an increase of approximately 37.7% or approximately RMB5,264,000 as compared to the corresponding period in 2016. The increase in administrative expenses was mainly attributable to (i) increase in salary and welfare of approximately RMB2,624,000; (ii) increase in legal and professional fees of approximately RMB651,000; (iii) increase in entertainment expenses of approximately RMB121,000; (iv) increase in R&D cost of approximately RMB989,000; and (v) recognition of in foreign exchange loss of approximately RMB559,000 while there was an exchange gain of approximately RMB2,457,000 recognised in other income for the corresponding period in 2016.

Profit for the Period

For the nine months ended 30 September 2017, the profit for the Period amounted to approximately RMB24,409,000 (2016: RMB23,174,000), representing an increase of approximately RMB1,235,000 or 5.3% as compared to the corresponding period in 2016.

Dividends

The Directors do not recommend the payment of any dividend for the nine months ended 30 September 2017 (2016: nil), in order to cope with the future business development needs of the Group.

Advances to an entity

As at 30 September 2017, the Group did not provide any advances to any entity outside the Group.

Pledging of shares by the controlling shareholders

As at 30 September 2017, 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 2017, 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 2017, 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 of the Group. Therefore the Board has reviewed and will continue to review and improve the Company’s corporate governance practices from time to time.

The Company adopted the Corporate Governance Code (the “**CG Code**”) contained in Appendix 15 to the GEM Listing Rules as its own code of corporate governance. According to code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual and their respective responsibilities should be clearly defined in writing. With extensive experience in the wastewater and water treatment engineering services industry, Mr. Xie Yang, the chairman of the Board, an executive Director and the chief executive officer of the Company, is responsible for the Group’s overall strategic planning and management of its business. The Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the business prospects and management of the Group and the balance of power and authority is ensured by the operation of the senior management and the Board, which comprises experienced individuals. The Board comprised of two executive Directors (including Mr. Xie Yang), two non-executive Directors and three independent non-executive Directors during the Period 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 take up the role of chief executive officer of the Company in order to comply with the CG Code. Save for code provision A.2.1 of the CG Code, that the roles of the chairman and chief executive of the Company should be separate and should not be performed by the same individual, the Board is satisfied that the Company had complied with the CG Code for the Period.

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 2017, 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 2017, 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	Capacity	Number of Shares (Note 1)	Approximate percentage of the total number of Shares in issue
Mr. Xie Yang ^(Note 2)	Interest in controlled corporation	91,350,000 (L)	30.45%
Ms. Gong Lan Lan ^(Note 3)	Interest in controlled corporation	67,117,500 (L)	22.37%
Mr. Song Xiao Xing ^(Note 4)	Interest in controlled corporation	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 2017, 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 2017, 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 2)	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 2017, 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 2017, 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 2017 and the quarterly results and quarterly report of the Group for the nine months ended 30 September 2017, 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 2017

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.