

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

DISCLOSEABLE TRANSACTION
IN RELATION TO THE INVESTMENT IN THE SLUDGE TREATMENT PROJECT

INVESTMENT IN THE SLUDGE TREATMENT PROJECT

The Board is pleased to announce that on 21 September 2018, Guangzhou Sewage, Guangdong Xiangjun, Guangzhou Great Water (a wholly-owned subsidiary of the Company) and Shenzhen Huasheng entered into the Agreement, pursuant to which, the parties agreed to implement the Sludge Treatment Project, and Guangzhou Sewage agreed to grant to the Contractors the operation right of the Sludge Treatment Project for an operation period of 10 years. On the same date, Guangzhou Great Water (a wholly-owned subsidiary of the Company) entered into the Consortium Agreement with Guangdong Xiangjun and Shenzhen Huasheng in relation to the development, construction and operation of the Sludge Treatment Project.

GEM LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios set out in Rule 19.06 of the GEM Listing Rules in respect of the investment in the Sludge Treatment Project as contemplated under the Agreement and the Consortium Agreement are more than 5% and all applicable percentage ratios are less than 25%, the entering into of the Agreement and the Consortium Agreement and the transactions contemplated thereunder constitute discloseable transaction for the Company and are subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 21 September 2018, Guangzhou Sewage, Guangdong Xiangjun, Guangzhou Great Water (a wholly-owned subsidiary of the Company) and Shenzhen Huasheng entered into the Agreement, pursuant to which, the parties agreed to implement the Sludge Treatment Project, and Guangzhou Sewage agreed to grant to the Contractors the operation right of the Sludge Treatment Project for an operation period of 10 years. On the same date, Guangzhou Great Water (a wholly-owned subsidiary of the Company) entered into the Consortium Agreement with Guangdong Xiangjun and Shenzhen Huasheng in relation to the development, construction and operation of the Sludge Treatment Project.

Set out below is the principal terms of the Agreement and the Consortium Agreement.

THE AGREEMENT

Date

21 September 2018

Parties

- (a) Guangzhou Sewage as the contracting party;
- (b) Guangdong Xiangjun as one of the Contractors;
- (c) Guangzhou Great Water, a wholly-owned subsidiary of the Company, as one of the Contractors; and
- (d) Shenzhen Huasheng as one of the Contractors.

To the best of the Director's knowledge, information and belief having made all reasonable enquiry, Guangzhou Sewage, Guangdong Xiangjun and Shenzhen Huasheng and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

The Sludge Treatment Project

Pursuant to the Agreement:

- (a) the Sludge Treatment Project refers to the construction and operation of the facility and ancillary machineries on the Wastewater Plant by the Contractors, pursuant to which the Contractors shall process and undergo dehydration process for the sludge generated by the Wastewater Plant (being a by-product of the wastewater treatment process) upon commencement of operation of the Wastewater Plant, so that the water content of the processed sludge will be equal to or less than 40% and equal to or more than 30% (the "**Processing Service**");
- (b) the Contractors shall commence construction of the facility and ancillary machineries on the Wastewater Plant for the purpose of providing the Processing Service at their own costs upon the entering of the Agreement. Upon completion of the necessary

construction, which is expected to be completed on or around the first quarter of 2019 (the “**Construction Period**”), the facility shall be put into trial run for a period of 90 days (the “**Trial Period**”);

- (c) upon completion of the Trial Period and upon satisfaction by Guangzhou Sewage of the operation of the facility constructed on the Wastewater Plant, Guangzhou Sewage as the sole proprietor of all the fixed assets on the Wastewater Plant shall grant to the Contractors the sole and exclusive operation right of the Sludge Treatment Project for a period of 10 years (the “**Operation Period**”) to provide the Processing Service to the Wastewater Plant, and Guangzhou Sewage shall pay a service fee to the Contractors based on the actual volume of treated sludge as processed by the Contractors as further detailed in the below paragraph headed “The Agreement — Service fee” of this announcement; and
- (d) upon expiry of the Operation Period, the Contractors shall cease to have the operation right of the Sludge Treatment Project under the Wastewater Plant.

During the Operation Period, the Contractors shall provide the Processing Service in accordance to the requirements of Guangzhou Sewage. The Sludge Treatment Project has a proposed maximum processing capacity of 50 ton per day. Unless for any reason caused by the Contractors, Guangzhou Sewage shall ensure that the minimal processing capacity of the Sludge Treatment Project shall reach 40 ton per day. The quality of sludge processed under the Sludge Treatment Project as well as the environmental standard shall meet the standard as set out in the Technical Standard on Urban Sludge Drying Reduction Treatment (《城鎮污水處理廠污泥廠內乾化減量技術標準》).

The total investment for the Sludge Treatment Project is expected to be no more than RMB60,000,000 (equivalent to approximately HK\$68,454,000), which is determined with reference to (i) the expected investment and construction costs of the facility and ancillary machineries on the Wastewater Plant in the amount of RMB55,000,000 (equivalent to approximately HK\$62,750,000), taking into consideration of the scale of the Sludge Treatment Project as well as the requirements on the proposed sewage processing scale and quality of sludge discharged under the Sludge Treatment Project; and (ii) the expected ancillary expenses for operating the Sludge Treatment Project during the Operation Period in the amount of RMB5,000,000 (equivalent to approximately HK\$5,705,000). Pursuant to the Consortium Agreement, Guangzhou Great Water shall be responsible for the investment of the Sludge Treatment Project which is expected to be financed by internal resources of the Group. For further details, please also refer to the below paragraph headed “Consortium Agreement” of this announcement.

Service fee

Pursuant to the Agreement, the service fee payable by Guangzhou Sewage for the provision of Processing Service by the Contractors shall be settled on a monthly basis within the fifteen business days upon the relevant payment notice together with all other relevant documents is presented to Guangzhou Sewage, which shall be determined by the actual volume of treated sludge as processed by the Contractors multiplied by a fixed amount of RMB1,378 per ton of treated sludge, and deducting the monthly electricity and water costs generated by the Wastewater Plant as well as any default payment (if any) that the Contractors would be liable pursuant to the Agreement. The fixed amount of RMB1,378 per

ton of treated sludge is non-adjustable, and shall include all the relevant design fee, construction fee, electricity fee, labor cost, water cost, equipment usage fee, sludge packing, sludge loading and unloading, on-site cleaning, video monitoring equipment and operating expenses, together with all other costs to be incurred in order to ensure the normal operation of the facility and ancillary machineries on the Wastewater Plant, such as operating expenses, maintenance costs, profits, taxes, etc, for the provision of the Processing Service.

Default payment

Pursuant to the Agreement, the Contractors shall be liable for default payment to Guangzhou Sewage as follows:

- (a) in the event if the Contractors violate any provision as promulgated by the PRC government or the Agreement, which results in serious accidents such as serious injury, death or major property loss arising out of the Sludge Treatment Project, the Contractors shall bear all losses and related liabilities arising thereto and pay an amount of RMB1 million to Guangzhou Sewage;
- (b) during the Operation Period, if for any reason the Contractors fail to meet the processing requirement of Guangzhou Sewage, the Contractors shall pay a default payment to Guangzhou Sewage equals to RMB1,378 per ton of untreated sludge. In the event that the Contractors fail to process the sludge in accordance to the processing requirement of Guangzhou Sewage for a consecutive three (3) days or an aggregate of five (5) days within any given month, Guangzhou Sewage shall have the right to terminate the Agreement; and
- (c) in the event that, for any reason other than reason caused by Guangzhou Sewage, the water content of the sludge processed under the Sludge Treatment Project is less than 30% or more than 40%, Guangzhou Sewage shall deduct RMB80,000 from the service fee. Upon which, the Contractors shall complete the Processing Service for such sludge in accordance with the water content range as stipulated by Guangzhou Sewage, failure of which, a daily penalty of RMB5,000 will be deducted. In the event that the water content is less than 30% or more than 40% for a consecutive three (3) days or an aggregate of ten days within any given month, Guangzhou Sewage shall have the right to terminate the Agreement.

Guarantees

(a) Guarantee in relation to the Construction Period

As the guarantee for the obligation performance by the Contractors during the Construction Period, the Contractors shall provide a bank guarantee in the amount of RMB2,000,000 (equivalent to approximately HK\$2,282,000), to Guangzhou Sewage. The said bank guarantee will be discharged within 30 days upon the expiry of the Trial Period, and upon confirmation by Guangzhou Sewage that there exist no commercial dispute arising thereto, of the trial run for the construction works of the facility on the Wastewater Plant.

(b) Guarantee in relation to the Operation Period

As the guarantee for the obligation performance by the Contractors during the Operation Period, the Contractors shall provide a bank guarantee in the amount of RMB4,000,000 (equivalent to approximately HK\$4,564,000), to Guangzhou Sewage. The said bank guarantee will be discharged within 30 days upon the expiry of the Operation Period, and upon confirmation by Guangzhou Sewage that there exist no commercial dispute arising from the Sludge Treatment Project.

CONSORTIUM AGREEMENT

Date

21 September 2018

Parties

- (a) Guangdong Xiangjun;
- (b) Guangzhou Great Water, a wholly-owned subsidiary of the Company; and
- (c) Shenzhen Huasheng.

Development and operation of the Sludge Treatment Project

Pursuant to the Consortium Agreement, the Contractors agreed to develop and operate the Sludge Treatment Project, pursuant to which:

- (a) Guangdong Xiangjun shall be responsible for providing a portion of the facilities as well as operational and technical support for the construction of the facility and ancillary machineries on the Wastewater Plant for the purpose of the Processing Service;
- (b) Guangzhou Great Water shall be responsible for all the investment, construction, process design and operation of the Sludge Treatment Project; and
- (c) Shenzhen Huasheng shall be responsible for providing guidance on the engineering and installation for the Sludge Treatment Project.

Investment of the Sludge Treatment Project

Pursuant to the Consortium Agreement, the total investment for the Sludge Treatment Project is expected to be no more than RMB60,000,000 (equivalent to approximately HK\$68,454,000), which is expected to be financed by internal resources of the Group. Guangzhou Great Water shall be entitled to all the operational return generated by the Sludge Treatment Project.

INFORMATION OF THE COMPANY, GUANGZHOU SEWAGE AND THE CONTRACTORS

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

Guangzhou Great Water is a company established in the PRC and is principally engaged in design and construction and sale of equipment for environmental protection projects in the PRC. As at the date of this announcement, Guangzhou Great Water is a wholly-owned subsidiary of the Company.

Guangzhou Sewage is a state-owned enterprise established in the PRC and is responsible for the construction, operation and asset management of certain wastewater treatment facilities in Guangzhou City.

Guangdong Xiangjun is a company established in the PRC and is principally engaged in research and development, manufacturing and sales for environmental protection equipments in the PRC.

Shenzhen Huasheng is a company established in the PRC and is principally engaged in housing and factories construction in the PRC.

REASONS FOR ENTERING INTO THE AGREEMENT AND THE CONSORTIUM AGREEMENT

Sludge is an inevitable by-product of the wastewater treatment process and sludge treatment has become more and more important to the PRC in line with the latest PRC government policies on environmental protection. Accordingly, the sludge treatment market is poised to expand. One of the main focus of the Company's business is provision of engineering construction in environmental protection business, and the Company has also participated in the sludge treatment project construction projects in the past. Whilst investing in the operation of sludge treatment project is a new attempt to the Company, taking into consideration of the Group's prior construction experience as well as with the Group's familiarity of the locality of the Guangzhou area, where the Wastewater Plant is located, the investment in the Sludge Treatment Project represents a suitable opportunity to the Company and is also in line with the Group's business development. Importantly, the investment in the Sludge Treatment Project can bring relatively stable income to the Group for the upcoming ten years, which is expected to enrich the Group's long-term income model and operation mode. Further, the terms of the Agreement and the Consortium Agreement were determined after arm's length negotiations among the parties thereto. Accordingly, the Directors (including the independent non-executive Directors) consider that the terms of the Agreement and the Consortium Agreement, together with the transactions as contemplated thereunder, are on normal commercial terms, fair and reasonable and in the interest of the Group and the Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios set out in Rule 19.06 of the GEM Listing Rules in respect of the investment in the Sludge Treatment Project as contemplated under the Agreement and the Consortium Agreement are more than 5% and all applicable percentage ratios are less than 25%, the entering into of the Agreement and the Consortium Agreement and the transactions contemplated thereunder constitute discloseable transaction for the Company and are subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following expressions shall have the following meanings:

“Agreement”	the agreement dated 21 September 2018 entered into by and among Guangzhou Sewage and the Contractors, pursuant to which, the parties agreed to develop and construct the Sludge Treatment Project, and Guangzhou Sewage agreed to grant the operation right of the Sludge Treatment Project to the Contractors
“Board”	the board of Directors
“Company”	Great Water Holdings Limited (建禹集團控股有限公司), a company incorporated in the Cayman Islands on 25 March 2015 as an exempted company with limited liability, the Shares of which are listed on GEM (GEM stock code: 8196)
“connected person(s)”	has the same meaning as ascribed to it under the GEM Listing Rules
“Consortium Agreement”	the consortium agreement dated 21 September 2018 entered into by and among Guangdong Xiangjun, Guangzhou Great Water and Shenzhen Huasheng in relation to the development and operation of the Sludge Treatment Project by the Contractors
“Contractors”	collectively, Guangdong Xiangjun, Guangzhou Great Water and Shenzhen Huasheng
“Directors”	the directors of the Company
“GEM Listing Rules”	Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited
“Group”	the Company and its subsidiaries

“Guangdong Xiangjun”	廣東翔俊環保設備有限公司 (Guangdong Xiangjun Huanbao Shebei Youxian Gongsi*), a company established in the PRC and one of the Contractors
“Guangzhou Great Water”	Guangzhou Great Water Environmental Protection Co., Ltd. (廣州中科建禹環保有限公司), a company established in the PRC on 2 August 2001, an indirect wholly-owned subsidiary of the Company and one of the Contractors
“Guangzhou Sewage”	Guangzhou Sewage Purification Co., Ltd. (廣州市淨水有限公司), a state-owned enterprise established in the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“percentage ratios”	has the same meaning as ascribed to it under the GEM Listing Rules, as applicable to a transaction
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the Shares
“Share(s)”	the ordinary share(s) with a par value of HK\$0.01 each in the share capital of the Company
“Shenzhen Huasheng”	Shenzhen Huasheng Construction Group Co., Ltd. (深圳市華晟建設集團股份有限公司), a company established in the PRC and one of the Contractors
“Sludge Treatment Project”	the project for the development, construction and operation of the facilities and ancillary machineries on the Wastewater Plant to be conducted by the Contractors
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Wastewater Plant”	a wastewater treatment plant located in Dashadi, Guangzhou, the PRC with a site area of 6,000 meter squares, whereupon the Contractors shall construct the facility and ancillary machinery thereto for the purpose of processing and undergoing dehydration process of sludge generated during the wastewater treatment process
“%”	per cent.

In this announcement, RMB is converted into HK\$ at the exchange rate of HK\$1=RMB0.8765 for illustration purposes only.

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

Guangzhou, the PRC, 21 September 2018

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

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.