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**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 DISPOSAL OF A SUBSIDIARY**

On 31 January 2019 (after trading hours), the Vendor entered into the Agreement with the Purchaser in relation to the Disposal.

As one or more of the percentage ratios set out in Rule 19.06 of the GEM Listing Rules in respect of the Disposal (including the Repayment Obligation) are more than 5% but is less than 25%, the entering into of the Agreement and the transactions contemplated thereunder constitute a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

THE DISPOSAL

On 31 January 2019 (after trading hours), the Vendor entered into the Agreement with the Purchaser in relation to the Disposal. The principal terms of the Agreement are set out below.

Subject Matter

The Vendor agreed to sell 100% equity interest in the Subsidiary to the Purchaser.

Consideration

The consideration for the Disposal is RMB1.0.

Repayment Obligation

After completion of the Disposal, the Subsidiary shall repay the Lender, which is a wholly-owned subsidiary of the Company, all amounts owed to the Lender (the “**Repayment Obligation**”) on the terms as set out in the Repayment Agreement. The principal terms of the Repayment Agreement are set out below.

- (i) The Subsidiary shall repay the Lender all amounts owed to the Lender within ten Business Days (as defined in the Repayment Agreement) from completion of the Disposal.
- (ii) The Repayment Obligation shall be fulfilled before 31 March 2019, or such later date as agreed in writing between the parties to the Repayment Agreement.
- (iii) The Purchaser has guaranteed the Repayment Obligation of the Subsidiary.

As at the date of the Agreement, the amount owed by the Subsidiary to the Lender was RMB26,250,000.

Basis of the consideration

The consideration was arrived at after arm’s length negotiations between the parties to the Agreement. It was determined with reference to (i) the Repayment Obligation; and (ii) the Release; and (iii) the financial position of the Subsidiary as set out under the section headed “**INFORMATION ON THE SUBSIDIARY**” below.

Conditions precedent

Completion is conditional upon (i) obtaining the consent of the lending bank (as lender) to the Subsidiary (the “**Bank**”) for the change of control of the Subsidiary; and (ii) the release (the “**Release**”) of the guarantee provided by the Lender, Mr. Xie Yang and his spouse with respect to the relevant loan owed by the Subsidiary to the lending bank (the “**Bank Loan**”). Within 30 Business Days (as defined in the Agreement) upon satisfaction of all the conditions, the parties shall complete the relevant registration procedures for the Disposal.

As at the date of the Agreement, the amount owed to the Bank by the Subsidiary was RMB17,901,000.

INFORMATION OF THE SUBSIDIARY

As at the date of this announcement, the Subsidiary is indirectly owned as to 92% by the Company. The Subsidiary is principally engaged in investment holding. The Subsidiary has not commenced operations since incorporation in December 2016. Its principal asset is a property (the “**Property**”) acquired in 2017 for office use. Details of the Property are set out in the announcement of the Company dated 18 January 2017.

Set out below are the unaudited consolidated net profit before and after taxation of the Subsidiary for the two years ended 31 December 2018.

	For the year ended 31 December 2017	For the year ended 31 December 2018
	(unaudited)	(unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Net loss before tax	781,000	3,797,000
Net loss after tax	781,000	3,797,000

The unaudited net liabilities value of the Subsidiary as at 31 December 2018 was approximately RMB4,578,000.

REASONS AND BENEFITS OF THE DISPOSAL

The Subsidiary was established for the purpose of development and promotion of businesses in the hazardous waste treatment industry in the PRC.

However, due to the sluggish environment in the PRC and the decrease in demand in the hazardous waste treatment industry, the Subsidiary was not able to commence operations under the original plans. The Subsidiary has not generated any revenue since establishment and the Company and the other shareholder of the Subsidiary who holds 8% interest of the Vendor do not intend to make any further capital contribution to the Subsidiary.

The principal asset of the Subsidiary is the Property, which was acquired in 2017 at a consideration of approximately RMB39.8 million. The consideration was funded as to approximately RMB19.9 million by the Bank Loan and the balance by a loan from the Lender.

Since the acquisition of the Property, the Subsidiary continues to make interest payment to the Bank in relation to the Bank Loan and to pay for the expenses of maintaining the Property (including management fees and maintenance fees). As at 31 December 2018, taking into account the loan for the acquisition of the Property, the outstanding principal amount owed by the Subsidiary to the Lender was RMB26.25 million. Given the current market conditions, it is unclear as to whether the Subsidiary would be able to eventually commence business, generate revenue and repay the Bank Loan and the shareholders' loan.

As the original intended purpose of the Subsidiary can no longer be achieved. Since the second half of 2018, the Company has been considering the disposal of the Property, which is the Subsidiary's principal asset. It has sought for potential buyers through property agents and business acquaintances of the Group without success. As at 30 September 2018, the carrying amount of the Property recorded in the Company's interim financial results was RMB37,990,000. Even if the Subsidiary were successful in finding a buyer to the Property and the Property could be sold at the amount recorded in the Company's interim financial results, the Group would only be able to recover the shareholder's loan with a deficit of more than RMB1 million under the Bank Loan, which the Lender has guaranteed.

The Disposal would allow the Company to make better use of its capital resources, realise at least RMB26.3 million into immediately available funds, release the Company of its costs of maintaining a non-revenue generating Subsidiary, interest payments on the Bank Loan, the expenses of running the Property and to release the Company as a guarantor to the Bank Loan.

The Company intends to apply the repayment from the Subsidiary as general working capital for the daily operations of the Group.

The Directors consider that the terms and conditions of the Agreement (including the Repayment Obligation) are fair and reasonable and normal commercial terms and that the entering into of the Agreement is in the interest of the Company and the Shareholders as a whole.

FINANCIAL IMPACT OF THE DISPOSAL

Upon completion of the Disposal, the Subsidiary will cease to be a subsidiary of the Company and the financial results of the Subsidiary will no longer be consolidated into the Group's financial statements.

Based on the net liabilities value of approximately RMB4,578,000 of the Subsidiary as at 31 December 2018, the Group expects to record a gain for approximately RMB4,212,000 upon completion of the Disposal.

The financial impact set out above is for illustrative purpose only, which will have to be ascertained with reference to the carrying value of the Company's interest in the Subsidiary and the intercompany balance between the Group and the Subsidiary upon completion of the Disposal and the actual costs and expenses associated with the Disposal.

INFORMATION OF THE PARTIES

(1) The Group, the Vendor and the Lender

(i) The Group

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.

(ii) The Vendor

The Vendor is an investment holding company wholly owned by Sino Tactics, which is in turn owned as to 92% by the Company and as to 8% by a third party independent of the Company and its connected persons (as defined under the GEM Listing Rule).

(iii) *The Lender*

The Lender is an indirect wholly-owned subsidiary of the Company. It is principally engaged in design and construction and sale of equipment for environmental protection projects in the PRC.

(2) The Purchaser

The Purchaser is principally engaged in investment holdings.

To the best of the Director's knowledge, information and belief having made all reasonable enquiry, each of the Purchaser and its ultimate beneficial owners is a third party independent of the Company and its connected persons (as defined under the GEM Listing Rules).

GEM LISTING RULES IMPLICATIONS

As one or more of the percentage ratios set out in Rule 19.06 of the GEM Listing Rules in respect of the Disposal (including the Repayment Obligation) are more than 5% but is less than 25%, the entering into of the Agreement and the transactions contemplated thereunder constitute a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Agreement”	the agreement dated 31 January 2019 entered into between the Purchaser and the Vendor in relation to the Disposal
“Bank”	has the meaning ascribed to it under the paragraph headed “ <i>Conditions precedent</i> ” of this announcement
“Bank Loan”	has the meaning ascribed to it under the paragraph headed “ <i>Conditions precedent</i> ” of this announcement
“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)
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the 100 % equity interest in the Subsidiary
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM of the Stock Exchange
“GEM”	the GEM operated by the Stock Exchange

“Group”	the Company and its subsidiaries
“Lender”	Guangzhou Zhongke Great Water Environmental Company Limited* (廣州中科建禹環保有限公司), a company established in the PRC with limited liability
“PRC”	People’s Republic of China
“Purchaser”	Shanghai Conglin Environmental Technology Company Limited* (上海叢麟環保科技有限公司), a company established in the PRC with limited liability
“Release”	has the meaning ascribed to it under the paragraph headed “ <i>Conditions precedent</i> ” of this announcement
“Repayment Agreement”	the agreement dated 31 January 2019 entered into between the Purchaser, the Subsidiary and the Lender in relation to the Repayment Obligation
“Repayment Obligation”	has the meaning ascribed to it under the paragraph headed “ <i>Repayment Obligation</i> ” of this announcement
“Sino Tactics”	Sino Tactics Limited, a company incorporated in the British Virgin Islands with limited liability
“Subsidiary”	Great Water Environmental Technology (Shanghai) Company Limited* (建禹環保科技(上海)有限公司), a company established in the PRC with limited liability
“Vendor”	Manford Incorporation Limited (萬豐有限公司), a company incorporated in Hong Kong with limited liability

* for identification purposes only

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

31 January 2019

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