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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

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

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

ANNUAL RESULTS

The board of Directors (the "**Board**") of the Company is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2018 together with the comparative audited figures for the corresponding period for the year ended 31 December 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2018

	Notes	**2018** *RMB'000*	2017 *RMB'000*
REVENUE	*4*	**178,450**	247,550
Cost of sales		**(143,469)**	(176,858)
Gross profit		**34,981**	70,692
Other income and gains	*4*	**9,137**	12,682
Selling and distribution expenses		**(4,101)**	(3,173)
Administrative expenses		**(25,817)**	(26,444)
Impairment losses on financial and contract assets		**1,630**	–
Other expenses		**(16)**	(12)
Finance costs	*6*	**(3,362)**	(2,862)
PROFIT BEFORE TAX	*5*	**12,452**	50,883
Income tax expense	*7*	**(4,396)**	(9,133)
PROFIT FOR THE YEAR		**8,056**	41,750
Attributable to:			
Owners of the parent		**8,362**	41,812
Non-controlling interests		**(306)**	(62)
		8,056	41,750
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	*9*	**RMB0.03**	RMB0.14

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)
Year ended 31 December 2018

	Notes	**2018** **RMB'000**	2017 RMB'000
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**2,033**	(3,569)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		**2,033**	(3,569)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**2,033**	(3,569)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**10,089**	38,181
Attributable to:			
Owners of the parent		**10,396**	38,243
Non-controlling interests		**(307)**	(62)
		10,089	38,181

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**56,001**	61,265
Investment properties		**24,000**	23,350
Prepaid land lease payments		**465**	541
Other intangible assets		**3,170**	–
Total non-current assets		**83,636**	85,156
CURRENT ASSETS			
Inventories		**101**	26
Construction contracts		**–**	56,502
Trade and bills receivables	*10*	**162,420**	155,774
Contract assets		**133,652**	–
Prepayments, other receivables and other assets		**37,682**	30,544
Pledged deposits		**3,974**	5,869
Cash and cash equivalents		**64,627**	108,086
Total current assets		**402,456**	356,801
CURRENT LIABILITIES			
Trade payables	*11*	**140,432**	108,628
Other payables and accruals		**32,276**	45,794
Interest-bearing bank borrowings	*12*	**65,000**	40,000
Tax payable		**4,135**	7,258
Total current liabilities		**241,843**	201,680
NET CURRENT ASSETS		**160,613**	155,121
TOTAL ASSETS LESS CURRENT LIABILITIES		**244,249**	240,277
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**4,520**	5,003
Interest-bearing bank borrowing	*12*	**17,901**	19,890
Total non-current liabilities		**22,421**	24,893
Net assets		**221,828**	215,384

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

31 December 2018

	2018	2017
	RMB'000	*RMB'000*
EQUITY		
Equity attributable to owners of the parent		
Share capital	**2,397**	2,397
Reserves	**219,802**	213,051
	222,199	215,448
Non-controlling interests	**(371)**	(64)
Total equity	**221,828**	215,384

NOTES

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group has directly disposed of the related assets or liabilities.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014–2016 Cycle	Amendments to HKFRS 1 and HKAS 28

Except for the amendments to HKFRS 2, HKFRS 4 and *Annual Improvements 2014–2016 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting. With the exception of hedge accounting, which the Group has applied prospectively, the Group has recognised the transition adjustments against the applicable opening balances in of equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

Classification and measurement

The following information sets out the impacts of adopting HKFRS 9 on the statement of financial position, including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("ECLs").

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) (continued)

Classification and measurement (continued)

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 January 2018 is as follows:

	Note	HKAS 39 measurement Category	HKAS 39 measurement Amount *RMB'000*	Re-classification *RMB'000*	ECL *RMB'000*	Other *RMB'000*	HKFRS 9 measurement Amount *RMB'000*	HKFRS 9 measurement Category
Financial assets								
Trade and bills receivables	*(i)*	L&R[1]	149,185	–	(4,971)	–	144,214	AC[2]
Financial assets included in prepayments, other receivables and other assets		L&R	8,447	–	–	–	8,447	AC
Pledged deposits		L&R	5,869	–	–	–	5,869	AC
Cash and cash equivalents		L&R	108,086	–	–	–	108,086	AC
			271,587	–	(4,971)	–	266,616	
Other assets								
Deferred tax assets			367	–	–	1,693	2,060	
Gross assets	*(i)*		64,779	–	(1,802)	–	62,977	
			65,146	–	(1,802)	1,693	65,037	
Total assets			336,733	–	(6,773)	1,693	331,653	

The accounting for Group's financial liabilities remains largely the same as it was under HKAS 39.

1 L&R: Loans and receivables

2 AC: Financial assets or financial liabilities at amortised cost

Note:

(i) The gross carrying amounts of the trade and bills receivables and the contract assets under the column "HKAS 39 measurement — Amount" represent the amounts after adjustments for the adoption of HKFRS 15 but before the measurement of ECLs. Further details of the adjustments for the adoption of HKFRS 15 are included in note 2.2(b) to the financial statements.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) (continued)

Impairment

The following table reconciles the aggregate opening impairment allowances under HKAS 39 to the ECL allowances under HKFRS 9.

	Impairment allowances under HKAS 39 at 31 December 2017	Re-measurement	ECL allowances under HKFRS 9 at 1 January 2018
	RMB'000	*RMB'000*	*RMB'000*
Trade and bills receivables	–	(4,971)	(4,971)
Contract assets	–	(1,802)	(1,802)
	–	(6,773)	(6,773)

Impact on reserves and retained profits

The impact of transition to HKFRS 9 on reserves and retained profits is as follows:

	RMB'000
Retained profits	
Balance as at 31 December 2017 under HKAS 39	**104,349**
Recognition of expected credit losses for trade and bills receivables under HKFRS 9	**(4,971)**
Recognition of expected credit losses for contract assets under HKFRS 9	**(1,802)**
Deferred tax in relation to the above	**1,693**
Balance as at 1 January 2018 under HKFRS 9	**99,269**

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(b) HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. As a result of the application of HKFRS 15, the Group has changed the accounting policy with respect to revenue recognition in note 2.4 to the financial statements.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018.

The cumulative effect of the initial application of HKFRS 15 was recognised as an adjustment to the opening balance of retained profits as at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 11, HKAS 18 and related interpretations.

Set out below are the amounts by which each financial statement line item was affected as at 1 January 2018 as a result of the adoption of HKFRS 15:

	Notes	Increase/ (decrease) *RMB'000*
Assets		
Inventories		–
Construction contracts	*(ii)*	(56,502)
Prepayments, other receivables and other assets		–
Trade and bills receivables	*(ii)*	(6,589)
Contract assets	*(i),(ii)*	64,779
Total assets		1,688
Liabilities		
Other payables and accruals	*(iii)*	–
Tax payable		253
Deferred tax liabilities		–
Total liabilities		253
Equity		
Retained profits	*(i)*	1,435
Non-controlling interests		–
		1,435

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(b) (continued)

Set out below are the amounts by which each financial statement line item was affected as at 31 December 2018 and for the year ended 31 December 2018 as a result of the adoption of HKFRS 15. The adoption of HKFRS 15 has had no impact on other comprehensive income or on the Group's operating, investing and financing cash flows. The first column shows the amounts recorded under HKFRS 15 and the second column shows what the amounts would have been had HKFRS 15 not been adopted:

Consolidated statement of profit or loss for the year ended 31 December 2018:

		Amounts prepared under		
			Previous	**Increase/**
		HKFRS 15	**HKFRS**	**(decrease)**
	Notes	***RMB'000***	***RMB'000***	***RMB'000***
CONTINUING OPERATIONS				
Revenue	*(i)*	**178,450**	**179,776**	**(1,326)**
Cost of sales		**(143,469)**	**(143,469)**	**–**
Gross profit		**34,981**	**36,307**	**(1,326)**
Profit before tax		**12,452**	**13,778**	**(1,326)**
Income tax credit		**(4,396)**	**(4,595)**	**199**
Profit for the year		**8,056**	**9,183**	**(1,127)**
Attributable to:				
Owners of the parent		**8,362**	**9,489**	**(1,127)**
Non-controlling interests		**(306)**	**(306)**	**–**
		8,056	**9,183**	**(1,127)**
Earnings per share attributable to ordinary equity holders of the parent				
Basic				
— For profit for the year		**RMB0.03**	**RMB0.03**	**–**
Diluted				
— For profit for the year		**RMB0.03**	**RMB0.03**	**–**

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(b) (continued)

Consolidated statement of financial position 31 December 2018:

		Amounts prepared under		
			Previous	Increase/
		HKFRS 15	HKFRS	(decrease)
	Notes	***RMB'000***	***RMB'000***	***RMB'000***
Inventories		**101**	**101**	**–**
Construction contracts	*(ii)*	**–**	**131,303**	**(131,303)**
Prepayments, other receivables and other assets		**37,682**	**37,682**	**–**
Trade and bills receivables	*(ii)*	**162,420**	**164,407**	**(1,987)**
Contract assets	*(i),(ii)*	**133,652**	**–**	**133,652**
Total assets		**486,092**	**485,730**	**362**
Other payables and accruals	*(iii)*	**32,276**	**32,276**	**–**
Tax payable		**4,135**	**4,081**	**54**
Deferred tax liabilities		**4,520**	**4,520**	**–**
Total liabilities		**264,264**	**264,210**	**54**
Net assets		**221,828**	**221,520**	**308**
Retained profits		**107,229**	**106,921**	**308**
Non-controlling interests		**(371)**	**(371)**	**–**
Total equity		**221,828**	**221,520**	**308**

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(b) (continued)

The nature of the adjustments as at 1 January 2018 and the reasons for the significant changes in the statement of financial position as at 31 December 2018 and the statement of profit or loss for the year ended 31 December 2018 are described below:

(i) Construction projects with sale of equipment

The Group provides construction projects with sale of equipment. Before the adoption of HKFRS 15, sale of equipment were bundled together with the construction services and revenue from the sale of equipment was recognised after the construction services had been completed.

Under HKFRS 15, the Group has assessed that there were two performance obligations in contracts for the bundled sale of equipment and construction services and performed an allocation of the transaction price based on their standalone selling prices. The revenue from construction services is recognised over time while the sale of equipment is recognised at the point in time when control of the asset is transferred to the customers. The earned consideration that is conditional to the completion of construction services is recorded as contract assets. Accordingly, upon adoption of HKFRS 15, contract assets were increased by RMB1,688,000 as at 1 January 2018, which resulted in an increase in retained profits of RMB1,435,000.

As at 31 December 2018, the adoption of HKFRS 15 resulted in an increase in contract assets of RMB362,000, which resulted in an increase in retained profits of RMB308,000. Revenue for the year ended 31 December 2018 was decreased by RMB1,326,000.

(ii) Construction services

Before the adoption of HKFRS 15, contract costs were recognised as an asset provided it was probable that they would be recovered. Such costs represented an amount due from the customers and were recorded as construction contracts in the statement of financial position before the construction services were billed to customers. Upon the adoption of HKFRS 15, a contract asset is recognised when the Group performs by transferring goods or services to customers and the Group's right to consideration is conditional. Accordingly, the Group reclassified RMB56,502,000 and RMB6,589,000 from trade and bills receivables from construction contracts to contract assets as at 1 January 2018.

As at 31 December 2018, the adoption of HKFRS 15 resulted in a decrease in trade and bills receivables of RMB1,987,000, a decrease in construction contracts of RMB131,303,000 and an increase in contract assets of RMB133,290,000.

(iii) Consideration received from customers in advance

Before the adoption of HKFRS 15, the Group recognised consideration received from customers in advance as other payables. Under HKFRS 15, the amount is classified as contract liabilities which are included in other payables and accruals.

Therefore, upon adoption of HKFRS 15, the Group reclassified RMB4,661,000 from other payables to contract liabilities as at 1 January 2018 in relation to the consideration received from customers in advance as at 1 January 2018.

As at 31 December 2018, under HKFRS 15, RMB3,086,000 was reclassified from other payables to contract liabilities in relation to the consideration received from customers in advance for the sales of equipment and provision of construction services.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(c) Amendments to HKAS 40 clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments have had no impact on the financial position or performance of the Group.

(d) HK(IFRIC)-Int 22 provides guidance on how to determine the date of the transaction when applying HKAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. The interpretation has had no impact on the Group's financial statements as the Group's accounting policy for the determination of the exchange rate applied for initial recognition of non-monetary assets or non-monetary liabilities is consistent with the guidance provided in the interpretation.

3. OPERATING SEGMENT INFORMATION

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

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

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

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

(d) the service concession arrangement ("Service Concession Arrangement") segment comprises projects in which provides the construction of sludge treatment and operation of the sludge station upon the completion of construction for a long period, i.e. 10 years. The fee received under this arrangement for the provision of operation services includes a guaranteed tariff based on a guaranteed minimum treatment volume together with an additional tariff in excess of the minimum volume. Restoration of the infrastructure to a specified condition before it is handed over to the grantor at the end of the service arrangement is necessary. According to the term of such arrangement, the Group is responsible for all of the costs in construction, operation and maintenance as well as restoration of the infrastructure.

(e) the "others" segment comprises, principally, the Group's operation and maintenance services in which an enterprise of the Group is retained to operation and maintenance water or wastewater treatment facilities for a certain period for certain operation and maintenance fees on a monthly or quarterly basis.

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

3. OPERATING SEGMENT INFORMATION (continued)

Segment assets exclude tax recoverable, pledged deposits, cash and cash equivalents, property, plant and equipment, investment properties, prepaid land lease payments and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude tax payable, deferred tax liabilities, interest-bearing bank borrowings and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Year ended 31 December 2018	EPC Projects *RMB'000*	Construction Projects *RMB'000*	Equipment Projects *RMB'000*	Service Concession Arrangement *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment revenue *(note 4)*						
Sales to external customers	**42,983**	**41,161**	**46,668**	**44,629**	**3,009**	**178,450**
Segment results	**908**	**12,532**	**17,392**	**3,104**	**1,045**	**34,981**
Reconciliation:						
Interest income						**112**
Unallocated gains						**9,025**
Impairment loss						**1,630**
Corporate and other unallocated expenses						**(29,934)**
Finance costs						**(3,362)**
Profit before tax						**12,452**
Segment assets	**73,716**	**70,330**	**129,339**	**46,642**	**9,204**	**329,231**
Reconciliation:						
Corporate and other unallocated assets						**156,861**
Total assets						**486,092**
Segment liabilities	**48,026**	**21,026**	**48,289**	**26,162**	**14**	**143,517**
Reconciliation:						
Corporate and other unallocated liabilities						**120,747**
Total liabilities						**264,264**
Other segment information:						
Depreciation and amortisation						**5,314**
Capital expenditure*						**4,889**

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

3. OPERATING SEGMENT INFORMATION (continued)

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

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

3. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	2018 *RMB'000*	2017 *RMB'000*
Mainland China	**177,295**	243,010
Vietnam	**1,155**	4,540
	178,450	247,550

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

(b) Non-current assets

	2018 *RMB'000*	2017 *RMB'000*
Mainland China	**83,139**	84,561
Vietnam	**516**	595
	83,655	85,156

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about major customers

Revenue derived from sales to each of the major customers, including sales to a group of entities which are known to be under common control with these customers of Service Concession Arrangement, EPC Projects and Equipment Projects segments, which accounted for 10% or more of the Group's revenue for the year is set out below:

	2018 *RMB'000*	2017 *RMB'000*
Customer A	**44,629**	49,782
Customer B	**42,000**	36,118
Customer C	**35,621**	34,877
Customer D	**22,845**	27,255

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2018 *RMB'000*	2017 *RMB'000*
Revenue from contracts with customers		
Sale of equipment	**46,668**	121,947
Construction contracts	**128,773**	114,584
Rendering of services	**3,009**	11,019
	178,450	247,550

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2018

Segments	EPC Projects *RMB'000*	Construction Projects *RMB'000*	Equipment Projects *RMB'000*	Service Concession Arrangement *RMB'000*	Others *RMB'000*	Total *RMB'000*
Type of goods or services						
Sale of equipment	30,906	–	46,668	14,090	–	91,664
Construction services	12,077	41,161	–	30,539	–	83,777
Other services	–	–	–	–	3,009	3,009
Total revenue from contracts with customers	42,983	41,161	46,668	44,629	3,009	178,450
Geographical markets						
Mainland China	42,983	40,006	46,668	44,629	3,009	177,295
Vietnam	–	1,155	–	–	–	1,155
Total revenue from contracts with customers	42,983	41,161	46,668	44,629	3,009	178,450
Timing of revenue recognition						
Equipment transferred at a point in time	–	–	46,668	–	–	46,668
Services transferred over time	42,983	41,161	–	44,629	3,009	131,782
Total revenue from contracts with customers	42,983	41,161	46,668	44,629	3,009	178,450

4. **REVENUE, OTHER INCOME AND GAINS (continued)**

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

For the year ended 31 December 2018

Segments	EPC Projects *RMB'000*	Construction Projects *RMB'000*	Equipment Projects *RMB'000*	Service Concession Arrangement *RMB'000*	Others *RMB'000*	Total *RMB'000*
Revenue from contracts with customers						
External customers	**42,983**	**41,161**	**46,668**	**44,629**	**3,009**	**178,450**
Intersegment sales	**–**	**–**	**–**	**–**	**–**	**–**
Total revenue from contracts with customers	**42,983**	**41,161**	**46,668**	**44,629**	**3,009**	**178,450**

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2018 *RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	
Sale of equipment	**1,618**
Construction services	**–**
Other services	**–**
	1,618

4. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of equipment

The performance obligation is satisfied upon delivery of equipment and payment is generally due within 30 days from the date of issuing tax invoice, extending up to the date of final acceptance of the whole projects for certain customers. Some contracts provide customers with a right of return and volume rebates which give rise to variable consideration subject to constraint.

Construction services

The performance obligation is satisfied over time as services are rendered and payment is generally due within 30 days from the date of issuing tax invoice, extending up to the date of final acceptance of the whole projects for certain customers. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

Other services

The performance obligation is satisfied over time as services are rendered. Other service contracts are for periods of one year or less, or are billed based on the time incurred.

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2018 are as follows:

	RMB'000
Within one year	**31,266**

All the remaining performance obligations are expected to be recognised within one year. The amounts disclosed above do not include variable consideration which is constrained.

4. REVENUE, OTHER INCOME AND GAINS (continued)

	2018	2017
	RMB'000	*RMB'000*
Other income		
Bank interest income	**112**	244
Rental income	**4,536**	4,717
Government grants*		
— Related to income	**308**	6,489
Exchange gains, net	**1,447**	(1,335)
Others	**8**	5
	6,411	10,120
Gains		
Fair value gains on investment properties	**650**	2,562
Gain on disposal of items of property, plant and equipment	**2,076**	–
	2,726	2,562
	9,137	12,682

* Government grants for the year ended 31 December 2018 were received from the government authorities of the PRC in recognition of the Group's efforts in high-quality services in Guangzhou. Government grants for the year ended 31 December 2017 were received from the government authorities of the PRC as incentives to listed entities in Guangzhou.

5. PROFIT BEFORE TAX

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

	2018	2017
	RMB'000	*RMB'000*
Cost of inventories sold	**29,276**	81,412
Cost of construction contracting	**112,234**	93,259
Cost of services provided	**1,959**	2,187
Depreciation	**4,758**	1,840
Amortisation of land lease payments	**78**	105
Amortisation of other intangibles assets	**478**	–
Auditor's remuneration	**1,359**	1,247
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	**13,025**	15,009
Pension scheme contributions#	**1,114**	1,360
Other welfare expenses	**3,348**	2,841
	17,487	19,210
Foreign exchange differences, net	**(1,447)**	1,335
Impairment of financial and contract assets:		
Reversal of Impairment of trade receivables	**1,924**	–
Impairment of contract assets	**(294)**	–
Changes in fair value of investment properties*	**(650)**	(2,562)
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	**369**	415
Bank interest income*	**(112)**	(244)
Gain on disposal of items of property, plant and equipment*	**(2,076)**	–

* Gains are included in "Other income and gains" and the losses are included in "Other expenses", as appropriate, in the consolidated statement of profit or loss and other comprehensive income.

As at the end of the years 2018 and 2017, the Group had no material forfeited contributions available to reduce its contributions to the retirement benefit schemes in future years.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2018	2017
	RMB'000	*RMB'000*
Interest on bank loans	**3,362**	2,862

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. No provision for Hong Kong profits tax was made as the Group had no assessable profits arising in Hong Kong during the year (2017: Nil).

Pursuant to the rules and regulations of the Cayman Islands, the Company is not subject to any income tax in the Cayman Islands.

Pursuant to the PRC Income Tax Law and the respective regulations, the subsidiaries which operate in Mainland China are subject to Corporate Income Tax ("CIT") at the rate of 25% on taxable income. Preferential tax treatment is available to the Group's principal operating subsidiary, Great Water Guangzhou, since it was recognised as a High and New Technology Enterprise in Mainland China and a lower PRC CIT rate of 15% had been applied during the years ended 31 December 2018 and 2017.

Pursuant to the Vietnam Income Tax Law and the respective regulations, the subsidiary which operates in Vietnam is subject to CIT at a rate of 20% on taxable income.

	2018	2017
	RMB'000	*RMB'000*
Current — Elsewhere other than Hong Kong	**3,186**	8,592
Deferred	**1,210**	541
	4,396	9,133

8. DIVIDENDS

The board of directors does not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: Nil).

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent of RMB8,361,900 (2017: RMB41,812,000), and the weighted average number of ordinary shares of 300,000,000 (2017: 300,000,000) in issue during the year, as adjusted to reflect the rights issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2018 and 2017.

The calculation of basic and diluted earnings per share is based on:

	2018	2017
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:	**8,362**	41,812

	Number of shares	
	2018	2017
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**300,000,000**	300,000,000

10. TRADE AND BILLS RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
Trade receivables	**164,667**	155,774
Impairment	**(3,047)**	–
	161,620	155,774
Bills receivables	**800**	–
	162,420	155,774

Trade receivables represented the outstanding contracted value for the sale of goods, construction contracts and rendering of services receivable from the customers at each of the reporting dates. The Group's trading terms with its customers are mainly on credit. Tax invoices are issued to the customers based on agreed schedules and the Group's trade receivables are subject to various credit terms. The credit period granted to the customers is 30 days from the date of issuing tax invoice, extending up to the date of final acceptance of the whole projects for certain customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise the credit risk. Overdue balances are reviewed regularly by senior management. Concentrations of credit risk are managed by customer/ counterparty, by geographical region and by industry sector. The Group does not hold any collateral or other credit enhancements over these balances. Trade receivables are non-interest-bearing.

10. TRADE AND BILLS RECEIVABLES (continued)

An ageing analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2018	2017
	RMB'000	*RMB'000*
Within one month	**1,491**	44,132
One to three months	**594**	670
Three months to one year	**54,461**	86,842
One to two years	**94,878**	13,202
Two to three years	**313**	9,176
Over three years	**10,683**	1,752
	162,420	155,774

The movements in the loss allowance for impairment of trade receivables are as follows:

	2018
	RMB'000
At beginning of year	**–**
Effect of adoption of HKFRS 9	**(4,971)**
At beginning of year (restated)	**(4,971)**
Impairment losses, net	**1,924**
At end of year	**(3,047)**

Impairment under HKFRS 9 for the year ended 31 December 2018

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

10. TRADE AND BILLS RECEIVABLES (continued)

Impairment under HKFRS 9 for the year ended 31 December 2018 (continued)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2018

	Category A	Category B	Category C	Category D	Total
Expected credit loss rate	0%	0%	0%	10%	1.9%
Gross carrying amount (RMB'000)	1,243	4,238	128,715	30,471	164,667
Expected credit losses (RMB'000)	–	–	–	(3,047)	(3,047)

Transfers of financial assets

At 31 December 2018, the Group presented or endorsed certain bills receivable accepted by banks in Mainland China (the "Derecognised Bills") to certain suppliers and banks with an aggregate carrying amount of RMB822,000. The Derecognised Bills have a maturity of nine months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the year ended 31 December 2018, the Group had not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively.

11. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the transaction date, is as follows:

	2018	2017
	RMB'000	*RMB'000*
Within one month	**30,314**	12,649
One to three months	**988**	6,763
Three months to one year	**62,625**	61,521
Over one year	**46,505**	27,695
	140,432	108,628

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

12. INTEREST-BEARING BANK BORROWINGS

	2018			2017		
	Effective interest rate (%)	**Maturity**	***RMB'000***	Effective interest rate (%)	Maturity	*RMB'000*
Current						
Bank loans — secured	**5.00–6.09**	**2019**	**65,000**	4.79	2018	40,000
Non-Current						
Bank loan — secured	**5.88**	**2027**	**17,901**	5.88	2027	19,890

	2018	2017
	RMB'000	*RMB'000*
Analysed into:		
Bank loans repayable within one year	**65,000**	40,000
Bank loan repayable beyond one year	**17,901**	19,890
	82,901	59,890

Notes:

(a) The Group's banking facilities amounting to RMB112,901,000 (2017: RMB99,890,000), of which RMB82,901,000 (2017: RMB59,890,000) had been utilised as at the end of the reporting period, are secured by:

(i) mortgages over the Group's investment properties situated in Mainland China, which had an aggregate carrying value at the end of the reporting period of RMB24,000,000 (2017: RMB23,350,000);

(ii) mortgages over the Group's buildings, which had an aggregate carrying value at the end of the reporting period of approximately RMB44,759,000 (2017: RMB46,916,000); and

(iii) mortgages over the Group's prepaid lease payments, which had an aggregate carrying value at the end of the reporting period of RMB477,000 (2017: RMB555,000).

(b) The bank loans are denominated in RMB.

13. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties under operating lease arrangements, with leases negotiated for terms ranging from three to ten years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2018, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2018	2017
	RMB'000	*RMB'000*
Within one year	**1,807**	5,857
In the second to fifth years, inclusive	**7,229**	7,229
After five years	**232**	2,039
	9,268	15,125

(b) As lessee

The Group leases certain of its office properties in Vietnam and Mainland China under operating lease arrangements. The leases for the properties are negotiated for a term of one to two years.

At 31 December 2018, the Group had total future minimum lease payments under the non-cancellable operating lease falling due as follows:

	2018	2017
	RMB'000	*RMB'000*
Within one year	**100**	56
In the second to fifth years, inclusive	**58**	–
	158	56

14. COMMITMENTS

In addition to the operating lease commitments detailed in note 13(b) above, the Group had the following capital commitments at the end of the reporting period:

	2018	2017
	RMB'000	*RMB'000*
Contracted, but not provided for:		
Purchases of items of equipment for projects	**103,005**	102,399
Capital contribution payable to a joint venture companies	**20,400**	46,000
	123,405	148,399

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

The year of 2018 was not a desirable year in terms of the performance for the Group. The revenue and net profits of the Group for the year ended 31 December 2018 significantly decreased compared to the year of 2017. The decrease in revenue and net profits were mainly due to (1) the economic downturn in the People's Republic of China in 2018, which leads to a slowdown in the demands for water or water treatment facilities; and (2) the consequential extension of commencement dates for certain projects from 2018 to 2019.

For the year ended 31 December 2018, the revenue of the Group decreased by approximately RMB69,100,000, or approximately 27.9%, to approximately RMB178,450,000 as compared to the year of 2017. For the year ended 31 December 2018, the Group recognised approximately RMB42,983,000 in revenue from the engineering, procurement and construction projects ("EPC Projects"), approximately RMB41,161,000 from construction projects other than EPC Projects ("Construction Projects"), approximately RMB46,668,000 from equipment projects ("Equipment Projects"), and approximately RMB44,629,000 from the development, construction and operating agreement of a sewage treatment project ("**Service Concession Arrangement**"), compared to approximately RMB75,418,000 from EPC Projects, approximately RMB39,166,000 from Construction Projects, and approximately RMB121,947,000 from Equipment Projects for the year of 2017.

Profit for the year ended 31 December 2018 amounted to approximately RMB8,056,000, which represented a decrease of approximately RMB33,694,000, or approximately 80.7%, as compared to the year of 2017.

OUTLOOK

Amid the global economic downturn, domestic economy in the PRC has also inevitably encountered pressure. A series of events including the sluggish economy, increasing pressure in export, on-going overproduction remedies, the "deleveraging" and "relentless monitoring" in the PRC's financial sector as well as expected inflation have inflicted downward pressure on the PRC's economy to a certain extent.

According to the preliminary data from the China National Bureau of Statistics ("中國國家統計局"), the GDP in the PRC increased 6.6% in 2018, which was 0.2 percentage point lower than that of last year, and have hit new lows in recent years. The tertiary industry (i.e. financial sector and service industry) has experienced greatest growth. However, the growth in the secondary industry (i.e. manufacturing industry, construction industry and public works) which is closely related to the business of the Group was not desirable. Therefore, there is a slowdown in the additional demands for water or water treatment facilities. In the meantime, the timelines for new projects has been extended considerably. Under such circumstances, there is a significant drop in the total income and profitability, which inevitable resulted in the poor performance, including tightening of income and profit margin, as well as a reduction in liquidity. In addition, as the progress of the new projects has been delayed, it is expected the construction progress of the projects of the Group in the first half of 2019 will be significantly lower than that compared with the corresponding period of 2018.

Although the Group currently remains cautious in its performance expectations for 2018 and 2019, the Group began to seek more changes in second half of 2018 to actively respond to the related trend. Externally, regardless of business direction or its form of implementation, the Group has consciously extended to the industries related to our main business or in both upstream and downstream directions, will consider business expansion through investment with construction or construction with operation, so as to offer more choices for the customers, while expanding the spectrum of services for the customers. In terms of choosing customers, the Group will also consciously raise the proportion of state-owned enterprise or state-invested enterprise customers, enhancing our development of and investment in municipal business. Internally, the Group will further strengthen the management of human resources and capital flow to further control our costs and protect our cash flow.

Under the premise of swerving operational concept, the Group has obtained achievement in business development to some extent after successfully entering into the operation agreement with Guangzhou Sewage for the development and construction of a sludge treatment project for the wastewater treatment plant located in Dashadi, Guangzhou, the PRC for a term of ten years in the third quarter of 2018. The project, which is expected to commence in the second quarter of 2019, is estimated to lay the solid foundation for the Group's revenue for the next few years.

On the other hand, for some of the projects which are postponed from 2018 to 2019, it is optimistic that specific contracts will be executed in 2019 followed by construction commencement. Besides, project deferral may provide the Group with additional time for project-related preparation, which in turn may smoothen our project accomplishment.

In conclusion, the Group considers that the market condition may not be desirable in view of the global economic downturn, and therefore a certain period of time is needed for adaptation. However, by virtue of our confidence in the Chinese government, it is believed that there would be a promising future whether in terms of relevant policies or macroeconomics, whereas it is also probable that the Group's judgement about the market as well as our adjustment in relation to it may improve our current state of affairs in future. The Group will optimistically face our future challenges in an empirical and diligent manner and by our operational strategy of being grounded.

FINANCIAL REVIEW

Operating revenue

For the year ended 31 December 2018, the Group's operating revenue amounted to approximately RMB178,450,000, representing a decrease of approximately 27.9% or RMB69,100,000 as compared to the year ended 31 December 2017.

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 year ended 31 December 2018, the revenue generated from EPC Projects relating to wastewater and drinking water treatment projects under construction and related business was approximately RMB42,983,000 (2017: approximately RMB75,418,000), representing a decrease of approximately 43.0% or RMB32,435,000 over the corresponding period in 2017. The decrease in revenue from EPC Projects in the year ended 31 December 2018 was primarily attributable to the recognition of revenue of approximately RMB42,000,000 in revenue from a large-size EPC Project. The rest of the revenue, in the amount of approximately RMB983,000, was derived from another one small-size EPC Projects. In contrast, the revenue from EPC Projects for the year 2017 was derived from three large-size EPC Project in the amount of approximately RMB73,441,000 and other two small-sized EPC Projects in the amount of approximately RMB1,977,000.

— Revenue relating to Construction Projects

For the year ended 31 December 2018, the revenue generated from Construction Projects was approximately RMB41,161,000 (2017: approximately RMB39,166,000), representing an increase of approximately 5.1% or RMB1,995,000 over the corresponding period in 2017. The increase in revenue from Construction Projects in the Period was primarily attributable to the recognition of revenue of approximately RMB36,504,000 in revenue from three Construction Projects. The rest of the revenue, in the amount of approximately RMB4,657,000, was derived from another eight small-size Construction Projects. In contrast, the revenue from Construction Projects for the corresponding period last year was derived from one large-size Construction Project in the amount of approximately RMB21,405,000 and another fifteen small-size Construction Projects in the amount of approximately RMB17,761,000.

Equipment Projects

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

For the year ended 31 December 2018, the revenue generated from Equipment Projects amounted to approximately RMB46,668,000 (2017: approximately RMB121,947,000), representing a decrease of approximately 61.7% or RMB75,279,000 compared to the corresponding period in 2017. The decrease in revenue from EPC Projects in the Period was primarily attributable to the recognition of revenue of approximately RMB25,558,000 in revenue from seven large-size Equipment Projects. The rest of the revenue, in the amount of approximately RMB21,110,000, was from another eight small size Equipment Projects. In contrast, the revenue from Equipment Projects for the corresponding period in 2017 was derived from seven large-size waste water facility projects in the amount of approximately RMB104,007,000 and another eleven small-size Equipment Projects in the amount of approximately RMB17,940,000.

Service Concession Arrangement

For Service Concession Arrangement, the Group has acquired a sludge treatment project in a wastewater treatment plant located in Dashadi from Guangzhou Sewage in the third quarter of 2018. The Group, as a contractor, is responsible for the development, construction and the operation agreement for a term of 10 years of the project. The project is expected to commence its operation in the second quarter of 2019.

For the year ended 31 December 2018, the revenue generated from the Service Concession Arrangement segment was approximately RMB44,629,000 (2017:Nil). The revenue in the year was attributable to the relative revenue of work recognized based on the actual costs incurred according to the progress of development and construction work of the Service Concession Arrangement. There was no such gain for the corresponding period last year as the Group did not acquire any Service Concession Arrangement.

Others

The revenue under the other segment included revenue attributable to O&M Projects and technical advisory services. As at 31 December 2018, the Group had one wastewater treatment O&M Project and four drinking water treatment O&M Projects on hand.

For the year ended 31 December 2018, the revenue generated from rendering of maintenance services amounted to approximately RMB3,009,000 (2017: approximately RMB11,019,000), representing a decrease of approximately 72.7% or RMB8,010,000 as compared to the corresponding period in 2017. The decrease was primarily attributable to (i) one technical advisory projects in the Period with revenue contribution of approximately RMB94,000 as compared to nine technical advisory projects approximately RMB7,821,000 in the corresponding period in 2017; and (ii) O&M projects which contributed approximately RMB2,915,000 in revenue in the Period as compared to approximately RMB3,198,000 in the corresponding period in 2017.

Other income and gains

For the year ended 31 December 2018, other income and gains amounted to approximately RMB9,137,000 (2017: approximately RMB12,682,000), representing a decrease of approximately 28.0% or approximately RMB3,545,000 as compared to the corresponding period in 2017. The decrease was attributable to (i) decrease in government grants of approximately RMB6,181,000; and (ii) decrease in fair value gains on investment properties of approximately RMB1,912,000. The above decrease which was partly being set off by the exchange gains of approximately RMB1,447,000 this year which comparing to the exchange loss of approximately RMB1,335,000 last year and gain on disposal of property, plant and equipment of approximately RMB2,076,000 this year.

Cost of sales

For the year ended 31 December 2018, the cost of sales of the Group amounted to approximately RMB143,469,000 (2017: approximately RMB176,858,000), representing a decrease of approximately 18.9% or approximately RMB33,389,000 compared to the corresponding period in 2017.

The decrease in cost of sales was mainly due to the decreased operating revenue. The subcontracting costs decreased to approximately RMB45,628,000 for the year in 2018 from approximately RMB51,477,000 for the corresponding period in 2017. The material costs decreased to approximately RMB93,043,000 for the year in 2018 from approximately RMB121,974,000 for the corresponding period in 2017, representing a decrease of approximately 23.7% or approximately RMB28,931,000 over the corresponding period in 2017.

Gross profit

For the year ended 31 December 2018, the gross profit of the Group was approximately RMB34,981,000 (2017: approximately RMB70,692,000), representing a decrease of approximately 50.5% or approximately RMB35,711,000 as compared to the corresponding period in 2017. The decrease in gross profit of the Group was mainly due to the fact that the revenue in 2018 decreased by approximately 27.9% as compared to the corresponding period of last year and overall lower gross profit margins for the projects in 2018 that related to higher level of subcontracting cost being incurred in civil construction and equipment installation.

Selling and distribution expenses

For the year ended 31 December 2018, the selling and distribution expenses of the Group amounted to approximately RMB4,101,000 (2017: approximately RMB3,173,000), representing an increase of approximately 29.2% or approximately RMB928,000 compared to the corresponding period in 2017. The increase in the selling and distribution expenses was mainly attributed to increase of salaries and employee benefit of approximately RMB1,168,000 that related to reclassification some staff reallocation from various departments to the sales department in 2018 and those costs used to be recorded in administrative expenses.

Administrative expenses

For the year ended 31 December 2018, the administrative expenses of the Group amounted to approximately RMB25,817,000 (2017: approximately RMB26,444,000), representing a decrease of approximately 2.4% or approximately RMB627,000 compared to the corresponding period in 2017. The decrease in the administrative expenses was mainly attributed to the decrease of staff bonus being paid of approximately RMB1,480,000 and some staff reallocation from various departments to the sales department for approximately RMB1,168,000 as mentioned in the paragraph headed “Selling and distribution expenses” above. The above decrease which was partly being set off by the increase on depreciation of approximately RMB2,784,000.

Profit for the year

The profit for the year ended 31 December 2018 amounted to approximately RMB8,056,000 (2017: RMB41,750,000), representing a decrease of approximately RMB33,694,000 or 80.7% as compared to the corresponding period in 2017.

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: Nil), in order to cope with the future business development of the Group. There is no arrangement under which a shareholder of the Company has waived or agreed to waive any dividend.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The Shares of the Company were successfully listed on the GEM of the Stock Exchange on 9 December 2015, since then there was no change in the capital structure of the Group. The capital of the Company comprises only of ordinary shares.

As at 31 December 2018, the total equity attributable to the Shareholders was approximately RMB222,199,000 (2017: approximately RMB215,448,000). The Group continued to maintain a strong financial position with cash and cash equivalents amounted to approximately RMB64,627,000 (2017: approximately RMB108,086,000). The Group's net current asset was approximately RMB160,594,000 (2017: approximately RMB155,121,000). Based on the Group's existing cash and cash equivalents on hand and bank facilities available to the Group, the Group has adequate financial resources to fund the working capital required for its business operations in the coming year. There was no hedging for any financial instruments.

During the year ended 31 December 2018, the Group's cash and cash equivalents were mainly denominated in RMB, Hong Kong dollars and US dollars and placed in reputable financial institutions as deposits with maturity dates falling within one year. This is in line with the Group's treasury policy to maintain liquidity of its funds and will continue to contribute stable income to the Group.

As at 31 December 2018, the Group had general banking facilities amounted to approximately RMB112,901,000. The total borrowing drawn down from the banking facilities of the Company as at 31 December 2018 amounted to RMB82,901,000 (2017: RMB59,890,000). The banking facilities were pledged by the Group's land and buildings. For details of the pledged assets, please refer to the paragraph headed "Charges on the Group's Assets" below.

GEARING RATIO

As at 31 December 2018, the Group's gearing ratio (being the net debt of the Group divided by its total capital plus net debt) was 46% (2017: 32%). Net debt of the Group includes an interest-bearing bank borrowing, trade payables and other payables and accruals, less cash and cash equivalents. Capital represents equity attributable to owners of the Company.

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

The Group formed a joint venture company ("**JV Company**") (together with its subsidiary, the "**JV Group**") with Best Well Ventures Limited ("**Best Well**") in the fourth quarter of 2016. The JV Group with a total capital commitment of RMB50,000,000 (the "**Capital Commitment**") were formed to develop and promote business in the hazardous wastes treatment industry in the PRC pursuant to its shareholders' agreement. Upon establishment of the JV Company in December 2016, Strong Wave Group Limited ("**Strong Wave**"), a direct wholly-owned subsidiary of the Company, and Best Well held 92% and 8% equity interests in the JV Company, respectively. For details of the formation and management of the JV Group, please refer to the announcement of the Company dated 30 September 2016. On 18 January 2017, the Group entered into the sale and purchase agreements with an independent third party to acquire a total of six units of properties with a total saleable floor area of 815.54 square metres each at the addresses of 2801 to 2803, 2805 to 2807 on the 28th floor of Shanghai International Commerce Centre (上海城開國際商業中心), located at No. 166 Min Hong Road, Minghang Qu, Shanghai, the PRC (the "**Properties**"), at an aggregate consideration of RMB40,000,000 (excluding tax)(equivalent to approximately HK$44,444,000). The acquisition of the Properties was completed on 18 January 2017. The Properties are intended to serve as office space for the JV Group. For details of the acquisition of the Properties, please refer to the announcement of the Company dated 18 January 2018. Save as disclosed above, there were no other significant investments held by the Group as at 31 December 2018.

On 31 January 2019, the Group entered into an agreement to dispose of all of its investment in the JV Company. Upon completion of the disposal, the Group will no longer have any interest in the JV Company and the financial results of the JV Company will no longer be consolidated into the Group's financial statements. Further details are set out in the announcement of the Company dated 31 January 2019.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 December 2018.

As disclosed in the section headed "significant investments held by the group" above, the Company entered into an agreement to dispose of its interest in the JV Company in January 2019.

COMMITMENTS

The contractual operating commitments of the Group were primarily related to the purchases of items of equipment for projects. As at 31 December 2018, the Group's contractual operating commitments amounted to approximately RMB103,005,000 (2017: approximately RMB102,399,000).

As at 31 December 2018, there was capital commitment amounting to approximately RMB20,400,000 for the Group (2017: RMB46,000,000).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed above and in the prospectus of the Company dated 30 November 2015 (the "**Prospectus**"), the Group does not have other plans for material investments and capital assets as at the date of this announcement.

CONTINGENT LIABILITIES

As at 31 December 2018, the Group did not have material contingent liabilities.

CHARGES ON THE GROUP'S ASSETS

At 31 December 2018 and 2017, the Group's buildings, with net carrying amount of RMB44,759,000 for 2018 and RMB46,916,000 for 2017, were pledged to secure general banking facilities granted to the Group.

At 31 December 2018 and 2017, the Group's investment properties, with carrying amount of RMB24,000,000 for 2018 and RMB23,350,000 for 2017, were pledged to secure general banking facilities granted to the Group.

At 31 December 2018 and 2017, the Group's leasehold land, with carrying amount of RMB477,000 for 2018 and RMB555,000 for 2017, were pledged to secure general banking facilities granted to the Group.

FOREIGN EXCHANGE EXPOSURE

The Group's main operations are in the PRC with most of its transactions settled in RMB. The Directors are of the opinion that the Group's exposure to foreign exchange risk is insignificant. During the year ended 31 December 2018, the Group did not hedge any exposure to foreign exchange risk.

ADVANCES TO AN ENTITY

As at 31 December 2018, the Group did not provide any advances to any entity outside the Group.

PLEDGING OF SHARES BY THE CONTROLLING SHAREHOLDERS

As at 31 December 2018, there was no pledging of Shares by its controlling shareholders (the "**Controlling Shareholders**").

LOAN AGREEMENTS OF THE GROUP

As at 31 December 2018, the Group did not enter into any loan agreement with covenants relating to specific performance of the Controlling Shareholders.

During the year of 2018, the Group did not breach any terms of agreement in respect of any loan that is significant to the Group's operations.

FINANCIAL ASSISTANCE AND GUARANTEES TO AFFILIATED COMPANIES

As at 31 December 2018, the Group did not provide any financial assistance and guarantees to affiliated companies of the Group.

SHARE OPTION SCHEME

As at 31 December 2018, the Group did not adopt any share option scheme.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2018, the Group employed 87 employees (2017: 88 employees). Employee costs amounted to approximately RMB19.3 million for the year ended 31 December 2018 (2017: approximately RMB21.8 million). The Group will endeavor to ensure that the employees' salary levels are in line with industry practice and prevailing market conditions and that employees' remuneration is determined based on their performance.

TRAINING AND SUPPORT FOR DIRECTORS AND EMPLOYEES

The Company recognises the importance of keeping the Directors up to date with latest information of duties and obligations of a director of a company the shares of which are listed on the Stock Exchange and the general regulatory requirements and environment for such listed company. To meet this goal, each newly appointed Director would receive an introductory training regarding the statutory and regulatory obligations of a director of a listed company in Hong Kong. As part of the continuous professional development program, the Company has also kept the Directors updated of any material changes in the GEM Listing Rules and corporate governance practices from time to time. Directors are provided with reading materials summarising the duties and responsibilities in acting as directors from time to time to keep the Directors abreast of such duties and responsibilities.

Periodical training will be provided to the employees of the Group in order to maintain and enhance their professional and technical skills. Those trainings will be organised internally by the Group or will involve course and forums organised by external parties.

ANNUAL GENERAL MEETING

The annual general meeting of the Company for the year ended 31 December 2018 (the "**AGM**") will be held on Thursday, 9 May 2019. A notice convening the AGM will be issued and sent to the Shareholders in due course.

The register of members of the Company will not be closed for the purpose of ascertaining the right of Shareholders of the Company to attend and vote at the forthcoming AGM to be held on Thursday, 9 May 2019. However, in order to qualify for attending and voting at the forthcoming AGM, all transfers documents accompanied by the relevant share certificates must be deposited with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 3 May 2019.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2018, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

EVENTS AFTER 31 DECEMBER 2018

On 31 January 2019, the Group entered into an agreement to dispose of all of its investment in the JV Company. Upon completion of the disposal, the Group will no longer hold any interest in the JV Company and the financial results of the JV Company will no longer be consolidated into the Group's financial statements. Further details are set out in the announcement of the Company dated 31 January 2019.

Except as disclosed above, there are no important events affecting the Group that have occurred since the end of the year ended 31 December 2018.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining a good corporate governance standard, with the chairman being primarily responsible for establishing relevant practices and procedures. The Board believes that a good corporate governance standard will provide a framework for the Group to formulate its business strategies and policies, and manage the associated risks through effective internal control procedures. It will also enhance the transparency of the Group and strengthen accountability to shareholders and creditors. Therefore the Board has reviewed and will continue to review and improve the Company's corporate governance practices from time to time.

The Company adopted the Corporate Governance Code (the "**CG Code**") contained in Appendix 15 to the GEM Listing Rules as its own code of corporate governance. Save for code A.2.1 of the CG Code, that the roles of the chairman and chief executive of the Company should be separate and should not be performed by the same individual, the Board is satisfied that the Company had complied with the CG Code for the year ended 31 December 2018. Mr. Xie Yang ("**Mr. Xie**") is chairman and the chief executive officer of the Company. With extensive experience in the wastewater and water treatment engineering services industry, Mr. Xie is responsible for the Group's overall strategic planning and management of its business. The Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the business prospects and management of the Group and the balance of power and authority is ensured by the operation of the senior management and the Board, which comprises experienced individuals. The Board comprised of two executive Directors (including Mr. Xie), one non-executive Director and three independent non-executive Directors during the year ended 31 December 2018 and therefore has sufficient independent elements in its composition.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors, its employees, and the directors and employees of its subsidiaries and holding companies, who may likely possess inside information on the Company or its securities, on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiry of all the Directors and the Company was not aware of any non-compliance with the required standard of dealings regarding securities transactions by the Directors for the year ended 31 December 2018.

REVIEW OF FINANCIAL STATEMENT

During the year under review, the audit committee of the Company (the "**Audit Committee**") comprised of three independent non-executive Directors, namely, Mr. Tse Chi Wai, Ms. Bai Shuang and Mr. Ha Cheng Yong. Mr. Tse Chi Wai is the chairman of the Audit Committee.

The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2018 and this announcement and is of the view that such results and the annual report complied with the applicable accounting standards, the GEM Listing Rules and other applicable legal requirements, and that adequate disclosure has been made. The Audit Committee has also reviewed the effectiveness of the internal control system of the Group.

FINANCIAL INFORMATION

The financial information set out in this announcement does not constitute the Group's audited consolidated financial statements for the year ended 31 December 2018, but represents an extract from those financial statements. The financial information has been reviewed by the Audit Committee, approved by the Board and agreed by the Group's external auditors, Ernst & Young, as to the amounts set out in the Group's consolidated financial statements. The work performed by the Group's auditors in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the Group's auditors on this announcement.

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

Guangzhou, PRC, 25 March 2019

As at the date of this announcement, the executive Directors are Mr. XIE Yang and Mr. HE Xuan Xi; the non-executive Directors 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.

*　*For identification purpose only*