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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

On 11 May 2020, the Subsidiary, the First Investor and the Second Investor agreed to increase their capital contribution to the Target by the amount of RMB8,700,000, RMB29,000,000 and RMB20,300,000, respectively, before 31 December 2020.

As one of the percentage ratios set out in Rule 19.06 of the GEM Listing Rules in respect of the amount payable by the Subsidiary under the Capital Contribution (taking into account the capital contribution of RMB1,500,000 to the Target by the Subsidiary on 21 March 2019) is more than 5% but is less than 25%, the participation in the Capital Contribution by the Subsidiary constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

THE CAPITAL CONTRIBUTION

On 11 May 2020, the Subsidiary, the First Investor and the Second Investor agreed to increase their capital contribution to the Target by the amount of RMB8,700,000, RMB29,000,000 and RMB20,300,000, respectively (the “**Capital Contribution**”), before 31 December 2020.

Shareholding

The shareholding structure of the Target as at the date of this announcement and immediately following completion of the Capital Contribution is set out below.

Shareholder	As at the date of this announcement		Immediately following completion of the Capital Contribution	
	<i>The contribution to the registered capital of the</i>		<i>The contribution to the registered capital of the</i>	
	<i>Target</i>	<i>Approximate</i>	<i>Target</i>	<i>Approximate</i>
	<i>(RMB)</i>	<i>(%)</i>	<i>(RMB)</i>	<i>(%)</i>
The Subsidiary	1,500,000	15	10,200,000	15
The First Investor	5,000,000	50	34,000,000	50
The Second investor	3,500,000	35	23,800,000	35
	<u>10,000,000</u>	<u>100</u>	<u>68,000,000</u>	<u>100</u>

The condition to the Subsidiary's participation

Completion of the Subsidiary's participation in the Capital Contribution will be conditional upon the Target having registered its amended articles of association with the relevant authorities to provide for the following rights of the Subsidiary.

- (1) The board of the Target will comprise six directors, and the Subsidiary will have the right to nominate one director.
- (2) The Subsidiary will have the right to nominate the individuals to be appointed as the supervisor of the Target for a term of three years and one of the two deputy managers of the Target.
- (3) The following corporate actions will require the unanimous consent of all the directors:
 - (i) distribution of dividend or managing losses of the Target;
 - (ii) change in the registered capital of the Target;
 - (iii) amendment of the Target's articles of association;
 - (iv) bond issuance by the Target;
 - (v) merger, disposition, dissolution or changes in the operations of the Target;

- (vi) appointment of the manager, deputy manager and financial officer and their remuneration package; and
 - (vii) loan financing of the Target.
- (4) The following corporate actions of the Target will require the unanimous consent of all the shareholders of the Target:
- (i) the items set out in (i) to (v) of paragraph (3) above; and
 - (ii) the provision of guarantee to, or investment in, third parties.
- (5) Any transfer of the equity interest in the Target by any shareholder of the Target to a third party will require the unanimous consent of all the shareholders of the Target.

INFORMATION OF THE TARGET

The Target was established on 25 December 2018 for the operation of the waste treatment business. As at the date of this announcement, it has not commenced any business.

As at the date of this announcement, the Subsidiary's interest in the Target is accounted as available-for-sale financial assets in the Group's financial statements and will remain so after completion of its participation in the Capital Contribution.

Based on the management accounts of the Target, the revenue and net loss of the Target for the two years ended 31 December 2019 is set out below.

	For the year ended 31 December 2018 (unaudited) RMB'000	For the year ended 31 December 2019 (unaudited) RMB'000
Revenue	—	—
Net profit before tax	—	27
Net profit after tax	—	25

The unaudited net asset value of the Target as at 31 December 2019 was approximately RMB10,025,000.

INFORMATION OF THE PARTIES TO THE CAPITAL CONTRIBUTION

(1) 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.

The Subsidiary is a wholly-owned subsidiary of the Company. It is principally engaged in investment holding.

(2) The First Investor and the Second Investor

The First Investor is principally engaged in investment holding. It is ultimately controlled by Guangzhou Development Zone Investment Group Limited* (科學城(廣州)投資集團有限公司).

The Second Investor is principally engaged in investment holding. It is ultimately controlled by Guangzhou Environmental Protection Investment Group Limited* (廣州環保投資集團有限公司).

Each of Guangzhou Development Zone Investment Group Limited* (科學城(廣州)投資集團有限公司) and Guangzhou Environmental Protection Investment Group Limited* (廣州環保投資集團有限公司) is a state-owned conglomerate engaged in various business activities including but not limited to construction, infrastructure projects, wholesale and export of goods, consultation services, property management and information technology.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, each of the First Investor and the Second Investor and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

REASONS AND BENEFITS OF THE CAPITAL CONTRIBUTION

The proceeds from the Capital Contribution will be applied towards the construction and development of a hazardous waste treatment plant in the Huangpu District of Guangzhou, the PRC. It is expected that construction will commence in 2020. The amount of the Capital Contribution was determined with reference to the expected capital expenditure of the Target for the first phase development of the hazardous waste treatment plant.

Given its commitment to the local areas of Guangzhou and the support from the First Investor and the Second Investor, the Group considered that the Subsidiary's participation in the Capital Contribution will allow the Group to diversify its income base, increase the brand image of the Group through its participation in a large-scale environmental project in the densely populated region of Guangzhou.

The amount payable by the Subsidiary under the Capital Contribution will be funded by the internal resources of the Group. Taking into account the rights of the Subsidiary as set out in the paragraph headed “The condition to the Subsidiary’s participation”, the Subsidiary’s participation in the Capital Contribution is fair and reasonable, on normal commercial terms and is in the interest of the Company and its shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

As one of the percentage ratios set out in Rule 19.06 of the GEM Listing Rules in respect of the amount payable by the Subsidiary under the Capital Contribution (taking into account the capital contribution of RMB1,500,000 to the Target by the Subsidiary on 21 March 2019) is more than 5% but is less than 25%, the participation by the Subsidiary in the Capital Contribution constitutes 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, unless the context otherwise requires, the following terms have the following meanings:

“Board”	the board of the Company
“Capital Contribution”	has the meaning ascribed to it under the section headed “THE CAPITAL CONTRIBUTION”
“Company”	Great Water Holdings Limited (建禹集團控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on GEM
“connected person”	has the meaning as ascribed to it under the GEM Listing Rules
“Directors”	the directors of the Company
“First Investor”	Guangzhou Development Zone Environment Investment Company Limited* (科學城(廣州)環保產業投資集團有限公司), a company established in the PRC with limited liability
“GEM”	GEM of the Stock Exchange
“GEM Listing Rules”	Rules Governing the Listing of Securities on the GEM
“Group”	the Company and its subsidiaries
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Second Investor”	Guangzhou Environment Investment Holding Company Limited* (廣州環投控股有限公司), a company established in the PRC with limited liability

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary”	Guangzhou Great Water Environmental Protection Company Limited* (廣州中科建禹環保有限公司), a company established in the PRC with limited liability, an indirect wholly-owned subsidiary of the Company
“Target”	Guangzhou Environmental Technology Company Limited* (廣州環科環保科技有限公司), a company established in the PRC with limited liability
“%”	per cent.

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

Guangzhou, 11 May 2020

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

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

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and be posted on the website of the Company at www.greatwater.com.cn.

* for identification purposes only