



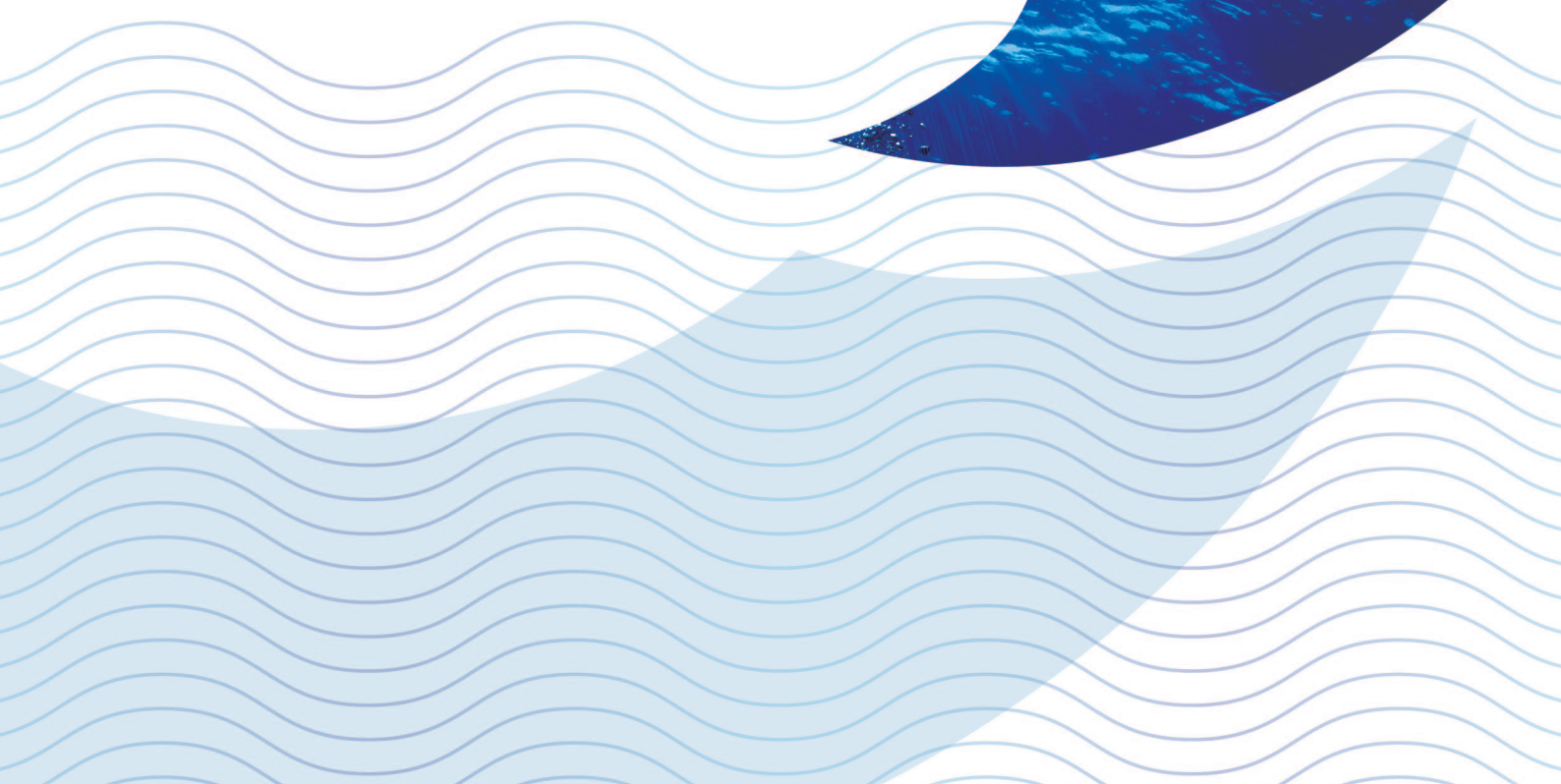
GREAT WATER

GREAT WATER HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8196

Interim Report 2016



CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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





FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2016

- Based on the unaudited condensed consolidated results of the Group for the six months ended 30 June 2016 (the “**Period**”), the Group’s revenue for the Period was approximately RMB55,026,000, representing a decrease of approximately 12.7% as compared to approximately RMB63,051,000 for the corresponding period in 2015.
- During the Period, the Group’s total gross profit was approximately RMB25,980,000, representing an increase of approximately 50.8% as compared to approximately RMB17,223,000 for the corresponding period in 2015.
- During the Period, the Group’s net profit was approximately RMB15,609,000, representing an increase of approximately 164.9% as compared to approximately RMB5,892,000 for the corresponding period in 2015.
- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2016.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016

UNAUDITED INTERIM RESULTS

The board of directors (the “Board”) of the Company is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2016 together with the comparative unaudited figures for the corresponding period in 2015 as follows:

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2016 RMB'000 Unaudited	2015 RMB'000 Unaudited	2016 RMB'000 Unaudited	2015 RMB'000 Audited
REVENUE	4	28,819	49,600	55,026	63,051
Cost of Sales		(14,421)	(36,626)	(29,046)	(45,828)
Gross profit		14,398	12,974	25,980	17,223
Other income and gains	4	2,545	811	3,004	1,330
Selling and distribution expenses		(395)	(641)	(1,075)	(954)
Administrative expenses		(5,114)	(6,039)	(9,317)	(9,472)
Finance costs	6	15	(167)	(92)	(167)
PROFIT BEFORE TAX		11,449	6,938	18,500	7,960
Income tax expense	7	(1,577)	(1,584)	(2,891)	(2,068)
PROFIT FOR THE PERIOD		9,872	5,354	15,609	5,892
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT					
Basic and diluted	9	RMB0.033	RMB0.024	RMB0.052	RMB0.026

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	For the three months ended 30 June		For the six months ended 30 June	
	2016	2015	2016	2015
	<i>Notes</i> RMB'000 Unaudited	<i>RMB'000</i> Unaudited	RMB'000 Unaudited	<i>RMB'000</i> Audited
OTHER COMPREHENSIVE INCOME				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Exchange difference on translation of foreign operations	(16)	65	(510)	(13)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	(16)	65	(510)	(13)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	(16)	65	(510)	(13)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	9,856	5,419	15,099	5,879

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	<i>Notes</i>	30 June 2016 RMB'000 Unaudited	31 December 2015 RMB'000 Audited
NON-CURRENT ASSETS			
Property, plant and equipment		6,916	6,216
Investment properties		20,425	20,425
Prepaid land lease payments		146	158
Total non-current assets		27,487	26,799
CURRENT ASSETS			
Inventories		993	130
Gross amount due from contract customers		2,387	1,608
Trade and bills receivables	10	82,148	72,604
Prepayments, deposits and other receivables		12,764	14,139
Cash and bank balances		85,512	111,792
Total current assets		183,804	200,273
CURRENT LIABILITIES			
Trade payables	11	41,327	55,612
Other payables and accruals		14,630	15,218
Interest-bearing bank borrowing		–	15,000
Tax payable		2,136	3,143
Total current liabilities		58,093	88,973
NET CURRENT ASSETS		125,711	111,300
TOTAL ASSETS LESS CURRENT LIABILITIES		153,198	138,099
NON-CURRENT LIABILITIES			
Deferred tax liabilities		2,933	2,933
Total non-current liabilities		2,933	2,933
Net assets		150,265	135,166
EQUITY			
Share capital		2,397	2,397
Reserves		147,868	132,769
Total equity		150,265	135,166

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Share capital <i>RMB'000</i>	Share premium account <i>RMB'000</i>	Merger reserve <i>RMB'000</i>	Asset revaluation reserve <i>RMB'000</i>	Statutory surplus reserve <i>RMB'000</i>	Exchange fluctuation reserve <i>RMB'000</i>	Retained profits <i>RMB'000</i>	Total equity <i>RMB'000</i>
At 1 January 2015 (audited)	-	-	34,170	9,134	2,063	(3)	18,526	63,890
Profit for the period	-	-	-	-	-	-	5,892	5,892
Other comprehensive income for the period:								
Exchange differences on translation of foreign operations	-	-	-	-	-	(13)	-	(13)
Total comprehensive income for the period	-	-	-	-	-	(13)	5,892	5,879
Issue of shares	1,776	45,694	-	-	-	-	-	47,470
Distribution to shareholders	-	-	(48,000)	-	-	-	-	(48,000)
Transfer from retained profits	-	-	-	-	563	-	(563)	-
At 30 June 2015 (audited)	1,776	45,694	(13,830)	9,134	2,626	(16)	23,855	69,239

	Share capital <i>RMB'000</i>	Share premium account <i>RMB'000</i>	Merger reserve <i>RMB'000</i>	Asset revaluation reserve <i>RMB'000</i>	Statutory surplus reserve <i>RMB'000</i>	Exchange fluctuation reserve <i>RMB'000</i>	Retained profits <i>RMB'000</i>	Total equity <i>RMB'000</i>
At 1 January 2016 (audited)	2,397	98,818	(13,830)	9,134	3,828	1,141	33,678	135,166
Profit for the period	-	-	-	-	-	-	15,609	15,609
Other comprehensive income for the period:								
Exchange differences on translation of foreign operations	-	-	-	-	-	(510)	-	(510)
Total comprehensive income for the period	-	-	-	-	-	(510)	15,609	15,099
At 30 June 2016 (unaudited)	2,397	98,818	(13,830)	9,134	3,828	631	49,287	150,265

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016 <i>RMB'000</i> Unaudited	2015 <i>RMB'000</i> Audited
Net cash (used in) operating activities	(10,458)	(10,652)
Net cash (used in) investing activities	(220)	(1,153)
Net cash (used in)/from financing activities	(15,092)	13,408
Net (decrease)/increase in cash and cash equivalents	(25,770)	1,603
Cash and cash equivalents at beginning of period	111,792	17,532
Effect of foreign exchanges, net	(510)	(27)
Cash and cash equivalents at end of period	85,512	19,108
Analysis of the balances of cash and cash equivalents: Cash and bank balances as stated in the condensed consolidated statement of financial position	85,512	19,108
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	85,512	19,108

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2016

1. GENERAL

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 25 March 2015. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is located at Suite 2001, 20/F, Chinachem Johnston Plaza, 186 Johnston Road, Wan Chai, Hong Kong.

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

2. BASIS OF PREPARATION

The Group's interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and with the applicable disclosure requirements of the GEM Listing Rules.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2015.

The condensed consolidated financial statements are unaudited, but have been reviewed by the audit committee (the "Audit Committee") of the Company.

3. OPERATING SEGMENT INFORMATION

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

- (a) the Engineering, Procurement and Construction projects ("EPC projects") segment comprises projects in which an enterprise is commissioned by a customer to act as a general contractor to take care of the overall design, procurement and construction of water or wastewater treatment facilities pursuant to the contract and be responsible for the quality, safety, time control and pricing of the project;
- (b) the construction projects segment represents construction projects other than EPC projects, including soil remediation project;
- (c) the equipment projects segment comprises projects in which an enterprise is engaged by a customer for procurement of necessary materials, equipment and machinery, installation, testing and commissioning of the equipment and machinery for the treatment facilities as well as provision of technical consulting services to upgrade or optimise the design of the water or wastewater treatment facilities pursuant to the contract; and
- (d) the "others" segment comprises, principally, the Group's operation and maintenance services in which an enterprise is retained to operate and maintain water or wastewater treatment facilities for a certain period for certain operation and maintenance fee on a monthly or quarterly basis.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2016

3. OPERATING SEGMENT INFORMATION *(continued)*

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

Segment assets exclude tax recoverable, 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 borrowing and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

The unaudited segment results for the six months ended 30 June 2016 are as follows:

	EPC projects RMB'000	Construction projects RMB'000	Equipment projects RMB'000	Others RMB'000	Total RMB'000
Segment revenue:					
Sales to external customers	686	362	52,051	1,927	55,026
Segment results	69	(26)	24,828	1,109	25,980
<i>Reconciliation:</i>					
Interest income					10
Unallocated gains					2,994
Corporate and other unallocated expenses					(10,392)
Finance costs					(92)
Profit before tax					18,500

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2016

3. OPERATING SEGMENT INFORMATION *(continued)*

The audited segment results for the six months ended 30 June 2015 are as follows:

	EPC projects <i>RMB'000</i>	Construction projects <i>RMB'000</i>	Equipment projects <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue:					
Sales to external customers	5,655	10,734	44,941	1,721	63,051
Segment results	1,132	3,266	11,911	914	17,223
<i>Reconciliation:</i>					
Interest income					35
Unallocated gains					1,295
Corporate and other unallocated expenses					(10,426)
Finance costs					(167)
Profit before tax					7,960

The unaudited segment asset and liabilities at 30 June 2016 are as follows:

	EPC projects <i>RMB'000</i>	Construction projects <i>RMB'000</i>	Equipment projects <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Segment assets	11,265	787	81,468	2,261	95,781
<i>Reconciliation:</i>					
Corporate and other unallocated assets					115,510
Total assets					211,291
Segment liabilities	8,281	261	37,936	59	46,537
<i>Reconciliation:</i>					
Corporate and other unallocated liabilities					14,489
Total liabilities					61,026

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2016

3. OPERATING SEGMENT INFORMATION *(continued)*

The audited segment asset and liabilities at 31 December 2015 are as follows:

	EPC projects <i>RMB'000</i>	Construction projects <i>RMB'000</i>	Equipment projects <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Segment assets	19,643	2,752	62,029	2,482	86,906
<i>Reconciliation:</i>					
Corporate and other unallocated assets					<u>140,166</u>
Total assets					<u>227,072</u>
Segment liabilities	2,018	2,743	54,730	530	60,021
<i>Reconciliation:</i>					
Corporate and other unallocated liabilities					<u>31,885</u>
Total liabilities					<u>91,906</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2016

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts; an appropriate proportion of contract revenue of construction contracts; the value of services rendered; and rental income received and receivable from investment properties during the relevant periods. An analysis of revenue, other income and gains is as follows:

	For the six months ended 30 June	
	2016 <i>RMB'000</i> Unaudited	2015 <i>RMB'000</i> Audited
Revenue		
Income from construction contracting and related business	1,048	16,389
Sales of goods	52,051	44,941
Rendering of maintenance services	1,927	1,721
	55,026	63,051
Other income		
Bank interest income	10	35
Rental income	899	946
Exchange gains, net	2,077	30
Others	18	–
	3,004	1,011
Gains		
Fair value gains on investment properties	–	319
	3,004	1,330

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2016

5. PROFIT BEFORE TAX

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

	For the six months ended	
	30 June	
	2016	2015
	RMB'000	RMB'000
	Unaudited	Audited
Cost of inventories sold	27,239	33,030
Cost of construction contracting	584	11,948
Cost of services provided	1,223	850
Depreciation	313	334
Amortisation of land lease payments	12	12
Auditors' remuneration	493	906
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	4,443	2,566
Pension scheme contributions	311	191
Other welfare	880	663
	5,634	3,420
Foreign exchange differences, net	2,077	(30)
Changes in fair value of investment properties	–	(319)
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	273	218
Bank interest income*	(10)	(35)
Loss on disposal of items of property, plant and equipment*	1	–

* 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2016

6. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended	
	30 June	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
	Unaudited	Audited
Interest on bank loans	92	167

7. INCOME TAX

The statutory rate of Hong Kong profits tax was 16.5%, (2015: 16.5%) on the estimated assessable profits arising in Hong Kong. No provision for Hong Kong profits tax was made as the Group has no assessable profits arising in Hong Kong for the six months ended 30 June 2016 (2015: Nil).

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

Pursuant to the PRC Income Tax Law and the respective regulations, the subsidiary which operates in the People's Republic of China (the "Mainland China" or the "PRC") is subject to Corporate Income Tax at a rate of 25% on the taxable income. Preferential tax treatment is available to the Group's principal operating subsidiary, Guangzhou Great Water Environmental Protection Co., Ltd., since it was recognised as a High and New Technology Enterprise in Mainland China and a lower PRC corporate income tax rate of 15% had been applied during the period ended 31 March 2016 and 2015.

Pursuant to the Vietnam Income Tax Law and the respective regulations, the subsidiary which operates in Vietnam is subject to Corporate Income Tax at a rate of 22% on the taxable income.

	For the six months ended	
	30 June	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
	Unaudited	Audited
Current — Elsewhere other than Hong Kong	2,891	2,343
Deferred	—	(275)
Total tax charge for the period	2,891	2,068

8. DIVIDENDS

The Directors does not recommend payment of any dividend for the six months ended 30 June 2016 (2015: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2016

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

The calculation of the basic earnings per share for the six months ended 30 June 2016 is based on the profit for the period attributable to ordinary equity holders of RMB15,609,000 (2015: RMB5,892,000), and the weighted average number of ordinary shares in issue of 300,000,000 (2015: 225,000,000) on the assumption that the shares issued through the Reorganisation and capitalisation issue prior to the listing of the shares of the Company on GEM (the "Listing") had been in issue since 1 January 2015.

No adjustment has been made to the basic earnings per share amounts presented for the period ended 31 March 2016 and 2015 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during these periods.

10. TRADE AND BILLS RECEIVABLES

	As at 30 June 2016 RMB'000 Unaudited	As at 31 December 2015 RMB'000 Audited
Trade receivables	81,648	72,604
Bills receivable	500	–
	82,148	72,604

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. For retention monies receivable in respect of construction work carried out by the Group, the due dates are usually one year after the completion of the construction work. 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 of the Company. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over these balances. Trade receivables are non-interest-bearing.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2016

10. TRADE AND BILLS RECEIVABLES *(continued)*

An aged analysis of the trade receivables as at the end of the reporting period, based on the transaction date and net of impairment provisions, is as follows:

	As at 30 June 2016 RMB'000 Unaudited	As at 31 December 2015 RMB'000 Audited
Within one month	22,220	37,005
One to three months	6,481	8,082
Three months to one year	44,702	7,444
One to two years	7,379	17,526
	80,782	70,057
Retention monies receivable	866	2,547
	81,648	72,604

Transfers of financial assets

At 30 June 2016, 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 RMB500,000. The Derecognised Bills have a maturity from six to twelve 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 period ended 30 June 2016, 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 Period or cumulatively.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2016

11. TRADE PAYABLES

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

	As at 30 June 2016 RMB'000 Unaudited	As at 31 December 2015 RMB'000 Audited
Within one month	5,710	4,405
One to three months	1,994	21,428
Three months to one year	25,379	18,213
Over one year	8,244	11,566
	41,327	55,612

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

12. 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 30 June 2016, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	As at 30 June 2016 RMB'000 Unaudited	As at 31 December 2015 RMB'000 Audited
Within one month	4,749	1,993
In the second to fifth years, inclusive	7,065	7,229
After five years	4,415	5,654
	13,229	14,876

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2016

12. OPERATING LEASE ARRANGEMENTS *(continued)*

(b) As lessee

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

At 30 June 2016, the Group had total future minimum lease payments under the non-cancellable operating lease falling due as follows:

	As at 30 June 2016 RMB'000 Unaudited	As at 31 December 2015 RMB'000 Audited
Within one month	627	97
In the second to fifth years, inclusive	58	97
	685	194

13. COMMITMENTS

In addition to the operating lease commitments detailed in note 12(b) above, the Group had the following commitments at the end of the reporting period:

	As at 30 June 2016 RMB'000 Unaudited	As at 31 December 2015 RMB'000 Audited
Contracted, but not provided for:		
Purchases of items of equipment for projects	40,764	50,082
Construction of a building	366	–
	41,130	50,082

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2016

14. RELATED PARTY TRANSACTIONS

- (a) The Group's balances with the directors are included in other payables. All the balances are unsecured, interest-free and repayable on demand. Details are as follows:

	As at 30 June 2016 RMB'000 Unaudited	As at 31 December 2015 RMB'000 Audited
Ms. Gong Lan Lan	34	6
Mr. Song Xiao Xing	58	6
Mr. Tse Chi Wai	34	6
Mr. Ha Cheng Yong	34	6
Ms. Bai Shuang	34	6
	194	30

- (b) Compensation of key management personnel of the Group:

	For the six months ended 30 June 2016 RMB'000 Unaudited	2015 RMB'000 Audited
Short term employee benefits	1,041	217

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 to provide construction services for wastewater and drinking treatment facilities. The Group serves as the contractor, who is responsible for the whole project from launch to final operational management (“**EPC Project**”), or the equipment contractor, who is responsible for providing technical advice and equipment procurement services for the project (“**Equipment Project**”). The Group also engages in other environmental projects (“**Other Environmental Projects**”). Moreover, the Group also provides operating and maintenance service (“**O&M Project**”) for the customers for the management of wastewater and drinking water treatment facilities as well as consultation services in relation to the improvement of wastewater and drinking water treatment facilities of various constructions.

The shares of the Company were successfully listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong on 9 December 2015 (the “**Listing**”) by way of placing (the “**Placing**”), which marked a step of the Group towards its next stage of growth. The Listing has enhanced the Group’s profile and its future development potential in the domestic wastewater environmental industry and has provided the Group with additional avenues to raise capital for future expansion. The net proceeds raised from the Placing have also strengthened the Group’s operational capability.

As a result of the increasing domestic and overseas requirement for environmental protection in recent years, the Group will keep pace with the growing trend of the environmental industry so as to proactively expand the environmental protection engineering services and operation businesses. The Group has set up an office in Shanghai in the first quarter of 2016 in order to expand the Group’s business in central and northern region of the PRC.

For the six months ended 30 June 2016, the revenue of the Group decreased by approximately RMB8.0 million, or approximately 12.7%, to approximately RMB55.0 million as compared to corresponding period in 2015. The decrease in revenue was primarily because the Group had recognised relatively lower revenue from EPC Projects and construction projects for the first six months of 2016.

Profit for the Period amounted to approximately RMB15.6 million, which represented an increase of approximately RMB9.7 million, or approximately 164.9%, as compared to corresponding period in 2015. Such increase was mainly due to larger contract value and higher profit margin for the Equipment Projects of the Group for the first six months of 2016.

As at 30 June 2016, save for the O&M Projects, the Company had the following uncompleted projects on hand: (i) 4 EPC Projects; (ii) 4 Equipment Projects; and (iii) 1 technical advisory projects, with the aggregate value of works to be completed amounted to approximately RMB82.7 million. The Directors expect that the abovementioned uncompleted projects on hand will be fully completed by mid-2017.

Save as disclosed above, no important events affecting the Group have occurred since the publication of the annual report of the Company for the year ended 31 December 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK

As a professional environmental protection services company, apart from continuing to strengthen its market position in existing business segments, the Group has contemplated to expand into other environment protection business areas through sourcing diversified projects at the same time, and gradually transforming itself into a comprehensive environmental protection services provider. Therefore, in addition to the wastewater treatment, gas treatment and soil remediation business, the Group had begun to expand to other businesses, such as hazardous waste disposal, solid waste disposal, as well as operation, management and maintenance of relevant facilities since the end of 2015, and successfully entered into two technical advisory services contracts involving hazardous waste treatment technical design at the end of 2015. Apart from that, the Group is also deploying more resources in research and development in order to continuously improve the existing proprietary treatment technologies and develop other new treatment technologies in relation to environmental protection. The Group believes that diversifying in various business areas in the environmental protection services industry will be the key direction for the Group's future development.

FINANCIAL REVIEW

Operating revenue

For the six months ended 30 June 2016, the Group's operating revenue amounted to approximately RMB55,026,000, representing a decrease of approximately 12.7% or RMB8,025,000 compared to the corresponding period in 2015.

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 six months ended 30 June 2016, the revenue from EPC Projects relating to wastewater and drinking water treatment projects under construction and related business was approximately RMB686,000 (2015: approximately RMB5,655,000), representing a decrease of approximately 87.9% or RMB4,969,000 as compared to the corresponding period in 2015. The revenue from EPC Project in the first six months of 2016 was primarily attributable to one small sized water treatment project and another small sized drinking water treatment project. Meanwhile, for the two signed and uncompleted EPC Projects on hand with higher contract value, no revenue was recognised in this Period as both projects lagged behind their respective original timetables as a result of the modification requests received from the customers on the original plan.

— *Revenue relating to construction projects*

For the six months ended 30 June 2016, the revenue from construction projects was approximately RMB362,000 (2015: approximately RMB10,734,000) representing a decrease of approximately 96.6% or RMB10,372,000 as compared to corresponding period in 2015. The decrease in revenue was mainly because there was no construction project being brought forward from 2015 and the contract amount of the new construction project being obtained during the first six months of 2016 was relatively small in size. The revenue in corresponding period last year was generated from a soil remediation project on a polluted land in Guangzhou, the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS

Equipment Projects

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

For the six months ended 30 June 2016, the revenue from Equipment Projects segment amounted to approximately RMB52,051,000 (2015: approximately RMB44,941,000) representing an increase of approximately 15.8% or RMB7,110,000 as compared to the corresponding period in 2015. The revenue from Equipment Projects for the first six months of 2016 was attributable to two large scale contracts with total contract amount of approximately RMB76.8 million.

Others

The revenue under the other segment included those attributable to O&M Projects and technical advisory services. As at 30 June 2016, the Group had one wastewater treatment O&M Project and four drinking water treatment O&M Projects on hand.

For the six months ended 30 June 2016, the income from rendering maintenance services amounted to approximately RMB1,927,000 (2015: approximately RMB1,721,000), representing an increase of approximately 11.9% or approximately RMB206,000 as compared to the corresponding period in 2015. The increase was mainly due to the increase in revenue from O&M Projects of approximately RMB125,000 and from technical advisory projects of approximately RMB81,000 in this Period.

Other income and gains

For the six months ended 30 June 2016, other income and gains amounted to approximately RMB3,004,000 (2015: approximately RMB1,330,000), representing an increase of approximately 125.9% or approximately RMB1,674,000 as compared to the corresponding period in 2015. The increase was mainly due to recognition of net exchange gain by approximately RMB2,077,000 for the first six months of 2016 (2015: net exchange gain of RMB30,000) which was related to appreciation in exchange rates against RMB for the unused Listing proceeds denominated in Hong Kong dollar and the amounts received by the Group from a project in Vietnam denominated in United State dollar.

Cost of sales

For the six months ended 30 June 2016, the cost of sales of the Group amounted to approximately RMB29,046,000 (2015: approximately RMB45,828,000), representing a decrease of approximately 36.6% or approximately RMB16,782,000 as compared to the corresponding period in 2015. The decrease in cost of sales was mainly due to the decrease in the material costs and subcontracting costs.

The material costs decrease from RMB33,030,000 in 2015 to approximately RMB27,239,000 for the six months ended 30 June 2016. The decrease was mainly attributable to (i) reduced costs of parts, equipment and machinery incurred in EPC Projects and construction projects, in line with the decrease in relevant revenue as discussed above; and (ii) decrease in equipment costs sourced for the Equipment Projects, despite a higher mark up charged for these projects during the Period.

The cost of subcontracting decreased from approximately RMB11,948,000 for the six months ended 30 June 2015 to approximately RMB584,000 for the corresponding period in 2016, as the Group only completed and recognised revenue from a small sized EPC Project and a small sized construction project whilst other EPC Projects on hand with higher contract value were still in the preliminary stage of implementation during the Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross profit

For the six months ended 30 June 2016, the Group achieved gross profit of approximately RMB25,980,000 (2015: approximately RMB17,223,000), representing an increase of approximately 50.8% or approximately RMB8,757,000 as compared to the corresponding period in 2015. The increase in gross profit of the Group was mainly due to higher revenue contribution and gross profit margin generated from Equipment Projects compared to those in the corresponding period in 2015.

Selling and distribution expenses

For the six months ended 30 June 2016, selling and distribution expenses of the Group amounted to approximately RMB1,075,000 (2015: approximately RMB954,000), representing an increase of approximately 12.7% or approximately RMB121,000 as compared to the corresponding period in 2015. The increase was mainly due to the increase in repair and maintenance fees incurred for those completed EPC Projects and Equipment Projects during the Period.

Administrative expenses

For the six months ended 30 June 2016, the administrative expenses of the Group amounted to approximately RMB9,317,000 (2015: approximately RMB9,472,000), representing a decrease of approximately 1.6% or approximately RMB155,000 compared to the corresponding period in 2015.

Profit for the Period

For the six months ended 30 June 2016, the profit for the Period amounted to approximately RMB15,609,000 (2015: RMB5,892,000), representing an increase of approximately RMB9,717,000 or 164.9% compared to the corresponding period in 2015. The increase was mainly due to larger contract scale and higher gross profit margin for the Equipment Projects of the Group for the first six months of 2016.

DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2016 (2015: nil), in order to cope with the future business development of the Group.

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 ordinary shares.

As at 30 June 2016, the total equity attributable to the Company's shareholders was approximately RMB150,265,000 (31 December 2015: approximately RMB135,166,000). The Group continued to maintain a strong financial position with cash and bank balances amounted to approximately RMB85,512,000 as at 30 June 2016 (31 December 2015: approximately RMB111,792,000). The Group's net current asset was approximately RMB125,711,000 as at 30 June 2016 (31 December 2015: approximately RMB111,300,000). Based on the Group's steady cash inflow from operations, together with its existing cash and bank balances on hand and bank facilities available to the Group, the Group has adequate financial resources to fund the working capital required for its development plan in the coming year. There was no hedging through any financial instruments during the Period.

During the six months ended 30 June 2016, the Group's cash and bank balances were mainly denominated in RMB, Hong Kong dollar and United States dollar and were 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.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2016, the Group had general banking facilities amounted to RMB40,000,000. There was no borrowing drawn down from the banking facilities of the Group as at 30 June 2016 (31 December 2015: RMB15,000,000). The banking facilities were pledged by the Group's buildings. For details of the pledged assets, please refer to the section headed Charges of the Group's Assets below.

GEARING RATIO

As at 30 June 2016, the Group's gearing ratio (being the net debt of the Group divided by its total capital plus net debt) was -29% (31 December 2015: -29%). Net debt of the Group includes interest-bearing bank borrowing, trade payables and other payables and accruals, less cash and bank balances. Capital represents equity attributable to owners of the Company.

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

During the Period, there was no significant investment held by the Group.

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 period ended 30 June 2016.

COMMITMENTS

The contractual operating commitments of the Group were primarily related to the purchases of items of equipment for projects. As at 30 June 2016, the Group's contractual operating commitments amounted to approximately RMB40,764,000 (31 December 2015: approximately RMB50,082,000).

As at 30 June 2016, the Group's capital commitment amounted to approximately RMB366,000 for construction of a building in the Guangzhou head office (31 December 2015: Nil).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

CONTINGENT LIABILITIES

As at 30 June 2016, the Group did not have material contingent liabilities.

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2016 and 31 December 2015, the Group's buildings, with net carrying amount of RMB3,178,000 and RMB3,213,000 respectively, were pledged to secure general banking facilities granted to the Group.

As at 30 June 2016 and 31 December 2015, the Group's investment properties, with net carrying amount of RMB20,425,000 and RMB20,425,000 respectively, were pledged to secure general banking facilities granted to the Group.

As at 30 June 2016 and 31 December 2015, the Group's leasehold land, with net carrying amount of RMB146,000 and RMB158,000 respectively, were pledged to secure general banking facilities granted to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

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 period ended 30 June 2016, the Group did not hedge any exposure to foreign exchange risk.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2016, the Group employed 72 employees (31 December 2015: 70 employees). Employee costs amounted to approximately RMB5.9 million for the six months ended 30 June 2016 (2015: approximately RMB3.6 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. The Group provides retirement benefit for its employees in Hong Kong in form of its contributions to the Mandatory Provident Fund pursuant to the Mandatory Provident Fund Scheme Ordinance, and pays the central pension scheme for its employees in the PRC in accordance with the local laws and regulations.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the Prospectus with the Group's actual business progress for the period from the date of the Listing to 30 June 2016 is set out below:

Business strategies	Implementation plan	Sources of funding	Actual progress up to 30 June 2016
(i) Strengthen the Group's market position	Identify new office locations in central and northern regions of the PRC	Listing proceeds of approximately HK\$0.1 million	After conducting market research and analysis, the Group sets up its branch in Shanghai in the first quarter of 2016 in order to expand its coverage of the environmental protection markets in central and northern regions of the PRC. The listing proceeds of approximately HK\$0.6 million have been fully utilised as set up costs of the Shanghai branch, including employees' salaries, office rental payments and office expenses.
	Open a new office in central region of the PRC	Listing proceeds of approximately HK\$0.5 million	
	Participate the national and regional industry events to identify business opportunities and invite potential customers to visit the Group's completed projects	Listing proceeds of approximately HK\$0.2 million	The Group launched several wastewater environmental business promotional activities and invited potential customers to visit the Group's completed projects in the first half of 2016. The listing proceeds of approximately HK\$0.2 million have been fully utilised as related expenses of these activities, such as accommodation expenses and transportation fees for related employees and potential customers.

MANAGEMENT DISCUSSION AND ANALYSIS

Business strategies	Implementation plan	Sources of funding	Actual progress up to 30 June 2016
(ii) Expand the Group's soil remediation project business	Participate the national and regional industry events to identify business opportunities and invite the Group's potential customers to visit the Group's completed projects	Listing proceeds of approximately HK\$0.8 million	The Group launched several soil remediation business promotional activities and invited potential customers to visit the Group's completed projects in the first half of 2016. The listing proceeds of approximately HK\$0.2 million have been fully utilised as related expenses of these activities, such as accommodation expenses and transportation fees for related employees and customers. The remaining proceeds of HK\$0.6 million are expected to be used in the second half of 2016.
(iii) Enhance the Group's research and development capabilities	<p>Identify equipment and machinery for the Group's research and development laboratory</p> <p>Purchase of laboratory equipment and testing materials for performing pilot runs: ozone generation equipment, air compressors, air filters, metres and pumps and thermo reactor</p>	<p>Internal resources of the Group</p> <p>Listing proceeds of approximately HK\$5.6 million</p>	<p>The Group has drawn up a general proposal for enhancing the research and development capabilities of the laboratory in the Guangzhou headquarters.</p> <p>Listing proceeds of approximately HK\$1.0 million have been utilized in purchasing research and development materials in first half of 2016. The Group has also been conducting market price comparison for other relevant laboratory equipment needed to enhance its research and development capabilities during the Period. The remaining listing proceeds earmarked for this purpose are expected to be used gradually in the second half of 2016.</p>

MANAGEMENT DISCUSSION AND ANALYSIS

Business strategies	Implementation plan	Sources of funding	Actual progress up to 30 June 2016
(iv) Upgrade the Group's qualification in construction and design engineering	<p>Initial planning</p> <p>Recruit additional qualified professionals and provide relevant training/course to the Group's existing engineering and technical staff</p>	<p>Internal resources of the Group</p> <p>Listing proceeds of approximately HK\$0.5 million</p>	<p>The planning has been completed and the implementation of the plan has started.</p> <p>A number of experienced engineering and technical staff has been recruited in the first half of 2016 in order to upgrade the Group's qualification in construction and design engineering. The listing proceeds of approximately HK\$0.5 million have been fully utilised on salaries and training costs of those staff.</p>
(v) Fund the working capital for EPC projects	<p>Fund the cashflow deficit for projects in the Group's pipeline, including a wastewater EPC project to be entered into with a brand new PRC textile manufacturer in Vietnam</p>	<p>Listing proceeds of approximately HK\$12.0 million</p>	<p>The wastewater treatment EPC project in Vietnam entered into in December 2015 was only at its early stage of implementation as the customer requested certain modification of the original construction plan. Out of the listing proceeds of approximately HK\$12.0 million, the listing proceeds of approximately HK\$110,000 have been utilized while the remaining proceeds are expected to be utilized in the second half of 2016.</p>
	<p>Fund the cashflow deficit for projects in the Group's pipeline, including an EPC project to be entered into with a textile manufacturer to build an industrial wastewater treatment facility in Dongguan</p>	<p>Listing proceeds of approximately HK\$5.6 million</p>	<p>The Group is still negotiating the contract terms with the customers. The listing proceeds of approximately HK\$5.6 million have not yet been utilised. It is expected that the contract will be finalised and will be ready for implementation in the second half of 2016.</p>

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS

The net proceeds from the Placing were approximately HK\$48.7 million, which was based on the placing price of HK\$0.96 per share and the actual expenses related to the Listing. After the Listing, these proceeds were and will be used for the purposes in accordance with the future plans as set out in the Prospectus.

The net proceeds from the Placing from the date of the Listing to 30 June 2016 were used as follows:

	Planned use of proceeds as shown in the Prospectus from the date of Listing to 30 June 2016	Actual use of proceeds from the date of the Listing to 30 June 2016	Unutilised amount as at 30 June 2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Strengthen the Group's market position	800	800	–
Expand the Group's soil remediation project business	800	200	600
Enhance the Group's research and development capabilities	5,600	1,000	4,600
Upgrade the Group's qualification in construction and design engineering	500	500	–
Fund the working capital for EPC projects	17,600	110	17,490
	25,300	2,610	22,690

Notes:

- (a) The unused proceeds are deposited in a licensed bank in Hong Kong.
- (b) Please refer to section headed "Comparison of business objectives with actual business progress" for the update of the actual progress and the expected timing for net proceeds utilisation.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 provision A.2.1 of the CG Code, that the roles of the chairman and chief executive of the Company should be separate and should not be performed by the same individual, the Board is satisfied that the Company had complied with the CG Code during the Period.

Currently, Mr. Xie Yang ("**Mr. Xie**") is the chairman of the Board and chief executive officer of the Company. In accordance with provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual and their respective responsibilities should be clearly defined in writing. With extensive experience in the wastewater and drinking 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), two non-executive Directors and three independent non-executive Directors during the Period and therefore has sufficient independent elements in its composition.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

During the Period, none of the Directors had material interests, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party.

INTERESTS OF THE COMPLIANCE ADVISER

As at 30 June 2016, as notified by the Company's compliance adviser, Shenwan Hongyuan Capital (H.K.) Limited (the "**Compliance Adviser**"), except for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 24 November 2015, neither the Compliance Adviser nor its directors, employees or its close associates (as defined under the GEM Listing Rules) had any interests in relation to the Company which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

COMPETING INTERESTS

The Directors are not aware of any business or interest of the Directors nor the controlling shareholders of the Company nor any of their respective close associates (as defined under the GEM Listing Rules) that competes or may compete, either directly or indirectly, with the business of the Group, or of any other conflicts of interest which any such person has or may have with the Group during the Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE AND OTHER INFORMATION

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE GROUP AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2016, the interests and short positions of the Directors and chief executive of the Company in the ordinary shares (the “Shares”), underlying Shares and debentures of the Company or any of its associated corporations (as defined in Part XV of the Securities and Future Ordinance (Chapter 571 of the laws of Hong Kong) (the “SFO”)) which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or required to be entered in the register of the Company pursuant to section 352 of the SFO, or required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Long positions in Shares

Name of Director(s)	Number of ordinary Shares			Interest of controlled corporation	Number of ordinary Shares held (Note 1)	Approximate percentage of interest
	Personal interest	Family interest				
Mr. Xie Yang ^(Note 2)	–	–	91,350,000	91,350,000 (L)	30.45%	
Ms. Gong Lan Lan ^(Note 3)	–	–	67,117,500	67,117,500 (L)	22.37%	
Mr. Song Xiao Xing ^(Note 4)	–	–	44,032,500	44,032,500 (L)	14.68%	

Notes:

1. The letter “L” denotes a long position.
2. These Shares are owned by Oceanic Expert Investments Limited which is wholly owned by Perfect Wave Holdings Limited, the 100% interests of which is in turn beneficially owned by Mr. Xie Yang. Accordingly, Mr. Xie Yang is taken or deemed to be interested in the 91,350,000 Shares held by Oceanic Expert Investments Limited by virtue of the SFO.
3. These Shares are owned by Waterman Global Limited which is wholly owned by The Thinker Global Limited, the 100% interests of which is in turn beneficially owned by Ms. Gong Lan Lan. Accordingly, Ms. Gong Lan Lan is taken or deemed to be interested in the 67,117,500 Shares held by Waterman Global Limited by virtue of the SFO.
4. These Shares are owned by Great Time Ventures Limited which is wholly owned by Topman Ventures Limited, the 100% interests of which is in turn beneficially owned by Mr. Song Xiao Xing. Accordingly, Mr. Song Xiao Xing is taken or deemed to be interested in the 44,032,500 Shares held by Great Time Ventures Limited by virtue of the SFO.

Save as disclosed above, as at 30 June 2016, none of the Directors and chief executive of the Company had any interest or short position in the Shares, underlying shares and debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or required to be entered in the register of the Company pursuant to section 352 of the SFO, or required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

CORPORATE GOVERNANCE AND OTHER INFORMATION

THE INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND THE INTERESTS AND SHORT POSITION OF OTHER PERSONS IN THE SHARES AND UNDERLYING SHARES

As at 30 June 2016, so far as the Directors are aware, the interests or short positions owned by the following persons (other than the Directors or Chief Executive of the Company) in the Shares or underlying Shares of the Company which are required to be notified to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO or which are required to be recorded in the register of the Company required to be kept under section 336 of the SFO are as follows:

Long positions in the Shares

Name	Capacity	Number of ordinary Shares held (Note 1)	Approximate percentage of interest
Oceanic Expert Investments Limited ^(Note 1)	Beneficial owner	91,350,000 (L)	30.45%
Perfect Wave Holdings Limited ^(Note 2)	Interest in controlled corporation	91,350,000 (L)	30.45%
Waterman Global Limited ^(Note 3)	Beneficial owner	67,117,500 (L)	22.37%
The Thinker Global Limited ^(Note 3)	Interest in controlled corporation	67,117,500 (L)	22.37%
Great Time Ventures Limited ^(Note 4)	Beneficial owner	44,032,500 (L)	14.68%
Topman Ventures Limited ^(Note 4)	Interest in controlled corporation	44,032,500 (L)	14.68%
Woody Industrial Limited ^(Note 5)	Beneficial owner	22,500,000 (L)	7.5%
Acute Capital Investments Limited ^(Note 4)	Interest in controlled corporation	22,500,000 (L)	7.5%
Mr. Yang Chen Kuo ^(Note 5)	Interest in controlled corporation	22,500,000 (L)	7.5%

Notes:

- The letter "L" denotes a long position.
- Mr. Xie Yang beneficially owns the entire issued share capital of Perfect Wave Holdings Limited which in turn wholly owns Oceanic Expert Investments Limited which held 91,350,000 Shares.
- Ms. Gong Lan Lan beneficially owns the entire issued share capital of The Thinker Global Limited which in turn wholly owns Waterman Global Limited which held 67,117,500 Shares.
- Mr. Song Xiao Xing beneficially owns the entire issued share capital of Topman Ventures Limited which in turn wholly owns Great Time Ventures Limited which held 44,032,500 Shares.
- Mr. Yang Chen Kuo beneficially owns the entire issued share capital of Acute Capital Investments Limited which in turn wholly owns Woody Industrial Limited which held 22,500,000 Shares.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Save as disclosed above, as at 30 June 2016, the Directors are not aware of any interests or short positions owned by any persons (other than the Directors or Chief Executive of the Company) in the Shares or underlying Shares of the Company which were required to be disclosed under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO.

SHARE OPTION SCHEME

As of 30 June 2016, the Group did not adopt any share option scheme.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors, its employees, and the directors and employees of its subsidiaries and holding companies, who may likely possess inside information on the Company or its securities, on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "**Required Standard of Dealings**"). The Company had also made specific enquiry of all the Directors, and each of them has confirmed that he/she was in compliance with the Required Standard of Dealings during the Period.

REVIEW OF FINANCIAL STATEMENT

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

The Audit Committee has reviewed the accounting policies and practices adopted by the Group and has discussed with the management of the Company on the financial reporting matters including review of the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2016 and the interim results and interim report of the Group for the six months ended 30 June 2016, and is of the view that the interim results and the interim report have complied with the applicable accounting standards, the GEM Listing Rules and other applicable legal requirements, and that adequate disclosure has been made.

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

Guangzhou, the PRC, 8 August 2016

As at the date of this report, the executive Directors are Mr. XIE Yang and Mr. HE Yuan Xi; the non-executive Directors are Ms. GONG Lan Lan and Mr. SONG Xiao Xing and the independent non-executive Directors are Ms. BAI Shuang, Mr. HA Cheng Yong and Mr. TSE Chi Wai.