



GREAT WATER

# GREAT WATER HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8196



**2017**  
Interim Report

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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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 2017

- Based on the unaudited condensed consolidated results of the Group for the six months ended 30 June 2017 (the “**Period**”), the Group’s revenue for the Period was approximately RMB109,965,000, representing an increase of approximately 99.8% as compared to approximately RMB55,026,000 for the corresponding period in 2016.
- During the Period, the Group’s total gross profit increased to approximately RMB31,187,000, representing an increase of approximately 20.0% as compared to approximately RMB25,980,000 for the corresponding period in 2016.
- During the Period, the Group’s net profit increased to approximately RMB16,433,000, representing an increase of approximately 5.3% as compared to approximately RMB15,609,000 for the corresponding period in 2016.
- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2017.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017

### 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 2017 together with the comparative unaudited figures for the corresponding period in 2016 as follows:

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2017 RMB'000 Unaudited	2016 RMB'000 Unaudited	2017 RMB'000 Unaudited	2016 RMB'000 Unaudited
REVENUE	4	<b>52,093</b>	28,819	<b>109,965</b>	55,026
Cost of Sales		<b>(36,550)</b>	(14,421)	<b>(78,778)</b>	(29,046)
Gross profit		<b>15,543</b>	14,398	<b>31,187</b>	25,980
Other income and gains	4	<b>3,585</b>	2,545	<b>4,137</b>	3,004
Selling and distribution expenses		<b>(742)</b>	(395)	<b>(1,432)</b>	(1,075)
Administrative expenses		<b>(5,923)</b>	(5,114)	<b>(13,464)</b>	(9,317)
Finance costs	6	<b>(483)</b>	15	<b>(962)</b>	(92)
PROFIT BEFORE TAX		<b>11,980</b>	11,449	<b>19,466</b>	18,500
Income tax expense	7	<b>(1,432)</b>	(1,577)	<b>(3,033)</b>	(2,891)
PROFIT FOR THE PERIOD		<b>10,548</b>	9,872	<b>16,433</b>	15,609
Attributable to:					
Owners of parent		<b>10,548</b>	9,872	<b>16,433</b>	15,609
Non-controlling interests		–	–	–	–
		<b>10,548</b>	9,872	<b>16,433</b>	15,609
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT					
Basic and diluted	9	<b>RMB0.035</b>	RMB0.033	<b>RMB0.055</b>	RMB0.052

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017

Notes	For the three months ended 30 June		For the six months ended 30 June	
	2017	2016	2017	2016
	<b>RMB'000</b> Unaudited	<i>RMB'000</i> Unaudited	<b>RMB'000</b> Unaudited	<i>RMB'000</i> Unaudited
<b>OTHER COMPREHENSIVE INCOME</b>				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Exchange difference on translation of foreign operations	<b>(1,113)</b>	(16)	<b>(1,609)</b>	(510)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	<b>(1,113)</b>	(16)	<b>(1,609)</b>	(510)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<b>(1,113)</b>	(16)	<b>(1,609)</b>	(510)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<b>9,435</b>	9,856	<b>14,824</b>	15,099
Attributable to:				
Owners of parent	<b>9,435</b>	9,856	<b>14,824</b>	15,099
Non-controlling interests	–	–	–	–
	<b>9,435</b>	9,856	<b>14,824</b>	15,099

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Notes	30 June 2017 RMB'000 Unaudited	31 December 2016 RMB'000 Audited
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		13,296	13,637
Investment properties		20,788	20,788
Prepaid land lease payments		609	644
<b>Total non-current assets</b>		<b>34,693</b>	35,069
<b>CURRENT ASSETS</b>			
Inventories		532	77
Gross amount due from contract customers		55,269	34,466
Trade and bills receivables	10	119,573	84,430
Prepayments, deposits and other receivables		47,633	25,618
Pledge deposits		1,041	1,035
Cash and bank balances		108,315	124,971
<b>Total current assets</b>		<b>332,363</b>	270,597
<b>CURRENT LIABILITIES</b>			
Trade payables	11	100,575	58,751
Other payables and accruals		25,731	18,520
Interest-bearing bank borrowing		40,000	40,000
Tax payable		4,262	6,732
<b>Total current liabilities</b>		<b>170,568</b>	124,003
<b>NET CURRENT ASSETS</b>		<b>161,795</b>	146,594
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>196,488</b>	181,663
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		4,460	4,460
<b>Total non-current liabilities</b>		<b>4,460</b>	4,460
<b>Net assets</b>		<b>192,028</b>	177,203
<b>EQUITY</b>			
Share capital		2,397	2,397
Reserves		189,633	174,808
<b>Non-controlling interests</b>		<b>192,030</b>	177,205
		(2)	(2)
<b>Total equity</b>		<b>192,028</b>	177,203

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

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

  

	Share capital RMB'000	Share premium account RMB'000	Merger reserve RMB'000	Asset revaluation reserve RMB'000	Statutory surplus reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
At 1 January 2017 (audited)	2,397	98,818	(13,830)	9,134	8,122	4,957	67,607	177,205	(2)	177,203
Profit for the period	-	-	-	-	-	-	16,433	16,433	-	16,433
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	-	-	-	-	-	(1,609)	-	(1,609)	-	(1,609)
Total comprehensive income for the period	-	-	-	-	-	(1,609)	16,433	14,824	-	14,824
At 30 June 2017 (Unaudited)	2,397	98,818	(13,830)	9,134	8,122	3,348	84,040	192,029	(2)	192,027

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017 <i>RMB'000</i> Unaudited	2016 <i>RMB'000</i> Unaudited
Net cash from/(used in) operating activities	5,045	(10,458)
Net cash used in investing activities	(19,130)	(220)
Net cash used in financing activities	(962)	(15,092)
Net decrease in cash and cash equivalents	(15,047)	(25,770)
Cash and cash equivalents at beginning of period	124,971	111,792
Effect of foreign exchanges, net	(1,609)	(510)
Cash and cash equivalents at end of period	108,315	85,512
Analysis of the balances of cash and cash equivalents:		
Cash and bank balances as stated in the condensed consolidated statement of financial position	108,315	85,512
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	108,315	85,512

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2017

## 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 2016.

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 ("**Construction Projects**") segment represents construction projects other than EPC Projects, including soil remediation project;
- (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 "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 2017

### 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 2017 are as follows:

	<b>EPC Projects RMB'000</b>	<b>Construction Projects RMB'000</b>	<b>Equipment Projects RMB'000</b>	<b>Others RMB'000</b>	<b>Total RMB'000</b>
<b>Segment revenue:</b>					
Sales to external customers	16,626	24,305	63,617	5,417	109,965
<b>Segment results</b>	<b>2,816</b>	<b>5,875</b>	<b>18,258</b>	<b>4,238</b>	<b>31,187</b>
<i>Reconciliation:</i>					
Interest income					76
Unallocated gains					4,061
Corporate and other unallocated expenses					(14,896)
Finance costs					(962)
Profit before tax					<b>19,466</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2017

### 3. OPERATING SEGMENT INFORMATION *(continued)*

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
<b>Segment revenue:</b>					
Sales to external customers	686	362	52,051	1,927	55,026
<b>Segment results</b>	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

The unaudited segment asset and liabilities at 30 June 2017 are as follows:

	EPC Projects RMB'000	Construction Projects RMB'000	Equipment Projects RMB'000	Others RMB'000	Total RMB'000
<b>Segment assets</b>	<b>87,048</b>	<b>26,476</b>	<b>85,463</b>	<b>2,297</b>	<b>201,284</b>
<i>Reconciliation:</i>					
Corporate and other unallocated assets					165,772
Total assets					367,056
<b>Segment liabilities</b>	<b>31,868</b>	<b>14,267</b>	<b>58,574</b>	<b>668</b>	<b>105,377</b>
<i>Reconciliation:</i>					
Corporate and other unallocated liabilities					69,651
Total liabilities					175,028

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2017

### 3. OPERATING SEGMENT INFORMATION *(continued)*

The unaudited segment asset and liabilities at 31 December 2016 are as follows:

	EPC Projects RMB'000	Construction Projects RMB'000	Equipment Projects RMB'000	Others RMB'000	Total RMB'000
<b>Segment assets</b>	45,132	20,047	74,711	1,589	141,479
<i>Reconciliation:</i>					
Corporate and other unallocated assets					164,187
Total assets					305,666
<b>Segment liabilities</b>	25,886	6,396	31,090	15	63,387
<i>Reconciliation:</i>					
Corporate and other unallocated liabilities					65,076
Total liabilities					128,463

### 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	
	2017 RMB'000 Unaudited	2016 RMB'000 Unaudited
<b>Revenue</b>		
Income from construction contracting and related business	40,931	1,048
Sales of goods	63,617	52,051
Rendering of maintenance services	5,417	1,927
	109,965	55,026
<b>Other income</b>		
Bank interest income	76	10
Rental income	731	899
Government grants	3,330	–
Exchange gains, net	–	2,077
Others	–	18
	4,137	3,004
	114,102	58,030

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2017

### 5. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2017 RMB'000 Unaudited	2016 RMB'000 Unaudited
Cost of inventories sold	57,641	27,239
Cost of construction contracting	19,322	584
Cost of services provided	1,815	1,223
Depreciation	571	313
Amortisation of land lease payments	35	12
Auditors' remuneration	449	493
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	7,443	4,734
Pension scheme contributions	456	311
Other welfare	752	880
	<b>8,651</b>	5,934
Foreign exchange differences, net	466	(2,077)
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	157	273
Bank interest income*	(76)	(10)
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.

### 6. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2017 RMB'000 Unaudited	2016 RMB'000 Unaudited
Interest on bank loans	962	92

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2017

### 7. INCOME TAX

The statutory rate of Hong Kong profits tax was 16.5%, (2016: 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 2017 (2016: 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 2017 and 2016.

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	
	2017	2016
	RMB'000	RMB'000
	Unaudited	Unaudited
Current — Elsewhere other than Hong Kong	3,033	2,891
Deferred	—	—
Total tax charge for the period	3,033	2,891

### 8. DIVIDENDS

The Directors does not recommend payment of any dividend for the six months ended 30 June 2017 (2016: Nil).

### 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 2017 is based on the profit for the period attributable to ordinary equity holders of RMB16,433,000 (2016: RMB15,609,000), and the weighted average number of ordinary shares in issue of 300,000,000 (2016: 300,000,000).

No adjustment has been made to the basic earnings per share amounts presented for the period ended 30 June 2017 and 2016 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during these periods.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2017

### 9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT *(continued)*

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

	For the six months ended 30 June	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
	Unaudited	Unaudited
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent, used in the basic/diluted earnings per share calculation:	<b>16,433</b>	15,609
	<b>Number of shares</b>	
	2017	2016
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic/diluted earnings per share calculation	<b>300,000,000</b>	300,000,000

### 10. TRADE AND BILLS RECEIVABLES

	As at 30 June 2017 <i>RMB'000</i> Unaudited	As at 31 December 2016 <i>RMB'000</i> Audited
Trade receivables	<b>119,573</b>	84,330
Bills receivable	–	100
	<b>119,573</b>	84,430

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. 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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2017

### 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:

	<b>As at 30 June 2017 RMB'000 Unaudited</b>	As at 31 December 2016 RMB'000 Audited
Within one month	44,198	25,345
One to three months	21,724	11,685
Three months to one year	32,380	24,802
One to two years	18,233	15,501
Over two years	1,752	–
	<b>118,277</b>	77,333
Retention monies receivable	1,296	7,097
	<b>119,573</b>	84,430

### 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:

	<b>As at 30 June 2017 RMB'000 Unaudited</b>	As at 31 December 2016 RMB'000 Audited
Within one month	25,811	30,827
One to three months	9,016	4,718
Three months to one year	50,050	8,147
Over one year	15,698	15,059
	<b>100,575</b>	58,751

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2017

### 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 2017, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	<b>As at 30 June 2017 RMB'000 Unaudited</b>	As at 31 December 2016 RMB'000 Audited
Within one year	1,807	1,807
In the second to fifth years, inclusive	7,229	7,229
After five years	2,942	3,847
	<b>11,978</b>	12,883

#### (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 2017, the Group had total future minimum lease payments under the non-cancellable operating lease falling due as follows:

	<b>As at 30 June 2017 RMB'000 Unaudited</b>	As at 31 December 2016 RMB'000 Audited
Within one year	124	113
In the second to fifth years, inclusive	-	8
	<b>124</b>	121

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2017

### 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:

	<b>As at 30 June 2017 RMB'000 Unaudited</b>	As at 31 December 2016 RMB'000 Audited
Contracted, but not provided for:		
Purchases of items of equipment for projects	75,973	77,305
Capital contributions payable to a joint venture company	24,000	46,000
	<b>99,973</b>	123,305

### 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:

	<b>As at 30 June 2017 RMB'000 Unaudited</b>	As at 31 December 2016 RMB'000 Audited
Mr. Xie Yang	60	100
Mr. He Xuan Xi	18	47
Ms. Gong Lan Lan	52	103
Mr. Song Xiao Xing	52	103
Mr. Tse Chi Wai	52	103
Mr. Ha Cheng Yong	52	103
Ms. Bai Shuang	52	103
	<b>338</b>	662

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

	<b>For the six months ended 30 June 2017 RMB'000 Unaudited</b>	2016 RMB'000 Unaudited
Short term employee benefits	1,711	1,041

# 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 water treatment facilities. The Group acts 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 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.

In the first half of 2017, the Group continuously expanded its main business in wastewater treatment EPC Projects and Equipment Projects in the PRC, developed main businesses such as soil remediation and actively explored new businesses such as hazardous wastes and solid wastes treatment, aiming to make substantial progress in 2017.

For the six months ended 30 June 2017, the revenue of the Group increased by approximately RMB54,939,000, or approximately 99.8%, to approximately RMB109,965,000 as compared to the corresponding period in 2016. The increase in revenue was primarily because the Group had recognised approximately RMB16,626,000 in revenue from EPC Projects, approximately RMB24,305,000 from construction projects (“**Construction Projects**”), and approximately RMB63,617,000 from Equipment Projects for the first half of 2017, compared to only approximately RMB686,000 from EPC Projects, approximately RMB362,000 from Construction Projects, and approximately RMB52,051,000 from Equipment Projects for the corresponding period in 2016.

Profit for the six months ended 30 June 2017 amounted to approximately RMB16,433,000, which represented an increase of approximately RMB824,000, or approximately 5.3%, as compared to the corresponding period in 2016.

As at 30 June 2017, save for the O&M Projects, the Group had the following uncompleted projects on hand: (i) 7 EPC Projects; (ii) 1 Construction Project; and (iii) 5 Equipment Projects, with the aggregate contract value of works to be completed amounting to approximately RMB186.2 million. The Directors expect that the abovementioned uncompleted projects on hand will be fully completed by the end of 2018.

Save as disclosed in this report, no material events affecting the Group have occurred since the end of the Period.

## OUTLOOK

As a specialist in providing environmental protection services, the Group will continue to consolidate its market position in its existing business segments by stepping up its efforts in developing traditional businesses such as industrial and municipal sewage treatment, water supply and soil remediation, including projects from new customers beyond the Guangdong province. Meanwhile, the Group will, through its branch office in Shanghai, explore the markets in eastern China, central China, and northern China. The Group is confident that these moves will facilitate the further development of its primary businesses.

On the other hand, the Group will continue to tap into new segments of environmental protection industry through cooperation with other companies. During the Period, the Group is actively negotiating with a number of domestic enterprises for hazardous wastes treatment and solid wastes treatment on comprehensive cooperation opportunities.

## MANAGEMENT DISCUSSION AND ANALYSIS

Furthermore, the Group intends to commit more resources to research and development (“R&D”) for enhancement of its existing proprietary processing technologies and development of more environmental protection technologies to meet market demand in the future. In terms of research and development, the Group developed two new processes for wastewater treatment with energy conservation features, and has filed application for patents in this regard. Moreover, the Group has conducted technical research on resource recycling of hazardous wastes and solid wastes. Currently, the Group has achieved certain research results in the specialized technologies for hazardous wastes and solid wastes treatment for pharmaceutical industry and smelting industries, and is planning to apply these new technologies to some of the outcoming projects of the Group. At the same time, the Group is also in the process of upgrading its existing qualifications and obtaining further qualifications for carrying out different types of environmental protection projects.

The Group believes that providing customers with more comprehensive and effective environmental protection services by consolidating its existing environmental protection operations and diversifying into other environmental protection segments will be the main direction for its future business development.

### FINANCIAL REVIEW

#### Operating revenue

For the six months ended 30 June 2017, the Group’s operating revenue amounted to approximately RMB109,965,000, representing an increase of approximately 99.8% or RMB54,939,000 as compared to the corresponding period in 2016.

#### ***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 2017, the revenue from EPC Projects relating to wastewater and drinking water treatment projects under construction and related business was approximately RMB16,626,000 (2016: approximately RMB686,000), representing an increase of approximately 23 times or RMB15,940,000 as compared to the corresponding period in 2016. The increase in revenue from EPC Projects in the first six months of 2017 was primarily attributable to the recognition of revenue of approximately RMB10,164,000 from one large-sized wastewater treatment project in Dongguan, Guangdong province. The rest of the revenue, in the amount of approximately RMB6,462,000, was from five other EPC Projects. In contrast, the revenue from EPC Projects for the same period of 2016 was only from three small-sized wastewater treatment projects and one small-sized drinking water treatment project.

#### — *Revenue relating to Construction Projects*

For the six months ended 30 June 2017, the revenue from Construction Projects was approximately RMB24,305,000 (2016: approximately RMB362,000), representing an increase of approximately 6.6 times or RMB23,943,000 as compared to the corresponding period in 2016. The increase in revenue from Construction Projects for the first six months of 2017 was mainly attributable to the recognition of approximately RMB21,405,000 in revenue from a wastewater treatment facility construction project in Guangzhou. The rest of the revenue, in the amount of approximately RMB2,900,000, was from three Construction Projects. In contrast, only revenue from a small-sized Construction Project was recognised for the same period of last year.

## 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 2017, the revenue from Equipment Projects segment amounted to approximately RMB63,617,000 (2016: approximately RMB52,051,000), representing an increase of approximately 22.2% or RMB11,566,000 as compared to the corresponding period in 2016. The revenue from Equipment Projects for the first six months of 2017 was attributable to the recognition of approximately RMB57,998,000 in revenue from two wastewater facility projects located in Henan province and Liaoning province, respectively.

### **Others**

The revenue under the other segment included revenue attributable to O&M Projects and technical advisory services. As at 30 June 2017, the Group had one wastewater treatment O&M Project and five drinking water treatment O&M Projects on hand.

For the six months ended 30 June 2017, the income from rendering maintenance and technical advisory services amounted to approximately RMB5,417,000 (2016: approximately RMB1,927,000), representing an increase of approximately 181.1% or approximately RMB3,490,000 as compared to the corresponding period in 2016. The increase was mainly attributable to the recognition in the first six months of 2017 of (i) approximately RMB3,765,000 in revenue from three technical advisory projects as compared to approximately RMB443,000 from two small-sized technical advisory services projects for the same period of 2016; and (ii) approximately RMB1,652,000 in revenue from O&M Projects, representing an increase of approximately RMB168,000 over the same period of last year.

### **Other income and gains**

For the six months ended 30 June 2017, other income and gains amounted to approximately RMB4,137,000 (2016: approximately RMB3,004,000), representing an increase of approximately 37.7% or approximately RMB1,133,000 as compared to the corresponding period in 2016. The increase was mainly due to the recognition of (i) approximately RMB3,330,000 in revenue from government subsidies, as compared to nil of such revenue from corresponding period in 2016; and (ii) approximately RMB76,000 in revenue from bank interest income, representing an increase of approximately RMB66,000 over corresponding period in 2016, which was partially set off by the decrease of rental income by approximately RMB168,000 from approximately RMB899,000 to approximately RMB731,000 for the first six months of 2017. There was no gain from currency appreciation for the six months ended 30 June 2017 but approximately RMB2,077,000 over the same period of last year.

### **Cost of sales**

For the six months ended 30 June 2017, the cost of sales of the Group amounted to approximately RMB78,778,000 (2016: approximately RMB29,046,000), representing an increase of approximately 171.2% or approximately RMB49,732,000 as compared to the corresponding period in 2016.

The increase in cost of sales was mainly due to a significant increase in subcontracting costs of EPC Projects and Construction Projects. Accompanying a significant increase in operating revenue from EPC Projects and Construction Projects, the cost of subcontracting increased from approximately RMB584,000 for the same period of 2016 to approximately RMB19,322,000 for the six months ended 30 June 2017, and the material costs also increased from approximately RMB27,239,000 for the same period of 2016 to approximately RMB57,641,000 for the six months ended 30 June 2017.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Gross profit

For the six months ended 30 June 2017, the Group achieved gross profit of approximately RMB31,187,000 (2016: approximately RMB25,980,000), representing an increase of approximately 20.0% or approximately RMB5,207,000 as compared to the corresponding period in 2016. The increase in gross profit of the Group was mainly attributable to the increase in revenue for the first six months of 2017 by approximately 99.8% as compared to the corresponding period in last year, partially offset by the increase in cost of sales in the same period. The gross profit margin of the Group for the first six months of 2017 decreased from 47.2% for corresponding period in last year to 28.4%, mainly because the EPC Projects and Construction Projects of the Group had overall lower gross profit margins, and this is related to the higher level of subcontractors' cost being incurred in civil construction and equipment installation for EPC Projects and Construction Projects.

### Selling and distribution expenses

For the six months ended 30 June 2017, selling and distribution expenses of the Group amounted to approximately RMB1,432,000 (2016: approximately RMB1,075,000), representing an increase of approximately 33.2% or approximately RMB357,000 as compared to the corresponding period in 2016. The increase in selling and distribution expenses was mainly attributable to increase in salary and welfare of approximately RMB178,000 and increase in transportation expenses of approximately RMB183,000.

### Administrative expenses

For the six months ended 30 June 2017, the administrative expenses of the Group amounted to approximately RMB13,464,000 (2016: approximately RMB9,317,000), representing an increase of approximately 44.5% or approximately RMB4,147,000 as compared to the corresponding period in 2016. The increase in administrative expenses was mainly attributable to (i) increase in salary and welfare of approximately RMB1,834,000; (ii) increase in legal and professional fees of approximately RMB370,000; (iii) increase in travelling and entertainment expenses of approximately RMB188,000; (iv) increase in R&D cost of approximately RMB490,000; and (v) increase in foreign exchange loss of approximately RMB466,000.

### Profit for the Period

For the six months ended 30 June 2017, the profit for the Period amounted to approximately RMB16,433,000 (2016: RMB15,609,000), representing an increase of approximately RMB824,000 or 5.3% as compared to the corresponding period in 2016.

## DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2017 (2016: nil), in order to cope with the future business development of the Group.

## CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The shares ("**Shares**") of the Company were successfully listed (the "**Listing**") on the GEM of the Stock Exchange on 9 December 2015. Since then there has been no change in the capital structure of the Group. The capital of the Group comprises only ordinary shares.

As at 30 June 2017, the total equity attributable to the Company's shareholders (the "**Shareholders**") was approximately RMB192,028,000 (31 December 2016: approximately RMB177,203,000). The Group continued to maintain a strong financial position with cash and cash equivalents amounting to approximately RMB108,315,000 (31 December 2016: approximately RMB124,971,000). The Group's net current asset was approximately RMB161,795,000 (31 December 2016: approximately RMB146,594,000). 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 operation in the coming year. There was no hedging through any financial instruments.

## MANAGEMENT DISCUSSION AND ANALYSIS

During the six months ended 30 June 2017, the Group's cash and cash equivalents 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.

As at 30 June 2017, the Group had general banking facilities amounting to RMB88,890,000. The total borrowing from the banking facilities of the Group as at 30 June 2017 amounted to RMB40,000,000 (31 December 2016: RMB40,000,000). The borrowing is due within one year and the interest rate is variable subject to the People's Bank of China benchmark interest rate. The banking facilities were pledged by the Group's buildings. For details of the pledged assets, please refer to the section headed "Charges on the Group's Assets" below.

### GEARING RATIO

As at 30 June 2017, the Group's gearing ratio (being the net debt of the Group divided by its total capital plus net debt) was 22% (31 December 2016: -7%). 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

The Group formed a joint-venture company with Best Well Ventures Limited ("**Best Well**") in the fourth quarter of 2016. In accordance with the shareholders' agreement, the joint venture and its subsidiaries (the "**JV Group**") has a total capital commitment of RMB50,000,000 (the "**Capital Commitment**") and is committed to developing and promoting the hazardous waste treatment business in the PRC. 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. Apart from that, Great Water Environmental Technology (Shanghai) Company Limited (建禹環保科技(上海)有限公司) (the "**Great Water Shanghai**"), a non-wholly owned subsidiary of the JV Group, had identified an office premise in Shanghai and purchased such office premise in Shanghai for an aggregate consideration of approximately RMB40,000,000 in January 2017, details of which are set out in the announcement of the Company dated 18 January 2017. Save as disclosed above, there was no significant investment held by the Group as at 30 June 2017.

### 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 2017.

### COMMITMENTS

The contractual operating commitments of the Group were primarily related to the purchases of items of equipment for projects. As at 30 June 2017, the Group's contractual operating commitments amounted to approximately RMB75,973,000 (31 December 2016: approximately RMB77,305,000).

As at 30 June 2017, the Group's capital commitment amounted to approximately RMB24,000,000 (31 December 2016: approximately 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 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## CONTINGENT LIABILITIES

As at 30 June 2017, the Group did not have material contingent liabilities.

## CHARGES ON THE GROUP'S ASSETS

As at 30 June 2017 and 31 December 2016, the Group's buildings, with net carrying amount of RMB7,584,000 and RMB7,619,000 respectively, were pledged to secure general banking facilities granted to the Group.

As at 30 June 2017 and 31 December 2016, the Group's investment properties, with net carrying amount of RMB20,788,000 and RMB20,788,000 respectively, were pledged to secure general banking facilities granted to the Group.

As at 30 June 2017 and 31 December 2016, the Group's leasehold land, with net carrying amount of RMB625,000 and RMB660,000 respectively, 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 period ended 30 June 2017, the Group did not hedge any exposure to foreign exchange risk.

## ADVANCES TO AN ENTITY

As at 30 June 2017, the Group did not provide any advances to any entity outside the Group.

## PLEDGING OF SHARES BY THE CONTROLLING SHAREHOLDERS

As at 30 June 2017, there was no pledging of Shares by the controlling Shareholders (the "Controlling Shareholders").

## LOAN AGREEMENTS OF THE GROUP

As at 30 June 2017, the Group did not enter into any loan agreement with covenants relating to specific performance of the Controlling Shareholders.

During the first six months of 2017, 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 30 June 2017, the Group did not provide any financial assistance or guarantee to affiliated companies of the Group.

## SHARE OPTION SCHEME

As of 30 June 2017, the Group did not adopt any share option scheme.

## EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2017, the Group employed 90 employees (31 December 2016: 88 employees). Employee costs amounted to approximately RMB8.7 million for the six months ended 30 June 2017 (2016: approximately RMB5.9 million). The Group will endeavour 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The principal business objective of the Group is to further strengthen its position in the wastewater treatment engineering services in the PRC in order to achieve sustainable growth in its business and create long-term value for the Shareholders. 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 2017 is set out below:

Business strategies	Implementation plan	Sources of funding	Actual progress up to 30 June 2017
(i) Strengthen the Group's market position	Identify new office locations in the central and northern regions of the PRC	Listing proceeds of approximately HK\$0.1 million	After conducting market research and analysis, the Group set up its branch office in Shanghai (the "Shanghai Branch") 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\$1.2 million have been fully utilised in 2016 as set up costs of the Shanghai Branch, including employees' salaries, office rental payments and office expenses.
	Open a new office in the central region of the PRC	Listing proceeds of approximately HK\$0.5 million	
	Recruit marketing and administrative staff	Listing proceeds of approximately HK\$0.6 million	
	Purchase office premises in the northern region of the PRC	Listing proceeds of approximately HK\$10.5 million	
	Participate in 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\$0.9 million	
	Conduct marketing activities in the central and northern regions of the PRC	Listing proceeds of approximately HK\$0.5 million	
			Great Water Shanghai, a non-wholly owned subsidiary of the Company, purchased an office premises in Shanghai for an aggregate consideration of approximately RMB40,000,000 on 18 January 2017, details of which are set out in the announcement of the Company dated 18 January 2017. The listing proceeds of approximately HK\$10.5 million had been fully utilised as at 30 June 2017.
			The Group launched several promotions of its wastewater treatment business and invited potential customers to visit the Group's completed projects. As at 30 June 2017, the listing proceeds of approximately HK\$1.4 million had 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 2017
(ii) Expand the Group's soil remediation project business	Participate in industry events to identify business opportunities and invite potential customers to visit the Group's completed projects	Listing proceeds of approximately HK\$2.0 million	The Group launched several promotions of its soil remediation business by, for example, participating in soil remediation industry meetings organised by local governments and touring leading soil remediation companies for technical communication. We also invited potential customers to visit the Group's completed projects in 2016. As at 30 June 2017, the listing proceeds of approximately HK\$1.5 million had been utilised as related expenses of these activities, such as exhibition fees, accommodation expenses and transportation fees for related employees and customers. The remaining proceeds of HK\$0.5 million are expected to be utilised in the second half of 2017.
(iii) Enhance the Group's research and development capabilities	Identify equipment and machinery for the Group's research and development laboratory	Internal resources of the Group	The Group has drawn up a general proposal for enhancing the research and development capabilities of the laboratory in the Guangzhou headquarters. The upgrading of the research and development facilities is in progress as planned.
	Purchase of laboratory equipment and testing materials for performing pilot runs: ozone generation equipment, air compressors, air filters, metres and pumps and thermal reactor, heat exchanger, vacuum pumps and filtration system, high pressure pumps, centralised control system, various electronic testing equipment, pressure filters and all kinds of filters and blenders	Listing proceeds of approximately HK\$10.2 million	As at 30 June 2017, the listing proceeds of approximately HK\$10.2 million had been fully utilised to purchase laboratory equipment and research and development materials for laboratory tests and pilot runs.
(iv) Upgrade the Group's qualification in construction and design engineering	Initial planning	Internal resources of the Group	The planning has been completed and the implementation of the plan has started as planned.
	Recruit additional qualified professionals and provide relevant training/course to the Group's existing engineering and technical staff	Listing proceeds of approximately HK\$1.5 million	A number of experienced engineering and technical staff have been recruited in 2016 and the first half of 2017 in order to upgrade the Group's construction and design engineering capabilities. As at 30 June 2017, the listing proceeds of approximately HK\$1.5 million had been fully utilised for salaries and training costs of these staff.

## MANAGEMENT DISCUSSION AND ANALYSIS

Business strategies	Implementation plan	Sources of funding	Actual progress up to 30 June 2017
(v) Fund the working capital for EPC Projects	Fund the cashflow deficit for projects in the Group's pipeline, including a wastewater EPC Project to be entered into with a new PRC textile manufacturer in Vietnam	Listing proceeds of approximately HK\$12.0 million	The listing proceeds of HK\$12.0 million have been fully utilised to fund the EPC Project in Vietnam in 2016.
	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	Listing proceeds of approximately HK\$5.6 million	The listing proceeds of HK\$5.6 million have been fully utilised to fund the Dongguan EPC Project in 2016.

### 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 2017 were used as follows:

	Planned use of proceeds as shown in the Prospectus from the date of Listing to 30 June 2017 <i>HK\$'000</i>	Actual use of proceeds from the date of the Listing to 30 June 2017 <i>HK\$'000</i>	Unutilised amount as at 30 June 2017 <i>HK\$'000</i>
Strengthen the Group's market position	13,100	13,100	–
Expand the Group's soil remediation project business	2,000	1,500	500
Enhance the Group's research and development capabilities	10,200	10,200	–
Upgrade the Group's qualification in construction and design engineering	1,500	1,500	–
Fund the working capital for EPC projects	17,600	17,600	–
	44,400	43,900	500

Notes:

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 of the Group. 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. According to code 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 water treatment engineering services industry, Mr. Xie Yang, the chairman of the Board, an executive Director and the chief executive officer of the Company, 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 Yang), two non-executive Directors and three independent non-executive Directors during the Period and therefore has sufficient independent elements in its composition. The Board is in the process of looking for a potential candidate from the market to take up the role of chief executive officer of the Company in order to comply with the CG Code. Save for code 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 for the Period.

## 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 2017, 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 2017, 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	Capacity	Number of Shares (Note 1)	Approximate percentage of the total number of Shares in issue
Mr. Xie Yang <sup>(Note 2)</sup>	Interest in controlled corporation	91,350,000 (L)	30.45%
Ms. Gong Lan Lan <sup>(Note 3)</sup>	Interest in controlled corporation	67,117,500 (L)	22.37%
Mr. Song Xiao Xing <sup>(Note 4)</sup>	Interest in controlled corporation	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 2017, 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

As at 30 June 2017, 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 <sup>(Note 2)</sup>	Beneficial owner	91,350,000 (L)	30.45%
Perfect Wave Holdings Limited <sup>(Note 2)</sup>	Interest in controlled corporation	91,350,000 (L)	30.45%
Waterman Global Limited <sup>(Note 3)</sup>	Beneficial owner	67,117,500 (L)	22.37%
The Thinker Global Limited <sup>(Note 3)</sup>	Interest in controlled corporation	67,117,500 (L)	22.37%
Great Time Ventures Limited <sup>(Note 4)</sup>	Beneficial owner	44,032,500 (L)	14.68%
Topman Ventures Limited <sup>(Note 4)</sup>	Interest in controlled corporation	44,032,500 (L)	14.68%
Woody Industrial Limited <sup>(Note 5)</sup>	Beneficial owner	22,500,000 (L)	7.5%
Acute Capital Investments Limited <sup>(Note 5)</sup>	Interest in controlled corporation	22,500,000 (L)	7.5%
Mr. Yang Chen Kuo <sup>(Note 5)</sup>	Interest in controlled corporation	22,500,000 (L)	7.5%

Notes:

1. The letter "L" denotes a long position.
2. 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.
3. 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.
4. 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.
5. 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

Save as disclosed above, as at 30 June 2017, 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.

### 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 2017 and the interim results and interim report of the Group for the six months ended 30 June 2017, 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, 9 August 2017

*As at the date of this report, the executive Directors are Mr. XIE Yang and Mr. HE Xuan 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.*