



GREAT WATER

# GREAT WATER HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8196



# 2017

First Quarterly Report

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

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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 three months ended 31 March 2017

- Based on the unaudited condensed consolidated results of the Group for the three months ended 31 March 2017 (the “**Period**”), the Group’s revenue for the Period increased to approximately RMB57,872,000, representing an increase of approximately 120.8% as compared to approximately RMB26,207,000 for the corresponding period in 2016.
- During the Period, the Group’s total gross profit increased to approximately RMB15,644,000, representing an increase of approximately 35.1% as compared to approximately RMB11,582,000 for the corresponding period in 2016.
- During the Period, the Group’s net profit increased to approximately RMB5,885,000, representing an increase of approximately 2.6% as compared to approximately RMB5,737,000 for the corresponding period in 2016.
- The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2017.

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2017

## UNAUDITED FIRST QUARTERLY RESULTS

The board of directors (the “**Board**”) of the Company is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the Group) for the three months ended 31 March 2017 together with the comparative unaudited figures for the corresponding period of 2016 as follows:

		For the three months ended 31 March	
	Notes	2017 RMB'000 Unaudited	2016 RMB'000 Unaudited
REVENUE	4	57,872	26,207
Cost of Sales		(42,228)	(14,625)
Gross profit		15,644	11,582
Other income and gains	4	552	459
Selling and distribution expenses		(690)	(680)
Administrative expenses		(7,541)	(4,203)
Finance costs		(479)	(107)
PROFIT BEFORE TAX		7,486	7,051
Income tax expense	5	(1,601)	(1,314)
PROFIT FOR THE PERIOD		5,885	5,737
Attributable to:			
Owners of the parent		5,885	5,737
Non-controlling interests		–	–
		5,885	5,737
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	7	RMB0.020	RMB0.019

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2017

	For the three months ended 31 March	
	2017	2016
Notes	RMB'000	RMB'000
	Unaudited	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	(496)	(494)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	(496)	(494)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	–	–
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	(496)	(494)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	5,389	5,243
Attributable to:		
Owners of the parent	5,389	5,243
Non-controlling interests	–	–
	5,389	5,243

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2017

	Share capital RMB'000	Share premium account RMB'000	Merge 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	–	–	–	–	–	–	5,737	5,737	–	5,737
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	–	–	–	–	–	(494)	–	(494)	–	(494)
Total comprehensive income for the period	–	–	–	–	–	(494)	5,737	5,243	–	5,243
At 31 March 2016 (unaudited)	2,397	98,818	(13,830)	9,134	3,828	647	39,415	140,409	–	140,409

  

	Share capital RMB'000	Share premium account RMB'000	Merge 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	–	–	–	–	–	–	5,885	5,885	–	5,885
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	–	–	–	–	–	(496)	–	(496)	–	(496)
Total comprehensive income for the period	–	–	–	–	–	(496)	5,885	5,389	–	5,389
At 31 March 2017 (unaudited)	2,397	98,818	(13,830)	9,134	8,122	4,461	73,492	182,594	(2)	182,592

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended 31 March 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 unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKAS**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of Hong Kong Companies Ordinance (Cap. 622 of the laws of Hong Kong). In addition, the unaudited condensed consolidated financial statements include applicable disclosures required by the GEM Listing Rules.

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;

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

For the three months ended 31 March 2017

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

- (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.

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.

Period ended	EPC projects	Construction projects	Equipment projects	Others	Total
31 March 2017 (unaudited)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Segment revenue:</b>					
Sales to external customers	11,944	22,676	22,146	1,106	57,872
<b>Segment results</b>	2,227	5,837	7,061	519	15,644
<i>Reconciliation:</i>					
Interest income					28
Unallocated gains					524
Corporate and other unallocated expenses					(8,231)
Finance costs					(479)
Profit before tax					7,486
<b>Other segment information:</b>					
Depreciation and amortisation					232



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended 31 March 2017

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

Period ended	EPC projects	Construction projects	Equipment projects	Others	Total
31 March 2016 (unaudited)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Segment revenue:</b>					
Sales to external customers	13	–	25,497	697	26,207
<b>Segment results</b>	5	–	11,238	339	11,582
<i>Reconciliation:</i>					
Interest income					4
Unallocated gains					455
Corporate and other unallocated expenses					(4,883)
Finance costs					(107)
Profit before tax					7,051
<b>Other segment information:</b>					
Depreciation and amortisation					198

## Geographical information

### Revenue from external customers

	For the three months ended 31 March	
	2017	2016
	RMB'000	RMB'000
	Unaudited	Unaudited
Mainland China	57,335	26,207
Vietnam	537	–
	57,872	26,207

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

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

For the three months ended 31 March 2017

### 4. REVENUE, OTHER INCOME AND GAINS

Revenue 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 three months ended 31 March	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
	Unaudited	Unaudited
<b>Revenue</b>		
Income from construction contracting and related business	34,620	13
Sales of goods	22,146	25,497
Rendering of maintenance services	1,106	697
	<b>57,872</b>	26,207
<b>Other income</b>		
Bank interest income	28	4
Rental income	364	455
Government grants	160	–
	<b>552</b>	459
	<b>58,424</b>	26,666

### 5. 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 three months ended 31 March 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 Mainland China 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.

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

For the three months ended 31 March 2017

### 5. INCOME TAX *(continued)*

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 20% on the taxable income.

	For the three months ended 31 March	
	2017	2016
	RMB'000	RMB'000
	Unaudited	Unaudited
Current — Elsewhere other than Hong Kong	1,601	1,314
Deferred	—	—
Total tax charge for the period	1,601	1,314

### 6. DIVIDENDS

The Directors did not recommend payment of any dividend for the three months ended 31 March 2017 (2016: Nil).

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

The calculation of the basic earnings per share for the three months ended 31 March 2017 is based on the profit for the period attributable to ordinary equity holders of RMB5,885,000 (2016: RMB5,737,000), 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 31 March 2017 and 2016 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during these periods.

# 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 quarter 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 treatment, aiming to make substantial progress in 2017.

For the three months ended 31 March 2017, the revenue of the Group increased by approximately RMB31,665,000, or 120.8% to approximately RMB57,872,000 as compared to the corresponding period in 2016. The increase in revenue was primarily attributable to the recognition of approximately RMB11,944,000 in revenue from EPC Projects, approximately RMB22,677,000 in revenue from construction projects ("**Construction Projects**"), and approximately RMB22,146,000 in revenue from Equipment Projects for the first quarter of 2017. In comparison, only approximately RMB25,497,000 in revenue from Equipment Projects was recognized in the corresponding period in 2016.

Profit for the three months ended 31 March 2017 amounted to approximately RMB5,885,000, comparable with that for the corresponding period last year with an increase of approximately RMB148,000 or 2.6%.

In the first quarter of 2017, the Group had entered into contracts for one new EPC Project, two new Construction Projects and one new Equipment Project, with a total contract value of approximately RMB55.6 million. As at 31 March 2017, save for O&M Projects, the Group had the following uncompleted projects on hand: (i) 5 EPC Projects; (ii) 5 Construction Projects; and (iii) 7 Equipment Projects, with an aggregate contract value of approximately RMB114.1 million. The Directors expect that the abovementioned uncompleted projects on hand will be fully completed by the end of 2017.

## 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 tap into new segments of environmental protection through cooperation with other environmental protection companies. During the period, the Group continued its discussion with a hazardous wastes treatment plant in Shanghai in respect of the provision of operational services, through which the Group aims to enter into the hazardous wastes treatment segment in the PRC.

## MANAGEMENT DISCUSSION AND ANALYSIS

Furthermore, the Group is committing 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 hired two new R&D personnel in the first quarter of 2017. Within wastewater treatment business, the Group is developing two new processes for wastewater treatment with energy conservation features, and intends to apply for relevant patents in the future. Moreover, the Group has conducted technical research on resource recycling of hazardous wastes. 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 three months ended 31 March 2017, the Group’s operating revenue amounted to approximately RMB57,872,000, representing an increase of approximately 120.8% or RMB31,665,000 over 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 constructing a treatment plant from launch to operation for a predetermined contract amount. As an EPC Project contractor, the Group provides engineering design of the treatment facilities, procure necessary raw materials and appoint sub-contractors to construct the facilities. The Group also engages in construction projects related to other environmental protection sectors (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 three months ended 31 March 2017, the revenue generated from EPC Projects relating to wastewater and drinking water treatment projects under construction and related business was approximately RMB11,944,000 (2016: approximately RMB13,000), representing an increase of approximately 91,776.9% or RMB11,931,000 over the corresponding period in 2016. The significant increase in revenue from EPC Projects in the first quarter of 2017 was primarily attributable to the recognition of revenue of approximately RMB10,163,000 in revenue from a large-size wastewater treatment project in Dongguan, Guangdong province. The remaining revenue of approximately RMB1,781,000 was derived from two EPC Projects.

— **Revenue relating to Construction Projects**

For the three months ended 31 March 2017, the revenue generated from the Construction Projects amounted to approximately RMB22,676,000 (2016: nil). The revenue generated from Construction Projects in the first quarter of 2017 was primarily attributable to the revenue of approximately RMB21,405,000 derived from the wastewater facility construction project in Guangzhou. The remaining revenue of approximately RMB1,271,000 was derived from two Construction Projects.

## 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 evaluating and selecting different equipment options before the procurement team comes into play.

For the three months ended 31 March 2017, the revenue generated from the Equipment Projects amounted to approximately RMB22,146,000 (2016: approximately RMB25,497,000, representing a decrease of approximately 13.2% or RMB3,351,000 compared to the corresponding period in 2016. The revenue generated from Equipment Projects in the first quarter of 2017 was primarily attributable to the recognition of approximately RMB21,880,000 in revenue from a wastewater equipment project in Henan province.

### Others

The revenue generated from other environmental protection projects included revenue attributable to O&M Projects and technical advisory services. As at 31 March 2017, the Group had one wastewater treatment O&M Project and five drinking water treatment O&M Projects on hand.

For the three months ended 31 March 2017, the revenue generated from the rendering of maintenance services amounted to approximately RMB1,106,000 (2016: approximately RMB697,000), representing an increase of approximately 58.7% or RMB409,000 as compared to the corresponding period in 2016. The increase was primarily attributable to (i) a technical advisory project in the first quarter of 2017 with revenue contribution of approximately RMB253,000 as compared to nil in the corresponding period in 2016; and (ii) O&M projects which contributed approximately RMB852,000 in revenue in the first quarter of 2017, representing an increase of approximately RMB155,000 as compared to the corresponding period of last year.

### Other income and gains

For the three months ended 31 March 2017, other income and gains amounted to approximately RMB552,000 (2016: approximately RMB459,000), representing an increase of approximately 20.3% or approximately RMB93,000 as compared to the corresponding period in 2016. The increase was attributable to (i) the receipt of government grants of approximately RMB160,000 compared to nil in the corresponding period of 2016; (ii) bank interest income of approximately RMB28,000, representing an increase of approximately RMB24,000 as compared to the corresponding period of 2016; which was partly offset by the decrease in rental income of approximately RMB91,000 to RMB364,000 for the first quarter of 2017.

### Cost of sales

For the three months ended 31 March 2017, the cost of sales of the Group amounted to approximately RMB42,228,000 (2016: approximately RMB14,625,000), representing an increase of approximately 188.7% or approximately RMB27,603,000 compared to the corresponding period in 2016.

The increase in cost of sales was mainly due to the significant increase in subcontracting cost incurred by the EPC Projects and Construction Projects. Along with the significant increase in operating revenue in EPC Projects and Construction Projects, the subcontracting costs increased to approximately RMB26,261,000 for the three months ended 31 March 2017 from approximately RMB2,000 for the corresponding period in 2016. The material costs increased to approximately RMB15,203,000 for the three months ended 31 March 2017 from approximately RMB14,244,000 for the corresponding period in 2016, representing an increase of approximately 6.7% or approximately RMB959,000 over the corresponding period in 2016.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Gross profit

For the three months ended 31 March 2017, the Group achieved gross profit of approximately RMB15,644,000 (2016: approximately RMB11,582,000), representing an increase of approximately 35.1% or approximately RMB4,062,000 as compared to the corresponding period in 2016. The increase in gross profit of the Group was mainly due to the fact that the revenue in the first quarter of 2017 increased by approximately 120.8% as compared to the corresponding period of last year. The profit margin decreased to 27.0% for the first quarter of 2017 as compared to 44.2% for the corresponding period last year, which was mainly attributable to the lower overall gross profit margin for the Group's EPC Projects and Construction Projects involving the subcontractors' performance of civil construction and equipment installation works for these projects.

### Selling and distribution expenses

For the three months ended 31 March 2017, selling and distribution expenses of the Group amounted to approximately RMB690,000 (2016: approximately RMB680,000), which is comparable to that of last year.

### Administrative expenses

For the three months ended 31 March 2017, the administrative expenses of the Group amounted to approximately RMB7,541,000 (2016: approximately RMB4,203,000), representing an increase of approximately 79.4% or approximately RMB3,338,000 compared to the corresponding period in 2016. The increase in the administrative expenses was mainly attributed to (i) the increase in salaries and employee benefit of approximately RMB2,238,000; (ii) the increase in office expense of approximately RMB147,000; (iii) the increase in legal and professional expenses of approximately RMB167,000; (iv) the increase in entertainment expenses of approximately RMB170,000; (v) the increase in research and development expenses of approximately RMB395,000; and (vi) the increase in exchange losses of approximately RMB93,000.

### Profit for the Period

For the three months ended 31 March 2017, the profit for the Period amounted to approximately RMB5,737,000 (2016: RMB5,737,000), representing an increase of approximately RMB148,000 or 2.6% compared to the corresponding period in 2016, which is comparable to that of last year.

## DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the three months ended 31 March 2017 (2016: nil), in order to cope with the future business development of the Group.

## 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

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 31 March 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

None of the Directors or the controlling shareholders of the Company or any of their respective close associates (as defined under the GEM Listing Rules) had any interest in a business 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 31 March 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 the 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 31 March 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 31 March 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 Shares held (Note 1)	Approximate percentage of interest
Oceanic Expert Investments Limited (Note 2)	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 5)	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:

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 31 March 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 Company had also made specific enquiry of all the Directors and the Company was not aware of any non-compliance with the required standard of dealings regarding securities transactions by the Directors 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 Shung and Mr. Ha Cheng Yong. Mr. Tse Chi Wai is the chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the three months ended 31 March 2017 and this report, and is of the view that such results and the quarterly report complied with the applicable accounting standards, the GEM Listing Rules and other applicable legal requirements, and that adequate disclosure has been made. The Audit Committee has also reviewed the effectiveness of the internal control system of the Group.

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

Guangzhou, the PRC, 9 May 2017

*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.*