



**GREAT WATER**

**GREAT WATER HOLDINGS LIMITED**

**建禹集團控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 8196)**

**ANNUAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

## ANNUAL RESULTS

The board of Directors (the “**Board**”) of the Company is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2015 together with the comparative audited figures for the corresponding period of last year as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*Year ended 31 December 2015*

	<i>Notes</i>	<b>2015</b> <b>RMB'000</b>	2014 <i>RMB'000</i>
REVENUE	5	<b>166,985</b>	122,222
Cost of sales		<u><b>(122,855)</b></u>	<u>(86,495)</u>
Gross profit		<b>44,130</b>	35,727
Other income and gains	5	<b>3,012</b>	2,449
Selling and distribution expenses		<b>(1,755)</b>	(989)
Administrative expenses		<b>(24,312)</b>	(10,316)
Other expenses		<b>(45)</b>	(104)
Finance costs	7	<u><b>(618)</b></u>	<u>(160)</u>
PROFIT BEFORE TAX	6	<b>20,412</b>	26,607
Income tax expense	8	<u><b>(3,495)</b></u>	<u>(3,895)</u>
PROFIT FOR THE YEAR		<u><b>16,917</b></u>	<u>22,712</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	10	<u><b>RMB0.07</b></u>	<u>RMB0.10</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME (continued)**

*Year ended 31 December 2015*

	<i>Notes</i>	<b>2015</b> <b>RMB'000</b>	2014 RMB'000
<b>OTHER COMPREHENSIVE INCOME</b>			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		<u>1,144</u>	<u>(4)</u>
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		<b>1,144</b>	<b>(4)</b>
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Surplus on revaluation of investment properties		–	2,183
Income tax effect		<u>–</u>	<u>(546)</u>
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		<u>–</u>	<u>1,637</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b>			
		<u><b>1,144</b></u>	<u>1,633</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>			
		<u><b>18,061</b></u>	<u>24,345</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

	<i>Notes</i>	<b>2015</b> <b>RMB'000</b>	2014 RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>6,216</b>	4,252
Investment properties		<b>20,425</b>	20,106
Prepaid land lease payments		<b>158</b>	183
Total non-current assets		<b>26,799</b>	24,541
<b>CURRENT ASSETS</b>			
Inventories		<b>130</b>	3,422
Gross amount due from contract customers		<b>1,608</b>	6,054
Trade and bills receivables	<i>11</i>	<b>72,604</b>	70,558
Prepayments, deposits and other receivables		<b>14,139</b>	5,131
Cash and bank balances		<b>111,792</b>	17,532
Total current assets		<b>200,273</b>	102,697
<b>CURRENT LIABILITIES</b>			
Trade payables	<i>12</i>	<b>55,612</b>	45,636
Gross amount due to contract customers		–	290
Other payables and accruals		<b>15,218</b>	11,562
Interest-bearing bank borrowing	<i>13</i>	<b>15,000</b>	–
Tax payable		<b>3,143</b>	3,004
Total current liabilities		<b>88,973</b>	60,492
<b>NET CURRENT ASSETS</b>		<b>111,300</b>	42,205
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>138,099</b>	66,746
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		<b>2,933</b>	2,856
Total non-current liabilities		<b>2,933</b>	2,856
Net assets		<b>135,166</b>	63,890
<b>EQUITY</b>			
Share capital		<b>2,397</b>	–
Reserves		<b>132,769</b>	63,890
Total equity		<b>135,166</b>	63,890

## NOTES

### 1. GROUP REORGANISATION AND BASIS OF PRESENTATION

Pursuant to the Group's reorganisation (the "**Reorganisation**"), the Company became the holding company of the Group on 10 July 2015. As the Reorganisation only involved inserting new holding entities at the top of Guangzhou Great Water Environmental Protection Co., Ltd., the then holding company of the Group, and has not resulted in any change of economic substances, the financial statements of the Group have been prepared as a continuation of the Group as if the Reorganisation had been completed at the beginning of the reporting period.

Accordingly, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows are prepared as if the current group structure had been in existence throughout the reporting period. The consolidated statements of financial position as at 31 December 2014 present the assets and liabilities of the companies now comprising the Group, as if the current group structure had been in existence at this date.

All intra-group transactions and balances have been eliminated on consolidation.

### 2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

They have been prepared under the historical cost convention, except for investment properties which have been measured at fair value. The financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

#### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2015. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

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

## 2. BASIS OF PREPARATION (continued)

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

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

## 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

*Amendments to HKAS 19 Defined Benefit Plans: Employee Contributions*  
*Annual Improvements to HKFRSs 2010–2012 Cycle*  
*Annual Improvements to HKFRSs 2011–2013 Cycle*

The adoption of the above revised standards has had no significant financial effect on these financial statements.

In addition, the Company has adopted the amendments to the Listing Rules issued by the Hong Kong Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

## 4. OPERATING SEGMENT INFORMATION

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

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

#### 4. 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.

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

Year ended 31 December 2015	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	<u>5,840</u>	<u>12,041</u>	<u>144,275</u>	<u>4,829</u>	<u>166,985</u>
<b>Segment results</b>	<b>862</b>	<b>2,910</b>	<b>37,659</b>	<b>3,073</b>	<b>44,504</b>
<i>Reconciliation:</i>					
Interest income					89
Unallocated gains					2,549
Corporate and other unallocated expenses					(26,112)
Finance costs					(618)
Profit before tax					<u>20,412</u>
<b>Segment assets</b>	<b>19,643</b>	<b>2,752</b>	<b>62,029</b>	<b>2,482</b>	<b>86,906</b>
<i>Reconciliation:</i>					
Corporate and other unallocated assets					140,166
Total assets					<u>227,072</u>
<b>Segment liabilities</b>	<b>2,018</b>	<b>2,743</b>	<b>54,730</b>	<b>530</b>	<b>60,021</b>
<i>Reconciliation:</i>					
Corporate and other unallocated liabilities					31,885
Total liabilities					<u>91,906</u>
<b>Other segment information:</b>					
Depreciation and amortisation					<u>515</u>
Capital expenditure*					<u>2,504</u>

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

#### 4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2014	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	25,624	722	87,332	8,544	122,222
<b>Segment results</b>	2,993	130	25,196	7,408	35,727
<i>Reconciliation:</i>					
Interest income					44
Unallocated gains					2,405
Corporate and other unallocated expenses					(11,409)
Finance costs					(160)
Profit before tax					26,607
<b>Segment assets</b>	23,254	2,608	49,026	7,054	81,942
<i>Reconciliation:</i>					
Corporate and other unallocated assets					45,296
Total assets					127,238
<b>Segment liabilities</b>	11,568	510	37,444	222	49,744
<i>Reconciliation:</i>					
Corporate and other unallocated liabilities					13,604
Total liabilities					63,348
<b>Other segment information:</b>					
Depreciation and amortisation					904
Capital expenditure*					233

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

#### Geographical information

##### (a) Revenue from external customers

	2015 RMB'000	2014 RMB'000
Mainland China	163,535	111,507
Vietnam	3,450	10,715
	<u>166,985</u>	<u>122,222</u>

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



#### 4. OPERATING SEGMENT INFORMATION (continued)

(b) *Non-current assets*

	<b>2015</b> <i>RMB'000</i>	2014 <i>RMB'000</i>
Mainland China	<b>26,791</b>	24,530
Vietnam	<b>8</b>	11
	<u><b>26,799</b></u>	<u>24,541</u>

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

#### **Information about major customers**

Revenue derived from sales to each of the major customers, including sales to a group of entities which are known to be under common control with those customers, which accounted for 10% or more of the Group's revenue for the year is set out below:

	<b>2015</b> <i>RMB'000</i>	2014 <i>RMB'000</i>
Customer A	<b>48,205</b>	19,686
Customer B	<b>31,525</b>	19,286
Customer C	<b>24,171</b>	16,911
Customer D	–	15,778

## 5. 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 year.

An analysis of revenue, other income and gains is as follows:

	<b>2015</b> <i>RMB'000</i>	2014 <i>RMB'000</i>
<b>Revenue</b>		
Income from construction contracting and related business	<b>17,881</b>	26,346
Sales of goods	<b>144,275</b>	87,332
Rendering of maintenance services	<b>4,829</b>	8,544
	<u><b>166,985</b></u>	<u>122,222</u>
<b>Other income</b>		
Bank interest income	<b>89</b>	44
Rental income	<b>1,946</b>	1,863
Government grants*		
— Related to income	<b>15</b>	147
Exchange gains, net	<b>542</b>	—
Others	<b>23</b>	11
	<u><b>2,615</b></u>	<u>2,065</u>
<b>Gains</b>		
Fair value gains on investment properties	<b>319</b>	384
Gain on disposal of items of property, plant and equipment	<b>78</b>	—
	<u><b>397</b></u>	<u>384</u>
	<u><b>3,012</b></u>	<u>2,449</u>

\* Government grants for the year ended 31 December 2015 were received by a subsidiary of the Company in Mainland China as compensation for expenses already incurred. Government grants for the year ended 31 December 2014 were received from the PRC government authorities in recognition of the Group's efforts in technology innovation in Guangzhou, the PRC. There were no unfulfilled conditions or contingencies in relation to the grants.

## 6. PROFIT BEFORE TAX

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

	<i>Note</i>	<b>2015</b> <b>RMB'000</b>	2014 <i>RMB'000</i>
Cost of inventories sold		<b>106,990</b>	61,632
Cost of construction contracting		<b>14,109</b>	23,749
Cost of services provided		<b>1,756</b>	1,114
Depreciation		<b>490</b>	879
Amortisation of land lease payments		<b>25</b>	25
Auditors' remuneration		<b>2,913</b>	255
Employee benefit expense (excluding directors' and chief executive's remuneration):			
Wages and salaries		<b>6,888</b>	3,787
Pension scheme contributions <sup>#</sup>		<b>466</b>	266
Other welfare		<b>1,883</b>	801
		<b>9,237</b>	4,854
Foreign exchange differences, net		<b>(542)</b>	–
Changes in fair value of investment properties		<b>(319)</b>	(384)
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties		<b>464</b>	208
Bank interest income <sup>*</sup>	5	<b>(89)</b>	(44)
(Gain)/loss on disposal of items of property, plant and equipment <sup>*</sup>		<b>(78)</b>	73

\* 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.

<sup>#</sup> As at the end of the year for both 2015 and 2014, the Group had no material forfeited contributions available to reduce its contributions to the retirement benefit schemes in future years.

## 7. FINANCE COSTS

An analysis of finance costs is as follows:

	<b>2015</b> <b>RMB'000</b>	2014 <i>RMB'000</i>
Interest on bank loans	<b>618</b>	160

## 8. INCOME TAX

The statutory rate of Hong Kong profits tax was 16.5%, (2014: 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 during the year (2014: 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 years ended 31 December 2015 and 2014.

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.

	<b>2015</b>	2014
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Current — Elsewhere other than Hong Kong	<b>3,418</b>	4,151
Deferred	<u>77</u>	<u>(256)</u>
Total tax charge for the year	<b><u>3,495</u></b>	<b><u>3,895</u></b>

## 9. DIVIDENDS

The board of directors does not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: Nil).

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

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of RMB16,917,000 (2014: RMB22,712,000), and the weighted average number of ordinary shares in issue of 229,726,027 (2014: 225,000,000) on the assumption that the shares issued through the Reorganisation and capitalisation issue prior to the listing of the shares of the Company on GEM (the “**Listing**”) had been in issue since 1 January 2014.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2015 and 2014 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during these years.

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

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

	<b>2015</b> <i>RMB'000</i>	2014 <i>RMB'000</i>
<b>Earnings</b>		
Profit attributable to ordinary equity holders, used in the basic/diluted earnings per share calculation:	<u><b>16,917</b></u>	<u>22,712</u>
	<b>Number of shares</b>	
	<b>2015</b>	2014
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year used in the basic/diluted earnings per share calculation	<u><b>229,726,027</b></u>	<u>225,000,000</u>

**11. TRADE AND BILLS RECEIVABLES**

	<b>2015</b> <i>RMB'000</i>	2014 <i>RMB'000</i>
Trade receivables	<b>72,604</b>	67,808
Bills receivable	<u>–</u>	<u>2,750</u>
	<u><b>72,604</b></u>	<u>70,558</u>

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. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over these balances. Trade receivables are non-interest-bearing.

## 11. 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:

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Within one month	37,005	23,163
One to three months	8,082	26,471
Three months to one year	7,444	13,436
One to two years	17,526	2,962
	<u>70,057</u>	<u>66,032</u>
Retention monies receivable	2,547	1,776
	<u>72,604</u>	<u>67,808</u>

### Transfers of financial assets

At 31 December 2015, the Group presented or endorsed certain bills receivable accepted by banks in Mainland China (the “**Derecognised Bills**”) to certain suppliers and banks with an aggregate carrying amount of RMB7,280,000. The Derecognised Bills have a maturity from six to twelve months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the “**Continuing Involvement**”). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group’s Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group’s Continuing Involvement in the Derecognised Bills are not significant.

During the year ended 31 December 2015, the Group had not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively.

## 12. 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:

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Within one month	4,405	20,247
One to three months	21,428	7,831
Three months to one year	18,213	11,359
Over one year	11,566	6,199
	<u>55,612</u>	<u>45,636</u>

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

### 13. INTEREST-BEARING BANK BORROWING

	Effective interest rate (%)	2015 Maturity	RMB'000
Current			
Bank borrowing — secured	<u>5.89</u>	<u>February 2016</u>	<u>15,000</u>
			<b>2015</b> <b>RMB'000</b>
Analysed into:			
Bank borrowing payable within one year			<u>15,000</u>

*Notes:*

- (a) The Group's banking facilities amounted to RMB40,000,000 (2014: RMB40,000,000), of which RMB15,000,000 (2014: nil) of banking facilities had been utilised as at the end of the reporting period, are secured by:
- (i) mortgages over the Group's investment properties situated in Mainland China, which had an aggregate carrying value at the end of the reporting period of RMB20,425,000 (2014: RMB20,106,000);
  - (ii) mortgages over the Group's buildings, which had an aggregate carrying value at the end of the reporting period of approximately RMB3,213,000 (2014: RMB3,282,000); and
  - (iii) mortgages over the Group's prepaid lease payments, which had an aggregate carrying value at the end of the reporting period of approximately RMB158,000 (2014: RMB183,000).
- (b) The borrowing is denominated in RMB.
- (c) The borrowing has been repaid in the subsequent period of February 2016.

## 14. OPERATING LEASE ARRANGEMENTS

### (a) As lessor

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

At 31 December 2015, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	<b>2015</b> <i>RMB'000</i>	2014 <i>RMB'000</i>
Within one year	<b>1,993</b>	2,172
In the second to fifth years, inclusive	<b>7,229</b>	7,386
After five years	<b>5,654</b>	7,201
	<u><b>14,876</b></u>	<u>16,759</u>

### (b) As lessee

The Group leases certain of its office property in Vietnam under an operating lease arrangement. The lease for the property is negotiated for a term of two years.

At 31 December 2015, the Group had total future minimum lease payments under the non-cancellable operating lease falling due as follows:

	<b>2015</b> <i>RMB'000</i>	2014 <i>RMB'000</i>
Within one year	<b>97</b>	–
In the second to fifth years, inclusive	<b>97</b>	–
	<u><b>194</b></u>	<u>–</u>

## 15. COMMITMENTS

In addition to the operating lease commitments detailed in note 14(b) above, the Group had the following commitments at the end of the reporting period:

	<b>2015</b> <i>RMB'000</i>	2014 <i>RMB'000</i>
Contracted, but not provided for:		
Purchases of items of equipment for projects	<b>50,082</b>	11,354
Construction of a building	<b>–</b>	1,440
	<u><b>50,082</b></u>	<u>12,794</u>



## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

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

As a result of the increasing domestic and overseas requirement for environmental protection in recent years, the Group has kept pace with the trend of growth of development of the environmental industry by expanding its wastewater and drinking water treatment projects and soil remediation projects during the year under review.

For the year ended 31 December 2015, the revenue of the Group increased by approximately RMB44.8 million, or 36.6% to approximately RMB167.0 million from 2014. The increase in revenue was primarily attributable to larger scale contract of equipment sales of the Group in 2015. Profit for the year under review amounted to approximately RMB16.9 million, which represented a decrease of approximately RMB5.8 million or 25.5% as compared to 2014. Such decrease was mainly due to the non-recurring listing expenses of approximately RMB12.2 million recognized in administrative expenses in 2015, which represented an increase of approximately RMB10.8 million as compared to the listing expenses of RMB1.4 million recognized in 2014.

As at 31 December 2015, save for the O&M projects, the Company had the following uncompleted projects on hand: (i) three EPC Projects; (ii) three Equipment Projects; and (iii) two technical advisory projects, with the aggregate value of works to be completed amounting to approximately RMB94.7 million. The Directors expect that the above-mentioned uncompleted projects on hand will be fully completed before the end of 2016.

## OUTLOOK

2016 will be a year full of challenges and opportunities. The global economy remains uncertain, which leads to a slowdown in the average annual growth of the PRC's overall economy. However, in the "12th Five-Year" plan, the PRC government has proposed the blueprint in relation to the "green development and construction of a resource-saving and environmental-friendly community" putting its emphasis on environmental protection industries to an unprecedented level. According to the existing and newly amended laws, regulations, policies and interpretation such as the Environmental Protection Law of People's Republic of China, the Action Plan for Water Pollution Prevention and Control ("Ten Measures on Water"), the Law of the PRC on the Prevention and Control of Environmental Pollution caused by Solid Waste, the Law of the PRC on the Prevention and Control of Atmospheric Pollution and the Supreme People's Court and Supreme People's Procuratorate's Interpretation of Several Issues Related to Laws Applicable to Criminal Cases of Environmental Pollution ("Two Explanations"), the State is taking a great effort to promote the environmental protection industry, and takes the treatment of wastewater, gas, polluted soil, hazardous waste and solid waste as its first priority.

Meanwhile, the State is also putting continuous effort to the development of green economy in private sectors by boosting the market presence of professional comprehensive environmental protection enterprises. Policies such as the Implementation Opinions on Cooperation between Government and Social Capital on Water Pollution Prevention and Treatment and the Opinions on the Implementation of the Third-Party Control of Environmental Pollution have been promulgated to encourage the development of professional comprehensive environmental protection enterprises.

In line with the PRC government's implementation of the aforesaid relevant laws and regulations, the strategy about energy conservation and emissions reduction implementation, as well as the policy for accelerating the development of strategic emerging industries, the Groups is of the view that numerous environmental protection treatment projects carrying out all over China and the upgrade, reconstruction or relocation of highly polluting projects will further expand the scale of construction and service scope of the environmental protection treatment industry in the PRC. Nowadays, the construction market and operation market of environmental protection treatment in the PRC are under rapid development. Investments in wastewater treatment industry in the PRC offers bright prospects and investment value.

In such a market environment, as a professional environmental protection company, the Group had won certain projects in the area of wastewater treatment in the fourth quarter of 2015. Meanwhile, the Group is also gradually transforming into to a comprehensive environmental protection services provider.

In addition to the wastewater treatment, gas treatment and soil remediation business, the Group also began to expand to other businesses, such as hazardous waste disposal, solid waste disposal, as well as operation, management and maintenance of facilities, since the end of 2015, and successfully entered into two technical advisory services contracts regarding the hazardous waste treatment technical design at the end of 2015. The Group believes that among environmental protection areas, the diversified development with various business areas will be the direction and pattern for the Group's future development.

On the other hand, the Group intends to increase the investment in research and development in order to continuously improve the existing proprietary technologies of environmental protection treatment and further develop other environmental protection treatment technologies, with an aim to maintain the long term and sustainable competitive edges of the Group's core technologies in PRC's environmental protection treatment market.

Going forward, the Group believes that by leveraging on the continuous improvement of patented environmental technologies, good reputation and accumulated strengths, the Group would gain further recognition from existing customers and confidence on attracting more quality customers, which will help to achieve the target of consolidation and further development of existing customers as well as the exploration of new customers. It will be more conducive for the Group to become a highly qualified environmental protection service provider.

## **FINANCIAL REVIEW**

### **Operating revenue**

For the year ended 31 December 2015, the Group's operating revenue amounted to RMB166,985,000, representing an increase of approximately 36.6% or RMB44,763,000 over the corresponding period in 2014.

### ***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, procure necessary materials and appoint sub-contractors to build the facilities. The Group also engages in construction projects related to other environmental protection areas ( such as soil remediation project and flue gas treatment project, involving the provision of engineering and procurement services for the project owner).

#### ***— Revenue relating to EPC projects***

For the year ended 31 December 2015, the revenue from EPC projects relating to wastewater and drinking water treatment projects under construction and related business was approximately RMB5,840,000 (2014: approximately RMB25,624,000), representing a decrease of approximately 77.2% or RMB19,784,000 as compared to the corresponding period in 2014. The decrease in revenue was mainly due to the fact the Group had two significant wastewater treatment EPC projects of aggregate contract values of RMB49.3 million, each of which contributed revenue of approximately RMB10,000,000 in 2014, whilst the revenue relating to EPC projects in 2015 was mainly attributable to the remaining revenue recognised from the abovementioned projects upon their completion in 2015, and several less sizeable wastewater treatment EPC projects carried out in 2015.

— *Revenue relating to construction projects*

For the year ended 31 December 2015, the revenue from construction project segment, relating mainly to other environmental protection projects, was approximately RMB12,041,000 (2014: approximately RMB722,000), representing an increase of approximately 1,567.7% or RMB11,319,000 compared to the corresponding period in 2014. The increase in revenue was mainly due to the completion for a soil remediation project on a polluted land in Guangzhou, the PRC, which contributed revenue of approximately RMB10,000,000 in 2015. The construction was completed in 2015 and enabled the Group to accumulate soil remediation experiences and to expand into the soil remediation market.

***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 year ended 31 December 2015, the revenue from equipment projects segment amounted to approximately RMB144,275,000 (2014: approximately RMB87,332,000), representing an increase of approximately 65.2% or approximately RMB56,943,000 as compared to the corresponding period in 2014. The increase was mainly due to the revenue of approximately RMB139,713,000 contributed by six significant equipment projects in the year under review, while there were only four significant equipment projects in 2014, with revenue contribution amounted to approximately RMB64,734,000.

***Others***

The revenue under the other segment included those attributable to O&M projects and technical advisory services. As at 31 December 2015, the Group had one wastewater treatment O&M projects and four drinking water treatment O&M projects on hand.

For the year ended 31 December 2015, the income from maintenance services amounted to approximately RMB4,829,000 (2014: approximately RMB8,544,000), representing a decrease of approximately 43.5% or approximately RMB3,715,000 as compared to the corresponding period in 2014. The decrease was mainly due to the revenue of approximately RMB5,651,000 contributed by one larger scale technical advisory project in 2014 while the scale of technical advisory projects in 2015 was smaller.

## **Other income and revenue**

For the year ended 31 December 2015, other income and revenue amounted to approximately RMB3,012,000 (2014: approximately RMB2,449,000), representing an increase of approximately 23.0% or approximately RMB563,000 as compared to the corresponding period in 2014. The increase was mainly due to the increase foreign exchange gains of approximately RMB375,000 in relation to the revenue of a project in Vietnam (“Vietnam Project”) denominated in US dollar and other exchange gain of RMB167,000.

## **Cost of sales**

For the year ended 31 December 2015, the cost of sales of the Group amounted to approximately RMB122,855,000 (2014: approximately RMB86,495,000), representing an increase of approximately 42.0% or approximately RMB36,360,000 as compared to the corresponding period in 2014. The significant increase in cost of sales was generally in line with the increase in revenue, which was mainly due to the increase in material costs and cost of subcontracting.

The material costs significantly increased from RMB66,194,000 in 2014 to approximately RMB108,325,000 for the year ended 31 December 2015. The increase was due to the higher-aggregate contract value of equipment projects in 2015.

The cost of subcontracting decreased from approximately RMB17,824,000 in 2014 to approximately RMB11,129,000 for the year ended 31 December 2015, which was due to the decrease in the number of large EPC projects carried out in 2015.

## **Gross profit**

For the year ended 31 December 2015, the Group achieved gross profit of approximately RMB44,130,000 (2014: approximately RMB35,727,000), representing an increase of approximately 23.5% or approximately RMB8,403,000 as compared to the corresponding period in 2014. The increase in gross profit of the Group was mainly due to the higher gross profit margin in its construction projects in 2015 and the higher revenue generated from its equipment projects as compared to 2014.

## **Selling and distribution expenses**

For the year ended 31 December 2015, selling and distribution expenses of the Group amounted to approximately RMB1,755,000 (2014: approximately RMB989,000), representing an increase of approximately 77.5% or approximately RMB766,000 as compared to the corresponding period in 2014. The increase was mainly due to the increase of approximately RMB329,000 in salaries and employee benefit resulting from the increase in salaries of sales personnel, the increase in maintenance fees of approximately RMB252,000, and the increase in transportation expenses of the Vietnam Project of RMB163,000 during the year under review.

## **Administrative expenses**

For the year ended 31 December 2015, the administrative expenses of the Group amounted to approximately RMB24,312,000 (2014: approximately RMB10,316,000), representing an increase of approximately 135.7% or approximately RMB13,996,000 compared to the corresponding period under review. The increase in the administrative expenses was mainly attributed to: (i) the increase in salaries and employee benefit of approximately RMB1,998,000 resulting from the increase in salaries of staff in the PRC and the increase in number of employees of the subsidiary in Vietnam; (ii) non-recurring listing expenses recognized in 2015 of approximately RMB12,231,000, as compared to that of approximately RMB1,439,000 recognized in 2014; (iii) the increase in legal and professional fees of approximately RMB642,000; and (iv) the increase in travelling expenses of approximately RMB263,000.

## **Profit for the year**

For the year ended 31 December 2015, the profit for the year amounted to approximately RMB16,917,000 (2014: RMB22,712,000), representing a decrease of approximately RMB5,795,000 or 25.5% compared to the corresponding period in 2014. The decrease was mainly due to the non-recurring listing expenses recognized in administrative expenses for 2015 of approximately RMB12,231,000, representing an increase in listing expenses recognized in 2014 of approximately RMB10,792,000 from approximately RMB1,439,000.

## **DIVIDENDS**

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: nil), in order to cope with the future business development of the Group.

## **CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES**

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

As at 31 December 2015, the total equity attributable to the Company's shareholders was approximately RMB135,166,000 (2014: approximately RMB63,890,000). The Group continued to maintain a strong financial position with cash and bank balances amounted to approximately RMB111,792,000 (2014: approximately RMB17,532,000). The Group's net current asset was approximately RMB111,300,000 (2014: approximately RMB42,205,000). Based on the Group's steady cash inflow from operations, together with its existing cash and bank balances on hand and bank facilities available to the Group, the Group has adequate financial resources to fund the working capital required for its development plan in the coming year. There was no hedging for any financial instruments.

During the year ended 31 December 2015, the Group's cash and bank balances were mainly denominated in RMB, Hong Kong dollars and US dollars and placed in reputable financial institutions as deposits with maturity dates falling within one year. This is in line with the Group's treasury policy to maintain liquidity of its funds and will continue to contribute stable income to the Group.

As at 31 December 2015, the Group had general banking facilities amounted to RMB40,000,000. The total borrowing drawn down from our banking facilities as at 31 December 2015 amounted to RMB15,000,000 (2014: Nil). The banking facilities were pledged by the Group's buildings. For details of the pledged assets, please refer to the charges of the group's asset below.

## **GEARING RATIO**

As at 31 December 2015, the Group's gearing ratio (being the net debt of the Group divided by its total capital plus net debt) was -29% (2014: 36%). Net debt of the Group includes interest-bearing bank borrowing, trade payables and other payables and accruals, less cash and bank balances. Capital represents equity attributable to owners of the Company.

## **SIGNIFICANT INVESTMENTS HELD BY THE GROUP**

During the year ended 31 December 2015, there was no significant investment held by the Group.

## **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES**

The Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 December 2015.

## **COMMITMENTS**

The contractual operating commitments of the Group were primarily related to the purchases of items of equipment for projects. As at 31 December 2015, the Group's contractual operating commitments amounted to approximately RMB50,082,000 (2014: approximately RMB11,354,000).

As at 31 December 2015, there was no capital commitment for the Group (2014: approximately RMB1,440,000 for capital commitments for construction a building).

## **FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS**

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

## **EVENTS AFTER THE REPORTING PERIOD**

There are no significant events affecting the Group that have occurred after the reporting period.

## **CONTINGENT LIABILITIES**

As at 31 December 2015, the Group did not have material contingent liabilities.

## **CHARGES ON THE GROUP’S ASSETS**

At 31 December 2015 and 2014, the Group’s buildings, net carrying amount of RMB3,213,000 for 2015 and RMB3,282,000 for 2014, were pledged to secure general banking facilities granted to the Group.

At 31 December 2015 and 2014, the Group’s investment properties, carrying amount of RMB20,425,000 for 2015 and RMB20,106,000 for 2014, were pledged to secure general banking facilities granted to the Group.

At 31 December 2015 and 2014, the Group’s leasehold land, carrying amount of RMB158,000 for 2015 and RMB183,000 for 2014, were pledged to secure general banking facilities granted to the Group.

## **FOREIGN EXCHANGE EXPOSURE**

The Group’s main operations are in the PRC with most of its transactions settled in RMB. The Directors are of the opinion that the Group’s exposure to foreign exchange risk is insignificant. During the year ended 31 December 2015, the Group did not hedge any exposure to foreign exchange risk.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2015, the Group employed 70 employees (2014: 63 employees). Employee costs amounted to approximately RMB9.8 million for the year ended 31 December 2015 (2014: approximately RMB5.3 million). The Group will endeavor to ensure that the employees’ salary levels are in line with industry practice and prevailing market conditions and that employees’ remuneration is determined based on their performance.



## **TRAINING AND SUPPORT FOR DIRECTORS AND EMPLOYEES**

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

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

## **ANNUAL GENERAL MEETING**

The annual general meeting of the Company for the year ended 31 December 2015 (the “AGM”) will be held on Tuesday, 3 May 2016. A notice convening the meeting will be issued and sent to the shareholders of the Company in due course.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the period from the date of the Listing to 31 December 2015, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

## **CORPORATE GOVERNANCE PRACTICES**

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

The Company adopted the Corporate Governance Code (the “CG Code”) contained in Appendix 15 to the GEM Listing Rules as its own code of corporate governance. Save for the provision A.2.1 of the CG Code, that the roles of the chairman and chief executive of the Company should be separate and should not be performed by the same individual, the Board is satisfied that the Company had complied with the CG Code during the period from the date of the Listing to 31 December 2015.

## **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 from the date of the Listing to 31 December 2015.

## **REVIEW OF FINANCIAL STATEMENT**

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

The Audit Committee has reviewed the consolidated financial statements of the Group for the year ended 31 December 2015 and this announcement and is of the view that such results and the annual report complied with the applicable accounting standards, the GEM Listing Rules and other applicable legal requirements, and that adequate disclosure has been made. The Audit Committee has also reviewed the effectiveness of the internal control system of the Group.

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

Guangzhou, PRC, 21 March 2016

*As at the date of this announcement, 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.*

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

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