GREAT WATER

GREAT WATER HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8196

Annual Report 2015

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. XIE Yang *(Chairman & Chief Executive Officer)*
Mr. HE Xuan Xi

Non-executive Directors

Ms. GONG Lan Lan
Mr. SONG Xiao Xing

Independent Non-executive Directors

Ms. BAI Shuang
Mr. HA Cheng Yong
Mr. TSE Chi Wai

BOARD COMMITTEES

Audit Committee

Mr. TSE Chi Wai *(Chairman)*
Mr. HA Cheng Yong
Ms. BAI Shuang

Remuneration Committee

Mr. HA Cheng Yong *(Chairman)*
Ms. BAI Shuang
Mr. XIE Yang

Nomination Committee

Mr. XIE Yang *(Chairman)*
Ms. BAI Shuang
Mr. TSE Chi Wai

COMPLIANCE OFFICER

Mr. HE Xuan Xi

COMPANY SECRETARY

Mr. TSUI Kan Chun *(HKICS, HKICPA)*

AUTHORISED REPRESENTATIVES

Mr. XIE Yang
Mr. TSUI Kan Chun

PRINCIPAL BANKERS

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PRC

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PRINCIPAL SHARE REGISTER AND TRANSFER OFFICE

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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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(Certified Public Accountants)

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COMPANY WEBSITE

www.greatwater.com.cn

GEM STOCK CODE

8196

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of Directors (the "**Board**") of the Company, it is my pleasure to present the annual report of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2015.

A YEAR IN REVIEW

The shares of the Company were successfully listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong on 9 December 2015 (the "**Listing**") by way of placing (the "**Placing**"), which marked a step of the Group towards its next stage of growth. On behalf of the Board, I would like to thank the professional parties involved and our staff for the successful Listing. The Listing has enhanced the Group's profile and its future development potential in the domestic wastewater environmental industry and has provided the Group with additional avenues to raise capital for future expansion. The net proceeds raised has also strengthened the Group's operational capability.

As a result of the increasing domestic and overseas requirement for environmental protection measures 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. The increase in revenue was primarily attributable to larger scale equipment sales contract 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 recognised in administrative expenses in 2015, which represented an increase of approximately RMB10.8 million as compared to the listing expenses of RMB1.4 million recognised in 2014.

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 PRC government 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 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.

APPRECIATION

On behalf of the Board, I wish to take this opportunity to express my sincere gratitude to our shareholders, business partners, customers, suppliers and sub-contractors for their continued support to the Group. I would also like to express my heartfelt appreciation to the management and the staff for their diligence and valuable contribution throughout the year.

Xie Yang
Chairman

Guangzhou, the PRC,
21 March 2016

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 recognised in administrative expenses in 2015, which represented an increase of approximately RMB10.8 million as compared to the listing expenses of RMB1.4 million recognised 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

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 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. Furthermore, 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. 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.

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 recognised in 2015 of approximately RMB12,231,000, as compared to that of approximately RMB1,439,000 recognised 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 recognised in administrative expenses for 2015 of approximately RMB12,231,000, representing an increase in listing expenses recognised 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

CONTINGENT LIABILITIES

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

CHARGES ON THE GROUP'S ASSETS

Details of charges on the Group's assets are set out in note 27 to the consolidated financial statements.

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 summarising 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 organised internally by the Group or will involved course and forums organised by external parties.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the Prospectus with the Group's actual business progress for the period from the date of the Listing to 31 December 2015 is set out below:

Business strategies	Implementation plan	Sources of funding	Actual progress up to 31 December 2015
(i) Strengthen the Group's market position	Identify new office locations in central and north regions of the PRC	Listing proceeds of approximately HK$0.1 million	The Group is in process of identifying the locations of the offices and no expenses under this category has been incurred as the period was short from the date of Listing to the year end date of 31 December 2015. Such expenses are expected to be incurred in the first quarter of 2016.
(ii) Expand the Group's soil remediation project business	Participate the national and regional industry events to identify business opportunities and invite the Group's potential customers to visit the Group's completed projects	Listing proceeds of approximately HK$0.2 million	The Group is in process of exploring the potential customers in soil remediation business and no expenses under this category has been incurred as the period was short from the date of Listing to the year end 31 December 2015. Such expenses are expected to be incurred in the first half of 2016.
(iii) Enhance the Group's research and development capabilities	Identify equipment and machinery for the Group's research and development laboratory	Internal resources of the Group	The Group is in the process of identifying suitable equipment and machinery for our research and development laboratory.
(iv) Upgrade the Group's qualification in construction and design engineering	Initial planning	Internal resources of the Group	In the stage of initial planning.
(v) Fund the working capital for EPC projects	Fund the cashflow deficit for projects in the Group's pipeline, including a wastewater EPC project to be entered into with a brand new PRC textile manufacturer in Vietnam	Listing proceeds of approximately HK$12.0 million	The Group is in the process of implementing a new EPC project in Vietnam. No fund has been used as the contract was signed at the end of December 2015 and the Group is under stage of finalising the equipment price with suppliers. The fund is expected to be used in the first half of 2016.

USE OF PROCEEDS

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

The net proceeds from the Placing from the date of the Listing to 31 December 2015 were used as follows:

	Planned use of proceeds as shown in the Prospectus from the date of Listing to December 2015	**Actual use of proceeds from the date of the Listing to 31 December 2015**	**Unutilised amount as at 31 December 2015**
	HK$'000	*HK$'000*	*HK$'000* *(Note b)*
Strengthen the Group's market position	100	–	100
Expand the Group's soil remediation project business	200	–	200
Enhance the Group's research and development capabilities	N/A	N/A	N/A
Upgrade the Group's qualification in construction and design engineering	N/A	N/A	N/A
Fund the working capital for EPC projects	12,000	–	12,000
	12,300	–	12,300

Notes:

(a) The unused proceeds are deposited in a licensed bank in Hong Kong.

(b) Please refer to paragraph headed "Comparison of business objectives with actual business progress" for the update of the actual progress and the expected timing for net proceeds utilisation.

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2015.

BUSINESS REVIEW

The business performance of the Group for the year ended 31 December 2015 and the future development of the Group's business are set out in the paragraphs headed "Business review" and "Outlook" respectively under "Management discussion and analysis" and analysis section in the annual report.

CORPORATE REORGANISATION

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands on 15 March 2015.

Pursuant to a reorganisation ("**Reorganisation**") to rationalise the structure of the Group in preparation for the listing (the "**Listing**") of the Company's shares on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited ("**GEM**"), the Company became the holding company of its subsidiaries now comprising the Group on 10 July 2015.

Details of the Reorganisation are set out in note 2.1 to the consolidated financial statements.

The shares of the Company were listed on GEM on 9 December 2015 by the way of placing ("**Placing**").

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group is principally engaged in the environmental protection business. Details of the Group's subsidiaries as at 31 December 2015 are set out in note 1 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2015 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 39.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2015.

FINANCIAL SUMMARY

A summary of the published results, assets and liabilities of the Group for the last three financial years is set out on page 96. The summary does not form part of the audited consolidated financial statements.

RESERVES

Movements in the reserves of the Group and the Company during the year under review are set out in the consolidated statement of changes in equity on page 42 to 43 and on page 95, respectively.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year under review in the property, plant and equipment of the Group are set out in note 13 to the consolidated financial statements.

The Group's industrial building is situated in Guangzhou, the PRC, and is used for office purposes or is leased to independent third parties for rental purposes. The portion used for office purpose by the Group is stated at cost less accumulated depreciation as the buildings in property, plant and equipment. The remaining portion is stated in fair value as investment properties subsequent to initial recognition. Roma Appraisals Limited, has valued the property interests of the Group at RMB32.0 million (including portions of the buildings and investment properties) as at 31 December 2015. Details of the investment properties are set out in note 14 to the consolidated financial statements.

As at 31 December 2015 , the valuation amounts of the property of the Group were RMB32.0 million, in which the valuation amounts of the Group's building for own use were RMB11.6 million. The Group's buildings for own use are currently booked at cost. If such assets were recorded based on the valuation amounts as at 31 December 2015, the difference of accumulated depreciations between the two types of calculation was approximately RMB0.2 million for the period from 1 January 2015 to 31 December 2015.

SHARE CAPITAL

Details of the movements during the year under review in the share capital of the Company are set out in note 25 to the consolidated financial statements.

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.

DISTRIBUTABLE RESERVES OF THE COMPANY

Pursuant to the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, share premium and retained profits of the Company are distributable to the shareholders. As at 31 December 2015, the Company's reserves available for distribution to the shareholders of the Company amounted to approximately RMB106.4 million.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 2015, our largest customer accounted for approximately 28.9% (2014: 16.1%) of our total revenue. For the year ended 31 December 2015, the percentage of revenue derived from our five largest customers in aggregate was approximately 79.7% (2014: 67.4%).

For the year ended 31 December 2015, our largest supplier accounted for approximately 5.9% (2014: 11.9%) of our total cost of sales. For the year ended 31 December 2015, our five largest suppliers in aggregate accounted for approximately 25.0% (2014: 31.5%) of our total cost of sales.

None of the Directors, their respective close associates or any shareholders of the Company which to the Directors' knowledge own more than 5% of the Company's issued share capital have an interest in any of the Group's five largest customers and suppliers during the year ended 31 December 2015.

KEY RISKS AND UNCERTAINTIES

The Group's financial condition, results of operations, and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to the Group's businesses. The following are the key risks and uncertainties identified by the Group.

Government Policies Risk

The Company is in an industry where regulatory standards play a critical role in influencing the demand for the services. The Company has benefited in the past from the increasing awareness of environmental protection, the heightened wastewater treatment standards in the PRC and the recent PRC economic stimulus plan to increase government spending on infrastructure, including wastewater treatment facilities. For example, the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) which was amended in 2014 requires entities which cause environmental pollution and other public hazards to adopt effective measures to prevent and control the pollution and harm done to the environment, details of which are set out in the section headed "Laws and Regulations — Laws and Regulations on Project Operation — Environmental Protection" in the Prospectus. Further, according to the Action Plan for Water Pollution Prevention and Control (《水污染防治行動計劃》, or《水十條》) promulgated and implemented in 2015, factories in a number of targeted industrial areas are required to complete the construction of centralised wastewater treatment facilities before end of year 2017, details of which are set out in the section headed "Industry Overview — Overview of the Wastewater Treatment Industry in the PRC — Wastewater Treatment Engineering Services Industry in the PRC" in the Prospectus. However, there can be no assurance that the Company will continue to benefit from these PRC standards, economic stimulus plan, regulations and government policies in the future if there is any change, suspension or withdrawal of such regulations and government policies in the future. Moreover, the PRC government's intentions or announcements should not be regarded as an indication of the future prospects of the industry or the future performance of the Company. Any changes in legislative, regulatory or industrial requirements and government policies in places where operates in and outside the PRC may render certain of its wastewater treatment engineering services redundant or obsolete. Acceptance of new wastewater treatment engineering services may also be affected by the adoption of new government regulations requiring stricter standards. The ability to anticipate changes in regulatory standards and government policies and to develop and introduce water and wastewater treatment processes to keep up with such new regulatory standards and government policies will be significant factors in the Company's ability to grow and to remain competitive.

If the treatment facilities constructed under the EPC projects or the equipments procured by the Company fail to comply with these standards, laws and regulations, the customers may be exposed to penalties or fines from the regulatory authorities and the Company may be subject to claims, litigation and legal proceedings for breach of customers' requirements and their technical specifications. Such events could materially and adversely affect the business, financial condition and results of operations of the Company.

Furthermore, there can be no assurance that the regulatory requirements for operating in the wastewater treatment engineering industry (including without limitation technological requirements, capital base and qualifications) will not be changed in the future. If there is any such change to the regulatory requirements, the Group may incur additional costs in complying with the new requirements which may adversely affect the business, results of operation and financial condition.

Intense Competition Risk

Competition in the market for wastewater treatment engineering services is intense. The Company expects to face more intense competition from existing competitors and new market entrants in the future. The Company competes with a variety of companies, some of which may have longer operating histories, more established reputations for the type of project, better technical expertise, better customer service, better pricing, stronger relationships with municipal governments and industrial companies, greater familiarity with local market conditions, larger clientele, larger teams of professional staff and greater financial, technical, marketing and other resources and may be in a better position to develop and expand their range of services and market share. The competitors of the Company may, from time to time, engage in aggressive pricing to gain market share and the Company may be under pressure to offer comparable pricing to maintain its competitiveness. In addition, companies which currently do not compete directly with the Company may expand their business to offer competing wastewater treatment engineering services and the Company cannot give any assurance that they will not compete with it in the future. There is no assurance that the Company will be able to effectively compete with its competitors in winning such projects in the future. If the Company fails to compete successfully against existing or future competitors, the business, financial condition and operating results will be materially and adversely affected.

Change in Preferential Tax Treatment Risk

Under the PRC Enterprise Income Tax (the "**EIT**") Law, enterprises in the PRC are generally subject to a uniform 25% enterprise income tax rate on their worldwide income. Guangzhou Great Water Environmental Protection Company Limited, being our operating subsidiary in the PRC, was subject to 15% enterprise income tax rate during the year ended 31 December 2015 as a result of its accreditation as a High and New Technology Enterprise by the Guangdong Provincial Science and Technology Department and relevant authorities in the PRC. Our current High and New Technology Enterprises certificate was being renewal in October 2015 and is effective for a period of three years.

There is no assurance that the current policies in the PRC with respect to the preferential tax treatment the Company currently enjoys will not be unfavourably changed or discontinued, or that the approval for such preferential tax treatment will be granted to the Company in a timely manner. In the event that the termination or expiration of the preferential tax treatment, or the imposition of additional taxes to the Company, its business, financial conditions and results of operations could be adversely affected.

Manpower and Retention Risk

The Company may face the risk of not being able to attract and retain key personnel and talents with appropriate and required skills, experience and competence which would meet the business objectives of the Company. The Company will provide attractive remuneration package to suitable candidates and personnel.

ENVIRONMENTAL POLICY

The commitment of the Company to protect the environment is well reflected by its continuous efforts in promoting green measures and awareness in its daily business operations. The Company encourages environmental protection and promote awareness towards environmental protection to the employees. The Company adheres to the principle of recycling and reducing. It implements green office practices such as double-sided printing and copying, promoting using recycled paper and reducing energy consumption by switching off idle lightings and electrical appliance. The Company also uses office equipment carrying energy label which save energy in the offices. Also, this annual report is uses eco-friendly paper.

The Company will review its environmental practices from time to time and will consider implementing further eco-friendly measures and practices in the operation of the Company's businesses to move towards the 3Rs — Reduce, Recycle and Reuse and enhance environmental sustainability.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group's operations are mainly carried out by the Company's subsidiaries in the PRC while the Company itself is listed on the GEM. Our establishment and operations accordingly shall comply with relevant laws and regulations in the PRC and Hong Kong. During the year ended 31 December 2015 and up to the date of this report, the Company has complied with all the relevant laws and regulations in the PRC and Hong Kong.

KEY RELATIONSHIPS

Employees

The Company recognises that employees are a valuable assets. Thus the Group provides competitive remuneration package to attract and motivate the employees. The Group regularly reviews the remuneration package of employees and makes necessary adjustments to conform to the market standard.

Suppliers and sub-contractors

The Company has developed long-standing relationships with a number of suppliers and sub-contractors and the Company take great care to ensure that they share its commitment to quality and ethics. The Company carefully selects its suppliers and sub-contractors and requires them to satisfy certain assessment criteria including track record, experience, financial strength, reputation, ability to produce high-quality products and constructions for the projects of the Company. The Company also require them to comply with its anti-bribery policy.

Customers

The Company is committed to be a highly qualified environment service provider to its customers. The Company also stay connected with our customers. The Company maintain its customers database and has ongoing communications with its current and potential customers through various channels like having face to face meetings and inviting customers to perform site visit for our work-in-progress and finished projects.

DIRECTORS

The Directors during the year under review and up to the date of this report were as follows:

Executive Directors

Mr. Xie Yang *(Chairman & Chief Executive Officer)*	(appointed on 25 March 2015)
Mr. He Yuan Xi	(appointed on 27 May 2015)

Non-executive Directors

Ms. Gong Lan Lan	(appointed on 25 March 2015)
Mr. Song Xiao Xing	(appointed on 25 March 2015)

Independent Non-executive Directors

Ms. Bai Shuang	(appointed on 24 November 2015)
Mr. Ha Cheng Yong	(appointed on 24 November 2015)
Mr. Tse Chi Wai	(appointed on 24 November 2015)

Pursuant to the Company's Articles of Association, all the Directors will retire and, being eligible, offer themselves for re-election at the forthcoming AGM.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years commencing from the date of the Listing and continuing thereafter until terminated by either party by giving not less than three months' notice in writing to the other.

Each of the non-executive Directors and the independent non-executive Directors has entered into a service agreement with the Company for a term of three years commencing from the date of the Listing, provided that either the Company or the non-executive Directors and the independent non-executive Directors may terminate such appointment at any time by giving at least three months' notice in writing to the other.

Save as aforesaid, none of the Directors proposed for re-election at the forthcoming AGM of the Company has a service contract with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN CONTRACTS

There was no contract of significance to the business of the Group to which the Company, its holding companies, its subsidiaries, or its controlling shareholders or any of its subsidiaries was a party subsisted at the end of the year under review or at any time during the period from the date of the Listing to 31 December 2015, and no Director or an entity connected with the Director is or was materially interested either directly or indirectly in any such contract.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 5.09 under the GEM Listing Rules. The Company considers all of the independent non-executive Directors are independent.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the period from the date of the Listing to 31 December 2015.

EMOLUMENT POLICY

The Company has established a remuneration committee (the "**Remuneration Committee**") in compliance with the GEM Listing Rules. The primary duties of the Remuneration Committee are to review and make recommendations to the Board on the remuneration policy and other remuneration related matters, including benefits-in-kind and other compensation payable to the Directors and senior management of the Company.

Under the remuneration policy of the Company, the Remuneration Committee will consider factors such as corporate and individual performance, salaries paid by comparable companies, time commitment, responsibilities and employment conditions elsewhere in the Group in assessing the amount of remuneration payable to the Directors and senior management.

NON-COMPETITION UNDERTAKINGS

Each of Mr. Xie Yang, Mr. Song Xiao Xing, Ms. Gong Lan Lan, Perfect Wave Holdings Limited, Oceanic Expert Investments Limited, The Thinker Global Limited, Waterman Global Limited, Topman Ventures Limited and Great Time Limited (collectively, the "**Covenanters**") has entered into a Deed of Non-Competition on 24 November 2015 in favour of the Company, pursuant to which the Covenanters have undertaken, jointly and severally, to the Company that they would not, and that their close associates (except any member of the Group) would not, during the restricted period set out below directly or indirectly, either on their own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, partner, agent or otherwise) any business which is or may be in competition with the existing core business of the Group (the "**Restricted Business**"). The "restricted period" stated in the Deed of Non-Competition refers to the period during which (i) the Shares remain listed on the Stock Exchange; (ii) the Covenanters and their close associates, individually or jointly, are entitled to exercise or control the exercise of not less than 30% of the voting power at general meetings of the Company; and/or (iii) the Covenanters remain as a director of any member of the Group. Details of the Non-competition Deed are set out in the paragraph headed "Non-Competition Undertaking" in the section headed "Relationship with Controlling Shareholders" of the prospectus of the Company dated 30 November 2015.

COMPETING INTERESTS

The Directors are not aware of any business or interest of the Directors nor the controlling shareholders of the Company nor any of their respective close associates (as defined under the GEM Listing Rules) that competes or may compete, either directly or indirectly, with the business of the Group, or of any other conflicts of interest which any such person has or may have with the Group during the period from the date of the Listing to 31 December 2015.

DISCLOSURE OF INTERESTS

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 December 2015, the interests and short positions of the Directors and chief executive of the Company in the shares (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 were as follows:

Long positions in the ordinary shares of the Company

	Number of ordinary shares				
Name of director	**Personal interest**	**Family interest**	**Interest of controlled corporation**	**Number of Ordinary Shares** *(Note 1)*	**Approximate percentage of the total number of Shares in issue**
Mr. Xie Yang *(Note 2)*	–	–	91,350,000	91,350,000 (L)	30.45%
Ms. Gong Lan Lan *(Note 3)*	–	–	67,117,500	67,117,500 (L)	22.37%
Mr. Song Xiao Xing *(Note 4)*	–	–	44,032,500	44,032,500 (L)	14.68%

Notes:

1. The letter "L" denotes a long position.

2. These Shares are owned by Oceanic Expert Investments Limited which is wholly owned by Perfect Wave Holdings Limited, the 100% interests of which is in turn beneficially owned by Mr. Xie Yang. Accordingly, Mr. Xie Yang is taken or deemed to be interested in the 91,350,000 Shares held by Oceanic Expert Investments Limited by virtue of the SFO.

3. These Shares are owned by Waterman Global Limited which is wholly owned by The Thinker Global Limited, the 100% interests of which is in turn beneficially owned by Ms. Gong Lan Lan. Accordingly, Ms. Gong Lan Lan is taken or deemed to be interested in the 67,117,500 Shares held by Waterman Global Limited by virtue of the SFO.

4. These Shares are owned by Great Time Ventures Limited which is wholly owned by Topman Ventures Limited, the 100% interests of which is in turn beneficially owned by Mr. Song Xiao Xing. Accordingly, Mr. Song Xiao Xing is taken or deemed to be interested in the 44,032,500 Shares held by Great Time Ventures Limited by virtue of the SFO.

Save as disclosed above, as at 31 December 2015, 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.

The interests of substantial shareholders and the interests and short position of other persons in the shares and underlying shares

As at 31 December 2015, 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 under Divisions 2 and 3 of Part XV of the SFO or which are required to be recorded in the register of the Company required to be kept under section 336 of the SFO are as follows:

Long positions in the Shares

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

Notes:

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.

Save as disclosed above, as at 31 December 2015, 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.

INTERESTS OF COMPLIANCE ADVISER

As at 31 December 2015, 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.

AUDIT COMMITTEE

The Company had established its audit committee (the "**Audit Committee**") on 24 November 2015 with written terms of reference in compliance with the GEM Listing Rules. Details of the role and work performed by the committee are set out in the Corporate Governance Report.

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

PENSION SCHEMES

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. The employees of the Group's subsidiary in the PRC are required to participate in a central pension scheme operated by the local municipal government. Particulars of these pension schemes are set out in note 2.5 to the consolidated statements. Both MPF and central pension scheme in the PRC are funded by the Company and employees in accordance with the relevant laws and regulations in Hong Kong and the PRC.

RELATED PARTY TRANSACTIONS

There was no loans and dealings in favor to any Directors of the Company during the year 2015. Details of related party transactions of the Group during the year ended 31 December 2015 are set out in note 31 to the consolidated financial statements. None of the relevant party transaction constituted connected transaction as defined under Chapter 20 of the GEM Listing Rules. There was no connected transactions of the Group during the year ended 31 December 2015.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Directors confirm that the Company maintained the amount of public float as required under the GEM Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

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

AUDITOR

Ernst & Young was appointed by the Board as the auditor of the Company and there has been no change in auditor since the date of the Listing.

Ernst & Young will retire, and being eligible, offer themselves for re-appointment at the forthcoming AGM. A resolution for their re-appointment as auditor of the Company will be proposed at the forthcoming AGM. The consolidated financial statements for the year ended 31 December 2015 have been audited by Ernst & Young.

By Order of the Board
Xie Yang
Chairman

21 March 2016

CORPORATE GOVERNANCE REPORT

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.

BOARD OF DIRECTORS

Board Composition

As at 31 December 2015, the Board comprised of two executive Directors, two non-executive Directors and three independent non-executive Directors. The composition of the Board is as follows:

Executive Directors
Mr. Xie Yang *(Chairman & Chief Executive Officer)*
Mr. He Xuan Xi

Non-executive Directors
Ms. Gong Lan Lan
Mr. Song Xiao Xing

Independent Non-executive Directors
Ms. Bai Shuang
Mr. Ha Cheng Yong
Mr. Tse Chi Wai

Functions, Roles and Responsibilities of the Board

The Board is responsible for leadership and control of the Group and is collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board focuses on formulating the Group's overall strategies, authorising the development plan and budget; monitoring financial and operating performance; reviewing the effectiveness of the internal control system; supervising and managing management's performance of the Group; and setting the Group's values and standards. The Board delegates the day-to-day management, administration and operation of the Group to the chief executive officer and senior management. The delegated functions are reviewed by the Board periodically to ensure that they accommodate the needs of the Group. The abovementioned personnel should report back and obtain prior approval from the Board before making any significant decisions or entering into any significant commitments on the Company's behalf, and they may not exceed any authority given to them by resolutions of the Board or the Company.

The non-executive Directors do not involve general management and day-to-day operation of the Group. However, they will provide advice on strategic direction for the Group in the Board meetings.

The independent non-executive Directors bring a wide range of business and financial expertise, experience and independent judgement to the Board, on issues of strategic direction, policies, development, performance and risk management. Through active participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, they scrutinise the Company's performance in achieving corporate goals and objectives and monitor performance reporting. By doing so, they are able to contribute positively to the Company's strategy and policies through independent, constructive and informed comments at Board and committee meetings.

Each Director has confirmed that he/she can give sufficient time and attention to the Company's affairs, and has regularly provided information on the number and nature of offices held in public companies or organisations and other significant commitments, including the identity of such companies or organisations and an indication of the time involved.

The Company has arranged appropriate insurance cover for Directors' liabilities in respect of legal actions against them for corporate activities.

Board/Board Committee Meetings

The Board is scheduled to meet in person or through other electronic means of communication at least four times a year to, among other matters, review past financial and operating performance and discuss the Group's direction and strategy. An agenda and accompanying papers together with all appropriate information will be sent to all Directors at least three days before each Board or committee meeting so as to ensure timely access to relevant information. Appropriate notice of at least 14 days for regular Board meetings and reasonable notice for other Board committee meetings will be given to all Directors, who will all be given an opportunity to attend and include matters in the agenda for discussion. Senior management will be invited to join all Board meetings to enhance communication between the Board and management; the Board and each Director will also have separate and independent access to senior management whenever necessary. The company secretary will take detailed minutes of the meetings and keep records of matters discussed and decisions resolved at the meetings, including any concerns raised or dissenting views expressed by Directors, and the voting results of Board meetings fairly reflect Board consensus. Both draft and final versions of the minutes will be sent to all Directors for their comments and records respectively, within a reasonable time after each meeting, and such minutes will be open for inspection with reasonable advance notice by any Director. Directors are entitled to have access to board papers and related materials, and any queries will be responded to fully. The Company was listed on 9 December 2015. These was no board meeting held from the date of the Listing to 31 December 2015. The forthcoming annual general meeting to be held on 3 May 2016 will be the first general meeting of the Company since the date of the Listing.

Upon reasonable request to the Board, the Directors can seek independent professional advice in performing their duties at the Company's expense, if necessary. According to the current Board's practice, should a potential conflict of interest involving a substantial shareholder or Director of the Company arise, the matter is discussed in a Board meeting, as opposed to being dealt with by written resolution. Independent Non-executive Directors with no conflict of interest should be present at such meetings. When the Board considers any proposal or transaction in which a Director has a conflict of interest, the Director declares his interest and abstains from voting.

CORPORATE GOVERNANCE FUNCTIONS

No corporate governance committee of the Company has been established. In compliance with code provision D.3 of the CG Code, the Board as a whole is responsible for performing the corporate governance duties including: (a) to develop and review the Company's policies and practices on corporate governance; (b) to review and monitor the training and continuous professional development of Directors and senior management; (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and (e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

CHAIRMAN AND CHIEF EXECUTIVE

Mr. Xie Yang is the chairman of the Board who is primarily responsible for providing leadership to the Board, overseeing the overall operation of the Group and leading and directing the Group's overall business and development strategies. Mr. Xie will also chair the Board and nomination committee (the "**Nomination Committee**") meetings and brief the Board members and Nomination Committee members on the issues arising at the respective meetings to ensure that the Directors receive adequate information in a timely manner which is accurate, clear, complete and reliable. He encourages all Directors to make full and active contribution to the Board's affairs and takes the lead to ensure that the Board acts in the Company's best interest. He aims to ensure constructive relations between executive and non-executive Directors. Mr. Xie is also the chief executive officer of the Company who is primarily responsible for day-to-day management and operation overseeing risk management; corporate communication and marketing; product development; information technology and accounting matters of the Group. In accordance with provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual and their respective responsibilities should be clearly defined in writing. With extensive experience in the wastewater and water treatment engineering services industry, Mr. Xie is responsible for the Group's overall strategic planning and management of its business. The Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the business prospects and management of the Group and the balance of power and authority is ensured by the operation of the senior management and the Board, which comprises experienced individuals. The Board comprised of two executive Directors (including Mr. Xie), two non-executive Directors and three independent non-executive Directors during the year under review 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 act as the role of chief executive officer of the Company in order to comply with the CG Code.

Code provision A.2.7 of the CG Code requires the chairman of the Board to hold meetings at least annually with the non-executive Directors (including independent non-executive Directors) without the executive Directors present. During the period from the date of the Listing to 31 December 2015, no meeting between the chairman of the Board and the non-executive Directors was held.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years commencing from the date of the Listing and continuing thereafter until terminated by either party by giving not less than three months' notice in writing to the other.

Each of the non-executive directors and the independent non-executive Directors has entered into a service agreement with the Company for a term of three years commencing from the date of the Listing, provided that either the Company or the non-executive directors and the independent non-executive Directors may terminate such appointment at any time by giving at least three months' notice in writing to the other.

By virtue of article 16.2 of the articles of association of the Company, the Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. In compliance with the code provision A.4.2 of the CG Code, any Director so appointed shall hold office only until the next general meeting of the Company and shall then be eligible for re-election at that meeting. The Board has delegated the power to the Nomination Committee to make recommendations to the Board on the appointment and re-appointment of Directors. The responsibilities of the Nomination Committee are set out in the subheading "Nomination Committee" below. Directors to be appointed will have a formal letter of appointment setting out the key terms and conditions of their appointment.

In compliance with the code provision A.4.2 of the CG Code, every Director shall be subject to retirement by rotation at least once every three years. Furthermore, pursuant to article 16.18 of the articles of association of the Company, at every annual general meeting of the Company ("**AGM**") one-third of the Directors for the time being shall retire from office by rotation. A retiring Director shall retain office until the close of the meeting at which he/she retires and shall be eligible for re-election thereat.

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

According to the code provision A.6.5 of the CG Code, all Directors shall participate in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant. The Company would arrange and/or introduce suitable training and information for the Directors to ensure they are fully aware of their responsibilities under statute and common law, the GEM Listing Rules and other applicable legal and regulatory requirements. During the year ended 31 December 2015, the Company had arranged seminars on the GEM Listing Rules, the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "**Companies Ordinance**") and the SFO for the Directors. All Directors attended at least one of the seminars.

All Directors, namely Mr. Xie Yang, Mr. He Yuan Xi, Ms. Gong Lan Lan, Mr. Song Xiao Xing, Ms. Bai Shuang, Mr. Han Cheng Yong and Mr. Tse Chi Wai, have confirmed that they had participated in continuous professional development by attending seminars and reading materials during the year ended 31 December 2015, and have provided a record of their training to the Company, in compliance with the code provision A.6.5 of the CG Code.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee, to oversee particular aspects of the Company's affairs. All Board committees are established with written terms of reference, which have complied with the CG Code and are available on the Stock Exchange website at www.hkexnews.hk and the Company's website at www.greatwater.com.cn and are available to shareholders upon request. The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense. The Board committees will report back to the Board on their decisions or recommendations.

AUDIT COMMITTEE

The Company had established the Audit Committee on 24 November 2015 with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Company, make recommendations to the Board on the appointment, reappointment and removal of the external auditor, and review the Company's financial information.

During the year under review, the 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 Company was listed on 9 December 2015. During the period from the date of the Listing to 31 December 2015, no meeting was being held for Audit Committee.

Subsequent to 31 December 2015 and up to the date of this report, one meeting of the Audit Committee was held to review and discuss the audited consolidated financial statements of the Group and, the annual results announcement for the year ended 31 December 2015 and this report with the external auditor. The Audit Committee is of the view that such results complied with the applicable accounting standards, the GEM Listing Rules and other applicable legal requirements, and that adequate disclosure had been made. The Audit Committee has also reviewed the effectiveness of the risk management and internal control system of the Group, as detailed in the section headed "Internal Control and Risk Management" below. All members of the Audit Committee attended the meeting.

REMUNERATION COMMITTEE

The Company had established the Remuneration Committee on 24 November 2015 with written terms of reference in compliance with the GEM Listing Rules.

The primary duties of the Remuneration Committee are to review and make recommendations to the Board on the remuneration policy and other remuneration related matters, including benefits-in-kind and other compensation payable to the Directors and senior management.

During the year under review, the Remuneration Committee comprised of one executive Directors and two independent non-executive Directors, namely, Mr. Xie Yang, Ms. Bai Shuang and Mr. Ha Cheng Yong. Mr. Ha Cheng Yong is the chairman of the Remuneration Committee.

The Company was listed on 9 December 2015. During the period from the date of the Listing to 31 December 2015, no meeting of the Remuneration Committee was held. Subsequent to 31 March 2015 and up to the date of this report, one meeting of the Remuneration Committee was held to make recommendations to the Board on the Company's policy and structure for remuneration of the Directors and the senior management and on the establishment of a procedure for developing policy on such remuneration; to determine the remuneration packages of all the executive Directors and the senior management; to assess the performance of the executive Directors and to approve terms of the service contracts; and to make recommendations to the Board on the remuneration of the independent non-executive Directors. All members of the Remuneration Committee attended the meeting.

NOMINATION COMMITTEE

The Company had established the Nomination Committee on 24 November 2015 with written terms of reference in compliance with the GEM Listing Rules. The primary duty of the Nomination Committee is to make recommendations to the Board regarding the structure, size and composition of the Board and candidates to fill vacancies on the Board.

During the year under review, the Nomination Committee comprised of one executive Director and two independent non-executive Directors, namely, Mr. Xie Yang, Ms. Bai Shung and Mr. Tse Chi Wai. Mr. Xie Yang is the chairman of the Nomination Committee.

The Company was listed on 9 December 2015. During the period from the date of the Listing to 31 December 2015, no meeting of the Nomination Committee was held. Subsequent to 31 December 2015 and up to the date of this report, one meeting of the Nomination Committee was held to review the structure and composition of the Board, to determine the policy for nomination of Directors, and to review and make recommendations to the Board on adoption of the Board diversity policy. All members of the Nomination Committee attended the meeting.

The Board adopted the view of Board diversity approach to achieve diversity on the Board. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. The Board has in its composition a balance of skills, expertise, qualifications, experience and diversity of perspectives necessary for independent decision making and fulfilling its business needs. The Board will consider a number of aspects when selecting candidates, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. All Board appointments will ultimately be based on merit and the contribution that the selected candidates will bring to the Board, having due regard for the benefits of diversity on the Board.

SAFETY COMMITTEE

The Group has established safety committee in March 2013 and currently chaired by Mr. Xie Yang is the chairman of the safety committee and co-managed by Mr. Xiang Zhi Yi (the head of procurement department) and Ms. Chen Shao Juan (the head of human resources and administration department). A safety committee meeting is held on a quarterly basis for the purpose of setting strategic guidelines for our safety department to (i) manage occupational health and safety measures relating to our operation; and (ii) monitor the implementation of safety management for the Group. We also designate one safety supervisor to monitor on-site safety management and report on any noncompliance to the project manager who will report to our safety committee.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board is responsible for overseeing the preparation of financial statements on a going concern basis, with supporting assumptions or qualifications as necessary, for each financial period with a view to ensuring that such financial statements give a true and fair view of the state of affairs of the Group and of the results and cash flow for the financial year.

Management of the Company has provided such explanation and information to the Board to enable the Board to make an informed assessment of the financial and other information put before the Board for approval. This includes monthly management updates to the Board, with a balanced, understandable and sufficiently detailed assessment of the Company's performance, position and prospects, enabling the Board and each Director to discharge their duties under the GEM Listing Rules.

The Group accounts are prepared in accordance with the GEM Listing Rules, the Companies Ordinance, all relevant statutory requirements and applicable accounting standards. The Group has selected appropriate accounting policies and has applied them consistently based on prudent and reasonable judgements and estimates. The Directors endeavor to ensure a balanced, clear and understandable assessment of the Group's position and prospects in the annual reports, interim reports, price-sensitive announcements and other disclosures required under the GEM Listing Rules and other regulatory requirements.

The Directors acknowledge their responsibility for the preparation of consolidated financial statements of the Group that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA and the disclosure requirements of the GEM Listing Rules and the Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The responsibility of the Company's auditor, Ernst & Young, is set out in the section headed "Independent Auditor's Report" on page 38 of this annual report.

Internal Control and Risk Management

The Board is responsible for maintaining a sound and effective internal control system to safeguard the Company's assets and shareholders' interests. The day to day risk management process of the Group is coordinated and facilitated by the compliance officer, Mr. He Xuan Xi, and is overseen by the chief executive officer, Mr. Xie Yang. The Group has an Audit Committee to assist the Board by providing independent view of the effectiveness of the financial reporting process and internal control and risk management systems, and overseeing the audit process.

The Board convened meetings periodically to discuss business risk, financial risk, compliance risks and operation and other risks. The Board, through the Audit Committee, has conducted a review of the effectiveness of the internal control system of the Group, covering all material controls such as financial, operational and compliance controls and risk management functions, and considered that the internal control system and procedures of the Group, including the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting function, and their training programs and budget, are adequate and effective and have complied with the provisions of the CG Code during the year.

SENIOR MANAGEMENT'S REMUNERATION

The remuneration payment of the senior management of the Group (excluding the Director) in the year ended 31 December 2015 falls within the following band:

	Number of senior management
RMB200,000 to RMB607,000	
The remuneration includes salaries and pension scheme contributions	4

AUDITOR'S REMUNERATION

The Audit Committee is responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal.

Ernst & Young was appointed by the Board as the auditor of the Company. The remuneration paid or payable to Ernst & Young for services rendered for the year ended 31 December 2015 were as follows:

	RMB'000
Audit services	2,837
Non-audit services (advisory services)	257
Total	3,094

COMPANY SECRETARY

Mr. Tsui Kan Chun ("**Mr. Tsui**"), an employee of the Company, was appointed by the Board as the company secretary of the Company ("**Company Secretary**") on 27 May 2015. The biographical details of Mr. Tsui are set out under the section headed "Biographical Details of Directors and Senior Management".

The primary duties of the Company Secretary include, but are not limited to, the following: (a) to ensure the Board procedures are followed and that the activities of the Board are carried out efficiently and effectively; (b) to assist the chairman to prepare agendas and Board papers for meetings and disseminate such documents to the Directors and Board committees in a timely manner; (c) to timely disseminate announcements and information relating to the Group; and (d) to maintain formal minutes of the Board meetings and other Board committee meetings.

Mr. Tsui has confirmed that he had received no less than 15 hours of relevant professional training for the year ended 31 December 2015, in compliance with Rule 5.15 of the GEM Listing Rules.

COMPLIANCE OFFICER

Mr. He Xuan Xi ("**Mr. He**") was appointed as the compliance officer of the Company. Mr. He's biography is set out in the section headed "Biographical Details of Directors and Senior Management".

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. An AGM of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting ("**EGM**").

To ensure compliance with the CG Code, the notice of the AGM, the annual report and the circular containing information on the proposed resolutions will be sent to shareholders at least 20 clear business days before the AGM. Voting at the forthcoming AGM will be by way of a poll. An explanation of the detailed procedures of conducting a poll will be provided to shareholders at the commencement of the AGM to ensure that shareholders are familiar with such procedures.

Poll results will be counted by the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, and will be posted on the websites of the Company and of the Stock Exchange on the day the shareholders' meeting is held. The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. The chairman of the Board as well as the chairmen of the Remuneration Committee, Nomination Committee and Audit Committee, or in their absence, other members of the respective committees, are available to answer questions at the shareholders' meetings. The Company will also arrange for the external auditor of the Company to attend the AGM to answer relevant questions if necessary.

Separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual Directors.

SHAREHOLDERS COMMUNICATION POLICY

The Company has established a Shareholders Communication Policy to set out the Company's procedures in providing the shareholders and the investment community with ready, equal and timely access to balanced and understandable information about the Company, in order to enable the shareholders to exercise their rights in an informed manner and to allow the shareholders and the investment community to engage actively with the Company.

Rights to convene an EGM

Pursuant to Article 58 of the Articles of Association, any one or more members holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company, shall at all times have the right, by written requisition sent to the Company's principal office as set out in the manner below, to require an EGM to be called by the Board for the transaction of any business specified in such requisition.

The written requisition must state the objects of the meeting, be signed by the requisitionist(s), be marked for the attention of the Board or the Company Secretary and be deposited at the principal place of business of the Company in Hong Kong.

If within 21 days from the date of the deposit of the requisition the Board fails to proceed to convene such meeting to be duly held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them may convene a meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed by the Company to the requisitionist(s).

The notice period to be given to shareholders for general meetings varies as follows:

(a) At least 14 days' notice in writing if the proposal constitutes an ordinary resolution of the Company;

(b) At least 21 days' notice in writing if calling for an AGM or the proposal constitutes a special resolution of the Company in EGM.

Right to Put Enquiries to the Board

Shareholders have the right to put enquiries to the Board. All enquiries shall be in writing and sent by post to the principal place of business of the Company in Hong Kong or by e-mail to ir@greatwater.com.cn for the attention of the Company Secretary.

Right to Put Forward Proposals at General Meetings

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised). However, shareholders may follow the procedure set out in the section headed "Rights to convene an EGM" above for including a resolution at an EGM. The requirements and procedures are set out above.

Right to Propose a Person for Election as a Director

Detailed procedures for a shareholder to propose a person for election as a Director are available on the Company's website.

INVESTOR RELATIONS

The Company has established a range of communication channels between itself and its shareholders, investors and other stakeholders. These include the AGM, the annual, interim and quarterly reports, notices, announcements and circulars and the Company's website at www.greatwater.com.cn.

CONSTITUTIONAL DOCUMENTS

From the date of the Listing to the year ended 31 December 2015, there had been no significant change in the Company's constitutional documents.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. XIE Yang (**謝楊先生**), aged 52, is an executive Director, the Chairman and the chief executive officer of the Company. Mr. Xie is one of the controlling shareholders of the Company. Mr. Xie is also a director of Guangzhou Hongrun Environmental Protection Technology Co., Ltd. ("**Hongrun EP**"), Guangzhou Lintao Environmental Protection Technology Co., Ltd. ("**Lintao EP**"), Guangzhou Great Water Environmental Protection Co., Ltd. ("**Guangzhou Great Water**") and Great Water EP Investment (China) Limited ("**Great Water Hong Kong**"). He has over 13 years of experience in wastewater and water treatment engineering service industry in the PRC. Mr. Xie is primarily responsible for the overall management, strategic planning and business development of the Group. He is also the legal representative and general manager of Guangzhou Great Water. Mr. Xie is one of the founding shareholders of Guangzhou Great Water in August 2001. Prior to the establishment of Guangzhou Great Water, Mr. Xie was a shareholder and a director of 廣州陽光燃氣發展有限公司 (Guangzhou Sunshine Gas Development Co. Ltd.), a company principally engaged in the design, implementation and management of natural gas facilities and pipes from 1996 to 2001, where he was responsible for its overall management, strategic planning and business development.

Mr. Xie graduated from the Hunan Normal University (湖南師範大學), the PRC in July 1981. He further completed his education in political sciences at 中國共產主義青年團中央團校 (Central School of China Communist Youth League (currently known as China Youth University of Political Studies (中國青年政治學院)) in January 1988. In November 2003, Mr. Xie was appointed as a visiting professor at Hunan Technology College (湖南科技學院). He is also a senior engineer in the field of environmental engineering recognised by Chinese Academy of Sciences (中國科學院) in November 2004.

Mr. HE Xuan Xi (**何炫曦先生**), aged 33, is an executive Director and the compliance officer of the Company. Mr. He is primarily responsible for general management and overseeing major affairs of the Group, including project management and strategic development of the Group. Mr. He has over 9 years of experience in accounting and financial management. Mr. He joined the Group as an accountant in January 2007 and was later promoted to finance supervisor in November 2007, finance deputy manager in March 2008, finance manager in January 2009 and assistant to general manager in March 2014. Mr. He graduated from 廣東財經職業學院大學專科 (Guangdong Finance and Economics College) in July 2005 with a diploma in accountancy. He further obtained a bachelor degree in accountancy from South China University of Technology School of Continuing Education (華南理工大學繼續教育學院) in Guangzhou, the PRC, in January 2011.

NON-EXECUTIVE DIRECTORS

Ms. GONG Lan Lan (**龔嵐嵐女士**), aged 39, was appointed a Director on 25 March 2015 and redesignated as a non-executive Director on 27 May 2015. She is one of the controlling shareholders of the Company. She has served as a director of Guangzhou Great Water since June 2012. Ms. Gong has assumed a non-executive role on the board of Guangzhou Great Water and does not participate in the day-to-day management and operation of the Group. Ms. Gong also gives advice on strategic direction of the Group as a member of the Board. Ms. Gong is also a director of Hongrun EP and Lintao EP. Since September 2007, Ms. Gong has worked as a deputy general manager responsible for general management and day-to-day operation in 上海騰一信息技術有限公司 (Shanghai Tengyi Information Technology Co., Ltd.) (a company principally engaged in information technology development business). Ms. Gong graduated from Shanghai University of Finance and Economics (上海財經大學) with a bachelor degree in corporate management in June 1998. She further obtained a master degree in accountancy at Shanghai University of Finance and Economics in December 2007.

Mr. SONG Xiao Xing (**宋曉星先生**), aged 35, was appointed a Director on 25 March 2015 and re-designated as a non-executive Director on 27 May 2015. He is one of the controlling shareholders of the Company. He has served as a director of Guangzhou Great Water since June 2012. Mr. Song has assumed a non-executive role on the board of Guangzhou Great Water and does not participate in the day-to-day management and operation of the Group. Mr. Song also gives advice and guidance on engineering and technical issues as a member of the Board. Mr. Song is also a director of Hongrun EP and Lintao EP. Since September 2010, Mr. Song has worked as the general manager for construction structural alteration projects in 上海廈安工程科技有限公司 (Shanghai Xiaan Engineering Technology Co., Ltd.) (a company principally engaged in construction engineering business). From July 2009 to July 2010, Mr. Song worked as an engineer who was primarily responsible for research and development work relating to large-scale construction engineering projects at the technology centre of 上海建工一建集團有限公司 (Shanghai Construction No. 1 (Group) Co., Ltd.), a company principally engaged in property construction contracting business.

Mr. Song graduated from Hefei University of Technology (合肥工業大學) with a bachelor in construction engineering in July 2002. He further obtained a master degree in structural engineering at Hefei University of Technology in May 2005 and completed his PhD in disaster prevention engineering and maintenance engineering at Tongji University (同濟大學) in July 2009.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. BAI Shuang (**白爽女士**), aged 44, was appointed an independent non-executive Director on 24 November 2015. Ms. Bai is a seasoned practising lawyer in the PRC and has more than twenty years practising legal experience in the PRC. She is currently a senior partner of Beijing Dacheng (Guangzhou) Law Offices (北京大成(廣州)律師事務所) since November 2010. From October 2006 to October 2010, Ms. Bai was a partner of Guangdong Debi Law Offices (廣東德比律師事務所). From October 2001 to October 2006, she worked as a lawyer at Guangdong Kings Law Firm (廣東金領律師事務所). Ms. Bai graduated from Southwest University of Political Science and Law (西南政法大學) with a bachelor degree in laws in July 1992.

Mr. HA Cheng Yong (**哈成勇先生**), aged 57, was appointed an independent non-executive Director on 24 November 2015. Mr. Ha has 33 years of experience in research and application of chemistry and natural sciences. From January 2012, Mr. Ha has served as an assistant to the Dean of Industrial Technology Research Institute of Chinese Academy of Sciences (中國科學院), a national academy for natural sciences of the PRC and Mr. Ha was responsible for property investment and supervising the research on the application of polymer materials. During the period between December 2000 and June 2009, Mr. Ha was the deputy head of Guangzhou Chemistry Research Institutes of Chinese Academy of Sciences (中國科學院廣州化學研究所) who was responsible for overseeing chemistry research activities. From December 2001 to May 2009, Mr. Ha served as a managing director of Chinese Academy of Sciences Guangzhou Chemistry Co., Ltd. (中科院廣州化學有限公司), a company principally engaged in the research and development on chemical engineering and other engineering services where he was responsible for the overall management, the strategic development and formulation of research area and direction of the Company. Since November 1997, Mr. Ha worked as a researcher and was later promoted to tutor for master students at Guangzhou Chemistry Research Institute of Chinese Academy of Sciences.

Mr. Ha graduated from Wuxi Light Industry College (無錫輕工業學院) (now known as Jiangnan University (江南大學)) with a bachelor degree in industrial chemistry in December 1982. He then obtained a master's degree in forest chemical processing engineering at Institute of Chemical Industry of Forest Products (中國林業科學研究院) in September 1985 and later completed his PhD at the same institute in October 1991. During the period between November 2008 and December 2014, Mr. Ha was an independent director of Xilong Chemical Co., Ltd. (西隴化工股份有限公司) (a company principally engaged in the production, sale, research and development of chemical reagent, a company established in the PRC and listed on the Shenzhen Stock Exchange (stock code: 002584)).

Mr. TSE Chi Wai (**謝志偉先生**), aged 48, was appointed an independent non-executive Director on 24 November 2015. He is an executive director, the financial controller and company secretary of China Information Technology Development Limited, a company listed on GEM of the Stock Exchange (stock code: 8178), the principal business of which is development and sale of computer software and hardware and the provision of system integration and related support services in the PRC. Mr. Tse has over twenty years of experience in auditing, accounting and finance gained from working with various international accounting firms and listed companies. Mr. Tse is an independent non-executive director of China Environmental Technology Holdings Limited (a company principally engaged in among others, environmental protection technology, the shares of which are listed on the main board of the Stock Exchange (stock code: 646)) since May 2015 and an independent non-executive director of Sunac China Holdings Limited (a company principally engaged in property development, property investment and property management services, the shares of which are listed on the main board of the Stock Exchange (stock code: 1918)) since December 2012. Mr. Tse is also an executive director of Jih Sun Financial Holding Company Limited (a company principally engaged in securities brokerage, trading, underwriting, and margin purchases and short sales activities, the shares of which are listed on the Taiwan Stock Exchange Corporation (stock code: 5820: Taiwan)) since December 2010. Mr. Tse graduated from the University of Hong Kong in June 1989 with a bachelor degree in social sciences. Mr. Tse is a fellow member of the Association of Chartered Certified Accountants of the United Kingdom and a member of the Hong Kong Institute of Certified Public Accountants.

During the period between March 2015 and November 2015, Mr. Tse was an independent non-executive director of Greens Holdings Ltd. ("**Greens Holdings**"), a company incorporated in the Cayman Islands and principally engaged in the manufacture and supply of heat transfer products and solutions, the shares of which are listed on the main board of the Stock Exchange (stock code: 1318). Greens Holdings announced that (i) on 2 September 2015, Greens Holdings filed a winding up petition with the Grand Court of the Cayman Islands; (ii) on 29 September 2015, a winding up petition was filed with the High Court of Hong Kong against Greens Holdings by a bondholder for an outstanding debt under the unlisted bonds issued by Greens Holdings in January 2015; (iii) on 8 October 2015, joint provisional liquidators were appointed pursuant to an order of the Grand Court of the Cayman Islands; (iv) the winding up petition hearing which was originally scheduled on 2 December 2015, has been adjourned to 30 March 2016; and (v) as the Stock Exchange had placed Greens Holdings in the first delisting stage, Greens Holdings is required to submit a viable resumption proposal at least 10 business days before 13 April 2016. The Stock Exchange will determine whether or not to place Greens Holdings in the second delisting stage at the end of the first delisting period. Mr. Tse confirmed that (i) there is no wrongful act on his part leading to the said winding up petitions and he is not aware of any actual or potential claim which has been or will be made against him as a result of the said winding up petitions; and (ii) his involvement in Greens Holdings during his tenure was part and parcel of his services as a director thereof and no misconduct or misfeasance on his part had been involved in the said winding up petitions.

SENIOR MANAGEMENT

Mr. KANG Zhao Yu (**康兆雨先生**), aged 38, is the Group's vice president. Mr. Kang joined the Group as the head of our engineering and technology department in February 2008. He has over 12 years of experience in environmental protection technology and engineering. Mr. Kang is responsible for overseeing the engineering, and technical operations of the Group. Prior to joining the Group, from January 2003 to July 2007, he worked as a technology deputy manager at 思捷環保科技有限公司 (Clean & Green Environmental Technology Co., Ltd.), a company principally engaged in environmental protection engineering, where he was responsible for environmental protection project management.

Mr. Kang graduated from 北京輕工業學院 (Beijing Light Industry College) (currently known as Beijing Technology and Business University (北京工商大學)) in July 1999 with a bachelor degree in environmental engineering. Since December 2008, Mr. Kang has been a municipal water drainage intermediate engineer (市政級排水中級工程師) recognised by 中國市政工程東北設計研究院 (China Northeast Municipal Engineering Design & Research Institute). Mr. Kang has been a registered environmental protection engineer admitted by the Human Resources and Social Security Bureau of the Guangdong Province, the PRC (廣東省人力資源和社會保障廳) since February 2010.

Ms. CHEN Shao Juan (**陳少娟女士**), aged 37, is the head of human resources and administration department of the company. Ms. Chen joined the Group as the human resources and administration manager in February 2007. She has over 15 years of human resources and administration experience. Ms. Chen is responsible for overseeing human resources and administration matters of the Group. Prior to joining the Group, from August 2001 to June 2006, she worked as an officer of general management office at 廣東中科綠源水務有限公司 (Guangdong Zhongke Green Spring Co., Ltd), a company principally engaged in water and wastewater treatment engineering projects, where she was responsible for human resources management.

Ms. Chen graduated from 廣東職業技術師範學院 (Guangdong Vocational Polytechnic Normal University) (currently known as the Guangdong Polytechnic Normal University (廣東技術師範學院)) in July 2000 with a diploma in electronic engineering. She further obtained a bachelor degree in human resources management from Nanjing University of Science and Technology (南京理工大學) in July 2005. Ms. Chen is certified to be a human resources professional admitted by Ministry of Labour and Social Security of the PRC (中華人民共和國勞動和社會保障部) in February 2006. She is also certified to be an assistant economist by the Human Resources and Social Security Bureau of Guangzhou Development District, the PRC (廣州開發區人力資源和社會保障局) in February 2012.

Mr. TSUI Kan Chun (**徐勤進先生**), aged 42, is our chief financial officer and the company secretary of the Company. Mr. Tsui joined the Group in March 2015. Mr. Tsui was appointed the chief financial officer and the company secretary of the Company on 27 May 2015. He has over 15 years of experience in auditing, finance and accounting. Mr. Tsui is responsible for overseeing the accounting and financial operations of the Group. Prior to joining the Group, from September 2012 to July 2014, he was the company secretary, authorised representative and chief financial officer of Blue Sky Power Holdings Limited, a company listed on the main board of the Stock Exchange (stock code: 6828). From May 2007 to July 2012, he worked as a company secretary, authorised representative and group financial controller of Shanghai Tonva Petrochemical Co., Ltd., a company listed on the main board of the Stock Exchange (stock code: 1103).

Mr. Tsui graduated from the University of Wollongong in Australia with a bachelor degree in accountancy in May 1997. He further obtained a master degree in corporate governance from Hong Kong Polytechnic University in December 2006. Mr. Tsui is an associate member of the Hong Kong Institute of Certified Public Accountants, a member of the Certified Practising Accountants in Australia and an associate member of the Hong Kong Institute of Chartered Secretaries.

INDEPENDENT AUDITORS' REPORT

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To the shareholders of Great Water Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Great Water Holdings Limited (the "**Company**") and its subsidiaries set out on pages 39 to 95, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
Hong Kong
21 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2015

	Notes	**2015** ***RMB'000***	2014 *RMB'000*
REVENUE	5	**166,985**	122,222
Cost of sales		**(122,855)**	(86,495)
Gross profit		**44,130**	35,727
Other income and gains	5	**3,012**	2,449
Selling and distribution expenses		**(1,755)**	(989)
Administrative expenses		**(24,312)**	(10,316)
Other expenses		**(45)**	(104)
Finance costs	7	**(618)**	(160)
PROFIT BEFORE TAX	6	**20,412**	26,607
Income tax expense	10	**(3,495)**	(3,895)
PROFIT FOR THE YEAR		**16,917**	22,712
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	12	**RMB0.07**	RMB0.10
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**1,144**	(4)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**1,144**	(4)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Surplus on revaluation of investment properties	14	**–**	2,183
Income tax effect		**–**	(546)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		**–**	1,637
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**1,144**	1,633
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**18,061**	24,345

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**6,216**	4,252
Investment properties	14	**20,425**	20,106
Prepaid land lease payments	15	**158**	183
Total non-current assets		**26,799**	24,541
CURRENT ASSETS			
Inventories	16	**130**	3,422
Gross amount due from contract customers	17	**1,608**	6,054
Trade and bills receivables	18	**72,604**	70,558
Prepayments, deposits and other receivables	19	**14,139**	5,131
Cash and bank balances	20	**111,792**	17,532
Total current assets		**200,273**	102,697
CURRENT LIABILITIES			
Trade payables	21	**55,612**	45,636
Gross amount due to contract customers	17	**–**	290
Other payables and accruals	22	**15,218**	11,562
Interest-bearing bank borrowing	23	**15,000**	–
Tax payable		**3,143**	3,004
Total current liabilities		**88,973**	60,492
NET CURRENT ASSETS		**111,300**	42,205
TOTAL ASSETS LESS CURRENT LIABILITIES		**138,099**	66,746

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities	24	**2,933**	2,856
Total non-current liabilities		**2,933**	2,856
Net assets		**135,166**	63,890
EQUITY			
Share capital	25	**2,397**	–
Reserves	26	**132,769**	63,890
Total equity		**135,166**	63,890

XIE Yang
Director

HE Xuan Xi
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2015

	Share capital RMB'000 (note 25)	Share premium account RMB'000 (note 25)	Merger reserve^ RMB'000	Asset revaluation reserve RMB'000	Statutory surplus reserve# RMB'000	Exchange fluctuation reserve RMB'000	Retained profits/ (accumulated losses) RMB'000	Total equity RMB'000
At 1 January 2014	–	–	30,100	7,497	–	1	(2,123)	35,475
Profit for the year	–	–	–	–	–	–	22,712	22,712
Other comprehensive income for the year:								
Surplus on revaluation of investment properties	–	–	–	1,637	–	–	–	1,637
Exchange differences on translation of foreign operations	–	–	–	–	–	(4)	–	(4)
Total comprehensive income for the year	–	–	–	1,637	–	(4)	22,712	24,345
Capital contribution from a shareholder	–	–	4,070	–	–	–	–	4,070
Transfer from retained profits	–	–	–	–	2,063	–	(2,063)	–
At 31 December 2014 and 1 January 2015	–	–	34,170	9,134	2,063	(3)	18,526	63,890

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2015

	Share capital RMB'000 (note 25)	Share premium account RMB'000 (note 25)	Merger reserve^ RMB'000	Asset revaluation reserve RMB'000	Statutory surplus reserve# RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total equity RMB'000
At 1 January 2015	–	–	34,170	9,134	2,063	(3)	18,526	63,890
Profit for the year	–	–	–	–	–	–	16,917	16,917
Other comprehensive income for the year:								
Exchange differences on translation of foreign operations	–	–	–	–	–	1,144	–	1,144
Total comprehensive income for the year	–	–	–	–	–	1,144	16,917	18,061
Issue of shares on incorporation and Reorganisation	1,776	45,694	–	–	–	–	–	47,470
Issue of shares pursuant to initial public offering ("**IPO**")	621	58,965	–	–	–	–	–	59,586
Share issue expenses	–	(5,841)	–	–	–	–	–	(5,841)
Distribution to shareholders	–	–	(48,000)	–	–	–	–	(48,000)
Transfer from retained profits	–	–	–	–	1,765	–	(1,765)	–
At 31 December 2015	2,397	98,818*	(13,830)*	9,134*	3,828*	1,141*	33,678*	135,166

* These reserve accounts comprise the consolidated reserves of RMB132,769,000 (2014:RMB63,890,000) in the consolidated statement of financial position.

^ The merger reserve of the Group represents the capital contributions from the equity holders of certain subsidiaries now comprising the Group before the completion of the Reorganisation.

Pursuant to the relevant laws and regulations relating to foreign investment enterprises, a portion of the profits of certain subsidiaries in the People's Republic of China (the "**PRC**") is required to be transferred to the PRC statutory surplus reserve which is restricted as to use. These PRC entities are not required to make any further transfer when the amount of the PRC statutory surplus reserve reaches 50% of their registered capital. The PRC statutory surplus reserve can be used to offset their accumulated losses or to increase their registered capital, provided the remaining balance of the PRC statutory surplus reserve is not less than 25% of the registered capital.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**20,412**	26,607
Adjustments for:			
Finance costs	7	**618**	160
Bank interest income	5	**(89)**	(44)
Gain on disposal of items of property, plant and equipment	5	**(78)**	–
Depreciation	13	**490**	879
Fair value gains on investment properties	14	**(319)**	(384)
Recognition of prepaid land lease payments	15	**25**	25
		21,059	27,243
Decrease in inventories		**3,292**	422
Decrease in gross amount due from contract customers		**4,446**	4,405
Increase in trade and bills receivables		**(2,046)**	(46,465)
(Increase)/decrease in prepayments, deposits and other receivables		**(9,478)**	3,140
Increase in trade payables		**9,976**	19,238
Decrease in gross amount due to contract customers		**(290)**	(1,419)
Increase in other payables and accruals		**1,499**	6,793
Cash generated from operations		**28,458**	13,357
Interest received		**89**	44
Overseas taxes paid		**(3,279)**	(2,591)
Net cash flows from operating activities		**25,268**	10,810
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(2,504)**	(233)
Proceeds from disposal of items of property, plant and equipment		**128**	73
Net cash flows used in investing activities		**(2,376)**	(160)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Net cash flows used in investing activities		**(2,376)**	(160)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**59,586**	–
Share issue expenses		**(3,241)**	(470)
New bank loans		**15,000**	4,716
Repayments of bank loans		**–**	(4,716)
Interest paid		**(591)**	(160)
Capital contribution from a shareholder		**–**	4,070
Net cash flows from financing activities		**70,754**	3,440
NET INCREASE IN CASH AND CASH EQUIVALENTS		**93,646**	14,090
Cash and cash equivalents at beginning of year		**17,532**	3,446
Effect of foreign exchange rate changes, net		**614**	(4)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**111,792**	17,532
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances as stated in the consolidated statement of financial position	*20*	**111,792**	17,532
Cash and cash equivalents as stated in the consolidated statement of cash flows		**111,792**	17,532

1. CORPORATE AND GROUP INFORMATION

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 year, the Company's subsidiaries were 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.

The shares of the Company were listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 9 December 2015 (the "**Listing**").

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Company name	Place and date of incorporation/ registration and place of business	Issued and paid-up/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Great Water EP Investment (China) limited[1]	Hong Kong 10 March 2015	HK$60,125,001	100	–	Investment holding
Lintao Environmental Protection Co., Ltd. ^#1 (廣州霖濤環保技術有限公司)	The PRC/Mainland China 28 April 2015	RMB48,000,000	–	100	Design and construction and sale of equipment for wastewater projects
Hongrun Environmental Protection Co., Ltd. ^^#1 (廣州宏潤環保技術有限公司)	The PRC/ Mainland China 7 May 2015	RMB48,000,000	–	100	Design and construction and sale of equipment for wastewater projects
Guangzhou Great Water Environmental Protection Co., Ltd.^^*#2 ("**Great Water**") (廣州中科建禹環保有限公司)	The PRC/Mainland China 2 August 2001	RMB33,333,300	–	100	Design and construction and sale of equipment for environmental protection projects
Trung Khoa Kien Vu Environmental Protection (Vietnam) Company Limited[3] ("**Great Water Vietnam**")	Vietnam 22 August 2013	US$180,000	–	100	Design and construction for wastewater projects

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

^ Registered as a wholly foreign owned enterprise under PRC Law.

^^ Registered as domestic enterprises under PRC Law.

The English names of these companies represent the best effort made by management of the Company to directly translate the Chinese names as these companies do not register any official English names.

2.1 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 Great Water, 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.

2.2 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 Company and its subsidiaries (collectively referred to as 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.

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.

2.3 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.

2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Financial Statements.

HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKAS 1	*Disclosure Initiative*[1]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012–2014 Cycle	Amendments to a number of HKFRSs[1]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group
4 Mandatory effective date not yet determined but is available for earlier adoption

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. The Group is not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair value measurement

The Group measures its investment properties at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participant would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1	–	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the consolidated statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset, unless the asset is carried at revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/ amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the consolidated statement of profit or loss in the period in which it arises, *(only if there are revalued assets in the financial statements)* unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties *(continued)*

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated statement of profit or loss and other comprehensive income in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	1.9%
Building improvements	20%
Electronic equipment	19%
Dedicated equipment	19%
Furniture and fixtures	19%
Motor vehicles	19%

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation *(continued)*

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the consolidated statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the consolidated statement of profit or loss and other comprehensive income in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated statement of profit or loss in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is dealt with as a movement in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the consolidated statement of profit or loss and other comprehensive income. On disposal of an investment property previously transferred from an owner-occupied property, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five to seven years, commencing from the date when the products are put into commercial production.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the consolidated statement of profit or loss and other comprehensive income on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the consolidated statement of profit or loss and other comprehensive income on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement
Financial assets are classified, at initial recognition, as loans and receivables. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Subsequent measurement — loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the consolidated statement of profit or loss and other comprehensive income. The loss arising from impairment is recognised in the consolidated statement of profit or loss in finance costs for loans and in other expenses for receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the consolidated statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the consolidated statement of profit or loss and other comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities of the Group are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and interest-bearing bank borrowing.

Subsequent measurement — loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the consolidated statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the consolidated statement of profit or loss and other comprehensive income.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the consolidated statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of manufacturing overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and bank balances comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries/jurisdictions in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from construction contracts, on the percentage of completion basis, as further explained in the accounting policy for "Construction contracts" below;

(c) from the rendering of services, on the percentage of completion basis, as further explained in the accounting policy for "Contracts for services" below;

(d) rental income, on a time proportion basis over the lease terms;

(e) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(f) dividend income, when the shareholders' right to receive payment has been established.

Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from fixed price construction contracts is recognised using the percentage of completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Revenue from cost plus construction contracts is recognised using the percentage of completion method, by reference to the recoverable costs incurred during the period plus the related fee earned, measured by the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Contracts for services

Contract revenue on the rendering of services comprises the agreed contract amount. Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads.

Revenue from the rendering of services is recognised based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction. Where the outcome of a contract cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Employee benefits

Pension schemes
The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated statement of profit or loss and other comprehensive income as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme in accordance with the rules of the MPF Scheme.

The employees of the Group's subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the consolidated statement of profit or loss and other comprehensive income as they become payable in accordance with the rules of the central pension scheme.

Dividends

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. In prior years, final dividends proposed by the directors were classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. Following the implementation of the Hong Kong Companies Ordinance (Cap. 622), proposed final dividends are disclosed in the notes to the financial statements.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

The financial statements are presented in RMB, as this is the principal currency of the economic environment in which the Group operates. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the consolidated statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss and other comprehensive income are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated statement of profit or loss and other comprehensive income.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

Operating lease commitments — Group as lessor
The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and owner-occupied properties
The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Tax
Determining income tax provisions requires the Group to make judgements on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provisions accordingly. In addition, deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant judgement on the tax treatments of certain transactions and also assessment on the probability that adequate future taxable profits will be available for the deferred tax assets to be recovered.

The Group's determination as to whether to accrue for deferred tax for withholding taxes from the distribution of dividends from the subsidiary in Mainland China according to the relevant tax jurisdiction is subject to judgement on the timing of the payment of the dividend, where the Group considers that if it is probable that the profits of the subsidiary in Mainland China will not be distributed in the foreseeable future, no deferred tax for withholding taxes is provided.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Estimation of fair value of investment properties
In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of investment properties at 31 December 2015 was RMB20,425,000 (31 December 2014: RMB20,106,000). Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 14 to the financial statements.

Provision for income taxes
Provision for income tax is made based on the taxable income for the period as determined by the Group. The determination of taxable income involves the exercise of judgement on interpretation of the relevant tax rules and regulations. The amounts of income tax and hence profit or loss could be affected by any interpretations and clarifications which the tax authority may issue from time to time.

Impairment of trade and bills receivables
The Group assesses at the end of each reporting period whether there is any objective evidence that a receivable is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

The Group maintains an allowance for the estimated loss arising from the inability of its debtors to make the required payments. The Group makes its estimates based on the aging of its receivable balances, debtors' creditworthiness, past payment history and historical write-off experience. If the financial condition of its debtors was to deteriorate so that the actual impairment loss might be higher than expected, the Group would be required to revise the basis of making the allowance.

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.

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.

4. OPERATING SEGMENT INFORMATION *(continued)*

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

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

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

4. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

(a) Revenue from external customers

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

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

(b) Non-current assets

	2015	2014
	RMB'000	*RMB'000*
Mainland China	**26,791**	24,530
Vietnam	**8**	11
	26,799	24,541

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:

	2015	2014
	RMB'000	*RMB'000*
Customer A	**48,205**	19,686
Customer B	**31,525**	19,286
Customer C	**24,171**	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:

	Note	2015 RMB'000	2014 RMB'000
Revenue			
Income from construction contracting and related business		**17,881**	26,346
Sales of goods		**144,275**	87,332
Rendering of maintenance services		**4,829**	8,544
		166,985	122,222
Other income			
Bank interest income		**89**	44
Rental income		**1,946**	1,863
Government grants*			
— Related to income		**15**	147
Exchange gains, net		**542**	–
Others		**23**	11
		2,615	2,065
Gains			
Fair value gains on investment properties	*14*	**319**	384
Gain on disposal of items of property, plant and equipment		**78**	–
		397	384
		3,012	2,449

* 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):

	Notes	**2015** **RMB'000**	2014 RMB'000
Cost of inventories sold		**106,990**	61,632
Cost of construction contracting		**14,109**	23,749
Cost of services provided		**1,756**	1,114
Depreciation	13	**490**	879
Amortisation of land lease payments	15	**25**	25
Auditors' remuneration		**2,913**	255
Employee benefit expense (excluding directors' and chief executive's remuneration as disclosed in note 8):			
Wages and salaries		**6,888**	3,787
Pension scheme contributions#		**466**	266
Other welfare		**1,883**	801
		9,237	4,854
Foreign exchange differences, net		**(542)**	–
Changes in fair value of investment properties	14	**(319)**	(384)
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties		**464**	208
Bank interest income*	5	**(89)**	(44)
(Gain)/loss on disposal of items of property, plant and equipment*		**(78)**	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.

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:

	2015	2014
	RMB'000	*RMB'000*
Interest on bank loans	**618**	160

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

The Company did not have any chief executive, executive directors, non-executive directors and independent non-executive directors at any time during the year ended 31 December 2014 since the Company was only incorporated subsequently on 25 March 2015.

Mr. Xie Yang and Mr. He Xuan Xi were appointed as executive directors of the Company on 27 May 2015. Ms. Gong Lan Lan and Mr. Song Xiao Xing were appointed as non-executive directors of the Company on 27 May 2015. Mr. Tse Chi Wai, Mr. Ha Cheng Yong and Ms. Bai Shuang were appointed as independent non-executive directors of the Company on 24 November 2015, Mr. Xie Yang was appointed as the chief executive of the Company on 27 May 2015 and Mr. Tsui Kan Chun was appointed as the chief financial officer of the Company on 27 May 2015.

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1) (a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2015	2014
	RMB'000	*RMB'000*
Fees	**52**	–
Other emoluments:		
Salaries, allowances and benefits in kind	**428**	444
Pension scheme contributions	**48**	36
	476	480
	528	480

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(continued)*

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2015	2014
	RMB'000	*RMB'000*
Mr. Tse Chi Wai	**6**	–
Mr. Ha Cheng Yong	**6**	–
Ms. Bai Shuang	**6**	–
	18	–

There were no other emoluments payable to the independent non-executive directors during the year (2014: Nil).

(b) Executive directors, non-executive directors and the chief executive

	Fees	**Salaries, allowances and benefits in kind**	**Pension scheme contributions**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2015				
Executive directors				
Mr. Xie Yang	**14**	**223**	**26**	**263**
Mr. He Xuan Xi	**8**	**205**	**22**	**235**
Non-executive directors:				
Ms. Gong Lan Lan	**6**	**–**	**–**	**6**
Mr. Song Xiao Xing	**6**	**–**	**–**	**6**
	34	**428**	**48**	**510**
Year ended 31 December 2014				
Executive directors				
Mr. Xie Yang	–	279	22	301
Mr. He Xuan Xi	–	165	14	179
	–	444	36	480

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one director including the chief executive (2014: two directors including the chief executive), details of their remuneration are set out in note 8 above.

Details of the remuneration of the remaining four (2014: three) highest paid employees, who are neither a director nor the chief executive are as follows:

	2015	2014
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**1,314**	649
Retirement benefit scheme contributions	**72**	52
	1,386	701

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	2015	2014
Nil to HK$1,000,000	**4**	3

During the year and in prior years, no remuneration was paid by the Group to any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

10. 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, Great Water, 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.

10. 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 22% on the taxable income.

	2015	2014
	RMB'000	*RMB'000*
Current — Elsewhere other than Hong Kong	**3,418**	4,151
Deferred *(note 24)*	**77**	(256)
Total tax charge for the year	**3,495**	3,895

A reconciliation of the tax expense applicable to profit/(loss) before tax at the statutory rates for the jurisdictions in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

2015

	Cayman Islands		Hong Kong		Mainland China		Vietnam		Total	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%
Profit/(loss) before tax	(334)		(535)		21,107		174		20,412	
Tax at the statutory tax rate	–	–	(88)	16.5	5,277	25	38	22	5,227	25.6
Different tax rates for specific entities in the PRC	–	–	–	–	(2,112)	(10)	–	–	(2,112)	(10.3)
Effect on opening deferred tax of increase in rates	–	–	–	–	182	0.9	–	–	182	0.9
Income not subject to tax	–	–	–	–	–	–	(2)	(1.2)	(2)	–
Expenses not deductible for tax	–	–	–	–	87	0.4	–	–	87	0.4
Tax rate differential	–	–	–	–	32	0.1	–	–	32	0.1
Tax losses utilised from previous periods	–	–	–	–	–	–	(9)	(5.3)	(9)	–
Tax losses not recognised	–	–	88	(16.5)	2	–	–	–	90	0.4
Tax charge at the Group's effective rate	–	–	–	–	3,468	16.4	27	15.5	3,495	17.1

10. INCOME TAX *(continued)*

2014

	Mainland China		Vietnam		Total	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%
Profit/(loss) before tax	26,611		(4)		26,607	
Tax at the statutory tax rate	6,653	25.0	(1)	22.0	6,652	25.0
Different tax rates for specific entities in the PRC	(2,661)	(10.0)	–	–	(2,661)	(10.0)
Effect on opening deferred tax of increase in rates	(68)	(0.3)	–	–	(68)	(0.3)
Expenses not deductible for tax	46	0.2	–	–	46	0.2
Tax rate differential	(75)	(0.3)	–	–	(75)	(0.3)
Tax losses not recognised	–	–	1	(22.0)	1	–
Tax charge at the Group's effective rate	3,895	14.6	–	–	3,895	14.6

11. DIVIDENDS

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

12. 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 as set out in note 25 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.

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

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

	2015 **RMB'000**	2014 *RMB'000*
Earnings		
Profit attributable to ordinary equity holders, used in the basic/diluted earnings per share calculation:	**16,917**	22,712

	Number of shares **2015**	2014
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic/diluted earnings per share calculation	**229,726,027**	225,000,000

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB'000*	Building improvements *RMB'000*	Electronic equipment *RMB'000*	Dedicated equipment *RMB'000*	Furniture and fixtures *RMB'000*	Motor vehicles *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
31 December 2015								
At 1 January 2015:								
Cost	3,624	1,091	565	197	754	1,919	20	8,170
Accumulated depreciation	(342)	(972)	(449)	(149)	(621)	(1,385)	–	(3,918)
Net carrying amount	3,282	119	116	48	133	534	20	4,252
At 1 January 2015, net of accumulated depreciation	3,282	119	116	48	133	534	20	4,252
Additions	–	–	89	–	–	1,300	1,115	2,504
Disposals	–	–	–	–	–	(50)	–	(50)
Depreciation provided during the year	(69)	(111)	(58)	(36)	(72)	(144)	–	(490)
At 31 December 2015, net of accumulated depreciation	3,213	8	147	12	61	1,640	1,135	6,216
At 31 December 2015:								
Cost	3,624	1,091	654	197	754	3,169	1,135	10,624
Accumulated depreciation	(411)	(1,083)	(507)	(185)	(693)	(1,529)	–	(4,408)
Net carrying amount	3,213	8	147	12	61	1,640	1,135	6,216

13. PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Buildings RMB'000	Building improvements RMB'000	Electronic equipment RMB'000	Dedicated equipment RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2014								
At 1 January 2014:								
Cost	4,746	1,080	528	1,660	754	1,754	–	10,522
Accumulated depreciation	(320)	(756)	(350)	(1,497)	(476)	(1,032)	–	(4,431)
Net carrying amount	4,426	324	178	163	278	722	–	6,091
At 1 January 2014, net of accumulated depreciation	4,426	324	178	163	278	722	–	6,091
Additions	–	11	37	–	–	165	20	233
Transfer to investment properties *(note 14)*	(1,120)	–	–	–	–	–	–	(1,120)
Disposals	–	–	–	(73)	–	–	–	(73)
Depreciation provided during the year	(24)	(216)	(99)	(42)	(145)	(353)	–	(879)
At 31 December 2014, net of accumulated depreciation	3,282	119	116	48	133	534	20	4,252
At 31 December 2014:								
Cost	3,624	1,091	565	197	754	1,919	20	8,170
Accumulated depreciation	(342)	(972)	(449)	(149)	(621)	(1,385)	–	(3,918)
Net carrying amount	3,282	119	116	48	133	534	20	4,252

At 31 December 2015 and 2014, the Group's buildings were pledged to secure general banking facilities granted to the Group (note 27).

14. INVESTMENT PROPERTIES

	2015	2014
	RMB'000	*RMB'000*
Carrying amount at 1 January	**20,106**	16,265
Transfer from property, plant and equipment *(note 13)*	**–**	1,120
Transfer from prepaid land lease payments *(note 15)*	**–**	154
Surplus on revaluation of investment properties	**–**	2,183
Net gain from a fair value adjustment recognised in other income and gains in profit or loss	**319**	384
Carrying amount at 31 December	**20,425**	20,106

The Group's investment properties are situated in Mainland China, which consist of one industrial building and one land use right. The land use right is held under a long term lease and the building is owned by a subsidiary of the Company.

The Group's investment properties were revalued on 31 December 2015 based on valuations performed by Roma Appraisals Limited, an independent professionally qualified valuer, at RMB20,425,000.

Each year, the Group's property manager and the chief financial officer decide and, after approval from the directors, appoint an external valuer for the valuations of the Group's properties. Selection include market knowledge, reputation, independence and whether professional standards are maintained. The Group's property manager and the chief financial officer have discussions with the valuer on the valuation assumptions and valuation results once a year around the year end when the valuation is performed for annual financial reporting.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 28 to the financial statements.

At 31 December 2015 and 2014, the Group's investment properties were pledged to secure general banking facilities granted to the Group (note 27).

14. INVESTMENT PROPERTIES *(continued)*

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December 2015 using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Recurring fair value measurement for:				
Industrial properties	**–**	**–**	**20,425**	**20,425**

	Fair value measurement as at 31 December 2014 using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurement for:				
Industrial properties	–	–	20,106	20,106

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2014: nil).

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	2015	2014
	RMB'000	*RMB'000*
Carrying amount at 1 January	**20,106**	16,265
Transfer from property, plant and equipment *(note 13)*	**–**	1,120
Transfer from prepaid land lease payments *(note 15)*	**–**	154
Surplus on revaluation of investment properties	**–**	2,183
Net gain from a fair value adjustment recognised in other income and gains in profit or loss	**319**	384
Carrying amount at 31 December	**20,425**	20,106

14. INVESTMENT PROPERTIES *(continued)*

Fair value hierarchy *(continued)*

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

As at 31 December 2015

	Valuation technique	Significant unobservable input	Amount
Industrial properties	Direct comparison approach	Market unit selling price	RMB20,425,000

As at 31 December 2014

	Valuation technique	Significant unobservable input	Amount
Industrial properties	Direct comparison approach	Market unit selling price	RMB20,106,000

The direct comparison approach

Under the direct comparison approach, the fair value is estimated by the direct comparison method on the assumption of the sale of the property interest with the benefit of vacant possession and by making reference to comparable sales transactions as available in the market.

The valuation takes into account the characteristics of the properties held for own use, which include the location, size, shape, view, floor level, year of completion and other factors collectively, to arrive at the market price.

The key input was the market price. A significant increase/(decrease) in the market price would result in a significant increase/(decrease) in the fair value of the properties held for own use.

15. PREPAID LAND LEASE PAYMENTS

	2015	2014
	RMB'000	*RMB'000*
Carrying amount at 1 January	**187**	366
Transfer to investment properties *(note 14)*	**–**	(154)
Recognised during the year	**(25)**	(25)
Carrying amount at 31 December	**162**	187
Current portion included in prepayments, deposits and other receivables	**(4)**	(4)
Non-current portion	**158**	183

At 31 December 2015 and 2014, the Group's leasehold land was pledged to secure general banking facilities granted to the Group (note 27).

16. INVENTORIES

	2015	2014
	RMB'000	*RMB'000*
Finished goods	**130**	3,422

17. CONSTRUCTION CONTRACTS

	2015 RMB'000	2014 RMB'000
Gross amount due from contract customers	**1,608**	6,054
Gross amount due to contract customers	**–**	(290)
	1,608	5,764
Contract costs incurred plus recognised profits less recognised losses to date	**16,178**	51,889
Less: Progress billings	**(14,570)**	(46,125)
	1,608	5,764

18. TRADE AND BILLS RECEIVABLES

	2015 RMB'000	2014 RMB'000
Trade receivables	**72,604**	67,808
Bills receivable	**–**	2,750
	72,604	70,558

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.

18. 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 RMB'000	2014 RMB'000
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
	70,057	66,032
Retention monies receivable	2,547	1,776
	72,604	67,808

An aged analysis of trade and bills receivables that are past due but not individually nor collectively considered to be impaired is as follows:

	2015 RMB'000	2014 RMB'000
Neither tax invoice issued, past due nor impaired	6,549	3,623
Tax invoice issued and neither past due nor impaired	65,677	66,935
Less than 1 month past due	193	–
1 to 3 months past due	185	–
	72,604	70,558

Receivables that neither have tax invoice issued, that were past due nor impaired represent receivables which arose from revenue recognised but not yet issued tax invoice and were neither past due nor impaired at the end of the reporting period.

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

18. TRADE AND BILLS RECEIVABLES *(continued)*

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.

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015 ***RMB'000***	2014 *RMB'000*
Prepayments	**12,957**	3,704
Deposits and other receivables	**1,182**	1,427
	14,139	5,131

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

20. CASH AND CASH EQUIVALENTS

	2015	2014
	RMB'000	*RMB'000*
Cash and bank balances	**111,792**	17,532
Denominated in:		
RMB	**47,428**	11,934
HK$	**58,714**	4,057
US$	**5,644**	994
Vietnam Dong ("**VND**")	**6**	547
	111,792	17,532

The RMB is not freely convertible into other currencies, however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

The VND is also not freely convertible into other currencies, however, under the State Bank of Vietnam, the Group is permitted to exchange VND for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

21. 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	2014
	RMB'000	*RMB'000*
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
	55,612	45,636

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

22. OTHER PAYABLES AND ACCRUALS

	2015	2014
	RMB'000	*RMB'000*
Other payables	**10,796**	7,702
Advanced from customers	**4,422**	3,860
	15,218	11,562

Other payables are non-interest-bearing and repayable on demand.

23. INTEREST-BEARING BANK BORROWING

	2015		
	Effective interest rate (%)	**Maturity**	***RMB'000***
Current			
Bank borrowing — secured	**5.89**	**February 2016**	**15,000**

	2015
	RMB'000
Analysed into:	
Bank borrowing payable within one year	**15,000**

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) (note 14);

(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) (note 13); 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) (note 15).

(b) The borrowing is denominated in RMB.

(c) The borrowing has been repaid in the subsequent period of February 2016.

24. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Fair value adjustments arising from investment properties *RMB'000*
Gross deferred tax liabilities at 1 January 2014	2,668
Deferred tax charged to profit or loss during the year *(note 10)*	96
Deferred tax charged to other comprehensive income during the year	546
Gross deferred tax liabilities at 31 December 2014 and 1 January 2015	3,310
Deferred tax charged to profit or loss during the year *(note 10)*	80
Gross deferred tax liabilities at 31 December 2015	3,390

Deferred tax assets

	Provision for accruals *RMB'000*
Gross deferred tax assets at 1 January 2014	102
Deferred tax credited during the year *(note 10)*	352
Gross deferred tax assets at 31 December 2014 and 1 January 2015	454
Deferred tax credited during the year *(note 10)*	3
Gross deferred tax assets at 31 December 2015	457

The Group has tax losses arising in Vietnam of RMB4,000 that will expire in one of five years for offsetting against future taxable profits for the year ended 31 December 2014. Deferred tax assets have not been recognised in respect of the above item as it is not considered probable that taxable profits will be available against which the above item can be utilised.

24. DEFERRED TAX *(continued)*

Deferred tax assets *(continued)*

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2015, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of a subsidiary of the Group established in Mainland China. In the opinion of the directors, it is not probable that this subsidiary will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with the investment in the subsidiary in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB34,440,000 at 31 December 2015 (2014: RMB18,564,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

25. SHARE CAPITAL AND SHARE PREMIUM

There was no authorised and issued capital as at 31 December 2014 since the Company had not yet been incorporated.

A summary of movements in the Company's issued share capital and share premium during the period from 25 March 2015 (date of incorporation) to 31 December 2015 is as follows:

	Notes	**Number of shares in issue**	**Share capital** *RMB'000*	**Share premium account** *RMB'000*	**Total** *RMB'000*
Issue of shares on incorporation	*(a)*	3	–	–	–
Issue of shares in the Reorganisation	*(b)*	224,999,997	1,776	45,694	47,470
Issue of shares pursuant to IPO	*(c)*	75,000,000	621	58,965	59,586
Share issue expenses	*(c)*	–	–	(5,841)	(5,841)
At 31 December 2015		300,000,000	2,397	98,818	101,215

Notes:

(a) On the date of incorporation, three ordinary shares of HK$0.01 each were issued and allotted by the Company to its shareholders.

(b) Pursuant to an ordinary resolution passed on 2 June 2015, a total of 224,999,997 ordinary shares of HK$0.01 each were issued and allotted by the Company to the shareholders.

(c) In connection with the Company's IPO, 75,000,000 ordinary shares of HK$0.01 each were issued at a price of HK$0.96 per share for a total cash consideration, before expenses, of HK$72,000,000 (equivalent to RMB59,586,000). Dealings in the shares of the Company on the Stock Exchange commenced on 9 December 2015.

26. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 42 to 43 of the financial statements.

27. PLEDGE OF ASSETS

Details of the Group's general banking facilities, which are secured by the assets of the Group, are included in notes 13, 14 and 15 to the financial statements.

28. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 14 to the financial statements) 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:

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

(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:

	2015 ***RMB'000***	2014 *RMB'000*
Within one year	**97**	–
In the second to fifth years, inclusive	**97**	–
	194	–

29. COMMITMENTS

In addition to the operating lease commitments detailed in note 28(b) above, the Group had the following commitments at the end of the reporting period:

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

30. CONTINGENT LIABILITIES

The Group had no significant contingent liabilities at the end of the reporting period.

31. RELATED PARTY TRANSACTIONS

(a) The Group's balances with the directors are included in other payables (note 22 to the financial statements). All the balances are unsecured, interest-free and repayable on demand. Details are as follows:

	2015 RMB'000
Ms. Gong Lan Lan	**6**
Mr. Song Xiao Xing	**6**
Mr. Tse Chi Wai	**6**
Mr. Ha Cheng Yong	**6**
Ms. Bai Shuang	**6**
	30

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

	2015 RMB'000
Short term employee benefits	**607**

Further details of directors' and the chief executive's emoluments are disclosed in note 8 to the financial statements.

32. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

	2015	2014
	RMB'000	*RMB'000*
Financial assets		
Loans and receivables:		
Trade and bills receivables	**72,604**	70,558
Financial assets included in prepayments, deposits and other receivables	**1,182**	1,427
Cash and bank balances	**111,792**	17,532
	185,578	89,517

	2015	2014
	RMB'000	*RMB'000*
Financial liabilities		
Financial liabilities at amortised cost:		
Trade payables	**55,612**	45,636
Financial liabilities included in other payables and accruals	**10,796**	7,702
Interest-bearing bank borrowing	**15,000**	–
	81,408	53,338

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

As at 31 December 2015, the fair values of the Group's financial assets or financial liabilities approximated to their respective carrying amounts.

Management has assessed that the fair values of cash and bank balances, trade and bills receivables, trade payables, financial assets included in prepayments, deposits and other receivables, interest-bearing bank borrowing and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee periodically for annual financial reporting.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The Board of Directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

The monetary assets and transactions of the subsidiaries of the Group are principally denominated in foreign currencies, which expose the Group to foreign currency risk. The Group currently has no particular hedging vehicles to hedge its exposure to foreign exchange risk. It is the Group's policy to monitor foreign exchange exposure and to make use of appropriate hedging measures when required.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the HK$, US$ and VND exchange rates, with all other variables held constant, of the Group's profit before tax and the Group's equity.

	Increase/ (decrease) in RMB rate *%*	Increase/ (decrease) in profit before tax *RMB'000*	Increase/ (decrease) in equity* *RMB'000*
2015			
If the RMB weakens against the VND	**5**	**41**	**35**
If the RMB strengthens against the VND	**(5)**	**(41)**	**(35)**
If the RMB weakens against the US$	**5**	**7**	**6**
If the RMB strengthens against the US$	**(5)**	**(7)**	**(6)**
If the RMB weakens against the HK$	**5**	**2,938**	**2,497**
If the RMB strengthens against the HK$	**(5)**	**(2,938)**	**(2,497)**
2014			
If the RMB weakens against the VND	5	(38)	(33)
If the RMB strengthens against the VND	(5)	38	33
If the RMB weakens against the US$	5	50	42
If the RMB strengthens against the US$	(5)	(50)	(42)
If the RMB weakens against the HK$	5	203	172
If the RMB strengthens against the HK$	(5)	(203)	(172)

* Excluding retained profits

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures and cash collateral may be required. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise trade and bills receivables, cash and bank balances, deposits and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. At the end of the reporting period, the Group had certain concentrations of credit risk as 53% (2014: 65%) of the Group's trade and bills receivables were due from the Group's five largest customers.

Liquidity risk

The Group's policies are to regularly monitor the current and expected liquidity requirements, and to ensure that it maintains sufficient reserves of cash and available banking facilities to meet its liquidity requirements in short and longer term.

The maturity profile of the Group's financial liabilities as at the reporting period, based on the contractual undiscounted payments (i.e., principal and interest), was as follows:

31 December 2015

	On demand *RMB'000*	**Less than 3 months** *RMB'000*	**3 to less than 12 months** *RMB'000*	**Total** *RMB'000*
Trade payables	**55,612**	**–**	**–**	**55,612**
Financial liabilities included in other payables and accruals	**10,796**	**–**	**–**	**10,796**
Interest-bearing bank borrowing	**–**	**15,135**	**–**	**15,135**
	66,408	**15,135**	**–**	**81,543**

31 December 2014

	On demand *RMB'000*	Less than 3 months *RMB'000*	3 to less than 12 months *RMB'000*	Total *RMB'000*
Trade payables	45,636	–	–	45,636
Financial liabilities included in other payables and accruals	7,702	–	–	7,702
	53,338	–	–	53,338

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or raise new capital from its investors. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2015 and 31 December 2014.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt 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.

The gearing ratios as at the end of the reporting periods were as follows:

	2015 ***RMB'000***	2014 *RMB'000*
Interest-bearing bank borrowing	**15,000**	–
Trade payables	**55,612**	45,636
Financial liabilities included in other payables and accruals	**10,796**	7,702
Less: Cash and bank balances	**(111,792)**	(17,532)
Net debt	**(30,384)**	35,806
Total capital	**135,166**	63,890
Total capital and net debt	**104,782**	99,696
Gearing ratio	**(29%)**	36%

35. STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	As at 31 December 2015 *RMB'000*
NON-CURRENT ASSETS	
Investment in a subsidiary	**50,372**
Total non-current assets	**50,372**
CURRENT ASSETS	
Prepayments, deposits and other receivables	**58,750**
Total current assets	**58,750**
CURRENT LIABILITIES	
Other payables and accruals	**329**
Total current liabilities	**329**
NET CURRENT ASSETS	**58,421**
TOTAL ASSETS LESS CURRENT LIABILITIES	**108,793**
NET ASSETS	**108,793**
EQUITY	
Share capital	**2,397**
Reserves	**106,396**
TOTAL EQUITY	**108,793**

XIE Yang
Director

HE Xuan Xi
Director

35. STATEMENTS OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Note:

A summary of the Company's reserves is as follows:

	Share premium	Exchange fluctuation reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2015	–	–	–	–
Loss for the year	–	–	(334)	(334)
Issue of shares in the Reorganisation	45,694	–	–	45,694
Issue of shares pursuant to IPO	58,965	–	–	58,965
Share issue expenses	(1,534)	–	–	(1,534)
Exchange differences on translation of foreign operations	–	3,605	–	3,605
As at 31 December 2015	103,125	3,605	(334)	106,396

36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 21 March 2016.

FINANCIAL SUMMARY

	For the year ended 31 December		
	2013	2014	**2015**
	RMB'000	*RMB'000*	***RMB'000***
RESULTS			
Revenue	62,816	122,222	**166,985**
Profit before tax	9,745	26,607	**20,412**
Income tax expense	(1,528)	(3,895)	**(3,495)**
Profit for the year	8,217	22,712	**16,917**

	As at 31 December		
	2013	2014	**2015**
	RMB'000	*RMB'000*	***RMB'000***
ASSETS AND LIABILITIES			
Total assets	72,361	127,238	**227,072**
Total liabilities	36,886	63,348	**91,906**
Total equity	35,475	63,890	**135,166**