



GREAT WATER

GREAT WATER HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8196

First Quarterly Report 2016



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





FINANCIAL HIGHLIGHTS

For the three months ended 31 March 2016

- Based on the unaudited condensed consolidated results of the Group for the three months ended 31 March 2016 (the “**Period**”), the Group’s revenue for the Period increased to approximately RMB26,207,000, representing an increase of 94.8% as compared to approximately RMB13,451,000 for the corresponding period of last year.
- During the Period, the Group’s total gross profit increased to approximately RMB11,582,000, representing an increase of 172.6% as compared to approximately RMB4,249,000 for the corresponding period of last year.
- During the Period, the Group’s net profit increased to approximately RMB5,737,000, representing an increase of 966.4% as compared to approximately RMB538,000 for the corresponding period of last year.
- The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2016.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2016

UNAUDITED FIRST QUARTERLY RESULTS

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

	Notes	For the three months ended 31 March	
		2016 RMB'000 Unaudited	2015 RMB'000 Unaudited
REVENUE	4	26,207	13,451
Cost of Sales		(14,625)	(9,202)
Gross profit		11,582	4,249
Other income and gains	4	459	519
Selling and distribution expenses		(680)	(313)
Administrative expenses		(4,203)	(3,405)
Other expenses		–	(28)
Finance costs		(107)	–
PROFIT BEFORE TAX		7,051	1,022
Income tax expense	5	(1,314)	(484)
PROFIT FOR THE PERIOD		5,737	538
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	7	RMB0.019	RMB0.002

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2016

	Notes	For the three months ended	
		2016	2015
		RMB'000	RMB'000
		Unaudited	Unaudited
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange difference on translation of foreign operations		(494)	(78)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		(494)	(78)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		-	-
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		(494)	(78)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		5,243	460

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2016

	Share capital RMB'000	Share premium account RMB'000	Merge reserve RMB'000	Asset revaluation reserve RMB'000	Statutory surplus reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total equity RMB'000
At 1 January 2015 (audited)	-	-	34,170	9,134	2,063	(3)	18,526	63,890
Profit for the period	-	-	-	-	-	-	538	538
Other comprehensive income for the period:								
Exchange differences on translation of foreign operations	-	-	-	-	-	(78)	-	(78)
Total comprehensive income for the period	-	-	-	-	-	(78)	538	460
At 31 March 2015 (unaudited)	-	-	34,170	9,134	2,063	(81)	19,064	64,350
At 1 January 2016 (audited)	2,397	98,818	(13,830)	9,134	3,828	1,141	33,678	135,166
Profit for the period	-	-	-	-	-	-	5,737	5,737
Other comprehensive income for the period:								
Exchange differences on translation of foreign operations	-	-	-	-	-	(494)	-	(494)
Total comprehensive income for the period	-	-	-	-	-	(494)	5,737	5,243
At 31 March 2016 (unaudited)	2,397	98,818	(13,830)	9,134	3,828	647	39,415	140,409

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended 31 March 2016

1. GENERAL

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

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

2. BASIS OF PREPARATION

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

In the current period, the Group has consistently applied all the new and revised HKFRSs issued by the HKICPA that are effective for the Group’s financial year beginning on 1 January 2016. The application of these new and revised HKFRSs in the current period has had no material effect on the amounts reported in these unaudited condensed consolidated financial statements and disclosures set out in these unaudited condensed consolidated financial statements.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective in the preparation of the unaudited condensed consolidated financial statements. The Directors anticipate that the application of these new and revised HKFRSs will have no material impact on the unaudited condensed consolidated financial statements of the Group.

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended 31 March 2016

3. OPERATING SEGMENT INFORMATION

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended 31 March 2016

3. OPERATING SEGMENT INFORMATION *(continued)*

Period ended	EPC projects <i>RMB'000</i>	Construction projects <i>RMB'000</i>	Equipment projects <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
31 March 2015 (unaudited)					
Segment revenue:					
Sales to external customers	2,107	10,566	–	778	13,451
Segment results	113	3,764	–	372	4,249
<i>Reconciliation:</i>					
Interest income					8
Unallocated gains					511
Corporate and other unallocated expenses					(3,746)
Finance costs					–
Profit before tax					1,022
Other segment information:					
Depreciation and amortisation					130

Geographical information

Revenue from external customers

	For the three months ended 31 March	
	2016 <i>RMB'000</i> Unaudited	2015 <i>RMB'000</i> Unaudited
Mainland China	26,207	11,812
Vietnam	–	1,639
	26,207	13,451

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended 31 March 2016

4. REVENUE, OTHER INCOME AND GAINS

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

	For the three months ended 31 March	
	2016	2015
	RMB'000	RMB'000
	Unaudited	Unaudited
Revenue		
Income from construction contracting and related business	13	12,673
Sales of goods	25,497	–
Rendering of maintenance services	697	778
	26,207	13,451
Other income		
Bank interest income	4	8
Rental income	455	476
Exchange gains, net	–	33
Others	–	2
	459	519
	26,666	13,970

5. INCOME TAX

The statutory rate of Hong Kong profits tax was 16.5%, (2015: 16.5%) on the estimated assessable profits arising in Hong Kong. No provision for Hong Kong profits tax was made as the Group has no assessable profits arising in Hong Kong for the three months ended 31 March 2016 (2015: Nil).

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended 31 March 2016

5. INCOME TAX *(continued)*

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

	For the three months ended 31 March	
	2016 RMB'000 Unaudited	2015 RMB'000 Unaudited
Current — Elsewhere other than Hong Kong	1,314	131
Deferred	—	353
Total tax charge for the period	1,314	484

6. DIVIDENDS

The Directors did not recommend payment of any dividend for the three months ended 31 March 2016 (2015: Nil).

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

The calculation of the basic earnings per share for the three months ended 31 March 2016 is based on the profit for the period attributable to ordinary equity holders of RMB5,737,000 (2015: RMB538,000), and the weighted average number of ordinary shares in issue of 300,000,000 (2015: 225,000,000) on the assumption that the shares issued through the Reorganisation and capitalisation issue prior to the listing of the shares of the Company on GEM (the "Listing") had been in issue since 1 January 2015.

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

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.

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

As a result of the increasing domestic and overseas requirement for environmental protection in recent years, the Group has kept pace with the trend of growth of development of the environmental industry. The Group has set up an office in Shanghai in the first quarter of 2016 in order to expand the Group’s business in central and north region of the PRC.

For the three months ended 31 March 2016, the revenue of the Group increased by approximately RMB12.8 million, or 94.8% to approximately RMB26.2 million as compared to corresponding period in 2015. The increase in revenue was primarily attributable to higher contract value of Equipment Projects undertaken by the Group for the first quarter of 2016. On the other hand, the Group had recognised lower revenue from the other business segments, including EPC Projects, construction projects and others during the Period.

Profit for the period amounted to approximately RMB5.7 million, which represented an increase of approximately RMB5.2 million or 966.4% as compared to corresponding period in 2015. Such increase was mainly due to larger contract value and higher profit margin for the Equipment Projects of the Group for the first quarter of 2016.

As at 31 March 2016, 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 amounted to approximately RMB69.2 million. The Directors expect that the abovementioned uncompleted projects on hand will be fully completed before the end of 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK

As a professional environmental protection company, the Group is gradually transforming into a comprehensive environmental protection services provider. Save for the O&M Projects, the aggregate value of uncompleted projects on hand of the Group amounted to approximately RMB69.2 million as at 31 March 2016.

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 relevant 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. While the Group continues to strengthen its market position in existing business segments, the Group has also been sourcing projects relating to the above expanded business areas, and expects to secure several new projects and to commence project implementation in the second quarter of 2016. Furthermore, the Group has deployed resources 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 three months ended 31 March 2016, the Group's operating revenue amounted to RMB26,207,000, representing an increase of approximately 94.8% or RMB12,756,000 over the corresponding period in 2015.

EPC Projects and Construction Projects

For the EPC Projects, the Group assumes the role of main contractor in charge of overall project management of building a treatment plant from initiation to commissioning for a predetermined contract amount. As an EPC contractor, the Group provides engineering design of the treatment facilities, 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 three months ended 31 March 2016, the revenue from EPC Projects relating to wastewater and drinking water treatment projects under construction and related business was approximately RMB13,000 (2015: approximately RMB2,107,000), representing a decrease of approximately 99.4% or RMB2,094,000 as compared to the corresponding period in 2015. The revenue from EPC Project in the first quarter of 2016 was primarily attributable to a small sized drinking water treatment project. Meanwhile, those signed and uncompleted EPC Projects brought forward from the end of 2015 with higher contract value were still in the preliminary stage of implementation and no revenue was recognised in the first quarter of 2016.

— *Revenue relating to construction projects*

For the three months ended 31 March 2016, there was no revenue being generated from construction project segment (2015: approximately RMB10,566,000). The decrease in revenue was mainly because there was no construction project being brought forward from 2015 and no new construction project was obtained during the first quarter of 2016. The revenue in corresponding period last year was generated from a soil remediation project on a polluted land in Guangzhou, the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS

Equipment Projects

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

For the three months ended 31 March 2016, the revenue from Equipment Projects segment amounted to approximately RMB25,497,000 (2015: Nil). The revenue from Equipment Projects for the first quarter of 2016 was contributed by two large scale contracts with total contract amount of approximately RMB76.8 million.

Others

The revenue under the other segment included those attributable to O&M Projects and technical advisory services. As at 31 March 2016, the Group had one wastewater treatment O&M Project and four drinking water treatment O&M Projects on hand.

For the three months ended 31 March 2016, the income from rendering maintenance services amounted to approximately RMB697,000 (2015: approximately RMB778,000), representing a decrease of approximately 10.4% or approximately RMB81,000 as compared to the corresponding period in 2015. The decrease was mainly because no revenue was generated from technical advisory projects in the first quarter of 2016, whilst the Group had two technical advisory projects with revenue contribution of approximately RMB99,000 in corresponding period of 2015.

Other income and gains

For the three months ended 31 March 2016, other income and gains amounted to approximately RMB459,000 (2015: approximately RMB519,000), representing a decrease of approximately 11.6% or approximately RMB60,000 as compared to the corresponding period in 2015. The decrease was mainly due to the decrease in rental income by approximately RMB21,000 and recognition of nil net exchange gain for the first quarter of 2016 (2015: net exchange gain of RMB33,000).

Cost of sales

For the three months ended 31 March 2016, the cost of sales of the Group amounted to approximately RMB14,625,000 (2015: approximately RMB9,202,000), representing an increase of approximately 58.9% or approximately RMB5,423,000 as compared to the corresponding period in 2015. 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 for Equipment Projects.

The material costs significantly increased from RMB881,000 in 2015 to approximately RMB14,244,000 for the three months ended 31 March 2016. The increase was due to the higher aggregate contract value of Equipment Projects in the first quarter of 2016.

The cost of subcontracting decreased from approximately RMB7,295,000 for the three months ended 31 March 2015 to approximately RMB2,000 for the corresponding period in 2016, as the Group only completed and recognised revenue from a small sized EPC Project whilst other EPC Projects on hand with higher contract value were still in the preliminary stage of implementation during the first quarter of 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross profit

For the three months ended 31 March 2016, the Group achieved gross profit of approximately RMB11,582,000 (2015: approximately RMB4,249,000), representing an increase of approximately 172.6% or approximately RMB7,333,000 as compared to the corresponding period in 2015. The increase in gross profit of the Group was mainly due to higher revenue and gross profit margin generated from Equipment Projects as compared to corresponding period in 2015.

Selling and distribution expenses

For the three months ended 31 March 2016, selling and distribution expenses of the Group amounted to approximately RMB680,000 (2015: approximately RMB313,000), representing an increase of approximately 117.3% or approximately RMB367,000 as compared to the corresponding period in 2015. The increase was mainly due to the increase in repair and maintenance fees of approximately RMB369,000 for those completed EPC Projects and Equipment Projects in previous years under retention period during the Period.

Administrative expenses

For the three months ended 31 March 2016, the administrative expenses of the Group amounted to approximately RMB4,203,000 (2015: approximately RMB3,405,000), representing an increase of approximately 23.4% or approximately RMB798,000 compared to the corresponding period in 2015. The increase in the administrative expenses was mainly attributed to the increase in salaries and employee benefit of approximately RMB839,000 resulting from the pay rise for staff and increase in headcount for the office newly set up in Shanghai.

Profit for the period

For the three months ended 31 March 2016, the profit for the period amounted to approximately RMB5,737,000 (2015: RMB538,000), representing an increase of approximately RMB5,199,000 or 966.4% compared to the corresponding period in 2015. The increase was mainly due to larger contract scale and higher gross profit margin for the Equipment Projects of the Group for the first quarter of 2016.

DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the three months ended 31 March 2016 (2015: nil), in order to cope with the future business development of the Group.

CORPORATE GOVERNANCE PRACTICES

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

MANAGEMENT DISCUSSION AND ANALYSIS

Currently, Mr. Xie Yang (“**Mr. Xie**”) is the chairman of the Board and chief executive officer of the Company. In accordance with provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual and their respective responsibilities should be clearly defined in writing. With extensive experience in the wastewater and 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.

DIRECTORS’ INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

INTERESTS OF THE COMPLIANCE ADVISER

As at 31 March 2016, as notified by the Company’s compliance adviser, Shenwan Hongyuan Capital (H.K.) Limited (the “**Compliance Adviser**”), except for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 24 November 2015, neither the Compliance Adviser nor its directors, employees or its close associates (as defined under the GEM Listing Rules) had any interests in relation to the Company which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

COMPETING INTERESTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

As at 31 March 2016, the interests and short positions of the Directors and chief executive of the Company in the ordinary shares (the “**Shares**”), underlying Shares and debentures of the Company or any of its associated corporations (as defined in Part XV of the Securities and Future Ordinance (Chapter 571 of the laws of Hong Kong) (the “**SFO**”)) which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or required to be entered in the register of the Company pursuant to section 352 of the SFO, or required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Long positions in Shares

Name of director	Number of ordinary shares			Number of ordinary Shares held (Note 1)	Approximate percentage of interest
	Personal interest	Family interest	Interest of controlled corporation		
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 March 2016, none of the Directors and chief executive of the Company had any interest or short position in the Shares, underlying shares and debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or required to be entered in the register of the Company pursuant to section 352 of the SFO, or required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

MANAGEMENT DISCUSSION AND ANALYSIS

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

As at 31 March 2016, so far as the Directors are aware, the interests or short positions owned by the following persons (other than the Directors or Chief Executive of the Company) in the Shares or underlying Shares of the Company which are required to be notified to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO or which are required to be recorded in the register of the Company required to be kept under section 336 of the SFO are as follows:

Long positions in the Shares

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

Notes:

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

MANAGEMENT DISCUSSION AND ANALYSIS

Save as disclosed above, as at 31 March 2016, the Directors are not aware of any interests or short positions owned by any persons (other than the Directors or Chief Executive of the Company) in the Shares or underlying Shares of the Company which were required to be disclosed under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors, its employees, and the directors and employees of its subsidiaries and holding companies, who may likely possess inside information on the Company or its securities, on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiry of all the Directors and the Company was not aware of any non-compliance with the required standard of dealings regarding securities transactions by the Directors during the Period.

REVIEW OF FINANCIAL STATEMENT

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

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the three months ended 31 March 2016 and this report, and is of the view that such results and the quarterly report complied with the applicable accounting standards, the GEM Listing Rules and other applicable legal requirements, and that adequate disclosure has been made. The Audit Committee has also reviewed the effectiveness of the internal control system of the Group.

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

Guangzhou, the PRC, 9 May 2016

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