GREAT WATER HOLDINGS LIMITED
建禹集團控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8196)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2018

- Based on the unaudited condensed consolidated results of the Group for the six months ended 30 June 2018 (the "**Period**"), the Group's revenue for the Period amounted to approximately RMB95,834,000, representing a decrease of approximately 12.9% as compared to approximately RMB109,965,000 for the corresponding period in 2017.

- During the Period, the Group's total gross profit was approximately RMB26,923,000, representing a decrease of approximately 13.7% as compared to approximately RMB31,187,000 for the corresponding period in 2017.

- During the Period, the Group's profit attributable to ordinary equity holders was approximately RMB15,256,000, representing a decrease of approximately 7.2% as compared to approximately RMB16,433,000 for the corresponding period in 2017.

- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2018.

UNAUDITED INTERIM RESULTS

The board of directors (the "**Board**") of the Company is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 June 2018 together with the comparative unaudited figures for the corresponding period in 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

		For the three months ended 30 June		For the six months ended 30 June	
		2018	2017	**2018**	2017
	Notes	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
		Unaudited	Unaudited	**Unaudited**	Unaudited
REVENUE	*4*	**47,130**	52,093	**95,834**	109,965
Cost of Sales		**(33,298)**	(36,550)	**(68,911)**	(78,778)
Gross profit		**13,832**	15,543	**26,923**	31,187
Other income and gains	*4*	**2,705**	3,585	**6,222**	4,137
Selling and distribution expenses		**(864)**	(742)	**(2,101)**	(1,432)
Administrative expenses		**(5,023)**	(5,923)	**(11,806)**	(13,464)
Finance costs	*6*	**(767)**	(483)	**(1,532)**	(962)
PROFIT BEFORE TAX		**9,883**	11,980	**17,706**	19,466
Income tax expense	*7*	**(1,089)**	(1,432)	**(2,597)**	(3,033)
PROFIT FOR THE PERIOD		**8,794**	10,548	**15,109**	16,433
Attributable to:					
Owners of parent		**8,878**	10,548	**15,256**	16,433
Non-controlling interests		**(84)**	–	**(147)**	–
		8,794	10,548	**15,109**	16,433
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT					
Basic and diluted	*9*	**RMB0.030**	RMB0.035	**RMB0.051**	RMB0.055

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Continued)

For the six months ended 30 June 2018

		For the three months ended 30 June		For the six months ended 30 June	
		2018	2017	**2018**	2017
	Notes	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
		Unaudited	Unaudited	**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		**2,379**	(1,113)	**432**	(1,609)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**2,379**	(1,113)	**432**	(1,609)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**2,379**	(1,113)	**432**	(1,609)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**11,173**	9,435	**15,541**	14,824
Attributable to:					
Owners of parent		**11,257**	9,435	**15,688**	14,824
Non-controlling interests		**(84)**	–	**(147)**	–
		11,173	9,435	**15,541**	14,824

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2018

	Notes	**30 June 2018 *RMB'000* Unaudited**	31 December 2017 *RMB'000* Audited
NON-CURRENT ASSETS			
Property, plant and equipment		**57,706**	61,265
Investment properties		**23,350**	23,350
Prepaid land lease payments		**529**	541
Intangible asset		**3,500**	–
Total non-current assets		**84,455**	85,156
CURRENT ASSETS			
Inventories		**28**	26
Gross amount due from contract customers		**71,562**	56,502
Trade and bills receivables	*10*	**192,753**	155,774
Prepayments, deposits and other receivables		**35,570**	30,544
Pledge deposits		**5,078**	5,869
Cash and bank balances		**74,128**	108,086
Total current assets		**379,119**	356,801
CURRENT LIABILITIES			
Trade payables	*11*	**116,854**	108,628
Other payables and accruals		**49,689**	45,794
Interest-bearing bank borrowing		**40,000**	40,000
Tax payable		**2,207**	7,258
Total current liabilities		**208,750**	201,680
NET CURRENT ASSETS		**170,369**	155,121
TOTAL ASSETS LESS CURRENT LIABILITIES		**254,824**	240,277
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**5,003**	5,003
Interest-bearing bank borrowing		**18,896**	19,890
Total non-current liabilities		**23,899**	24,893
Net assets		**230,925**	215,384
EQUITY			
Share capital		**2,397**	2,397
Reserves		**228,739**	213,051
		231,136	215,448
Non-controlling interests		**(211)**	(64)
Total equity		**230,925**	215,384

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

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

	Share capital *RMB'000*	**Share premium account** *RMB'000*	**Merge reserve** *RMB'000*	**Asset revaluation reserve** *RMB'000*	**Statutory surplus reserve** *RMB'000*	**Exchange fluctuation reserve** *RMB'000*	**Retained profits** *RMB'000*	**Total** *RMB'000*	**Non-controlling interest** *RMB'000*	**Total equity** *RMB'000*
At 1 January 2018 (audited)	**2,397**	**98,818**	**(13,830)**	**9,134**	**13,192**	**1,388**	**104,349**	**215,488**	**(64)**	**215,384**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**15,256**	**15,256**	**(147)**	**15,109**
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**432**	**–**	**432**	**–**	**432**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**432**	**15,256**	**15,688**	**(147)**	**15,541**
At 30 June 2018 (unaudited)	**2,397**	**98,818**	**(13,830)**	**9,134**	**13,192**	**1,820**	**119,605**	**231,136**	**(211)**	**230,925**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Net cash (used in)/from operating activities	**(32,157)**	5,045
Net cash from/(used in) investing activities	**293**	(19,130)
Net cash used in financing activities	**(2,526)**	(962)
Net decrease in cash and cash equivalents	**(34,390)**	(15,047)
Cash and cash equivalents at beginning of period	**108,086**	124,971
Effect of foreign exchanges, net	**432**	(1,609)
Cash and cash equivalents at end of period	**74,128**	108,315
Analysis of the balances of cash and cash equivalents:		
Cash and bank balances as stated in the condensed consolidated statement of financial position	**74,128**	108,315
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	**74,128**	108,315

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
For the six months ended 30 June 2018

1. GENERAL

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

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

2. BASIS OF PREPARATION

The Group's interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and with the applicable disclosure requirements of the GEM Listing Rules.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2017.

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

3. OPERATING SEGMENT INFORMATION

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

(a) the engineering, procurement and construction projects ("**EPC Projects**") segment comprises projects in which an enterprise is commissioned by a customer to act as a general contractor to take care of the overall design, procurement and construction of water or wastewater treatment facilities pursuant to the contract and be responsible for the quality, safety, time control and pricing of the project;

(b) the construction projects ("**Construction Projects**") segment represents construction projects other than EPC Projects;

(c) the equipment projects ("**Equipment Projects**") segment comprises projects in which an enterprise is engaged by a customer for procurement of necessary materials, equipment and machinery, installation, testing and commissioning of the equipment and machinery for the treatment facilities as well as provision of technical consulting services to upgrade or optimise the design of the water or wastewater treatment facilities pursuant to the contract; and

(d) the other projects ("**Others**") segment comprises, principally, the Group's operation and maintenance services in which an enterprise of the Group is retained to operate and maintain water or wastewater treatment facilities for a certain period for certain operation and maintenance fees 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.

The unaudited segment results for the six months ended 30 June 2018 are as follows:

	EPC Projects *RMB'000*	**Construction Projects** *RMB'000*	**Equipment Projects** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
Segment revenue:					
Sales to external customers	**28,141**	**11,991**	**54,138**	**1,564**	**95,834**
Segment results	**3,709**	**4,151**	**18,424**	**639**	**26,923**
Reconciliation:					
Interest income					**64**
Unallocated gains					**6,158**
Corporate and other unallocated expenses					**(13,907)**
Finance costs					**(1,532)**
Profit before tax					**17,706**

The unaudited segment results for the six months ended 30 June 2017 are as follows:

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

The unaudited segment asset and liabilities at 30 June 2018 are as follows:

	EPC Projects *RMB'000*	Construction Projects *RMB'000*	Equipment Projects *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment assets	**84,933**	**36,420**	**162,199**	**4,139**	**287,691**
Reconciliation:					
Corporate and other unallocated assets					**175,883**
Total assets					**463,574**
Segment liabilities	**34,967**	**19,129**	**68,103**	**15**	**122,214**
Reconciliation:					
Corporate and other unallocated liabilities					**110,435**
Total liabilities					**232,649**

The audited segment asset and liabilities at 31 December 2017 are as follows:

	EPC Projects *RMB'000*	Construction Projects *RMB'000*	Equipment Projects *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment assets	83,387	37,345	113,819	4,694	239,245
Reconciliation:					
Corporate and other unallocated assets					202,712
Total assets					441,957
Segment liabilities	47,184	10,193	55,886	26	113,289
Reconciliation:					
Corporate and other unallocated liabilities					113,284
Total liabilities					226,573

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts; an appropriate proportion of contract revenue of construction contracts; the value of services rendered; and rental income received and receivable from investment properties during the relevant periods.

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

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	Unaudited	Audited
Revenue		
Income from construction contracting and related business	**40,132**	40,931
Sales of goods	**54,138**	63,617
Rendering of maintenance services	**1,564**	5,417
	95,834	109,965
Other income		
Bank interest income	**64**	76
Rental income	**3,776**	731
Government grants	**306**	3,330
	4,146	4,137
Gains		
Gain on disposal of items of property, plant and equipment	**2,076**	–
	6,222	4,137

5. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Cost of inventories sold	**57,219**	57,641
Cost of construction contracting	**6,362**	19,322
Cost of services provided	**5,330**	1,815
Depreciation	**1,848**	571
Amortisation of land lease payments	**26**	35
Auditors' remuneration	**650**	449
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	**6,749**	7,443
Pension scheme contributions	**876**	456
Other welfare	**288**	752
	7,913	8,651
Foreign exchange differences, net	**(279)**	466
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	**145**	157
Bank interest income*	**(64)**	(76)
Gain on disposal of items of property, plant and equipment*	**(2,076)**	–

* Gains are included in "Other income and gains" and the losses are included in "Other expenses", as appropriate, in the consolidated statement of profit or loss and other comprehensive income.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Interest on bank loans	**1,532**	962

7. INCOME TAX

The statutory rate of Hong Kong profits tax was 16.5%, (2017: 16.5%) on the estimated assessable profits arising in Hong Kong. No provision for Hong Kong profits tax was made as the Group has no assessable profits arising in Hong Kong for the six months ended 30 June 2018 (2017: Nil).

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

Pursuant to the PRC Income Tax Law and the respective regulations, the subsidiary which operates in the People's Republic of China (the "**Mainland China**" or the "**PRC**") is subject to Corporate Income Tax at a rate of 25% on the taxable income. Preferential tax treatment is available to the Group's principal operating subsidiary, Guangzhou Great Water Environmental Protection Co., Ltd., since it was recognised as a High and New Technology Enterprise in Mainland China and a lower PRC corporate income tax rate of 15% had been applied during the period ended 30 June 2018 and 2017.

Pursuant to the Vietnam Income Tax Law and the respective regulations, the subsidiary which operates in Vietnam is subject to Corporate Income Tax at a rate of 20% on the taxable income.

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Current — Elsewhere other than Hong Kong	**2,597**	3,033
Deferred	**–**	–
Total tax charge for the period	**2,597**	3,033

8. DIVIDENDS

The Directors does not recommend payment of any dividend for the six months ended 30 June 2018 (2017: Nil).

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

The calculation of the basic earnings per share for the six months ended 30 June 2018 is based on the profit for the period attributable to ordinary equity holders of RMB15,256,000 (2017: RMB16,433,000), and the weighted average number of ordinary shares in issue of 300,000,000 (2017: 300,000,000).

No adjustment has been made to the basic earnings per share amounts presented for the period ended 30 June 2018 and 2017 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during these periods.

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

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic/diluted earnings per share calculation:	**15,526**	16,433

	Number of shares	
	2018	2017
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic/diluted earnings per share calculation	**300,000,000**	300,000,000

10. TRADE AND BILLS RECEIVABLES

	As at 30 June 2018	As at 31 December 2017
	RMB'000	*RMB'000*
	Unaudited	Audited
Trade receivables	**192,753**	155,774
Bills receivable	**–**	–
	192,753	155,774

Trade receivables represented the outstanding contracted value for the sale of goods, construction contracts and rendering of services receivable from the customers at each of the reporting dates. The Group's trading terms with its customers are mainly on credit. Tax invoices are issued to the customers based on agreed schedules and the Group's trade receivables are subject to various credit terms. The credit period granted to the customers is 30 days from the date of issuing tax invoice, extending up to the date of final acceptance of the whole projects for certain customers. For retention monies receivable in respect of construction work carried out by the Group, the due dates are usually one year after the completion of the construction work. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise the credit risk. Overdue balances are reviewed regularly by senior management. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. The Group does not hold any collateral or other credit enhancements over these balances. Trade receivables are non-interest-bearing.

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:

	As at 30 June 2018 *RMB'000* **Unaudited**	As at 31 December 2017 *RMB'000* Audited
Within one month	**44,923**	44,132
One to three months	**1,388**	670
Three months to one year	**92,249**	83,536
One to two years	**42,611**	7,657
Two to three years	**10,960**	1,843
	192,131	137,838
Retention monies receivable	**622**	17,936
	192,753	155,774

11. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the transaction date, is as follows:

	As at 30 June 2018 *RMB'000* **Unaudited**	As at 31 December 2017 *RMB'000* Audited
Within one month	**32,577**	12,649
One to three months	**1,089**	6,763
Three months to one year	**54,450**	61,521
Over one year	**28,738**	27,695
	116,854	108,628

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

12. OPERATING LEASE ARRANGEMENTS

(a) As lessor

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

At 30 June 2018, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	As at 30 June 2018 *RMB'000* **Unaudited**	As at 31 December 2017 *RMB'000* Audited
Within one year	**1,862**	5,857
In the second to fifth years, inclusive	**7,449**	7,229
After five years	**931**	2,039
	10,242	15,125

(b) As lessee

The Group leases certain of its office properties in Vietnam under operating lease arrangements. These leases for the properties are negotiated for a term of one to two years.

At 30 June 2018, the Group had total future minimum lease payments under the non-cancellable operating lease falling due as follows:

	As at 30 June 2018 *RMB'000* **Unaudited**	As at 31 December 2017 *RMB'000* Audited
Within one year	**44**	56
In the second to fifth years, inclusive	**–**	–
	44	56

13. COMMITMENTS

In addition to the operating lease commitments detailed in note 12(b) above, the Group had the following commitments at the end of the reporting period:

	As at 30 June 2018 *RMB'000* **Unaudited**	As at 31 December 2017 *RMB'000* Audited
Contracted, but not provided for:		
Purchases of items of equipment for projects	**19,767**	102,399
Capital contributions payable to a joint venture company	**46,000**	46,000
	65,767	148,399

14. RELATED PARTY TRANSACTIONS

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

	As at 30 June 2018 *RMB'000* **Unaudited**	As at 31 December 2017 *RMB'000* Audited
Mr. Xie Yang	**63**	926
Mr. He Xuan Xi	**21**	47
Ms. Gong Lan Lan	**49**	104
Mr. Song Xiao Xing	**49**	104
Mr. Tse Chi Wai	**49**	104
Mr. Ha Cheng Yong	**49**	104
Ms. Bai Shuang	**49**	104
	329	1,493

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

	For the six months ended 30 June	
	2018 *RMB'000* **Unaudited**	2017 *RMB'000* Unaudited
Short term employee benefits	**739**	1,711

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a provider of wastewater and drinking water treatment engineering services in the People's Republic of China (the "**PRC**"). The main business of the Group is the provision of engineering services for wastewater and drinking water treatment facilities. The Group acts either as the contractor, who is responsible for the whole project from launch to final operational management ("**EPC Projects**"), or as the equipment contractor, who is responsible for providing technical advice and equipment procurement services for the project ("**Equipment Projects**"). The Group is also engaged in other environmental protection projects ("**Other Environmental Protection Projects**"), provision of operating and maintenance services ("**O&M Projects**") for the customers in connection with the management of waste water treatment and drinking water treatment facilities, as well as consultation services in relation to the improvement of wastewater and drinking water treatment facilities of various constructions.

In the first half of 2018, the Group continued to proactively expand the environmental protection engineering services and operation businesses. As a result of the effect of market adjustment in the environmental protection market, the Group's revenue and profit attributable to ordinary equity holders for the first half of 2018 slightly decreased as compared to the corresponding period of last year.

For the six months ended 30 June 2018, the revenue of the Group decreased by approximately RMB14,131,000, or 12.9% to approximately RMB95,834,000 as compared to the corresponding period in 2017. For the six months ended 30 June 2018, the Group's revenue primarily consists of approximately RMB28,141,000 in revenue from EPC Projects, approximately RMB11,991,000 in revenue from construction project ("**Construction Projects**"), and approximately RMB54,138,000 in revenue from Equipment Projects. In comparison, approximately RMB16,626,000 in revenue from EPC Projects, approximately RMB24,305,000 in revenue from Construction Projects, and approximately RMB63,617,000 in revenue from Equipment Projects was recognized in the corresponding period in 2017, representing a decrease in revenue for both Construction Projects and Equipment Projects for the six months ended 30 June 2018.

Profit attributable to ordinary equity holders for the six months ended 30 June 2018 amounted to approximately RMB15,256,000, comparable with that for the corresponding period in 2017 with a decrease of approximately RMB1,177,000 or 7.2%.

As at 30 June 2018, save for O&M Projects, the Group had the following uncompleted projects on hand: (i) 4 EPC Projects; and (ii) 9 Equipment Projects, with an aggregate contract value of approximately RMB93.3 million. The Directors expect that the abovementioned uncompleted projects on hand will be fully completed by the end of 2019.

OUTLOOK

In recent years, the PRC government has been continually strengthening the regulation on the environmental protection. Since 2018, Ecological Civilisation has been written into the Constitution Law, and the Environmental Protection Tax Law and the implementation rules have been enforced at the same time. The Ministry of Ecology and Environment has been set up and the first batch of "Revisit and Inspection" has been fully implemented by the Central Environmental Protection Inspection Team etc. The aforesaid actions further demonstrate the PRC government's determination and attitude towards environmental protection.

Besides, the central government and local governments successively introduced various normative documents for the Public-Private Partnership Projects ("**PPP Projects**") since 2017. PPP project operations faced more stringent pre-projects supervisions, project interim supervision, and post-project audit and supervision. In addition, relevant policies of "Deleveraging" and "Tightened regulation" in the financial sector of China since 2017, resulting in the environmental protection market, which mainly including PPP Projects as its activities, being seriously impacted. The environmental investment which focused on heavy assets investments also faced the problem of capital shortage. Since this year, there has been different degree of bearish news in respect of the listed environmental protection enterprises in PRC.

As a considerable part of the Group's business were industrial environmental protection, the Group has been less affected. However, due to the various reasons mentioned above, different degree of delays of various projects have occurred, the Group therefore recorded a slight decrease in its results for the first half year of 2018 as compared to the corresponding period of last year.

Under the current operating environment, the Group planned to continue consolidating its market position of its current business sectors in the South China and actively developing its markets in both Central and East China, and to deploy more resources to the environmental protection and its peripheral business as well as its customers which are a relatively steady sector in current situation. The overall development of the Company can be boosted through business development. At the same time, the control on business risk shall be further improved, and the implementation of more secure measures and means in the control of capital flow shall be considered so as to effectively safeguard the interest of the Group.

Furthermore, the Group is committing more resources to research and development for the continuous enhancement of its existing environmental protection technologies and the research and development of more advanced environmental protection technologies to meet market demand in the future. The Group is of the view that the Group's sustainable competitiveness in the environmental protection industry would be maintained by continuous investment on research and development, and its achievements on newer innovations.

In conclusion, the Group considered that the environment protection market in China has entered a new era in which the market has been expanding with increasingly stringent regulatory measures and significantly higher risk as compared to the past few years. In the current situation, continuously exploring the market, providing more comprehensive and efficient services and strengthening the connection with quality customers, meanwhile, improving the risk control, adopting more secure measures for cash flow control will become main business strategies of the Company going forward.

FINANCIAL REVIEW

Operating revenue

For the six months ended 30 June 2018, the Group's operating revenue amounted to approximately RMB95,834,000, representing a decrease of approximately 12.9% or RMB14,131,000 as compared to the corresponding period in 2017.

EPC Projects and Construction Projects

For the EPC Projects, the Group assumes the role of main contractor in charge of overall project management of building a treatment plant from initiation to commissioning for a predetermined contract amount. As an EPC contractor, the Group provides engineering design of the treatment facilities, procures necessary materials and appoints sub-contractors to build the facilities. The Group also engages in construction projects related to other environmental protection areas (such as soil remediation project and flue gas treatment project, involving the provision of engineering and procurement services for the project owner).

— *Revenue relating to EPC Projects*

For the six months ended 30 June 2018, the revenue generated from EPC Projects relating to wastewater and drinking water treatment projects under construction and related business was approximately RMB28,141,000 (2017: approximately RMB16,626,000), representing an increase of approximately 69.3% or RMB11,515,000 over the corresponding period in 2017. The increase in revenue from EPC Projects in the first half of 2018 was primarily attributable to the recognition of revenue of approximately RMB26,223,000 in revenue from a large-size EPC Project. The rest of the revenue, in the amount of approximately RMB1,918,000, was from another small-size EPC Project. In contrast, the revenue from EPC Projects for the corresponding period last year was derived from one large-size EPC Project in the amount of approximately RMB10,164,000 and five other EPC Projects in the amount of approximately RMB6,462,000.

— *Revenue relating to Construction Projects*

For the six months ended 30 June 2018, the revenue generated from Construction Projects was approximately RMB11,991,000 (2017: approximately RMB24,305,000), representing a decrease of approximately 50.7% or RMB12,314,000 over the corresponding period in 2017. The decrease in revenue from Construction Projects in the first half of 2018 was primarily attributable to the recognition of revenue of approximately RMB11,991,000 in revenue from two Construction Projects. In contrast, the revenue from Construction Projects for the corresponding period last year was derived from one large-size Construction Project in the amount of approximately RMB21,406,000 and another three Construction Projects in the amount of approximately RMB2,899,000.

Equipment Projects

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

For the six months ended 30 June 2018, the revenue generated from Equipment Projects amounted to approximately RMB54,138,000 (2017: approximately RMB63,617,000), representing a decrease of approximately 14.9% or RMB9,479,000 compared to the corresponding period in 2017. The decrease in revenue from EPC Projects in the first half of 2018 was primarily attributable to the recognition of revenue of approximately RMB34,410,000 in revenue from two large-size Equipment Projects. The rest of the revenue, in the amount of approximately RMB19,728,000, was from another eight Equipment Projects. In contrast, the revenue from Equipment Projects for the corresponding period last year was derived from two waste water facility projects in the amount of approximately RMB57,998,000 and another four Equipment Projects in the amount of approximately RMB5,619,000.

Others

The revenue under the other segment included revenue attributable to O&M Projects and technical advisory services. As at 30 June 2018, the Group had one wastewater treatment O&M Project and four drinking water treatment O&M Projects on hand.

For the six months ended 30 June 2018, the revenue generated from the rendering of maintenance services amounted to approximately RMB1,564,000 (2017: approximately RMB5,417,000), representing a decrease of approximately 71.1% or RMB3,853,000 as compared to the corresponding period in 2017. The decrease was primarily attributable to (i) only one technical advisory project in the first half of 2018 with revenue contribution of approximately RMB94,000 as compared to three technical advisory projects approximately RMB3,765,000 in the corresponding period in 2017; and (ii) O&M projects which contributed approximately RMB1,470,000 in revenue in the first half of 2018, representing a decrease of approximately RMB182,000 as compared to the corresponding period of last year.

Other income and gains

For the six months ended 30 June 2018, other income and gains amounted to approximately RMB6,222,000 (2017: approximately RMB4,137,000), representing an increase of approximately 50.4% or approximately RMB2,085,000 as compared to the corresponding period in 2017. The increase was attributable to (i) a rental income (net of cost) from construction equipment of approximately RMB3,023,000 (2017: nil); and (ii) gain on disposal of items of property, plant and equipment of approximately RMB2,076,000 (2017: nil). The above increase which was partly being set off by the decrease in government grants for approximately RMB3,045,000 in the Period.

Cost of sales

For the six months ended 30 June 2018, the cost of sales of the Group amounted to approximately RMB68,911,000 (2017: approximately RMB78,778,000), representing a decrease of approximately 12.5% or approximately RMB9,867,000 compared to the corresponding period in 2017.

The decrease in cost of sales was mainly due to the decreased operating revenue. The subcontracting costs decreased to approximately RMB6,362,000 for the six months ended 30 June 2018 from approximately RMB19,322,000 for the corresponding period in 2017. The material costs decreased to approximately RMB57,219,000 for the six months ended 30 June 2018 from approximately RMB57,641,000 for the corresponding period in 2017, representing a decrease of approximately 0.7% or approximately RMB422,000 over the corresponding period in 2017.

Gross profit

For the six months ended 30 June 2018, the Group achieved gross profit of approximately RMB26,923,000 (2017: approximately RMB31,187,000), representing a decrease of approximately 13.7% or approximately RMB4,264,000 as compared to the corresponding period in 2017. The decrease in gross profit of the Group was mainly due to the fact that the revenue in the first half of 2018 decreased by approximately 12.9% as compared to the corresponding period of last year.

Selling and distribution expenses

For the six months ended 30 June 2018, the selling and distribution expenses of the Group amounted to approximately RMB2,101,000 (2017: approximately RMB1,432,000), representing an increase of approximately 46.7% or approximately RMB669,000 compared to the corresponding period in 2017. The increase in the selling and distribution expenses was mainly attributed to the reclassification of in salaries and employee benefit of approximately RMB679,000 due to some staff reallocation from various departments to sales department in 2018 and those costs used to be recorded in administrative expenses.

Administrative expenses

For the six months ended 30 June 2018, the administrative expenses of the Group amounted to approximately RMB11,806,000 (2017: approximately RMB13,464,000), representing a decrease of approximately 12.3% or approximately RMB1,658,000 compared to the corresponding period in 2017. The decrease in the administrative expenses was mainly attributed to the decrease of staff bonus being paid of approximately RMB899,000 and some staff reallocation from various departments to sales department for approximately RMB679,000 as mentioned in the paragraph headed “Selling and distribution expenses” above.

Profit for the Period

Profit for the Period amounted to approximately RMB15,109,000 (2017: RMB16,433,000), representing a decrease of approximately RMB1,324,000 or 8.1% as compared to the corresponding period in 2017.

DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2018 (2017: nil), in order to cope with the future business development of the Group.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

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

As at 30 June 2018, the total equity attributable to the Company's shareholders (the "**Shareholders**") was approximately RMB231,136,000 (31 December 2017: approximately RMB215,448,000). The Group continued to maintain a strong financial position with cash and cash equivalents amounting to approximately RMB74,128,000 (31 December 2017: approximately RMB108,086,000). The Group's net current asset was approximately RMB170,369,000 (31 December 2017: approximately RMB155,121,000). Based on the Group's existing cash and cash equivalents on hand and bank facilities available to the Group, the Group has adequate financial resources to fund the working capital required for its operation in the coming year. There was no hedging through any financial instruments.

During the six months ended 30 June 2018, the Group's cash and cash equivalents were mainly denominated in RMB, Hong Kong dollar and United States dollar and were placed in reputable financial institutions as deposits with maturity dates falling within one year. This is in line with the Group's treasury policy to maintain liquidity of its funds and whilst continue to contribute stable income to the Group.

As at 30 June 2018, the Group had general banking facilities amounting to RMB98,896,000. The total borrowing from the banking facilities of the Group as at 30 June 2018 amounted to RMB58,896,000 (31 December 2017: RMB59,890,000). The borrowing is due within one year and the interest rate is variable subject to the People's Bank of China benchmark interest rate. The banking facilities were pledged by the Group's buildings. For details of the pledged assets, please refer to the section headed "Charges on the Group's Assets" below.

GEARING RATIO

As at 30 June 2018, the Group's gearing ratio (being the net debt of the Group divided by its total capital plus net debt) was 39% (31 December 2017: 32%). Net debt of the Group includes interest-bearing bank borrowing, trade payables and other payables and accruals, less cash and bank balances. Capital represents equity attributable to owners of the Company.

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

The Group formed a joint venture company ("**JV Company**") (together with its subsidiary, the "**JV Group**") with Best Well Ventures Limited ("**Best Well**"), an independent third party, in the fourth quarter of 2016. The JV Group with a total capital commitment of RMB50,000,000 (the "**Capital Commitment**") were formed to develop and promote business in the hazardous wastes treatment industry in the PRC pursuant to its shareholders' agreement. Upon establishment of the JV Company in December 2016, Strong Wave Group Limited, a direct wholly-owned subsidiary of the Company, and Best Well held 92% and 8% equity interests in the JV Company, respectively. For details of the formation and management of the JV Group, please refer to the announcement of the Company dated 30 September 2016.

On 18 January 2017, the Group entered into six sale and purchase agreements with an independent third party to acquire a total of six units of properties with a total saleable floor area of 815.54 square metres each at the addresses of 2801 to 2803, 2805 to 2807 on the 28th floor of Shanghai International Commerce Centre (上海城開國際商業中心), located at No. 166 Min Hong Road, Minghang Qu, Shanghai, the PRC (the "**Properties**"), at an aggregate consideration of RMB40,000,000 (excluding tax)(equivalent to approximately HK$44,444,000). The acquisition of the Properties was completed on 18 January 2017. The Properties are intended to serve as office space for the JV Group. For details of the acquisition of the Properties, please refer to the announcement of the Company dated 18 January 2017.

Save as disclosed above, there were no other significant investments held by the Group as at 30 June 2018.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies during the period ended 30 June 2018.

COMMITMENTS

The contractual operating commitments of the Group were primarily related to the purchases of items of equipment for projects. As at 30 June 2018, the Group's contractual operating commitments amounted to approximately RMB19,767,000 (31 December 2017: approximately RMB102,399,000).

As at 30 June 2018, the Group's capital commitment amounted to approximately RMB46,000,000 (31 December 2017: approximately RMB46,000,000).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

CONTINGENT LIABILITIES

As at 30 June 2018, the Group did not have material contingent liabilities.

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2018 and 31 December 2017, the Group's buildings, with net carrying amount of RMB45,885,000 and RMB46,916,000, respectively, were pledged to secure certain general banking facilities granted to the Group.

As at 30 June 2018 and 31 December 2017, the Group's investment properties, with net carrying amount of RMB23,350,000 and RMB23,350,000, respectively, were pledged to secure certain general banking facilities granted to the Group.

As at 30 June 2018 and 31 December 2017, the Group's leasehold land, with net carrying amount of RMB543,000 and RMB555,000, respectively, were pledged to secure certain general banking facilities granted to the Group.

FOREIGN EXCHANGE EXPOSURE

The Group's main operations are in the PRC with most of its transactions settled in RMB. The Directors are of the opinion that the Group's exposure to foreign exchange risk is insignificant. During the period ended 30 June 2018, the Group did not hedge any exposure to foreign exchange risk.

ADVANCES TO AN ENTITY

As at 30 June 2018, the Group did not provide any advances to any entity outside the Group.

PLEDGING OF SHARES BY THE CONTROLLING SHAREHOLDERS

As at 30 June 2018, there was no pledging of Shares by the controlling Shareholders (the "**Controlling Shareholders**").

LOAN AGREEMENTS OF THE GROUP

As at 30 June 2018, the Group did not enter into any loan agreement with covenants relating to specific performance of the controlling shareholders of the Company.

During the first six months of 2018, the Group did not breach any terms of agreement in respect of any loan that is significant to the Group's operations.

FINANCIAL ASSISTANCE AND GUARANTEES TO AFFILIATED COMPANIES

As at 30 June 2018, the Group did not provide any financial assistance or guarantee to affiliated companies of the Group.

SHARE OPTION SCHEME

As of 30 June 2018, the Group has not adopted any share option scheme.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2018, the Group employed 91 employees (31 December 2017: 88 employees). Employee costs amounted to approximately RMB7.9 million for the six months ended 30 June 2018 (2017: approximately RMB8.7 million). The Group will endeavour to ensure that the employees' salary levels are in line with industry practice and prevailing market conditions and that employees' remuneration is determined based on their performance.

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 code A.2.1 of the CG Code, that the roles of the chairman and chief executive of the Company should be separate and should not be performed by the same individual, the Board is satisfied that the Company had complied with the CG Code for the Period. Mr. Xie Yang ("**Mr. Xie**") is chairman and the chief executive officer of the Company. 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 six month ended 30 June 2018 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.

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.

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.

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

As at 30 June 2018, 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 corporation (as defined in Part XV of the Securities and Future Ordinance (Chapter 571 of the laws of Hong Kong) (the "**SFO**")) which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or required to be entered in the register of the Company pursuant to section 352 of the SFO, or required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Long positions in Shares

Name of director	**Capacity**	**Number of Shares** *(Note 1)*	**Approximate percentage of the total number of Shares in issue**
Mr. Xie Yang *(Note 2)*	Interest in controlled corporation	91,350,000 (L)	30.45%
Ms. Gong Lan Lan *(Note 3)*	Interest in controlled corporation	67,117,500 (L)	22.37%
Mr. Song Xiao Xing *(Note 4)* (resigned on 10 July 2018)	Interest in controlled corporation	44,032,500 (L)	14.68%

Notes:

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

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

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

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

Save as disclosed above, as at 30 June 2018, 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 30 June 2018, 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 2)*	Beneficial owner	91,350,000 (L)	30.45%
Perfect Wave Holdings Limited *(Note 2)*	Interest in controlled corporation	91,350,000 (L)	30.45%
Waterman Global Limited *(Note 3)*	Beneficial owner	67,117,500 (L)	22.37%
The Thinker Global Limited *(Note 3)*	Interest in controlled corporation	67,117,500 (L)	22.37%
Great Time Ventures Limited *(Note 4)*	Beneficial owner	44,032,500 (L)	14.68%
Topman Ventures Limited *(Note 4)*	Interest in controlled corporation	44,032,500 (L)	14.68%
Woody Industrial Limited *(Note 5)*	Beneficial owner	17,724,000 (L)	5.91%
Acute Capital Investments Limited *(Note 5)*	Interest in controlled corporation	17,724,000 (L)	5.91%
Mr. Yang Chen Kuo *(Note 5)*	Interest in controlled corporation	17,724,000 (L)	5.91%

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 17,724,000 Shares.

Save as disclosed above, as at 30 June 2018, the Directors are not aware of any interests or short positions owned by any persons (other than the Directors or Chief Executive of the Company) in the Shares or underlying Shares of the Company which were required to be disclosed under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors, its employees, and the directors and employees of its subsidiaries and holding companies, who may likely possess inside information on the Company or its securities, on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "**Required Standard of Dealings**"). The Company had also made specific enquiry of all the Directors, and each of them has confirmed that he/she was in compliance with the Required Standard of Dealings during the Period.

REVIEW OF FINANCIAL STATEMENT

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

The Audit Committee has reviewed the accounting policies and practices adopted by the Group and has discussed with the management of the Company on the financial reporting matters including review of the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2018 and the interim results and interim report of the Group for the six months ended 30 June 2018, and is of the view that the interim results and the interim report have complied with the applicable accounting standards, the GEM Listing Rules and other applicable legal requirements, and that adequate disclosure has been made.

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

Guangzhou, the PRC, 10 August 2018

As at the date of this announcement, the executive Directors are Mr. XIE Yang and Mr. HE Xuan Xi; the non-executive Director is Ms. GONG Lan Lan and the independent non-executive Directors are Ms. BAI Shuang, Mr. HA Cheng Yong and Mr. TSE Chi Wai.

This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and be posted on the website of the Company at www.greatwater.com.cn.