

Kimou Environmental Holding Limited 金茂源環保控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 6805

SHARE OFFER

Sole Sponsor and Sole Bookrunner



Joint Lead Managers



IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.



Kimou Environmental Holding Limited

金茂源環保控股有限公司

(Incorporated in the Cayman Islands with limited liability)

SHARE OFFER

Number of Offer Shares : 280,000,000 Shares (subject to the Over-allotment Option)
Number of Public Offer Shares : 28,000,000 Shares (subject to reallocation)
Number of Placing Shares : 252,000,000 Shares (subject to reallocation and the Over-allotment Option)
Offer Price : Not more than HK\$1.44 per Offer Share, and expected to be not less than HK\$1.08 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value : HK\$0.1 per Share
Stock code : 6805

Sole Sponsor and Sole Bookrunner



Joint Lead Managers



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents delivered to the Registrar of Companies in Hong Kong and available for inspection" in Appendix VI to this prospectus, has been registered with the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong).

The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any of the other documents referred to above.

The Offer Price is expected to be determined by agreement between our Company and the Sole Bookrunner (for itself and on behalf of the Underwriter(s)) on the Price Determination Date which is expected to be on or around Saturday, 6 July 2019 or such later date as may be agreed by our Company and the Sole Bookrunner (for itself and on behalf of the Underwriter(s)). The Offer Price will not be more than HK\$1.44 per Offer Share and is currently expected to be not less than HK\$1.08 per Offer Share unless otherwise announced. If, for any reason, our Company and the Sole Bookrunner (for itself and on behalf of the Underwriter(s)) are unable to reach an agreement on the Offer Price by that date or such later date as agreed by our Company and the Sole Bookrunner (for itself and on behalf of the Underwriter(s)), the Share Offer will not proceed and will lapse immediately.

The Sole Bookrunner (for itself and on behalf of the Underwriter(s)), with our Company's consent, may reduce the indicative Offer Price range stated in this prospectus and/or the number of Offer Shares being offered at any time prior to the Price Determination Date, which is expected to be on or around Saturday, 6 July 2019. In such a case, a notice of the reduction of the indicative Offer Price range and/or the number of Offer Shares will be published on websites of our Company's website at www.platingbase.com and the Stock Exchange at www.hkexnews.hk, not later than the Price Determination Date, which is expected to be on or around Saturday, 6 July 2019.

Prior to making an investment decision, prospective investors should carefully consider all the information set out in this prospectus, including the risk factors set out in the section headed "Risk factors" in this prospectus.

Prospective investors of the Share Offer should note that the Sole Sponsor and/or the Sole Bookrunner (for itself and on behalf of the Underwriter(s)) is entitled to terminate their obligations under the Underwriting Agreements by notice in writing to the Company, upon the occurrence of any of the events set forth under the section headed "Underwriting — Underwriting arrangements and expenses — Public Offer — Grounds for termination" in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date.

EXPECTED TIMETABLE⁽¹⁾

If there is any change in the following expected timetable, we will issue an announcement on the respective website of our Company at www.platingbase.com⁽⁵⁾ and the Stock Exchange at www.hkexnews.hk.

2019

Public Offer commences and **WHITE** and **YELLOW**

Application Forms available from 9:00 a.m. on Saturday, 29 June

Application lists for Public Offer open⁽²⁾ 11:45 a.m. on Friday, 5 July

Latest time for lodging **WHITE** and **YELLOW**

Application Forms 12:00 noon on Friday, 5 July

Latest time for giving **electronic application**

instructions to HKSCC⁽⁴⁾ 12:00 noon on Friday, 5 July

Application lists for Public Offer close⁽²⁾ 12:00 noon on Friday, 5 July

Expected Price Determination Date⁽³⁾ Saturday, 6 July

Announcement of the final Offer Price, the level of indication of interest in the Placing, the level of application in the Public Offer and the basis of allocation of the Public Offer Shares to be published on the website of our Company at www.platingbase.com⁽⁵⁾ and on the website of the Stock Exchange at www.hkexnews.hk on or before

Monday, 15 July

Announcement of results of allocation under the Public Offer (with successful applicants' identification document or business registration numbers, where appropriate) to be available through a variety of channels as described in the section headed "How to Apply for the Public Offer Shares — 10. Publication of results" in this prospectus including the website of our Company at www.platingbase.com⁽⁵⁾ and the website of the Stock Exchange at www.hkexnews.hk from

Monday, 15 July

Results of allocation in the Public Offer will be available at www.iporesults.com.hk (alternatively: English <https://www.eipo.com.hk/en/Allotment>; Chinese <https://www.eipo.com.hk/zh-hk/Allotment>) with a "search by ID" function from

Monday, 15 July

Despatch/Collection of Share certificates or deposit of the Share certificates into CCASS in respect of wholly or partially successful applications pursuant to the Public Offer on or before⁽⁶⁾ ⁽⁸⁾

Monday, 15 July

EXPECTED TIMETABLE⁽¹⁾

2019

Despatch/Collection of refund cheques in respect of wholly
or partially successful applications (if applicable) and wholly
or partially unsuccessful applications pursuant to the
Public Offer on or about^{(7) (8)} Monday, 15 July

Dealings in the Shares on the Stock Exchange expected
to commence at 9:00 a.m. on Tuesday, 16 July

Notes:

1. All times and dates refer to Hong Kong local times and dates, unless otherwise stated.
2. If there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 5 July 2019, the application lists will not open on that day. For further details, please refer to the section headed “How to Apply for Public Offer Shares — 9. Effect of bad weather on the opening of the application lists” in this prospectus.
3. The Price Determination Date is expected to be on or around Saturday, 6 July 2019 or such later date as may be agreed between the Sole Bookrunner (for itself and on behalf of the Underwriter(s) and our Company). If, for any reason, the Offer Price is not agreed between the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company by Saturday, 6 July 2019 or such later date as may be agreed between the Sole Bookrunner (for itself and on behalf of the Underwriter(s) and our Company), the Share Offer will not proceed and will lapse immediately.
4. Applicants who apply for Public Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to the section headed “How to Apply for Public Offer Shares — 5. Applying by giving electronic application instructions to HKSCC via CCASS” in this prospectus.
5. None of the website or any of the information contained on the website forms part of this prospectus.
6. Share certificates will only become valid at 8:00 a.m. on Tuesday, 16 July 2019 provided that the Share Offer has become unconditional and the right of termination described in the section headed “Underwriting — Underwriting arrangements and expenses — Public Offer — Grounds for termination of the Public Offer Underwriting Agreement” in this prospectus has not been exercised. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.
7. Refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Public Offer and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant’s Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant’s Hong Kong identity card number or passport number before encashment of the refund cheque, if any. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number may invalidate or delay encashment of the refund cheque, if any.
8. Applicants who apply on **WHITE** Application Forms for 1,000,000 or more Public Offer Shares and have provided all information required by the Application Form may collect any refund cheques and/or Share certificates (where applicable) in person from our Company’s Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Monday, 15 July 2019 or such other date as notified by our Company. Applicants being individuals who are eligible for personal collection may not authorise any other person to collect on their behalf. Applicants being corporations which are

EXPECTED TIMETABLE⁽¹⁾

eligible for personal collection must attend through their authorised representatives bearing letters of authorisation from their corporation stamped with the corporation's chop. Both individuals and authorised representatives of corporations must produce evidence of identity acceptable to our Company's Hong Kong Share Registrar at the time of collection.

Applicants who apply on **YELLOW** Application Forms for 1,000,000 or more Public Offer Shares and have provided all information required by the Application Form may collect their refund cheques, if any, in person but may not elect to collect their Share certificates as such Share certificates will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit to their or the designated CCASS Participants' stock account as stated in their Application Forms. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

Applicants who have applied for Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed "How to Apply for Public Offer Shares — 13. Despatch/Collection of Share certificates and refund monies — Personal collection — (iii) If you apply via electronic application instructions to HKSCC" in this prospectus for details.

Applicants who have applied for less than 1,000,000 Public Offer Shares and any uncollected Share certificates and/or refund cheques will be despatched by ordinary post, at the applicants' risk, to the addresses specified in the relevant applications. Further information is set out in the sections headed "How to Apply for Public Offer Shares — 12. Refund of application monies" and "How to Apply for Public Offer Shares — 13. Despatch/Collection of Share certificates and refund monies" in this prospectus.

The above expected timetable is a summary only. You should read carefully the sections headed "Structure and Conditions of the Share Offer" and "How to Apply for Public Offer Shares" in this prospectus for details of the structure of the Share Offer, including the conditions of the Share Offer and the procedures for application for the Public Offer Shares.

CONTENTS

This prospectus is issued by our Company solely in connection with the Share Offer and the Offer Shares and does not constitute an offer to sell or a solicitation of an offer to subscribe for or buy any security other than the Offer Shares offered by this prospectus pursuant to the Share Offer. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to buy any security in any other jurisdiction or in any other circumstances.

No action has been taken to permit an offer of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdiction are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus to make your investment decision. Our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Co Managers, the Underwriters have not authorised anyone to provide you with information which is different from that contained in this prospectus. Any information or representation not made in this prospectus must not be relied upon by you as having been authorised by us, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Co Managers, the Underwriters, any of their respective directors or any other person or party involved in the Share Offer.

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SUMMARY AND HIGHLIGHTS

This summary aims to give you an overview of the information contained in this prospectus. Since this is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set forth in “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We develop and operate large-scale industrial parks in the PRC which are specifically designed for the electroplating industry. According to the Industry Consultant’s Report, industrial parks with site area of 100,000 sq.m. or above are regarded as large-scale. We ranked first among the operators of electroplating industrial parks in the PRC in 2018 in terms of total revenue with a market share of 7.4%. The market is however fragmented with the top five players accounted for around 14.7% market share in 2018.

We currently have two electroplating industrial parks in the PRC, namely the Guangdong Huizhou Park in which we own 100% interest with its operation commenced in 2007 and the Tianjin Bingang Park in which we own 51% interest with its operation commenced in 2016. Our Guangdong Huizhou Park is the only electroplating industrial park in Huizhou and is one of the six large-scale electroplating industrial parks in Guangdong Province, whilst our Tianjin Bingang Park is the only large-scale electroplating industrial park in Tianjin.

Listed below are the key operational data of our industrial parks as at 31 December 2018.

	Guangdong Huizhou Park	Tianjin Bingang Park	Total
Year of commencing operation	2007	2016	—
Site area (sq.m.)	441,032	509,943	950,975
Total leasable area (sq.m.)	318,000	256,000	574,000
Total leased area (sq.m.)	318,000	158,000	476,000
Occupancy rate	100.0%	61.6%	82.9%
Number of tenants	97	60	157
Number of employees	291	168	459
Daily wastewater treatment handling capacity (tonnes)	10,000	6,000	16,000

SUMMARY AND HIGHLIGHTS

Set out below are our key operational data by industrial parks during the Track Record Period:

	FY2016		FY2017		FY2018	
	Guangdong	Tianjin	Guangdong	Tianjin	Guangdong	Tianjin
	Huizhou Park	Bingang Park	Huizhou Park	Bingang Park	Huizhou Park	Bingang Park
Average daily leased area (sq.m.)	248,000	15,000	268,000	74,000	314,000	144,000
Fresh waster used (tonnes)	2,188,000	6,000	2,275,000	171,000	2,593,000	407,000
Steam consumed (tonnes)	67,000	400	82,000	17,000	109,000	47,000
Daily wastewater treatment volume (tonnes)						
Annual average	5,996	193	6,232	470	7,105	1,115
Peak	9,232	440	8,893	1,545	9,034	2,152
Utilisation rates of wastewater treatment capacity (%)						
Annual average	60.0	4.8	62.3	7.8	71.1	18.6
Daily Peak	92.3	11.0	88.9	25.8	90.3	35.9
Average unit price (RMB):						
Rental of factory premises (per sq.m. per month)	11.1	12.2	13.1	12.1	13.3	12.2
Property management fee (per sq.m. per month)	1.2	0.6	1.2	1.6	1.3	1.7
Facilities usage fee (per sq.m. per month)	22.8	2.7	24.2	20.6	25.0	28.0
Wastewater treatment (per tonne)	20.0	32.4	27.3	42.9	33.8	57.3
Steam charge (per tonne)	273.9	453.6	282.4	454.5	367.7	454.6

We determine and adjust the rates of factory rental, facilities usage and various services provided in our parks mainly based on the prevailing demand and supply situation as well as the changes in our operating costs for providing such services. Factory rental rate of our Guangdong Huizhou Park was generally higher than that of our Tianjin Bingang Park, since the Guangdong Huizhou Park has been operating close to full occupancy since 2017, whilst there is still vacancy in our Tianjin Bingang Park. For ease of management, we renewed the lease agreements with all the tenants at our Guangdong Huizhou Park in January 2017 and charged them at the same standardised rental rate, as compared to different rates ranging from RMB9.5 per sq.m. to RMB12.2 per sq.m. for FY2016. For Tianjin Bingang Park, we charged all tenants the same standardised rental rate since it commenced operation in FY2016. For property management, wastewater treatment and provision of steam, the rates were generally higher in our Tianjin Bingang Park than our Guangdong Huizhou Park, as the labour costs and the relevant operating costs were higher in Tianjin. Nevertheless, we charged our tenants in the same park at standardised fee rates for respective services.

During the Track Record Period, the growth in our revenue was mainly attributable to the following:

- increase in rental of factory premises resulted from the rise in average daily leased area (sq.m.) of both parks whilst the average monthly rental rate remained stable (except for Guangdong Huizhou Park of which the rental rate was raised in January 2017);

SUMMARY AND HIGHLIGHTS

- increase in property management fees resulted from the rise in average daily leased area of both parks whilst the average monthly rate remained stable (except for Tianjin Bingang Park of which the average rate for FY2016, being the first year of its operation, was calculated taking into account the three-month fee exemption period given to all the new incoming tenants);
- increase in facilities usage fees resulted from the rise in average daily leased area and fee rate per sq.m. of both parks (for FY2016, the average rate was calculated taking into account the three-month fee exemption period given to all the new incoming tenants);
- increase in wastewater treatment fees resulted from the rise in volume of fresh water consumed (tonnes) and fee rate of both parks; and
- increase in steam charges resulted from the rise in volume of steam consumed (tonnes) and fee rate of both parks.

For further details, please see “Business — Pricing” and “Financial Information — Description of selected components of our income statements” in this prospectus.

Set out below are the extracts of our financial performance by business segment and industrial park during the Track Record Period:

By Business Segment

	FY2016 <i>RMB'000</i>	FY2017 <i>RMB'000</i>	FY2018 <i>RMB'000</i>
Revenue			
Rental and facilities usage	107,320	154,258	221,819
Wastewater treatment and utilities and ancillary business	90,323	147,663	257,859
	197,643	301,921	479,678

By Industrial Park

	FY2016			FY2017			FY2018		
	Revenue <i>RMB'000</i>	Profit/ (loss) from operations <i>RMB'000</i>	Operating profit margin %	Revenue <i>RMB'000</i>	Profit/ (loss) from operations <i>RMB'000</i>	Operating profit margin %	Revenue <i>RMB'000</i>	Profit from operations <i>RMB'000</i>	Operating profit margin %
Guangdong Huizhou Park <i>(Note 1, 2)</i>	194,390	66,975	34.5	250,706	77,160	30.8	346,851	105,990	30.6
Tianjin Bingang Park <i>(Note 1, 2)</i>	3,253	(24,172)	N/A	51,215	(18,930)	N/A	132,827	4,123	3.1
Group	197,643	42,803	21.7	301,921	58,230	19.3	479,678	106,082	22.1

Notes:

- (1) Profit/(loss) from operations is the individual park's revenue minus operating cost and excluding Listing expenses.
- (2) Operating profit margin is calculated as the individual park's profit from operations as a percentage of its revenue.

SUMMARY AND HIGHLIGHTS

Set out below are our consolidated operating costs during the Track Record Period:

	FY2016		FY2017		FY2018	
	RMB'000	%	RMB'000	%	RMB'000	%
Depreciation and amortisation	65,501	40.9	95,230	37.9	126,031	33.0
Cost of inventories	22,648	14.1	49,389	19.7	101,454	26.5
Staff costs	22,575	14.1	35,366	14.1	45,677	11.9
Utility costs	10,126	6.3	14,698	5.8	16,514	4.3
Other expenses ^(Note)	39,443	24.6	56,225	22.5	92,820	24.3
Operating costs	160,293	100.0	250,908	100.0	382,496	100.0

Note: Included mainly expenses related to property levies, research and development, office and administration, transportation, bank charges, low value consumables and the Listing expenses.

INDUSTRY CHARACTERISTICS AND COMPETITIVE LANDSCAPE

1. The electroplating industrial park industry benefits from the gradual implementation of government policies requiring electroplating entities to relocate their operations into industrial parks, failing which they would be ordered to close down. According to the Industry Consultant's Report, in the PRC, electroplating entities located in industrial parks accounted for approximately 49.5% of the total revenue of the electroplating industry in 2018 and such percentage is expected to increase to 72.4% in 2023.
2. Generally, the local government would only authorise the establishment of one electroplating industrial park in its governing locality for ease of monitoring. As a result, an experienced operator with proven track record would likely be selected and approved by the government as the party to develop and operate the new industrial park.
3. The electroplating industrial park industry is very capital intensive. The operator needs to make substantial upfront investments in acquiring the land and constructing the factory premises and wastewater treatment facilities. In addition, it usually takes time for the operator to build up the occupancy to the breakeven level at which the revenue can fully absorb the overheads. Therefore, the operator must have sufficient funds in place to meet the initial capital investments as well as operating cash flow deficit in the early years of operating the industrial park.
4. The customer base of an electroplating industrial park tends to be stable. Tenants are usually deliberately careful before moving into the park as it normally incurs significant investments in relocating or installing production facilities on the factory premises. Secondly, electroplating entities would choose to locate their operation in an industrial park which is in close proximity to their manufacturing customers in order to save delivery costs. This makes it very difficult for the electroplating entities to move to another park which is distant from customers.

SUMMARY AND HIGHLIGHTS

5. The electroplating industrial park industry not only assists the local governments in controlling pollution caused by the electroplating industry, it also enables electroplating entities to focus their efforts and resources on their core business without worrying being ordered to shut down their operations due to failure in meeting the pollutant discharge standards. This fundamental advantage supports the continuous development of the electroplating industrial park industry.
6. The electroplating industrial park market in China was fragmented, with the top five players accounted for around 14.7% of the market based on revenue in 2018. The parks normally compete with rivals in the same province on (i) capability to fulfil the environment protection requirements from time to time and cause no disruption to the daily operations of the tenants; (ii) capacity in serving large numbers of tenants with different production scale; (iii) scope of services; (iv) brand reputation of the park; and (v) capability of management team. There were 28 electroplating industrial parks in Guangdong Province in 2018 and two in Tianjin as at the Latest Practicable Date, including our parks. Our Group ranked first among all electroplating industrial park operators in the PRC in 2018 in terms of revenue.

OUR BUSINESS MODEL

Our business model comprises:

(i) Industrial park development, leasing and management

We provide factory premises designed and constructed mainly for electroplating processes for leasing by our tenants. At the request of some of our tenants, certain of our properties are customised with features that meet the individualised demands of our tenants.

(ii) Provision of wastewater treatment and utilities

We provide tenants in our industrial parks with wastewater treatment services to facilitate their business operations. In addition, tenants are provided with supply of fresh water and electricity in our parks. We also provide steam to our tenants which is generated from our own furnaces.

(iii) Ancillary business

We provide procurement services for raw materials, particularly dangerous chemicals for electroplating processes to our tenants in Guangdong Huizhou Park. We also provide gas emission tower management services and pollutant testing services. Since August 2018, we have started to extract and sell heavy metals from sludge generated from our wastewater treatment process.

In terms of pricing, we determine the rent taking into account the expected return on investment, market rent as well as supply and demand in the relevant area. We charge all other fees and charges on a cost plus basis.

SUMMARY AND HIGHLIGHTS

OUR CUSTOMERS

We have developed a stable customer base over the years. Our tenants include subsidiaries of two companies listed on the Stock Exchange and a subsidiary of a company listed on the Shenzhen Stock Exchange as well as various private entities.

During each of FY2016, FY2017 and FY2018, the percentage of revenue attributable to our five largest customers was less than 30%.

To the best knowledge of our Directors, none of our Directors, their close associates or any of our Shareholders holding more than 5% of our issued capital, had any interests in any of our five largest customers during the Track Record Period.

OUR SUPPLIERS

During the Track Record Period, our suppliers mainly provide us with (i) materials required for our wastewater treatment services; (ii) chemicals for sale to our tenants; and (iii) coal and natural gas for producing steam for our tenants.

During FY2016, FY2017 and FY2018, purchases from our largest supplier were RMB3.7 million, RMB4.9 million and RMB16.9 million, representing 16.6%, 10.2% and 16.4% of our total purchases, respectively. Purchases from our five largest suppliers were RMB14.3 million, RMB20.2 million and RMB57.8 million, representing 64.6%, 42.1% and 56.1% of our total purchases, respectively.

To the best knowledge of our Directors, none of our Directors, their close associates or any of our Shareholders holding more than 5% of our issued share capital, had any interests in any of our five largest suppliers during the Track Record Period.

OUR CONTRACTORS

During the Track Record Period, we engaged construction companies and equipment providers as contractors to construct our factory premises, as well as supply and install our wastewater treatment, utility and other ancillary facilities.

During FY2016, FY2017 and FY2018, the transaction amount with our largest contractor was RMB148.2 million, RMB142.7 million and RMB89.9 million, representing 27.1%, 31.3% and 21.1% of our total transaction amount with contractors, respectively. Transaction amount with our five largest contractors were RMB481.1 million, RMB350.6 million and RMB234.9 million, representing 88.0%, 77.0% and 55.1% of our total transaction amount with contractors, respectively.

During the Track Record Period, we engaged HICC-Longxi as a contractor mainly for upgrading the wastewater treatment facilities of Guangdong Huizhou Park in FY2016. HICC-Longxi was a branch of Huizhou Infrastructure Construction Company which is wholly owned by People's Government of Huizhou City. Mr. Zhang, a Controlling Shareholder, was the general manager of HICC-Longxi. Our transaction amount with HICC-Longxi was RMB117.5 million, nil and nil during FY2016, FY2017 and FY2018, respectively. HICC-Longxi was deregistered in 2017.

SUMMARY AND HIGHLIGHTS

Save for HICC-Longxi, all of our five largest contractors during the Track Record Period are Independent Third Parties and, to the best knowledge of our Directors, none of our Directors, their close associates or any of our Shareholders holding more than 5% of our issued share capital, had any interests in any of our five largest contractors during the Track Record Period.

KEY FINANCIAL DATA

The tables below set forth a summary of the Group's consolidated financial information for the Track Record Period, which has been extracted from the Accountants' Report as set out in Appendix I to this prospectus:

Highlights of consolidated statements of profit or loss

	FY2016	FY2017	FY2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	197,643	301,921	479,678
Operating cost	(160,293)	(250,908)	(382,496)
Other revenue ^(Note)	5,020	7,324	11,023
Other net income/(loss)	433	(107)	(2,123)
Profit from operations	42,803	58,230	106,082
Finance costs	(36,727)	(48,027)	(60,969)
Profit before taxation	6,076	10,203	45,113
Income tax	1,405	(1,156)	(8,702)
Profit for the year	7,481	9,047	36,411
Attributable to:			
Non-controlling interests	(8,886)	(11,148)	(11,525)
Equity Shareholders	16,367	20,195	47,936

Note: Other revenue primarily consisted of interest income, government grants and other income.

Our revenue increased by RMB104.3 million (or 52.8%) from FY2016 to FY2017 and further increased by RMB177.8 million (or 58.9%) in FY2018 mainly because (i) our Tianjin Bingang Park commenced operation in June 2016 and generated an increasing amount of revenue during the Track Record Period; (ii) the occupancy rate of our Guangdong Huizhou Park rose from 85.6% as at 31 December 2016 to 99.4% as at 31 December 2017 and reached 100.0% as at 31 December 2018; and (iii) we increased the unit prices for factory rental, utility usage, wastewater treatment and other services.

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The continual rise in occupancy rate of our Tianjin Bingang Park contributed increasing amount of revenue that absorbed its operating costs, particularly depreciation and amortisation. Consequently, it recorded profit from operations of RMB4.1 million in FY2018 versus losses of RMB18.9 million in FY2017 and RMB24.2 million in FY2016. The loss from operations in FY2016 and FY2017 was primarily due to the low occupancy rate. The turnaround of Tianjin Bingang Park contributed to the increased profit from operations of our Group in FY2018 versus FY2017. Despite Tianjin Bingang Park achieved positive profit from operations of RMB4.1 million in FY2018, it is still less than the finance costs of RMB30.0 million incurred in the same period. Therefore, Tianjin Bingang Park recorded a net loss in FY2018.

For further details, please refer to “Financial Information — Period-on-period comparison of results of operations” in this prospectus.

Non-controlling interest

The non-controlling interests in the highlights of consolidated statements of profit or loss above represents the 49% shareholdings held by an Independent Third Party in the Company’s non-wholly owned subsidiary which operates the Tianjin Bingang Park. For details please refer to “History, Development and Reorganisation — Our corporate development — Tianjin Bingang” in this prospectus.

Non-HKFRS financial measures

	FY2016	FY2017	FY2018
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Adjusted profit for the year ^(Note)	7,481	9,047	40,442
EBITDA	108,304	153,460	232,113

Note: Adjusted profit for the year has been arrived at by adding back the Listing expenses to the profit for the year as presented in accordance with HKFRS.

To supplement our consolidated financial statements which are presented in accordance with HKFRS, we also use adjusted profit for the year and EBITDA as additional financial measures. We present these financial measures as they are used by our Directors to evaluate our operating performance. We also believe that these financial measures provide useful information in understanding and evaluating our consolidated results of operations. For further details, please refer to “Financial Information — Non-HKFRS financial measures”

SUMMARY AND HIGHLIGHTS

The following table reconciles our adjusted profit for the year with the profit for the year calculated and presented in accordance with HKFRS:

	FY2016	FY2017	FY2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year	7,481	9,047	36,411
Add: Listing expenses	—	—	4,031
Adjusted profit for the year	7,481	9,047	40,442

The following table reconciles our EBITDA with the profit for the year calculated and presented in accordance with HKFRS:

	FY2016	FY2017	FY2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year	7,481	9,047	36,411
Add: Finance costs	36,727	48,027	60,969
Income tax	(1,405)	1,156	8,702
Depreciation and amortization	65,501	95,230	126,031
EBITDA	108,304	153,460	232,113

Highlights of consolidated statements of financial position

	As at 31 December		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets	1,433,625	1,834,901	1,965,722
Current assets	427,945	178,274	291,422
Current liabilities	1,219,250	844,960	1,103,908
Net current liabilities	791,305	666,686	812,486
Total equity	166,469	356,747	333,095

Our net current liabilities position arose mainly because we were using short term bank borrowings as well as fundings from related parties to finance the construction of our industrial parks. We expect to have net current assets upon the Listing, mainly contributed by (i) capitalisation of certain amounts due to Shareholders; and (ii) proceeds from the Share Offer. For details please refer to “Financial Ratios” in this section and “Financial Information — Current assets and liabilities” in this prospectus.

Despite our net current liabilities position as described above, our Group had cash inflow from our operating activities throughout the Track Record Period.

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The total equity or net assets of our Group decreased from RMB356.7 million in FY2017 to RMB333.1 million in FY2018 mainly because the Reorganisation resulted in a reduction of total equity and an increase in payables to Shareholders, and such impact on the net assets was partially offset by the Group's net profit for the year. These payables to Shareholders have been fully capitalised as at the Latest Practicable Date.

Highlights of consolidated statement of cash flows

	FY2016	FY2017	FY2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Operating cash flow before changes in working capital:	101,698	141,063	231,202
Changes in working capital	(22,003)	38,881	(12,736)
Net cash generated from operating activities	79,695	179,944	218,466
Net cash from/(used in) investing activities	(486,838)	(234,824)	(355,504)
Net cash generated from financing activities	404,249	72,116	198,488
Net (decrease)/increase in cash and cash equivalents	(2,894)	17,236	61,450
Cash and cash equivalents at beginning of year	4,941	2,047	19,283
Cash and cash equivalents at end of year	2,047	19,283	80,733

The Group recorded net cash used in investing activities throughout the Track Record Period mainly due to the additions in non-current assets for our industrial parks. For details, please refer to the “Financial Information — Liquidity and capital resources” in this prospectus.

Sufficiency of working capital

Having taken into account the financial resources available to our Group, including; (i) cash and cash equivalents on hand of RMB23.0 million as at 30 April 2019; (ii) operating cash inflows; (iii) additional bank loans during the four months ended 30 April 2019 with long term portion in the sum of RMB167.3 million; and (iv) estimated net proceeds of HK\$312.8 million (equivalent to RMB274.4 million) from the Share Offer at the Offer Price of HK\$1.26, being the mid-point of the Offer Price range, our Directors believe that our working capital is sufficient for our present requirements, and for at least the next 12 months from the date of this prospectus.

SUMMARY AND HIGHLIGHTS

FINANCIAL RATIOS

Key financial ratios^(Note 1)

	As at/for the year ended		
	31 December		
	2016	2017	2018
Profitability:			
Operating profit margin	21.7%	19.3%	22.1%
EBITDA margin (non-HKFRS measure) ^(Note 2)	54.8%	50.8%	48.4%
Net profit margin	3.8%	3.0%	7.6%
Return on total assets	0.4%	0.4%	1.6%
Return on equity	4.5%	2.5%	10.9%
Liquidity:			
Current ratio	0.35 times	0.21 times	0.26 times
Quick ratio	0.35 times	0.21 times	0.26 times
Solvency:			
Gearing ratio ^(Note 3)	6.0 times	3.4 times	4.4 times
Net debt to equity ratio ^(Note 4)	5.7 times	3.2 times	4.0 times
Interest coverage	1.2 times	1.2 times	1.7 times

Notes:

- (1) For further details regarding the calculation of these ratios, please refer to “Financial Information — Key financial ratios” in this prospectus.
- (2) EBITDA margin is calculated by dividing EBITDA by revenue. EBITDA margin is not defined under HKFRS and thus a non-HKFRS measure. Please refer to “Financial Information — Non-HKFRS financial measures” for further details.
- (3) Gearing ratio is calculated by dividing the total debt (including all borrowings) by the total equity as at the respective year end date.
- (4) Net debt to equity ratio is calculated by dividing the net debt (all borrowings net of cash and cash equivalents and bank deposits) by the total equity as at the respective year end date.

Our Directors anticipate that our gearing ratio will drop to 1.0 times upon Listing, having taken into account (i) increase in our indebtedness by RMB9.5 million during the four months ended 30 April 2019; (ii) repayment of bank borrowings of RMB54.3 million from May 2019 to June 2019 according to the repayment schedule; (iii) settlement in full the amounts due to related parties of RMB405.9 million as at 30 April 2019 (RMB603.7 million as at 31 December 2018) by repayment of RMB74.6 million and capitalisation of amount due to Shareholders in the sum of RMB331.3 million; (iv) early repayment of bank borrowings of RMB50.0 million by net proceeds from the Share Offer; and (v) increase in our equity by RMB296.0 million upon completion of the Share Offer based on the Offer price of HK\$1.26 (being the mid point of the Offer Price range), assuming that the Over-allotment Option is not exercised.

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CONTROLLING SHAREHOLDERS

Immediately upon the completion of the Share Offer and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised and without taking into account Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), Flourish Investment will own 42.8% of the issued share capital of our Company. As at the Latest Practicable Date, Flourish Investment was owned as to 100% by Mr. Zhang. As such, Flourish Investment and Mr. Zhang will together form a group of Controlling Shareholders within the meaning of the Listing Rules.

For details, please see “Relationship with Controlling Shareholders” and “Substantial Shareholders” in this prospectus.

HIGHLIGHTS OF RISK FACTORS

Our business is subject to a number of risks, including but not limited to risks relating to our business, the electroplating industrial industry, the PRC and the Share Offer. You should read the entire section headed “Risk Factors” in this prospectus carefully. The major risks include:

- We are heavily dependent on the performance of the electroplating industry in China. Any market downturn of this industry will have a material adverse impact on our business, financial condition and results of operations.
- Our business is dependent on the operating performance and financial condition of our major customers. If their operating performances deteriorate, they may require us to terminate their leases.
- We recorded net current liabilities as at the end of FY2016, FY2017 and FY2018 and as at 30 April 2019 which will expose us to liquidity risk and will restrict our ability to make necessary capital expenditure or develop business opportunities.
- Change in government policies and regulations concerning the discharge standards for electroplating industries may result in substantial upgrade and additional capital investment by electroplating industrial park operators.

LISTING EXPENSES

The total Listing expenses based on an Offer Price of HK\$1.26 (being the mid-point of the Offer Price range) are estimated to be RMB35.1 million (equivalent to HK\$40.0 million). We incurred Listing expenses of RMB4.0 million (equivalent to HK\$4.6 million) in FY2018 which were charged as other expenses to our consolidated profit or loss for the same year. The balance of the estimated Listing expenses is RMB31.1 million (equivalent to HK\$35.4 million), of which RMB13.5 million (equivalent to HK\$15.3 million) is directly attributable to the issue of the Offer Shares and to be accounted for as a deduction from equity; and RMB17.6 million (equivalent to HK\$20.1 million) is to be charged as other expenses to our consolidated profit or loss for FY2019. The above total Listing expenses are the latest practicable estimates for reference only, and the final amount to be recognised may differ from these

SUMMARY AND HIGHLIGHTS

estimates. **Prospective investors should note that our financial results for FY2019 will be affected by the non-recurring Listing expenses described above, and may not be comparable to the financial performance of our Group in the past.**

REASONS FOR LISTING

Our Directors believe that the net proceeds from the Share Offer will enable us to meet our funding needs for the pursuance of our business strategies, and the Listing will allow the Group the flexibility of raising fund by either debt financing or equity financing in the future. For details, please refer to “Future Plans and Use of Proceeds — Reasons for Listing” in this prospectus.

STATISTICS OF THE SHARE OFFER

	Based on the indicative Offer Price of HK\$1.08	Based on the indicative Offer Price of HK\$1.44
Market capitalisation of the Shares expected to be in issue following the completion of the Share Offer and the Capitalisation Issue ^(Note 1)	HK\$1.2 billion	HK\$1.6 billion
Unaudited pro forma adjusted net tangible assets attributable to owners of our Company per Share ^(Note 2, 3)	HK\$0.36	HK\$0.46

Notes:

1. The calculation of the market capitalisation is based on 1,120,000,000 Shares expected to be in issue following the completion of the Share Offer and the Capitalisation Issue, but does not take into account any Shares which may be allotted or issued pursuant to the exercise of the Over-allotment Option or any option which may be granted under the Share Option Scheme.
2. The unaudited pro forma adjusted net tangible assets attributable to owners of our Company per Share has been arrived at after making the adjustments referred to in “Appendix II — Unaudited Pro Forma Financial Information” and on the basis of 1,120,000,000 Shares in issue assuming that the Share Offer and the Capitalisation Issue have been completed on 31 December 2018 but takes no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme or any Shares which may be granted and issued or repurchased by our Company pursuant to the general mandate and the share repurchase mandate.
3. No adjustment has been made to the unaudited pro forma adjusted net tangible assets to reflect any trading results or other transactions of our Group entered into subsequent to 31 December 2018, including the capitalisation of amount due to Shareholders of RMB374.8 million, which has been made as at the Latest Practicable Date. The unaudited pro forma adjusted net tangible assets attributable to equity shareholders of our Company per Share would have been increased to RMB0.65 per Share and RMB0.73 per Share (equivalent to HK\$0.74 per Share and HK\$0.83 per Share, respectively) based on the low-end and high-end of the stated Offer Price of HK\$1.08 and HK\$1.44, respectively, if the above capitalisation had been accounted for.

SUMMARY AND HIGHLIGHTS

FUTURE PLANS AND USE OF PROCEEDS

Based on the Offer Price of HK\$1.26, being the mid-point of the indicative range of the Offer Price stated in this prospectus, the net proceeds of the Share Offer, after deduction of underwriting fees and estimated expenses payable by us in connection with the Share Offer, are estimated to be approximately HK\$312.8 million. Our Company currently intends to use the net proceeds from the Share Offer as follows:

Uses	Amount of net proceeds <i>HK\$ million</i>	Percentage of net proceeds %
Acquisition of land for the Hubei Jingzhou Project and construction of relevant infrastructure	69.0	22.0
Expansion of the current wastewater treatment facilities of the Tianjin Bingang Park	115.0	36.8
Fund the construction cost of two factory buildings in the Guangdong Huizhou Park	57.5	18.4
Repayment of short term bank loans	57.5	18.4
General working capital	13.8	4.4
Total	312.8	100.0

For details please refer to “Future Plans and Use of Proceeds” in this prospectus.

DIVIDENDS AND DIVIDEND POLICY

No dividend have been declared or paid by our Company during FY2016, FY2017 and FY2018.

Subject to, among other factors, our Directors’ discretion, and the applicable laws and regulations, the declaration, payment and amount of any dividends, if paid, will depend on our results of operations, operating and capital requirements, cash flows, financial condition, future prospects, and other factors that our Directors may consider relevant.

Our Directors currently intend to recommend, at the relevant shareholders’ meetings of our Company, a dividend of around 20% of the net profit available for distribution to our Shareholders for each financial year ending 31 December in the foreseeable future.

The said intention does not amount to any guarantee or representation or indication that we must or will declare and pay dividends in such manner or declare and pay dividends at all.

For details please see “Financial Information — Dividends and dividend policy” in this prospectus.

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RECENT DEVELOPMENT AND MATERIAL ADVERSE CHANGE

Our business model has remained unchanged since 31 December 2018. Based on the operational data and unaudited financial information available to us, (i) occupancy rate of our Guangdong Huizhou Park and Tianjin Bingang Park was 100% and 67.4% as at the Latest Practicable Date, respectively; (ii) except for factory rental and facilities usage fee which are entitled to annual increment, unit prices of our services remained substantially the same since 31 December 2018; and (iii) as at the Latest Practicable Date, our two industrial parks had altogether 168 tenants whose aggregate contracted payments under the respective tenancy agreements for rental and facilities usage fees amounted to RMB1,006.7 million in aggregate, out of which RMB240.6 million will be recognised as our revenue in FY2019 and the balance of RMB766.1 million will be recognised in FY2020 and thereafter.

Huizhou Jinmaoyuan has obtained qualification as a High and New Technology Enterprises with effect from November 2018. According to the applicable PRC laws and regulations, High and New Technology Enterprise enjoys a preferential enterprise income tax rate of 15%.

To expand our operations, we entered into the Hubei Jingzhou Project Agreement on 8 November 2017 for the development of our third electroplating industrial park, namely the Hubei Jingzhou Project. We won the tender for the land use right for three parcels of land for this project on 19 February 2019 with a total site area of 325,981 sq.m. at a total consideration of RMB65.8 million. The relevant government authority was processing the corresponding agreements and procedures as at the Latest Practicable Date, which are anticipated to complete in October of FY2019.

We recorded net current liabilities of RMB812.5 million and a gearing ratio of 4.4 times as at 31 December 2018. We are implementing measures to improve our financial condition and expect that our Group will have net current assets and lowered the gearing ratio to 1.0 times upon Listing. Please see “Key Financial Data — Highlights of consolidated statements of financial position” and “Financial Ratios” in this section for details.

In May 2018, the US announced that it would impose a 25% tariff on US\$50 billion of Chinese goods with industrially significant technology, and in mid-September 2018, the Trump administration further announced a 10% tariff on additional US\$200 billion worth of Chinese goods with effect from 24 September 2018. Recently, as a result of the stalling trade talks in May 2019, the US stated that the previous tariffs of 10% levied on \$200 billion worth of Chinese goods would be raised to 25%. During the Track Record Period and up to 31 May 2019, the occupancy rate of our Guangdong Huizhou Park has been increasing and reached 100% as at 31 December 2018 and 31 May 2019; whilst the occupancy rate of our Tianjin Bingang Park has also been increasing and reached 61.6% and 65.8% as at 31 December 2018 and 31 May 2019, respectively. During the five months ended 31 May 2019, the total volume of wastewater treated by our Guangdong Huizhou Park had slightly decreased by around 2.7% whereas the total volume treated by our Tianjin Bingang Park had significantly increased by around 36.8% contributed partly by its rising occupancy, as compared to the same period in FY2018. In light of the above, as at the Latest Practicable Date, our Directors are of the view that the adverse impact of the trade war between US and China on our Group’s business operation, if any, was immaterial. There is however a risk that a prolonged trade war may ultimately affect the economic performance of the PRC as a whole, and will have a negative impact on our tenants and our financial performance. For details please refer to “Risk Factor — Risks relating to the electroplating industrial parks in China — Trade war between the US and the PRC may have a negative impact on our financial performance”.

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Save for the above and the Listing expenses incurred and to be incurred after the Track Record Period as disclosed above, the Directors confirm that, up to the date of this prospectus, there had been no material adverse change in the financial positions or prospect of the Group since 31 December 2018, being the date to which the latest audited financial statements of the Group were made up, and there had been no event since 31 December 2018 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

ENVIRONMENTAL AND SOCIAL MATTERS

During the Track Record Period:

- To the best knowledge of our Directors, we had no material non-compliance or violations of environmental protection laws and regulations that would materially and adversely affect our business operations and financial conditions.
- Our Group had not (i) experienced any significant problems with employees or disruptions to our operations due to labour disputes; and (ii) been imposed any administrative penalties for any violation of occupational health and safety laws and regulations in the PRC.

For further details, please see “Business — Environmental and social matters” in this prospectus.

NON-COMPLIANT INCIDENTS

Our non-compliance with PRC laws and regulations during the Track Record Period includes failing to (i) complete social insurance registration and make adequate social insurance contributions for our employees; (ii) open housing provident fund accounts and make adequate housing provident fund contributions for our employees; and (iii) develop land parcel within the prescribed period. For further details of our non-compliance incidents, please see “Business — Legal and compliance” in this prospectus.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following words and expressions shall have the following meanings:

“Accountants’ Report”	the accountants’ report set out in Appendix I to this prospectus
“Application Form(s)”	WHITE Application Form(s) and YELLOW Application Form(s), or where the context so requires, any of them which is used in relation to the Public Offer
“Articles” or “Articles of Association”	the amended and restated articles of association of our Company conditionally adopted with effect from the Listing Date on 18 June 2019 and as amended from time to time, a summary of which is set out in Appendix IV to this prospectus
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of our Company
“business day”	a day (other than a Saturday, Sunday or public holiday) on which licenced banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Capitalisation Issue”	the issue of 504,000,000 Shares to capitalisation of a sum of HK\$50,400,000 standing to the credit of the share premium account of our Company as referred to in the section headed “Statutory and General Information — A. Further information about our Group — 4. Resolutions in writing of the shareholders passed on 18 June 2019” in Appendix V to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation

DEFINITIONS

“CCASS Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
“CCASS Participants”	collectively, a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“China” or “PRC”	the People’s Republic of China, but for the purpose of this prospectus only and except where the context requires otherwise, references in this prospectus to “China” or “PRC” do not include Hong Kong, the Macau Special Administrative Region and Taiwan
“Circular No. 10”	Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》)
“Circular No. 37”	the Notice of the SAFE on Foreign Exchange Administration of Overseas Investments and Financing and Round-Trip Investments by Domestic Residents via Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》)
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Co Managers”	Aristo Securities Limited and Merdeka Capital Limited, for both Public Offer and Placing
“Companies Law” or “Cayman Companies Law”	Companies Law (2018 Revision), Cap. 22 (Law 3 of 1961) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
“Company”, “our Company”, “we” or “us”	Kimou Environmental Holding Limited, a company incorporated in the Cayman Islands with limited liability on 28 June 2018 and registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 28 January 2019
“Connected Person(s)”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“Controlling Shareholders”	has the meaning ascribed to it under the Listing Rules, and, in the context of our Company, means Mr. Zhang and Flourish Investment
“CSRC”	China Securities Regulatory Commission of the PRC (中國證券監督管理委員會)
“Dakson Assets Management”	Dakson Assets Management Limited (德信資產管理有限公司), a company incorporated in the British Virgin Islands with limited liability on 7 June 2018. As of the Latest Practicable Date, it was wholly owned by Mr. Huang
“Deed of Indemnity”	the deed of indemnity dated 24 June 2019 executed by our Controlling Shareholders as indemnifiers in favour of our Company (for itself and as trustee for our subsidiaries), particulars of which are summarised in the paragraph headed “Statutory and General Information — D. Other information — 1. Tax and other indemnities” in Appendix V to this prospectus
“Deluxe Investment”	Deluxe Investment International Company Limited (金豪投資有限公司), a company incorporated in the British Virgin Islands with limited liability on 7 June 2018. As of the Latest Practicable Date, it was wholly owned by Mr. Zhang Haiming
“Director(s)”	the director(s) of our Company
“EBITDA”	earnings before finance costs, income tax, depreciation and amortisation
“EIT Law”	Enterprise Income Tax Law (中華人民共和國企業所得稅法)
“Flourish Investment”	Flourish Investment International Limited (金昌投資有限公司), a company incorporated in the British Virgin Islands with limited liability on 7 June 2018. As of the Latest Practicable Date, it was wholly owned by Mr. Zhang
“FY2016”	the year ended 31 December 2016
“FY2017”	the year ended 31 December 2017
“FY2018”	the year ended 31 December 2018
“FY2019”	the year ending 31 December 2019
“FY2020”	the year ending 31 December 2020
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.

DEFINITIONS

“GDP”	gross domestic product
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
“Group” or “our Group”	our Company and its subsidiaries or, where the context otherwise requires, in respect of the period before our Company becoming the holding company of our present subsidiaries, the present subsidiaries of our Company and the businesses carried on by them or their predecessors (as the case may be)
“Guangdong Huizhou Park”	our electroplating industrial park located in Longxi Town, Boluo County, Huizhou, Guangdong Province, the PRC
“HICC-Longxi”	Huizhou Infrastructure Construction Company Longxi Branch (惠州市建築基礎工程總公司龍溪工程處), a branch of Huizhou Infrastructure Construction Company wholly owned by People’s Government of Huizhou (惠州市人民政府), which was established in the PRC on 18 July 2005 and deregistered on 25th July 2017
“HKFRSs”	Hong Kong Financial Reporting Standards
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“HK\$” or “HK dollars” or “cents”	Hong Kong dollars and cents, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited
“Hubei Jingzhou Project”	an electroplating industrial park intended to be developed in the Jingzhou Economic and Technological Development Zone (荊州經濟技術開發區) located at Jingzhou, Hubei Province, the PRC
“Hubei Jingzhou Project Agreement”	the agreement entered into between Huizhou Kimou and Jingzhou ETDZ Administrative Committee regarding the Hubei Jingzhou Project on 8 November 2017

DEFINITIONS

“Hubei Kimou”	Hubei Kimou Environmental Technology Co., Ltd.* (湖北金茂環保科技有限公司), a company established in the PRC with limited liability on 8 November 2017. As of the Latest Practicable Date, it was wholly owned by KE
“Huizhou Jinkai Factory”	Huizhou City Jinkai Electronics Hardware Factory* (惠州市金凱電子五金廠), an entity established in the PRC on 29 July 2004, which had been deregistered as of the Latest Practicable Date
“Huizhou Jinmaoyuan”	Huizhou Jinmaoyuan Environmental Technology Co., Ltd.* (惠州金茂源環保科技有限公司), a company established in the PRC with limited liability on 6 September 2016. As of the Latest Practicable Date, it was wholly owned by Huizhou Kimou
“Huizhou Jinzefeng”	Huizhou Jinzefeng Trading Co., Ltd.* (惠州金澤豐貿易有限公司), a company established in the PRC with limited liability on 1 July 2015. As of the Latest Practicable Date, it was wholly owned by Huizhou Kimou
“Huizhou Jinzhun”	Huizhou Jinzhun Testing Technology Co., Ltd. * (惠州金準檢測技術有限公司), a company established in the PRC with limited liability on 11 September 2015. As of the Latest Practicable Date, it was wholly owned by Huizhou Kimou
“Huizhou Kimou”	Huizhou Kimou Industrial Investment Co., Ltd.* (惠州金茂實業投資有限公司), a company established in the PRC with limited liability on 8 June 2005. As of the Latest Practicable Date, it was wholly owned by KETH
“Huizhou Yongjiasheng”	Huizhou Yongjiasheng Industrial Co., Ltd.* (惠州永嘉盛實業有限公司), a company established in the PRC with limited liability on 29 July 2016. As of the Latest Practicable Date, it was wholly owned by Mr. Lee
“Independent Third Party(ies)”	individual(s) or company(ies) who is (are) not a connected person(s) of our Company within the meaning ascribed under the Listing Rules
“Industry Consultant’s Report”	the industry research report prepared by Frost & Sullivan and commissioned by our Company, the content of which is quoted in this prospectus
“Internal Control Adviser”	SHINEWING Risk Services Limited, an Independent Third Party
“Jingzhou ETDZ Administrative Committee”	The Administrative Committee of Jingzhou Economic and Technological Development Zone (荊州經濟技術開發區管理委員會), a PRC governmental agency which is an Independent Third Party

DEFINITIONS

“Jingzhou Jinyuan”	Jinyuan (Jingzhou) Environmental Technology Co., Ltd.* (金源(荊州)環保科技有限公司), a company established in the PRC with limited liability on 23 July 2018. As of the Latest Practicable Date, it was wholly owned by Hubei Kimou
“Joint Lead Managers”	Shenwan Hongyuan Capital (H.K.) Limited and Pacific Foundation Securities Limited
“KE”	Kimou Environmental Limited (金茂環保有限公司), a company incorporated in Hong Kong with limited liability on 27 March 2018. As of the Latest Practicable Date, it was wholly owned by Kimou Environmental (BVI)
“KET”	Kimou Environmental Technology Limited (金茂環保科技有限公司), a company incorporated in the Hong Kong with limited liability on 20 March 2018. As of the Latest Practicable Date, it was wholly owned by Premier Investment
“KETH”	Kimou Environmental Technology Holding Limited (金茂環保科技控股有限公司), a company incorporated in Hong Kong with limited liability on 12 July 2017. As of the Latest Practicable Date, it was wholly owned by Kimou Environmental Technology (BVI)
“Kimou Environmental (BVI)”	Kimou Environmental (BVI) Limited (金茂環保(BVI)有限公司), a company incorporated in the British Virgin Islands with limited liability on 7 June 2018. As of the Latest Practicable Date, it was wholly owned by Kimou Holding Limited
“Kimou Environmental Technology (BVI)”	Kimou Environmental Technology (BVI) Limited (金茂環保科技控股(BVI)有限公司), a company incorporated in the British Virgin Islands with limited liability on 7 June 2018. As of the Latest Practicable Date, it was wholly owned by Kimou Holding Limited
“Kimou Holding Limited”	Kimou Holding Limited (金茂源控股有限公司), a company incorporated in the British Virgin Islands with limited liability on 7 June 2018. As of the Latest Practicable Date, it was wholly owned by our Company
“Latest Practicable Date”	21 June 2019, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information referred to in this prospectus
“Listing”	listing of the Shares on the Main Board of the Stock Exchange
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange

DEFINITIONS

“Listing Date”	the date on which dealings in the Shares on the Main Board of the Stock Exchange first commence, which is expected to be on or around 16 July 2019
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange, which is independent from and operated in parallel with the GEM of the Stock Exchange
“Memorandum” or “Memorandum of Association”	the amended and restated memorandum of association of our Company adopted on 18 June 2019, a summary of which is set out in Appendix IV to this prospectus, and as amended from time to time
“MOFCOM”	Ministry of Commerce of the PRC (中華人民共和國商務部)
“MIIT”	the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)
“MLR”	the Ministry of Land and Resources of the PRC (中華人民共和國國土資源部)
“Mr. Huang”	Huang Shaobo (黃少波), executive Director
“Mr. Lee”	Lee Yuk Kong (李旭江), executive Director
“Mr. Zhang”	Zhang Lianghong (張梁洪), executive Director and chairman of the Board
“Mr. Zhu”	Zhu Heping (朱和平), executive Director and chief executive officer
“Offer Price”	the final price per Offer Share in Hong Kong dollars (exclusive of brokerage, SFC transaction levy and the Stock Exchange trading fee) under the Share Offer which is expected to be determined as further described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Offer Shares”	the Public Offer Shares and the Placing Shares, together with, where relevant, any additional Shares to be issued pursuant to the exercise of the Over-allotment Option

DEFINITIONS

“Over-allotment Option”	the option to be granted by our Company to the Placing Underwriters exercisable by the Sole Bookrunner (for itself and on behalf of the Placing Underwriters), pursuant to which our Company may be required to allot and issue up to 42,000,000 additional new Shares, representing 15% of the Shares initially available under the Share Offer at the Offer Price, to cover over-allocations of the Placing (if any) as further described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of China
“Placing”	the conditional offering of the Placing Shares at Offer Price to selected professional, institutional and other investors as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Placing Shares”	the 252,000,000 Shares expected to be initially offered for subscription pursuant to the Placing, representing 90% of the initial number of the Offer Shares, subject to re-allocation and the Over-allotment Option as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Placing Underwriters”	the underwriters of the Placing, namely Shenwan Hongyuan Capital (H.K.) Limited, Pacific Foundation Securities Limited, Aristo Securities Limited and Merdeka Capital Limited, who are expected to enter into the Placing Underwriting Agreement
“Placing Underwriting Agreement”	the conditional placing underwriting agreement relating to the Placing and expected to be entered into by, among others, our Company and the Placing Underwriters on or about the Price Determination Date
“PRC Government” or “State Government”	the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local government entities) and its organs or, as the context requires, any of them
“PRC Legal Adviser”	Tian Yuan Law Firm, legal adviser to our Company as to PRC law
“PRC Resident”	a PRC citizen residing in the PRC or an overseas individual who does not hold a Chinese identity but has a habitual residence in China due to economic interests

DEFINITIONS

“Premier Investment”	Premier Investment Worldwide Company Limited (金尚投資有限公司), a company incorporated in the British Virgin Islands on 7 June 2018. As of the Latest Practicable Date, it was wholly owned by Mr. Lee
“Price Determination Agreement”	the agreement to be entered into between the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date to fix and record the Offer Price
“Price Determination Date”	the date, expected to be on or about Saturday, 6 July 2019, or such later date, as the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company may agree, on which the Offer Price is fixed for the purpose of the Share Offer
“Public Offer”	the offer of the Public Offer Shares for subscription by the public in Hong Kong for cash at the Offer Price, on and subject to the terms and conditions described in this prospectus and the Application Forms
“Public Offer Shares”	the 28,000,000 Shares initially being offered for subscription at the Offer Price pursuant to the Public Offer, subject to reallocation as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Public Offer Underwriters”	the underwriters of the Public Offer listed in the section headed “Underwriting — Public Offer Underwriters” in this prospectus
“Public Offer Underwriting Agreement”	The conditional underwriting agreement dated 28 June 2019 in relation to the Public Offer entered into between, among others, our Company and the Public Offer Underwriters
“Reorganisation”	the pre-listing reorganisation of our Group, further details of which are described under the section headed “History, Development and Reorganisation” in this prospectus
“RMB” or “Renminbi”	the lawful currency of PRC
“SAFE”	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAIC”	State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局) (now replaced by the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局))
“SASAC”	State-owned Assets Supervision and Administration Commission of the State Council of the PRC (中華人民共和國國務院國有資產監督管理委員會)

DEFINITIONS

“SAT”	State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“SDRC”	State Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
“Shareholder(s)”	holder(s) of the Share(s)
“Share(s)”	the ordinary share(s) of nominal value of HK\$0.1 each in the share capital of our Company
“Share Offer”	the Public Offer and the Placing
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 18 June 2019, the principal terms of which are summarised in the paragraph headed “Statutory and General Information — D. Other information — 2. Share Option Scheme” of this prospectus
“Shenzhen Jinjinsheng”	Jinjinsheng Environmental Investment (Shenzhen) Co., Ltd.* (金津盛環保產業投資(深圳)有限公司), a company established in the PRC with limited liability on 2 November 2015. As of the Latest Practicable Date, it was wholly owned by Tianjin Bingang
“Sole Bookrunner”	Shenwan Hongyuan Capital (H.K.) Limited
“Sole Sponsor”	Shenwan Hongyuan Capital (H.K.) Limited, being the sole sponsor to the Listing and a corporation licenced under the SFO to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities as defined in the SFO
“State Council”	State Council of the PRC (中華人民共和國國務院)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-backs, as amended, modified and supplemented from time to time

DEFINITIONS

“Tianjin Bingang”	Tianjin Bingang Electroplating Enterprises Management Co., Ltd.* (天津濱港電鍍企業管理有限公司), a company established in the PRC with limited liability on 31 March 2014. As of the Latest Practicable Date, it was owned as to 51% by Huizhou Kimou and 49% by Tianjin Wanheshun
“Tianjin Bingang Park”	our electroplating industrial park located in Zhongwang Town, Jinghai District, Tianjin, the PRC
“Tianjin Jinhua”	Tianjin Jinhua Waste Recycle Co., Ltd.* (天津金華都廢品收購有限公司), a company established in the PRC with limited liability on 5 June 2008. As of the Latest Practicable Date, it was wholly owned by Shenzhen Jinjinsheng
“Tianjin Jinnuo”	Tianjin Jinnuo Environmental Testing Co., Ltd.* (天津金諾環境檢測有限公司), a company established in the PRC with limited liability on 21 March 2018. As of the Latest Practicable Date, it was wholly owned by Tianjin Bingang
“Tianjin Sangong”	Tianjin Sangong Metal Surface Processing Co., Ltd.* (天津三工金屬表面處理有限公司), a company established in the PRC with limited liability on 6 February 2015. As of the Latest Practicable Date, it was wholly owned by Shenzhen Jinjinsheng
“Tianjin Tianteyuan”	Tianjin Tianteyuan Steel Industry Co., Ltd.* (天津市天特元鋼業有限公司), a company established in the PRC with limited liability on 3 February 2009. As of the Latest Practicable Date, it was wholly owned by Shenzhen Jinjinsheng
“Tianjin Wanheshun”	Tianjin Wanheshun Technology Co., Group Ltd.* (天津萬和順科技集團有限公司) (formerly known as Tianjin Wanheshun Technology Co., Ltd* 前稱為“天津萬和順科技有限公司”), a company established in the PRC with limited liability on 30 September 2015. As of the Latest Practicable Date, it is owned by Mr. Yang Baoliang (楊寶亮), Mr. Cui Xiaozhi (崔曉智), Mr. Qi Shaojian (齊少健), Mr. Song Shaohui (宋紹輝), Mr. Liu Shuchen (劉書臣), Mr. Gao Rongcheng (高榮成), Mr. Ang Siqi (安士啟) and Mr. Wang Jian (王建)
“Tianjin Wandafeng”	Tianjin Wandafeng Metal Surface Processing Co., Ltd.* (天津萬達豐金屬表面處理有限公司), a company established in the PRC with limited liability on 6 February 2015. As of the Latest Practicable Date, it was wholly owned by Shenzhen Jinjinsheng

DEFINITIONS

“Tianjin Zhongwang Bingang”	Tianjin Zhongwang Bingang Industrial Co., Ltd.* (天津中旺濱港實業有限公司), a company established in the PRC with limited liability on 13 September 2012. As of the Latest Practicable Date, it was wholly owned by Tianjin Jinghai District Zhongwang Town Enterprise Service Station* (天津市靜海區中旺鎮企業服務站)
“Track Record Period”	FY2016, FY2017 and FY2018
“Underwriters”	the Public Offer Underwriters and the Placing Underwriters
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“United States”, “U.S.” or “US”	the United States of America
“USD” or “US\$”	United States dollars, the lawful currency of the United States
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“VAT”	value-added tax
“ WHITE Application Form(s)”	the application form(s) for the Public Offer Shares for use by the public who require(s) such Public Offer Shares to be issued in the applicant’s/applicants’ own name(s)
“ YELLOW Application Form(s)”	the application form(s) for the Public Offer Shares for use by the public who require(s) such Public Offer Shares to be deposited directly into CCASS
“sq.m.”	square metre
“%”	per cent

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them. For details, please see “Information about this prospectus and the Share Offer — Rounding” in this prospectus.

For ease of reference, the English translation of a Chinese name which is marked with “” has been provided for identification purpose only.*

All English translations of the PRC laws and regulations in this prospectus are unofficial translations and provided for identification purposes only.

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain terms used in this prospectus. These terms and their meanings may or may not correspond to standard industry meaning or usage of these terms.

“GFA”	gross floor area
“ISO”	an acronym for a series of quality management and quality assurance standards published by International Organisation for Standardisation, a non-government organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations
“ISO 14001:2015”	an environment management system published by ISO to enhance their environmental performance through more efficient use of resources and reduction of waste
“ISO 9001”	quality management systems requirements published by ISO for quality assurance in design, development, production, installation and servicing
“OHSAS18001:2007”	a framework for an occupational health and safety management system published by the British Standards Institution

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements and information in relation to our Company and our subsidiaries that are, by their nature, subject to significant risks and uncertainties. The words “aim”, “anticipate”, “believe”, “contemplate”, “continue”, “could”, “estimate”, “expect”, “intend”, “may”, “might”, “ought to”, “plan”, “potential”, “predict”, “project”, “propose”, “seek”, “should”, “target”, “will”, “would” and negatives forms of these terms, as well as similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements.

These statement are based on our current expectations and assumptions regarding our business, the economy and information currently available to our management, reflecting our current views with respect to future events are not a guarantee of future performance and involve known and unknown risks, uncertainties and assumptions, including the risk factors as described in this prospectus. One or more of these risks or uncertainties may materialise, or underlying assumptions may prove incorrect. These forward-looking statements include, without limitation, statements relating to:

- our business strategies, plan of operations and business prospect;
- changes in policies, legislation, regulations or practices in the industry;
- our financial condition and performance;
- our dividend policy;
- our ability to continue to maintain our leadership position in the industry;
- our capital expenditure and funding plans;
- capital market development;
- the general economic trend and outlook in the markets in which we operate;
- the future developments and competitive environment for the industries in which we operate;
- other statements of this prospectus that are not historical facts.

The forward-looking statements made in this prospectus only relate to events or information as at the date on which the statements are made in this prospectus. Subject to the requirements of Listing Rules, applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect or at all. Accordingly, we strongly caution investors against placing undue reliance on any such forward-looking statements. All forward-looking statements in this prospectus are qualified by reference to the cautionary statements set out in this section.

In this prospectus, statements of or references to the intention of our Company or any of our Directors are made as at the date of this prospectus. Any such intentions may potentially change in light of future developments.

RISK FACTORS

You should carefully consider all of the information set out in this prospectus before making an investment in the Offer Shares, including the risks and uncertainties described below. You should pay particular attention to the fact that we are incorporated in the Cayman and that almost all of our operations are conducted in China and are governed by a legal and regulatory environment that in some respects differs from those that prevail in other countries. Our business, financial condition or results of operations could be affected materially and adversely by any of these risks. The trading price of the Offer Shares in this Offering could decline due to any of these risks, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESSES

We are heavily dependent on the performance of the electroplating industry in China

Our business and prospects are subject to the conditions of the PRC electroplating industry. The PRC electroplating industry is affected by many factors, including changes in the PRC's political, economic and legal environment, and demand for electroplate products. Any market downturn would have a material adverse impact on our business, financial condition and results of operations, as our tenants may cease operation if the demand for their products decrease. If we do not respond to the changes in economic and regulatory environments, market conditions and customer preferences in a timely manner, our business, financial condition and results of operations may be materially and adversely affected. Furthermore, the PRC Government from time to time changes its fiscal and monetary policies to control and adjust the growth rate of the PRC national economy and local economies, and such control and adjustments may affect the electroplating industry in the regions where we currently have, and will in the future have, electroplating industrial park developments.

Our business is dependent on the operating performance and financial condition of our major customers

We have historically derived, and expect to continue to derive, over 45% of our revenue from rental income (including rental, management fee and facilities usage fee) of our customers. During the Track Record Period, revenue attributable to the provision of wastewater treatment and utilities to our tenants also accounted for over 44% of our total revenue. However, we cannot assure you that our customers will continue to rent buildings in our industrial parks from us. If one or more major customers were to cease or reduce renting from us and/or reduce the use of our wastewater treatment services and utilities as a result of economic conditions, their financial performance or otherwise, we may experience slowed growth or no growth at all, and our business, financial condition and results of operations would be adversely affected. In addition, in the event that any of our major customers experiences a deterioration in their operating performance and financial condition, they may require us to terminate their leases even if there is no break clause. If our business dealings with major customers cease and we are unable to secure new tenants to take up the vacated factory premises, our business, financial condition, results of operations and prospects will be adversely affected.

RISK FACTORS

We recorded net current liabilities as at the end of FY2016, FY2017 and FY2018 and may not generate sufficient cash flows in the future to finance our operations or satisfy our current liabilities

As at the end of FY2016, we recorded net current liabilities of RMB791.3 million. Our current liabilities as at the end of FY2016 are mainly attributable to trade and other payables of RMB1,053.5 million, bank loans of RMB158.7 million and current taxation of RMB2.4 million.

As at the end of FY2017, we recorded net current liabilities of RMB666.7 million. Our current liabilities as at the end of FY2017 are mainly attributable to trade and other payables of RMB641.1 million, bank loans of RMB177.4 million and current taxation of RMB10.4 million.

As at the end of FY2018, we recorded net current liabilities of RMB812.5 million. Our current liabilities as at the end of FY2018 are mainly attributable to trade and other payables of RMB966.4 million, bank loans of RMB105.7 million and current taxation of RMB11.6 million.

As at 30 April 2019, we recorded net current liabilities of RMB580.4 million.

The net current liabilities position would expose us to liquidity risk which could restrict our ability to make necessary capital expenditure or develop business opportunities, and our business, operating results and financial condition could be materially and adversely affected. In addition, if we are unable to generate sufficient cash flow from our operations or otherwise unable to obtain sufficient funds to finance our operations or satisfy our current liabilities in a timely manner, our business operations, our liquidity and our ability to raise funding may be materially and adversely affected by our net current liabilities and negative cash flow from operations. There can be no assurance that we will maintain sufficient working capital, revenues or raise necessary funding to pay off our current liabilities and meet our capital commitments. In such circumstances, our business, financial position, results of operations and prospects may be materially and adversely affected.

Our profitability and operating results may be affected by the effectiveness of our business model and our ability to replicate such business model for our expansion in other regions of China whose competitive landscape may be different from the cities where our existing parks are located

Our business model is to develop large-scale electroplating industrial parks with highly efficient wastewater treatment facilities which fulfil our customer's needs for factory premises, wastewater treatment, gas emission towers management services, chemical procurement, pollutant testing and various ancillary supporting services. Notwithstanding that there are 28 and 2 electroplating industrial parks in Guangdong Province and Tianjin, respectively, Guangdong Huizhou Park is one of the six large-scale parks in Guangdong Province and our Tianjin Bingang Park is the only large-scale park in Tianjin. Our success is dependent on our management, operational and capital resources, development and operational expertise, technical know-how, and our knowledge of relevant industries and the needs of our targeted customers. For further information on our business model, please see "Business — Our business model" and "Business — Our competitive strengths" in this prospectus.

However, our experience in existing markets and our business model may not be readily replicable to new markets in our target cities. The electroplating industrial park markets in our target cities may be different from each other in terms of the level of local economic development, industrial development, local governmental policies and support, the development phases of local industries, market demand for

RISK FACTORS

our electroplating industrial parks, transportation network, regulatory practices and competitive landscape. We may not be able to leverage our established brands, reputation and experience in expanding our business into the new markets. Furthermore, the administrative, regulatory and tax environment in our target cities may be different from each other, and we may face additional expenses or difficulties in complying with new procedures and adapting to new environments in the new markets. Therefore, we may not be able to replicate our business model in our existing markets to these other cities. In addition, the competitive landscape of the target cities may be different from those where our existing parks are located and thus we may not have the same level of familiarity with local governments, contractors, business practices, regulations and customer preferences as our competitors, if any, which may put us in a disadvantageous position. Any failure to leverage our experience or to understand the electroplating industrial park market of a city to which we want to expand in the PRC may have a material adverse effect on our business, financial condition and results of operations.

We may not be able to increase our wastewater treatment fee in the future

During the Track Record Period, we had been able to increase our wastewater treatment fee from an average unit price of RMB20.1 per tonnes of fresh water used in FY2016 to RMB28.4 in FY2017, representing an increase of 41.3%, and further increased to RMB37.0 in FY2018, to cover the increase of our operating costs after negotiation with our tenants.

There is no guarantee that we will be able to increase wastewater treatment fee in the future. If our tenants disagree with our proposed increase of wastewater treatment fee, or decide to leave our parks as a result, our business, operations and financial position may be adversely affected.

We may not have the appropriate internal control system in place to match our expansion

As we continue to expand, we will have to continue to improve our managerial, development and operational expertise and allocation of resources. To effectively manage our expanded operations, we will need to continue to recruit and train managerial, accounting, internal audit, engineering, technical, sales and other staff to satisfy our electroplating industrial park development requirements, including staff with local market knowledge. In order to fund our ongoing operations and our future growth, we need to have sufficient internal capital sources or access to additional financing from external sources. Further, we will be required to manage relationships with a greater number of customers, suppliers, contractors, service providers, lenders and other third parties. Accordingly, we will need to further strengthen our internal control and compliance functions to ensure that we are able to comply with our legal and contractual obligations and reduce our operational and compliance risks. We cannot assure you that we will not experience any insufficiency of resources, internal control and compliance issues that may hinder our expansion plan and thus adversely affect our existing operations, financial condition and results of operations.

We may not be able to locate or acquire suitable sites for our future projects at a reasonable cost, or at all

During the Track Record Period, we derived our revenues mainly from rental and facilities usage and providing wastewater treatment and utilities to our tenants. Our ability to sustain our revenue growth depends on whether we can continue to identify and acquire suitable sites for our new electroplating industrial parks.

RISK FACTORS

According to the Industry Consultant's Report, many cities in China have experienced increases in land costs in recent years and there is a limited supply of suitable land for development in such cities. Our large-scale industrial parks require sizeable land sites to achieve planned economies of scale, and such land sites may not be readily available. Furthermore, we may not be able to acquire suitable land at reasonable costs, or at all.

The PRC government may promulgate policies on land supply from time to time which may adversely affect our ability to acquire land use rights for sites we seek to develop and could increase our land acquisition costs. In the event that we are unable to obtain land sites that are suitable for electroplating industrial park at reasonable costs or at all, our business, financial condition, results of operations and prospects may be materially and adversely affected.

We may not have sufficient financial resources for our business expansion plans

Electroplating industrial park is capital intensive. The availability of adequate financing is crucial to our ability to acquire land and to complete our projects. We finance our development activities primarily through a combination of capital contribution from investors, internally generated funding and external funding from financial institutions (including bank borrowings).

Our ability to generate operating cash inflow depends largely on the demand for the factory premises and wastewater treatment services of our industrial parks as well as the occupancy and utilisation rates of our factory premises and wastewater treatment facilities. Besides, our customers may delay or default their settlement of our bills. On the other hand, subject to the general economic conditions, credit policy of PRC banks, electroplating industry outlook and our operating and financial conditions, we may not be able to obtain sufficient bank financing for our business development purposes. In the event that we fail to obtain sufficient funds from our operations or banks, we may not be able to pursue our project development plans which may materially and adversely affect our financial conditions and future prospects.

Our expansion plan may not generate sufficient additional revenue to cover the corresponding increase in operating expenses

Our expansion plans include the development of the Hubei Jingzhou Project, construction of two factory buildings in our Guangdong Huizhou Park and the expansion of the wastewater treatment capacity of our Tianjin Bingang Park.

Our depreciation and amortisation charges are expected to increase by approximately RMB2.3 million in 2019 and RMB9.1 million in 2020. In addition, our workforce and thus labour costs will increase significantly in 2022 when the Hubei Jingzhou Project commences operation. We also expect rises of our operating costs, such as raw material costs, when our expansion projects commence operation.

We cannot guarantee that any additional revenue, if at all, generated by our expansion plans will be sufficient to cover the additional depreciation charges and operating costs brought by our expansion plans. In the event the additional revenue cannot cover the additional expenses, our business, financial condition, results of operations and prospect may be materially and adversely affected.

RISK FACTORS

We are exposed to the credit risk of and may experience increasing balance of trade receivables from our customers and longer trade receivables' turnover days in the future

We are subject to the credit risks of our customers and our liquidity is dependent on the prompt payment of our customers. As at 31 December 2016, 31 December 2017 and 31 December 2018, the trade receivables from our customers amounted to RMB24.6 million, RMB55.1 million and RMB75.8 million, respectively, representing an increase of 123.8% and 37.6%, whereas the respective amounts of trade receivables from our customers accounted for approximately 1.3%, 2.7% and 3.4% of our total assets, respectively. If our customers fail to settle their bills on time or at all for whatever reason, we may have cash flow mismatch which in turn may have an adverse impact on our liquidity position.

The restrictive covenants of our loan agreements could materially and adversely affect our business and results of operations, financial conditions and future prospects

During the Track Record Period, we maintained a certain level of indebtedness and may continue to incur significant debt to fund the daily operation and expansion plans of our electroplating industrial park.

Our loan agreements include various conditions and covenants restricting us from carrying out certain activities and entering into certain transactions unless we obtain lenders' written consent, such as taking new financing from third party (including borrowings and issuance of bonds), and entering into any transactions involving consolidation, spin-off, share transfer and reorganisation. In connection with our current bank loans and other borrowings, we have agreed to comply with these conditions and covenants. If we fail to comply with any of these restrictive covenants under the loan agreements, the lenders may be entitled to demand our early repayment of all or any part of the loans. In the event that we are unable to obtain sufficient alternative funding at reasonable terms, our business, prospect, financial condition and results of operations could be adversely affected.

Furthermore, the restrictive covenants of any existing or new bank loan and other borrowings could limit our ability to pay dividends or other distributions to our Shareholders or may significantly restrict our ability to raise additional equity or debt capital for the operation and development of our electroplating industrial park. Any of these limitations or restrictions could have a material and adverse impact on our business, financial condition and future prospects.

Our business and prospects could be adversely affected by competition

We are subject to competition with respect to our businesses. Competition among electroplating industrial park may result in increased costs for acquisition of land or significant investments in continual upgrades of our technology and equipment to maintain our strengths. In addition, we cannot assure you that the local government will not offer to our competitors any site in close proximity to our industrial park for similar usage. Should we fail to maintain our competitive strengths, our business operation, financial condition and future prospects may be materially and adversely affected.

Our business is subject to seasonality factors

Our wastewater treatment business is subject to seasonal factors. Demand for our wastewater treatment, utilities and other ancillary services is usually less around long holidays of Chinese New Year and National Day than the rest of the year. Any reduction in consumption volume of our services during

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these low seasons may have an adverse impact on our revenue and financial performance. Furthermore, comparisons of revenue and operating results between different periods within a single financial year may not be meaningful and should not be relied upon as indicators of our performance. Accordingly, our operating results may subject to fluctuations from time to time.

Our business, financial condition and results of operations may be materially and adversely affected if interest rates increase in the future

We are required to make substantial capital investments during the initial phases of our projects and we have relied on bank loans to finance a portion of such investments during the Track Record Period. For FY2016, FY2017 and FY2018, our finance costs were approximately RMB36.7 million, RMB48.0 million and RMB61.0 million, respectively. As of 31 December 2018, our gearing ratio, calculated as total debt divided by total equity, was 4.4 times.

We expect to continue to utilise bank loans to finance a portion of our investments in our projects. Our ability to meet the scheduled principal and interest payments depends primarily on our operating cash inflows which are in turn, subject to the general economic conditions and industry environment, which are out of our control. As our bank loans are principally denominated in Renminbi, the interest rates on our loans are primarily affected by the benchmark interest rates set by the PBOC. In the PRC, the PBOC regulates the lending rates and reserve requirement ratios for commercial banks. Between 2012 and the Latest Practicable Date, the PBOC has changed the benchmark lending rate and adjusted the reserve requirement ratio for commercial banks several times. The reserve requirement refers to the amount of funds that banks must hold in reserve with the PBOC against deposits made by their customers. Increases in the bank reserve requirement ratios may negatively impact the amount of funds available to commercial banks in the PRC to lend to businesses, including our Company. The benchmark one-year lending rate is currently 4.35%, effective 24 October 2015. The current reserve requirement ratios, which took effect on 15 January 2019, range from 12.0% to 14.0%. Accordingly, changes in the interest rate and reserve requirement ratios for banks have affected, and will continue to affect, our finance costs and profitability. We cannot assure you that the PBOC will not raise lending rates or reserve requirement ratios in the future, which may increase our finance costs and thereby materially and adversely affect our business, financial condition, results of operations and prospects.

We depend heavily on the continuing services of our senior management team and other key personnel

Our success depends on the continued services provided by our executive Directors and members of our senior management and shall continue to require their experiences, expertise, visions and relationships with customers for the furtherance of our business expansion. Competition for talented employees is intense in the PRC electroplating industrial park industry. If we lose the services of any core management team member and fail to find a suitable replacement in a timely manner, our business will be adversely impacted.

Failure to appropriately treat wastewater due to excessive pollution levels or for any other reason may adversely affect our earnings and may damage our facilities and reputation

Our electroplating wastewater treatment are built to treat wastewater to specified quality standards. The quality of our treated wastewater depends on the normal operation of our facilities. We are subject to risks of unknown or undiscovered defects or compatibility problems with our equipment. We cannot

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assure you that our staff will always be able to timely discover and repair malfunctioning equipment or any other problems with our treatment process or facilities. In these instances, our facilities may not be able to treat wastewater in compliance with the relevant regulatory and contractual standards, which could result in us being subject to claims from our customers or governmental authorities, and could lead to the suspension of our operations pending rectification as well as reputational damage.

In addition, the incoming wastewater to be treated by our facilities may contain pollutants exceeding the types and quantity we contemplated during the design and construction of the facilities, due to, among other things, excessive discharge of pollutants or heavy metals by our tenants or other events beyond our control. Any excessive pollution levels of the wastewater coming into our facilities may adversely affect the operating costs and earnings of such facilities due to the higher costs of treating the wastewater to meet the quality standards of the local governments. Moreover, should the types or amounts of pollutants in the wastewater increase significantly, the excessive pollution could damage or accelerate the deterioration of our facilities, and suspend our operations. Any of the foregoing could subject us to liability and damage our reputation, which could adversely affect our business, financial condition, results of operations and prospects.

Our non-compliance with relevant social insurance and housing provident fund contribution laws and regulations in the PRC could lead to imposition of fines and penalties.

Pursuant to the relevant PRC laws and regulations, employers in the PRC are required to make social insurance and housing provident fund contributions for their employees, and entities failing to make such contributions may be ordered to settle the outstanding contributions within a prescribed time limit and subject to penalties or fines. During the Track Record Period, we were not in strict compliance with the requisite contribution requirements in relation to our PRC employees. The aggregate shortfall in contribution and corresponding maximum penalty was amounted to RMB1.0 million and RMB0.6 million, respectively for social insurance fund; and RMB0.7 million and nil, respectively, for housing provident fund. Please see “Business — Legal and compliance” in this prospectus for further details. There is no assurance that we will not be subject to penalties or fines imposed by the relevant PRC authorities as a result of such non-compliance incidents. There is also no assurance that there will not be any employee complaint against us in relation to our failure to make full social insurance and housing provident fund contributions. Any such penalties, orders or complaints may harm our corporate image and may have an adverse effect on our financial condition and results of operations.

Our failure to commence construction on a parcel of land could lead to imposition of idle land fee and liquidated damages and the land parcel may even be taken back by the government with no compensation

We have failed to develop one of the land parcels acquired by us for our Tianjin Bingang Park within the required period. Pursuant to the relevant PRC laws and regulations, failure to develop land parcel within the prescribed period may lead to idle land fee and liquidated damages, and the land may also be taken back by the government without compensation. Please see “Business — Legal and compliance” in this prospectus for further details. Although no investigation had been initiated by the government authority as at the Latest Practicable Date, there is no assurance that the relevant land parcel will not be identified as idle land by the government. If any idle land fee and liquidated damages are imposed against the Group, or the relevant land parcel is taken back by the government without compensation, our financial condition and results of operations may be adversely affected.

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Failure to obtain or renew the approvals, permits, licences, land use rights and certificates or complete the environmental impact assessment required for the construction and operation of our wastewater treatment facilities could result in fines and penalties as well as disruption to our operations and growth plan

We are required to obtain certain approvals, permits, licences and certificates from various competent government authorities and complete the environmental impact assessment in order to develop and operate our wastewater treatment business. Details of the approvals, permits, licences and certificates we are required to obtain or maintain are set out in “Regulatory Overview” in this prospectus. Under relevant PRC laws and regulations, the government authorities could impose fines, suspension orders or cessation orders on the operation and construction of these facilities. We cannot assure you that all of these required approvals, licences, permits and certificates, such as wastewater discharge permits, and the environmental impact assessment, can be obtained or completed in a timely manner.

In addition, some of these approvals, licences, permits and certificates are subject to periodic review and renewal by the competent government authorities and the standards for compliance required in relation thereto may, from time to time, be subject to change. Any changes in the existing policies by the competent government authorities which result in the imposition of more burdensome requirements may result in our failure to obtain or maintain such approvals, permits, licences and certificates. Any such failure could subject us to fines and other penalties, including the suspension or shut down of our operations, which could have a material and adverse effect on our business, financial condition, results of operations and prospects.

Our business relies on technologies and techniques that are subject to continuous changes, and we cannot assure you that our research and development initiatives will continue to enable us to remain competitive in the industries where we conduct business

Our continued success and competitiveness depend on our ability to develop and improve our techniques. These techniques are subject to continuous evolution and changes. Our techniques must pass rigorous testing and field trials, which can be time-consuming and expensive. The commencement and completion of tests and field trials are subject to many risks such as delays in producing or failure to produce test results, data or analysis, inadequate or inconclusive results, changes in regulatory policies or industry standards or delays by government or regulatory authorities. We cannot assure you that we will be able to keep up with changes in technology and techniques in a timely manner or at a reasonable cost. If we are unable to continue developing our techniques or if there are fundamental technological changes in the industry to which we cannot adapt, we may not be able to remain competitive in our industries, and our business, market share, results of operations and financial condition could be materially and adversely impacted.

Furthermore, changes in regulations or standards for wastewater treatment and other environmental regulations may necessitate the use of new technologies or the improvement of our existing techniques. We may need to develop new technologies, upgrade existing techniques or upgrade existing facilities to meet the standards imposed by the relevant regulatory authorities, which could require more financial, human or other resources. Our ability to keep up with such new regulatory standards will significantly affect our ability to grow and to remain competitive. In the event that we are unable to develop or source new and enhanced wastewater treatment solutions to keep up with such environmental protection

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regulation or standard changes in a timely manner or at reasonable costs, we may not be able to maintain our operations or competitive edge and our business, market share, results of operations and financial condition could be materially and adversely impacted.

We may fail to adequately protect our intellectual property rights or could face claims for infringement of the intellectual property rights of others

We rely on patents and trademarks to protect our proprietary rights. As at the Latest Practicable Date, we had registered 7 trademarks, copyright of 3 computer software, 9 domain names, 33 patents and have submitted 18 more patent applications in the PRC. Please see “Statutory and General Information — B. Further information about our business — 2. Intellectual property rights” in this prospectus. Monitoring unauthorised use of our intellectual property is difficult, and we cannot be certain that the steps we have taken will prevent unauthorised use of our technologies. If we fail to protect our intellectual property rights adequately, our competitors may gain access to our technologies.

Additionally, applicable laws may not fully protect our intellectual property rights. Any claims or litigation that we may initiate in the future to protect our intellectual property rights could be time-consuming and expensive and could divert resources from our business regardless of whether or not the disputes are decided in our favour. Moreover, any significant infringement upon our technologies and techniques could weaken our competitiveness, increase our operating costs and have an adverse effect on our operations.

Moreover, as we expand our business, third parties may assert that our technologies or techniques infringe upon their intellectual property rights. We cannot assure you that we will not face any claims or litigation for infringement of the intellectual property rights of others. These claims or litigation could adversely affect our relationships with current or future customers, divert management attention and resources and result in substantial expenses, thereby adversely affecting our business, financial condition, results of operations and prospects.

Our Controlling Shareholders have substantial control over our Company and their interests may not be aligned with the interests of our other public minority Shareholders

Immediately following the Share Offering, our Controlling Shareholders will remain to exert substantial control over our issued share capital. As a result, subject to our Memorandum and Articles of Association and the Cayman Companies Law, our Controlling Shareholders, by virtue of their controlling ownership of our share capital and their positions on our Board of Directors, will be able to exercise significant control or influence over our business or otherwise on matters of significance to us. Certain matters for which our Controlling Shareholders could have significant control or influence in determining the outcome include, among others:

- election of Directors;
- selection of senior management;
- amount and timing of dividend payments and other distributions;
- acquisition of, or merger with, other entities;

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- overall strategic development and investment decisions;
- issuance of securities and adjustment to our capital structure; and
- amendments to our Memorandum and Articles of Association.

The interests of our Controlling Shareholders may differ from the interests of our other public minority Shareholders and our Controlling Shareholders are free to exercise their votes according to their interests. In the event that there is a divergence of our strategic and other interests from those of our Controlling Shareholders in the future, the Controlling Shareholders may exercise control over us in ways that conflict with the interests of our other Shareholders, and the interest of minority Shareholders could be disadvantaged.

We may be involved from time to time in disputes, legal and other proceedings arising out of our operations and may face significant liabilities as a result

We may be involved from time to time in disputes with various parties related to the development, sales, operation and leasing of our electroplating industrial parks and other properties, including employees, customers, contractors, suppliers and contractors. These disputes may lead to protests or legal or other proceedings and may result in damage to our reputation, substantial costs to our operations, and diversion of our management's attention. In addition, we may have disagreements with regulatory bodies in the ordinary course of our business, which may subject us to administrative proceedings and unfavourable orders or injunctions that will result in liabilities and cause delays to our electroplating industrial park developments. We cannot assure you that we will not be so involved in any major legal or other proceedings in the future.

Our limited insurance may not cover claims arising from personal injuries or other damages and losses to our business

We generally do not carry insurance against all potential losses or damages with respect to our business other than the insurance against injury for our employees and the property insurance required to be taken out by our tenants with our relevant Group member named as beneficiary.

Claims from injured employees or third parties may fall outside the scope and limit of our current insurance coverage. In addition, outcome of any claim is subject to relevant parties' negotiation, court decisions or adjudications of relevant authorities. If we are sued or held liable for damages and losses arising from personal injuries or other tortious acts, we cannot assure you that our insurance coverage would be sufficient to cover such losses, damages and liabilities.

Moreover, our business may be adversely affected due to occurrence of natural disasters and other unanticipated catastrophic events, with respect to which we do not carry any insurance. Furthermore, there are certain losses for which no insurance is available on commercially practicable terms, such as losses suffered due to earthquake, nuclear contamination, typhoon, flooding, war and civil disorder. If we suffer from any losses, damages or liabilities in connection with our electroplating industrial parks, we may not have sufficient financial resources to cover fully such losses, damages or liabilities or to replace any part of the industrial parks that has been destroyed, and may lose all or a portion of our

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investment in the affected industrial parks and anticipated future income from such industrial parks. Any such material uninsured loss could have a material adverse effect on our business, financial condition and results of operations.

Any government grants currently or previously available to us could be reduced or discontinued

During the Track Record Period, we received subsidies granted by various local governments as financial incentives to encourage our development and investment in the PRC wastewater treatment and water supply industries. For FY2016, FY2017 and FY2018, we recognised government grants of approximately RMB2,226,000, RMB4,198,000 and RMB5,844,000 in the consolidated statements of profit or loss, respectively.

We cannot guarantee the amount of subsidies to be granted to us or whether there will be subsidies in the future. If the relevant governments deduct or even cancel the current subsidies or refuse to grant any subsidies, our financial performance could be adversely affected.

Various benefits including the preferential tax treatment we currently enjoy may be unfavourably changed or discontinued

Pursuant to the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法), Huizhou Jinmaoyuan and Huizhou Kimou were entitled to the preferential tax policy on environmental protection devices either throughout or in a particular year in the Track Record Period. The policy allows 10% of total purchasing amount of environmental protection devices (“**Preferential Amount**”) as deduction of income tax expenses and the Preferential Amount would be utilised in following five years. Accordingly, our income tax for FY2016, FY2017 and FY2018 was reduced by RMB3.4 million, RMB0.9 million and RMB0.8 million, respectively. In addition, Huizhou Jinmaoyuan and Tianjin Bingang were entitled to claim additional deduction on research and development expenses. Accordingly, our income tax for FY2017 and FY2018 was reduced by RMB1.0 million and RMB1.6 million, respectively. Please refer to “Financial Information — Description of selected components of our income statements — Income tax — Effect of preferential tax treatments” in this prospectus for details. We cannot assure you that such benefits or preferential treatment that we currently enjoy will not be unfavourably changed or discontinued. The termination or expiry of such benefits or the preferential tax treatment during the relevant periods or the imposition of additional taxes on us or our subsidiaries in China may significantly increase our tax expense and materially reduce our net income.

Huizhou Jinmaoyuan has obtained qualification as a High and New Technology Enterprise with effect from November 2018, however, we cannot assure you that such qualification which is valid for three years can be successfully renewed in the future. If the qualification is not renewed, we will not be able to enjoy a preferential enterprise income tax rate of 15%.

We may not be able to recover our deferred tax assets

We have deferred tax assets in the sums of RMB12.2 million, RMB28.7 million and RMB32.7 million as at 31 December 2016, 2017 and 2018, respectively. Our deferred tax assets represent mainly unused tax losses and government grants.

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In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of our Group and requires significant level of judgement exercised by our Directors. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in future years.

In addition, deferred tax assets can be used to offset tax liabilities if the relevant requirements are fulfilled. We however cannot guarantee that there will be sufficient tax liabilities to offset against, or whether the relevant requirements are fulfilled or there will be profit at all.

Deterioration in our brand names and corporate image could adversely affect our business

We rely to a significant extent on our brand names and our corporate images to attract potential customers to our electroplating industrial parks. Any negative incident or publicity concerning us could adversely affect our reputation and business prospects. Demand for our services and our brand value could diminish significantly if we fail to preserve quality of our services, or fail to satisfy the local government authorities or customers in our electroplating industrial park developments, or if we are perceived to act in an unethical or socially irresponsible manner. Any negative publicity could have a material adverse effect on our business, results of operations and financial position.

RISKS RELATING TO THE ELECTROPLATING INDUSTRIAL PARKS IN CHINA

The regulations and policies for wastewater treatment in the PRC may subject to change and may not be properly implemented

We operate within an industry where regulatory standards play a critical role in influencing the demand for our services. Electroplating industrial parks are also designed based on the prevailing government policies and regulations. For example, wastewater treatment facilities are designed and constructed to ensure that the discharge complies with the relevant laws and regulations. Besides, local governments may tighten their monitoring on pollutant discharge enterprises or raise the penalty for the breach of environmental protection laws and regulations. Any changes in legislative, regulatory or industrial requirements may necessitate substantial upgrades and improvements of certain of our wastewater treatment technologies and facilities and consequently we may need to make additional capital investments. In order to ensure our due compliance with the relevant regulatory requirements from time to time, we established a system to monitor the operations of our parks and tenants and invested RMB141.9 million in FY2017 mainly for upgrading the wastewater treatment facilities and equipment in our Guangdong Huizhou Park. For further details, please see “Business — Environmental and social matters — Environmental matters” in this prospectus. In the event that the PRC Government substantially raises the environmental protection requirements in a short period of time, we may need to implement more sophisticated internal control systems and incur significant capital expenditures to upgrade our wastewater treatment facilities which may materially and adversely affect our business operations and financial conditions.

On the other hand, the governments at various levels in the PRC have adopted policies favourable to the environmental protection industry, such as procuring electroplating companies to relocate to electroplating industrial parks. For details please refer to “Industry Overview — Market analysis of electroplating industrial park in China — Market drivers — Favourable policies for electroplating industrial park development”. We anticipate those policies and plans will stimulate the market and

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increase the demand of our wastewater treatment. However, the implementation of those policies and plans may be delayed, and we cannot assure you how and whether the government authorities will indeed execute such plans. Nor can we predict the precise impact on the wastewater treatment arising from the actual implementation of those policies. Even if such policies and plans are duly executed, we cannot assure you that they would translate into increased demand and business opportunity for us and thus we may not be able to benefit from such policies and plans. There is also no guarantee that the PRC government will not adopt a more relax policy in terms of relocating electroplating companies to electroplating industrial park due to economic downturn and the need to reduce economic burden of electroplating companies, thus reducing demand for factory spaces in the electroplating industrial parks.

Trade war between the US and the PRC may have a negative impact on our financial performance

In May 2018, the US announced that it would impose a 25% tariff on US\$50 billion of Chinese goods with industrially significant technology, and in mid-September 2018, the Trump administration further announced a 10% tariff on additional US\$200 billion worth of Chinese goods with effect from 24 September 2018. Recently, as a result of the stalling trade talks in May 2019, the US stated that the previous tariffs of 10% levied on \$200 billion worth of Chinese goods would be raised to 25%.

Although our operational and financial performances had improved during the Track Record Period, with our Guangdong Huizhou Park achieving a 100% occupancy in FY2018, and our Tianjin Bingang Park occupancy rate improved in FY2018 when compared to FY2017, a prolonged trade war may ultimately affect the economic performance of the PRC as a whole, and resulting in negative impact on all walks of life, including the operational and financial performance of our tenants and in turn our electroplating industrial parks.

RISKS RELATING TO CHINA

Our business, financial condition and results of operations are heavily impacted by the political and economic situation in the PRC

The PRC economy has experienced significant growth over the past few decades. In addition, the PRC Government may from time to time implement measures to control the rate of economic growth in China. As a result, we cannot assure you that the PRC economy will continue to grow at its historical rate, or at all, in the future.

The PRC economy differs from the economies of most developed countries in many respects, including structure, government involvement, level of development, economic growth rate, control of foreign exchange, allocation of resources and balance of payment position. For the past three decades, the PRC Government has implemented economic reform measures emphasising utilisation of market forces in development of the PRC economy. Although we believe these reforms will have a positive effect on the PRC's overall long-term development, we cannot predict whether changes in the economic, political and social conditions of the PRC will materially and adversely affect our current or future business, financial condition, results of operations or prospects. Moreover, even if new policies may benefit us in the long-term, we cannot assure you that we will be able to successfully adjust to such policies. If there is a further slowdown in the economic growth of the PRC, or if the PRC economy experiences a recession, demand for our electroplating industrial parks may also decrease and our business, financial condition, results of operations and operations may be materially and adversely affected.

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In addition, demand for our factory spaces may be affected by a variety of factors, many of which may be beyond our control, including:

- political stability or changes in social conditions within the PRC;
- changes in laws and regulations or the interpretation of laws and regulations;
- measures which may be introduced to control inflation or deflation;
- changes in the rate or method of taxation; and
- the imposition of additional restrictions on currency conversion and remittances abroad.

Any significant changes in relation to any of these factors may materially and adversely affect our business, financial condition, results of operations and prospects.

We may be treated as a resident enterprise for PRC tax purposes under the EIT Law, which could result in unfavourable tax consequences to us and our non-PRC shareholders

We are incorporated under the laws of the Cayman Islands, but substantially all of our operations are in China. Under the EIT Law and its implementation rules, an enterprise incorporated in a foreign country or region may be classified as either a “non-resident enterprise” or a “resident enterprise”. If an enterprise incorporated in a foreign country or region has its “de facto management bodies” located within China, such enterprise will be considered a PRC tax resident enterprise and will normally be subject to the enterprise income tax of 25% on its worldwide income. The relevant implementation rules define “de facto management bodies” as those which exercise substantial and overall management and control over the manufacturing and business operations, personnel, accounting, properties and other aspects of an enterprise. In April 2009, the State Tax Bureau issued the Notice Regarding the Determination of Chinese-Controlled Offshore-Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies, or the Circular 82, which sets forth certain specific criteria for determining whether the “de facto management body” of a Chinese-controlled offshore-incorporated enterprise is located in mainland China. However, the Circular 82 only applies to offshore enterprises controlled by PRC enterprises and not those controlled by PRC individuals. Substantially all of the members of our management are currently located in China and we expect them to continue to be located in China. Due to the lack of clear guidance on the criteria pursuant to which the PRC tax authorities will determine our tax residency under the EIT Law, it remains unclear whether the PRC tax authorities will treat us as a PRC resident enterprise for tax purposes. As a result, if we are deemed to be a PRC tax resident enterprise, we will be subject to an enterprise income tax rate of 25% on our worldwide income, and be obligated to withhold PRC income tax on the gross amount of dividends we pay to our Shareholders who are non-PRC tax residents. The withholding income tax rate is 10%, unless otherwise provided under applicable double taxation treaties between China and the government of the relevant foreign tax jurisdiction where a Shareholder resides. In addition, if we are deemed to be a PRC resident enterprise for tax purposes under the EIT Law, gains on sales or other transfers of the Offer Shares by an investor may also be treated as income derived from sources within the PRC and be subject to PRC tax.

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Fluctuations in the value of RMB may have a material adverse impact on your investment

The value of the RMB against the U.S. dollar and other currencies including the Hong Kong dollar may fluctuate and is affected by, among other things, changes in China's political and economic conditions. The conversion of RMB into foreign currencies, including U.S. dollars, has been based on rates set by the PBOC. In 2005, the PRC Government changed its policy of pegging the value of RMB to the U.S. dollar. Under the new policy, RMB is permitted to fluctuate within a band against a basket of currencies determined by the PBOC, against which it could rise or fall by as much as 0.3% each day. On 21 May 2007, the PRC Government further widened the daily trading band to 0.5%. Between 21 July 2005 and 31 December 2009, RMB has appreciated significantly against the U.S. dollar. In June 2010, the PRC Government indicated that it would make the foreign exchange rate of RMB more flexible, which increases the possibility of sharp fluctuations of RMB's value in the near future and the unpredictability associated with RMB's exchange rate. On 16 April 2012, the PRC Government further widened the daily trading band to 1%. Nevertheless, there still remains significant international pressure on the PRC Government to further liberalise its currency policy, which could result in further and more significant fluctuations in the value of RMB against the U.S. dollar.

Any significant revaluation of the RMB may have an adverse effect on our turnover and financial condition and the value of any dividends payable on the Shares in foreign currency terms. To the extent that we need to convert our proceeds in Hong Kong dollars from the Listing into the RMB amount for our operations, appreciation of RMB against the Hong Kong dollar would have an adverse effect on the RMB amount we would receive from the conversion. Conversely, if we need to convert our RMB funds into Hong Kong dollars for the purpose of making payments for dividends on our Shares or for other business purposes, appreciation of the Hong Kong dollar against RMB would have a negative effect on the Hong Kong dollar amount to be converted into.

We are subject to the PRC Governmental control of currency conversion

The PRC Government imposes controls on convertibility of RMB into foreign currencies and, in certain cases, remittance of currency out of China. We receive substantially all of our revenues in RMB. Shortages in availability of foreign currencies may restrict the ability of our PRC subsidiaries to remit sufficient foreign currencies to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations, if any. Under existing PRC foreign exchange regulations, payments of certain current account items can be made in foreign currencies without prior approval from the local SAFE branch by complying with certain procedural requirements. However, approval from appropriate governmental authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as repayment of bank borrowings denominated in foreign currencies. The PRC Government may also at its discretion restrict access in the future to foreign currencies for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to our shareholders.

China's legal system is still developing and there are inherent uncertainties that may affect the protection afforded to our business and Shareholders

As substantially all of our businesses are conducted, and substantially all of our assets are located, in the PRC, our operations are governed principally by PRC laws and regulations. The PRC legal system is based on written statutes, and prior court decisions can only be cited as reference. Since 1979, the

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PRC Government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organisation and governance, commerce, taxation, foreign exchange and trade, with a view to developing a comprehensive system of commercial law. However, China has not developed a fully integrated legal system.

Recently-enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. In particular, because these laws and regulations are relatively new, and because of the limited volume of published decisions and their nonbinding nature, interpretation and enforcement of these laws and regulations involve uncertainties. In addition, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis) that may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until sometime after the violation. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention.

We are a holding company that substantially relies on dividend payments from our subsidiaries for funding, and our corporate structure may limit our ability to receive dividends from, and transfer funds to, our PRC subsidiaries, which could restrict our ability to act in response to changing market conditions and reallocate funds from one affiliated PRC entity to another in a timely manner

We are a holding company incorporated in the Cayman Islands and operate our core business through our subsidiaries in China. Therefore, the availability of funds to us to pay dividends to our shareholders and to service our indebtedness depends upon dividends received from these subsidiaries. PRC laws require that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in certain aspects from generally accepted accounting principles in other jurisdictions, including HKFRS. PRC laws also require foreign-invested enterprises, such as some of our subsidiaries in China, to set aside part of their net profits as statutory reserves. These statutory reserves are not available for distribution as cash dividends. In addition, restrictive covenants in bank credit facilities, convertible bond instruments or other agreements that we or our subsidiaries are currently subject to or may enter into in the future may also restrict the ability of our subsidiaries to make contributions to us and our ability to receive distributions. Therefore, these restrictions on availability and usage of our major source of funding may impact our ability to pay dividends to our Shareholders and to service our indebtedness.

Any transfer of funds from our Company to our PRC subsidiaries, either as a shareholder loan or as an increase in registered capital, is subject to registration or approval of PRC governmental authorities, including relevant administration of foreign exchange or relevant examining and approval authority. In addition, it is not permitted under PRC laws for our PRC subsidiaries to directly lend money to each other. Therefore, it is difficult to change our plans with respect to use of funds or capital expenditure plans once the relevant funds have been remitted from our Company to our PRC subsidiaries. These limitations on free flow of funds between us and our PRC subsidiaries could restrict our ability to act in response to changing market conditions and reallocate funds from one PRC subsidiary to another in a timely manner.

RISK FACTORS

The national and regional economies in China and our prospects may be materially and adversely affected by a recurrence of SARS or an outbreak of other epidemics, such as avian influenza A (H5N1 and H7N9) virus and influenza A (H1N1) virus

Some regions in China, including our target cities where we operate, are susceptible to epidemics. Past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in China. A recurrence of Severe Acute Respiratory Syndrome or SARS or an outbreak of any other epidemics in China, such as avian influenza A (H5N1 and H7N9) virus and influenza A (H1N1) virus or other widespread communicable disease, especially in the cities where we have operations, may result in material disruptions to our property development and our sales and marketing, which in turn may materially and adversely affect our business, financial condition, results of operations and prospects.

You may experience difficulties in effecting service of process, enforcing foreign judgments or bringing original actions in China against us or our Directors or officers

We are a company incorporated under the laws of the Cayman Islands, but substantially all of our operations and assets are located in China. Substantially all of our Directors and officers reside in China, and substantially all of their assets are located in China. As a result, it may be difficult or impossible for you to effect service of process upon us or our Directors and officers.

Moreover, China does not have treaties providing for the reciprocal recognition and enforcement of judgments awarded by courts in the United States, the Cayman Islands and most other western countries. As a result, recognition and enforcement in China of the judgment of a court in any of these jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or impossible. Furthermore, an original action may be brought in China against us or our Directors or officers only if the actions are not required to be arbitrated by PRC law and upon satisfaction of the conditions for institution of a cause of action pursuant to the PRC Civil Procedure Law. As a result of the conditions set forth in the PRC Civil Procedure Law and the discretion of the PRC courts to determine whether the conditions are satisfied and whether to accept the action for adjudication, there remains uncertainty on whether an investor like you will be able to bring an original action in China in this fashion.

There are no assurances that we will pay dividends in the future

Our Directors may declare dividends after taking into account, among other things, our results of operations, financial condition, amount of distributable profits based on HKFRS, our Memorandum and Articles of Association, the Cayman Companies Law, applicable laws and regulations and other factors that our Directors deem relevant. See the subsection headed “Financial Information — Dividends and dividend policy” in this prospectus for further discussion. Our future payments of dividends will be at the absolute discretion of our Board. We cannot assure you when or whether we will pay dividends in the future.

RISK FACTORS

Certain facts and other statistics with respect to China, the PRC economy and the PRC waste management and electroplating industries in this prospectus are derived from various official government sources and third-party sources and may not be reliable

Certain facts and other statistics in this prospectus relating to China, the PRC economy and the PRC waste management and electroplating industries have been derived from various official government publications and third-party sources. However, we cannot guarantee the quality or reliability of these sources. They have not been prepared or independently verified by us or any of our affiliates or advisors and, therefore, we make no representation as to the accuracy of such facts and statistics. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, facts and statistics herein may be inaccurate or may not be comparable to facts and statistics produced based on other sources. As a result, prospective investors should consider carefully how much weight or importance they should attach to or place on such facts or statistics.

RISKS RELATING TO THE SHARE OFFER

There has been no prior public market for our Shares and an active trading market for our Shares may not develop or be sustained

Prior to the Share Offer, no public market for our Shares existed. Following the completion of the Share Offer, the Stock Exchange will be the only market on which the Shares will be publicly traded. We cannot assure our investors that an active trading market for our Shares will be developed or be sustained after the Share Offer. In addition, we cannot assure our investors that our Shares will be traded in the public market subsequent to the Share Offer at or above the Offer Price. The Offer Price for the Shares is expected to be fixed by the Price Determination Agreement, and may not be indicative of the market price of the Shares following the completion of the Share Offer. If an active trading market for our Shares does not develop or is not sustained after the Share Offer, the market price and liquidity of our Shares could be materially and adversely affected.

The trading price and volume of our Shares may be volatile, which could result in substantial loss to our investors

The trading price of our Shares may be volatile and could fluctuate widely in response to factors beyond our control, including (i) variations in the level of liquidity of our Shares; (ii) changes in securities analysts' (if any) estimates of our financial performance; (iii) investors' perceptions of our Group and the general investment environment; (iv) changes in laws, regulations and taxation systems which affect our operations; and (v) the general market conditions of the securities markets in Hong Kong. In particular, the trading price performance of our competitors whose securities are listed on the Stock Exchange may affect the trading price of our Shares. These broad market and industry factors may significantly affect the market price and volatility of our Shares, regardless of our actual operating performance.

In addition to market and industry factors, the price and trading volume of our Shares may be highly volatile for specific business reasons. In particular, factors such as variations in our revenue, or net income and cash flow, the success or failure of our efforts in implementing business and growth

RISK FACTORS

strategies; our involvement in material litigation as well as recruitment or departure of key personnel, could cause the market price of our Shares to change unexpectedly. Any of these factors may result in large and sudden changes in the volume and trading price of our Shares.

As there will be a gap of several days between the pricing and the trading of our Offer Shares, holders of our Offer Shares are subject to the risk that the price of our Offer Shares could fall during the period before trading of our Offer Shares begins. The Offer Price of our Shares is expected to be determined on the Price Determination Date. However, our Shares will not commence trading on the Stock Exchange until the Listing Date. As a result, investors may not be able to sell or otherwise deal in our Shares during the period between the Price Determination Date and the Listing Date.

Accordingly, holders of our Shares are subject to the risk that the price of our Shares could fall before trading begins as a result of adverse market conditions or other adverse developments that could occur between the time of sale and the time trading begins.

Investors for our Shares will experience immediate dilution and may experience further dilution if we issue additional Shares in the future

We may need to raise additional funds due to changes in business conditions, or to finance our future plans, whether in relation to our existing operations or any future acquisitions. If additional funds are raised by way of issuing Shares or equity-linked securities other than on a pro-rata basis to existing Shareholders our existing Shareholders' shareholding may be reduced, the earnings per Share and the net tangible asset value per Shares would diminish and/or such newly issued securities may have rights, preferences and privileges superior to the Shares of our existing Shareholders.

Future disposal or perceived disposal of a substantial number of Shares of our existing Shareholders in the public market could materially and adversely affect the prevailing market price of our Shares

Disposal of substantial amounts of our Shares in the public market after the completion of the Share Offer, or the perception of such disposal could adversely affect the market price of our Shares and materially impair our future ability to raise capital through offerings of our Shares. There is no assurance that our major Shareholders would not dispose of their shareholdings. Any significant disposal of our Shares by any of the major Shareholders could materially affect the prevailing market price of our Shares. In addition, these disposals may make it more difficult for us to issue new Shares in the future at a time and price we deem appropriate, thereby limiting our ability to raise further capital. We cannot predict the effect of any significant future disposal on the market price of our Shares.

Investors should read the entire prospectus and should not rely on any information contained in press articles or other media coverage regarding us and the Share Offer

We strongly caution our investors not to rely on any information contained in press articles or other media regarding us and the Share Offer. Prior to the publication of this prospectus, there may be press and media coverage regarding the Share Offer and us. Such press and media coverage may include references to certain information that does not appear in this prospectus, including certain operating and financial information and projections, valuations and other information. We have not authorised the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication.

RISK FACTORS

We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this prospectus, we disclaim responsibility for it and our investors should not rely on such information.

Certain facts, forecast and other statistics in this prospectus obtained from publicly available sources have not been independently verified and may not be reliable

Certain facts, forecast and other statistics in this prospectus are derived from various government and official resources. However, our Directors cannot guarantee the quality or reliability of such source materials. We believe that the sources of the said information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. Nevertheless, such information has not been independently verified by us, the Sponsor, the Underwriters or any of their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such facts and statistics. Further, we cannot assure our investors that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, our investors should consider carefully how much weight or importance should be attached to or placed on such facts or statistics.

Forward-looking statements contained in this prospectus are subject to risks and uncertainties

This prospectus contains forward-looking statements with respect to our business strategies, operating efficiencies, competitive positions, growth opportunities for existing operations, plans and objectives of management, certain pro forma information and other matters. The words “anticipate”, “believe”, “could”, “predict”, “potential”, “continue”, “expect”, “intend”, “may”, “plan”, “seek”, “will”, “would”, “should” and the negative of these terms and other similar expressions identify a number of these forward-looking statements. These forward-looking statements, including, amongst others, those relating to our future business prospects, capital expenditure, cash flows, working capital, liquidity and capital resources are necessarily estimates reflecting the best judgment of our Directors and management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. As a consequence, these forward-looking statements should be considered in light of various important factors, including those set out in “Risk Factors” in this prospectus. Accordingly, such statements are not a guarantee of future performance and investors should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

We have applied to the Stock Exchange for, and have been granted, a waiver from strict compliance with the following provision of the Listing Rules.

MANAGEMENT PRESENCE IN HONG KONG

Rule 8.12 of the Listing Rules requires that an issuer must have sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. As at the Latest Practicable Date, all of our executive Directors, except for Mr. Lee, and all of our senior management were and will be based in the PRC. Given that the principal business and operations of our Group are all located, managed and conducted in the PRC, we consider that it would be unduly burdensome for us to, for the foreseeable future, have executive Directors who are ordinarily resident in Hong Kong as required under Rule 8.12 of the Listing Rules. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 8.12 of the Listing Rules subject to the following conditions:

- (a) our Company has appointed two authorised representatives pursuant to Rule 3.05 of the Listing Rules who will act as our Company's principal communication channel with the Stock Exchange and will ensure that they will comply with the Listing Rules at all times. The two authorised representatives are (i) Mr. Zhang, who is a PRC resident, our executive Director and chairman; and (ii) Mr. Lee, who is an ordinary resident in Hong Kong and our executive Director. Although Mr. Zhang resides in the PRC, he has applied for valid travel documents and is able to renew such travel documents when they expire in order to visit Hong Kong. Each of the two authorised representatives has been duly authorised to communicate on behalf of our Company with the Stock Exchange and each of them will be readily available to meet with the Stock Exchange in Hong Kong within a reasonable time frame upon request of the Stock Exchange and will be readily contactable by mobile or telephone, facsimile or email;
- (b) both authorised representatives have means to contact all members of the Board promptly at all times as and when the Stock Exchange wishes to contact our Directors on any matters;
- (c) our Company has implemented a policy whereby (i) each Director will provide his respective mobile phone number, office phone number, fax number and email address to the authorised representatives; (ii) each Director will provide valid phone numbers or means of communication to the authorised representatives when he travels; and (iii) each Director and authorised representative will provide his mobile phone number, office phone number, fax number and email address to the Stock Exchange;
- (d) all of those Directors who are not ordinarily residents in Hong Kong have confirmed that they hold valid travel documents or are entitled to apply for valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange in Hong Kong upon reasonable notice, when required; and

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (e) our Company has, in accordance with Rule 3A.19 of the Listing Rules, appointed Shenwan Hongyuan Capital (H.K.) Limited as our compliance adviser which will have access at all times to our authorised representatives, Directors and other officers and will serve as our Company's additional communication channel with the Stock Exchange. The compliance adviser will advise our Company on on-going compliance requirements and other issues arising under the Listing Rules and all other applicable Hong Kong laws, rules, codes and guidelines for the period commencing on the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year immediately after the Listing Date.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, there are no other matters the omission of which would make any statement herein or this prospectus misleading, and all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

INFORMATION ON THE SHARE OFFER

The Share Offer comprises the Public Offer of 28,000,000 new Shares and the Placing of 252,000,000 new Shares initially offered by our Company (subject, in each case, to reallocation on the basis under the section headed “Structure and Conditions of the Share Offer” in this prospectus).

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein.

No person is authorised to give any information in connection with the Share Offer or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by us, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Co Managers, the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in the Share Offer.

Details of the structure of the Share Offer, including its conditions, are set out in “Structure and Conditions of the Share Offer” in this prospectus, and the procedures for applying for the Public Offer Shares are set out in “How to Apply for Public Offer Shares” in this prospectus and in the relevant Application Forms.

Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, constitute a representation that there has been no change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

UNDERWRITING

This prospectus is published solely in connection with the Share Offer. The Share Offer comprises the Placing and the Public Offer. For applicants under the Public Offer, this prospectus and the Application Forms set out the terms of the Public Offer. The Listing is sponsored by the Sole Sponsor and the Share Offer is managed by the Sole Bookrunner. Subject to the terms of the Underwriting Agreements (including the determination of the final Offer Price by agreement between the Company and the Sole Bookrunner (for itself and on behalf of the Underwriters) on or around Saturday, 6 July 2019 being the expected Price Determination Date or such later time as may be agreed by the Company and the Sole Bookrunner (for itself and on behalf of the Underwriters, and in any event no later than Wednesday, 10 July 2019), the Public Offer Shares are fully underwritten by the Underwriters and the Placing Shares are fully underwritten by the Underwriters. For further information about the Underwriters and the underwriting arrangements, please refer to “Underwriting” in this prospectus.

DETERMINATION OF THE OFFER PRICE

The Offer Price is expected to be fixed by agreement between the Sole Bookrunner (for itself and on behalf of the Underwriters) and the Company on the Price Determination Date. The Price Determination Date is expected to be on or around Saturday, 6 July 2019 or such later date as may be agreed between the Sole Bookrunner (for itself and on behalf of the Underwriters and our Company). If, for any reason, the Offer Price is not agreed between the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company by Saturday, 6 July 2019 or such later date as may be agreed between the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company, the Share Offer will not proceed and will lapse immediately.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares or the general distribution of this prospectus and/or the Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation, nor is it circulated to invite to solicit offers, in any jurisdiction other than Hong Kong or in any circumstances in which such offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. Persons who possess this prospectus are deemed to have confirmed with our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Co Managers and the Underwriters that such restrictions have been observed.

The Public Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the related Application Forms. No person is authorised to give any information in connection with the Share Offer or to make any representation not contained in this prospectus, and any information or representation not contained in this prospectus must not be relied upon as having been authorised by our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Co Managers, the Underwriters, any of their respective directors, agents, staff or advisers or any other person involved in the Share Offer.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

Prospective applicants for the Offer Shares should consult their financial advisers and take legal advice as appropriate, to inform themselves of, and to observe the applicable laws, rules and regulations of any relevant jurisdictions. Prospective applicants for the Offer Shares should also inform themselves as to the relevant legal requirements and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

Each person acquiring the Offer Shares will be required to confirm, or be deemed by his/her acquisition of the Offer Shares to have confirmed that he/she is aware of the restrictions on offers and sales of the Offer Shares described in this prospectus and that he/she is not acquiring, and has not been offered and sold any Offer Shares in circumstances that contravene any such restrictions.

The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions and pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exception therefrom. In particular, the Offer Shares have not been publicly offered or sold, directly or indirectly, in the United States.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Our Company has applied to the Listing Committee for the granting of the listing of and permission to deal in, the Shares in issue, the Shares to be issued as mentioned in this prospectus, and any Shares which may fall to be allotted and issued upon the exercise of options which may be granted under the Share Option Scheme.

No part of our Shares or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Offer Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Stock Exchange.

HONG KONG SHARE REGISTER AND STAMP DUTY

All Shares issued by us pursuant to applications made in the Public Offer will be registered on our branch register of members to be maintained in Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. Our principal register of members will be maintained by our principal share registrar, Campbells Corporate Services Limited, in the Cayman Islands.

No stamp duty is payable by applicants in the Share Offer.

Dealings in our Shares registered on our Hong Kong branch register will be subject to Hong Kong stamp duty.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence at 9:00 a.m. on Tuesday, 16 July 2019. Except for our pending application to the Stock Exchange for listing of and permission to deal in the Offer Shares, no part of the share or loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list on any other stock exchange is being or proposed to be sought in the near future.

The Shares will be traded in board lots of 2,000 Shares each. The stock code of the Shares is 6805. Our Company will not issue any temporary documents of title.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or such other date determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice from their stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect their rights, interest and liabilities.

All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

PROCEDURES FOR APPLICATION FOR PUBLIC OFFER SHARES

The procedures for applying for the Public Offer Shares are set out in “How to Apply for Public Offer Shares” in this prospectus and the relevant Application Forms.

OVER-ALLOTMENT OPTION AND STABILISATION

Details of the arrangements relating to the Over-allotment Option and the related stabilisation exercise are set out in “Structure and Conditions of the Share Offer” in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Share Offer are recommended to consult their professional advisers as to the taxation implications of subscribing for, purchasing, holding or disposal of, and/or dealing in the Shares or exercising rights thereunder. It is emphasised that none of our Group, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Co Managers, the Underwriters, any of our or their respective directors, officers, employees, agents, advisers, representatives or any other person or party involved in the Share Offer accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding or disposal of, dealing in, the Shares or exercising any rights thereunder.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Details of the structure of the Share Offer, including its conditions are set out in “Structure and Conditions of the Share Offer” in this prospectus.

EXCHANGE RATE CONVERSION

Unless otherwise specified, for illustration purposes only, the following exchange rates are used in this prospectus:

RMB1 = HK\$1.14

No representation is made that any amounts in RMB or HK\$ can be or could have been at the relevant dates converted at the above rates or any other rates, or at all.

ROUNDING

Certain amount and percentage figures included in this prospectus have been subject to rounding adjustments or have been rounded to the nearest integers, thousands or hundred thousands or one or two decimal places, as appropriate. Any discrepancies in any table, chart or elsewhere in this prospectus between totals and sums of individual amounts listed therein; or any discrepancies between the individual amounts listed therein and the actual amounts, are due to rounding.

WEBSITE

The contents of any website mentioned in this prospectus do not form part of this prospectus.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Translated English names of PRC natural persons, legal persons, governmental authorities and departments, institutions, facilities, certificates, titles and the like or any descriptions for which no official English translation exists are unofficial translations from their corresponding names in Chinese or another language and are included for identification purposes only. In the event of inconsistencies, the name(s) in Chinese or such other language shall prevail.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER
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DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. ZHANG Lianghong (張梁洪)	Shanxianghu Xiaozu, Pufa Village Committee Changning Town Boluo County Guangdong Province PRC*	Chinese
Mr. ZHU Heping (朱和平)	Dormitory of Jinchang Trading Co., Limited Long Xi Xu, Longxi Town Boluo County Guangdong Province PRC*	Chinese
Mr. LEE Yuk Kong (李旭江)	Flat A, 5/F, BLK 5 Deerhill Bay Tai Po New Territories Hong Kong	Chinese
Mr. HUANG Shaobo (黃少波)	1 Second Lane, Maidi Road Huicheng District Huizhou Guangdong Province PRC*	Chinese
Independent non-executive Directors		
Mr. LI Xiaoyan (李曉岩)	18G, BLK 26 South Horizons Ap Lei Chau Hong Kong	Chinese
Mr. LI Yinquan (李引泉)	Flat F, 30/F, BLK 13A South Horizons Hong Kong	Chinese
Mr. KAN Chung Nin, Tony (簡松年)	House No. 9 Monte Villa, 6 Monte Path Kau To Shan Shatin New Territories Hong Kong	Chinese

For further information regarding our Directors, see “Directors and Senior Management” in this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER
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PARTIES INVOLVED IN THE SHARE OFFER

Party	Name and Address
Sole Sponsor	Shenwan Hongyuan Capital (H.K.) Limited Level 19 28 Hennessy Road Hong Kong
Sole Bookrunner	Shenwan Hongyuan Capital (H.K.) Limited Level 19 28 Hennessy Road Hong Kong
Joint Lead Managers	Shenwan Hongyuan Capital (H.K.) Limited Level 19 28 Hennessy Road Hong Kong Pacific Foundation Securities Limited 11/F New World Tower II 16–18 Queen’s Road Central Hong Kong
Co Managers	Aristo Securities Limited Room 101, 1st Floor On Hong Commercial Building 145 Hennessy Road, Wanchai Hong Kong Merdeka Capital Limited Room 1108, 11/F Wing On Centre 111 Connaught Road Central Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Legal Adviser to our Company

As to Hong Kong law
William Ji & Co.
in Association with
Tian Yuan Law Firm Hong Kong Office
Suite 702, 7/F
Two Chinachem Central
26 Des Voeux Road Central
Central
Hong Kong

As to PRC law
Tian Yuan Law Firm
9/F, North tower, CGN Building
No. 2002 Shennan Blvd
Futian District
Shenzhen
the PRC

As to Cayman and BVI law
Campbells
Floor 35, Room 3507
Edinburgh Tower, The Landmark
15 Queen's Road, Central
Hong Kong

Legal Adviser to the Sole Sponsor and the Underwriters

As to Hong Kong law
Wong Heung Sum & Lawyers
Rooms 911-912, 9/F
Wing On Centre
111 Connaught Road Central
Hong Kong

As to PRC law
AllBright Law Offices
Room 02-07, 33/F
Guangzhou International Finance Centre
No. 5 Zhujiang West Road
Tianhe District
Guangzhou
the PRC

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER
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**Reporting Accountants and
Independent Auditor**

KPMG
8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

Industry Consultant

Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.
Room 1018, Tower B
No. 500 Yunjin Road
Xuhui District
Shanghai, PRC

Internal Control Adviser

SHINEWING Risk Services Limited
43/F
Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

Property Valuer

Greater China Appraisal Limited
Room 2703, 27th Floor
Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

Receiving Bank

Bank of China (Hong Kong) Limited
1 Garden Road
Hong Kong

CORPORATE INFORMATION

Registered office in the Cayman Islands	Campbells Corporate Services Limited Floor 4, Willow House Cricket Square Grand Cayman KY1-9010 Cayman Islands
Headquarters and principal place of business in Hong Kong	Flat 17A, Loyong Court Commercial Building, 212–220 Lockhart Road Wan Chai, Hong Kong
Principal place of business in the PRC	Longhua Road, Longxi Street Boluo County Huizhou City Guangdong Province, the PRC
Company's website	www.platingbase.com <i>(the information contained in this website does not form part of this prospectus)</i>
Company secretary	CHAN Lai Fan (陳麗芬), CPA Flat H, 16/F, Block 1 Carado Garden Tai Wai New Territories Hong Kong
Authorised representatives	ZHANG Lianghong (張梁洪) Shanxianghu Xiaozu Pufa Village Committee Changning Town Boluo County Guangdong Province, the PRC* LEE Yuk Kong (李旭江) Flat A, 5/F, BLK 5 Deerhill Bay, Tai Po New Territories Hong Kong
Audit committee	LI Yinquan (李引泉) (<i>Chairman</i>) KAN Chung Nin, Tony (簡松年) LI Xiaoyan (李曉岩)

CORPORATE INFORMATION

Nomination committee	ZHANG Lianghong (張梁洪) (<i>Chairman</i>) KAN Chung Nin, Tony (簡松年) LI Xiaoyan (李曉岩)
Remuneration committee	KAN Chung Nin, Tony (簡松年) (<i>Chairman</i>) LI Xiaoyan (李曉岩) ZHANG Lianghong (張梁洪)
Compliance adviser	Shenwan Hongyuan Capital (H.K.) Limited Level 19 28 Hennessy Road Hong Kong
Principal share registrar and transfer office in the Cayman Islands	Campbells Corporate Services Limited Floor 4, Willow House Cricket Square Grand Cayman KY1-9010 Cayman Islands
Hong Kong Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712–1716, 17th Floor Hopewell Centre 183 Queen’s Road East Wanchai, Hong Kong
Principal bankers	Dongguan Rural Commercial Bank Joint Stock Company Limited (東莞農村商業銀行股份有限公司) No. 44, Nancheng Section Guantai Road Dongguan, Guangdong Province PRC

INDUSTRY OVERVIEW

Unless otherwise indicated, the information contained in this section is derived from various governmental and official publications, other publications and the market research report prepared by Frost & Sullivan, which was commissioned by us.

We believe that the sources of information are appropriate and we have taken reasonable and cautious care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. We, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Co Managers, the Underwriters or any of our or their respective directors, senior management, representatives or any other person (except Frost & Sullivan) involved in the Share Offer have not independently verified such information and have made no representation as to the accuracy and completeness thereof. The relevant information and statistics may not be consistent with such other information and statistics compiled within or outside the PRC. As a result, you are advised not to place undue reliance on such information.

INTRODUCTION

Electroplating process discharges wastewater which contains heavy metals and other poisonous materials. Thus, electroplating has been one of the major polluting industries in China. The continual economic and industrial growth in the PRC drives the expansion of electroplating industry, resulting in rising number of electroplating companies. As such, it has become increasingly difficult for the environmental protection bureaus, which have limited resources, to implement effective and cost efficient controls over all the participants of the electroplating industry on pollutants emission. To fulfil the tightening standards on environmental protection, the State and local governments have been promoting the establishment of electroplating industrial parks since early 1990's, where the industrial wastewater is collected, treated and discharged through centralised systems constructed and operated by the industrial park operators. To enhance the effectiveness of this policy, some local governments even require the electroplating workshops or independent electroplating companies to relocate their operations into the designated electroplating industrial parks before deadlines, failing which would usually result in mandatory closedown unless special approvals are granted under prescribed requirements. As a result, environmental bureaus would only need to monitor and control the industrial wastewater discharged by the industrial parks instead of the individual workshops and companies. The industrial parks are also liable to the penalties for failing to comply with the industrial wastewater emission standards.

CHINA'S MACRO ECONOMY OVERVIEW

According to the National Bureau of Statistics of China, the Chinese government has taken effective stimulus policies to promote stable growth of the economy. Driven by a series of economic stimulus policies including the "Revitalisation Plans of Ten Key Industries", China's nominal Gross Domestic Products ("GDP") registered a relatively robust growth at a CAGR of 8.7%, expanding from RMB59.3 trillion in 2013 to RMB90.0 trillion in 2018. According to the International Monetary Fund (IMF), the nominal GDP in China is forecast to keep growing at a CAGR of 8.2% from 2018 to 2023 and would increase gently to RMB133.5 trillion in 2023.

MARKET ANALYSIS OF ELECTROPLATING INDUSTRY IN CHINA

Definition and classification

Electroplating is a process of coating a thin layer of metals or alloys on the surface of metal or plastic. In order to enhance the quality of electroplated surface, such as evenly thickness and firmness of the plating layer, solution containing metal cations is applied in the electroplating process. Metal electroplating can (i) prevent metal oxidation (such as rust); and (ii) improve wear resistance, electrical

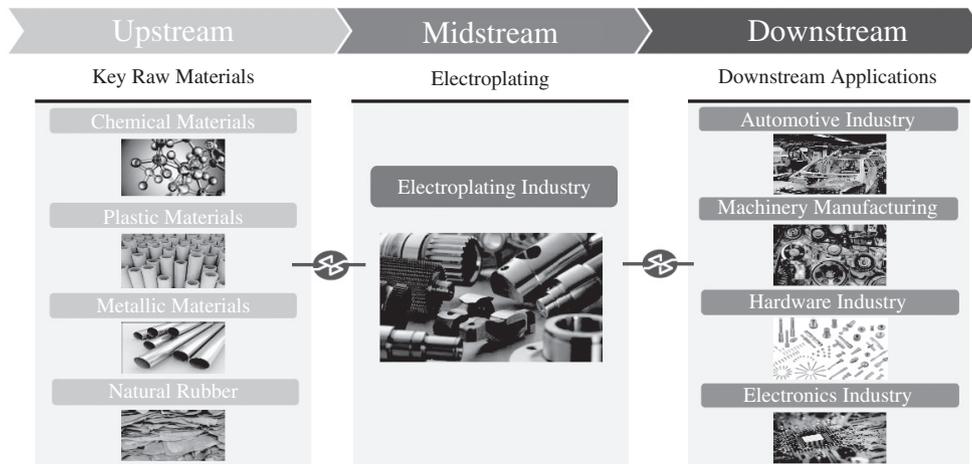
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conductivity, reflective property, corrosion resistance and aesthetic appearance. Thus, metal electroplating is widely used in producing numerous kinds of industrial and consumer products made of metals and plastics.

According to the composition of the coating, it can be divided into three types: single metal coating, alloy coating and composite coating.

- Single metal electroplating is to plate a single metallic element on the object. Commonly used metals are nickel, chromium, copper, tin, iron, cobalt, cadmium, lead, gold, silver and other 10 elements.
- The alloy coating comprises of two or more elements which has the structure and properties that single metal coating does not have, such as special decorative appearance, special high corrosion resistance, excellent welding and magnetic properties. Commonly used alloys include nickel-phosphorus alloy and tin alloy.
- Composite plating is a process in which solid particles are added to the plating solution and deposited together with metal or alloy to form a composite metallic material on the surface of the object to meet special application requirements, such as high heat conduction, protection against wear and low coefficient of friction.

Value chain analysis



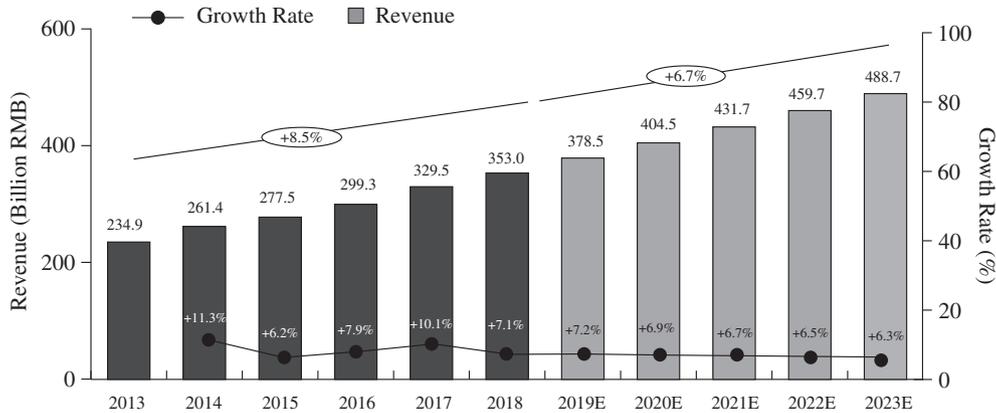
Source: Frost & Sullivan Analysis

In recent years, automobile, machinery manufacturing, hardware, electronics and other industries have been developing rapidly in China, which in turn brought about a huge demand for electroplated products.

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Market size

Market size of the electroplating industry by revenue (China), 2013–2023E



Source: Frost & Sullivan Analysis

In the year 2014, the revenue of enterprises in the electroplating industry in China reached RMB261.4 billion, with year-on-year growth of 11.3%. Since 2015, due to closing down of small and old factories, promotion of energy conservation, emission reduction, control of heavy metal pollution and the implementation of the new environmental protection law, the growth rate dropped to 6.2% and 7.9% in 2015 and 2016, respectively. Nevertheless, the revenue of enterprises in electroplating industry reached RMB353.0 billion in 2018, with a CAGR of 8.5% from 2013 to 2018.

As the electroplating industry serves a wide range of industries and product categories, the strong demand from downstream industries will drive the development of electroplating industry in the future. The revenue of electroplating industry is estimated to reach RMB488.7 billion in 2023, with a CAGR of 6.7% from 2018 to 2023.

Wastewater pollution

Electroplating consumes large amount of water and the industrial wastewater so generated contains various kinds of heavy metals and chemicals which could be dangerous to human body or carcinogenic and cause serious pollution. The dangerous pollutants that are commonly found in electroplating wastewater include:

- | | |
|-----------------|--|
| Heavy metals | — Chromium, hexavalent chromium, nickel, cadmium, silver, lead, mercury, copper, zinc and iron |
| Organic matters | — Ammonia nitrogen, cyanogen, phosphorus, fluoride and cyanide |

Electroplating entities and industrial parks are required to comply with the standards of discharging dangerous pollutants promulgated by the PRC governments from time to time, such as the Electroplating Pollutants Discharge Standards (GB21900-2008), Surface Water Environmental Quality Standard (GB3838-2002). Please see “Regulatory Overview” in this prospectus for further details of regulatory requirements on environmental protection.

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MARKET ANALYSIS OF ELECTROPLATING INDUSTRIAL PARK IN CHINA

Definition and classification

An electroplating industrial park provides entities engaged in the electroplating industry with factory premises and the wastewater treatment and other ancillary services. Electroplating industrial parks are equipped with centralised treatment facilities to process the industrial wastewater discharged, which contains heavy metals and other poisonous materials. The environmental bureau regularly monitors the wastewater treated and discharged by the industrial park to ensure the discharge meets the relevant environment protection requirements. For the sediments and other solid wastes resultant from the operations of the electroplating entities, the industrial park collects and sends them to professional hazardous waste treatment companies for safe disposal.

China's electroplating entities are mainly divided into two categories: (i) in-house electroplating workshops or branches of manufacturing enterprises which require electroplating services for the production of the final products; and (ii) independent electroplating companies whose principal business is to provide their services to the external product manufacturers of a vast diversity of industries. There are a large number of these independent electroplating companies throughout the PRC which are located mainly in close proximity to their respective customers for the purposes of timely and lower cost delivery. Comparing with the in-house electroplating workshops of large manufacturing enterprises, independent electroplating companies are usually smaller in operating scale. The quality of treatment facilities and level of treatment techniques which these independent electroplating companies deploy vary substantially and some of them have caused significant pollution to the general environment.

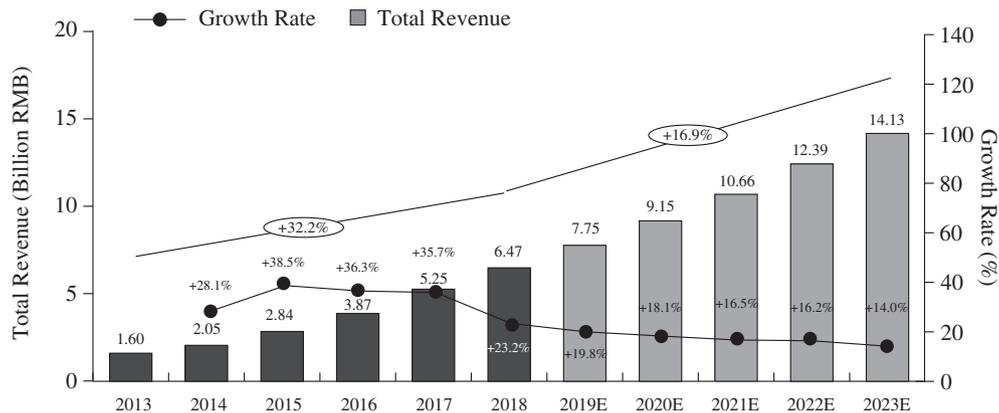
Market size in China

Under the Chinese government's vigorous support towards the centralised management of electroplating entities, increasing number of electroplating entities have been relocating to electroplating industrial parks. Revenue contributed by companies in electroplating industrial parks accounted for 21.4% (or RMB50.3 billion) of total revenue of the entire electroplating industry in China in 2013 and 49.5% (or RMB174.7 billion) in 2018, representing a CAGR of 28.3%. The weighting is projected to increase to 72.4% (or RMB353.8 billion) in 2023, representing a CAGR of 15.2% from 2018 to 2023. The foregoing rising trend was reflected in the increasing number of electroplating industrial parks in China from 92 in 2013 to 132 in 2018, and is projected to reach 161 in 2023. Industrial parks with site area of (i) over 100,000 sq.m. are regarded as large-scale; (ii) site area between 50,000 to 100,000 sq.m. are regarded as medium scale; and (iii) less than 50,000 sq.m. are regarded as small scale. Notwithstanding that there are 28 and 2 electroplating industrial parks in Guangdong Province and Tianjin, respectively, our park is one of the six large-scale parks in Guangdong Province and is the only large-scale park in Tianjin. Our Hubei Jingzhou Project is also anticipated to be the only large-scale park in Hubei Province.

Apart from the number of industrial parks, the revenue of electroplating industrial parks has enjoyed a rapid growth in recent years. From 2013 to 2018, the revenue of electroplating industrial parks has increased from RMB1.60 billion to RMB6.5 billion, representing a CAGR of 32.2%.

INDUSTRY OVERVIEW

Market size of the electroplating industrial park industry by total revenue (China), 2013–2023E



Source: Frost & Sullivan Analysis

Revenue of electroplating industrial parks in China include mainly (i) rental of factory premises and facilities usage fee which are charged on area leased by the tenants and generally account for around 45% of revenue in aggregate; (ii) fees for wastewater and sludge treatment and usage of utilities (such as electricity, water and steam) which are usually charged on actual consumption basis and generally account for around 50% of revenue; and (iii) fees for usage of ancillary services (such as chemical procurement, licence handling, pollutant testing and gas emission tower management) which generally account for around 5% of revenue. Classification and weighting of each revenue category varies across industrial parks which depends on economic environments and industry practice in different geographical areas of China.

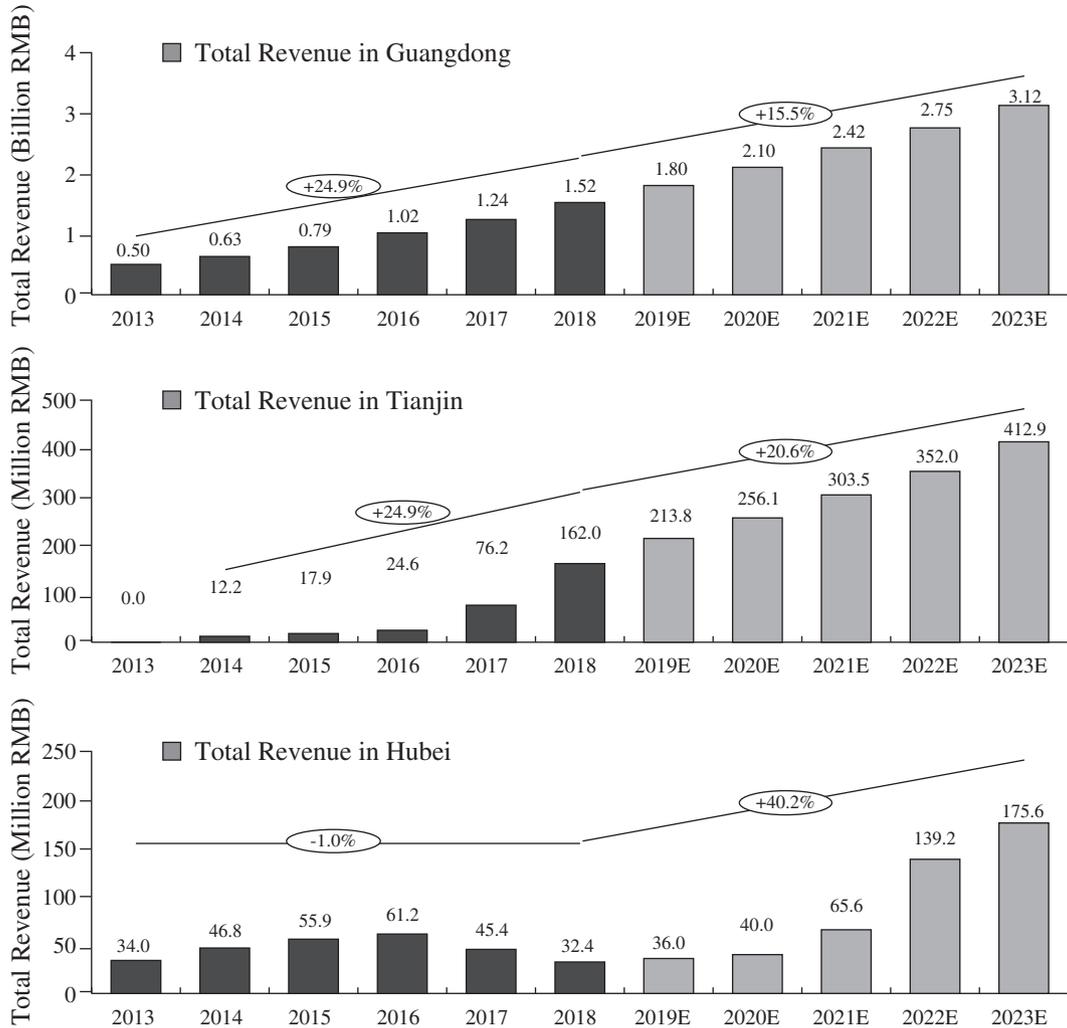
In the future, local governments are anticipated to vigorously promote the construction of electroplating industrial parks and encourage the upgrade of existing electroplating industrial parks so as to satisfy the relevant discharge standards as set by the government from time to time for the purpose of achieving zero discharge of wastewater. The revenue of electroplating industrial parks is expected to increase continuously, reaching RMB14.1 billion in 2023 and representing a CAGR of 16.9% from 2018 to 2023.

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Market size and business environment for electroplating industrial parks in Guangdong, Tianjin and Hubei

Set out below is the revenue of electroplating industrial parks in Guangdong, Tianjin and Hubei:

Total Revenue of Electroplating Industrial Park in Guangdong, Tianjin and Hubei, 2013–2023E



Note:

1. No electroplating industrial parks were in operation in Tianjin in 2013.
2. The previous largest park in Hubei was forced to closed by local government in 2017, resulting in a negative CAGR of total revenue of electroplating industrial parks in Hubei from 2013 to 2018.

Source: Frost & Sullivan Analysis

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The business environment and prospects for electroplating industrial parks in the above provinces or municipality are as follows:

Guangdong

Guangdong ranked first among 31 provinces and cities in China in terms of industrial GDP, accounted for 11.9% of China's industrial GDP in 2018. Automobile and electronic equipment manufacturing are two important industries in Guangdong as well as for electroplating industry. From 2013 to 2018, the total output value of (i) automobile manufacturing industry in Guangdong increased by a CAGR of 11.2% from RMB470.8 billion to RMB799.7 billion; (ii) electronic equipment manufacturing industry in Guangdong increased by a CAGR of 9.6% from RMB258.4 billion to RMB407.9 billion; and (iii) automobile manufacturing industry in Huizhou, the main automobile production base in Guangdong, increased by a CAGR of 12.1% reaching RMB25.0 billion in 2018. The rapid growth of these industries coupled with the government's tightening environmental protection requirements will continue to promote the development of electroplating and electroplating industrial park industries in Guangdong and Huizhou.

There were 28 electroplating industrial parks in Guangdong in 2018 and only one in Huizhou as at the Latest Practicable Date.

Tianjin

Tianjin ranked 16th among 31 provinces and cities in China in terms of industrial GDP, accounted for 2.2% of China's industrial GDP in 2018. Over 30% of Tianjin's production value in 2018 was derived from manufacturing of equipment for automobile, aerospace, electrical machinery, electronic components and mobile phones. These industries have ongoing demand for electroplating, resulting in more than 500 electroplating companies in Tianjin at present. The continual growth of these industries coupled with the government's tightening environmental protection requirements will fuel the demand for electroplating and electroplating industrial park.

There were two electroplating industrial parks in Tianjin in 2018 and only one in Jinghai District as at the Latest Practicable Date.

Hubei

Hubei ranked sixth among 31 provinces, municipalities directly under the administration of central government and autonomous regions in China in terms of industrial GDP, accounted for 4.6% of China's industrial GDP in 2018. Jingzhou is a major industrial city in Hubei Province accommodating more than 10 industrial zones that manufacture automobile components, home appliance, petroleum machinery and electronic equipment. Jingzhou Economic and Technological Development Zone ("JETDZ") is one of the fast growing industrial zones in Jingzhou which accommodated over 400 manufacturers at present. These manufacturers have large demand and increasing business opportunities for electroplating industry. Accordingly, the Jingzhou government encouraged investments in material surface industry which includes electroplating by offering cash awards to outperforming enterprises. In light of the ongoing industrial development, the Jingzhou government also promulgated various policies that tightened control on pollutants emission since 2016.

At present there are about 1,000 electroplating companies in Hubei, among which about 100 are in JETDZ.

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There were originally two electroplating industrial parks in Hubei, one of them was shut down by local government in 2017 for failing to comply with pollutant discharge requirements. Thus, there was only one electroplating industrial park in Hubei as at the Latest Practicable Date.

Market drivers

Increasing market demand for electroplating. Electroplating is an indispensable part of the manufacturing process mainly to create effects of its corrosion resistance, wear resistance and aesthetic. Electroplating is applied in a wide range of industries and products and has large market demands. With the continuous growth of the machinery, electronics, automobile, aviation, aerospace and construction industries, the demand for electroplating is expected to increase and, therefore, the amount of wastewater needs to be duly processed will also increase. Furthermore, environment protection laws and regulations are expected to become more stringent in the future, which will likely drive the demand for the establishment of electroplating industrial parks. Please refer to “Market Analysis of Electroplating Industry in China” for further information about the background and prospects of this industry.

Favourable policies for electroplating industrial park development. In recent years, the issuance of national policies for monitoring the electroplating industry, such as “Standard Conditions for the Electroplating Industry” (電鍍行業規範條件) and “Discharge Standards for Pollutants from Electroplating” (電鍍污染物排放標準), have made it more difficult for individual electroplating entities to satisfy the environment protection requirements and indirectly promoted the development of the electroplating industrial park industry. Besides, some local governments (including Guangdong Province, Huizhou, Tianjin and Hubei Province), while raising their environmental protection standards in accordance with the foregoing national policies, have formulated and implemented policies to further regulate electroplating industry, such as requiring electroplating entities to move into electroplating industrial parks and prohibit the construction of new electroplating entities outside industrial parks as well as granting subsidies to park operators which are determined based on factors such as designed capacity and investment amount of the relevant projects and plants. The electroplating industrial park industry benefits from the gradual implementation of government policies and will result in tremendous development opportunities for the electroplating industrial park industry in the future.

Increasing awareness of environmental protection. Electroplating industry has been one of the major polluting industries in China. The wastewater, waste gas and sludge discharged by the electroplating entities contain a large number of heavy metal materials, acidic gases and other harmful substances. Without proper treatment, it will cause serious environmental pollution. Under the State Government’s policies of building environment-friendly society and developing green recyclable economy, the continuous development of the electroplating industrial park industrially not only can help the government effectively control the wastewater discharge from electroplating entities but also promote recycling of wastewater, given the industrial park operators would have the financial resources to deploy the necessary facilities to achieve such an objective.

Other benefits to the electroplating industry. The electroplating company can enjoy a much more stable operating environment after moving its operation into an industrial park, since it can focus all its management resources on the core business, without worrying the operation would be ordered to cease due to pollution issues or not meeting the changing environment protection requirements imposed by the government from time to time.

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Major operating cost of electroplating industrial park

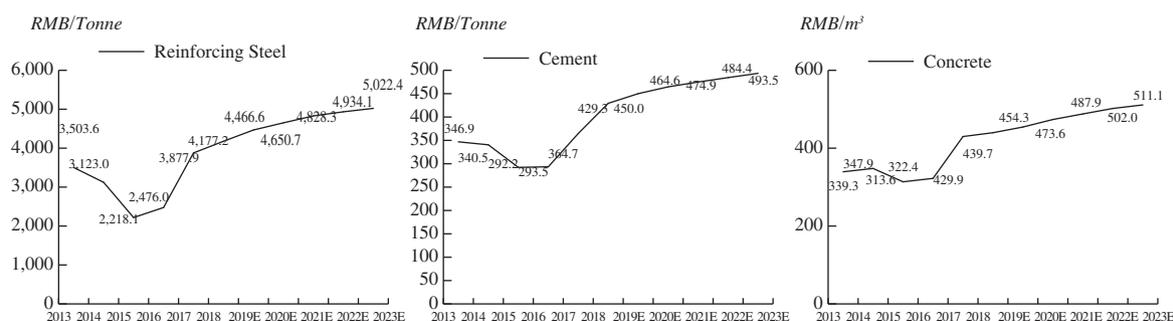
Operating costs of electroplating industrial parks in China include mainly (i) depreciation of property, plant and equipment and amortisation of land use rights which generally account for around 30% to 40% of operating costs in aggregate; (ii) raw materials applied in wastewater treatment, such as chemicals or consumables, which generally account for around 20% to 30% of operating costs; and (iii) salaries and wages which generally account for around 15% to 25% of operating costs. Weighting of these cost items varies across industrial parks which depends mainly on (i) economic environment in different geographical areas of China that resulted in wide range of costs of land use rights and labour; and (ii) quality standards and technology level of buildings and wastewater treatment facilities constructed or applied.

Costs of building materials

The operating performance and profitability of electroplating industrial parks is affected by, to a large extent, the costs of land and building and wastewater treatment facilities. While there could be large variance in costs of land use rights and facilities, as discussed above, certain raw materials are commonly used in the construction of industrial parks, namely steel, cement and concrete. Set out below are the historical price trends of these raw materials:

Average price of building materials in construction (China), 2013–2023E

2013–2018		2018–2023E		2013–2018		2018–2023E		2013–2018		2018–2023E	
CAGR	2.6%	4.9%	CAGR	4.4%	2.8%	CAGR	5.3%	3.1%			



Source: MOFCOM, National Bureau of Statistics of China, Frost & Sullivan

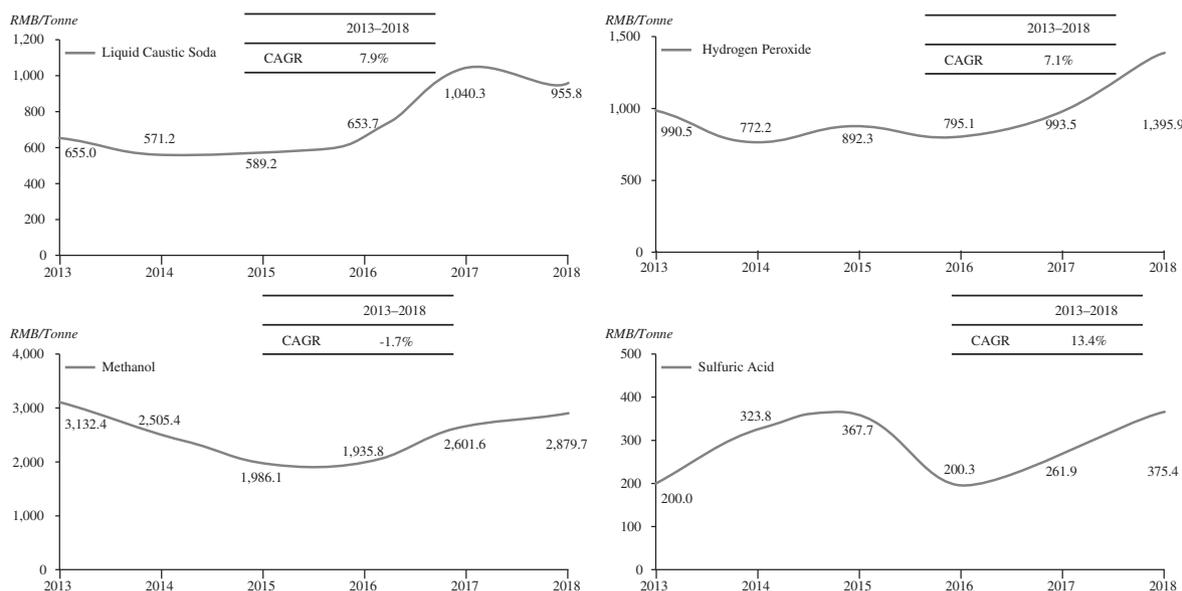
During the period from 2013 to 2018, steel, cement and concrete all exhibited a similar price trend, recording a substantial drop from 2014 to 2015 but starting to rise from the bottom at the end of 2015 and finished at a level at the end of 2018 higher than that at the start of 2013. The price fluctuation was mainly due to the excessive production capacity and the mild slowdown of the general economy in 2015, followed by the subsequent improvements in the respective industries and the general economy in 2017 and 2018.

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Costs of major raw materials

Raw materials applied in treatment of electroplating wastewater include mainly chemicals such as liquid caustic soda, hydrogen peroxide, methanol and sulfuric acid. Set out below are the historical price trends of these raw materials:

Average price of major raw materials for electroplating industrial park operation (China), 2013–2018



The price trend varies across different chemicals which hinges mainly on economic condition and supply and demand of particular chemical. The price of major chemicals was generally on rising trend since 2016 mainly driven by industrial growth in China. The rising price trend may boost the supply and therefore the price of these chemicals are likely to become stable in the future.

Entry barriers

Proven track record

The local government plays an influential role in selecting qualified industrial park operator to develop and manage electroplating industrial park in its governing locality. The PRC government has been promoting the development of the electroplating industrial park industry as a means to combat the widespread pollution problems resulting from wastewater discharge from electroplating entities. The development of electroplating industrial park industry saves the government substantial resources from monitoring the wastewater discharge of each electroplating entity on an individual basis. Instead, the government only needs to monitor the sole source of wastewater discharge from the electroplating industrial park. This greatly enhances the efficiency of the government's pollution control efforts. Therefore, from the government's perspective, having an experienced operator possessing a proven track record will greatly enhance the chance that the operation of the park can meet the various government requirements relating to wastewater discharge and general environment protection.

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Capital and other financing requirement

The electroplating industrial park industry is very capital intensive. The operator needs to put up substantial upfront investment in constructing the factory premises and the wastewater treatment facilities. Furthermore, an industrial park needs time to build up its occupancy rate to reach its breakeven point in cashflow. In its initial years of operation, an industrial park operator may often face operating cashflow deficit. Therefore, the operator must possess sufficient financing to ensure the construction of factory premises and treatment facilities can be duly completed within the prescribed time schedule as well as to cope with the operating cashflow deficit in the initial years of operating the industrial park.

Management and technical level

The design, construction, operation and management of electroplating industrial parks require relevant technical knowhow and experiences in the design and construction of factory premises and the wastewater treatment system for electroplating operations, treating different kinds of pollutants discharged in electroplating, as well as the operation of wastewater treatment facilities in different regions of China where the weather can widely vary during different times of the year. The possession of such relevant expertise is one of the major hurdles for new entrants.

Future opportunities

Government policy promoting electroplating industrial parks and continual growth of electroplating industry. With the backdrop of tightening environmental protection standards and the effectiveness in using industrial park to control wastewater discharge, the promotion of electroplating industrial parks by the PRC government will certainly carry on. The government policy towards relocating electroplating workshops and companies into the industrial parks will further fuel the demand for these parks resulting from continual growth of electroplating industry in China.

Expanding operating scale of electroplating industrial parks. To further enhance effectiveness in controlling the operations of the electroplating industrial parks and having learnt from successful precedent cases, there is a growing tendency for the local governments to plan for parks of larger scale to achieve higher economies of scale and accommodate the continual rise in demand for electroplating factory premises and centralised wastewater treatment. This will also enhance the efficiency in planning and utilisation of local land resources in the long run. Under this backdrop, operators with proven track record in constructing and operating larger scale electroplating industrial parks, such as those with daily wastewater treatment capacity of 10,000 cubic metre or above, will likely be more competitive than smaller scale operators in regional business expansion in China.

Stricter requirements on electroplating industrial park operators. In the past years certain electroplating industrial parks which failed to comply with the environmental protection standards were mandatorily closed down by the relevant authorities. The State and local governments are expected to strengthen their enforcement on under-performed parks and their operators. Therefore, local governments will tend to engage operators with relatively outstanding track records to construct and operate newly planned electroplating industrial parks. Operators with track record of performing steadily with no material breaches of environmental protection standards, proven experiences in integrating various knowhow to achieve highly efficient wastewater collection, treatment and discharge systems and research and development capability for ongoing advancement in relevant knowhow are more likely to succeed in soliciting new business opportunities.

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Recycling of resources. Emission from electroplating entities contain a large number of environmental pollutants, which can be recycled into substance of economic value. For example, electroplating sludge is an inevitable precipitate in electroplating wastewater treatment process. If properly treated, a large number of useful metals can be extracted such as nickel (Ni), copper (Cu), zinc (Zn), etc.. Therefore, it is beneficial to enhance the resource cyclic utilisation of pollutants. In the future, China's electroplating industrial park industry will need to strengthen the recycling of resources ability, which is also an important way for industrial park operators to improve their financial performance and obtain good social benefits.

Threats and challenges

Execution of favourable government policy. Notwithstanding that the State and local governments have stipulated policies or notices requiring electroplating entities to move their operations into electroplating industrial parks by certain deadlines, the time when the business opportunities for electroplating industrial parks will arise and the economic benefits will materialise depends on many factors, including the steadfast execution of these policies or requirements.

Establishment of new parks nearby the existing ones. At present, there are only one or small number of electroplating industrial parks within a single municipality or county, if any, because of various economic factors (such as industrial development and availability of land resources) and intensive capital required for establishing a new park. Local governments will also tend to liaise with the existing operator to increase its capacity, if needed. For instance, our Guangdong Huizhou Park is the only park in Huizhou, Guangdong Province; and our Tianjin Bingang Park is one of two parks in Tianjin. Therefore, the existing parks usually do not face intensive competition from local rivals. If the local governments change their practice by introducing new park operators into the same area, the revenue and operating results of existing industrial parks may be adversely affected. Please see "Competitive landscape of electroplating industrial park in China" in this section for further details.

Increasing cost. The operation of electroplating industrial park involves the management and maintenance of various facility equipment and systems. The continuous development of electroplating industrial parks may result in the increase of cost outlays, which are mainly manifested in the requirement of advanced treatment facilities, the continuous upgrade of equipment and systems so as to meet the increasingly high requirements on wastewater emission.

US-China trade war. The list of tariffs to be imposed on Chinese goods by the US government mainly involves goods related to aerospace, information and communication technology, energy, smart vehicles and medical equipment. Products such as semiconductor equipment, laser equipment and mechanical parts are closely related with the electroplating industry. The increase of tariffs will have an impact on some export-oriented enterprises which may face the challenges of increasing costs and declining orders. Such impacts may pass on to the electroplating companies as well as electroplating industrial parks.

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COMPETITIVE LANDSCAPE OF ELECTROPLATING INDUSTRIAL PARK IN CHINA

Ranking of main participants by revenue (China), 2018

Ranking	Company	Market share (%)
1	Our Group	7.4
2	Company A	3.2
3	Company B	1.6
4	Company C	1.3
5	Company D	1.2
	Top five players	14.7
	Others	85.3

Source: Frost & Sullivan Analysis

The electroplating industrial park market in China was fragmented, with top five market players accounting for around 14.7% of the total electroplating industrial park market based on the revenue in 2018. Our Group took the largest market share in 2018, with a revenue of approximately RMB479.7 million, accounting for 7.4% of the market share.

Ranking of main participants by revenue (Guangdong), 2018

Ranking	Company	Market share (%)
1	Our Group	22.8
2	Company A	13.7
3	Company B	6.7
4	Company D	5.1
5	Company E	4.5
	Top five players	52.8
	Others	47.2

Participants in Tianjin and Hubei

As at the Latest Practicable Date, there was only one electroplating industrial park in each of Tianjin (excluding the Tianjin Bingang Park) and Hubei, respectively. Both of the existing competitors in Tianjin and Hubei did not rank within top five in China in terms of revenue in 2018. The occupancy rates of the existing competitors in Tianjing and Hubei reached 100% and approximately 35% respectively in 2018.

Competitive force analysis

The electroplating companies tend to stay near to their customers to reduce transportation costs and help reduce the inventory needs of their customers. The electroplating industrial parks are therefore not facing competition nationwide, but amongst electroplating industrial parks in the same province or even within the same area which compete mainly on the (i) capability to fulfil the environment protection requirements from time to time and cause no disruption to the daily operations of the tenants; (ii) operating scale which determines the park's capacity in serving large numbers of tenants with different production scale, in terms of size of factory premises and consumption of water and utilities; (iii) scope

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of services offer to customers to ensure their smooth operation; (iv) profile of existing tenants that helps to build the brand of the park; and (v) experience of the management team which possess the knowledge, experience, vision and networks for the furtherance of the park's business.

SOURCES OF INFORMATION

We have commissioned Frost & Sullivan, an independent market researcher and consultant, to analyse and report on the electroplating industrial park industry in China. Frost & Sullivan is an independent global consulting firm founded in 1961 in New York. Frost & Sullivan offers industry research and market strategies and provides growth consulting and corporate training. Its industry coverage in China includes construction, wholesale and retail trades, consumer products, automotive and transportation, chemicals, materials and food, commercial aviation, energy and power systems, environment and building technologies, healthcare, industrial automation and electronics, industrial and machinery, and technology, media and telecom.

We commissioned Frost & Sullivan for a total fee of RMB800,000. We are of the view that the payment of such fee does not affect the fairness of the conclusions drawn in the Industry Consultant's Report.

Industry Consultant's Report

Our Company has included certain information from the Industry Consultant's Report in this prospectus because our Directors believe that such information facilitates an understanding of the relevant market for potential investors. The market research process for the Industry Consultant's Report has been undertaken through detailed primary research which involves discussing the status of the electroplating industrial park and electroplating industry with leading industry participants and industry experts. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database.

Analysis and forecasts contained in the Frost & Sullivan Report are based on the following major assumptions at the time of compiling such reports:

- China's economy is likely to maintain steady growth in the next decade;
- China's social, economic and political environment is likely to remain stable in the forecast period; and
- Market drivers like increasing of urbanisation rate, policy supports from governments, growing of economy, etc.

REGULATORY OVERVIEW

OVERVIEW

Our business operations are subject to certain laws and regulations of the PRC. Below is a summary of the laws and regulations which are material to our Group.

REGULATIONS ON FOREIGN INVESTMENT

Wholly foreign-owned enterprise (“WFOE”) as a form of foreign investment permitted in the PRC is primarily governed by (a) Company Law of the PRC (《中華人民共和國公司法》), promulgated in 1993 and amended on 25 December 1999, 28 August 2004, 27 October 2005, 28 December 2013 and 26 October 2018 respectively; (b) Foreign-Owned Enterprise Law of the PRC (《中華人民共和國外資企業法》), promulgated on 12 April 1986, and amended on 31 October 2000 and 3 September 2016; (c) Detailed Rules for the Implementation of the Law of the PRC on Foreign-owned Enterprises (《外資企業法實施細則》), promulgated on 12 December 1990, amended on 12 April 2001 and 19 February 2014 and Interim Administrative Measures for the Record-filing of the Incorporation and Change of Foreign-invested Enterprises (《外商投資企業設立及變更備案管理暫行辦法》) which was promulgated on 8 October 2016 and amended on 30 July 2017 and 29 June 2018.

Pursuant to the laws and regulations mentioned above, the form of a WFOE shall be a limited liability company. The establishment of a WFOE shall be subject to the approval by or filing of the relevant records with the local people’s government; while any changes in relation to the registered capital, corporate structure, business type or ownership of a WFOE shall not only be registered by State Administration for Market Regulation or its local branches, but also be submitted to and recorded in the online filing system of the MOFCOM. In addition to following the rules set out in the Company Law of the PRC, Foreign-Owned Enterprise Law of the PRC and related regulations mentioned above, a WFOE shall conduct business in the fields in which foreign investors are allowed to invest.

According to the Catalogue for the Guidance of Foreign Investment Industries (2017 Revision) (《外商投資產業指導目錄(2017年修訂)》) (the “Catalogue”) which was jointly promulgated by the NDRC and MOFCOM on 28 June 2017 and implemented on 28 July 2017, and the Special Administrative Measures (Negative List) for Foreign Investment Access (2018 Edition) (《外商投資准入特別管理措施(負面清單)(2018年版)》) (the “Negative List”) which was promulgated on 30 June 2018 and implemented on 28 July 2018, industries for foreign investment are categorised as encouraged foreign investment industries, restricted foreign investment industries, prohibited foreign investment industries and permitted foreign investment industries. The construction and operation of electroplating industrial park does not fall within the Negative List for access of foreign investment, and the construction and operation of wastewater treatment system and recycled water system belongs to the category of encouraged industries for foreign investment.

REGULATIONS ON FIXED ASSET INVESTMENT PROJECTS

Domestic enterprises

On 16 July 2004, the State Council promulgated the Decision of the State Council on Reform of the Investment System (《國務院關於投資體制改革的決定》) (the “Decision on Investment Reform”), which provides that: (i) investment projects undertaken by enterprises in the PRC shall be divided into two categories, namely, “projects funded by the government” and “projects without government funds”; (ii) the systems of “Government examination and approval (政府審批制)”, “Approval (核准制)” or

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“Record-filing(備案制)” will be applied to certain projects, as appropriate; and (iii) projects that are not included in the “Catalogue of Investment Projects Subject to the Approval of the Government (《政府核准的投資項目目錄》) (the “Catalogue of Governmental Approval”)” or have no government investment are only required to be filed or registered with the relevant local governments with the specific implementation method of the filing system being formulated by the provincial government.

Foreign investment enterprises

Pursuant to the Catalogue of Governmental Approval (2016 Edition) (《政府核准的投資項目目錄(2016年本)》) promulgated by the State Council on 12 December 2016 and the Administrative Measures on Approval and Filing of Foreign Investment Projects (2014 Revision) (《外商投資項目核准和備案管理辦法(2014修正)》) (the “Measures on Approval and Filing of FIP”) promulgated by NDRC on 27 December 2014, foreign investment projects that are subject to approval by NDRC or its local counterparts include:

- (1) projects falling into the Negative List with a total investment (including capital increase) of USD300 million or above shall be approved by NDRC, whilst projects with total investment of USD2 billion or above shall be filed with the State Council;
- (2) projects falling into the Negative List with a total investment (including capital increase) of less than USD300 million shall be approved by provincial government;
- (3) projects which do not fall within the above categories but which are included in Section one to Section ten of the Catalogue of Governmental Approval shall be approved in accordance with the Catalogue of Governmental Approval; and
- (4) projects which do not fall within the above categories shall be filed with the local counterparts of NDRC.

If such foreign investment project is not properly approved or filed, the relevant authorities shall not process the relevant governmental procedures, and financial institutions shall not provide credit support to the relevant enterprise.

Further, NDRC or its local counterparts in charge of foreign investment may order a halt to the construction activities of foreign investment projects which do not conform to industrial policies or industrial entry standards, or to the construction activities which have commenced without obtaining approvals or complying with licencing requirements. The relevant enterprises and personnel may therefore be subject to legal liabilities.

M&A RULES

According to the “Provisions regarding Mergers and Acquisitions of Domestic Enterprises by Foreign Investors” (《關於外國投資者併購境內企業的規定》) (the “Circular No. 10”) jointly issued by MOFCOM, SASAC, SAT, CSRC, SAIC (which is now replaced by the State Administration for Market Regulation) and SAFE on 8 August 2006, effective as of 8 September 2006 and further amended by MOFCOM on 22 June 2009, where a domestic natural person intends to acquire his/her related domestic company through an offshore company which he/she lawfully establishes or controls, the acquisition shall be subject to the examination and approval of MOFCOM; and where a domestic natural person

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holds equity interest in a domestic company through an offshore special purpose company, any transaction involving the overseas listing of that special purpose company shall be subject to approval by the CSRC.

REGULATIONS AND POLICIES ON ELECTROPLATING INDUSTRY

State level

In 2011, the Approval of the 12th Five-Year-Plan for Comprehensive Prevention of Heavy Metal Pollution (《關於重金屬污染綜合防治“十二五”規劃的批覆》) (the “12th Five-Year Plan for Prevention of Heavy Metal Pollution”) was issued by the State Council. The said plan aims to impose strict limits on the emissions of heavy metal pollutants and reform the structure of the electroplating industry. The State Council further promulgated Notice of the State Council on Issuing the Action Plan for Prevention and Control of Water Pollution (《國務院關於印發水污染防治行動計劃的通知》) (the “Notice 17”) on 2 April 2015, which attached great emphasis to controlling the discharge of industrial pollutants by ten major industries including the electroplating industry. The Notice 17 required, among other things, (i) industrial clusters in Beijing, Tianjin, Hebei (京津冀地區), the Yangtze River Delta Region (長三角地區) and the Pearl River Delta Region (珠三角地區) to complete the construction of centralised wastewater treatment facilities and installation of online auto-monitoring equipment by the end of 2016, whilst for other regions such construction shall be completed by the end of 2017, and industrial parks that failed to comply with Notice 17 may be disqualified and be prohibited from conducting any construction relating to wastewater discharge; (ii) the research and development on deep treatment of wastewater be expedited; and (iii) the development of environmental protection service industry with focuses on wastewater and trash treatment and industrial parks be expedited.

In 2016, the State Council promulgated the Notice on the 13th Five-Year-Plan for Protection of Ecological Environment (《“十三五”生態環境保護規劃的通知》) (the “13th Five-Year Plan for Protection of Ecological Environment”), which, again, emphasised the importance of the prevention of heavy metal pollution and further required that, (i) industrial parks in connection with heavy metal industries, including electroplating, should lay out comprehensive plans to implement cleaner production and achieve reduction in the discharge of heavy metal pollution; and (ii) intensified methods shall be applied to monitor the heavy metal pollutants discharged by these industrial parks and the monitoring results shall be disclosed to the public.

Guangdong Province, Huizhou, Boluo County

In accordance with the 13th Five-Year Plan for Protection of Ecological Environment, the Department of Environmental Protection of Guangdong Province (廣東省環境保護廳) issued the Notice on the 13th Five-Year Plan for Comprehensive Prevention of Heavy Metal Pollution in Guangdong Province (《廣東省環境保護廳關於印發廣東省重金屬污染綜合防治“十三五”規劃的通知》) (the “13th Five-Year Plan of Guangdong Province”) on 14 July 2017, which required (i) enterprises which fail to meet with state standards of production, including electroplating production standards, by the end of 2017 should be shut down; (ii) ten major industries, including electroplating, should improve their cleaner production methods and reach top levels in China; and (iii) relevant authorities should expedite the process of relocating electroplating enterprises into industrial parks, particularly in the Pearl River Delta Region.

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On 12 August 2018, the People's Government of Guangdong Province (廣東省人民政府) promulgated the Notice on the Integrative Crackdown Plan on "Unplanned, Illegal and Polluting" Industrial Enterprises/Premises in Guangdong Province (《關於印發廣東省“散亂污”工業企業(場所)綜合整治工作方案的通知》) (the "Notice 289 of Guangdong Province") which set out the principle of "Close Down, Improve or Relocate to Industrial Parks" ("關閉一批、提升一批、進園一批"原則). According to the schedule set out in the Notice 289 of Guangdong Province, (i) the Department of Environmental Protection of Guangdong Province shall prepare a list specifying all illegal and polluting industrial enterprises/ premises in the province, including those outside the industrial parks and those discharge pollutants illegally by 25 September 2018; and (ii) 40% of enterprises on the list shall either be closed down or take rectification measures or be moved to relevant industrial parks by the end of 2018 and the remaining 60% shall complete the same task by 30 September 2019.

Following the requirements stated in the 13th Five-Year Plan of Guangdong Province and the Notice 289 of Guangdong Province, the Environmental Protection Bureau of Huizhou (惠州市環境保護局) promulgated the Plan of Huizhou on Implementing the 13th Five-Year Plan for Comprehensive Prevention of Heavy Metal Pollution in Guangdong Province (《惠州市實施〈廣東省重金屬污染綜合防治“十三五”規劃〉工作方案》) on 14 September 2017 (the "13th Five-Year Plan of Huizhou") while the People's Government of Huizhou (惠州市人民政府) issued the Notice on the Plan of the Rectification of "Unplanned, Illegal and Polluting" Industrial Enterprises/Premises in Huizhou (《關於印發惠州市“散亂污”工業企業(場所)綜合整治工作方案的通知》) on 1 October 2018 (the "Notice 342 of Huizhou"). Pursuant to the 13th Five-Year Plan of Huizhou, electroplating industry was listed among six major industries while Longxi Town in Boluo County (博羅縣龍溪鎮) was among the five major electroplating regions, both of which shall be of high importance for the local governments's work. Additionally, the said plan also required that Longxi Electroplating Base further improve its infrastructure facilities and cleaner production methods in accordance with the principle of "Close Down, Improve or Relocate to Industrial Parks", and relevant constructions shall be subject to the supervision of the People's Government of Longxi County (博羅縣人民政府). The Notice 342 of Huizhou further required that the rectification of all illegal and polluting industrial enterprises/premises shall be completed by the end of June 2019.

Tianjin, Jinghai District

In Tianjin, in 2015, the former People's Government of Jinghai County (原靜海縣人民政府) (Jinghai County is now revoked and replaced by Jinghai District (靜海區)) issued the Notice on the Implementing Measures for Promoting the Development of Electroplating Industry (《關於促進電鍍行業健康發展實施意見的通知》) (the "Notice 11 of Jinghai County") which required that (i) the first phase construction of the Tianjin Bingang Electroplating Industrial Base (天津濱港電鍍產業基地) shall be completed by 31 October 2015 and then, as arranged, electroplating enterprises in Jinghai County (not less than 60% of all arranged enterprises) shall move into the base first; (ii) all qualified electroplating enterprises which were established before the issuance date of the Notice 11 of Jinghai County, with the approval of relevant authorities, shall relocate to the base by 31 August 2016 while other unqualified enterprises should be closed down; and (iii) after the issuance date of the said notice, there shall be no electroplating enterprises established outside the Tianjin Bingang Electroplating Industrial Base.

Following the 13th Five-Year Plan for Protection of Ecological Environment, the NDRC of Jinghai District of Tianjin (天津市靜海區發展和改革委員會) issued the 13th Five-Year Plan of Jinghai District for Environmental Protection (《天津市靜海區環境保護第十三個五年規劃》) on 29 November 2016 (the

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“13th Five-Year Plan of Jinghai District”), which stated that, during the 12th Five-Year-Plan period (2010–2015), highly-polluting projects that were inconsistent with the industrial policies of the state could not be approved by local authorities while 370 “Fifteen-small” enterprises (“十五小”企業), including “small electroplating enterprises” (“小電鍍”) without any proper water treatment facilities, have been closed down. Pursuant to the 13th Five-Year Plan of Jinghai District, during the 13th Five-Year-Plan period (2016–2020), (i) the centralised treatment of electroplating industry shall be implemented and relative cleaner production methods shall be improved; (ii) 31 electroplating enterprises located outside Jinghai district shall move into industrial parks by the end of 2016; (iii) the Tianjin Bingang Electroplating Industrial Base shall expedite the construction of its infrastructure facilities; and (iv) electroplating projects outside the base shall be prohibited.

Hubei Province, Jingzhou

As for Hubei Province, the People’s Government of Hubei Province (湖北省人民政府) promulgated the Plan on the Prevention and Treatment of Water Pollution in Hubei Province (《湖北省水污染防治行動計劃工作方案》) on 10 January 2016 which required that (i) all enterprises, including electroplating enterprises, that did not conform to the State’s industrial policies shall be shut down by the end of 2016; (ii) professional solutions should be worked out to reduce pollution in ten major industries including electroplating, and cleaner production in these fields should be promoted; and (iii) all industrial parks in the province shall complete the construction of centralised water treatment facilities and install automatic online monitor equipment by the end of 2017, while those who fail to achieve this goal will not be approved to initiate any construction projects and will be deprived of the qualification to operate industrial parks. These requirements were then further refined in the 13th Five-Year Plan of Hubei Province for Environmental Protection (《湖北省環境保護“十三五”規劃》) issued by the People’s Government of Hubei Province on 29 December 2016.

On 13 July 2017, former Ministry of Environmental Protection (the “MEP”) (MEP is now replaced by the Ministry of Ecology and Environment), NDRC and the Ministry of Water Resources (the “MWR”) promulgated the Notice of Ecological and Environmental Protection Scheme of Yangtze River Economic Belt (《長江經濟帶生態環境保護規劃》). Furthermore, on 27 July 2017, the NDRC, the MEP, the Ministry of Industry and Information Technology, the Ministry of Science and Technology and the Ministry of Finance jointly promulgated the Guidance on Promoting the Green Development of Yangtze River Economic Belt (《關於加強長江經濟帶工業綠色發展的指導意見》). Both of them required that heavy metal pollution control concerning electroplating industry as well as the constructions of electroplating industrial parks should be given due attention by local governments.

In order to implement the above-mentioned requirements, the Investment Promotion Bureau of Jingzhou Municipality (荊州市招商局) issued the Trial Promotion Measures of Jingzhou Development Zone on Attracting Investments (《荊州開發區工業項目招商引資促進辦法(試行)》) on 13 April 2017, pursuant to which material surface treatment industry (including electroplating) was listed among “strategic new industries” in which Jingzhou government encourages investors to invest; while, as for industrial projects with the fixed-asset investment amounts of less than RMB100 million, Jingzhou governments also encourages investors to conduct such projects in the industrial parks in the Jingzhou Development Zone.

ENVIRONMENTAL PROTECTION

The principal PRC environmental protection laws and regulations applicable to us include the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) (the “Environmental Protection Law”), which was promulgated by the Standing Committee of National People’s Congress (the “SCNPC”) on 26 December 1989 and amended on 24 April 2014 and became effective on 1 January 2015; the Prevention and Control of Atmospheric Pollution Law of the PRC (《中華人民共和國大氣污染防治法》) (the “Atmospheric Pollution and Prevention Law”) promulgated by the SCNPC on 5 September 1987, amended on 29 August 1995, 29 April 2000 and 29 August 2015, and effective as from 1 January 2016; the Prevention and Control of the Water Pollution Law of the PRC (《中華人民共和國水污染防治法》) (the “Water Pollution and Prevention Law”) promulgated by the SCNPC on 11 May 1984, amended on 15 May 1996, 28 February 2008 and 27 June 2017, and effective as from 1 January 2018; the Prevention and Control of the Noise Pollution Law of the PRC (《中華人民共和國噪聲污染防治法》) (the “Noise Pollution and Prevention Law”) promulgated by the SCNPC on 29 October 1996 and effective as from 1 March 1997; the Prevention and Control of the Solid Waste Pollution Law of the PRC (《中華人民共和國固體廢物污染環境防治法》) (the “Solid Pollution and Prevention Law”) promulgated by the SCNPC on 30 October 1995 and amended on 29 December 2004, 29 June 2013, 24 April 2015 and 7 November 2016.

Pursuant to the above-mentioned laws, before carrying out a construction project, affiliated facilities or plans with respect to pollution control shall be designed; and these environmental protection facilities should be built when the whole project is under construction. The construction of the project shall meet the requirements set out in the relevant environmental impact assessment documents approved by or filed with the competent environmental protection departments. Any enterprise which conducts construction projects without this approval or filing and disposes pollutants illegally shall be subject to administrative penalties and be responsible for eliminating the pollution caused by it; while in some cases, it also has to indemnify those to whom it has caused direct damages.

Environmental impacts appraising system

According to the Appraising of Environmental Impacts Law of the PRC (《中華人民共和國環境影響評價法》) (the “Appraising of Environmental Impacts Law”) promulgated by the SCNPC on 28 October 2002, effective as from 1 September 2003, amended on 2 July 2016 and effective as from 2 July 2016:

- (1) if a construction project may have material adverse impacts on the environment, an environmental impact report which fully analyses and assesses the potential influences of such project is required;
- (2) if a construction project may only have certain adverse impacts on the environment, an environmental impact report which only analyses or appraises certain major potential influences of the project is required; and
- (3) if a construction project may hardly cause any environment pollution, an environmental impact report is not required but this project shall be filed with competent authorities.

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A construction project shall be launched only when relevant environmental impact assessment has been completed and the result of such assessment is approved by or filed with competent environmental protection authorities.

Environmental protection requirements on construction projects

Pursuant to the Regulations on Administration of Construction Project Environmental Protection (《建設項目環境保護管理條例》) promulgated by the State Council on 29 November 1998, amended on 16 July 2017 and effective as from 1 October 2017 and the Interim Measures for the Acceptance of Environmental Protection for the Completion of Construction Projects (《建設項目竣工環境保護驗收暫行辦法》) promulgated on 20 November 2017, in the following cases, relevant environmental protection authorities shall require the construction entity to rectify its mistakes within a specified time:

- (1) the construction entity violates the provisions of the aforesaid laws and regulations and related complementary environmental protection facilities have not been built;
- (2) the construction project has been in service without its complementary environmental protection facilities being inspected and accepted by relevant environmental protection authorities; or
- (3) the construction entity commits fraud when relevant environmental protection authorities conduct the inspections and acceptance procedures over its environmental protection facilities.

The main part of the construction project and its environmental protection facilities must be put into operation simultaneously. If a trial production is required, the main part of the construction project and its environmental protection facilities must be put into trial operation simultaneously. If the construction entity fails to rectify its mistakes within the prescribed time limit, a fine ranging from RMB1 million to RMB2 million shall be imposed on it by relevant authorities while directly accountable person(s)-in-charge shall additionally be imposed a fine ranging from RMB50,000 to RMB200,000. Furthermore, if the construction project causes significant damages to the environment or eco-system, the project shall be suspended or even shut down.

WATER QUALITY

Pursuant to the Prevention and Control of the Water Pollution Law, companies operating centralised treatment facilities for municipal wastewater are responsible for the quality of the effluent from the wastewater treatment plants. Industrial parks shall build centralised wastewater treatment facilities and install online auto-monitoring equipment. Prior to discharging industrial wastewater to such treatment facilities, enterprises in industrial parks should process the wastewater first. Competent departments of wastewater treatment of local people's governments at or above the county level are the supervisory and administrative authority of wastewater treatment work within their respective administrative regions.

In addition, in accordance with the foregoing laws and regulations with respect to environmental protection, the competent administrative department of environmental protection under the State Council shall formulate national environmental quality standards and local governments may formulate local standards for matters not specified at national level. Any enterprise which discharges pollutants to the

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atmosphere or water body and/or produces noise or solid wastes which may cause environmental pollution and endanger the public should comply with the applicable national and local quality standards.

National standards at State level

On 4 October 1996, MEP and former General Administration of Quality Supervision, Inspection and Quarantine (the “AQSIQ”) (AQSIQ is now replaced by the State Administration for Market Regulation) promulgated the General Discharge Standards for Wastewater (GB8978-1996) 《污水綜合排放標準 (GB8978-1996) 》 which sets out the permitted maximum limits on certain types of water pollutants.

On 28 April 2002, MEP and AQSIQ jointly promulgated the Environmental Quality Standards for Surface Water (GB3838-2002) 《地表水環境質量標準 (GB3838-2002) 》, pursuant to which surface water, such as river, lake, canal, reservoir and etc., is classified into five categories, from Standard I to Standard V, and the quality of surface water in certain area shall meet certain standards in accordance with the functions of such water body. Local environmental protection authorities (at or above county level) shall be responsible for monitoring the water quality in their own regions. The water quality of recycled water should comply with the standards set out in Recycled water Standard (SL368-2006) 《再生水水質標準 (SL368-2006)》 promulgated by MWR on 1 March 2007. For recycled water used for industrial cooling, washing, boiler and other productions and processes, the quality of recycled water should comply with the Reuse of Urban Recycling Water — Water quality standard for industrial uses (GB/T19923-2005) 《城市污水再生利用 — 工業用水水質 (GB/T19923-2005) 》.

In particular, the MEP and AQSIQ promulgated the Emission Standard of Pollutants for Electroplating 《電鍍污染物排放標準》 on 25 June 2008 and formulated the state quality standards for water and air pollutants discharged by electroplating enterprises.

Local standards of Guangdong Province, Tianjin and Hubei Province

In Guangdong Province, the Department of Environmental Protection of Guangdong Province promulgated the Circular on the Enforcement of National Discharge Standard of Special Emission Limits on Water Pollutants within the Pearl River Delta Region 《廣東省環境保護廳關於珠江三角洲地區執行國家排放標準水污染物特別排放限值的通知》 (the “Circular 83 of Guangdong Province”) on 30 November 2012. Pursuant to the Circular 83 of Guangdong Province, electroplating projects shall implement the special emission limits on water pollutant and air pollutants stipulated in the Discharge Standard of Electroplating Pollutants (GB 21900-2008) 《電鍍污染物排放標準(GB21900-2008)》 (the “2008 Standards”) since 31 December 2012. On 3 June 2015, the Department of Environmental Protection of Guangdong Province and the Administration of Quality and the Technology Supervision of Guangdong Province promulgated the Discharge Standard of Electroplating Pollutants (DB44/1597-2015) 《電鍍污染排放標準(DB44/1597-2015)》 which has amended and restated the standards with respect to the emission limits of water pollutants set out in the previous 2008 Standards.

As for Tianjin and Hubei Province, the Integrated Wastewater Discharge Standard of Tianjin (DB12/356-2018) 《天津市污水綜合排放標準(DB12/356-2018)》 was jointly promulgated by the Tianjin Environmental Protection Bureau (天津市環境保護局) and the Tianjin Market and Quality Supervision Administration (天津市市場和質量監督管理委員會) on 30 January 2018, and became effective on 1 February 2018, while the Department of Environmental Protection of Hubei Province (湖

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北省環境保護廳) and the Hubei Bureau of Quality and Technical Supervision (湖北省質量技術監督局) jointly promulgated the Integrated Wastewater Discharge Standard of the Middle and Lower Reaches of Hanjiang River in Hubei Province (DB42/1318-2017) (《湖北省漢江中下游流域污水綜合排放標準(DB42/1318-2017)》) on 7 December 2017, which was enforced from 1 July 2018.

Entities discharging water pollutants in Tianjin, Guangdong Province and Hubei Province, including industrial parks, should follow the water pollutants emission limits formulated in the aforesaid standards.

POLLUTANT DISCHARGE

State level

Pursuant to the Water Pollution and Prevention Law, an enterprise operating centralised wastewater treatment facilities shall obtain a pollutant discharge permit (《排污許可證》). Enterprises and public institutions are prohibited from discharging wastewater into the water body without a pollutant discharge permit or in violation of the provisions of such permit. Accordingly, the General Office of the State Council (國務院辦公廳) issued the Notice of the General Office of the State Council on Issuing the Implementation Plan for the Permit System for Controlling Pollutants Emission (《國務院辦公廳關於印發控制污染物排放許可制實施方案的通知》) on 10 November 2016, which provides that a licencing system for pollutant discharge control is the fundamental environmental management system for legally standardising pollutant discharge activities of enterprises and institutions, and environmental protection department shall implement the licencing system for pollutant discharge by issuing pollutant discharge permits to enterprises and institutions and carrying out supervision in accordance with the permits.

In accordance with the Classification Administration List of Pollutant Discharge Permits for Fix Pollution Sources (2017 Edition) (《固定污染源排污許可分類管理名錄(2017年版)》) (the “Classification Administration List”) which was promulgated by the MEP on 28 July 2017, the existing enterprises and public institutions and other manufacturers should apply for pollutant discharge permits within the prescribed application time limit in accordance with the requirements under the Classification Administration List. Discharge permits for metal surface treatment and heat treatment shall be applied before 2020, while those for centralised wastewater treatment plants for electroplating wastewater shall be applied before 2017.

In addition, according to the Measures for Pollutant Discharge Permitting Administration (For Trial Implementation) (《排污許可管理辦法(試行)》) which was promulgated by the MEP on 10 January 2018, a pollutant discharging entity that has already been established and discharged pollutants before the time limit as provided on the Classification Administration List shall apply for a pollutant discharge permit within the time limit.

Guangdong Province, Tianjin and Hubei Province

In order to reinforce the supervision of pollutant source and regulate the permit of discharge, the People’s Government of Guangdong Province promulgated the Administrative Measures of Pollutant Discharge Permits of Guangdong Province (《廣東省排污許可證管理辦法》) (the “Measures of Pollutant Discharge Permits of Guangdong Province”) on 27 January 2014, which came into effect on 1 April 2014. On 25 July 2017, the Department of Ecology and Environment of Guangdong Province promulgated the Proposal for Remedial Actions to the Opinions Reported by the Fourth Inspection Team

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of Environmental Protection of Guangdong Province (《廣東省貫徹落實中央第四環境保護督察組督察反饋意見整改方案》) which sets out the various measures in supervising pollutant discharging enterprises, such as (i) actively promoting such individual enterprises to move their operations into electroplating industrial parks; and (ii) performing site visits on pollutant discharging enterprises to ensure the wastewater discharge meets the pollutant discharge standards and is within the approved discharge volume.

The Tianjin Municipal People's Government issued the Implementation Plan of Pollutant Discharge Permit System of Tianjin (《天津市控制污染物排放許可制實施計劃》) on 15 April 2017. Likewise, the General Office of the Peoples Government of Hubei Province (湖北省人民政府辦公廳) promulgated the Notice on Implementing Measures for Pollutant Discharge Control in Hubei Province (《關於印發湖北省控制污染物排放許可制實施方案的通知》) on 27 June 2017.

The Measures of Pollutant Discharge Permits of Guangdong Province, the Implementation Plan of Pollutant Discharge Permit System of Tianjin and the Measures of Pollutant Discharge Permits of Hubei Province set out the conditions of and procedures for the discharge permit applications, as well as the supervision and administration of discharge permits. Any enterprises in these three regions discharging pollutant without a permit, or discharging beyond the permitted discharge volumes, may be subject to fines and penalties, and their pollutant discharge permit may be revoked and their business operations may have to cease. They may even bear criminal liabilities in severe situations.

LAND, PLANNING AND CONSTRUCTION PERMITS

All land in the PRC is either state-owned or collectively-owned, depending on the location of the land. Where land in rural areas and suburban areas are legally owned by the State, the State holds ownership rights. The State has the right to resume its ownership of land or the land use rights in accordance with laws if public interest so desires, in which case compensation shall be paid by the State.

Although all land in the PRC is either State-owned or collectively-owned, individuals and entities may acquire land use rights in different way, among which the two most important ways are land grants from local land authorities and land transfers from land users who have already obtained land use rights.

Land grants

In April 1988, the National People's Congress (the "NPC") passed an amendment to the Constitution of the PRC (《中華人民共和國憲法》). The amendment allowed the transfer of land use rights for value to prepare for reforms of the legal regime governing the use of land and transfer of land use rights. In December 1988, the SCNPC also amended the Land Administration Law of the PRC (《中華人民共和國土地管理法》) to permit the transfer of land use rights for value. In May 1990, the State Council enacted the Provisional Regulations of the PRC Concerning the Grant and Assignment of the Right to Use State-owned Land in Urban Areas (《中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例》). These regulations, generally referred to as the Urban Land Regulations, formalised the process of the grant and transfer of land use rights for value.

According to the Land Administration Law of the PRC (《中華人民共和國土地管理法》) promulgated by the SCNPC on 25 June 1986, amended on 29 December 1988, 29 August 1998 and 28 August 2004, land owned by the State may be remised or allotted to construction units or individuals in accordance with the law. The people's government at or above the county level shall register and put on

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record uses of state-owned land used by construction units or individuals, and issue certificates to certify the land use rights. Further, in accordance with the Regulations on the Implementation of the Land Administration Law of the PRC (《中華人民共和國土地管理法實施條例》) promulgated by the State Council on 4 January 1991, and revised on 27 December 1998, 8 January 2011 and 29 July 2014 respectively, State-owned land with undetermined usage rights is to be registered in a registry set up by the local governments at or above the county level, which are responsible for the protection and administration of such land.

Upon paying in full the land premium pursuant to the terms of the land grant contract, a land-grantee may apply to the relevant land bureau for the land use rights certificate. In accordance with the Property Rights Law of the PRC (《中華人民共和國物權法》) (the “Property Rights Law”), which was issued on 16 March 2007 and effective on 1 October 2007, the term of land use rights for land of residential use will automatically be renewed upon expiry. The renewal of the term of land use rights for other uses shall be dealt with according to the then-effective relevant laws. In addition, if the State resumes the possession of land for public interest during the term of the relevant land use rights, compensation shall be paid to the owners of residential properties and other real estate on the land and the relevant land premium shall be refunded to them by the State.

Ways of land grant

Pursuant to PRC laws and the stipulations of the State Council, land use rights may be obtained through allocation or the grant from government. There are two ways by which land use rights may be granted, namely by private agreement or bidding processes (i.e., tender, auction or listing-for-sale at a land exchange administered by the local government).

As of 1 July 2002, the grant of land use rights by way of bidding processes is governed by the Regulations on the Grant of Use Right of State-Owned Land by Invitation of Tender, Auction or Listing-for-Sale (《招標拍賣掛牌出讓國有土地使用權規定》), issued by the Ministry of Land and Resources of the PRC on 9 May 2002 and revised as of 28 September 2007 with the name of Regulations on Granting State-Owned Construction Land Use Right through Tenders, Auction and Listing-for-Sale (《招標拍賣掛牌出讓國有建設用地使用權規定》) (the “Land Grant Regulations”) which became effective on 1 November 2007. The Land Grant Regulations specifically provide that land to be used for industrial, commercial, tourism, entertainment or commodity residential purposes, or where there are two or more intended users for the certain piece of land, shall be granted through bidding processes. A number of measures are provided by the Land Grant Regulations to ensure such grant of land use rights for commercial purposes is conducted openly and fairly.

On 13 May 2011, the Ministry of Land and Resources promulgated the Opinions on Upholding and Improving the System for the Transfer of Land by Tender, Auction and Listing-for-Sale (《關於堅持和完善土地招標拍賣掛牌出讓制度的意見》), which sets out provisions relating to the improvement of policies on the supply of land through public tender, auction and listing-for-sale, and strengthening the active role of land transfer policy in the regulation and control of the real estate market.

In June 2003, the Ministry of Land and Resources promulgated the Regulations on Grant of State-Owned Land Use Rights by Agreement (《協議出讓國有土地使用權規定》), to regulate the grant of land use rights by agreement when only one potential grantee is interested in the land whose designated uses are for purposes other than commercial purposes as described above.

Planning of construction projects

Under the Urban and Rural Planning Law of the PRC (《中華人民共和國城鄉規劃法》) (the “Urban and Rural Planning Law”) promulgated by the SCNPC on 28 October 2007 and amended on 24 April 2015, if the right to use State-owned land for a construction project is obtained, the construction entity shall, after concluding the contract for grant of the right to use State-owned land, obtain the construction land planning permit (《建設用地規劃許可證》) from the competent local planning authority.

After obtaining the construction land planning permit, a planning and design proposal in respect of the construction project shall be submitted to the municipal planning authority in compliance with the requirements and procedures under the Urban and Rural Planning Law, and a construction work planning permit (《建設工程規劃許可證》) should be obtained before the construction entity builds any structure, fixture, road, pipeline or undertakes other engineering project within a city or town planning area.

Construction work commencement permit

According to the Construction Law of the PRC (《中華人民共和國建築法》) promulgated by the SCNPC on 1 November 1997, amended on 22 April 2011 and the Regulation on the Quality Management of Construction Projects (《建設工程質量管理條例》) (the “Regulation on the Quality Management of Construction Projects”) issued by the State Council on 30 January 2000 and revised on 7 October 2017, the Regulations on Administration Regarding Permission for Commencement of Construction Works (《建築工程施工許可管理辦法》) promulgated on 15 October 1999 and amended on 4 July 2001 and further amended on 25 June 2014 by Ministry of Housing and Urban-Rural Development of the PRC (the “MOHURD”), the construction entity shall apply for a construction work commencement permit (《建築工程施工許可證》) from the relevant construction authority. If a construction entity carries out construction work without obtaining construction work commencement permit or in circumstances where its construction commencement report has not been approved, it shall be ordered to stop the construction work and to take rectification measures within a certain time limit, and the construction entity shall also be fined.

Acceptance and examination upon completion of construction projects

According to the Regulation on the Quality Management of Construction Projects and the Administrative Measures for the Filing of As-built Inspection of Housing, Building and Municipal Infrastructure Projects (《房屋建築和市政基礎設施工程竣工驗收備案管理辦法》) promulgated on 4 April 2000 and amended by the MOHURD on 19 October 2009, a construction project shall not be completed for use unless it has passed the acceptance inspections. Where a construction entity illegally completes the construction project for use without passing the acceptance inspections or in circumstances where it failed to pass the acceptance inspections, it shall be ordered to take rectification measures and pay a fine of not less than 2% but not more than 4% of the contractual project price, and shall be obliged to pay compensation if any losses have occurred. The construction entity should file a record with the competent construction administrative department at or above the county level at the place where the project is located within 15 days from the day on which the construction project passes the acceptance inspections. If the construction entity fails to file such a record within the time limit, it shall be ordered to take rectification measures within a prescribed time limit and shall be fined not less than RMB200,000 but not more than RMB500,000.

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Real estate registration

Pursuant to the Interim Regulations on Real Estate Registration (《不動產登記暫行條例》) promulgated by the State Council on 24 November 2014 and effective on 1 March 2015, and the Detailed Rules for the Implementation of the Interim Regulation on Real Estate Registration (《不動產登記暫行條例實施細則》) promulgated by the Ministry of Land and Resources on 1 January 2016, the State implements a uniform real estate registration system and the buildings and structures including houses, the fixed objects including forest and woods shall be registered together with the lands by them, with an aim to maintaining the consistency of the subject of the rights.

TRANSACTIONS OF LAND USE RIGHTS AND REAL ESTATE

Mortgage of properties

The mortgage of land use rights, projects under constructions and real estate in the PRC is mainly governed by the Property Rights Law, the Guarantee Law of the PRC (《中華人民共和國擔保法》) promulgated by the SCNPC on 30 June 1995 and effective from 1 October 1995, the Measures for Building Registration (《房屋登記辦法》) issued by the Ministry of Construction (the Ministry of Construction is now replaced by MOHURD) on 15 February 2008 and effective as of 1 July 2008, the Interim Regulations on Real Estate Registration and the Detailed Rules for the Implementation of the Interim Regulation on Real Estate Registration.

According to the law and regulations stated above, land use rights, the buildings and other attachments on the ground may be mortgaged. When a mortgage is created on the ownership of a building legally obtained, a mortgage shall be simultaneously created on the land use right in respect of the land on which the building is situated. The mortgagor and the mortgagee shall sign a mortgage contract in writing. A system has been adopted to register the mortgages of real estate. After a real estate mortgage contract has been signed, the parties to the mortgage shall register the mortgage with the real estate administration authority at the location where the real estate is situated. If a mortgage is created on the land use right or the real estate in respect of which a property ownership certificate has been obtained legally, the registration authority shall make an entry under the “third party rights” item on the original property ownership certificate and issue a Certificate of Third Party Rights to a Building/Land (《房屋他項權證》或《土地他項權證》) to the mortgagee.

Lease of properties

On 1 December 2010, MOHURD promulgated the Administrative Measures for Commodity House Leasing (《商品房屋租賃管理辦法》) (the “New Lease Measures”), which became effective on 1 February 2011, and replaced the Administrative Measures for Urban House Leasing (《城市房屋租賃管理辦法》). The leasing of houses on State-owned land in urban planning areas and the supervision and administration thereof shall be analogically governed by the Measures. Pursuant to the New Lease Measures, parties thereto shall register and file with the local property administration authority within thirty days after the execution of a lease contract. Non-compliance with such registration and filing requirements shall be subject to fines up to RMB10,000.

Under the Contract Law of the People’s Republic of China (《中華人民共和國合同法》) promulgated by the NPC on 15 March 1999, the term of a lease contract shall not exceed 20 years.

TAXATION

Environmental protection tax

As provided by the Law of the PRC on Environmental Protection Tax (《中華人民共和國環境保護稅法》) promulgated on 25 December 2016, enforced since 1 January 2018 and amended on 26 October 2018 and the Regulation on the Implementation of the Environmental Protection Tax Law of the PRC (《中華人民共和國環境保護稅法實施條例》) which was issued on 25 December 2017 and came into effect on 1 January 2018, enterprises and other producers or operators that directly discharge pollutants to the environment shall pay environmental protection tax in accordance with the provisions set out in the aforesaid law and regulation. Such tax is a replacement of the pollutant discharge fees (排污費) that used to be collected by the local environmental protection authorities.

Enterprise income tax

The Law of the PRC on Enterprise Income Tax (《中華人民共和國企業所得稅法》) (the “EIT Law”) enacted on 16 March 2007 and becoming effective on 1 January 2008 and subsequently amended on 24 February 2017 and becoming effective on even date, adopts a tax rate of 25% for all enterprises (including foreign-invested enterprises). According to the newly revised Administrative Measures for the Accreditation of High-tech Enterprises (《高新技術企業認定管理辦法》) (the “High-tech Administrative Measures”), which became effective on 1 January 2016, High-tech enterprises recognised on the basis of the High-tech Administrative Measures can apply for the tax preferential treatment. According to the EIT Law, a qualified high-tech enterprise as recognised by the National Committee for the Administration of the Accreditation of High-tech Enterprises (全國高新技術企業認定管理工作領導小組) will be taxed at a rate of 15%. Additionally, EIT Law provides that the expenses for the research and development of new technologies, new products and new techniques of an enterprise may be additionally calculated and deducted, and the amount of an enterprise’s investment in the purchase of special equipment for environmental protection, energy and water saving, work safety, etc. may be deducted from the tax amount at a certain rate.

Pursuant to the Regulations on the Implementation of Enterprise Income Tax Law of the PRC (the “Regulations on EIT Law”) (《中華人民共和國企業所得稅法實施條例》), coming into effect on 1 January 2008, a reduced enterprise income rate of 10% will be applicable to any dividends payable to the non-resident enterprise investors on the incomes derived from the PRC. Moreover, under the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), which became effective on 8 December 2006, a PRC resident enterprise which distributes dividends to its Hong Kong shareholders should be levied enterprise income tax according to the PRC law, however, if the beneficiary of the dividends is a Hong Kong resident enterprise, which directly holds not less than 25% equity of the aforesaid enterprise (i.e. the dividend distributor), the tax levied shall be 5% of the distributed dividends. If the beneficiary is a Hong Kong resident enterprise, which directly holds less than 25% equity of the aforesaid enterprise, the tax levied shall be 10% of the distributed dividends.

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Value-added tax

Pursuant to the Interim Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例》) promulgated on 13 December 1993, amended on 5 November 2008, 6 February 2016 and 19 November 2017, and the Detailed Rules for the Implementation of the Interim Regulations of the PRC on Value-Added Tax (《中華人民共和國增值稅暫行條例實施細則》) promulgated on 25 December 1993, and revised on 15 December 2008 and 28 October 2011, all entities and individuals in the PRC engaging in sale of goods, processing and repairing and replacement services, and import of goods are required to pay value added tax for the added value derived from the process of manufacture, sale or services. Unless stated otherwise, for Value Added Tax payers who are selling or importing goods, and providing processing, repairing and replacement services in the PRC, the tax rate shall be 17%. According to the Notice of the Ministry of Finance and the State Administration of Taxation on the Adjustment to VAT Rates (《財政部、國家稅務總局關於調整增值稅稅率的通知》), promulgated by the SAT and the Ministry of Finance on 4 April 2018 and became effective as of 1 May 2018, the VAT rate of 17% is adjusted to 16%.

Urban maintenance and construction tax as well as education surcharge

Under the Provisional Regulation on Urban Maintenance and Construction Tax of the PRC (《中華人民共和國城市維護建設稅暫行條例》) promulgated by the State Council on 8 February 1985 and amended on 8 January 2011, any taxpayer, whether an entity or individual, of consumption tax, value-added tax or business tax shall be required to pay urban maintenance and construction tax based on the total amount of consumption tax, value-add tax or business tax paid by such taxpayer. The tax rate shall be 7% for a taxpayer whose domicile is in an urban area, 5% for a taxpayer whose domicile is in a county and a town, and 1% for a taxpayer whose domicile is not in any urban area or county or town.

Under the Provisional Provisions on Imposition of Education Surcharge (《徵收教育費附加的暫行規定》) promulgated by the State Council on 28 April 1986 and revised on 7 June 1990, 20 August 2005 and 8 January 2011, a taxpayer, whether an entity or individual, of product tax, value-added tax or business tax shall pay an education surcharge at a rate of 3% on the total amount of consumption tax, value-added tax or business tax paid by such entity, unless such obliged taxpayer is instead required to pay a rural area education surcharge as stipulated under the Notice of the State Council on Raising Funds for Schools in Rural Areas (《關於籌措農村學校辦學經費的通知》).

REGULATIONS ON FOREIGN EXCHANGES

Control of foreign exchange

Foreign currency exchange in the PRC is primarily governed by two administrative regulations, namely, the Regulations of the PRC on Foreign Exchange Control (《中華人民共和國外匯管理條例》) (the “Foreign Exchange Regulations”) promulgated by the State Council on 29 January 1996, amended on 14 January 1997 and 5 August 2008 respectively, and the Regulations on the Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》) promulgated by the People’s Bank of China (the “PBOC”) on 20 June 1996. Foreign exchange receipts for current account transactions may be retained or sold to financial institutions engaged in the settlement or sale of foreign exchange. Overseas institutions or individuals that directly invest in the PRC shall go through

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registration formalities at foreign exchange control authorities after receiving approval from relevant competent authorities. Domestic institutions or individuals that engage in overseas direct investment shall go through foreign exchange registration formalities.

According to the Provisions on the Foreign Exchange Administration of Domestic Direct Investment of Foreign Investors (《外國投資者境內直接投資外匯管理規定》) promulgated by SAFE on 11 May 2013, direct investment within the PRC territory shall be subject to registration management. Enterprises involved in domestic direct investment shall register with SAFE or its local counterparts. Banks shall provide relevant domestic direct investment services in accordance with the registration information filed with foreign exchange authorities.

Pursuant to the Circular of the SAFE on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (《關於進一步簡化和改進直接投資外匯管理政策的通知》) (the “Circular 13”) which was promulgated on 13 February 2015 and with effect from 1 June 2015, the foreign exchange registration under domestic direct investment and the foreign exchange registration under overseas direct investment is directly reviewed and handled by banks in accordance with the Circular 13, and the SAFE and its branches shall perform indirect supervision over the foreign exchange registration via banks.

Foreign exchange registration

According to the Notice of the SAFE on Foreign Exchange Administration of Overseas Investments and Financing and Round-Trip Investments by Domestic Residents via Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (“SAFE Circular No. 37”) promulgated and implemented by the SAFE on 4 July 2014, domestic residents, including domestic institutions and domestic resident natural persons shall register with the SAFE before contributing money to offshore special purpose vehicles (“SPVs”) using legitimate domestic and overseas assets or rights and interests. According to the Circular of the SAFE Concerning Reform of the Administrative Approaches to Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資金結匯管理方式的通知》) (“SAFE Circular 19”) promulgated on 30 March 2015 by SAFE and implemented since 1 June 2015, and Notice of the SAFE on Reforming and Regulating the Policies for the Administration of Foreign Exchange Settlement under the Capital Account (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (“SAFE Circular 16”) promulgated by SAFE on 9 June 2016 by SAFE, voluntary settlement is implemented on foreign exchange capital of foreign-invested enterprises (“FIEs”); foreign exchange capital in the FIE’s capital account, recognised by the foreign exchange authority as the right and interest of cash contribution (or registered by the bank for accounting entry of cash contribution), can be settled in banks according to its actual business requirements.

The provisional percentage for the voluntary settlement of foreign exchange capital of FIEs is 100%. SAFE may adjust the aforesaid percentage in due time according to the international receipts and payments situation. In addition, FIEs’ capital and RMB funds from their settlement shall not be used for the following purposes: (1) directly or indirectly used for payment beyond the business scope or prohibited under the laws and regulations of the State; (2) directly or indirectly used for securities investments, unless otherwise prescribed under the laws and regulations; (3) directly or indirectly used for the extension of RMB entrusted loans (unless permitted by the business scope), repayments of inter-

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enterprise borrowings (including third-party advances), and repayments of RMB bank loans already refinanced to any third party; (4) used for the payment of expenses related to the purchase of real estate not for self-use, except for foreign-invested real estate enterprises.

LAWS AND REGULATIONS ON PRODUCTION SAFETY

National legislations on production safety

The Production Safety Law of the PRC (2014 Revision) (《中華人民共和國安全生產法(2014修訂)》) (the “Production Safety Law”), promulgated by the SCNPC on 29 June 2002, amended on 27 August 2009, 31 August 2014 and implemented on 1 December 2014, required manufacturers to maintain workplace safety conditions in their production facilities pursuant to relevant laws, administrative regulations, national standards and industry standards. Failure to meet such requirements may subject the manufacturer to suspension or prohibition of production and business operation. In addition, manufacturers are required to train their employees for production safety and design, manufacture, install, use, inspect and maintain their equipment to meet the applicable national or industrial standards.

Pursuant to Production Safety Law, where a business entity subcontracts or leases out any business project or place to another entity, it shall enter into an agreement on work safety management with the subcontractor or lessee or agree on the work safety management responsibilities of each party. The business entity shall conduct unified coordination and management on the work safety of the subcontractor or lessee, conduct safety inspections on a regular basis, and, in a timely manner, urge the subcontractor or lessee to address any safety issues discovered in such inspections. If the business entity fails to reach an agreement upon safety production management with the subcontractor or lessee, it shall be ordered to take corrective actions within a specified period and may be fined not more than RMB50,000, and its directly liable persons may be fined not more than RMB10,000; if corrective actions are not taken within the specified period, it shall be ordered to suspend production or business for rectification.

Regulations on the operation of hazardous chemicals

In accordance with the Regulations on the Safety Management of Hazardous Chemicals (2013 Revision) (《危險化學品安全管理條例(2013修訂)》) promulgated by the State Council on 26 January 2002, amended on 2 March 2011 and 7 December 2013, and the Measures for the Administration of the Permits for Trading in Hazardous Chemicals (2015 Amendment) (《危險化學品經營許可證管理辦法(2015修正)》) promulgated by the State Administration of Work Safety (the State Administration of Work Safety is now replaced by the Ministry of Emergency Management) on 17 July 2012 and amended on 27 May 2015, an enterprise engaging in the business operation of hazardous chemicals shall obtain a permit for the business operation of hazardous chemicals (《危險化學品經營許可證》); while the environmental protection departments shall monitor and regulate the disposal of waste hazardous chemicals, organise the environmental harm appraisal and the environmental risk evaluation of hazardous chemicals and determine which hazardous chemicals shall be subject to prioritised environmental management.

Where an enterprise forges, alters, leases, lends or transfers the permit for the operation of hazardous chemicals, or uses a forged or altered permit, the relevant authority shall impose a fine of not less than RMB100,000 but not more than RMB200,000, and if there is any illegal income, confiscate the

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illegal income; and if any violation of public order administration is constituted, it shall be subject to a public security punishment; and if a crime is constituted, it shall be subject to criminal liability according to law.

LAWS AND REGULATIONS ON LABOUR PROTECTION

Regulations on employment

Enterprises in the PRC are subject to the Labour Law of the PRC (《中華人民共和國勞動法》) (the “Labour Law”) issued by the SCNPC on 5 July 1994 and amended on 27 August 2009, the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》) (the “Labour Contract Law”) promulgated by the SCNPC on 29 June 2007, and amended on 28 December 2012 with the amendment taking effect on 1 July 2013, and the Regulation on the Implementation of the Labour Contract Law of the People’s Republic of China (《中華人民共和國勞動合同法實施條例》) promulgated by the State Council on 18 September 2008, as well as other related regulations, rules and provisions issued by the relevant governmental authorities from time to time.

According to the Labour Law and the Labour Contract Law, enterprises must enter into labour contracts if they are to establish labour relationships with the employees. Enterprises must provide wages, which are not lower than the local minimum wage standards, to such employees and are required to establish labour safety and sanitation systems, strictly abide by PRC rules and standards and provide relevant training to the employees.

Regulations on labour and social insurance

Under the Labour Contract Law, labour contracts shall be concluded in writing if labour relationships are to be or have been established between enterprises or institutions and the workers. Enterprises and institutions are prohibited from forcing the workers to work beyond the time limit and employers shall pay workers for overtime work in accordance with national regulations. In addition, the requirements for entry into fixed term employment contracts and dismissal of employees are stringent.

According to the employee welfare rules and regulations set out in the Regulations on Work-Related Injury Insurance (《工傷保險條例》) which was promulgated by State Council on 27 April 2003 and came into force on 1 January 2004 and amended on 20 December 2010 and came into force on 1 January 2011, enterprises shall purchase work-related injury insurance and pay work-related injury insurance premiums for all their employees. Where an employee is injured in an accident or suffers from an occupational disease due to his work and needs treatment, his treatment will be paid by the insurance company. The employee also enjoys disability subsidy if any injury results in disability.

Pursuant to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) promulgated by the SCNPC on 28 October 2010 which became effective on 1 July 2011, the State establishes social insurance systems such as basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance so as to protect the right of citizens in receiving material assistance from the State and the society in accordance with the law when getting old, sick, injured at work, unemployed and giving birth. Employers are required to contribute, on behalf of their employees, to a number of social insurance funds, including funds for basic pension insurance,

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unemployment insurance, basic medical insurance, work-related injury insurance and maternity insurance. An employer shall, within 30 days after its establishment, register with the local social insurance agency.

Pursuant to the Interim Regulation on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》), promulgated by State Council and became effective on 22 January 1999, enterprises with employees shall complete social insurance registration at the local social insurance agency and participate in social insurance schemes. Such participants shall report to the social insurance agency the amount of social insurance premiums payable and pay its social insurance premiums every month within the prescribed time limit upon assessment of the social insurance agency. If a premium paying entity fails to complete social insurance registration, changes its registration or cancels its registration, or fails to report the amount of social insurance premiums payable, the administrative department of labour and social insurance may order it to rectify the situation by paying the outstanding premium within the prescribed time limit.

Regulations on housing provident fund

Enterprises and the employees should pay the house provident fund pursuant to the Regulations on Management of Housing Provident Fund (《住房公積金管理條例》) (the “Housing Provident Fund Regulation”) which was issued by the State Council on 3 April 1999 and whose amendment came into force on 24 March 2002. Under the Housing Provident Fund Regulation, an employer shall go to the housing provident fund management centre to complete registration of payment and deposit of the housing provident fund and, upon verification by the housing provident fund management centre, go to a commissioned bank to go through the formalities of opening housing provident fund accounts on behalf of its employees. An employer shall, within 30 days after its establishment, register with the housing provident fund management centre. When employing new employees, the employers shall complete housing provident fund payment and deposit registration at a housing provident fund management centre within 30 days from the date of the employment. The housing provident funds deposited by an individual employee and the portion deposited by the enterprises shall be owned by the employee himself. Housing provident funds shall be used by employees to buy or build houses, rebuild or overhaul houses for self-dwelling, and shall not be misappropriated by any entity or individual for any other purpose.

LAWS AND REGULATIONS RELATING TO INTELLECTUAL PROPERTY

Trademark

According to the Trademark Law of the PRC (《中華人民共和國商標法》), which was promulgated by the SCNPC on 23 August 1982 and amended on 22 February 1993, 27 October 2001 and 30 August 2013, respectively, any of the following acts shall be an infringement upon the right to exclusive use of a registered trademark: (i) using a trademark which is identical with or similar to a registered trademark on the same kind of commodities or similar commodities without a licence from the registrant of that trademark; (ii) selling the commodities that infringe upon the right to exclusive use of a registered trademark; (iii) forging, manufacturing without authorisation the marks of a registered trademark of others, or selling the marks of a registered trademark forged or manufactured without authorisation; (iv) changing a registered trademark and launching the commodities with the changed trademark on the market without the consent of the registrant of that trademark; and (v) causing other damages to the right to exclusive use of a registered trademark of another person.

Patent

Pursuant to the Patent Law of the PRC (《中華人民共和國專利法》) (the “Patent Law”), which was promulgated by the Standing Committee on 12 March 1984 and became effective on 1 April 1985 and was afterwards amended on 4 September 1992, 25 August 2000 and 27 December 2008, respectively, any exploitation of the patent without the authorisation of the patentee constitutes an infringing act. After the grant of the patent right for an invention or utility model, except where otherwise provided for in the Patent Law, no entity or individual may, without the authorisation of the patentee, exploit the patent, that is, make, use, offer to sell, sell or import the patented product, or use the patented process, or use, offer to sell, sell or import any product which is a direct result of the use of the patented process, for production or business purposes. After a patent right is granted for a design, no entity or individual shall without the permission of the patentee, exploit the patent, that is, for production or business purposes, manufacture, offer to sell, sell, or import any product containing the patented design. Where the infringement of patent is decided, the infringer shall, in accordance with the regulations, undertake to cease the infringement, take remedial action, and pay damages.

Domain names

The Administrative Measures on Internet Domain Names (《互聯網域名管理辦法》) was promulgated by the Ministry of Information Industry on 24 August 2017 and became effective on 1 November 2017. The aforementioned measures regulate the registration of domain names in China with the Internet country code of “.cn”. The Measures on Domain Names Dispute Resolution (《中國互聯網絡信息中心域名爭議解決辦法》) was promulgated by the Chinese Internet Network Information Centre and came into effect on 1 September 2014. The aforementioned measures require domain name disputes to be submitted to institutions authorised by the Chinese Internet Network Information Centre for resolution.

HISTORY, DEVELOPMENT AND REORGANISATION

OVERVIEW

The history of our Group could be traced back to 2004, when the Guangdong Provincial Government promulgated policies to assemble electroplating workshops or companies to move into electroplating industrial parks with centralised wastewater treatment and discharge facilities. Mr. Zhang, our Chairman, and Mr. Zhang Haiming, one of our Shareholders, captured the business opportunity associated with such new policies and used their own funds to establish an entity, Huizhou Jinkai Factory in July 2004. Mr. Zhang and Mr. Zhang Haiming held 49% and 51% interest in Huizhou Jinkai Factory, respectively, at the time of its establishment. Huizhou Jinkai Factory was approved by the Environmental Protection Bureau of Huizhou Municipality (惠州市環境保護局) to construct an industrial park in Longxi Town in Huizhou, Guangdong Province which (i) was mainly operated for the production and processing of metal components; and (ii) possessed the functions of treating industrial and household wastewater, exhaust gas and solid residues. Huizhou Jinkai Factory commenced the construction of this industrial park in October 2004.

Mr. Zhang incorporated Huizhou Kimou with Mr. Zhang Haiming in June 2005, with Mr. Zhang holding 51% equity interest in Huizhou Kimou and Mr. Zhang Haiming holding the rest of 49%. Thereafter, Huizhou Kimou acquired the entire assets and liabilities of Huizhou Jinkai Factory in September 2006 based on their book value. Prior to the acquisition, Huizhou Jinkai Factory was constructing the factory premises and wastewater treatment facilities for the industrial park, pursuant to the foregoing approval granted in 2004, which were entirely transferred to and owned by Huizhou Kimou. These assets, including land use rights, factory premises and machineries, became the first phase of our Guangdong Huizhou Park. After this acquisition, Huizhou Kimou's scope of principal business included development and operation of electroplating industrial parks and the provision of centralised wastewater treatment services; whereas Huizhou Jinkai Factory was deregistered. In April 2007, our Guangdong Huizhou Park commenced operation.

In September 2015, in recognition of the status of Huizhou Kimou as a leader in the electroplating industrial park market, the existing minority shareholders of Tianjin Bingang invited Huizhou Kimou to invest and take the leading role in the development and operation of Tianjin Bingang Park, by acquiring 51% equity interest in Tianjin Bingang based on its registered capital amount. Prior to this acquisition, the construction of Tianjin Bingang Park had been just underway. Leveraged on the knowhow and experience we gained from establishing and operating the Guangdong Huizhou Park, we provided input to improve the design of factory premises and the efficiency of the wastewater treatment facilities as well as overseeing the construction, installation and operation of these facilities. Our Tianjin Bingang Park commenced operation in June 2016.

In November 2017, we entered into the Hubei Jingzhou Project Agreement with the Jingzhou ETDZ Administrative Committee, located in Jingzhou, Hubei Province, the PRC, where we plan to develop our Hubei Jingzhou Project.

HISTORY, DEVELOPMENT AND REORGANISATION

OUR BUSINESS MILESTONES

The following sets out our major business development milestones since our Group's inception and up to the Latest Practicable Date:

Year	Event
July 2004	Huizhou Jinkai Factory was established to develop Guangdong Huizhou Park
September 2006	Huizhou Kimou took over the development of the Guangdong Huizhou Park from Huizhou Jinkai Factory and thereafter Mr. Zhang held approximately 50.7% equity interest in Huizhou Kimou and effectively held the same interest in Guangdong Huizhou Park
April 2007	Our Guangdong Huizhou Park commenced operation with an initial GFA of approximately 38,000 sq.m.
September 2007	We commenced the expansion of the Guangdong Huizhou Park by constructing new factory premises with a total GFA of approximately 95,000 sq.m. and installing new wastewater treatment facilities
June 2010	The expanded section of the Guangdong Huizhou Park commenced operation
September 2013	We expanded the GFA of the Guangdong Huizhou Park by approximately 76,000 sq.m.
January 2015	We expanded the GFA of the Guangdong Huizhou Park by approximately 75,000 sq.m.
October 2015	We acquired 51% equity interest in Tianjin Bingang and commenced the development of the Tianjin Bingang Park
June 2016	Tianjin Bingang Park commenced operation

OUR CORPORATE DEVELOPMENT

Our Company

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 28 June 2018 with an initial authorised share capital of US\$50,000 divided into 50,000 shares with a par value of US\$1.0 each. Pursuant to the written resolutions of the directors and shareholders dated 7 January 2019, the authorised share capital of our Company was changed to HK\$168,000,000 by the creation of additional 1,680,000,000 shares with a par value of HK\$0.1 each and the cancellation of 50,000 shares with a par value of US\$1.0 each. As of the Latest Practicable Date, the authorised share capital of our Company was HK\$168,000,000 divided into 1,680,000,000 Shares of HK\$0.1 each. As part of the Reorganisation and for the purpose of the Listing, our Company became the ultimate holding company of our Group.

HISTORY, DEVELOPMENT AND REORGANISATION

We set out below the corporate history and shareholding changes of our significant subsidiaries which were material to the performance of our Group during the Track Record Period.

Huizhou Kimou

Huizhou Kimou was a company established in the PRC with limited liability on 8 June 2005 with an initial registered capital of RMB2 million. It was held as to 51% by Mr. Zhang and 49% by Mr. Zhang Haiming at the time of its establishment. It commenced its businesses in June 2005 which are mainly the construction and development of electroplating industrial parks, the provision of electroplating wastewater treatment and environmental protection engineering services. The registered capital of Huizhou Kimou was increased to RMB10 million in November 2005, with the respective equity interest of Mr. Zhang and Mr. Zhang Haiming remained unchanged. In September 2006, Huizhou Kimou acquired the entire assets and liabilities of Huizhou Jinkai Factory, which was owned as to 49% by Mr. Zhang and 51% by Mr. Zhang Haiming and was constructing certain factory premises and wastewater treatment facilities for Guangdong Huizhou Park. After the completion of such acquisition, the registered capital of Huizhou Kimou was increased to RMB12 million which was held as to approximately 50.7% by Mr. Zhang and approximately 49.3% by Mr. Zhang Haiming.

During the period from October 2006 to 31 December 2015, Huizhou Kimou increased its registered capital whilst a number of equity transfers took place among its then shareholders. The respective consideration for these equity transfers was determined with reference to the amounts of the registered capital represented by the equity interests subject to the transfers. Mr. Zhang remained the single controlling shareholder of Huizhou Kimou during that period. As at 1 January 2016, the commencement date of the Track Record Period, Huizhou Kimou had a registered capital of RMB80.2 million which was held as to 57% by Mr. Zhang, 28.5% by Mr. Li Xuke (the late elder brother of Mr. Lee, an executive Director who held 28.5% shareholding in our Company as of the Latest Practicable Date), 9.5% by Mr. Zhang Haiming and 5% by Mr. Huang.

In April 2016, the registered capital of Huizhou Kimou was increased to RMB108.2 million which was contributed by the then existing shareholders in proportion to their respective equity interests.

Pursuant to the shareholders' resolution and a share transfer agreement dated 29 July 2016 entered into between Mr. Li Xuke and Huizhou Yongjiasheng (a company established in the PRC and wholly owned by Mr. Lee), Mr. Li Xuke transferred his 28.5% equity interest in Huizhou Kimou to Huizhou Yongjiasheng for a consideration of approximately RMB30.8 million. The consideration was determined with reference to the amount of the registered capital of Huizhou Kimou represented by the equity interest subject to the transfer and was fully settled in July 2016. Following completion of the equity transfer, Huizhou Kimou was held as to 57% by Mr. Zhang, 28.5% by Huizhou Yongjiasheng, 9.5% by Mr. Zhang Haiming and 5% by Mr. Huang, respectively.

For the purpose of the Listing, we underwent the Reorganisation whereby, among other things, the registered capital of Huizhou Kimou was increased and Huizhou Kimou became an indirect wholly owned subsidiary of our Company. Immediately after completion of the Reorganisation, the registered capital of Huizhou Kimou was increased to RMB400 million and was indirectly owned as to 57%, 28.5%, 9.5% and 5% by Mr. Zhang, Mr. Lee, Mr. Zhang Haiming and Mr. Huang, respectively. Please refer to "The Reorganisation — B. Onshore reorganisation" of this section for further details regarding the changes in registered capital and shareholding structure of Huizhou Kimou under the Reorganisation.

HISTORY, DEVELOPMENT AND REORGANISATION

As of the Latest Practicable Date, Huizhou Kimou was indirectly wholly-owned by the Company.

Huizhou Jinmaoyuan

Huizhou Jinmaoyuan was a company established in the PRC with limited liability on 6 September 2016 with an initial registered capital of RMB30 million. It was held as to 100% by Huizhou Kimou at the time of its establishment. It commenced its business in September 2016 and it principally engages in the provision of electroplating wastewater treatment and environmental protection engineering services.

Pursuant to the shareholders resolution dated 14 November 2018, the registered capital of Huizhou Jinmaoyuan was increased to RMB100 million, with the increase in registered capital of RMB70 million being fully subscribed for by Huizhou Kimou. As of the Latest Practicable Date, RMB75 million of the registered capital of Huizhou Jinmaoyuan had been fully paid up and the remaining registered capital is to be settled by December 2025 in accordance with Huizhou Jinmaoyuan's latest articles of association.

As of the Latest Practicable Date, Huizhou Jinmaoyuan was wholly-owned by Huizhou Kimou.

Huizhou Jinzefeng

Huizhou Jinzefeng was a company established in the PRC with limited liability on 1 July 2015 with an initial registered capital of RMB2 million. It was held as to 100% by Huizhou Kimou at the time of its establishment. It commenced its business in July 2015 and it principally engages in the sale of electroplating raw materials and chemical products.

As of the Latest Practicable Date, Huizhou Jinzefeng was wholly-owned by Huizhou Kimou.

Tianjin Bingang

Tianjin Bingang was a company established in the PRC with limited liability on 31 March 2014 with an initial registered capital of RMB0.2 million. It commenced its business in June 2016 and it principally engages in the construction and development of electroplating industrial parks. It was held as to 50% by Mr. Yang Baoliang (楊寶亮) and 50% by Mr. Liu Shufeng (劉樹峰), both Independent Third Parties, at the time of its establishment.

During the period from 1 April 2014 to 14 October 2015, Tianjin Bingang enlarged its registered capital and certain equity transfers among the then shareholders took place, with the consideration being determined with reference to the amounts of the registered capital represented by the equity interests subject to the transfers. Mr. Yang Baoliang and Mr. Liu Shufeng remained controlling shareholders of Tianjin Bingang during that period. As at 14 October 2015, the registered capital of Tianjin Bingang was RMB20 million which was owned equally by Mr. Yang Baoliang and Mr. Liu Shufeng.

HISTORY, DEVELOPMENT AND REORGANISATION

Pursuant to the equity transfer agreements dated 15 October 2015 entered into between Mr. Yang Baoliang and Mr. Liu Shufeng as transferors and Huizhou Kimou and Tianjin Wanheshun as transferees, Mr. Yang Baoliang transferred his 50% equity interest in Tianjin Bingang to Huizhou Kimou for a consideration of RMB10 million, whereas Mr. Liu Shufeng transferred his 1% and 49% equity interests in Tianjin Bingang to Huizhou Kimou and Tianjin Wanheshun for a consideration of RMB0.2 million and RMB9.8 million, respectively. The consideration was determined with reference to the amount of the registered capital of Tianjin Bingang represented by the equity interests subject to the transfers and had been fully settled as of the Latest Practicable Date. Following completion of the equity transfers, Tianjin Bingang was held as to 51% by Huizhou Kimou and 49% by Tianjin Wanheshun.

Tianjin Bingang has carried out several enlargements of registered capital since November 2015, with the additional capital being contributed by its shareholders in proportion to their respective equity interests. As of the Latest Practicable Date, the registered capital of Tianjin Bingang was approximately RMB589.9 million, out of which approximately RMB499.9 million had been paid up and the balance of approximately RMB90.0 million is to be settled by May 2023 pursuant to Tianjin Bingang's articles of association.

As of the Latest Practicable Date, Tianjin Bingang was held as to 51% by Huizhou Kimou and 49% by Tianjin Wanheshun. According to the articles of association of Tianjin Bingang, resolutions are approved at shareholders meetings by members holding 51% of the voting rights; whereas resolutions relating to, among other things, increase or decrease in registered capital required the approval by members holding two-third of the voting rights. Accordingly, the (i) pursuance of business expansion plans for Tianjin Bingang; and (ii) financing to Tianjin Bingang by loans from banks or our Group companies or other ways that do not result in change of registered capital, do not require approval by Tianjin Wanheshun as we own 51% in Tianjin Bingang. There are no provisions in the articles of association of Tianjin Bingang that require its shareholders to provide funding in proportion to their respective equity interests. During the Track Record Period, Huizhou Kimou (wholly owned by our Company) loaned to Tianjin Bingang for the latter's development and operational needs at interest rate higher than the bank lending rates applicable to our Group companies. We intend to inject the net proceeds from the Share Offer that are earmarked for expanding the wastewater treatment facilities of Tianjin Baingang Park by way of loan to Tianjin Bingang from our Group company. During the Track Record Period and up to the Latest Practicable Date, we had not encountered any disputes with the Minority Shareholders that affected the business development, financing and operational management of Tianjin Bingang and Tianjin Bingang Park.

HISTORY, DEVELOPMENT AND REORGANISATION

Hubei Kimou

Hubei Kimou was a company established in the PRC with limited liability on 8 November 2017 with an initial registered capital of RMB20 million. It was held as to 100% by Huizhou Kimou at the time of its establishment. It was a project company designated for the development of the Hubei Jingzhou Project. Please refer to “Business — Our electroplating industrial parks — Description of our industrial parks — Hubei Jingzhou Project” for more details about this project. As of the Latest Practicable Date, save for the acquisition of three parcels of land which is expected to complete in October 2019, the development of Hubei Jingzhou Project had not commenced yet.

Pursuant to an equity transfer agreement dated 13 April 2018 entered into between Huizhou Kimou and KE, Huizhou Kimou transferred its 100% equity interest in Hubei Kimou to KE for a consideration of RMB20 million. Please refer to “The Reorganisation — A. Offshore reorganisation” below for information about the equity transfer. As of the Latest Practicable Date, the consideration for the equity transfer had been fully settled.

Pursuant to the shareholder’s resolution dated 27 April 2018, the registered capital of Hubei Kimou was increased to RMB250 million.

As of the Latest Practicable Date, the registered capital of Hubei Kimou was RMB250 million, out of which approximately RMB36.3 million had been paid up and the balance of approximately RMB213.7 million is to be settled by December 2020 pursuant to Hubei Kimou’s articles of association.

On 23 July 2018, Hubei Kimou established a subsidiary, Jingzhou Jinyuan, in the PRC.

As of the Latest Practicable Date, Hubei Kimou was wholly-owned by KE.

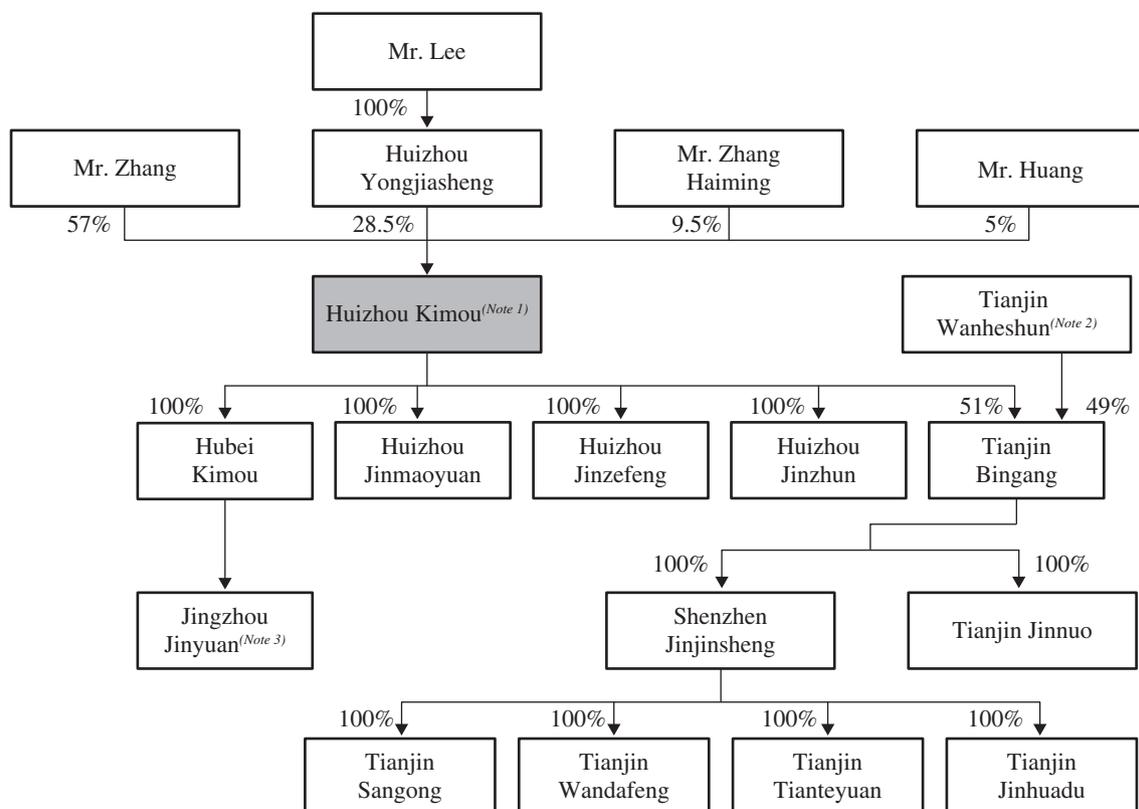
We had completed the requisite approvals and registrations with the relevant governmental authorities in the PRC for all the above-mentioned equity transfers and registered capital increases as of the Latest Practicable Date.

HISTORY, DEVELOPMENT AND REORGANISATION

THE REORGANISATION

In March 2018, we commenced the Reorganisation in preparation for the Share Offer. Prior to the Reorganisation and during the Track Record Period, various companies comprising our Group were ultimately held by Huizhou Kimou, whose equity interests were held as to 57% by Mr. Zhang, 28.5% by Mr. Lee (through his wholly-owned company, Huizhou Yongjiasheng), 9.5% by Mr. Zhang Haiming and 5% by Mr. Huang.

The following chart shows the shareholding structure of our Group prior to the Reorganisation:



Notes:

1. Huizhou Kimou is our principal PRC operating subsidiary.
2. As of the Latest Practicable Date, Tianjin Wanheshun was owned by Mr. Yang Baoliang (楊寶亮), Mr. Cui Xiaozhi (崔曉智), Mr. Qi Shaojian (齊少健), Mr. Song Shaohui (宋紹輝), Mr. Liu Shuchen (劉書臣), Mr. Gao Rongcheng (高榮成), Mr. Ang Siqi (安士啟) and Mr. Wang Jian (王建), all being Independent Third Parties.
3. Jingzhou Jinyuan was incorporated on 23 July 2018, after we commenced the Reorganisation.

HISTORY, DEVELOPMENT AND REORGANISATION

We have carried out the following Reorganisation steps in preparation for the Listing:

A. Offshore Reorganisation

1. *Incorporation of KE and acquisition of Hubei Kimou by KE*

In preparation for the Reorganisation, KE was incorporated in Hong Kong as a limited liability company on 27 March 2018 by Ms. Chan Lai Fan, a member of our Group's senior management, with an initial issued share capital of HK\$10,000 divided into 10,000 ordinary shares, which were held by Ms. Chan Lai Fan on trust for Mr. Lee, an executive Director. The reason for entering into such trust arrangement was that Ms. Chan Lai Fan was assisting in the implementation of the Reorganisation steps and the trust arrangement provided us with significant administrative convenience.

On 13 April 2018, Huizhou Kimou entered into an equity transfer agreement with KE, pursuant to which Huizhou Kimou transferred its 100% equity interest in Hubei Kimou to KE for a consideration of RMB20 million. Upon completion of the equity transfer, Hubei Kimou was wholly-owned by KE.

2. *Incorporations of Kimou Environmental (BVI), Kimou Holding Limited, Premier Investment, Kimou Environmental Technology (BVI), Flourish Investment, Deluxe Investment, Dakson Assets Management, our Company, KETH and KET*

In preparation for the Reorganisation steps to follow, the following offshore entities were incorporated:

- On 7 June 2018, Kimou Environmental (BVI) and Kimou Holding Limited were incorporated in the British Virgin Islands as companies with limited liability by Ms. Chan Lai Fan. As of the date of their incorporations, each of Kimou Environmental (BVI) and Kimou Holding Limited had an initial issued share capital of US\$1.0 divided into 1 share with a par value of US\$1.0 each, and the 1 share in each of Kimou Environmental (BVI) and Kimou Holding Limited was held by Ms. Chan Lai Fan on trust for Mr. Lee in order to afford us with administrative convenience;
- On 7 June 2018, Premier Investment and Kimou Environmental Technology (BVI) were incorporated in the British Virgin Islands as companies with limited liability by Mr. Lee. As of the date of their incorporations, each of Premier Investment and Kimou Environmental Technology (BVI) had an initial issued share capital of US\$1.0 divided into 1 share with a par value of US\$1.0 each, and the 1 share in each of Premier Investment and Kimou Environmental Technology (BVI) was held by Mr. Lee;

HISTORY, DEVELOPMENT AND REORGANISATION

- On 7 June 2018, Flourish Investment, Deluxe Investment and Dakson Assets Management were incorporated in the British Virgin Islands as companies with limited liability by Mr. Zhang, Mr. Zhang Haiming and Mr. Huang, respectively. As of the date of their incorporations, each of Flourish Investment, Deluxe Investment and Dakson Assets Management had an initial issued share capital of US\$1.0 divided into 1 share with a par value of US\$1.0 each, and the 1 share in each of Flourish Investment, Deluxe Investment and Dakson Assets management was held by Mr. Zhang, Mr. Zhang Haiming and Mr. Huang, respectively. As individual PRC residents, each of Mr. Zhang, Mr. Zhang Haiming and Mr. Huang completed registrations with the relevant local SAFE branches in the PRC on 6 August 2018 with respect to their foregoing offshore investments pursuant to the SAFE Circular No. 37 of the PRC; and
- On 28 June 2018, our Company was incorporated in the Cayman Islands as an exempted company with limited liability. As of the date of its incorporation, our Company had an initial issued share capital of US\$1.0 divided into 1 share with a par value of US\$1.0 each, and such share was held by an initial subscriber and was subsequently transferred to Mr. Lee on the same date.

Prior to the incorporations of the above-mentioned offshore entities, Mr. Lee incorporated two Hong Kong entities either as an intermediate holding company of our Group or as a vehicle to facilitate the Reorganisation. Details of these Hong Kong entities are set out below:

- On 12 July 2017, KETH was incorporated in Hong Kong as a limited liability company by Mr. Lee. As of the date of its incorporation, KETH had an initial issued share capital of HK\$10,000 divided into 10,000 ordinary shares and such shares were held by Mr. Lee; and
- On 20 March 2018, KET was incorporated in Hong Kong as a limited liability company by Mr. Lee. As of the date of its incorporation, KET had an initial issued share capital of HK\$10,000 divided into 10,000 ordinary shares and such shares were held by Mr. Lee.

HISTORY, DEVELOPMENT AND REORGANISATION

3. Acquisitions of Kimou Environmental (BVI), our Company and KETH by Kimou Holding Limited, Premier Investment and Kimou Environmental Technology (BVI)

Pursuant to the share transfer agreements dated 8 September 2018 entered into between Ms. Chan Lai Fan and Mr. Lee as transferors and Kimou Holding Limited and Premier Investment as transferees, Kimou Holding Limited acquired 1 share representing 100% of the issued share capital of Kimou Environmental (BVI) from Ms. Chan Lai Fan for a consideration of US\$1.0, and Premier Investment acquired one share representing 100% of the issued share capital of our Company from Mr. Lee for a consideration of US\$1.0. Pursuant to the share transfer agreement dated 20 August 2018 entered into between Kimou Environmental Technology (BVI) and Mr. Lee, Kimou Environmental Technology (BVI) acquired 10,000 shares representing 100% of the issued share capital of KETH from Mr. Lee for a consideration of HK\$10,000. The consideration for the foregoing share acquisitions was determined with reference to the nominal values of the issued shares of Kimou Environmental (BVI), our Company and KETH and had been fully settled as of the Latest Practicable Date. As a result of such acquisitions, Kimou Environmental (BVI), our Company and KETH became wholly-owned subsidiaries of Kimou Holding Limited, Premier Investment and Kimou Environmental Technology (BVI), respectively.

4. Acquisition of KE by Kimou Environmental (BVI)

Pursuant to the share transfer agreement dated 20 August 2018 entered into between Kimou Environmental (BVI) and Ms. Chan Lai Fan, Kimou Environmental (BVI) acquired 10,000 shares representing 100% of the issued share capital of KE from Ms. Chan Lai Fan for a consideration of HK\$10,000. The consideration was determined with reference to the nominal value of such shares of KE and had been fully settled as of the Latest Practicable Date. As a result of such acquisition, KE became a wholly-owned subsidiary of Kimou Environmental (BVI).

5. Acquisition of Kimou Holding Limited by our Company

Pursuant to the share transfer agreement dated 8 September 2018 entered into between Ms. Chan Lai Fan and our Company, our Company acquired 1 share representing 100% of the issued share capital of Kimou Holding Limited from Ms. Chan Lai Fan for a consideration of US\$1.0. The consideration was determined with reference to the nominal value of such share of Kimou Holding Limited and had been fully settled as of the Latest Practicable Date. As a result of such transfer, Kimou Holding Limited became a wholly-owned subsidiary of our Company.

HISTORY, DEVELOPMENT AND REORGANISATION

6. Subscriptions of new shares in our Company by Flourish Investment, Premier Investment, Deluxe Investment and Dakson Assets Management

Pursuant to shareholders written resolutions dated 10 September 2018, each of Flourish Investment (wholly owned by Mr. Zhang), Premier Investment (wholly owned by Mr. Lee), Deluxe Investment (wholly owned by Mr. Zhang Haiming) and Dakson Assets Management (wholly owned by Mr. Huang) subscribed for 5,700 shares, 2,849 shares, 950 shares and 500 shares in our Company, representing approximately 57%, 28.49%, 9.5% and 5% of our Company's enlarged issued share capital for a consideration of US\$5,700, US\$2,849, US\$950 and US\$500, respectively. The consideration was determined with reference to the nominal value of the shares of our Company and had been fully settled as of the Latest Practicable Date. Upon completion of such subscriptions, our Company was held as to 57% by Flourish Investment, 28.5% by Premier Investment, 9.5% by Deluxe Investment and 5% by Dakson Assets Management.

7. Issuance of Hong Kong dollar denominated Shares and repurchase and cancellation of U.S. dollar denominated shares

Pursuant to the shareholders written resolutions dated 7 January 2019, 191,520,000 Shares, 95,760,000 Shares, 31,920,000 Shares and 16,800,000 Shares were issued to Flourish Investment, Premier Investment, Deluxe Investment and Dakson Assets Management, respectively, and the U.S. dollar denominated shares previously issued to these shareholders were repurchased by our Company and thereafter cancelled. Upon completion of such share issuance and repurchase, our Company remained to be held as to 57% by Flourish Investment, 28.5% by Premier Investment, 9.5% by Deluxe Investment and 5% by Dakson Assets Management.

8. Acquisition of KET by Premier Investment

Pursuant to the share transfer agreement dated 20 August 2018 entered into between Premier Investment and Mr. Lee, Premier Investment acquired 10,000 shares representing 100% of the issued share capital of KET from Mr. Lee for a consideration of HK\$10,000. The consideration was determined with reference to the nominal value of such shares of KET and had been fully settled as of the Latest Practicable Date. Upon completion of such acquisition, KET became a wholly-owned subsidiary of Premier Investment.

9. Acquisition of Kimou Environmental Technology (BVI) by Kimou Holding Limited

Pursuant to the share transfer agreement dated 8 September 2018 entered into between Kimou Holding Limited and Mr. Lee, Kimou Holding Limited acquired 1 share representing 100% of the issued share capital of Kimou Environmental Technology (BVI) from Mr. Lee for a consideration of US\$1.0. The consideration was determined with reference to the nominal value of such share of Kimou Environmental Technology (BVI) and had been fully settled as of the Latest Practicable Date. Upon completion of such acquisition, Kimou Environmental Technology (BVI) became a wholly-owned subsidiary of Kimou Holding Limited.

B. Onshore Reorganisation

1. Subscriptions of Huizhou Kimou's enlarged registered capital by KET

Pursuant to the shareholders resolution dated 24 May 2018, Huizhou Kimou's registered capital was increased to RMB110 million. The additional registered capital of RMB1.8 million was subscribed as to RMB1.1 million by KET and the remaining balance of RMB0.7 million was subscribed by the then existing shareholders of Huizhou Kimou in proportion to their respective equity interest immediately prior to such registered capital increase. The consideration was determined with reference to the appraised asset and equity value of Huizhou Kimou and had been fully settled as of the Latest Practicable Date. Upon completion of such subscriptions, Huizhou Kimou became a Sino-foreign joint venture entity and was held as to approximately 56.4% by Mr. Zhang, 28.2% by Huizhou Yongjiasheng, a company wholly-owned by Mr. Lee, 9.4% by Mr. Zhang Haiming, 4.9% by Mr. Huang and 1% by KET.

2. Subscription of Huizhou Kimou's enlarged registered capital by KETH

On 17 September 2018, KETH subscribed for the registered capital of Huizhou Kimou for a total amount of RMB290 million in cash. Upon completion of such capital increase, Huizhou Kimou's registered capital was RMB400 million and was held as to approximately 72.5% by KETH, 15.5% by Mr. Zhang, 7.8% by Huizhou Yongjiasheng (a company wholly-owned by Mr. Lee), 2.6% by Mr. Zhang Haiming, 1.3% by Mr. Huang and 0.3% by KET.

3. Acquisition of equity interest in Huizhou Kimou by KETH

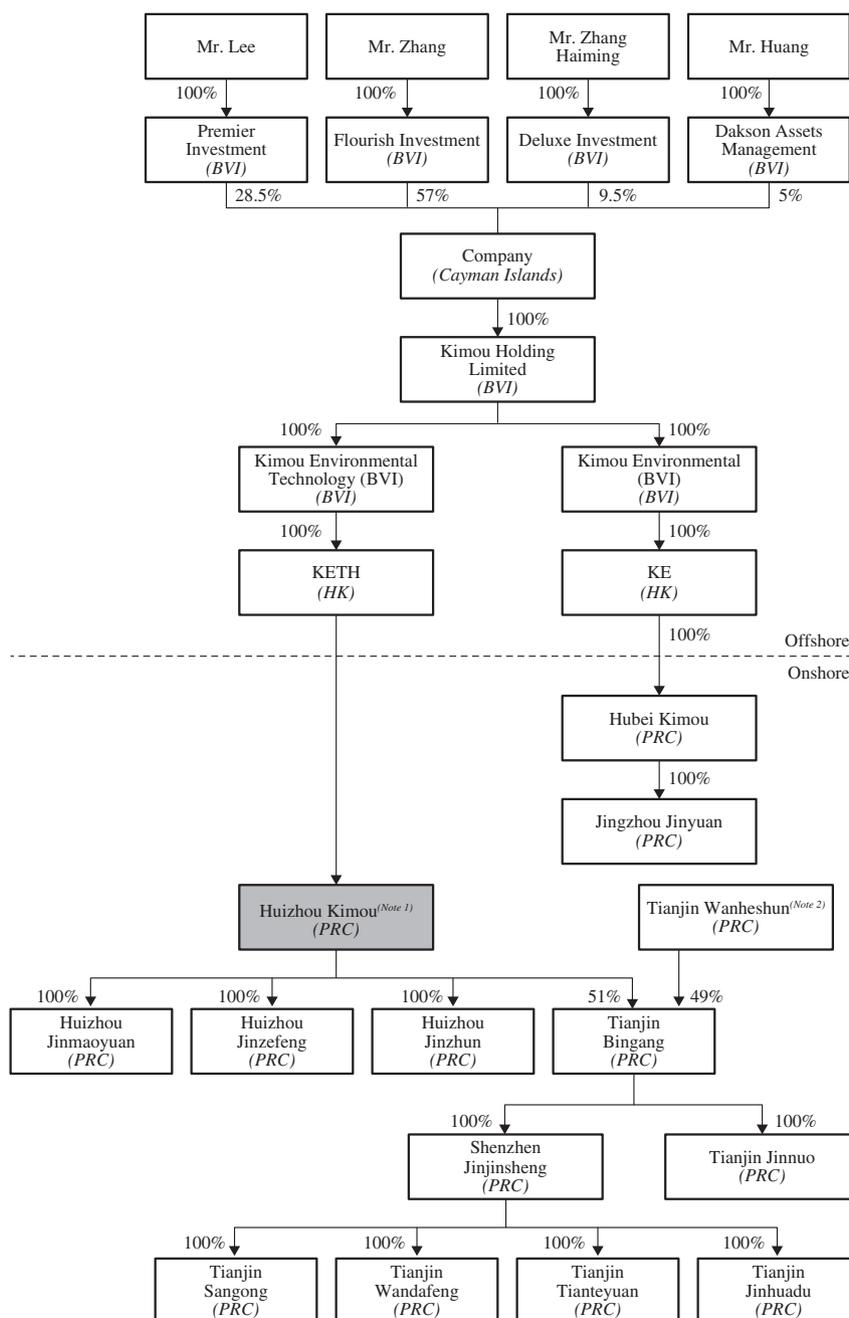
Pursuant to the equity transfer agreements dated 3 December 2018 entered into between Mr. Zhang, Mr. Zhang Haiming, Huizhou Yongjiasheng, Mr. Huang and KET as transferors and KETH as transferee, KETH acquired an aggregate 27.5% equity interest in Huizhou Kimou from Mr. Zhang, Mr. Zhang Haiming, Huizhou Yongjiasheng, Mr. Huang and KET for an aggregate consideration of RMB110 million. The consideration was determined with reference to the amount of the registered capital of Huizhou Kimou represented by the equity interest subject to the transfer and is expected to be settled by way of shareholder loan novation and the capitalisation of such shareholder loan prior to Listing. As of the Latest Practicable Date, the registration with the local branch of the SAIC and the filing with the local branch of MOFCOM have been duly completed. Upon completion of such transfers, Huizhou Kimou became a wholly-owned subsidiary of KETH.

HISTORY, DEVELOPMENT AND REORGANISATION

CORPORATE STRUCTURES

Corporate structure after the Reorganisation and before the Share Offer

Our corporate and shareholding structure after the Reorganisation and immediately prior to the completion of the Share Offer is as follows:



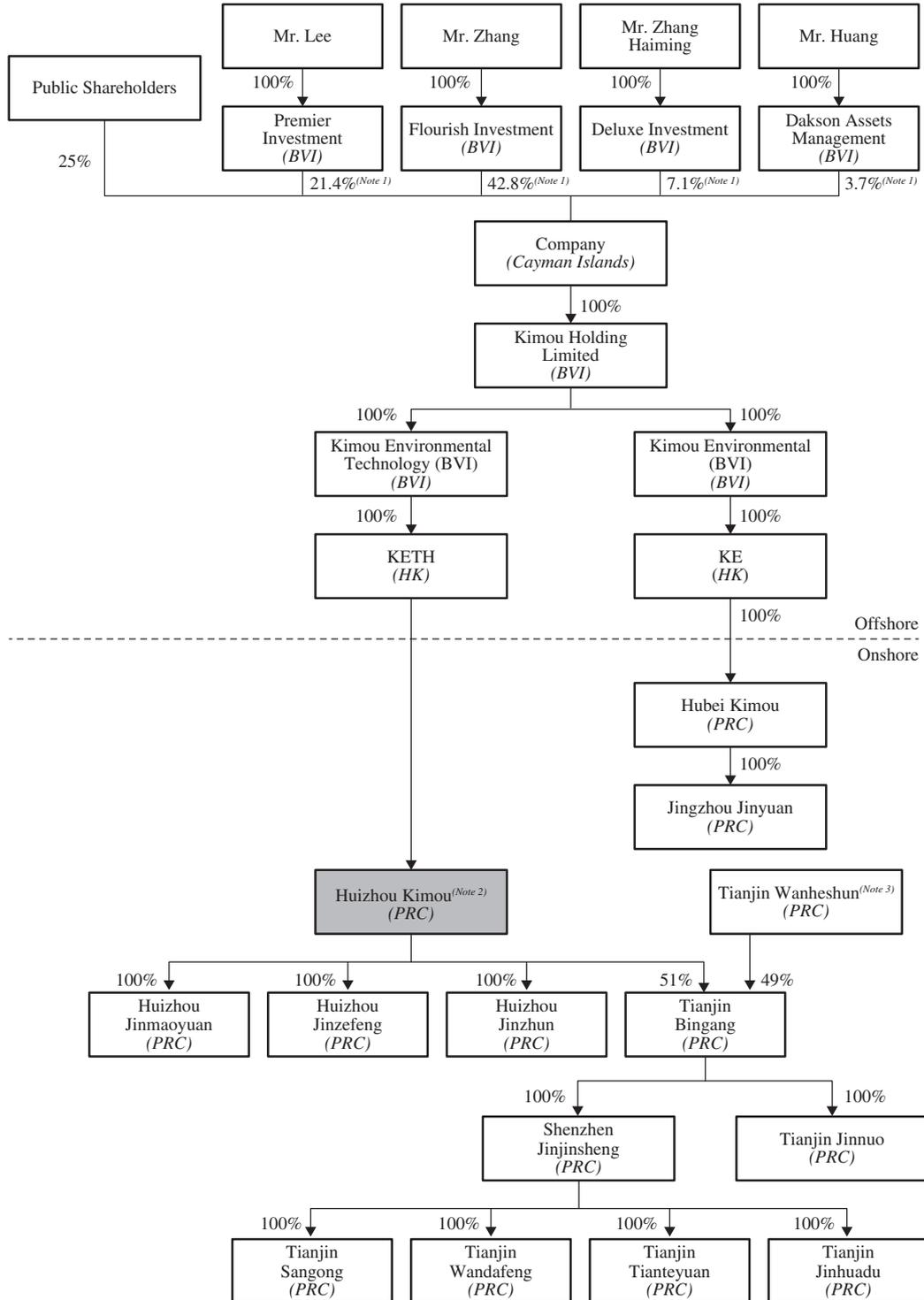
Notes:

1. Huizhou Kimou is our principal PRC operating subsidiary.
2. As of the Latest Practicable Date, Tianjin Wanheshun was owned by Mr. Yang Baoliang (楊寶亮), Mr. Cui Xiaozhi (崔曉智), Mr. Qi Shaojian (齊少健), Mr. Song Shaohui (宋紹輝), Mr. Liu Shuchen (劉書臣), Mr. Gao Rongcheng (高榮成), Mr. Ang Siqi (安士啟) and Mr. Wang Jian (王建), all being Independent Third Parties.

HISTORY, DEVELOPMENT AND REORGANISATION

Corporate structure immediately after Share Offer

Our corporate and shareholding structure immediately after the completion of the Share Offer will be as follows (assuming the Over-allotment Option is not exercised):



HISTORY, DEVELOPMENT AND REORGANISATION

Notes:

1. Approximate percentages rounded to one decimal point.
2. Huizhou Kimou is our principal PRC operating subsidiary.
3. As of the Latest Practicable Date, Tianjin Wanheshun was owned by Mr. Yang Baoliang (楊寶亮), Mr. Cui Xiaozhi (崔曉智), Mr. Qi Shaojian (齊少健), Mr. Song Shaohui (宋紹輝), Mr. Liu Shuchen (劉書臣), Mr. Gao Rongcheng (高榮成), Mr. Ang Siqi (安士啟) and Mr. Wang Jian (王建), all being Independent Third Parties.

PRC LEGAL COMPLIANCE

M&A rules

According to the Circular No. 10 jointly issued by the MOFCOM, SASAC, SAT, SAIC, the CSRC and SAFE on 8 August 2006, effective as of 8 September 2006 and amended by the MOFCOM on 22 June 2009, a foreign investor is required to obtain necessary approvals when it (1) acquires the equity of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (2) subscribes for the increased capital of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (3) establishes a foreign-invested enterprise through which it purchases the assets of a domestic enterprise and operates these assets; or (4) purchases the assets of a domestic enterprise, and then invests such assets to establish a foreign-invested enterprise. The Circular 10, among others, further requires that (i) an offshore special vehicle, or a special purpose vehicle, formed for listing purposes and controlled directly or indirectly by PRC companies or individuals, shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange, especially in the event that the special purpose vehicle acquires shares of or equity interests in the PRC companies in exchange for the shares of offshore companies; and (ii) where a domestic company, enterprise or natural person intends to acquire its or his/her domestic company in the name of an offshore company which it or he/she lawfully establishes or controls such that it becomes a foreign invested enterprise, the acquisition shall be subject to the examination and approval of the MOFCOM.

As advised by our PRC Legal Adviser, given that (1) Mr. Lee was not a PRC individual when he acquired the 1% equity interest in Huizhou Kimou through KET, no approval from the MOFCOM was required as his acquisition was not subject to the relevant provisions of Circular No.10; and (2) the acquisition of equity interests in Huizhou Kimou by KETH was not subject to the Circular No.10 because Huizhou Kimou was a Sino-foreign joint venture at the time of the acquisition, no prior approval from the MOFCOM or CSRC under Circular No.10 was applicable to the aforesaid acquisitions. However, as advised by our PRC Legal Adviser, as there has been no official interpretation or clarification of the CSRC approval requirement under Circular No.10, there is uncertainty as to how the relevant clause will be interpreted or implemented. If the CSRC or another PRC regulator subsequently determines that prior CSRC approval was required for such acquisition, we may face regulatory actions or other sanctions from the CSRC or other PRC regulatory agencies.

HISTORY, DEVELOPMENT AND REORGANISATION

SAFE registration

Pursuant to the promulgation and coming into force of Circular No. 37 on 4 July 2014, a PRC Resident must register with the local branch of SAFE before he/she contributes his/her legitimate assets or equity interests in China or overseas into an overseas special purpose company, which is directly incorporated or indirectly controlled by the PRC Resident for the purpose of overseas investment or financing. Moreover, Circular No. 37 also requires the PRC Residents to file changes to their registrations where their offshore special purpose companies undergo material changes of information including PRC residency, name and operation period, capital increase or decrease, share transfer or exchange, merger or division.

As confirmed by our PRC Legal Adviser, each of Mr. Zhang, Mr. Zhang Haiming and Mr. Huang has completed their foreign exchange registrations with the Boluo County branch of the SAFE on 6 August 2018, respectively, pursuant to Circular No. 37 in relation to their offshore investments as PRC Residents.

OVERVIEW

We develop and operate large-scale industrial parks specifically designed for electroplating industry. Our industrial parks serve two main functions, namely provision of factory premises and centralised wastewater treatment services to our tenants. We currently have two electroplating industrial parks in the PRC, namely the Guangdong Huizhou Park and the Tianjin Bingang Park, which has a site area of 441,032 sq.m. and 509,943 sq.m., respectively. According to the Industry Consultant's Report, parks with site area of over 100,000 sq.m. are categorised as large-scale. We are the only electroplating industrial park operator in Huizhou and one of the two operators in Tianjin. In November 2017, we entered into the Hubei Jingzhou Project Agreement whereby we shall develop our Hubei Jingzhou Project. This project was approved by Environmental Protection Bureau of Jingzhou Municipality (荊州市環境保護局) in June 2018. We won the tender for the land use right for three parcels of land for this project on 19 February 2019. The development and operation of Phase 1 of this project is expected to commence in third quarter of 2020 and the first quarter of 2022.

According to the Industry Consultant's Report, pollution from electroplating industry in the PRC is largely attributable to the vast number of small electroplating companies that scattered in various regions of the country whose pollutant treatment facilities are incomplete or obsolete or left idle for cost reason. Please refer to "Industry Overview — Market analysis of electroplating industry in China — Wastewater pollution" for details of the pollutants generated from electroplating processes. To reduce the pollution caused by electroplating industry, Guangdong Province and its subordinate municipality or county had promulgated policies since 2004 to assemble electroplating workshops or companies into electroplating industrial parks with centralised wastewater treatment and discharge facilities. Under this arrangement, the environment protection bureaus will monitor and control pollutant emission by examining the wastewater discharged by the industrial park, instead of monitoring each of the manufacturers or companies. In view of their effectiveness in monitoring and reducing pollution from electroplating industry, similar policies are adopted by Tianjin and Hubei Province. Subject to the implementation plans promulgated by the local governments from time to time, certain local governments, such as Huizhou in Guangdong Province and Tianjin, planned to close down the electroplating companies which eventually failed to relocate their operations into electroplating industrial parks. Please refer to "Regulatory Overview" of this prospectus for further details of these policies. According to the Industry Consultant's Report, these policies will gradually be adopted throughout the PRC and will continue to be a key driver of our business growth. Please refer to "Industry Overview" of this prospectus for further details.

We construct factory premises inside our industrial parks which are leased to and used by our tenants mainly for electroplating operations. Apart from factory premises, we have in place inside the industrial parks the infrastructure and system to collect the wastewater discharged by our tenants in the electroplating processes which is then directed to our centralised treatment facilities where the pollutants in the wastewater are removed in accordance with the standards stipulated by the local governments from time to time. After the treatments, the wastewater is either recycled back to the tenants for production use or discharged to the channels (such as river, streams or other facilities for further treatment) designated by the governments. For details of the PRC legal requirements concerning pollutant discharge, please refer to "Regulatory Overview — Environmental protection" in this prospectus. Our ancillary business also include procurement services for raw materials, management

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services of gas emission tower and pollutant testing services. We attract and retain tenants which can meet our technical requirements in terms of level of pollutants generated. For details of our tenants, please refer to “Our Customers” in this section.

Our Guangdong Huizhou Park which has been operational since April 2007 has a total GFA of 318,000 sq.m. available for leasing as at 31 December 2018. We are currently developing two more buildings with a total GFA of 29,000 sq.m.. To further expand our business, we have also applied to the relevant government department to increase the maximum amount of wastewater allowed to be treated in this park from 10,000 tonnes per day to 15,000 tonnes per day. To the best knowledge of the Directors after making reasonable enquiry, the local government was evaluating the application from various perspectives, including the industrial and ecological outlook of Huizhou, as at the Latest Practicable Date; and was expected to issue the approval, if approved, by around the fourth quarter of FY2019. The occupancy rate of this park as at 31 December 2018 was 100%.

Our Tianjin Bingang Park which has been operational since June 2016 has a total GFA of 256,000 sq.m. available for leasing as at 31 December 2018. We plan to expand our current wastewater treatment facilities from the current handling capacity of 6,000 tonnes per day to 22,000 tonnes per day, and we target to complete such development around the first quarter of 2020. The occupancy rate of this park as at 31 December 2018 was 61.6%.

According to the Industry Consultant’s Report, we ranked first among the electroplating industrial park developers and operators in the PRC, with a market share of 7.4% in terms of total revenue in 2018. The market is however fragmented, with the top five players accounted for around 14.7% market share of the electroplating industrial park market based on total revenue of 2018.

OUR BUSINESS MODEL

Industrial Park Development, Leasing and Management

We provide factory premises for leasing by our selected tenants in the electroplating industry. At the request of our tenants, some of these premises are customised with features that meet the individualised demands of our tenants. The factory buildings are designed and constructed mainly for the purpose of electroplating processes.

Our property management services include security, cleaning, and landscaping, as well as maintenance of public area and elevators in the public area.

Provision of wastewater treatment and utilities

The factory premises leased by our tenants are equipped with our self-designed wastewater collection system. We also designed and constructed a number of buildings and facilities in our industrial parks for the purposes of (i) centralised wastewater treatment, recycling and discharge; (ii) sludge treatment; (iii) water, steam and electricity supply; (iv) fire-fighting; (v) dangerous chemicals storage; (vi) environmental protection technology research; (vii) pollutants testing; (viii) dormitory and catering; and (ix) conferencing and other administrative functions. With these buildings and facilities, we are able to provide a variety of services, each of which an integral part of and essential to our industrial park development and operation business and contribute to our turnover and profits. Our major services include:

- ***Wastewater treatment.*** We provide enterprises in our industrial parks with wastewater treatment services to facilitate their business operations. For details of our waste treatment services, please refer to “Products and services — Wastewater treatment and utilities” in this section.
- ***Utilities supply.*** In addition to providing factory premises and wastewater treatment services, we source/generate and supply fresh/recycled water and electricity to our tenants. We also provide steam to our tenants which is generated from our own furnaces.

Ancillary business

Through our wholly owned subsidiary, namely Huizhou Jinzefeng, we provide procurement services for raw materials, particularly dangerous chemicals required for electroplating processes, to our tenants in Guangdong Huizhou Park.

Furthermore, we provide gas emission tower management services and pollutant testing services for our tenants. Since August 2018, we have started to extract and sell heavy metals from sludge generated from wastewater treatment.

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Leveraged on our strong capabilities in industrial park development and operation and favourable government policies, we have strategically expanded our business and improved our operating results. During the Track Record Period, we generated revenue mainly from leasing of factory premises and providing wastewater treatment services to our tenants. Set out below is our revenue by operating segment during the Track Record Period:

	FY2016		FY2017		FY2018	
	Revenue RMB'000	Percentage of total revenue %	Revenue RMB'000	Percentage of total revenue %	Revenue RMB'000	Percentage of total revenue %
Rental and facilities usage^(Note 1)						
Rental of factory premises	35,136	17.8	52,859	17.5	71,207	14.8
Property management fee	3,675	1.9	5,431	1.8	7,809	1.6
Facilities usage fee	<u>68,509</u>	<u>34.6</u>	<u>95,968</u>	<u>31.8</u>	<u>142,803</u>	<u>29.8</u>
Subtotal	<u>107,320</u>	<u>54.3</u>	<u>154,258</u>	<u>51.1</u>	<u>221,819</u>	<u>46.2</u>
Wastewater treatment and utilities^(Note 2)						
Wastewater treatment fee	44,070	22.3	69,402	23.0	111,061	23.2
Steam charge	18,419	9.3	31,060	10.3	61,268	12.8
Utility systems maintenance fee	<u>25,516</u>	<u>12.9</u>	<u>35,485</u>	<u>11.8</u>	<u>49,419</u>	<u>10.3</u>
Subtotal	<u>88,005</u>	<u>44.5</u>	<u>135,947</u>	<u>45.1</u>	<u>221,748</u>	<u>46.3</u>
Ancillary business						
Sales of chemicals	2,254	1.1	6,347	2.1	26,065	5.4
Other income ^(Note 3)	<u>64</u>	<u>0.1</u>	<u>5,369</u>	<u>1.7</u>	<u>10,046</u>	<u>2.1</u>
Subtotal	<u>2,318</u>	<u>1.2</u>	<u>11,716</u>	<u>3.8</u>	<u>36,111</u>	<u>7.5</u>
Total	<u>197,643</u>	<u>100</u>	<u>301,921</u>	<u>100</u>	<u>479,678</u>	<u>100</u>

Notes:

1. Fees under this segment are charged on area leased by the tenants.
2. Fees under this segment are charged on actual volume consumed.
3. Other income includes mainly pollutant testing income and gas emission tower management income.

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During the Track Record Period, the growth in our revenue was mainly attributable to the following:

- increase in rental of factory premises resulted from the rise in average daily leased area (sq.m.) of both parks whilst the average monthly rental rate remained stable (except for Guangdong Huizhou Park of which the rental rate was raised in January 2017);
- increase in property management fees resulted from the rise in average daily leased area of both parks whilst the average monthly rate remained stable (except for Tianjin Bingang Park of which the average rate for FY2016, being the first year of its operation, was calculated taking into account the three-month fee exemption period given to all the new incoming tenants);
- increase in facilities usage fees resulted from the rise in average daily leased area and fee rate per sq.m. of both parks (for FY2016, the average rate was calculated taking into account the three-month fee exemption period given to all the new incoming tenants);
- increase in wastewater treatment fees resulted from the rise in volume of fresh water consumed (tonnes) and fee rate of both parks; and
- increase in steam charges resulted from the rise in volume of steam consumed (tonnes) and fee rate of both parks.

For further details, please see “Business — Pricing” and “Financial Information — Description of selected components of our income statements” in this prospectus.

Below is our profit from operations and operating profit margins by our electroplating industrial parks during the Track Record Period:

Profit from operations and operating profit margin

	FY2016		FY2017		FY2018	
	Profit/(loss)		Profit/(loss)		Profit from operations	Operating profit margin
	from operations	Operating profit margin	from operations	Operating profit margin		
	RMB'000	%	RMB'000	%	RMB'000	%
Guangdong Huizhou Park ^(Note)	66,975	34.5	77,160	30.8	105,990	30.6
Tianjin Bingang Park ^(Note)	(24,172)	N/A	(18,930)	N/A	4,123	3.1
Group	42,803	21.7	58,230	19.3	106,082	22.1

Note: Profit/(loss) from operation is the individual park’s revenue minus operating cost and excluding Listing expenses of nil, nil and RMB4.0 million during Track Record Period.

OUR COMPETITIVE STRENGTHS

We believe that we have the following competitive strengths which allow us to compete effectively in our markets:

As the largest electroplating industrial park developer and operator in China in 2018, we have proven track record in uninterrupted operation of large-scale electroplating industrial parks.

According to the Industry Consultant's Report, we were the largest electroplating industrial park developer and operator in China in 2018 in terms of revenue. We have developed two electroplating industrial parks, namely Guangdong Huizhou Park and Tianjin Bingang Park. Our Guangdong Huizhou Park is the only electroplating industrial park in Huizhou and is one of the six large-scale electroplating industrial parks in Guangdong Province; whereas our Tianjin Bingang Park is the only large-scale and one of the two electroplating industrial parks in Tianjin. We focus on, and have gained extensive experience and expertise in, developing large-scale electroplating industrial parks.

We have successfully registered 33 patents relevant to our operation, and we have applied for the registration of another 18 patents. Our registered patents include wastewater and sludge treatment systems of enhanced efficiency and cost effectiveness, wastewater collection systems as well as underground pipeline system. We have obtained ISO9001 certification since August 2010.

Our industrial parks are specifically designed to fulfil the operating needs of electroplating companies, in particular factory premises and wastewater treatment. Our strong capabilities, experience and expertise in developing and operating electroplating industrial parks as well as our in-depth understanding of the electroplating industry have given us a competitive advantage over our competitors. Our reputation is proven by being selected as the developer and operator of the Hubei Jingzhou Project.

Throughout the Track Record Period, the operation of each of our two industrial parks has not encountered any disruption due to technical or any other problems, nor have we been ordered to close down our industrial parks due to any breach of environmental protection law. Any disruption to the operation of the industrial parks will have a significant impact on the tenants. Thus, our track record in uninterrupted operation has greatly enhanced our competitiveness against other players in the industry.

Our industrial parks are strategically located which renders them attractive to electroplating companies serving a wide range of industries in the area.

Our industrial parks are located in Huizhou and Tianjin, where there are a large number of manufacturers covering a wide range of industries such as automobile related, electronics, aviation related and hardware, all of which utilise electroplated parts. Usually electroplating companies choose to stay in close proximity to their manufacturing customers for the purposes of lowering transportation costs and shortening delivery time and thus enhancing inventory control of customers.

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Our industrial parks in Huizhou and Tianjin are the only electroplating industrial park in Huizhou and the only large-scale electroplating industrial park in Tianjin, respectively. Thus, our parks are in good positions to capture business opportunities and attract reputable and sizeable tenants.

Our industrial parks offer comprehensive services to our tenants to ensure their smooth operation.

Apart from factory premises and wastewater treatment, we also provide a wide range of ancillary services to our tenants to smoothen their daily operations.

Our Guangdong Huizhou Park offers procurement services for raw materials, mainly dangerous chemicals, that apply in electroplating process. We are of the view that this service is mutually beneficial to our park and our tenants, as our centralised procurement system allows us to enjoy deeper bulk purchase discount which could lower the raw material costs of our tenants on one hand, whilst we could more effectively control the pollutants discharged by our tenants by controlling the sources of chemicals on the other hand. Moreover, this service broadens our source of revenue and profit from operations.

Before the tenants move in, we will review their fitting out plan and make technical suggestions to our tenants based on our knowhow of the electroplating process to ensure our tenant complies with the relevant environmental protection law.

We also offer pollutant testing, ancillary facilities such as dormitory and conference rooms as well as general warehouses and depots for dangerous substances.

Our comprehensive services allow our tenants to operate smoothly in our industrial parks.

We operate large-scale electroplating industrial parks that are capable in serving relatively large number of tenants with different production scale and treating industrial wastewater in compliance with tightening discharge standards.

The State Government has promulgated environmental protection policies for electroplating industry, such as the Notice on Specific Conditions for Electroplating Industry in 2015 issued by MIIT and The 13th Five-Year Plan for Protection of Ecological Environment issued by the State Council of People's Republic of China in 2016. Further details of the relevant policies, laws, regulations and notices are set out in the "Regulatory Overview" in this prospectus. Among all the measures proposed or implemented by local governments, certain local environmental protection bureaus have planned to close down the electroplating companies that eventually failed to relocate into industrial parks. To protect the environment without impeding the local economic and industrial development, the electroplating industrial parks, especially those in major industrial zones, must be of sizable scale that offer adequate space and wastewater treatment capacity to fulfil the needs of market players.

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According to the Industry Consultant's Report, small electroplating companies on their own do not have the required resources to treat the industrial waste in compliance with the increasingly strict discharge standards. According to the Industry Consultant's Report, our Guangdong Huizhou Park and Tianjin Bingang Park are both categorised as large-scale electroplating industrial park in terms of site area. To the best knowledge of our Directors, the daily handling capacity for wastewater of these two parks, being 10,000 tonnes and 6,000 tonnes, respectively, are adequate in supporting our existing tenants' operational needs. Further, as stated in this section, we have proven track record in regulatory compliance in relation to environmental protection law and providing uninterrupted operating environment to our tenants.

In light of our operating scale and capability in fulfilling environmental protection requirements from time to time, we are able to accommodate electroplating companies of different operating scale. This is proven by the high occupancy rate of our Guangdong Huizhou Park at 100% as at 31 December 2018; whilst the rate of our Tianjin Bingang Park, which commenced operation in June 2016, reached 61.6% as at the same date.

We have developed a high quality customer base and established long-term relationships with our customers.

Due to high demand for spaces in our industrial parks, we can pick and choose our tenants based on technology and raw material used by the prospective tenants in their electroplating operation and the resultant level of pollutants that will be generated. According to the Industry Consultant's Report, our parks applied advanced technology which are more efficient and cost effective in wastewater treatment. The presence of sizeable and reputable tenants in our industrial parks may further enhance our image as the first choice industrial park for other electroplating companies. Our current tenants include subsidiaries of two companies listed on the Stock Exchange and one company listed on the Shenzhen Stock Exchange, and our typical lease term is five years with no break clause. For those tenants who require us to customise the factory premises for them, our lease term will be extended to 10 years in order for us to recover our investment in the customization work. Through the long term leases, we have established long-term relationships with our customers.

Our experienced management team has provided us with a competitive edge.

We commenced the development of the Guangdong Huizhou Park in 2004 which started to operate in 2007. Our executive Directors and senior management team included four people who have over 10 years of experience in electroplating industrial parks and/or electroplating industry, three of them have served our Group for over 10 years.

The knowhow of our senior management in development and management of electroplating industrial parks as well as wastewater treatment has enabled us and our tenants to fulfil the environmental protection requirements of China.

OUR STRATEGIES

We aim to further strengthen our established market leader position in China’s electroplating industrial park sector. To generate satisfactory profits and investment returns for our shareholders and drive our sustainable growth in the future, we plan to adopt the following strategies:

Increase the number of our electroplating industrial parks

It has been our plan to develop further electroplating industrial parks to secure our market position, enhance our reputation and to enjoy economies of scale when we bargain with our suppliers. We therefore decided to pursue the Hubei Jingzhou Project. Please refer to “Our Electroplating Industrial Parks — Description of our industrial parks — Hubei Jingzhou Project” for further details of the Hubei Jingzhou Project.

We won the tender for the land use right for three parcels of land for Hubei Jingzhou Project on 19 February 2019 with a total site area of 325,981 sq.m. at a total consideration of RMB65.8 million. As at the Latest Practicable Date, RMB13.0 million has been settled by our internal resources. The balance of RMB52.8 million, together with an additional amount of RMB7.7 million for the construction of related infrastructure (including road works and boundary walls) which, in aggregate amounted to HK\$69.0 million (RMB60.5 million), will be financed by the net proceeds from the Share Offer. Please refer to “Future Plans and Use of Proceeds — Use of proceeds” for further details.

Details of our expansion plan are set out below:

Project:	Hubei Jingzhou Project
Expansion plan:	Establish phase I of Hubei Jingzhou Project on vacant sites
Expected leasable GFA:	37,500 sq.m. factory premises
Expected wastewater treatment capacity:	5,000 tonnes per day
Timeline:	<ol style="list-style-type: none"> (1) Won the tender for the land use right on 19 February 2019. (2) Construction of factory premises is expected to commence around the third quarter of 2020 and complete around the third quarter of 2021. (3) Construction of wastewater treatment facilities is expected to commence around the third quarter of 2020 and complete around the third quarter of 2021. (4) Commence operation from the first quarter of 2022.

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Development cost of
Phase I *(Note 1)*:

- (1) RMB65.8 million for acquiring the land use right, which will be funded as to RMB52.8 million by the net proceeds from the Share Offer and RMB13.0 million from our internal resources.
- (2) RMB8.5 million for park design costs and the construction costs for the relevant infrastructure such as road works and border wall, which will be funded as to RMB7.7 million by the net proceeds from the Share Offer and RMB0.8 million by our internal resources.
- (3) RMB300.0 million for the construction of factory premises and wastewater treatment facilities, which will be funded by our internal resources and bank loans.

Estimated breakeven and
payback period:

Our Directors are of the view that the calculation of the breakeven period and the payback period for the entire project with a given degree of certainty is not practicable at this stage, because the Hubei Jingzhou Project is not expected to commence operation until 2022, and therefore any assumptions on its future operation and financial performance, including (i) the rent that can be charged against our tenants; (ii) the operating costs; and (iii) most importantly, the occupancy rate that can be achieved (which depends, to a large extent, on how steadfastly the local government will implement policies to relocate electroplating companies into the industrial park), will be highly hypothetical.

In addition, the Hubei Jingzhou Project will be divided into four phases. The timing for the development of subsequent phases will depend on a number of factors, such as the occupancy rate of previous phase(s), the then economic conditions and the development of the electroplating industry, which also increases the uncertainty for the calculation of the breakeven and payback period for the entire project.

Note 1: Included costs of land use rights, building, plant and machinery.

Increase the wastewater treatment capabilities of our industrial parks to cater for our expansion needs

As an electroplating industrial park operator, we must continuously review and if necessary expand our wastewater treatment capabilities to keep up with the needs of our tenants as we expand our operation.

The development of the Tianjin Bingang Park is divided into four phases. The first two phases of factory premises with aggregate GFA of 274,000 sq.m. (of which 256,000 sq.m. are leasable and the remainders are for public area and self use) have been completed and put into use. Our plan for phase III is to build additional factory premises with aggregate GFA of 140,000 sq.m. In order to support such expansion, we need to increase our daily wastewater treatment capacity from 6,000 tonnes at present to 22,000 tonnes, by adding 4 modules of facilities each with a daily treatment capacity of 4,000 tonnes. Although the occupancy rate of phases I and II combined is around 67.4% as at the Latest Practicable Date and we still have spare capacity in our existing treatment facilities, to the best knowledge of the Directors and based on the experience with Guangdong Huizhou Park, many tenants need time to optimise their output after moving their production lines and operations to a new place. While the average daily leased area of Tianjin Bingang Park increased by 70,000 sq.m. in FY2018 versus FY2017 (or an increase of 94.6%), fresh water used increased by 236,000 tonnes (or an increase of 138.0%) during the same years. This clearly shows that in addition to the demand created by new tenants, the existing tenants have also been increasing their demand for wastewater treatment. In addition, although the utilisation rate of the wastewater treatment facilities of our Tianjin Bingang Park was only 18.6% in FY2018, the actual volume of wastewater treated may vary from day to day, largely depending on the business volume of our tenants. The daily volume of wastewater treated by our Tianjin Bingang Park in FY2018 fluctuated from 164 tonnes to 2,152 tonnes (the peak being 13.1 times of the trough and 2.0 times of the annual daily average of 1,115 tonnes in FY2018). Our Directors, having taken into account (i) the long lead time in building the additional treatment facilities; (ii) the increasing demand for wastewater treatment by existing tenants; (iii) the substantial fluctuation of wastewater to be treated from day to day; (iv) the estimated take up rate of potential tenants in view of the tightening pollution control standards; and (v) the existing wastewater treatment capacity of this park will be insufficient to meet the demands by its tenants in FY2021, commenced the wastewater treatment expansion works in June 2018. Whilst the construction of buildings that house the additional facilities has to be completed in one go, the purchase and installation of wastewater treatment facilities will be carried out by phases with 4,000 tonnes will become operational by end of 2020.

The construction for the additional treatment facilities is expected to be more than two years, as it is specifically designed for a particular purpose, namely wastewater treatment, and therefore the time it takes for the completion of the design and drawings for approval by the relevant authority will be longer than a normal factory building. The same applies to the construction itself as it is not just a normal factory building, but rather complicated structure for the handling and storage of wastewater treated at different stages. As the building is intended for wastewater treatment, the technical requirements for the building in terms of leakage prevention is a lot more stringent than a normal building, and therefore takes longer time as well. A further factor which

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will have an impact on the construction timetable is the location of Tianjin which is in the northern part of China, with sub-zero temperature not uncommon during winter which in turn will slow down the construction work.

The extra 2,000 tonnes over the approved capacity of 20,000 tonnes are buffer capacity that give us flexibility to close down some of the modules for routine maintenance without causing any disruption to our wastewater treatment operations. We shall strictly monitor our discharge volume for due compliance with the amount approved by the relevant government authorities.

We have entered into relevant contracts for the construction of the expansion works, and we intend to use approximately HK\$115.0 million (RMB100 million) out of the net proceeds from the Share Offer to partially fund the construction costs of the expansion works. Please refer to “Future Plans and Use of Proceeds — Use of proceeds” for further details.

Details of our expansion plan are set out below:

Project:	Wastewater Treatment Facilities of Tianjin Bingang Park
Expansion plan:	Construction of wastewater treatment facilities
Expected additional/total wastewater treatment capacity after completion of expansion plan:	16,000 tonnes per day/22,000 tonnes per day
Timeline:	Construction of wastewater treatment facilities commenced in June 2018 and is expected to complete around the first quarter of 2020 and is expected to commence operation by the end of 2020.
Development cost:	RMB140.0 million for the construction of wastewater facilities, which will be funded as to RMB100.0 million by the net proceeds from the Share Offer and RMB40.0 million from our internal resources and bank loans.
Estimated breakeven and payback period <i>(Note 1 & 2)</i> :	Breakeven in around 12 months and payback in around 11 years

Note 1: (i) Breakeven period refers to the period of time required to record a positive monthly EBITDA.

(ii) Payback period refers to the period of time required for accumulated EBITDA to recover the development costs.

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Note2: Major assumptions include:

- (i) the unit price of wastewater treatment remains unchanged after FY2018;
- (ii) the expanded capacity will be put in use in FY2021 and the volume of fresh water used by the tenants per day will increase gradually each year starting from FY2019 until reaching the capacity of this park;
- (iii) existing completed factory area will be fully leased out in the year ending 31 December 2022 and thereafter the leased area will increase gradually by approximately 150,000 sq.m. in aggregate during the six years ending 31 December 2028; and
- (iv) the operating costs to run the wastewater treatment facilities throughout the payback period is benchmarked to the actual costs incurred in FY2018.

Increase the GFA available for leasing

In addition to seeking new site for development of new electroplating industrial park, we also need to fully utilise the existing land resources available to us to increase the GFA available for leasing and to increase the number of tenants that can be accommodated in our industrial parks, which in turn will generate more revenue for our Group.

We have constructed two factory buildings in Guangdong Huizhou Park to increase its GFA available for leasing. The construction was completed and has passed government inspection at the end of April 2019. We intend to use approximately HK\$57.5 million (RMB50 million) out of the net proceeds from the Share Offer to fully settle the construction costs. Please refer to “Future Plans and Use of Proceeds — Use of proceeds” for further details.

Details of our expansion plan are set out below:

Project:	Factory Premises of Guangdong Huizhou Park
Expansion plan:	Construction of two factory buildings
Expected additional/total leasable area:	29,000 sq.m./347,000 sq.m.
Timeline:	Construction of factory buildings commenced in April 2018 and has been completed and has passed government inspection at the end of April 2019.
Development cost:	RMB50.0 million for the construction of factory premises, which will be payable by our Group after the completion of construction and inspection by the relevant government authorities; and accordingly will be funded by the net proceeds from the Share Offer.
Estimated breakeven and payback period ^(Note) :	Breakeven in around one month and payback in around eight years.

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Note 1: (i) Breakeven period refers to the period of time required to record a positive monthly EBITDA.

(ii) Payback period refers to the period of time required for accumulated EBITDA to recover the development costs.

Note 2: Major assumptions include:

(i) the rental price for the new factory premises is based on signed tenancy agreements; and

(ii) the additional costs (other than depreciation) to operate the factory premises are immaterial.

As at the Latest Practicable Date, we have entered into agreements with eight customers that fully took up the additional area.

Improve the gearing ratio and financial conditions of our Group

As at 31 December 2018, our gearing ratio was 4.4 times. We plan to lower our gearing level to facilitate our future expansion. In this regard, we intend to use approximately HK\$57.5 million (RMB50 million) to early repay (without prepayment penalty) some of our bank borrowings. Please refer to “Future Plans and Use of Proceeds — Use of proceeds” for more details. In conjunction with other financial measures, our Directors anticipate that our gearing ratio will drop to 1.0 times upon Listing. Please see “Financial Information — Key financial ratios — Gearing ratio” for further details.

Possible impact of our expansion plans on our financial performance

Upon completion of the foregoing expansion plans, our operating costs will increase mainly in the following manner:

- Depreciation and amortisation charges are expected to increase by RMB2.3 million in 2019 and RMB9.1 million in 2020.
- Workforce and thus labour costs will increase significantly in 2022 when the Hubei Jingzhou Project commences operation.
- Costs of raw materials, such as chemicals for wastewater treatment and natural gas for steam generation, as well as utilities such as electricity for running the wastewater treatment facilities will increase.

On the other hand, the foregoing expansion plans will contribute additional revenue mainly in the following ways:

- We plan to start soliciting potential tenants for Hubei Jingzhou Project during its construction stage; and derive revenue from this project when it commences operation in the first quarter of 2022.
- Revenue of Tianjin Bingang Park will rise along with the increase in number of tenants, leased GFA as well as fresh water consumed by tenants, supported by the enlarged wastewater treatment capacity.

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- Revenue of Guangdong Huizhou Park will increase starting FY2019 as the construction of the additional GFA has been completed and has been fully covered by signed tenancy agreements.

If the additional revenue generated from the foregoing projects cannot fully cover the additional expenses, our business, financial condition, results of operations and prospect may be materially and adversely affected. Please refer to “Risk Factors — Our expansion plan may not generate sufficient additional revenue to cover the corresponding increase in operating expenses” of this prospectus.

Please also refer to “Financial Information — Capital expenditure” in this prospectus for the capital expenditure for FY2019 and FY2020 in relation to our expansion plan, and how we plan to fund such capital expenditure.

OUR ELECTROPLATING INDUSTRIAL PARKS

We have benefited from increasing customer demands for industrial parks specially designed for the electroplating industry, as well as the environmental protection policies of China. We have developed two industrial parks in Huizhou and Tianjin, respectively, and we are proceeding with the development of the Hubei Jingzhou Project.

The following table sets forth an overview of our electroplating industrial parks as of 31 December 2018.

Name	Status	Our beneficial ownership	Site Area (sq.m.)	Total Developed GFA (sq.m.)
Guangdong Huizhou Park	Operating	100%	441,032	392,000
Tianjin Bingang Park	Operating	51%	509,943	351,000
Hubei Jingzhou Project	Environmental assessment approved ^(Note 1) and completing the acquisition of land use rights for three parcels of land with a total site area of 325,981 sq.m., out of the total site area of 651,994 sq.m. expected for the entire project	100%	651,994	Not applicable ^(Note 2)
Total			1,602,969	743,000

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Notes:

- 1 Granted by Jingzhou Environmental Protection Bureau. Please refer to “Industrial park development process” in this section for further details.
- 2 Our Group has not constructed any buildings as at the Latest Practicable Date.

The following map illustrates our national geographic coverage of China with locations of our industrial park projects:



Description of Our Industrial Parks

Set out below are the details of Guangdong Huizhou Park, Tianjin Bingang Park and Hubei Jingzhou Project.

Guangdong Huizhou Park

Details of our Guangdong Huizhou Park are set out below:

Site area ^(Note 1)	:	441,032 sq.m.
Term of land use rights	:	50 years, expiry dates of the two parcels of land forming the Guangdong Huizhou Park range from 25 April 2055 to 31 December 2056
Developed GFA ^(Note 1)	:	392,000 sq.m. (covering factory premises and all the treatment and ancillary facilities)

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Development cost incurred <i>(Note 1, 2)</i>	:	RMB1.1 billion
Further development	:	29,000 sq.m. for two buildings the construction works of which have been completed.
Further development cost	:	Estimated at RMB50.0 million for the two buildings under construction
Approved wastewater treatment capacity	:	10,000 tonnes per day
Wastewater treatment handling capacity	:	10,000 tonnes per day
Wastewater treated (annual daily average/peak of daily volume)	:	FY2016: 5,996 tonnes per day/9,232 tonnes FY2017: 6,232 tonnes per day/8,893 tonnes FY2018: 7,105 tonnes per day/9,034 tonnes
Utilisation rate (annual average/peak of daily rate)	:	FY2016: 60.0%/92.3% FY2017: 62.3%/88.9% FY2018: 71.1% <i>(Note 3)</i> /90.3%
Recycled water as a percentage of wastewater treated	:	As at 31 December 2016: 31.8% As at 31 December 2017: 53.9% As at 31 December 2018: 60.0%
Number of tenants ^{<i>(Note 4)</i>}	:	As at 31 December 2016: 83 As at 31 December 2017: 96 As at 31 December 2018: 97 As at Latest Practicable Date: 105
Occupancy rate	:	As at 31 December 2016: 85.6% As at 31 December 2017: 99.4% As at 31 December 2018: 100% As at Latest Practicable Date: 100%
Expiration of effective tenancy agreements as at the Latest Practicable Date	:	Within one year: 1 From one to three years: 100 From three to five years: 10 Over five years: 2
Average monthly rental per sq.m.	:	FY2016: RMB11.1 FY2017: RMB13.1 FY2018: RMB13.3

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Average monthly revenue : FY2016: RMB65.2
generated per sq.m. of FY2017: RMB77.9
leased area FY2018: RMB92.1

Note 1: As at 31 December 2018.

Note 2: Included costs of land use rights, building, plant and machinery.

Note 3: The highest monthly utilisation rate during the year was 83.5%, recorded in December 2018.

Note 4: Among the tenants in our Guangdong Huizhou Park, two are subsidiaries of companies listed on the Stock Exchange and another one is a subsidiary of a company listed on Shenzhen Stock Exchange.



The Guangdong Huizhou Park is located in Longxi Town, Boluo County, Huizhou, Guangdong Province, the PRC. According to the Industry Consultant's Report, Huizhou is the main automobile production base in Guangdong. The rapid growth of automobile and electronic equipment manufacturing industry in Huizhou will promote the development of its electroplating industry and electroplating industrial parks. Please see "Industry Overview — Market analysis of electroplating industrial park in China" for further details.

The Guangdong Huizhou Park commenced operation in April 2007 and comprises 44 factory buildings for leasing as at 31 December 2018. The Guangdong Huizhou Park is wholly owned, developed and operated by our Group.

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Tianjin Bingang Park

Details of our Tianjin Bingang Park are set out below:

Site area ^(Note 1)	:	509,943 sq.m.
Term of land use rights	:	50 years, expiry dates of the eight parcels of land forming the Tianjin Bingang Park range from 3 June 2059 to 11 June 2065
Planned GFA	:	534,000 sq.m. (Phases I to III covering factory premises and all the treatment and ancillary facilities)
Developed GFA ^(Note 1)	:	351,000 sq.m. (Phase I & II factory premises and all the treatment and ancillary facilities)
Development cost incurred ^(Note 1, 2)	:	RMB1.1 billion for the entire park
Further development	:	Expanding the daily wastewater treatment capacity by 16,000 tonnes, from 6,000 tonnes at present to 22,000 tonnes by (i) having commenced the construction of buildings in June 2018 to accommodate the facilities for these additional capacity, which is expected to complete in first quarter of 2020; (ii) purchasing and installing wastewater treatment facilities which are supplied in modules of 4,000 tonnes each by stages, depending on the projected amount of wastewater to be discharged by tenants, with a minimal of 4,000 tonnes to be installed, trial run and put into operation by around third quarter of 2020 and the end of 2020, respectively
Further development cost	:	Estimated at RMB140.0 million comprising RMB100 million for buildings and RMB40 million for wastewater treatment facilities with an aggregate daily capacity of 16,000 tonnes
Approved wastewater treatment capacity	:	20,000 tonnes per day
Wastewater treatment handling capacity ^(Note 1)	:	6,000 tonnes per day
Wastewater treated (annual daily average/peak of daily volume)	:	FY2016: 193 tonnes per day/440 tonnes FY2017: 470 tonnes per day/1,545 tonnes FY2018: 1,115 tonnes per day/2,152 tonnes

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Utilisation rate (annual average/peak of daily rate)	:	FY2016: 4.8%/11.0% FY2017: 7.8%/25.8% FY2018: 18.6% ^(Note 3) /35.9%
Number of tenants	:	As at 31 December 2016: 15 As at 31 December 2017: 47 As at 31 December 2018: 60 As at Latest Practicable Date: 63
Occupancy rate	:	As at 31 December 2016: 31.1% As at 31 December 2017: 47.5% As at 31 December 2018: 61.6% As at Latest Practicable Date: 67.4%
Expiration of effective tenancy agreements as at the Latest Practicable Date	:	Within one year: — From one to three years: 26 From three to five years: 43 Over five years: 8
Average monthly rental per sq.m.	:	FY2016: RMB12.2 FY2017: RMB12.1 FY2018: RMB12.2
Average monthly revenue generated per sq.m. of leased area	:	FY2016: RMB18.6 FY2017: RMB57.7 FY2018: RMB76.6

Note 1: As at 31 December 2018.

Note 2: Included costs of land use rights, building, plant and machinery.

Note 3: The highest monthly utilisation rate during the year was 24.7% recorded in September 2018.



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The Tianjin Bingang Park is located in Zhongwang Town, Jinghai District, Tianjin, the PRC. According to the Industry Consultant's Report, equipment manufacturing accounted for more than 30% of the total industrial output value of Tianjin in 2018, resulting in more than 500 electroplating enterprises in Tianjin at present as well as increasing demand for both electroplating and electroplating industrial park in the future. Please see "Industry Overview — Market analysis of electroplating industrial park in China" for further details.

The development of the Tianjin Bingang Park is divided into four phases. Development of phase I and phase II commenced in 2015. These two phases comprise 48 factory buildings whose construction was completed and became operational in June 2016. Expansion of our wastewater treatment capacity commenced in June 2018 and is expected to commence operation around the end of 2020. Please see "Our strategies — Increase the wastewater treatment capacities of our industrial parks to cater for our expansion needs" in this section for further details. As at the Latest Practicable Date, we did not have concrete plans as to the timing for the development of phase III.

The Tianjin Bingang Park is wholly owned, developed and operated by Tianjin Bingang, a subsidiary of the Company in which we own 51%, and the remaining 49% is owned by an Independent Third Party (the "Minority Shareholder"). According to the articles of association of Tianjin Bingang, resolutions are approved at shareholders meetings by members holding 51% of the voting rights; whereas resolutions relating to, among other things, increase or decrease in registered capital required the approval by members holding two-third of the voting rights. Accordingly, the (i) pursuance of business expansion plans for Tianjin Bingang; and (ii) financing to Tianjin Bingang by loans from banks or our Group companies or other ways that do not result in change of registered capital, do not require approval by the Minority Shareholder as we own 51% in Tianjin Bingang. There are no provisions in the articles of association of Tianjin Bingang that require its shareholders to provide funding in proportion to their respective equity interests. During the Track Record Period, Huizhou Kimou (wholly owned by our Company) loaned to Tianjin Bingang for the latter's development and operational needs at interest rate higher than the bank lending rates applicable to our Group companies. We intend to inject the net proceeds from the Share Offer that are earmarked for the expansion of Tianjin Bingang Park by way of loan to Tianjin Bingang from our Group company. During the Track Record Period and up to the Latest Practicable Date, we had not encountered any disputes with the Minority Shareholder that affected the business development, financing and operational management of Tianjin Bingang and Tianjin Bingang Park.

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Hubei Jingzhou Project

Planned scale of our Hubei Jingzhou Project is set out below:

	The Phase I	Entire Project^(Note 1)
Site area:	325,981 sq.m.	651,994 sq.m.
GFA:	37,500 sq.m.	1,100,000 sq.m.
Development cost ^(Note 2) :	RMB370.0 million	RMB2.2 billion
Wastewater treatment handling capacity:	5,000 tonnes per day	27,000 tonnes per day

Notes:

1. Approved by Environmental Protection Bureau of Jingzhou Municipality.
2. Included costs of land use rights, building, plant and machinery.

The Hubei Jingzhou Project is located in JETDZ, Jingzhou, Hubei Province, the PRC. According to the Industry Consultant's Report, Jingzhou is a major city in Hubei and China that produces automobile components, home appliance, petroleum machinery and electronic equipment. JETDZ is one of the fast growing industrial zones in Jingzhou which accommodated over 400 manufacturers and about 100 electroplating companies at present. Demand for electroplating by these industries will generate increasing business opportunities for electroplating companies as well as electroplating industrial park in Jingzhou. Please refer to "Industry Overview — Market analysis of electroplating industrial park in China" for further details.

We entered into the Hubei Jingzhou Project Agreement on 8 November 2017 for investment, development and operation of this project which has been approved by the Environmental Protection Bureau of Jingzhou Municipality on 8 June 2018. The development of this project will be divided into four phases. The development and operation of phase I is expected to commence in third quarter of 2020 and the first quarter of 2022, respectively. We won the tender for the land use right for three parcels of land for this project on 19 February 2019 with a total site area of 325,981 sq.m. at a total consideration of RMB65.8 million. Further details of this project are set out in "Our Strategies — Increase the number of our electroplating industrial parks" in this section. We have not incurred significant expenses for this project as at the Latest Practicable Date.

The Hubei Jingzhou Project will be wholly owned, developed and operated by our Group.

Project in Chengdu

We entered into an investment agreement with the Management Committee of Qingshen Industrial Development Zone (青神縣工業開發區管理委員會) and Vertical Beauty Foote Environmental Protection Industry Group Company Limited (成都美富特環保產業集團有限公司) (together with us, the “Contract Parties”) on 21 September 2018 whereby the Contract Parties planned to establish a surface treatment centre in Qingshen County, Chengdu, Sichuan Province, the PRC with a total investment of RMB5.0 billion and a total site area of 730,000 sq.m. To the best knowledge of the Directors, (i) the Contract Parties are yet to set out the detail working plans, such as the compilation of the environmental assessment report; and (ii) the furtherance of this project is subject to various conditions, such as the approval of the foregoing report by local environmental protection bureau. Accordingly, this project is at a very preliminary stage and we are unable to estimate the time-frame for the implementation of this project and whether this project will proceed at all.

PRODUCTS AND SERVICES

Our products and services include factory premises, wastewater treatment facilities and services, utilities and steam and other ancillary services such as procurement of raw materials. We set out below our major products and services, the fee rates of which are set out in “Pricing” in this section.

Factory Premises and Wastewater Treatment Facilities

Our industrial parks provide factory premises and wastewater treatment facilities that are specifically designed for and applied in electroplating operations. Our tenants carry out their electroplating processes in our factory premises and the industrial wastewater so generated, is collected and directed to our centralised treatment facilities for processing before it is recycled or discharged by our parks. To maintain the operating efficiency of our facilities and ensure the wastewater we discharged fulfilled the environmental protection standards from time to time, we implement strict policies in evaluating our prospective tenants and monitoring their pre-operating set up in our factory premises to ensure their due compliance with our operating standards.

Leasing and pre-operating process

The following flowchart set out our leasing and pre-operating process:



We require the prospective tenants to provide details of their production process, electroplating method and the raw material used, so that we can assess the type, amount and concentration of pollutants that will be generated by them. We will deny the application if the technology applied by the applicant is far outdated and the level of pollutants generated surpassed our thresholds. We will enter into tenancy agreements with the companies that fulfilled our foregoing technical requirements and agreed with us on the leasing terms. Please refer to “Our Customers — General terms of the agreements with our customers — Tenancy agreement” in this section for details of our tenancy agreement. The tenants will then apply for all the government approvals and licences relevant to its operation in our industrial parks.

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All the fitting out plans of the tenant must be submitted to our Group for review, as we need to ensure that all the wastewater is directed to our discharge system for treatment. Each tenant is also required to install its own gas emission treatment system, including gas emission towers, for proper treatment of exhaust gas. We will supervise the fitting out work and installation of production line(s) and other equipment to make sure they meet with our standards and comply with the fitting out plans approved by us.

We will carry out a final inspection upon completion of the fitting out work and installation of production line(s) and other equipment. It is only after we are satisfied with the final inspection result that the tenant can commence operation.

Factory premises

We offer factory premises in standard floor areas. Tenants can choose to lease single or multiple floors according to their operational needs. During the Track Record Period, the floor areas leased by a single tenant ranged from 1,000 sq.m. to 29,000 sq.m. for Guangdong Huizhou Park and from 1,300 sq.m. to 8,800 sq.m. for Tianjin Bingang Park. We charge rental on monthly basis and the rates are basically standardised.

Wastewater treatment facilities

Our factory premises have pre-installed conduits which direct the electroplating wastewater generated by our tenants to our centralised wastewater treatment facilities. We also built the systems for (i) recycling the treated wastewater back to our tenants for reuse; and (ii) discharging the rest of the treated wastewater through our channels. These facilities are fundamental and of core importance to the daily operations of our tenants. We charge monthly usage fees of these facilities based on (i) leased area; and (ii) fee rates per sq.m. which are basically standardised.

Property management

We provide security, cleaning and landscaping services to make our industrial parks safe, hygienic and aesthetic. We are also responsible for the maintenance of public areas and public-use elevators. Please refer to “Pricing” in this section for our charge basis for property management.

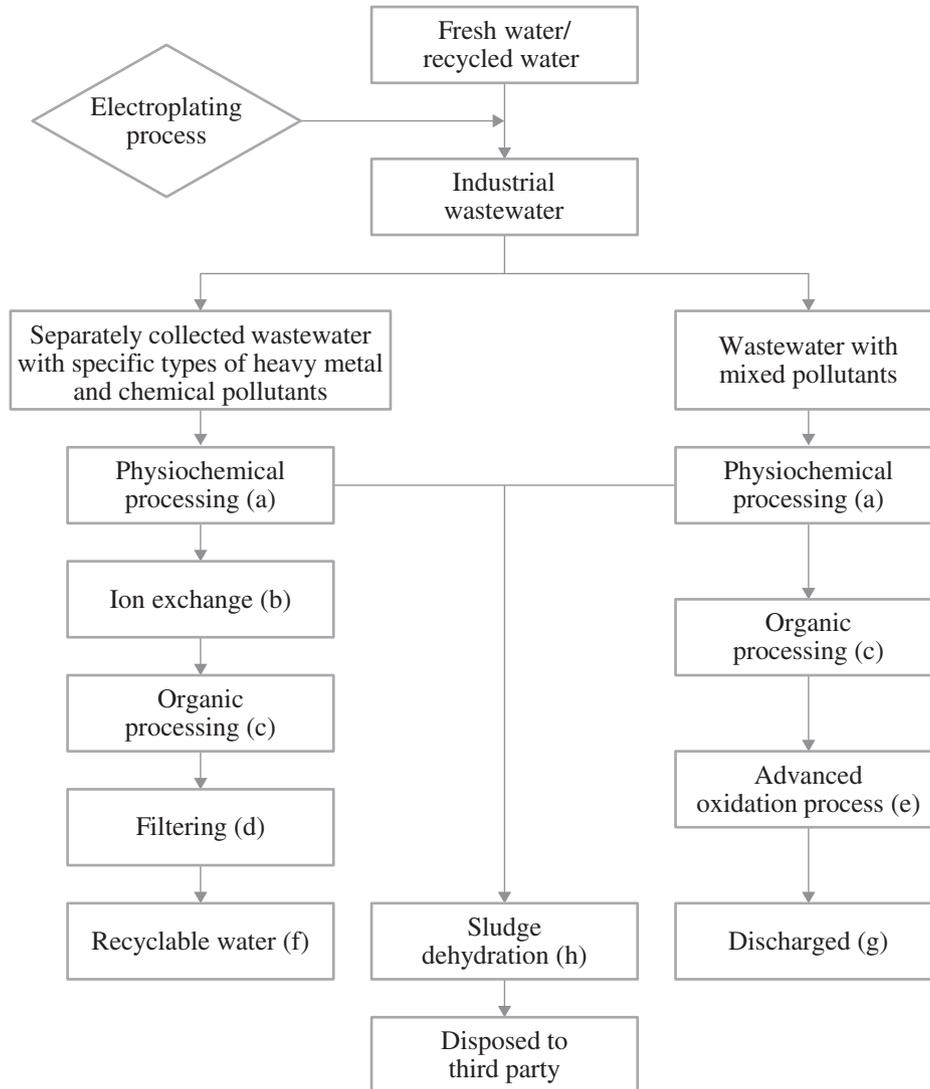
Wastewater Treatment and Utilities

Wastewater treatment process and service

We require our tenant to discharge their wastewater to different conduits which are connected to our centralised wastewater treatment system. Wastewater containing different types of pollutants such as heavy metals and organic matters are required to be discharged to different conduits as they require different treatment.

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Our Guangdong Huizhou Park was first constructed in 2004 whereas our Tianjin Bingang Park was first constructed in 2015. The principles underlying the methods adopted by these two parks are fundamentally similar, which are demonstrated as follows:



- (a) Physiochemical processing — applies chemicals to the wastewater to bond with the ions of heavy metal to form insoluble substance, which precipitates in the wastewater and can then be removed.
- (b) Ion exchange — use ion exchange resin to attract and remove heavy metal ions in the wastewater.
- (c) Organic processing — applies micro-organism to the wastewater to reduce organic substance, phosphorus and nitrogen.
- (d) Filtering — remove pollutants in the wastewater by filtration through the use of specific filtering membrane.

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- (e) Advanced oxidation process — to oxidise and thus reduce pollutants such as nickel, phosphorus, nitrogen in the wastewater to a level acceptable for discharge.
- (f) Recyclable water — it is redirected to tenants or our various facilities for reuse, or discharged through our channel together with other wastewater.
- (g) Discharged — it is discharged through our channel which is monitored by our parks and environmental protection bureaus on real time basis.
- (h) Sludge dehydration — apply hot air to sludge to remove water and reduce the volume of sludge generated from wastewater treatment.

It consumes management and financial resources of the electroplating companies to operate the foregoing processes and discharge the wastewater in compliance with regulatory standards from time to time. The electroplating companies also face the risks of being penalised for failing to fulfil the increasingly stringent environmental protection standards.

We possess the knowhow and facilities to process the wastewater generated by our tenants which is then discharged through our channels in accordance with the local environmental protection standards. Our tenants can therefore focus on their production operations and be provided with uninterrupted operating environment. For the provision of this service, we charge monthly wastewater treatment fee based on the amount of water consumed by our tenants and fee rates are basically standardised.

Steam

We also supply our tenants with steam generated from our own furnaces.

Utility systems maintenance

We connect public utilities to our parks to supply electricity and water to our tenants through our utility systems. We charge our tenants maintenance fees for this service.

Ancillary business

Sales of chemicals

We offer procurement services for raw materials, mainly dangerous chemicals, that apply in electroplating process. We consider this service is beneficial to our tenants as our centralised procurement system entitles to deeper bulk purchase discount which could lower the raw material costs of our tenants. We sell these raw materials to our tenants on a cost-plus basis.

Other services

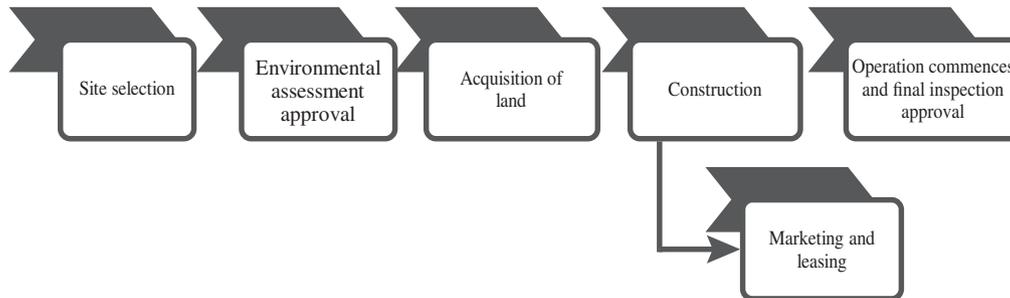
We provide a range of ancillary services including management service of gas emission tower, pollutant testing, environment protection licence application, dormitory and canteen.

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INDUSTRIAL PARK DEVELOPMENT PROCESS

We primarily develop and operate large-scale industrial parks in China specifically for electroplating companies.

The following chart sets forth the key processes of our business park development in general:



Site Selection and Feasibility Study

Our Directors, research and development department and finance department participate in site selection and feasibility study process. Our Directors perform preliminary review on development proposals and make site visit, if appropriate, to gather necessary information for further evaluation. If the Directors are satisfied with the result of the preliminary review, they will instruct our research and development department and finance department to carry out detail feasibility study. These two departments shall collect comprehensive information from government authorities or other reliable sources, including but not limited to:

- Development plans and policies of local governments on electroplating industrial parks.
- Local regulatory standards or restrictions on pollutant discharge.
- Market size and prospects of electroplating industry in the service region of the respective industrial park.
- Investment analysis on initial operating scale of the industrial park and whether there are adequate land resources for expansion.
- The capacity of local traffic network, particularly if it can support the operations of the industrial park.
- Condition of local labour market.

The length of this process varies from project to project.

Environment Protection Assessment Approval

Once we decided to proceed based on the outcome of the foregoing feasibility study, we will engage a qualified adviser to compile an environmental assessment report for the proposed electroplating industrial park. This report will be submitted to the provincial environmental protection bureau for

approval. The approval will set out the various requirements for the industrial park, including but not limited to (i) location; (ii) site area and/or GFA; (iii) total investment; (iv) wastewater and pollutant discharge standards; (v) wastewater treatment capacity; (vi) wastewater treatment facilities; (vii) regular reporting; and (viii) expected completion date of the construction. The approval by environmental protection bureau is the pre-requisite to any furtherance of the development process.

This process usually lasts seven to eight months.

Land Acquisition

Upon receiving the foregoing approval from provincial environmental protection bureau, we will acquire the land use right of the target site by tendering. For details of the land tendering process, please refer to the paragraph headed “Regulatory Overview — Land, planning and construction permits — Ways of land grant”.

This timing for the land acquisition will depend on when the land parcel is put up for tendering, which is entirely up to the relevant government authorities.

In addition to acquiring land through tendering, we may also acquire the companies that hold relevant land use rights. For example, we acquired a 51% equity interest in Tianjin Bingang that holds the land use rights of our Tianjin Bingang Park. Please refer to “History, Development and Reorganisation” of this prospectus for details.

Construction

We outsource the construction work (including the supply and installation of wastewater treatment equipment) to third-party contractors. For FY2016, FY2017 and FY2018, the total transaction amount accrued by our third-party contractors were RMB546.6 million, RMB455.3 million and RMB426.2 million, respectively.

We select contractors through bidding which is normally participated by at least three contractors. We have established a set of selection criteria to ensure that the selected contractors meet our quality standards. Such selection criteria include a contractor’s track record, market reputation, proposed completion schedule and cost estimate. We seek to maintain our construction costs at a reasonable level without compromising our quality.

In addition, under relevant PRC laws and regulations, construction contractors must possess qualification certificates for carrying out certain types of construction work. Our contractors must have fulfilled the relevant regulatory requirements and are not allowed to subcontract or assign their agreements with us to any third party without our consent.

We start to solicit prospective tenants during the construction stage of our industrial parks and may therefore, at the request of contracted tenants, customise the factory premises they leased according to their specific needs.

The construction usually lasts around 18 months.

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Marketing and Leasing

We usually market our electroplating industrial park for tenants through attending exhibitions and marketing events once the project is approved by the relevant government department and before completion of the construction work.

Commencement of Operation and Final Inspection

We need to possess pollutant discharge certificate for the operations of each of our electroplating industrial parks. Such certificate is granted when our wastewater treatment facilities have passed the final inspection by qualified inspectors or environmental protection bureaus, as appropriate. Subject to the requirements of different local governments, we may be granted a provisional pollutant discharge certificate for our operations prior to the final inspection. According to our PRC Legal Adviser, our Group has complied with the relevant material regulatory requirements on our electroplating industrial park operations at all material times.

PRICING

The table below sets forth the average unit prices of our key charging items throughout the Track Record Period:

	Automatic increase (Note)	Average Unit Price (RMB)		
		FY2016	FY2017	FY2018
On Group Basis				
Based on rental area per sq.m. per month				
Rental of factory premises	√	11.1	12.9	12.9
Property management fee	×	1.2	1.3	1.4
Facilities usage fee	√	21.7	23.4	26.0
Based on consumption volume				
Wastewater treatment fee (per tonne of fresh water)	×	20.1	28.4	37.0
Steam (per tonne)	×	275.1	312.6	393.7
Electricity system maintenance fee (per kWh)	×	0.22	0.25	0.25

Note: Entitled to automatic annual increment by 5% during the lease term, details of which are set out in “Our Customers — General terms of the agreements with our customers” in this section.

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On Individual Park Basis

	FY2016		FY2017		FY2018	
	Guangdong	Tianjin	Guangdong	Tianjin	Guangdong	Tianjin
	Huizhou Park	Bingang Park	Huizhou Park	Bingang Park	Huizhou Park	Bingang Park
Average unit price (RMB):						
Rental of factory premises (per sq.m. per month)	11.1	12.2	13.1	12.1	13.3	12.2
Property management fee (per sq.m. per month)	1.2	0.6	1.2	1.6	1.3	1.7
Facilities usage fee (per sq.m. per month)	22.8	2.7	24.2	20.6	25.0	28.0
Wastewater treatment (per tonne)	20.0	32.4	27.3	42.9	33.8	57.3
Steam charge (per tonne)	273.9	453.6	282.4	454.5	367.7	454.6

We determine and adjust the rates of factory rental, facilities usage and various services provided in our parks mainly based on the prevailing demand and supply situation as well as the changes in our operating costs for providing such services. Factory rental rate of our Guangdong Huizhou Park was generally higher than that of our Tianjin Bingang Park, since the Guangdong Huizhou Park has been operating close to full occupancy since 2017, whilst there is still vacancy in our Tianjin Bingang Park. For ease of management, we renewed the lease agreements with all the tenants at our Guangdong Huizhou Park in January 2017 and charged them at the same standardised rental rate, as compared to different rates ranging from RMB9.5 per sq.m. to RMB12.2 per sq.m. for FY2016. For Tianjin Bingang Park, we charged all tenants the same standardised rental rate since it commenced operation in FY2016. For property management, wastewater treatment and provision of steam, the rates were generally higher in our Tianjin Bingang Park than our Guangdong Huizhou Park, as the labour costs and the relevant operating costs were higher in Tianjin. Nevertheless, we charged our tenants in the same park at standardised fee rates for respective services.

For details of the average unit prices for individual industrial park, please refer to the section headed “Financial Information — Description of selected components of our income statements — Revenue” in this prospectus.

Rent and facilities usage fee

These are charged monthly and are calculated on a per sq.m. basis, taking into account the expected return on our investment, the market rent as well as the supply and demand in the relevant area. The rental and facilities usage fee are subject to automatic increase on a calendar year basis. For details, please refer to the paragraph headed “Our Customers — General terms of the agreements with our customers” in this section.

Other fees and charges

We charge all other fees and charges on a cost plus basis. The costs of (i) wastewater treatment include mainly raw materials such as chemicals and utility charges and electricity for running the treatment facilities; and (ii) steam include mainly coal and natural gas for steam generation. The unit price of these cost elements are transparent in open market and we can estimate the consumption volume of raw materials and utilities based on our parks’ operating scale. As our fees for these services are not

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entitled to automatic increment, prior negotiation and agreement with tenants is required for the adjustment. Accordingly, we may not be able to increase our fee perfectly in line with rise in operating costs mainly because:

- while operating costs, particularly for raw materials, may change from time to time, it takes time to negotiate and agree with tenants on fee increase;
- tenants may not agree to absorb all the rise in operating costs; and
- for ongoing business development purpose we have to provide a relatively stable operating environment to our tenants, which includes our fee rates.

We monitor and review our operating costs from time to time. In the event that our Directors consider the costs surge by an amount that necessitates upward adjustment of our fees, we will negotiate with tenants for such proposed fee rise. Under this business policy, we increased our wastewater treatment fee three times (twice for Guangdong Huizhou Park and once for Tianjin Bingang Park) and steam fee once (for Guangdong Huizhou Park) in light of the surge in operating costs during the Track Record Period. Please see “Business — Our customers” and “Financial Information” in this prospectus for further details.

OUR CUSTOMERS

Our customers are electroplating companies which provide electroplating services to manufactures of various industries. Our customers are also our tenants as they must enter into lease agreements with us in order to carry out their operations in our parks. Our tenants include subsidiaries of companies listed on the Stock Exchange or Shenzhen Stock Exchange.

As at 31 December 2018, 88% of our tenants have five-year tenancy terms, 7% of our tenants have around three-year tenancy terms whilst the remaining 5% of our tenants, who required customised factory premises, have ten-year tenancy terms.

Our business relationship with customers remained stable during the Track Record Period which, to the best knowledge of our Directors, was mainly because (i) our tenancy terms in general are five years to ten years; (ii) we provide our tenants with an uninterrupted operating environment and wide range of high quality services; and (iii) our tenants incurred substantial costs to relocate or acquire new machinery in order to operate in our parks. Please refer to “Our Customers — Movement of tenants” in this section for further details.

During FY2016, FY2017 and FY2018, the percentages of revenue attributable to our five largest customers were less than 30% and were 26.4%, 23.1% and 20.1%, respectively, and the percentages of revenue attributable to our largest customer were 11.7%, 10.3% and 8.9%, respectively. To the best knowledge of our Directors, none of our Directors, their close associates or any of our Shareholders holding more than 5% of our issued capital, had any interests in any of our five largest customers during the Track Record Period.

During the Track Record Period, none of our five largest customers was our supplier.

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Occupancy rate and average rent

During the Track Record Period, the occupancy rates and average rents of our two industrial parks were as follows:

	Occupancy rate as at 31 December 2016	Average monthly rent per sq.m. for FY2016 (RMB)	Occupancy rate as at 31 December 2017	Average monthly rent per sq.m. for FY2017 (RMB)	Occupancy rate as at 31 December 2018	Average monthly rent per sq.m. for FY2018 (RMB)
Guangdong Huizhou Park	85.6%	11.1	99.4%	13.1	100%	13.3
Tianjin Bingang Park	31.1%	12.2	47.5%	12.1	61.6%	12.2
Combined average	69.7%	11.1	76.1%	12.9	82.9%	12.9

We have completed construction of two factory buildings in our Guangdong Huizhou Park with an aggregate GFA of 29,000 sq.m.. We have entered into agreements with eight customers who fully took up the additional factory area and contribute income to our Group in FY2019.

As at the Latest Practicable Date, our management of Tianjin Bingang Park (i) entered into tenancy agreements with seven customers with an aggregate GFA of 16,663 sq.m. during the period from 1 January 2019 to the Latest Practicable Date (“6M-2019”); (ii) entered into letter of intent with five prospective tenants during 6M-2019 and negotiation of lease terms was in progress; and (iii) were undergoing preliminary discussion with 12 prospective tenants. Our Directors are therefore of the view that the occupancy rate of our Tianjin Bingang Park will increase in 2019.

General terms of the agreements with our customers

We usually enter into three agreements with our tenants. They are the tenancy agreement, environmental protection technical services agreement, and gas emission tower management agreement.

Tenancy Agreement

The term of our leases in general ranges from five to ten years with no break clause. Most of our existing tenants are required to pay us a deposit in the sum of six months’ rent. Further, we strictly require our tenants to comply with our wastewater and pollutant discharge standards as failing to do so may overload our wastewater treatment facilities that adversely affect the business operations of our industrial parks as well as our tenants. Other major terms include:

- (i) Throughout the term of the tenancy agreement, the rent will be automatically increased by 5% on 1 January each year.
- (ii) Tenant is not allowed to sublet to any third party.

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- (iii) The tenancy agreement also covers management fees which are calculated based on the size of the leased area and utility systems maintenance charges which are for the usage of the connection facilities to obtain electricity and water from the government supply and calculated based on the amount of electricity and water consumed. Management fees are not entitled to annual automatic increment.
- (iv) We have the right to penalise or terminate the lease and evict the tenants by giving them 15 days' notice if they discharge wastewater improperly.
- (v) If tenant cannot operate due to our problem, we shall pay the tenant liquidated damages in the range from RMB10,000 to RMB100,000, unless as a result of force majeure.

Environmental protection technical services agreement

The term of this agreement will be the same as the respective tenancy agreement. Accordingly, this agreement will terminate alongside with the tenancy agreement should a tenant discharge wastewater improperly. Most of our existing tenants are required to pay us a deposit of six months facilities usage fee.

Under this agreement, we charge the following fees on a monthly basis:

- (i) Facilities usage fee — for the usage of our wastewater treatment facilities and calculated based on the size of the leased area. This fee will be increased automatically by 5% on 1 January each year.
- (ii) Wastewater treatment fee — for provision of wastewater treatment services and calculated based on volume of fresh water used by the tenant.
- (iii) Steam fee — for provision of steam, and calculated based on amount of steam consumed.

Gas emission tower management agreement

Under this agreement, our Group will be responsible for the management and maintenance of the tenant's gas emission tower(s). The agreement does not have a fixed term, and will set out the monthly charges per gas emission tower, and there are different charges for different types of gas emission tower. We can terminate this agreement if the tenant fails to pay the relevant charges for over 30 days after due.

Credit Period

We generally offer credit period of around 10 days for factory premises rental, around 15 days for all other fees and around 60 days for selling of electroplating chemicals to our tenants.

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Seasonality

Our wastewater treatment business is subject to seasonal factors. During the Chinese Lunar New Year which falls in January/February, and the National Day Golden Week in October, our tenants usually pause their manufacturing operations to let factory workers to celebrate the holidays. As a result, the wastewater treatment volume decreases noticeably during these periods, as compared to other times of the year. The negative impact of Labour Day holidays was less significant which last only three days. On the other hand, during the Track Record Period, we recorded the highest monthly wastewater treatment volume of the year in the month of September or December, as tenants would usually ramp up their electroplating volume to meet customer demands before closing the factory for holidays.

Our tenants provide electroplating services to a great variety of light and heavy industries, such as electronics, electric appliances, communication equipment, auto parts, high speed rail, etc. Their individual electroplating business volume can sometimes fluctuate significantly on a daily basis, caused by various different factors including internal or external, such as shutting down the electroplating facilities for repair or maintenance, handling rush orders from their customers, etc. Nevertheless, on a monthly basis, the utilisation rate of our wastewater treatment facilities has been rather stable for our Guangdong Huizhou Park, except for those two periods, namely, the Chinese Lunar New Year and the National Day Golden Week, when the utilization rate was usually below the annual average. For our Tianjin Bingang Park, apart from the above mentioned two seasonal periods, the utilization rate has been generally on an increasing trend, as the park continued to sign in new tenants during the year.

Complaints

We consider feedback from tenants a valuable tool for improving our services. We have established a set of procedures for handling complaints from tenants, and we have assigned a staff for each building inside our industrial park to maintain regular communication with our tenants. During the Track Record Period and up to Latest Practicable Date, we did not receive any complaint which had a material impact on our business and operation.

Movement of tenants

The movement of our tenants in each of our two electroplating industrial parks during the Track Record Period is set out below:

	FY2016				FY2017			FY2018		
	Beginning	Incoming	Outgoing	Ending	Incoming	Outgoing	Ending	Incoming	Outgoing	Ending
(Number of tenants)										
Guangdong Huizhou Park	83	5	5	83	15	2	96	3	2	97
Tianjin Bingang Park	—	15	—	15	34	2	47	17	4	60

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During the Track Record Period, there were eight tenants and three tenants of our Guangdong Huizhou Park and Tianjin Bingang Park, respectively, whose tenancy agreements were early terminated either upon their requests or requested by our Group. To the best knowledge of our Directors, those tenants who made such early termination requests were due to their own business reasons. As for those tenants who were requested by our Group to leave, their discharge did not meet with our standard. Our Directors are of the view that these early terminations have no material adverse impact on the business operations and financial conditions of our Group as our Guangdong Huizhou Park was fully occupied as at 31 December 2018 whilst our Tianjin Bingang Park recorded rising occupancy rates during the Track Record Period.

OUR SUPPLIERS

During the Track Record Period, we sourced from our local suppliers mainly (i) the raw materials for our wastewater treatment processes; (ii) chemicals used by our tenants in electroplating; and (iii) coal and natural gas for our furnaces.

We generally did not enter into long term purchase contracts with our suppliers during the Track Record Period because, to the best knowledge of our Directors, there is adequate supply in the market. We agree the purchase quantity, price and delivery schedule with suppliers on order-by-order basis, which are set out in our purchase orders. Terms of our purchases also vary with the kind of products and services we procured. We are entitled to bulk purchase discounts which help to reduce the operating costs of our parks and tenants.

During FY2016, FY2017 and FY2018, the percentages of total purchase attributable to our five largest suppliers were 64.6%, 42.1% and 56.1%, respectively, and the percentages of total purchase attributable to our largest supplier were 16.6%, 10.2% and 16.4%, respectively. To the best knowledge of our Directors, none of our Directors, their close associates or any of our Shareholders holding more than 5% of our issued capital, had any interests in any of our five largest suppliers during the Track Record Period.

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We set out below our five largest suppliers for FY2016, FY2017 and FY2018, respectively:

For FY2016:

Rank	Supplier	Country	Supplier's principal business	Materials supplied	Business relationship with our Group (years)	Typical credit terms to us/our payment method	Purchase amount during the period RMB'000	Approximate % of total purchase %
1.	Guangdong Hua Yang Chemical Co., Ltd* (廣東華洋化工有限公司)	PRC	Sale of dangerous chemicals	Chemical products	Three	60 days/Bank remittance	3,688	16.6
2.	Dongguan Huiying Water Treatment Materials Co., Ltd* (東莞市匯盈水處理材料有限公司)	PRC	Sale of chemicals and dangerous chemicals	Chemical products	Three	60 days/Bank remittance	3,160	14.3
3.	Huizhou Shisong Trading Co., Ltd* (惠州市石松貿易有限公司)	PRC	Sale of dangerous chemicals	Chemical products	Three	60 days/Bank remittance	2,844	12.8
4.	Jiahe Shanye Trading Co., Ltd* (嘉禾縣山業貿易有限公司)	PRC	Sale of coal	Coal	Three	60 days/Bank remittance	2,371	10.7
5.	Guangzhou Yishun Energy Investment Co., Ltd* (廣州市頤順能源投資有限公司)	PRC	Sale of coal	Coal	Three	60 days/Bank remittance	2,269	10.2
Five largest suppliers combined							14,332	64.6
All other suppliers							7,868	35.4
Total purchases							22,200	100

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For FY2017:

Rank	Supplier	Country	Supplier's principal business	Materials supplied	Business relationship with our Group (years)	Typical credit terms to us/our payment method	Purchase amount during the period RMB'000	Approximate % of total purchase %
1.	Guangdong Hua Yang Chemical Co., Ltd* (廣東華洋化工有限公司)	PRC	Sale of dangerous chemicals	Chemical products	Three	60 days/Bank remittance	4,896	10.2
2.	Guangzhou Yishun Energy Investment Co., Ltd* (廣州市頤順能源投資有限公司)	PRC	Sale of coal	Coal	Three	60 days/Bank remittance	4,699	9.8
3.	Shenzhen Shangshan Chemicals Co., Ltd* (深圳市上山化工股份有限公司)	PRC	Sale of chemical products	Chemical products	Two	60 days/Bank remittance	3,943	8.2
4.	Haide Gas (Tianjin) LLC* (海德燃氣(天津)有限責任公司)	PRC	Sale of natural gas	Natural gas	Two	30 days/Bank remittance	3,708	7.7
5.	Guangzhou Caida Fuel Co., Ltd* (廣州市財達燃料有限公司)	PRC	Sale of coal	Coal	Two	30 days/Bank remittance	2,982	6.2
Five largest suppliers combined							20,228	42.1
All other suppliers							27,855	57.9
Total purchases							48,083	100

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For FY2018:

Rank	Supplier	Country	Supplier's principal business	Materials supplied	Business relationship with our Group (years)	Typical credit terms to us/our payment method	Purchase amount during the period RMB'000	Approximate % of total purchase %
1.	Haide Gas (Tianjin) LLC* (海德燃氣(天津)有限公司)	PRC	Sale of natural gas	Natural gas	Two	30 days/Bank remittance	16,896	16.4
2.	Supplier A	PRC	Sale of natural gas	Natural gas	Two	Nil/Bank remittance	13,897	13.5
3.	Boluo Defeng Chemical Co., Ltd* (博羅縣德豐化工有限公司)	PRC	Sale of chemical products	Chemical products	Three	60 days/Bank remittance	10,605	10.3
4.	Shenzhen Shangshan Chemical Co., Ltd* (深圳市上山化工股份有限公司)	PRC	Sale of chemical products	Chemical products	Two	60 days/Bank remittance	9,110	8.8
5.	Guangdong Hua Yang Chemical Co., Ltd* (廣東華洋化工有限公司)	PRC	Sale of dangerous chemicals	Chemical products	Three	60 days/Bank remittance	7,280	7.1
	Five largest suppliers combined						57,788	56.1
	All other suppliers						45,208	43.9
	Total purchases						102,996	100

Basis for selecting our suppliers

We maintain an approved list of suppliers, who are all PRC suppliers. In selecting suppliers, we evaluate them based on their scale of operation, our past cooperation with them, their capability to comply with our requirements and price quotation. We also review and update such list on a continuous basis.

We will generally obtain quotation from more than one supplier of the same materials or services. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material difficulty, shortage or quality issue in procurement of materials or services from our suppliers. Therefore, our Directors consider that the Group did not place any significant reliance on any single supplier and we are able to engage alternative suppliers if necessary.

Credit terms with suppliers

During the Track Record Period, we generally settle payments with our suppliers by bank remittance and acceptance bill. Our suppliers may require us to pay on demand or may offer us credit terms ranging from 30 to 60 days.

OUR CONTRACTORS

We do not carry out construction work for our electroplating industrial parks.

During the Track Record Period, we engaged construction companies and equipment providers as contractors to construct our factory premises, as well as supply and install our wastewater treatment, utility and other ancillary facilities. As the construction and installation of factory buildings and various facilities require different qualifications and technical know-how, we engaged more than one contractor for the establishment and expansion of each of our parks.

During FY2016, FY2017 and FY2018, the transaction amount with our largest contractor was RMB148.2 million, RMB142.7 million and RMB89.9 million, representing 27.1%, 31.3% and 21.1% of our total transaction amount with contractors, respectively. Transaction amount with our five largest contractors were RMB481.1 million, RMB350.6 million and RMB234.9 million, representing 88.0%, 77.0% and 55.1% of our total transaction amount with contractors, respectively.

During the Track Record Period, we engaged HICC-Longxi as a contractor mainly for upgrading wastewater treatment facilities of Guangdong Huizhou Park in FY2016. HICC-Longxi was established in the PRC on 18 July 2005 as a branch of Huizhou Infrastructure Construction Company (“HICC”). HICC was incorporated in the PRC on 17 May 1986 and is wholly owned by People’s Government of Huizhou City (惠州市人民政府) since its incorporation. HICC-Longxi carried out business as a building construction contractor in Longxi Town of Huizhou City, and our Group was one of its customers. Mr. Zhang, a Controlling Shareholder, was the general manager of HICC-Longxi and was the person responsible for its daily operation. The transaction amount between our Group and HICC-Longxi was RMB117.5 million, nil and nil during FY2016, FY2017 and FY2018, respectively. To the best knowledge of the Directors, HICC-Longxi was deregistered in 2017 due to cessation of business, as decided by HICC, and was solvent at the time of deregistration. Save for the foregoing relationships, namely (i) Mr. Zhang is the Controlling Shareholder and a Director of the Group; (ii) Mr. Zhang was the general manager of HICC-Longxi; and (iii) HICC-Longxi was the second largest contractor of the Group in FY2016, to the best knowledge of the Directors after making all reasonable enquiries, none of the other directors, senior management and shareholders of HICC-Longxi have any past and present relationship with the Group and its Shareholders, Directors and senior management during the Track Record Period and up to the Latest Practicable Date.

The Sponsor concurs with the view of our Directors that the transactions between the Group and HICC-Longxi during the Track Record Period were conducted on normal commercial terms and/or that such terms were no less favourable than terms offered by Independent Third Parties.

Save for HICC-Longxi, all of our five largest contractors during the Track Record Period are Independent Third Parties and, to the best knowledge of our Directors, none of our Directors, their close associates or any of our Shareholders holding more than 5% of our issued share capital, had any interests in any of our five largest contractors during the Track Record Period.

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We set out below our contractors for FY2016, FY2017 and FY2018, respectively:

For FY2016:

Rank	Contractor	Country	Contractor's principal business	Main service provided	Business relationship with our Group (years)	Typical credit terms to us/our payment method	Transaction amount accrued during the period <i>RMB'000</i>	Approximate % of total transaction amount %
1.	Tianjin Bingang Lingyun Construction Engineering Co., Ltd* (天津市濱港凌雲建築工程有限公司)	PRC	Construction	Construction of utility and ancillary facilities	Five	15 days/Bank remittance	148,150	27.1
2.	Huizhou Infrastructure Construction Company Longxi Branch* (惠州市建築基礎工程總公司龍溪工程處)	PRC	Construction	Construction	11	30 days/Bank remittance	117,503	21.5
3.	Tianjin Xinyu Construction Engineering Co., Ltd* (天津新宇建築工程有限公司)	PRC	Construction	Construction of wastewater treatment facilities	Three	10 days/Bank remittance	104,942	19.2
4.	Tianjin Qianlima Construction Engineering Co., Ltd* (天津千里馬建築工程有限公司)	PRC	Construction	Construction of factory premises	Four	15 days/Bank remittance and acceptance bill	100,350	18.4
5.	Contractor A	PRC	Construction of corrosion projects	Construction of corrosion projects	Three	30 days/Bank remittance	10,180	1.8
Five largest contractors combined							481,125	88.0
All other contractors							65,484	12.0
Total transaction amount							546,609	100

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For FY2017:

Rank	Contractor	Country	Contractor's principal business	Main service provided	Business relationship with our Group (years)	Typical credit terms to us/our payment method	Transaction amount accrued during the period <i>RMB'000</i>	Approximate % of total transaction amount <i>%</i>
1.	Tianjin Qianlima Construction Engineering Co., Ltd* (天津千里馬建築工程有限公司)	PRC	Construction	Construction of factory premises	Four	15 days/Bank remittance and acceptance bill	142,726	31.3
2.	Tianjin Xinyu Construction Engineering Co., Ltd* (天津新宇建築工程有限公司)	PRC	Construction	Construction of wastewater treatment facilities	Three	10 days/Bank remittance	110,282	24.2
3.	Tianjin Bingang Lingyun Construction Engineering Co., Ltd* (天津市濱港凌雲建築工程有限公司)	PRC	Construction	Construction of utility and ancillary facilities	Five	15 days/Bank remittance	37,732	8.3
4.	Tianjin Huading Electric Power Engineering Co., Ltd* (天津市華鼎電力工程有限公司)	PRC	Installation and maintenance of power facilities	Installation of power facilities	Three	30 days/Bank remittance and acceptance bill	37,526	8.3
5.	Guangdong E'cheng Construction Engineering Co., Ltd* (廣東鵝城建設工程有限公司)	PRC	Construction	Construction of factory premises	Two	30 days/Bank remittance	22,383	4.9
Five largest contractors combined							350,649	77.0
All other contractors							104,649	33.0
Total transaction amount							455,298	100

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For FY2018:

Rank	Contractor	Country	Contractor's principal business	Main service provided	Business relationship with our Group (years)	Typical credit terms to us/our payment method	Transaction amount accrued during the period <i>RMB '000</i>	Approximate % of total transaction amount <i>%</i>
1.	Tianjin Xinyu Construction Engineering Co., Ltd* (天津新宇建築工程有限公司)	PRC	Construction	Construction of wastewater treatment facilities	Three	10 days/Bank remittance	89,862	21.1
2.	Guangdong E'cheng Construction Engineering Co., Ltd* (廣東鶴城建設工程有限公司)	PRC	Construction	Construction of factory premises	Two	30 days/Bank remittance	60,656	14.2
3.	Tianjin Huading Electric Power Engineering Co., Ltd* (天津市華鼎電力工程有限公司)	PRC	Installation and maintenance of power facilities	Installation of power facilities	Three	30 days/Bank remittance and acceptance bill	37,377	8.8
4.	Tianjin Changfeng Municipal Engineering Co., Ltd* (天津市暢豐市政工程有限公司)	PRC	Construction	Construction of utility and ancillary facilities	Two	30 days/Bank remittance	27,336	6.4
5.	Dongguan Keda Environmental Protection Engineering Co., Ltd. (東莞市科達環保工程有限公司)	PRC	Construction and design of environmental engineering	Installation of wastewater treatment facilities	11	60 days/Bank remittance	19,670	4.6
Five largest contractors combined							234,901	55.1
All other contractors							191,298	44.9
Total transaction amount							426,199	100

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During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material difficulty in procuring services from our contractors. Our Directors consider that the Group did not place any significant reliance on any single contractor.

Major terms of construction contracting agreements

We generally enter into contracts with our construction contractors on a project-by-project basis. The terms of our contracts with our contractors may vary depending on the nature of construction work. Generally, our agreements with these contractors include the following principal terms:

- (i) Contracting fees — a fixed contracting fee which is inclusive of labour, materials and costs incurred by the contractors.
- (ii) Compliance — contractors must comply with all the relevant rules and regulations.
- (iii) Warranty period — contractors to bear all the costs in rectifying the defective works typically for a warranty period of 24 months.
- (iv) Payment term — progress payments with reference to different stages of the construction.
- (v) Retention money — we generally have the right to retain 5% of the total sum of the contracting agreement as retention money. Such amount shall be released at the end of the warranty period.

Major terms of wastewater treatment equipment supply and installation agreements

Generally, our agreements with these contractors include the following principal terms:

- (i) Total contracting fees — a fixed fee for supply of equipment and installation.
- (ii) Installation period — the period within which the installation work should be carried out.
- (iii) Payment term — by instalments.
- (iv) Retention money — to be released after the retention period, usually one year after completion of installation.
- (v) Liquidated damages — the contractor should compensate us in the event of delay in completion of the installation work.

Our contractors are neither our employees nor agents, and we are not a party to the employment arrangement between our contractors and their employees. For details on our contractor selection criteria, please refer to the paragraph headed “Industrial Park Development Process — Construction” in this section.

BUSINESS

Overlapping of Customers and Suppliers/Contractors

During the Track Record Period, we have generated revenue from some of our five largest suppliers and some of our five largest contractors mainly for renting of dormitories and other miscellaneous services, but the amount is immaterial. The aggregate revenue generated from our five largest suppliers and five largest contractors only amounted to RMB7,500, RMB59,300 and RMB45,400 during each of FY2016, FY2017 and FY2018, respectively.

RESEARCH AND DEVELOPMENT

We need to keep enhancing our wastewater treatment technology in order to fulfil the tightening environmental protection standards and further improve our operating efficiency and cost effectiveness. Thus, we make ongoing efforts on research and development which mainly focuses on:

- New technology, process or method of higher efficiency and cost-effectiveness in treatment of wastewater, exhaust gas and solid residue.
- Facility and equipment that enhances our operating efficiency, such as wastewater and sludge collection system.
- Energy conservation technology such as warmth reservation system for building.

Led by Mr. Chen Zhicai, our research and development team comprised seven other members as at the Latest Practicable Date. Mr. Chen has over 19 years of experience in design, construction and operation of environmental protection engineering projects. Please refer to “Directors and Senior Management — Senior management” for further details about Mr. Chen. Other members of this team are either university graduates or tertiary educated. The capability of our research and development team is proven by the 33 patents that we have successfully registered as at the Latest Practicable Date. Please refer to “Statutory and General Information — B. Further information about our business — 2. Intellectual property rights” for further details.

For FY2016, FY2017 and FY2018, our Group’s research and development expenses were approximately RMB2.3 million, RMB7.7 million and RMB8.4 million, respectively.

AWARDS AND RECOGNITIONS

Over the past years, we have received recognition from the local governmental authorities and industry associations. The table below sets out some of the awards we have received in respect of our electroplating industrial parks:

Name of the award	The issuing body of the award	The year of the award
China Electroplating Demonstration Park* (中國電鍍示範園區)	Electroplating Division of China Surface Association (EDCSEA)* (中國表面工程協會電鍍分會)	January 2015

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Name of the award	The issuing body of the award	The year of the award
Guangdong Pilot Park of Recycling Operations* (廣東省循環化改造試點園區)	Guangdong Provincial Commission of Economy and Information* (廣東省經濟和信息化委員會)	June 2016
Guangdong 12th Five-Year Key Enterprises of Environmental Protection Industry* (“十二五”廣東省環境保護產業骨幹企業)	Guangdong Association of Environmental Protection Industry* (廣東省環境保護產業協會)	July 2016
Electroplating Technology and Innovative Management Demonstration Base* (電鍍技術與創新管理示範推廣基地)	Guangdong Province Society of Corrosion Control and Surface Engineering* (廣東省腐蝕防護與表面工程學會)	November 2016
Guangdong Public Technology Service Demonstration Platform for Small and Medium Enterprises* (廣東省中小企業公共技術服務示範平台)	Guangdong Provincial Commission of Economy and Information* (廣東省經濟和信息化委員會)	April 2017
Tianjin Scientific and Technological Enterprises (Certificate)* (天津市科技型企業(認定證書))	Tianjin Municipal Science and Technology Commission* (天津市科學技術委員會)	July 2017
Winner of 2017 Science and Technology Award of China Surface Engineering Industry* (2017年中國表面工程行業科學技術獎獲得者)	China Surface Engineering Association* (中國表面工程協會)	September 2017
Guangdong Environmental Protection Excellence and Demonstration Project* (廣東省環境保護優秀示範工程)	Guangdong Association of Environmental Protection Industry* (廣東省環境保護產業協會)	May 2018

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COMPETITION

According to the Industry Consultant's Report, the electroplating industrial park market in China was fragmented, with the top five players accounting for around 14.7% of the total electroplating industrial park market based on revenue in 2018.

Our Group ranked first in the PRC in 2018 in terms of revenue, with a market share of 7.4%.

The electroplating companies tend to stay near to their customers to reduce transportation costs and help reduce the inventory needs of their customers. By way of example, it is highly unlikely that an electroplating company with customers in Guangdong Province will choose to move their operation to an electroplating industrial park in Chongqing. The electroplating industrial parks are therefore not facing competition nationwide, but amongst electroplating industrial parks in the same province or even within the same area.

For the electroplating industrial parks in the same province or same area, they will compete on (i) capability to fulfil the environment protection requirements from time to time and cause no disruption to the daily operations of the tenants; (ii) operating scale which determines the park's capacity in serving large numbers of tenants with different production scale, in terms of size of factory premises and consumption of water and utilities; (iii) scope of services offer to customers to ensure their smooth operation; (iv) profile of existing tenants that helps to build the brand of the park; and (v) experience of the management team which possess the knowledge, experience, vision and networks for the furtherance of the park's business.

As for competition against new market players, please refer to "Industry Overview — Market analysis of electroplating industrial park in China — Entry barriers" in this prospectus.

PROPERTIES

Details of our properties are set out in Appendix III to this prospectus.

As at the Valuation Date, we owned the following property interests for property activities as defined under Rule 5.01(2) of the Listing Rules in the PRC:

- (i) Two parcels of land with a total site area of 441,032 sq.m., located in Longxi Town, Boluo County, Huizhou, Guangdong Province, the PRC, on which our existing Guangdong Huizhou Park is located. These parcels of land and the 44 factory buildings erected on top of them are solely owned by us through a wholly owned subsidiary of our Group; and
- (ii) Five parcels of land with a total site area of 411,631 sq.m. located in Bingang High and New Technology Manufacturing Industrial Park, Zhongwang Town, Jinghai District, Tianjin, the PRC where our Tianjin Bingang Park is located. These parcels of land and the 48 factory buildings erected on top of them are owned by us through a number of subsidiaries in which we own 51%.

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Greater China Appraisal Limited, an independent property valuer, has valued the abovementioned property interests of our Group as at 31 March 2019. Details of the valuation and the text of the letter, summary of values and valuation certificate from Greater China Appraisal Limited are set forth in “Property Valuation” in Appendix III to this prospectus.

Some of the buildings owned by us in our electroplating industrial parks are mainly used by us for wastewater treatment purposes. They are therefore property interests for non-property activities as defined under Rule 5.01(2) of the Listing Rules. As at 31 December 2018, no single property interest or property interests comprising an integrated facility that forms part of non-property activities has a carrying amount of 15.0% or more of our total assets. Accordingly, this prospectus is exempt from including a property valuation report on those property interests for non-property activities pursuant to Rule 5.01A of the Listing Rules and section 6 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

As at the Latest Practicable Date, we entered into a tenancy agreement with each of the landlords of certain premises located in Guangdong Shenzhen and Hubei Jingzhou, respectively, who are Independent Third Parties.

Address	Landlord	Use of the property	Term of the contract period	Monthly/annual rental expenses	Approximate aggregate floor area (sq.m)
Room 202, Residential Building of Zhongshan Park, Nanshan District, Shanzhen, Guangdong, the PRC* 中國廣東省深圳市南山區 中山公園住宅樓202	Tong Weiqiang and Huang Meilan* 童偉強 and 黃美蘭	Office	10 October 2018 to 31 December 2019 ^{Note}	Monthly Rental: RMB3,000	75.86
Shops 103, 104, 203 and 204 of Building 2, Dongfang Avenue Public Rental Hosing (Oriental Rose Garden), Jingsha Avenue, Jingzhou Development District, Jingzhou, Hubei, the PRC* 中國湖北省荊州市荊州開發區荆沙大道的東方大道公共租賃房(東方玫瑰園)項目2號樓103號、104號、203號、204號商業門面	Hubei Jingfang Investment Development Co., Limited* 湖北省荊房投資開發有限公司	Office	9 March 2018 to 8 March 2021	Monthly rental: RMB30 per sq.m. for the first year; RMB35 per sq.m. for the following 2 years	625.9
Rooms 1607, 1608, 1701 to 1705, Unit 2, Building 2, Oriental Rose Garden Development District, Jingzhou, Hubei, the PRC* 中國湖北省荊州市開發區東方玫瑰園小區2棟2單元1607、1608、1701至1705室	Jingzhou Public Rental Housing Shashi Operation Centre* 荊州市公共租賃住房沙市運營中心	Employee dormitory	1 March 2019 to 28 February 2020	Annual rental: RMB37,488	376.34

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Address	Landlord	Use of the property	Term of the contract period	Monthly/annual rental expenses	Approximate aggregate floor area (sq.m)
Rooms 1706 to 1708, 1801 to 1808, 1901 to 1908, Unit 2, Building 2, Oriental Rose Garden Development District, Jingzhou, Hubei, the PRC* 中國湖北省荊州市開發區東方玫瑰園小區2棟2單元1706至1708、1801至1808、1901至1908室	Jingzhou Public Rental Housing Shashi Operation Centre* 荊州市公共租賃住房沙市運營中心	Employee dormitory	1 August 2018 to 30 July 2019 ^{Note}	Annual Rental: RMB99,948	1,003.47

Note: The landlord has agreed to renew the tenancy upon its expiration for the same rental. Tenancy agreement will be prepared near the end of the existing lease term.

INTELLECTUAL PROPERTY RIGHTS

As of the Latest Practicable Date, we had registered three trademarks in the PRC and four trademarks in Hong Kong under various categories, and we were the registered owner of nine domain names and copyright of three computer software.

We have also successfully registered 33 patents, and have applied for the registration of 18 more patents in the PRC as at the Latest Practicable Date.

To the best knowledge of our Directors, we have not infringed or been infringed of any intellectual property rights during the Track Record Period. For further details relating to our intellectual property, please refer to “Statutory and General Information — B. Further information about our business — 2. Intellectual property rights” in Appendix V to this prospectus.

INSURANCE

We have taken out employee compensation insurance, and we require our tenants to take out insurance for our factory spaces which are leased to them with our relevant Group member named as beneficiary. Our Directors believe that the insurance coverage of our Group is generally in line with industry and market practices for industrial park developers and the market. However, there are risks for which we may not have sufficient or any insurance coverage for losses, damages and liabilities that may arise in our business operations. Please see “Risk Factors — Risks relating to our businesses — Our limited insurance may not cover claims arising from personal injuries or other damages and losses to our business” in this prospectus for further discussion.

During the Track Record Period and up to the Latest Practicable Date, we have not made nor been the subject of any material insurance claim.

INVENTORY

Our inventory includes mainly (i) chemicals applied in our wastewater treatment processes; and (ii) dangerous chemicals we procured for our tenants for their electroplating operations. To the best knowledge of our Directors, there are sufficient sources of supply of these chemicals which are in close proximity to our parks. Therefore, we maintained minimal level of inventory during the Track Record Period.

Our Directors consider our inventory policy to be effective, as proven by the small amount of inventory amounted to RMB0.9 million, RMB2.3 million and RMB4.9 million as at 31 December 2016 and 2017 and 31 December 2018, respectively. The increasing trend of our inventory during the Track Record Period was basically in line with our expanding operating scale and revenue.

QUALITY CONTROL

We are committed to ensure that the quality of the treated wastewater discharged from our electroplating industrial parks complies with the relevant pollutants discharge standards.

We have implemented and put in place the following measures throughout our development of electroplating industrial parks, from construction, selection of tenants to monitoring of the quality of water discharged by us:

Use of qualified contractors

We select contractors through bidding which normally participated by at least three contractors. We have established a set of selection criteria to ensure that the selected contractors meet our quality standards. Such selection criteria include a contractor's track record, market reputation, proposed completion schedule and cost estimate. We seek to maintain our construction costs at a reasonable level without compromising our quality.

Selection of tenants

We require the prospective tenants to provide details of their production process, electroplating method and the raw material used, so that we can assess the type, amount and concentration of pollutants that will be generated by them. We will deny the application if the technology applied by the applicant is far outdated and the level of pollutants generated surpassed our thresholds.

All the fitting out plans of the tenant must be submitted to our Group for review, and each tenant is required to install its own gas emission treatment system, including gas emission towers, for proper treatment of exhaust gas. We will carry out a final inspection upon completion of the fitting out work and installation of production line(s) and other equipment. It is only after we are satisfied with the final inspection result that the tenant can commence operation.

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Monitoring of water discharged

We operate an advanced automated system that monitors in real time the level of pollutants in each step of our wastewater treatment process, which will immediately alert us for any notifiable variations and we shall take appropriate remedial actions if the level of pollutants exceeds our thresholds.

Apart from real time monitoring, we collect and analyse the samples from our wastewater treatment systems on regular basis to ensure our due compliance with relevant discharge standards.

EMPLOYEES

As of 31 December 2018, we had 475 full-time employees, of which 291 were based in Guangdong Huizhou Park, 168 were based in Tianjin Bingang Park and 16 were based in Hubei in preparation for the development of the Hubei Jingzhou Project. The following table provides a breakdown of our employees by responsibilities as of 31 December 2018:

	Number of employees	% of total
Management	8	1.7%
Operation	225	47.4%
Property management	47	9.9%
Procurement	28	5.9%
Testing	38	8.0%
Maintenance	35	7.4%
Customer service	13	2.7%
Research and development	6	1.3%
Accounting and finance	23	4.8%
Human resources	<u>52</u>	<u>10.9%</u>
Total	<u><u>475</u></u>	<u><u>100.0%</u></u>

Recruitment and remuneration

We generally recruit our employees through placing advertisements in the open market. We enter into employment contracts with our employees to cover matters such as position, terms of employment, wages, employee benefits and liabilities for breach and grounds for termination. Remuneration of our employees includes basic wages, allowance, bonuses and other employee benefits. In general, we determine employee salaries based on each employee's qualifications, work experience, job duties and position with our Group. We have implemented an annual review system to assess the performance of our employees, which forms the basis of our determinations on salary raises, bonuses and promotion.

Save as disclosed in "Legal and compliance" in this section, the Directors confirm that our Group has complied with all applicable labour laws and regulations in the PRC in material aspects.

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Employee training

We provide orientation programmes for new employees to familiarise them with our general working environment and work culture. We will also arrange on-the-job trainings for our employees which aim at developing their skills so as to meet our strategic goals, operating standards, customer requirements and regulatory requirements.

Employee relations

The Directors believe that we have a good relationship with our employees. During the Track Record Period and up to the Latest Practicable Date, our Group have labour union. The Directors also confirm that our Group has not experienced any significant problems with its employees or disruption to its operations due to labour disputes nor has the Group experienced any difficulties in the retention of experienced staff or skilled personnel during the Track Record Period.

OCCUPATIONAL HEALTH AND SAFETY MATTERS

Our Group is subject to the requirements under the relevant PRC laws to maintain safe working environment and to protect the occupational health of employees. For details please refer to the “Regulatory Overview — Laws and regulations on production safety” in this prospectus.

Our Group has implemented safety measures and has established guidelines for work safety. We have in place a system to record and handle accidents in accordance with relevant internal policies and have obtained OHSAS 18001:2007 certification since July 2013.

During the Track Record Period and up to the Latest Practicable Date, we had no material non-compliance or violations on any laws and regulations in relation to health and safety. As advised by our PRC Legal Advisers, the local government authorities have confirmed that no administrative penalties had been imposed against our Group members conducting manufacturing for any violation of occupational health and safety laws and regulations in the PRC during the Track Record Period.

During the Track Record Period, we did not have any material workplace injury.

ENVIRONMENTAL AND SOCIAL MATTERS

Environmental Matters

The major pollutants generated by our tenants in electroplating process include various kinds of heavy metals and chemicals in the wastewater which could be dangerous to human body or carcinogenic. These wastewater is processed by our treatment facilities before it is discharged through our channels. Accordingly, we are subject to the relevant PRC environmental laws and regulations promulgated by both the state and local governments. We are required to adhere to the pollutant discharge standards, under which the amount of different kinds of heavy metals or chemicals contained in the wastewater discharge cannot exceed the prescribed levels. Based on the inspection reports compiled by the relevant environmental protection authorities in Huizhou and Tianjin, there was no material change in pollutant discharge standards during the Track Record Period. However, there have been various measures adopted by the government in supervising pollutant discharging enterprises, such as (i) actively promoting such individual enterprises to move their operations into electroplating industrial parks; and

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(ii) performing site visits on pollutant discharging enterprises to ensure the wastewater discharge meets the pollutant discharge standards and is within the approved discharge volume, as set out in the Proposal for Remedial Actions to the Opinions Reported by the Fourth Inspection Team of Environmental Protection of Guangdong Province (《廣東省貫徹落實中央第四環境保護督察組督察反饋意見整改方案》) stipulated on 25 July 2017. For details please refer to “Regulatory Overview — Regulations and policies on electroplating industry” and “Regulatory Overview — Pollutant discharge — Guangdong Province, Tianjin and Hubei Province” in this prospectus.

To ensure our due compliance with the pollutant discharge standard under the PRC environmental laws, rules and regulations, we are implementing the following systems:

- The electroplating technology, equipment and processes applied/to be applied by prospective tenants as well as samples of their wastewater are thoroughly evaluated, tested and analysed by our research and development team. Prospective tenants will be admitted into our industrial parks only if they can, among other things, agree to our commercial terms, fulfil our pollutant discharge standards and thus will not undermine the effectiveness of our wastewater treatment systems.
- We operate an advanced automated system that monitors in real time the level of pollutants in each step of our wastewater treatment process, which will immediately alert us for any notifiable variations and we shall take appropriate remedial actions if the level of pollutants exceeds our thresholds.
- Apart from real time monitoring, we collect and analyse the samples from our wastewater treatment systems on regular basis to ensure our due compliance with relevant discharge standards.
- Our research and development team makes ongoing efforts to develop new technologies to enhance our wastewater treatment systems.
- All tenants of our industrial parks received a manual when they moved in. The manual sets out, among other things, the environmental protection measures and standards they must comply with. In addition, we have the right to penalise or terminate the lease and evict the tenants by giving them 15 days’ notice if they discharge wastewater improperly.

During the Track Record Period, we did not have any material breaches of environmental protection standards causing material adverse impact on our business operations and financial conditions. However, with a view to enhancing our ability in meeting any possible future tightening in the pollutant discharge standards, we invested RMB141.9 million in our wastewater treatment facilities in our Guangdong Huizhou Park in FY2017. Based on the site inspection reports compiled by the relevant environmental protection authorities in Huizhou and Tianjin, the amount of pollutants contained in the wastewater treated and discharged by both of our parks were within the limits as stipulated in the pollutant discharge standards during the Track Record Period. Furthermore, we have obtained ISO9001 certification on our quality management system since August 2010 and ISO14001:2015 certification on our environmental management system since March 2018.

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To the best knowledge of our Directors, we had no material non-compliance or violations of environmental protection laws and regulations that would materially and adversely affect our business operations and financial conditions. Moreover, wastewater treatment is our principal business and our Group recorded increasing profit during the Track Record Period. Our capability in this regard is also proven by the various awards we received as set out in “Business — Awards and recognitions” in this prospectus. Therefore, our Directors do not anticipate any major impact on our daily operations and financial positions in (i) complying with the relevant laws and regulations in the PRC; and (ii) contributing to environmental protection. Notwithstanding that we have effective measures on controlling and monitoring wastewater discharge, our operations are subject to the increasingly stringent regulatory requirements on environmental protection. Please refer to “Risk Factors — Risks relating to our businesses — Failure to appropriately treat wastewater due to excessive pollution levels or for any other reason may adversely affect our earnings and may damage our facilities and reputation” and “Risk Factors — Risks relating to the electroplating industrial parks in China — The regulations and policies for wastewater treatment in the PRC may subject to change and may not be properly implemented” for the risks in association with our ongoing compliance with environmental protection laws and regulations.

Social Matters

Our Group emphasised on general welfare of and relationships with our employees, including the provision of competitive remuneration, job training, safety work environment and equal opportunities. In this regard, we are implementing/shall implement the following systems:

- We enter into employment contracts with our employees to protect the interests of the contract parties.
- We have annual review system to assess the performance of our employees which forms the basis for salary raises, bonuses and promotion.
- We provide orientation programmes for new employees and on-the-job trainings.
- We have labour union.
- We established guidelines for work safety and have a system to record and handle accidents in accordance with our internal policies.
- We are aware of the importance of board diversity and shall implement such policy prior to Listing.

During the Track Record Period and up to the Latest Practicable Date, our Group had not (i) experienced any significant problems with employees or disruptions to our operations due to labour disputes; and (ii) been imposed any administrative penalties for any violation of occupational health and safety laws and regulations in the PRC. Thus, our Directors consider the foregoing systems effective and do not anticipate any major impact on our daily operations and financial positions in (i) complying with the relevant laws and regulations in the PRC; and (ii) ensuring our employees are being reasonably and fairly treated. For further details of the social matters, please refer to “Business — Employees”, “Business — Occupational health and safety matters” and “Directors and Senior Management — Board diversity policy” in this prospectus.

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LICENCES, PERMITS AND APPROVALS

Our Company and all of our subsidiaries at all material times have obtained and currently maintain all necessary permits and licences required for their business activities being conducted. During the Track Record Period and up to the Latest Practicable Date, our Group had not experienced any instances of suspension or revocation of material licences, permits and approvals granted to us that were essential to our operations. Set out below are the licences, permits and approvals that are material to our business operations:

Name of the Company	Name of Licence/Permits/ Approvals	No.	Issue Date	Expiry Date	Licensing Authority
Huizhou Kimou	Pollutant Discharge Permit of Guangdong Province (廣東省污染物排放許可證) (Note 1)	4413002011223439	21 May 2014	31 May 2019	Environmental Protection Bureau of Huizhou (惠州市環境保護局)
Huizhou Kimou	Pollutant Discharge Permit (排污許可證)	91441322776216431Y001P	26 December 2017	25 December 2020	Environmental Protection Bureau of Huizhou (惠州市環境保護局)
Huizhou Kimou	Food Distribution Licence (食品經營許可證)	JY34413220078097	21 September 2017	20 September 2022	Boluo County Market Supervision and Administration Bureau (博羅縣市場監督管理局)
Huizhou Jinmaoyuan	Pollutant Discharge Permit of Guangdong Province (廣東省污染物排放許可證) (Note 1)	4413002011223439	11 January 2017	31 May 2019	Environmental Protection Bureau of Huizhou (惠州市環境保護局)
Huizhou Jinmaoyuan	Pollutant Discharge Permit (排污許可證)	91441322MA4UUE5EX3001P	25 December 2017	24 December 2020	Environmental Protection Bureau of Huizhou (惠州市環境保護局)
Huizhou Jinzefeng	Registration for Business on Non-pharmaceutical Precursor Chemicals (非藥品類易制毒化學品經營備案證明)	粵3J44132232632	22 August 2017	21 August 2020	Boluo County Safety Production Supervision and Administration Bureau (博羅縣安全生產監督管理局)
Huizhou Jinzefeng	Permits for Business in Hazardous Chemicals (危險化學品經營許可證)	粵博危化經字2018000010號	31 January 2018	9 August 2020	Boluo County Safety Production Supervision and Administration Bureau (博羅縣安全生產監督管理局)

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Name of the Company	Name of Licence/Permits/ Approvals	No.	Issue Date	Expiry Date	Licensing Authority
Huizhou Jinzhun	Certificate of Qualification of Inspection and Testing Institutions (檢驗檢測機構資質認定證書)	2016192614U	13 September 2016	12 September 2022	Guangdong Bureau of Quality and Technical Supervision (廣東省質量技術監督局)
Tianjin Bingang	Pollutant Discharge Permit (排污許可證)	91120223093608217P001P	25 December 2017	24 December 2020	Administrative Examination and Approval Bureau of Tianjin Jinghai District (天津市靜海區行政審批局)
Hubei Kimou	Registration Form for Foreign Trade Operators (對外貿易經營者備案登記表)	03596108	11 May 2018	—	Registration Authority (Hubei Jinzhou) of Foreign Trade Operators (對外貿易經營者備案(湖北荊州)機關)

Note 1: According to relevant regulations of the State Council and Guangdong Province on controlling pollutants, the provincial pollutant discharge permit system shall be terminated and the national one shall be implemented. As such, this permit has been replaced by the Pollutant Discharge Permit (排污許可證) issued to Huizhou Kimou and Huizhou Jinmaoyuan, respectively, as set out in this table.

LEGAL AND COMPLIANCE

Our Directors have confirmed that, to the best of their knowledge and belief after making all reasonable enquiries, save as the non-compliance incidents disclosed below, we complied in all material respects with the applicable laws and regulations during the Track Record Period and up to the Latest Practicable Date.

Non-compliance incidents

The following table sets out details of certain non-compliance incidents that our Group was involved in during the Track Record Period:

Non-compliance incidents relating to social insurance funds

Descriptions of the non-compliance incident	Reasons for the occurrence of the non-compliance	Possible legal consequences and maximum penalty	Rectification measures and current status
<p>Under relevant PRC laws and regulations, our PRC subsidiaries are required to complete social insurance registrations within 30 days after their establishment. Except Huizhou Jimmaoyuan, none of our PRC subsidiaries completed social insurance registrations within such time frame.</p> <p>During the Track Record Period, certain of our PRC subsidiaries including Huizhou Kimou, Huizhou Jimmaoyuan, Huizhou Jinzefeng, Huizhou Jinzhun and Tianjin Bingang failed to make adequate contributions to the social insurance funds for their respective employees as required by relevant PRC laws and regulations.</p> <p>We estimate that the shortfall in the social insurance fund contributions by us for the years ended 2016, 2017 and 2018 was approximately RMB0.9 million, RMB51,000 and nil, respectively.</p>	<p>The non-compliance incidents were mainly due to the following reasons:</p> <p>(i) For Tianjin Bingang, Tianjin Sangong, Tianjin Wandafeng and Tianjin Tianteyuan, the relevant non-compliance incidents occurred before they became our subsidiaries as a result of our acquisition of a 51% equity interest in Tianjin Bingang in October 2015. Our Group remedied such non-compliances subsequently.</p> <p>(ii) Tianjin Jinhuaudu, Shenzhen Jinjinsheng and Jingzhou Jinyuan did not have any employees as of the Latest Practicable Date.</p> <p>(iii) To the best knowledge of our Directors after making all reasonable enquires, a number of our employees were not willing to join the social insurance scheme and make contributions to the social insurance funds.</p> <p>(iv) Our Directors and responsible staff were not familiar with the relevant laws and regulations, which led to their misinterpretations of the relevant PRC laws and regulations in relation to the time frame for completing social insurance registrations and the basis of calculations of the social insurance fund contributions by us.</p>	<p>As advised by our PRC Legal Adviser, the subsidiaries which did not complete social insurance registrations within the prescribed time may be ordered by the relevant social insurance authorities to rectify such non-compliances within prescribed times, failing which a fine that is equivalent to one to three times of the social insurance funds that remain outstanding will be imposed on such subsidiaries. In addition, a fine of not less than RMB500 and not more than RMB3,000 will be imposed on the staff directly in charge of the matter and other staff who are directly responsible for the matter. However, the Group is not subject to the fine as no subsidiary of the Group has been ordered by the relevant social insurance authorities to rectify such non-compliances.</p> <p>As advised by our PRC Legal Adviser, the subsidiaries which did not make adequate contributions to the social insurance funds for their employees may be ordered by the relevant PRC social insurance authorities to make up the shortfalls in their contributions to the social insurance funds within prescribed times. The said authorities may also impose on them daily late payment charges that are equivalent to 0.05% of the shortfalls. If any of these subsidiaries fails to comply with the order of the relevant social insurance authority, the said authority may impose on it a fine that is equivalent to one to three times of the shortfall in its social insurance fund contribution. Accordingly, the Group is (i) subject to a possible making up for the shortfall of RMB1.0 million in aggregate for the Track Record Period; (ii) subject to a potential maximum late payment charges of RMB0.6 million; and (iii) not subject to a fine as no subsidiary of the Group has been ordered by the relevant PRC social insurance authorities to make up the shortfall as at the Latest Practicable Date.</p>	<p>Such non-compliance had been remedied as of the Latest Practicable Date, by which time our PRC subsidiaries (except Tianjin Jinhuaudu, Shenzhen Jinjinsheng and Jingzhou Jinyuan which did not have any employees as of the Latest Practicable Date) had completed social insurance registrations.</p> <p>Our PRC Legal Adviser has advised us that the risk of the relevant subsidiaries being fined by the relevant social insurance authorities for their failure to complete social insurance registration within prescribed time or make adequate contributions to the social insurance funds is minimal on the following basis:</p> <p>(i) According to the confirmation letters dated from 11 December 2018 to 15 April 2019 issued by the relevant social insurance authorities (being the competent authorities that oversee the social insurance fund matters of our subsidiaries except Shenzhen Jinjinsheng and Jingzhou Jinyuan), during the Track Record Period and up to the respective dates of issuance of such confirmation letters, our subsidiaries that had obtained the confirmation letters had not been subject to any fines imposed by the said authorities.</p> <p>(ii) Based on interviews conducted by our PRC Legal Adviser with the relevant social insurance authorities (being the competent authorities that oversee the social insurance fund matters of our subsidiaries that failed to make adequate social insurance fund contribution) from 9 January 2019 to 15 January 2019, the said authorities have confirmed that, up to the respective dates of such interviews, no labour disputes over social insurance funds involving such subsidiaries have occurred, and hence the said authorities, on such basis, confirmed that they would not require such subsidiaries to pay for the shortfalls in the past and no fines would be imposed on such subsidiaries for their historical non-compliances with the relevant PRC laws and regulations in relation to completing social insurance registrations or making contributions to the social insurance funds.</p>

Reasons for the occurrence of the non-compliance

Possible legal consequences and maximum penalty

Rectification measures and current status

(iii) As confirmed by our Directors, as of the Latest Practicable Date, except for the subsidiaries which did not have any employees, all our subsidiaries (including those subsidiaries which failed to make adequate contributions to social insurance funds during the Track Record Period) had completed social insurance registrations and made contributions to the various social insurance funds in full for their respective employees.

Moreover, we consider that the risks associated with such non-compliance incidents have been further minimised as our Controlling Shareholders have undertaken to indemnify us against any claims, losses, costs, expenses, penalties or other liabilities suffered by any subsidiary of our Group, directly or indirectly, arising out of or in connection with such non-compliance incidents.

In addition, we are implementing the following measures to prevent similar non-compliance incidents from happening in the future:

- (i) Providing training on employment and social insurance laws and regulations to employees of the human resources departments of our subsidiaries.
- (ii) Requiring the finance departments and human resources departments of our subsidiaries to cross check the calculations of their social insurance fund contributions before making the contributions.
- (iii) Having our Directors to review the social insurance fund contributions by our subsidiaries on a monthly basis.

Descriptions of the non-compliance incident

Non-compliance incidents relating to housing provident fund

Descriptions of the non-compliance incident	Reasons for the occurrence of the non-compliance	Possible legal consequences and maximum penalty	Rectification measures and current status
<p>Under relevant PRC laws and regulations, our PRC subsidiaries are required to complete housing provident fund registrations within 30 days after their establishment and open the housing provident fund bank accounts for their employees within 30 days after their employment. None of our PRC subsidiaries completed housing provident fund registrations within such time frame.</p> <p>During the Track Record Period, certain of our PRC subsidiaries including Huizhou Kimou, Huizhou Jinmaoyuan, Huizhou Jinzefeng, Huizhou Jinzhun and Tianjin Bingang failed to make adequate contributions to the housing provident fund for their respective employees as required by relevant PRC laws and regulations.</p> <p>We estimate that the shortfall in the housing provident fund contributions by us for the years ended 2016, 2017 and 2018 was approximately RMB0.6 million, RMB0.2 million and RMB33,000, respectively.</p>	<p>The non-compliance incidents were mainly due to the following reasons:</p> <p>(i) For Tianjin Bingang, Tianjin Sangong, Tianjin Wandafeng and Tianjin Tianyuan, the relevant non-compliance incidents occurred before they became our subsidiaries as a result of our acquisition of a 51% equity interest in Tianjin Bingang in October 2015. Our Group remediated such non-compliance subsequently.</p> <p>(ii) Tianjin Jinhuaudu, Shenzhen Jinjinsheng and Jingzhou Jinyuan did not have any employees as of the Latest Practicable Date.</p> <p>(iii) To the best knowledge of our Directors after making all reasonable enquires, a number of our employees were not willing to join the housing provident fund scheme and make contributions to the housing provident fund. We have adopted the policies and procedures in compliance with relevant laws, regulations and rules for our PRC subsidiaries since the first quarter of 2017.</p> <p>(iv) Our Directors and responsible staff were not familiar with the relevant laws and regulations.</p>	<p>As advised by our PRC Legal Adviser, the subsidiaries which did not complete housing provident fund registrations within the prescribed time may be ordered by the relevant housing provident fund authorities to rectify such non-compliances within prescribed times, failing which a fine of not less than RMB10,000 and not more than RMB50,000 will be imposed on them. However, the Group is not subject to the fine as no subsidiary of the Group has been ordered by the relevant housing provident authorities to rectify such non-compliances.</p> <p>As advised by our PRC Legal Adviser, the subsidiaries which did not make adequate contributions to the housing provident fund for their employees may be ordered by the relevant PRC housing provident fund authorities to make up the shortfalls in their contributions to the housing provident fund within prescribed times. If any of these subsidiaries fails to comply with the order of the relevant housing provident fund authority, the said authority may apply to a PRC court for the enforcement of the payment of the housing provident fund that remains outstanding.</p>	<p>Such non-compliance had been remedied as of the Latest Practicable Date, by which time our PRC subsidiaries (except Tianjin Jinhuaudu, Shenzhen Jinjinsheng and Jingzhou Jinyuan which did not have any employees as of the Latest Practicable Date) had completed housing provident fund registrations.</p> <p>Our PRC Legal Adviser has advised us that the risk of (i) Tianjin Bingang being fined for its failure to complete housing provident fund registration within prescribed time, or being subject to a court order for the enforcement of the payment of the outstanding housing provident fund or being fined by the relevant housing provident fund authorities for its failure to make adequate contributions to the housing provident fund; and (ii) our other relevant PRC subsidiaries being fined for their failure to complete housing provident fund registration with prescribed time, is minimal on the following basis:</p> <p>(i) According to the confirmation letters dated from 11 December 2018 to 17 April 2019 issued by the relevant housing provident fund authorities (being the competent authorities that oversee the housing provident fund matters of our subsidiaries (except Tianjin Jinhuaudu, Shenzhen Jinjinsheng and Jingzhou Jinyuan which did not have any employees)), from the respective dates of the completion of housing provident fund registrations by such subsidiaries to the dates of issuance of such confirmation letters, none of such subsidiaries was subject to any fines imposed by the said authorities.</p> <p>(ii) Based on an interview conducted by our PRC Legal Adviser with the relevant housing provident fund authority of Tianjin Bingang (being the competent authority that oversees the housing provident fund matters of Tianjin Bingang) on 11 January 2019, the said authority has confirmed that, up to the date of issuance of its housing provident fund confirmation letter on 20 December 2018, no labour disputes over housing provident fund involving Tianjin Bingang have occurred, and hence the said authority, on such basis, confirmed that no fine would be imposed on Tianjin Bingang for its historical non-compliances with the relevant PRC laws and regulations in relation to completing housing provident fund registration or making contributions to the housing provident fund. The aggregate shortfall in the housing provident fund contributions by our other subsidiaries in Tianjin (except subsidiaries which did not have any employees) during the Track Record Period was less than RMB3,000, which was insignificant.</p> <p>(iii) As confirmed by our Directors, as of the Latest Practicable Date, except for the subsidiaries which did not have any employees, all our subsidiaries (including those subsidiaries which failed to make adequate contributions to housing provident fund during the Track Record Period) had completed housing provident fund registrations and made contributions to the housing provident fund in full for their respective employees.</p>

Reasons for the occurrence of the non-compliance

Descriptions of the non-compliance incident

Possible legal consequences and maximum penalty

Rectification measures and current status

Moreover, we consider that the risks associated with such non-compliance incidents have been further minimised due to the following reasons:

- (i) We have made provisions for the shortfalls in housing provident fund contributions by us as follows:
 - Approximately RMB0.6 million as at 31 December 2016.
 - Approximately RMB0.2 million as at 31 December 2017.
 - Approximately RMBnil as at 31 December 2018.

(ii) Our Controlling Shareholders have undertaken to indemnify us against any claims, losses, costs, expenses, penalties or other liabilities suffered by any subsidiary of our Group, directly or indirectly, arising out of or in connection with such non-compliance incidents.

In addition, we are implementing the following measures to prevent similar non-compliance incidents from happening in the future:

- (i) Providing training on employment and housing provident fund laws and regulations to employees of the human resources departments of our subsidiaries.
- (ii) Requiring the finance departments and human resources departments of our subsidiaries to cross check the calculations of their housing provident fund contributions before making the contributions.
- (iii) Having our Directors to review the housing provident fund contributions by our subsidiaries on a monthly basis.

Non-compliance incidents relating to idle land

Reasons for the occurrence of the non-compliance	Possible legal consequences and maximum penalty	Rectification measures and current status
<p>Descriptions of the non-compliance incident</p> <p>Our subsidiary, Tianjin Jinhuaadu, acquired the land use right in respect of a land parcel with an area of 50,851 sq. m. located in Jinghai County of Tianjin (the “Jinghai Land Parcel”) in 2009, before Tianjin Jinhuaadu became our subsidiary as a result of our acquisition of a 51% equity interest in Tianjin Bingang in October 2015. Under the land grant contract dated 4 June 2009 entered into between Tianjin Jinhuaadu and Jinghai County Branch of Tianjin Municipal Bureau of Land Resources and Housing Administration (天津市國土資源和房屋管理局靜海縣國土資源分局) (now known as Jinghai District Branch of Tianjin Municipal Bureau of Land Resources and Housing Administration (天津市國土資源和房屋管理局靜海區國土資源分局)) (the “Jinghai LRH Bureau”), Tianjin Jinhuaadu was required to commence construction on the Jinghai Land Parcel within a period of six months commencing on 3 June 2009. Tianjin Jinhuaadu did not commence construction within such period. On 15 June 2015, Tianjin Jinhuaadu entered into a supplemental contract with Jinghai LRH Bureau, whereby the parties agreed that Tianjin Jinhuaadu shall complete construction of the Jinghai Land Parcel by 31 October 2017. As our Tianjin Bingang Park is still under development, we had not yet commenced construction on the Jinghai Land Parcel as of the Latest Practicable Date.</p>	<p>As advised by our PRC Legal Adviser, if a company fails to commence construction on a parcel of land within one year after the expiry of the construction commencement date prescribed by the relevant government authority as specified in the land grant contracts, an idle land fee that is not exceeding 20% of the land premium paid for the land may be charged by the government authority. If the company fails to commence construction on the land within two years upon expiry of the said construction commencement date, the land parcel may be taken back by the government without compensation, except where the delays are caused by force majeure, acts of the government authorities or any preparatory work required for the commencement of the development. The company may also be ordered by the government authority to pay a daily liquidated damages equivalent to 0.1% of the land premium from the date on which the construction period set forth in the land grant contract expires.</p> <p>Tianjin Jinhuaadu may be subject to a potential maximum idle land fee and liquidated damages of RMB53.6 million in aggregate up to the Latest Practicable Date. The Jinghai Land Parcel may also be taken back by the Jinghai LRH Bureau without paying any compensation to Tianjin Jinhuaadu.</p>	<p>Our PRC Legal Adviser has advised us that the risk of Tianjin Jinhuaadu being ordered by Jinghai LRH Bureau to pay the idle land fee or liquidated damages for its failure to commence or complete construction on the Jinghai Land Parcel within prescribed times, or the Jinghai Land Parcel being taken back by Jinghai LRH Bureau without paying any compensation to Tianjin Jinhuaadu is minimal on the following basis:</p> <p>(i) As advised by our PRC Legal Adviser, if a land authority considers that a land parcel is possibly idle land, the said authority shall carry out investigations on the land and issue an Idle Land Certificate (閑置土地認定書) if the investigation results show that the land is idle land. As of the Latest Practicable Date, no Idle Land Certificate had been issued in respect of Jinghai Land Parcel by the Jinghai LRH Bureau, neither had the Jinghai LRH Bureau or any other government authority initiated any investigations on Jinghai Land Parcel.</p> <p>(ii) According to a confirmation letter dated 17 December 2018 issued by the Jinghai LRH Bureau (being the competent authority for the Jinghai Land Parcel matter), Jinghai LRH Bureau was not aware of any non-compliance with laws and regulations by Tianjin Jinhuaadu in its use of land, and Tianjin Jinhuaadu did not have any dispute or had been involved in any litigation with Jinghai LRH Bureau.</p> <p>(iii) Based on an interview conducted by our PRC Legal Adviser with Jinghai LRH Bureau on 15 January 2019, Jinghai LRH Bureau has confirmed that Tianjin Jinhuaadu will not be required to pay an idle land fee or liquidated damages, neither will Jinghai LRH Bureau take back the Jinghai Land Parcel.</p>

Reasons for the occurrence
of the non-compliance

Descriptions of the non-compliance incident

Possible legal consequences and maximum penalty

Rectification measures and current status

Moreover, our Controlling Shareholders have undertaken to indemnify us against any claims, losses, costs, expenses, interests, penalties or other liabilities suffered by any subsidiary of our Group, directly or indirectly, arising out of or in connection with such non-compliance incident. We consider that such indemnity has further minimised the risks associated with such non-compliance incident.

In addition, we are implementing the following measures to prevent similar non-compliance incident from happening in the future:

- (i) Putting in place rules and procedures to require our business development staff to closely monitor the schedules of our construction projects and strictly follow such schedules.
- (ii) Having our Directors to review the status of our construction projects.

BUSINESS

View of our Directors and the Sole Sponsor

Our Directors are of the view that, and the Sole Sponsor concurs:

- (i) For our failure to make adequate contributions to the social insurance and housing provident funds, given the insignificant amount of the maximum aggregate penalties that may be imposed on us and the fact that we have made appropriate provisions for the shortfalls in our contributions to the housing provident fund, such non-compliance incidents did not and will not have any material adverse effect on our business, results of operations and financial conditions.
- (ii) For our failure to commence construction on or complete construction of the Jinghai Land Parcel, Jinghai LRH Bureau has confirmed that Tianjin Jinhudu will not be asked to pay an idle land fee or liquidated damages and the Jinghai Land Parcel will not be taken back by the said bureau. Therefore, this non-compliance incident will not have any material adverse effect on our business, results of operations and financial conditions.
- (iii) Our Directors will closely monitor the status of development of the Jinghai Land Parcel to ensure due compliance of relevant regulatory requirements.
- (iv) Our enhanced internal control that are currently in place to prevent the recurrence of similar non-compliance incidents is adequate and effective.
- (v) Our Directors are suitable to act as directors of our Company under Rules 3.08 and 3.09 of the Listing Rules and the non-compliance incidents do not affect our suitability for listing under Rule 8.04 of the Listing Rules, as the non-compliance incidents do not involve dishonesty of our Directors nor do they involve any fraudulent activities or deliberate intent of non-compliance with law on the part of our Directors or our Company, and our Directors have not obtained any personal benefit directly or indirectly from the non-compliance incidents.

INTERNAL CONTROL

In preparation for the Listing, we engaged an Internal Control Adviser to perform an evaluation of our internal control system including the areas of financial, operation, compliance and risk management with an aim to, among other matters, improve the Group's corporate governance. The Internal Control Adviser, provides internal control review services, and has been previously engaged in internal control review projects for a number of companies listed or preparing for listing on the Stock Exchange. The engagement team of the Internal Control Adviser includes members of the Hong Kong Institute of Certified Public Accountants and CPA Australia. The Internal Control Adviser did not identify any major deficiency in our internal control system. We have implemented the recommendations from the Internal Control Adviser and addressed the deficiencies in our internal control identified by the Internal Control Adviser through putting in place additional rules and procedures. The Internal Control Adviser also performed a follow-up review on the status of our actions to address the findings in the abovementioned evaluation and reported that the deficiencies identified have been remedied.

BUSINESS

Our enhanced internal control system encompasses the followings, which were specifically designed to ensure our future compliance with the applicable laws, regulations and regulatory rules (including the Listing Rules):

- Our internal control system is subject to the oversight of our Board, which will continuously monitor, evaluate and review the implementation of our internal control measures and the adequacy of our internal control system and to refine the system to ensure our future compliance with applicable laws, regulations and regulatory rules.
- We have established an audit committee which comprises three independent non-executive Directors. The audit committee has adopted terms of reference setting out its clearly defined duties and obligations in relation to safeguarding compliance with the relevant laws, regulations and regulatory rules. In particular, the audit committee is empowered under its terms of reference to review any arrangement which may raise concerns about possible improprieties in financial reporting, internal control or other matters.
- We have put in place rules and procedures that will allow us to monitor our ongoing compliance with applicable laws, regulations and regulatory rules and take remedial actions wherever a compliance issue arises. In particular, our Directors have been made responsible for reviewing the status of our construction projects, and we have put in place rules and procedures to require our business development staff to closely monitor the schedules of our construction projects and strictly follow such schedules.
- We have set up a monitoring system to implement anti-bribery and anti-corruption measures. Our Directors and senior management are responsible for conducting a fraud and bribery risk assessment on an annual basis and our audit committee reviews and approves the annual risk assessment results and policies. According to our internal anti-bribery and anti-corruption policies, conducts that are forbidden include, among others, (i) acceptance or payment of bribes or rebates and, (ii) illegal use, embezzlement or misappropriation of assets. Mandatory training courses will be offered to existing and new staff to enhance their knowledge and awareness of relevant rules and regulations, as well as their personal and professional conduct. Besides, the Group has set up a reporting mechanism via email and phone as well as relevant investigation procedures to facilitate the implementation of the rules and policies.
- We have appointed Shenwan Hongyuan Capital (H.K.) Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules to ensure that, among other things, we are properly guided and advised as to compliance with the Listing Rules and all other applicable laws, rules, codes and guidelines.
- Our Directors have attended training conducted by our Hong Kong legal advisers on 8 January 2019 on the ongoing obligations, duties and responsibilities of directors of publicly listed companies under the Companies Ordinance, the SFO and the Listing Rules and our Directors are fully aware of their duties and responsibilities as directors of a listed company in Hong Kong.
- We will continue to provide training on the laws and regulations as well as regulatory rules that are applicable to our business operations to our Directors, senior management and relevant employees.

BUSINESS

- Where necessary, we will engage external legal advisers to advise us on matters relating to compliance with the applicable laws and regulations and regulatory rules (including the Listing Rules).

LITIGATION AND CLAIMS

During the Track Record Period and up to the Latest Practicable Date, none of us or any of our subsidiaries have been involved in any litigation or arbitration of material importance that, individually or in the aggregate, would have a material adverse effect on our business, financial condition and results of operations, and to the best knowledge of our Directors, there is no pending or threatened litigation, arbitration or claim of material importance against us or any of our subsidiaries.

RISK MANAGEMENT

Our Group has engaged an Internal Control Adviser to perform a detailed assessment of our Group's internal control system.

Corporate Governance

We continuously strive to strengthen the role of our Board as a body responsible for deciding our business, operation and management policies as well as supervising the execution of our operation. Our Board includes three independent non-executive Directors to ensure transparency in management and fairness in business decisions and operations. The independent non-executive Directors contribute to the enhancement of corporate value by providing advice and oversight based on their extensive administrative experience and specialised knowledge.

For details of other risks and how they are managed, please refer to “Financial Information — Quantitative and qualitative disclosures about market risks” in this prospectus.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on 28 June 2018. Immediately upon completion of the Share Offer and the Capitalisation Issue (without taking into account of any Shares which may be allotted and issued pursuant to the Over-allotment Option), Mr. Zhang, through his wholly-owned offshore holding company, Flourish Investment, indirectly holds 42.8% of the total issued share capital of our Company.

As such, Mr. Zhang, through Flourish Investment, will be entitled to exercise 42.8% of the voting rights at the general meeting of our Company immediately following completion of the Share Offer and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised). Therefore, Mr. Zhang and Flourish Investment are our Controlling Shareholders for the purpose of the Listing Rules.

Corporate governance measures

Our Directors believe that there are adequate corporate governance measures in place to manage the potential conflict of interests between our Controlling Shareholders and our Group and to safeguard the interests of the Shareholders taken as a whole for the following reasons:

- our independent non-executive Directors will review, on an annual basis, the compliance with non-competition undertakings by our Controlling Shareholders under the Deed of Non-competition;
- our Controlling Shareholders shall provide all information requested by our Company which is necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-competition;
- our Company will disclose decisions and related basis on matters reviewed by our independent non-executive Directors (including all rejections by our Company of New Business Opportunities that have been referred from our Controlling Shareholders) relating to the compliance with and enforcement of the non-competition undertakings by our Controlling Shareholders under the Deed of Non-competition in the annual reports of our Company or by way of public announcements;
- our Controlling Shareholders will make annual statements on compliance with the Deed of Non-competition in our annual reports, which is consistent with the principles of making disclosure in the corporate governance report of the annual report under the Listing Rules;
- as part of our preparation for the Share Offer, we have amended our Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provide that, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his close associates has a material interest nor shall such Director be counted in the quorum present at the meeting;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- a Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with our interest and absent himself/herself from the board meetings on matters in which such Director or any of his close associates have a material interest, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by a majority of the independent non-executive Directors;
- we are committed that our Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors) that can facilitate the exercise of independent judgment. We have appointed three independent non-executive Directors and we believe our independent non-executive Directors possess sufficient experience and they are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial, external opinion to protect the interests of our public Shareholders. Details of our independent non-executive Directors, please refer to “Directors and Senior Management — Directors — Independent non-executive directors” of this prospectus;
- in the event that any potential conflict of interest arises, i.e. where a Director has an interest in a company that will enter into an agreement with our Group, the Director(s) with an interest in the relevant transaction(s) shall be excluded from the Board deliberation process and abstain from voting and shall not be counted towards the quorum in respect of the relevant resolution(s) at such Board meeting;
- in the event any potential conflict of interest arises at the shareholders’ level, our Controlling Shareholders shall abstain from voting in the Shareholders’ meeting of our Company with respect to the relevant resolution(s);
- in the event that our independent non-executive Directors are requested to review any conflicts of interests circumstances between our Group on the one hand and our Controlling Shareholders and/or our Directors on the other, our Controlling Shareholders and/or our Directors shall provide our independent non-executive Directors with all necessary information and our Company shall disclose the decisions of our independent non-executive Directors (including why business opportunities referred to it by our Controlling Shareholders were not taken up) either through its annual report or by way of announcements;
- pursuant to the Corporate Governance Code and Corporate Governance Report in accordance with Appendix 14 of the Listing Rules, our Directors, including the independent non-executive Directors, will be able to seek independent professional advice from external parties in appropriate circumstances at our Company’s costs;
- any proposed transaction between us and connected persons will be subject to Chapter 14A of the Listing Rules including, where applicable, the announcement, reporting and independent shareholders’ approval requirements of such rules; and
- we have appointed Shenwan Hongyuan Capital (H.K.) Limited as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules, including various requirements relating to directors’ duties and corporate governance.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that our Group is capable of carrying on its business independently of our Controlling Shareholders and their respective associates after the Listing.

Management independence

Our management rests with our Board and senior management. Our Board comprises four executive Directors, namely Mr. Zhang, Mr. Zhu, Mr. Lee and Mr. Huang, and three independence non-executive Directors, namely Mr. Kan Chung Nin, Tony, Mr. Li Xiaoyan and Mr. Li Yinquan. Please see “Directors and Senior Management” for further details.

We consider that our Board and senior management are able to function independently from our Controlling Shareholders due to the following reasons:

- (a) each Director, including Mr. Zhang, who is our Controlling Shareholder and a director of our Company, is aware of his fiduciary duties as a Director which require, among other things, that he acts for the benefit and in the best interest of our Company and does not allow any conflict between his duties as a Director and his personal interests;
- (b) our Board consists of three independent non-executive Directors. There will be a sufficiently robust and independent voice within our Board to counter-balance any situation involving conflict of interest and protect the interests of our independent Shareholders;
- (c) the management, operation and affairs of our Group are headed, managed and supervised by our Board as a whole and not by any individual Directors. According to the Articles of Association, our Board must act collectively by a majority decision, and no individual Director is allowed to transact or make any decision for and on behalf of our Company alone unless he is authorised by our Board or in accordance with the provisions of the Articles of Association. Any view of a Director will be checked and balanced by the view of other Board members;
- (d) in the event that there is a potential conflict arising out of any transaction to be entered into between our Group and our Directors or their respective associates (“**Conflicting Transaction**”), the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions, and shall not be counted in forming quorum, unless otherwise permitted under the Articles of Association and/or the Listing Rules. The interested Director(s) shall not attend any independent board committee meetings comprising our independent non-executive Directors only. In the event that there is a Conflicting Transaction which shall be submitted to our independent non-executive Directors for their consideration and approval, they would have sufficient experience and knowledge to oversee such Conflicting Transaction from different aspects;
- (e) our Company has also established internal control mechanism to identify related party transactions and/or connected transactions that are subject to the requirements under the Listing Rules, including the requirements of reporting, announcement, circular and independent Shareholders’ approval (where appropriate);

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (f) in order to allow the non-conflicting members of the Board to function properly and make informed decision with the necessary professional advice, our Company will engage third party professional adviser(s) to advise the Board when necessary, depending on the nature and significance of the Conflicting Transaction;
- (g) our Controlling Shareholders have undertaken to provide all information requested by our Group which is necessary for the annual review conducted by the independent non-executive Directors and the enforcement of the Deed of Non-Competition;
- (h) our independent non-executive Directors will, based on the information available to them, review on annual basis (i) compliance with the Deed of Non-Competition; and (ii) all the decisions taken in relation to whether to pursue the new opportunity under the Deed of Non-Competition, and to disclose all decisions on the matters pertaining to the annual review either through the annual report, or by way of announcement to the public; and
- (i) our Company has established corporate governance procedures in safe guarding the interests of our Shareholders and enhancing Shareholders' value. Please refer to the paragraph headed "Corporate Governance Measures" in this section for details.

Having considered the above factors, our Directors are satisfied that they are able to perform their roles as our Directors and manage the business of the Group independently from our Controlling Shareholders and his respective close associates after the Listing.

Financial independence

Our Board believe that we are able to operate financially independently from our Controlling Shareholders and their respective associates as:

- (a) we have an independent financial system and we make financial decisions independently according to our Group's own business and operation needs;
- (b) we have sufficient capital to operate our business independently, and have adequate internal resources and credit profile to support our daily operations;
- (c) all loans, advances and balances due to and from our Controlling Shareholders and their close associates will be fully settled upon Listing;
- (d) all personal guarantee provided by our Controlling Shareholders for our banking facilities will be released upon Listing and, if necessary, be replaced by a corporate guarantee provided by our Company;
- (e) we have independent access to third party financing on market terms and conditions for our business operations as and when required; and
- (f) we have independent bank accounts and do not share any of our bank accounts, loan facilities or credit facilities with our Controlling Shareholders or their close associates.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Operational independence

We make business decisions independently. On the basis of the following reasons, our Directors consider that we will continue to be operationally independent from our Controlling Shareholders and their respective close associates after the Listing:

- (a) we hold all relevant licences, permits and approvals that are material to the operation of our business and have sufficient capital, equipment and employees to operate our business independently;
- (b) we have our own operational and administrative resources and we do not share such resources with our Controlling Shareholders or other companies controlled by our Controlling Shareholders;
- (c) we do not need to rely in our Controlling Shareholders or their close associates for our operations;
- (d) we have our own organisational and corporate governance structure and has established our own accounting, legal and human resources departments;
- (e) we have established a set of internal control measures to facilitate the effective operation of our business;
- (f) we have independent access to customers and suppliers; and
- (g) our Controlling Shareholders and their respective close associates have no relationship with the five largest customers and the five largest major suppliers of our Group (other than the business contacts in the ordinary and usual course of business of our Group) during the Track Record Period.

COMPETITION UNDER RULE 8.10 OF THE LISTING RULES

Our Directors confirm that none of our Controlling Shareholders or the Directors and their respective associates (other than members of our Group, where applicable) has any interest in a business apart from our business which competes or is likely to compete, either directly or indirectly, with our business.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Upon the Listing, our Board will consist of seven Directors, including four executive Directors and three independent non-executive Directors. The functions and duties of our Board include, among others, implementing resolutions of our Shareholders passed at general meetings, determining our business and investment plans, formulating our annual financial budgets and approving our financial statements, formulating proposals for dividend distributions as well as exercising other powers, functions and duties conferred on the Board by the Articles of Association.

The following table sets out certain information about our Directors and senior management:

Name	Age	Position	Roles and responsibilities	Date of joining our Group	Date of appointment as Director	Relationship with other Directors and/or senior management
Mr. Zhang Lianghong (張梁洪先生)	49	Executive Director and chairman of the Board	Strategic planning, major business decisions and overall management of our Group	8 June 2005	7 January 2019	None
Mr. Zhu Heping (朱和平先生)	65	Executive Director and chief executive officer	Strategic planning and daily operational management of our Group	13 June 2013	7 January 2019	None
Mr. Lee Yuk Kong (李旭江先生)	67	Executive Director	Banking relationship and human resources planning of our Group	29 July 2016	28 June 2018	None
Mr. Huang Shaobo (黃少波先生)	54	Executive Director	Financial planning and corporate development of our Group	24 November 2015	7 January 2019	None
Mr. Kan Chung Nin, Tony (簡松年先生)	68	Independent non-executive Director	Supervising and providing independent advice to our Board	18 June 2019	18 June 2019	None
Mr. Li Xiaoyan (李曉岩先生)	56	Independent non-executive Director	Supervising and providing independent advice to our Board	18 June 2019	18 June 2019	None
Mr. Li Yinquan (李引泉先生)	63	Independent non-executive Director	Supervising and providing independent advice to our Board	18 June 2019	18 June 2019	None

Executive Directors

Mr. Zhang Lianghong (張梁洪), aged 49, is our executive Director, one of the founders of our Group, chairman of the Board, chairman of our nomination committee and member of our remuneration committee. Mr. Zhang is responsible for the strategic planning, major business decisions and overall management of our Group.

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Mr. Zhang has over 17 years of experience in property construction and operation of electroplating industrial parks in the PRC. In July 2001, Mr. Zhang established Boluo Jinchang Trading Company Limited* (博羅縣金昌貿易有限公司) (“**Boluo Jinchang**”), which engaged in the sale of building materials, hardware and chemicals and HICC-Longxi in July 2005, which principally engaged in contracting of building constructions. Mr. Zhang has served as a general manager of Boluo Jinchang and HICC-Longxi since their respective inception. Since the incorporation of our Group’s principal operating entity, Huizhou Kimou in June 2005, Mr. Zhang has been committing substantial time and efforts on the construction and operation of electroplating industrial parks. In November 2017, under the leadership of Mr. Zhang, Huizhou Kimou entered into cooperations with the Jingzhou ETDZ Administrative Committee in Hubei Province for the development of Hubei Jingzhou Project.

Mr. Zhang obtained his high school diploma from Boluo County Longxi High School* (博羅縣龍溪中學) in July 1989. Mr. Zhang was awarded the Outstanding Entrepreneur of Guangdong Environmental Protection Industry (廣東省環境保護產業優秀企業家) by the Guangdong Association of Environmental Protection Industry (廣東省環境保護產業協會) in July 2016.

Mr. Zhu Heping (朱和平), aged 65, is our executive Director and chief executive officer of our Group. Mr. Zhu is primarily responsible for strategic planning and daily operational management of our Group.

Mr. Zhu has over 17 years of experience in the electroplating industry, including the implementation of business strategies for, and the construction and management of electroplating industrial parks in the PRC. Mr. Zhu established a trading company in Lanzhou, Gansu Province, in the PRC, which principally engaged in the trading of a variety of products, including fire fighting equipment, knitwear and leather goods from March 1998 to June 2001. Subsequently, Mr. Zhu served as general managers of Boluo Jinchang and Huizhou Jinchang Real Estate Development Company Limited* (惠州金昌房地產有限公司), from July 2001 to May 2007 and from May 2007 to December 2018, respectively. Mr. Zhu joined our Group in June 2013 when he was appointed as the general manager of our Guangdong Huizhou Park. Under his direction, Guangdong Huizhou Park was recognised by Electroplating Division of China Surface Engineering Association (中國表面工程協會電鍍分會) as a China Demonstration Area of Plating Industry (中國電鍍示範園區) in January 2015. In September 2015, Mr. Zhu was appointed as general manager of our Tianjin Bingang Park and subsequently, in December 2017, he was promoted as chief executive officer of our Group.

Mr. Zhu received his diploma in business management from Jincheng United University* (金城聯合大學) in Gansu Province, the PRC, in July 1986. In May 2018, Mr. Zhu was jointly recognised as one of the Chinese Entrepreneurs (全國優秀企業家) by the China Enterprise Confederation* (中國企業聯合會) and the China Enterprise Directors Association* (中國企業家協會).

Mr. Lee Yuk Kong (李旭江), aged 67, is our executive Director. Mr. Lee is responsible for the banking relationship and human resources planning of our Group.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Lee has over 40 years of experience in overall business management. Through his interest in Huizhou Yongjiasheng, Mr. Lee became an ultimate shareholder of Huizhou Kimou in July 2016, where he supervised the overall financial management of Huizhou Kimou. Mr. Lee has been serving as chairman of Dongguan Yongjiasheng Knitwear Co., Ltd. (東莞永嘉盛針織有限公司) since 1979, responsible for overall management including financial and human resources planning.

Mr. Lee has served as member of the Dongguan Spiritual Civilization Establishment Committee* (東莞市精神文明建設委員會), a representative of the 4th Congress of Dongguan Nancheng District Federation of Returned Overseas Chinese (東莞市南城區歸國華僑聯合會第四次代表大會), director of Guangdong Overseas Chinese Enterprises Association (廣東省僑商投資企業協會) chairman of Hong Kong Dongguan Nancheng Natives' Association (香港東莞南城同鄉會) and Guangdong Dongguan committee member of the 12th Chinese People Political Consultative Conference in China (中國人民政治協商會議) in December 2011. Mr. Lee also received the Top 100 Distinguished Character of Guangdong Dongguan award (中國廣東省東莞市百名傑出人物) from Dongguan Spiritual Civilization Establishment Committee* (東莞市精神文明建設委員會) in 2007. Mr. Lee attended primary education.

Mr. Huang Shaobo (黃少波), aged 54, is our executive Director. Mr. Huang is responsible for financial planning and corporate development of the Group. Mr. Huang has over 25 years of experience in accounting, asset appraisal as well as mergers and acquisitions advisory. Prior to joining our Group, Mr. Huang held executive positions of several audit and asset appraisal firms in the PRC and as corporate advisors of the PRC or Hong Kong branch of several multinational companies from June 1993 to October 2015, responsible for managerial and corporate advisory. Since January 2001, Mr. Huang has been serving as independent certified asset appraiser of Dexin Asset Appraisal Firm* (惠州德信資產評估事務所), responsible for independent audit work and asset appraisals.

Mr. Huang received his diploma in management from Shaanxi Fashion Institute of Technology* (陝西紡織服裝職業技術學院) (formerly known as Shaanxi Textile Industry University* (陝西省紡織工業公司職工大學) in July 1986. In December 2001 and May 1997, Mr. Huang was accredited as a certified public accountant by the Chinese Institute of Certified Public Accountants and as certified appraiser by the Chinese Appraisal Society, respectively.

Independent non-executive Directors

Mr. Kan Chung Nin, Tony (簡松年), *SBS, JP*, aged 68, is our independent non-executive Director, chairman of our remuneration committee, member of our audit committee and nomination committee. Mr. Kan was appointed as an independent non-executive director of our Company in June 2019. He is responsible for providing independent advice to our Board.

Mr. Kan has extensive experience in legal practice. Prior to joining our Group, Mr. Kan founded Tony Kan & Co., Solicitors & Notaries in March 1984 and became the senior consultant in April 2014. Mr. Kan has been practising as a solicitor in Hong Kong since March 1982.

Mr. Kan has been serving as independent non-executive directors of Man Wah Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1999) since May 2013 and Hopewell Highway Infrastructure, a company listed on the Main Board of the Stock Exchange (stock code: 0737) since April 2018, respectively. Mr. Kan has been serving as non-executive director as well as chairman of Midland IC&I Limited, a company listed on the Main Board of the Stock Exchange (stock code: 459) since October 2016. Mr. Kan has served as independent non-executive director of

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Nameson Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1982) since January 2016. Mr. Kan has also served as vice chairman of the board of directors of DBG Technology Co., Ltd. (惠州光弘科技股份有限公司), a company listed on the ChiNext Market of the Shenzhen Stock Exchange (stock code: 300735) since December 2017.

Mr. Kan received his bachelor in law degree from University of London in 1979.

Mr. Kan is currently a committee member of the National Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議全國委員會). Mr. Kan served as director of China Overseas Friendship Association (中華海外聯誼會) and vice president of Guangdong Overseas Friendship Association (廣東海外聯誼會).

Mr. Kan has been serving as member of the election committee of the chief executive of Hong Kong since December 2011, the Justice of the Peace since July 2003 and council member of Hong Kong Sha Tin District Council from 1985 to 2011. Mr. Kan also served as chief president of the Hong Kong Professionals Association from 2015 to 2017 and standing vice chairman of the Hong Kong Guangdong Association from July 2017 to June 2019.

Mr. Kan has been awarded the Silver Bauhinia Star by the government of Hong Kong.

Mr. Li Xiaoyan (李曉岩), aged 56, is our independent non-executive Director and members of our audit, nomination and remuneration committee. Mr. Li was appointed as an independent non-executive director of our Company in June 2019. He is responsible for providing independent advice to our Board.

Mr. Li has been serving as professor at the Department of Civil Engineering of the University of Hong Kong since July 2009 and the Tsinghua-Berkeley Shenzhen Institute since July 2018, respectively. Mr. Li is an expert in solid-liquid separation, membrane filtration and nanotechnology for advanced water and wastewater treatment and resource recovery from wastewater.

Mr. Li received his bachelor's and his master's degrees in Environmental Engineering from Tsinghua University in the PRC in June 1986 and June 1990, respectively, and subsequently obtained his Ph.D. degree from the University of Arizona in the United States in August 1996.

Mr. Li received the Outstanding Young Overseas Researcher Award from the National Natural Science Foundation of China (國家自然科學基金委員會) in 2004, the First-Class Scientific Research Outstanding Achievement Award (Science & Technology) in 2012 and the Second-Class State Natural Science Award in 2014 from the Ministry of Education of the PRC (中華人民共和國教育部).

Mr. Li Yinquan (李引泉), aged 63, is our independent non-executive Director and chairman of our audit committee. Mr. Li was appointed as independent non-executive director of our Company in June 2019. He is responsible for providing independent advice to our Board.

Mr. Li has extensive experience in the finance and banking industry. He has been serving as a director of China Merchants Group and China Merchants Capital Investment Co., Ltd. since June 2014, a director of China Merchants Port Holdings Company Limited (formerly known as China Merchants Holdings (International) Company Limited) (a company listed on the Main Board of the Stock Exchange (stock code: 144)) from June 2001 to March 2015 and as a non-executive director of China Merchants Bank Co., Ltd. (a company listed on the Main Board of the Stock Exchange (stock code: 3968) and the

DIRECTORS AND SENIOR MANAGEMENT

Shanghai Stock Exchange (stock code: 600036)) from April 2001 to June 2016. Mr. Li was an executive director of China Merchants China Direct Investments Limited (a company listed on the Main Board of the Stock Exchange (stock code: 133)) from July 2008 to April 2017. He has also been serving as an independent non-executive director of Universal Medical Financial and Technical Advisory Services Company Limited (a company listed on the Main Board of the Stock Exchange (stock code: 2666)) since June 2015. Mr. Li has also been serving as an independent non-executive director of Million Cities Holdings Limited (a company listed on the Main Board of the Stock Exchange (Stock Code: 2892)) since June 2018.

Prior to serving as a director of various listed companies, Mr. Li worked for China Merchants Group from January 2000 to December 2012. During that period, Mr. Li served as general manager of the Financial Department, Chief Financial Officer and executive vice president of China Merchants Group, respectively. He was in charge of the Group's finance, financial services, information technology and human resources. Mr. Li has also worked with the Agricultural Bank of China from December 1985 to December 1999, where he held senior positions in various divisions at the Beijing headquarter as well as New York and Hong Kong offices of the bank.

During his tenure of serving Hong Kong listed companies, Mr. Li performed duties including supervising the listed companies' financial management and reviewing and analysing audited financial statements of listed companies, and was involved in various types of transactions governed by the Listing Rules. Mr. Li has gained relevant experience in, including but not limited to, (i) review and preparation of comparable and/or audited financial statements of Hong Kong listed companies; (ii) review of internal control systems; and (iii) analysis of financial statements and information of Hong Kong listed companies. Moreover, Mr. Li is well experienced in collaborating and dealing with internal and external auditors regarding the supervision of internal financial controls and the auditing of financial statements.

Mr. Li received his bachelor's degree in economics from Shaanxi Institute of Finance and Economics (陝西財經學院) in July 1983. He subsequently obtained his master's degree in economics from the PBC School of Finance, Tsinghua University (清華大學五道口金融學院) (formerly known as Graduate School of the People's Bank of China (中國人民銀行研究生部)) in July 1986. In October 1988, Mr. Li obtained his master's degree in banking and finance for development from Finafrica Institute in Milan, Italy. In August 1989, he was accredited as senior economist by the Appraisal and Approval Committee for Professional & Technical Qualification of the Agricultural Bank of China. Mr. Li has also served as Hong Kong Deputy to the 13th National People's Congress of the PRC in 2017.

Capacity of our Independent non-executive Directors

Our Group is of the view that each of our independent non-executive Directors has sufficient capability and capacity to perform his duties based on the following reasons:

- Each of our independent non-executive Directors possesses outstanding academic qualifications and rich experiences in his expertise which will contribute to the ongoing business development, management and corporate governance of our Group.
- Mr. Kan Chung Nin, Tony has a proven record of holding various senior roles and/or positions in both the public and private sectors in Hong Kong and the PRC, in addition to his career as a practising solicitor in Hong Kong, which has proven his highly efficient time and

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work management capabilities so as to enable him to have successfully and diligently performed his various duties and roles along the years. Accordingly, our Group believes that Mr. Kan Chung Nin, Tony has sufficient time and resources to act as the Company's independent non-executive Director.

- Mr. Li Yinquan has extensive experience in the finance and banking industry and is currently holding independent non-executive directorships in only two other listed companies in Hong Kong. Accordingly, our Group believes that Mr. Li Yinquan has sufficient time and resources to act as the Company's independent non-executive Director.

Board diversity policy

Our Group recognises the importance of board diversity to corporate governance and the Board's effectiveness. In this regard, we shall adopt a board diversity policy prior to Listing which sets out the objective and approach to maintain high standards of corporate governance and enhance effectiveness of the Board.

Pursuant to the proposed board diversity policy, directorship nominees will be evaluated based on a number of factors, including but not limited to, our specific business needs, gender, age, skills, language, cultural and educational background as well as industry and professional experience. The decision of the appointment will be based on merit and contribution which the selected nominees will bring to the Board.

Apart from our four executive Directors who have long experiences in business management, we have three independent non-executive Directors with different industry backgrounds, representing more than one-third of the members of our Board. Our financial controller and company secretary, Ms. Chan Lai Fan, having extensive experience in her field, contributes to gender diversity of our senior management team. Thus, our Directors are of the view that our Board and senior management at present have a balanced mix of knowledge and skills, including overall management, strategic development, human resources, accounting, financial advisory and planning. To enhance our corporate governance by diversifying the Board's composition, the Group has set out the following targets and policies:

- Our Directors plan to appoint at least one female member on our Board within three years after Listing.
- Our Group will emphasise on training senior female staff who have long and relevant experience in our business, including but not limited to accounting and finance, operation and research and development. Our Directors believe that this policy will provide the required manpower resources to achieve gender diversity in our Board.

Save as disclosed in the sub-section headed "C. Further Information About Our Directors and Substantial Shareholders" in the "Statutory and General Information" section and the biographies of the Directors in the "Directors and Senior Management" section of this prospectus, each of our Directors confirms that (i) he did not hold any interest and/or short positions in the Shares, underlying Shares, debentures of our Company and/or any associated corporation (within the meaning of Part XV of the SFO) as of the Latest Practicable Date; (ii) he had no other relationship with any Directors, senior management and/or substantial or Controlling Shareholder of our Company as of the Latest Practicable Date; (iii) he did not hold any directorships in the three years prior to the Latest Practicable Date in any

DIRECTORS AND SENIOR MANAGEMENT

listed companies in Hong Kong and/or overseas; and (iv) there are no other matters concerning our Directors' appointments that needs to be brought to the attention of our Shareholders and the Stock Exchange or shall be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management and operation of our business. The senior management team of our Group, in addition to the executive Directors listed above, is as follows:

Name	Age	Position	Key Role	Date of Joining our Group
Ms. Chan Lai Fan (陳麗芬女士)	39	Financial Controller of our Company	Overall planning and implementation of financial strategies of our Group	1 January 2018
Mr. Zhou Xiaoyong (周小勇先生)	41	Vice president of management of our Group	Overseeing the management and public relations and corporate communications of our Group	2 January 2008
Mr. Chen Zhicai (陳志才先生)	41	Vice president of operation of our Group	Overseeing the overall operation of our Group	16 August 2005
Mr. Zhang Liming (張黎明先生)	40	Vice general manager of our Tianjin Bingang Park	Overseeing operation of our Tianjin Bingang Park	19 May 2015

Ms. Chan Lai Fan (陳麗芬), aged 39, is the financial controller of our Group. Ms. Chan is responsible for the overall planning and implementation of financial strategies of our Group.

Ms. Chan has over 15 years of experience in accounting and finance management. Prior to joining our Group in January 2018, Ms. Chan served as account clerks of Amass Vision Company Limited from July 2002 to March 2003, which principally engages in the sale of multimedia products and of Neo-Concept (Holdings) Co. Ltd. from April 2003 to July 2005, which principally engages in garment production. From July 2005 to May 2008, Ms. Chan served as accountant of various companies in Hong Kong, including Ming Shing Trading, which principally engages in garment production; Li & Fung (Retailing) Ltd., which engages in clothing retailing; and LF (1937) Management Ltd., which principally engages in investment holding. Ms. Chan served as senior accountant of Howden Joinery Supply Division (Asia) Limited, which principally engages in the sale of kitchenwares, from May 2008 to June

DIRECTORS AND SENIOR MANAGEMENT

2012, where she was a member of the Asia finance and accounting team and oversaw the establishment of accounting systems. From June 2012 to December 2017, Ms. Chan served as financial manager (Hong Kong and China) of Wing Ka Shing Limited in Hong Kong, which principally engages in garment production.

Ms. Chan received her bachelor's degree in accountancy from Hong Kong Polytechnic University in June 2002. Ms. Chan was accredited as a non-practising member of the ACCA Hong Kong on 25 June 2012 and subsequently, as a non-practising member of the Hong Kong Institute of Certified Public Accountants on 12 September 2017.

Mr. Zhou Xiaoyong (周小勇), aged 41, is the vice president of management of our Group. Mr. Zhou is mainly responsible for overseeing the management and public relations and corporate communications of our Group.

Mr. Zhou has over 11 years of experience in management. Mr. Zhou joined our Group in January 2008 and has assumed various positions within the Group, including administrative manager of Huizhou Kimou from January 2008 to June 2013, vice general manager of Huizhou Kimou from June 2013 to December 2017, where he was responsible for management of the electroplating plants and maintenance of external relations with regard to the Group's business operations.

Mr. Zhou received his certificate in Administration from Self-Taught Higher Education Committee of Sun Yat-sen University* (中山大學教育自學考試) in June 2005.

Mr. Chen Zhicai (陳志才), aged 41, is the vice president of operation of our Group. Mr. Chen is responsible for overseeing the overall operation of our Group.

Mr. Chen has over 19 years of experience in design, construction and operation of environmental protection engineering projects. Mr. Chen joined our Group in August 2005, and has assumed various positions including production manager. From July 2000 to November 2004, Mr. Chen served as environmental protection engineer of Guangyi Group* (廣一集團), which principally engages in the production and maintenance of water pump system, where he was responsible for the design, research and development of city wastewater and electroplating wastewater treatment technologies.

Mr. Chen received his bachelor's degree in environmental engineering from School of Environmental and Municipal Engineering of Xi'an University of Architecture and Technology (西安建築科技大學環境與市政工程學院) in July 2000.

Mr. Zhang Liming (張黎明), aged 40, is the vice general manager of our Tianjin Bingang Park. Mr. Zhang is responsible for the overall operation management of our Tianjin Bingang Park.

Mr. Zhang has over 11 years of experience in management and administration. Prior to joining our Group, Mr. Zhang served as administrative manager of Shenzhen Hongmen Machinery & Electrical Equipment Co. Ltd (深圳紅門智能科技股份有限公司), which principally engages in the production of electronic appliances, from March 2007 to February 2015, where he was responsible for organising large-scale internal and external events. Mr. Zhang joined our Group in May 2015 and served as administrative manager. In October 2017, Mr. Zhang was appointed as operation controller and, subsequently, he was promoted as vice general manager of the Tianjin Bingang Park in January 2018.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Zhang received his bachelor's degree in Administration (online course) from School of Higher Education of Southwest University of Science and Technology (西南科技大學普通高等學校) in January 2015.

COMPANY SECRETARY

Ms. Chan Lai Fan is the company secretary of our Company. Details of Ms. Chan Lai Fan's qualifications and experience are set out in the paragraph headed "Senior Management" under this section.

BOARD COMMITTEES

We have established the following committees within our Board of Directors: an audit committee, a remuneration committee and a nomination committee. The committees operate in accordance with the terms of reference established by our Board of Directors and Rule 3.21 and Rule 3.25 of the Listing Rules.

Audit committee

We have established an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the Corporate Governance Code as set forth in Appendix 14 of the Listing Rules. The audit committee consists of three members, namely, Mr. Li Yinquan, Mr. Kan Chung Nin, Tony and Mr. Li Xiaoyan. Mr. Li Yinquan with appropriate accounting and financial management expertise, is the chairman of the committee. The primary duties of the audit committee are to provide oversight of the financial reporting process, the audit process, the mechanism of internal control and compliance with laws and regulations and perform further duties and responsibilities as assigned by our Board from time to time.

Remuneration committee

We have established a remuneration committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the paragraph B.1 of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules. The remuneration committee consists of three members, namely, Mr. Kan Chung Nin, Tony, Mr. Li Xiaoyan and Mr. Zhang Lianghong. Mr. Kan Chung Nin, Tony is the chairman of the committee. The primary duties of the Remuneration Committee are to make recommendations to the Board regarding our policy and structure for the remuneration of our Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies, and to make recommendations to the Board on the remuneration packages of our Directors and senior management and on the employee benefit arrangement.

Nomination committee

We have established a nomination committee with written terms of reference in compliance with the paragraph A.5 of the Corporate Governance Code as set forth in Appendix 14 of the Listing Rules. The nomination committee consists of three members, namely, Mr. Zhang Lianghong, Mr. Kan Chung Nin, Tony and Mr. Li Xiaoyan. Mr. Zhang Lianghong is the chairman of the committee. The primary duties of the nomination committee are to make recommendations to our Board in relation to the appointment and removal of Directors and senior management and on matters of succession planning.

DIRECTORS AND SENIOR MANAGEMENT

COMPLIANCE ADVISER

We have appointed Shenwan Hongyuan Capital (H.K.) Limited as our compliance adviser upon the proposed Listing pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, our compliance adviser will advise us in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- where we propose to use proceeds of the Share Offer in a manner different from that detailed in this prospectus;
- where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- where the Stock Exchange makes an inquiry of our Company under Rule 13.10 regarding unusual movements in the price regarding volume of our Shares.

The term of the appointment will commence on the Listing Date and end on the date on which we distribute our annual report of our financial results for the first full financial year commencing after the Listing Date, and such appointment may be subject to mutual agreement.

REMUNERATION AND COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and senior management receive compensation from our Group in the form of fees, salaries, bonus, contributions to pension schemes, allowances and benefits in kind.

The aggregate remuneration (including salaries, bonuses, share-based compensations, contributions to pension schemes, other social security costs and other employee benefits) received by our Directors were approximately RMB3.5 million, RMB3.5 million and RMB2.3 million for the years ended 31 December 2016 and 2017 and 2018, respectively.

The aggregate amount of salaries, bonuses, contribution to pension schemes, other social security costs and other employee benefits and share-based payments paid to our Company's five highest paid individuals were approximately RMB4.2 million, RMB4.7 million and RMB3.8 million for the years ended 31 December 2016 and 2017 and 2018, respectively.

Pursuant to the arrangements currently in force, the aggregate amount of remuneration (excluding discretionary bonus) payable to and the benefits in kind receivable by our Directors for the year ending 31 December 2019 is estimated to be approximately RMB3.5 million.

No remuneration was paid by our Group to our Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office during the Track Record Period. Further, none of our Directors had waived any remuneration during the same period.

Save as disclosed above, no other payments have been made or are payable during the Track Record Period by our Group to our Directors.

SHARE CAPITAL

AUTHORISED AND ISSUED SHARE CAPITAL

The following is a description of the authorised and issued share capital of our Company in issue as of the date of this prospectus and to be issued as fully paid or credited as fully paid immediately following the completion of the Share Offer and the Capitalisation Issue (without taking into account of any Shares which may be allotted or issued pursuant to the exercise of the Over-allotment Option):

Authorised share capital:	Aggregate nominal value of Shares (HK\$)
Number of Shares	
1,680,000,000	168,000,000
Issued and to be issued, fully paid or credited as fully paid:	
Number of Shares	Aggregate nominal value of Shares (HK\$)
Description of Shares	
336,000,000	33,600,000
504,000,000	50,400,000
<u>280,000,000</u>	<u>28,000,000</u>
<u>1,120,000,000</u>	<u>112,000,000</u>
Shares in total	

ASSUMPTIONS

The above table assumes that the Share Offer becomes unconditional and are completed in accordance with the relevant terms and conditions that the Shares are issued pursuant to the Share Offer and the Capitalisation Issue. The above table does not take into account any Shares (i) which may be allotted and issued pursuant to the exercise of the Over-allotment Option; (ii) which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme; and (iii) which may be allotted and issued or repurchased by our Company pursuant to the general mandates granted to our Directors to allot and issue or repurchase Shares as described below.

MINIMUM PUBLIC FLOAT

Pursuant to Rule 8.08(1) of the Listing Rules, at the time of the Listing and at all times thereafter, our Company must maintain the minimum prescribed percentage of 25% of the total issued share capital of our Company in the hands of the public (as defined in the Listing Rules).

SHARE CAPITAL

RANKING

The Shares will be ordinary shares in the share capital of our Company and will rank pari passu with all Shares currently issued or to be issued and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS AND CLASS MEETINGS ARE REQUIRED

Our company has only one class of shares, namely ordinary shares, each of which ranks pari passu with the other shares.

Pursuant to the Companies Law and the terms of our Memorandum and Articles of Association, our Company may from time to time by ordinary shareholders' resolution (i) increase its capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) divide its Shares into several classes; (iv) subdivide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may reduce or redeem its share capital by shareholders' special resolution. For more details, please see "Summary of the Constitution of our Company and Cayman Companies Law — 2. Articles of association — 2.5 Alteration of capital" in Appendix IV.

GENERAL MANDATE TO ALLOT AND ISSUE SHARES

Subject to the conditions stated in "Structure and Conditions of the Share Offer — Conditions of the public offer" in this prospectus, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares of such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers, provided that the aggregate nominal value of Shares allotted or agreed to be allotted by the Directors other than pursuant to:

- (i) a rights issue;
- (ii) any scrip dividend scheme or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with our Articles of Association;
- (iii) a specific authority granted by the Shareholders in general meeting,

shall not exceed the aggregate of:

- (i) 20% of the total number of Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue (without taking into account of any Shares which may be allotted and issued by our Company pursuant to the exercise of the Over-allotment Option); and

SHARE CAPITAL

- (ii) the total number of Shares repurchased by our Company (if any) under the general mandate to repurchase Shares referred to “General Mandate to Repurchase Shares” in this section for further details.

This general mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or upon the exercise of the Over-allotment Option. This general mandate to issue Shares will expire at the earliest of:

- (i) the conclusion of our Company’s next annual general meeting; or
- (ii) the expiration of the period within which our Company are required by any applicable laws of the Cayman Islands or our Articles of Association to hold our next annual general meeting; or
- (iii) when varied or revoked by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, please refer to the subsection headed “Statutory and General Information — A. Further information about our Group — 4. Resolutions in writing of the shareholders passed on 18 June 2019” in Appendix V to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the conditions stated in “Structure and Conditions of the Share Offer — Conditions of the public offer”, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares on the Stock Exchange or on any stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the total number of Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue (without taking into account of any Shares which may be allotted and issued by our Company pursuant to the exercise of the Over-allotment Option).

A summary of the relevant Listing Rules is set forth in the subsection headed “Statutory and General Information — A. Further information about our Group — 4. Resolutions in writing of the shareholders passed on 18 June 2019” in Appendix V in this prospectus.

This general mandate to repurchase Shares will expire at the earliest of:

- (i) at the conclusion of our Company’s next annual general meeting; or
- (ii) at the expiration of the period within which we are required by any applicable laws of the Cayman Islands or our Articles to hold our next annual general meeting; or
- (iii) when varied or revoked by any ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, please refer to the subsection headed “Statutory and General Information — A. Further information about our Group — 4. Resolutions in writing of the shareholders passed on 18 June 2019” in Appendix V to this prospectus.

SUBSTANTIAL SHAREHOLDERS

Immediately following the completion of the Share Offer and the Capitalisation Issue (without taking into account of any Shares which may be allotted and issued by our Company pursuant to the exercise of the Over-allotment Option), the following persons will have an interest or a short position in Shares or underlying Shares of our Company which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Division 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of our Company or any of our Group's subsidiaries:

Name of shareholder	Nature of interest	Shares held as of the Latest Practicable Date ⁽¹⁾		Shares held upon Share Offer ⁽²⁾	
		Number	Approximate percentage	Number	Approximate percentage
Flourish Investment (Note 3)	Beneficial owner	191,520,000	57%	478,800,000	42.8%
Premier Investment (Note 3)	Beneficial owner	95,760,000	28.5%	239,400,000	21.4%
Mr. Zhang	Interest in a controlled corporation	191,520,000	57%	478,800,000	42.8%
Mr. Lee	interest in a controlled corporation	95,760,000	28.5%	239,400,000	21.4%

Notes:

- (1) All interests stated are long positions.
- (2) The calculation is based on a total of 1,120,000,000 Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue and assuming the Over-allotment Option is not exercised.
- (3) The issued share capital of Flourish Investment and Premier Investment are legally and beneficially owned as to 100% by Mr. Zhang and Mr. Lee, respectively.

Save as disclosed above, our Directors are not aware of any person who will, immediately following the completion of the Share Offer (without taking into account of any Shares which may be allotted and issued by our Company pursuant to the exercise of the Over-allotment Option), have an interest or a short position in Shares or underlying Shares which will be required to be disclosed to our Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of our Group's subsidiaries. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

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You should read the following discussion of our Group's result of operation and financial condition in conjunction with its audited consolidated financial information as at 31 December 2016, 2017 and 2018 and for FY2016, FY2017 and FY2018, including the notes thereto, included in Appendix I to this prospectus. This historical consolidated financial information is not necessarily indicative of the future performance of our Group. Our consolidated financial statements have been prepared in accordance with HKFRS, which may differ in material respects from the generally accepted accounting principles in other jurisdictions.

The following discussion contains forward-looking statements that involves risk and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current condition and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, whether actual outcome and developments will meet our expectations and predictions depends on a number of factors over which we have no control. You should review the section headed "Risk Factors" in this prospectus for a discussion of the important factors that could cause our actual results to differ materially from the results described in or implied by forward-looking statements.

OVERVIEW

We develop and operate large-scale industrial parks specifically designed for electroplating entities with solutions to their needs for factory premises, wastewater treatment facilities as well as other ancillary services. We currently have two electroplating industrial parks, the Guangdong Huizhou Park and the Tianjin Bingang Park. During the Track Record Period, our revenue was generated from the three major business segments:

- **Rental and facilities usage:** We construct factory premises and wastewater treatment and utility facilities in our industrial parks for leasing by our tenants and provide ancillary property management service. We charge rental of factory premises, facilities usage fee and property management fee against our tenants mainly based on the GFA of their leased factory premises.
- **Wastewater treatment and utilities:** Our industrial parks are equipped with wastewater treatment system to handle the water discharged from our tenants' electroplating operations, as well as the connection facilities to enable our tenants to obtain electricity and water from the government supply. We charge our tenants wastewater treatment fee based on the actual volume of fresh water used and utility systems maintenance fee based on the amount of electricity and water consumed. For the avoidance of doubt, the tenants still have to pay their respective share of electricity charges via us to the relevant government bureau. We also provide our tenants with steam produced by us and charge them based on the actual consumption amount.

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- Ancillary business:** We purchase raw materials for electroplating processes, particularly dangerous chemicals, in bulk from suppliers and resell them to our tenants as a means to strengthen our control on pollutants discharged. We also provide other ancillary services such as environmental protection licence application, pollutant testing service, and gas emission tower management service to our tenants. Since August 2018, we have begun to extract metal from sludge in Guangdong Huizhou Park and sold them to external third parties.

The table below sets forth our revenue, operating profit margin and profit attributable to equity shareholders for the period indicated:

	FY2016	FY2017	FY2018
Revenue in RMB million	197.6	301.9	479.7
Operating profit margin in %	21.7%	19.3%	22.1%
Profit attributable to equity shareholders in RMB million	16.4	20.2	47.9

Please refer to the section headed “Business” in this prospectus for further details of our business.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations and financial condition have been and will continue to be affected by a number of factors, including:

Demand for electroplating services in the PRC

During the Track Record Period, our revenue was derived from factory premises leasing, provision of wastewater treatment services and utilities as well as other ancillary services to our electroplating tenants in our Guangdong Huizhou Park and Tianjin Bingang Park. Electroplating is an indispensable manufacturing process used in a wide range of industries, such as car accessories, electronic goods, aerospace and high-speed train accessories and hardware, etc. and therefore has very wide applications and large market demands. From 2013 to 2018, the total sales revenue of electroplating industry in the PRC rose from RMB234.9 billion to RMB353.0 billion, increasing at a CAGR of 8.5% and is expected to grow at CAGR 6.7% from 2018 to 2023, according to Industry Consultant’s Report.

Furthermore, the direction of the environmental protection policy of the local governments in Huizhou and Tianjin has been towards driving electroplating companies to move their operations into industrial parks. We believe this favourable backdrop of the electroplating industry has enabled us to achieve strong growth in our revenue during the Track Record Period. However, if there occurs any decrease in the demands for the goods and products of which the manufacturing requires electroplating service, our tenants’ business may well be affected and, as a result, would have less waste water discharge or even need to reduce the factory rental space for the cost cutting purpose. In such case, our financial performance would also be adversely affected.

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Ability to consistently treat wastewater that complies with water discharge standards

It is of vital importance that the way we treat wastewater can meet the relevant water discharge standards in order to provide our electroplating customers with a stable operating environment, so that they can focus themselves on production and business growth. In case we committed any material breach of the water discharge standards, we may be required to suspend our facilities which will have a material and adverse impact on our customers' production and seriously harm our relationship with them. During the Track Record Period, the operation of each of our two industrial parks has not encountered any disruption due to technical or any other problems, nor have we been ordered to close down our industrial parks pending remedial works required by the relevant government authorities resulted from any breach of environmental protection law. We always pride ourselves on being able to consistently comply with water discharge standards during the Track Record Period.

We believe our ability to consistently treat wastewater that complies with water discharge standards is one of our core competences. However, if we fail to maintain this ability, we will lose our competitiveness and our results of operation and financial conditions will be adversely affected.

The regulatory environment

During the Track Record Period, our Group benefited favourably from the policies issued by local governments in Huizhou and Tianjin, which requires electroplating entities to relocate their operations into electroplating industrial parks. Accordingly, as at 31 December 2018, the occupancy rate of our Guangdong Huizhou Park reached 100% whereas our Tianjin Bingang Park, which commenced operation in June 2016, has its occupancy rate increased to 61.6%. However, local governments may alter their implementation plans of such policies from time to time, taking into account factors such as the impact of relocation on the local economy and employment as well as the interruption to the operation of electroplating entities and their customers. Therefore, should such policies not be steadfastly implemented by the local governments in Huizhou and Tianjin, our results of operation and financial conditions will be adversely impacted.

Increase in unit price of wastewater treatment

Our revenue generated from wastewater treatment service was RMB44.1 million, RMB69.4 million and RMB111.1 million for FY2016, FY2017 and FY2018 respectively, representing 22.3%, 23.0%, and 23.2% of our revenue during the same period respectively. During the Track Record Period, we were able to raise the unit price of our wastewater treatment service in light of the rising costs, resulting in an increase in the average unit price from RMB20.1 per tonne in FY2016 to RMB28.4 in FY2017 and further to RMB37.0 in FY2018. Unlike our fees for rental and facilities usage, our wastewater treatment service is not entitled to annual automatic fee increase. Accordingly, it is our normal practice to reach mutual agreement with tenants before implementing any proposed fee increase. Therefore, if our tenant disagrees with our proposed fee increase, and decides to leave our park as a result, or it only accepts part of our proposed fee increase, our operating profit margin and financial performance may be adversely affected.

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Industrial park construction and development costs

During the Track Record Period, we made significant investments in the acquisition of land use right, as well as construction of our factory premises, and wastewater treatment, utility and ancillary facilities. For FY2016, FY2017 and FY2018, our capital expenditure relating to construction of our industrial parks were RMB259.9 million, RMB550.1 million and RMB343.3 million, respectively. Changes in the market prices of key construction materials such as concrete, steel and treatment equipment can have an impact on the total construction and development cost of our industrial parks, which are capitalised and depreciated or amortised over their respective estimated useful lives. Therefore, any increase in our construction and development costs will result in increase in our depreciation and amortisation costs, if we cannot pass on such increase to our customers, our financial condition will be adversely affected.

Cost of bank borrowings

During the Track Record Period, we had significant bank borrowings to finance the construction of our industrial parks and other capital expenditures. As at 31 December 2016, 2017 and 2018, our total outstanding bank borrowings were RMB611.8 million, RMB929.1 million and RMB871.9 million, respectively. As a result, our finance cost was RMB36.7 million, RMB48.0 million, and RMB61.0 million for FY2016, FY2017 and FY2018, respectively, representing approximately 18.6%, 15.9% and 12.7% of our revenue during the same period.

During the Track Record Period, over 92% of our bank borrowings were charged on floating interest rate based on the benchmark interest rates set by the PBOC. Therefore, any increase in PBOC benchmark interest rates will increase our cost of bank borrowings, which in turn could affect our financial condition and results of operations.

BASIS OF PREPARATION AND PRESENTATION

The financial information of our Group has been prepared in accordance with the accounting policies set out in Note 2 of the Accountants' Report in Appendix I to this prospectus which conform with the HKFRSs issued by HKICPA.

Prior to the Share Offer, our Company was incorporated in Cayman Islands on 28 June 2018. In preparation for the Share Offer, our Group had undergone the Reorganisation after which our Company has become the holding company of the companies now comprising our Group. Please refer to the section headed "History, Development and Reorganisation" in this prospectus for details. The companies now comprising our Group were controlled by our Controlling Shareholders during the Track Record Period and before and after the completion of the Reorganisation. As such, there has been no change in the ultimate control and there were no substantive changes in the business and operations of the companies now comprising our Group.

The consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows are prepared as if the group structure upon the completion of the Reorganisation has been in existence throughout the Track Record Period, or since the respective dates of incorporation, where there are shorter periods. The

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consolidated statements of financial position as at 31 December 2016, 2017 and 2018 have been prepared to present the financial position of the companies now comprising our Group as if the current group structure had been in existence at those dates, taking into account the respective dates of incorporation, where applicable.

Our Group has adopted HKFRS 9, *Financial instruments* (“HKFRS 9”), HKFRS 15, *Revenue from contracts with customers* (“HKFRS 15”) and HKFRS 16, *Lease* (“HKFRS 16”) in the preparation of our financial information, consistently throughout the Track Record Period. The adoption of HKFRS 9, HKFRS 15 and HKFRS 16 did not have significant impact on our Group’s financial position and performance throughout the Track Record Period when compared to those that would have been presented under HKAS 39, *Financial Instruments: Recognition and Measurement*, HKAS 18, *Revenue* and HKAS 17, *Lease*, respectively.

Further details of the basis of preparation and presentation of our financial information are set out in Note 1 of the Accountants’ Report in Appendix I to this prospectus.

CRITICAL ACCOUNTING POLICIES

We have identified below the accounting policies that we believe are the most critical to our consolidated financial statements. Our significant accounting policies are set out in Note 2 of the Accountants’ Report in Appendix I to this prospectus.

Revenue and other income

Income is classified by our Group as revenue when it arises from the provision of services, the sales of goods or the use by others of our Group’s assets under leases in the ordinary course of our Group’s business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which our Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax (“VAT”) or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to our Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. Our Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

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Further details of our Group's revenue and other income recognition policies are as follows:

Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

Revenue from provision of electroplating wastewater treatment services and other related services

Revenue from provision of electroplating wastewater treatment services and other related services is recognised when the service is rendered.

Sales of goods

Revenue is recognised when the customer obtains control of the goods in the contracts. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Interest income

Interest income is recognised as it accrues using the effective interest method. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that our Group will comply with the conditions attaching to them. Grants that compensate our Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate our Group for the cost of an asset are recognised as deferred income and consequently are effectively recognised in profit or loss on a systematic basis over the useful life of the asset.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

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Investment properties

Investment properties are buildings which are owned to earn rental income and/or for capital appreciation. These include property that is being constructed or developed for future use as investment property.

Investment properties are stated at cost less accumulated depreciation and impairment losses. Depreciation is calculated to write off the costs of investment properties, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

Investment properties	20 years
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Both the useful life of an asset and its residual value, if any, are reviewed annually.

Property, plant and equipment and construction in progress

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

No depreciation is provided in respect of the construction in progress.

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

Buildings	20 years
Plant and machinery	3–20 years
Motor vehicles	5–10 years
Office equipment and others	3–10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Trade and other receivables

A receivable is recognised when our Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

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Receivables are stated at amortised cost using the effective interest method less allowance for credit losses.

Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to business combinations, or items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

For further details, please refer to Notes 2 and 3 of the Accountants' Report set forth in Appendix I to this prospectus.

ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of financial statements in conformity with HKFRSs requires our management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of our assets, liabilities, income and expenses. Below are the key sources of estimation uncertainty and critical accounting judgements in the process of applying our Group's accounting policies.

Depreciation and amortisation

Property, plant and equipment, investment properties, lease prepayments and intangible assets are depreciated or amortised on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value.

Our Group reviews annually the useful life of an asset and its residual value, if any. The depreciation and amortisation expense for future years is adjusted if there are significant changes from previous estimation.

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Impairments

In considering the impairment losses that may be required for certain property, plant and equipment and lease prepayments, recoverable amount of these assets needs to be determined. The recoverable amount is the greater of the net selling price and the value in use. It is difficult to precisely estimate selling price because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgment relating to items such as level of revenue and amount of operating costs. Our Group uses all readily available information in determining an amount that is reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as revenue and operating costs.

Impairment losses for doubtful debts are assessed and provided based on the management's regular review of ageing analysis and evaluation of collectability. A considerable level of judgment is exercised by our Directors when assessing the credit worthiness and past collection history of each individual customer. An increase or decrease in the above impairment losses would affect the net profit or loss in future years.

Recognition of deferred tax assets

Deferred tax assets in respect of tax losses and other deductible temporary differences carried forward are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the end of the reporting period. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of our Group and requires significant level of judgement exercised by our Directors. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in future years.

RESULTS OF OPERATIONS

The following table sets out the consolidated statements of profit or loss of our Group during the Track Record Period which are extracted from the "Accountants' Report" included in Appendix I to this prospectus, and should be read in conjunction with it.

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Consolidated statements of profit or loss

	FY2016	FY2017	FY2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	<u>197,643</u>	<u>301,921</u>	<u>479,678</u>
Operating costs:	(160,293)	(250,908)	(382,496)
Depreciation and amortisation	(65,501)	(95,230)	(126,031)
Cost of inventories	(22,648)	(49,389)	(101,454)
Staff costs	(22,575)	(35,366)	(45,677)
Utility costs	(10,126)	(14,698)	(16,514)
Other expenses	(39,443)	(56,225)	(92,820)
Other revenue	5,020	7,324	11,023
Other net income/(loss)	<u>433</u>	<u>(107)</u>	<u>(2,123)</u>
Profit from operations	42,803	58,230	106,082
Finance costs	<u>(36,727)</u>	<u>(48,027)</u>	<u>(60,969)</u>
Profit before taxation	6,076	10,203	45,113
Income tax	<u>1,405</u>	<u>(1,156)</u>	<u>(8,702)</u>
Profit for the year	<u><u>7,481</u></u>	<u><u>9,047</u></u>	<u><u>36,411</u></u>
Profit for the year	7,481	9,047	36,411
Attributable to:			
Non-controlling interests	(8,886)	(11,148)	(11,525)
Equity shareholders	<u><u>16,367</u></u>	<u><u>20,195</u></u>	<u><u>47,936</u></u>

EBITDA and EBITDA Margin

	FY2016	FY2017	FY2018
EBITDA ^(Note 1) (<i>RMB'000</i>)	108,304	153,460	232,113
EBITDA margin (non-HKFRS measure) ^(Note 2)	54.8%	50.8%	48.4%

Note 1: For a reconciliation of EBITDA to the profit for the year calculated and presented in accordance with HKFRS, please refer to “Non-HKFRS Financial Measures” in this section for further details.

Note 2: EBITDA margin is calculated by dividing EBITDA by revenue. EBITDA margin is not defined under HKFRS and thus a non-HKFRS measure. Please refer to “Financial Information — Non-HKFRS financial measures” for further details.

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DESCRIPTION OF SELECTED COMPONENTS OF OUR INCOME STATEMENTS

Revenue

Below table sets out the breakdown of our revenue by segment for the periods indicated:

	FY2016		FY2017		FY2018	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Rental and facilities usage						
Rental of factory premises	35,136	17.8%	52,859	17.5%	71,207	14.8%
Property management fee	3,675	1.9%	5,431	1.8%	7,809	1.6%
Facilities usage fee	<u>68,509</u>	<u>34.6%</u>	<u>95,968</u>	<u>31.8%</u>	<u>142,803</u>	<u>29.8%</u>
Subtotal	<u>107,320</u>	<u>54.3%</u>	<u>154,258</u>	<u>51.1%</u>	<u>221,819</u>	<u>46.2%</u>
Wastewater treatment and utilities						
Wastewater treatment fee	44,070	22.3%	69,402	23.0%	111,061	23.2%
Steam charge	18,419	9.3%	31,060	10.3%	61,268	12.8%
Utility systems maintenance fee	<u>25,516</u>	<u>12.9%</u>	<u>35,485</u>	<u>11.8%</u>	<u>49,419</u>	<u>10.3%</u>
Subtotal	<u>88,005</u>	<u>44.5%</u>	<u>135,947</u>	<u>45.1%</u>	<u>221,748</u>	<u>46.3%</u>
Ancillary business						
Sales of chemicals	2,254	1.1%	6,347	2.1%	26,065	5.4%
Other income	<u>64</u>	<u>0.1%</u>	<u>5,369</u>	<u>1.7%</u>	<u>10,046</u>	<u>2.1%</u>
Subtotal	<u>2,318</u>	<u>1.2%</u>	<u>11,716</u>	<u>3.8%</u>	<u>36,111</u>	<u>7.5%</u>
Total	<u><u>197,643</u></u>	<u><u>100.0%</u></u>	<u><u>301,921</u></u>	<u><u>100.0%</u></u>	<u><u>479,678</u></u>	<u><u>100.0%</u></u>

Our group generated revenue primarily from providing factory premises leasing, facilities usage, wastewater treatment, utilities and other ancillary services to tenants in our industrial parks. Our revenue increased by RMB104.3 million (or 52.8%) from FY2016 to FY2017, and increased by RMB177.8 million (or 58.9%) from FY2017 to FY2018. We are able to achieve such significant growth in our revenue as a result of (i) our Tianjin Bingang Park commenced its operation in June 2016 and generated an increasing amount of revenue during the Track Record Period; (ii) increase in demand for our factory premises and wastewater treatment services in Guangdong Huizhou Park, the occupancy rate of which has increased from 85.6% as at 31 December 2016 to 99.4% as at 31 December 2017 and reached 100.0% as at 31 December 2018; and (iii) increase in our respective unit prices for rental and facilities usage, wastewater treatment, and other services.

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Guangdong Huizhou Park

Our Guangdong Huizhou Park commenced its operation in April 2007 and contributed to the majority of our revenue during the Track Record Period.

Our revenue from Guangdong Huizhou Park increased by RMB56.3 million (or 29.0%) from FY2016 to FY2017 and further increased by RMB96.1 million (or 38.3%) from FY2017 to FY2018, primarily attributable to (i) increase in the average daily leased area by our tenants from approximately 248,000 sq.m. for FY2016 to approximately 314,000 sq.m. for FY2018; (ii) increase in the volume of fresh water used, and steam and electricity consumed by our tenants, in line with increase in the average daily leased area; and (iii) increase in our respective unit prices for rental and facilities usage, wastewater treatment and other services.

Rental and facilities usage

Income from the segment comprises (i) rental of factory premises; (ii) property management fee; and (iii) facilities usage fee, chargeable on our tenants based on the GFA of their leased factory premises. Set out below is the revenue, average daily leased area and average monthly unit price during the Track Record Period:

	Guangdong Huizhou Park		
	FY2016	FY2017	FY2018
Revenue — Rental and facilities usage (<i>RMB'000</i>)	104,622	123,816	149,200
Average daily leased area (sq.m.) ^(Note)	248,000	268,000	314,000
Average monthly unit price (<i>RMB per sq.m.</i>):			
(i) Rental of factory premises	11.1	13.1	13.3
(ii) Property management fee	1.2	1.2	1.3
(iii) Facilities usage fee	22.8	24.2	25.0
	35.1	38.5	39.6

Note: Average daily leased area is calculated by total daily leased area during the year divided by number of days for the year, rounded to the nearest thousand.

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Our revenue from rental and facilities usage increased by RMB19.2 million (or 18.3%) from FY2016 to FY2017, and further increased by RMB25.4 million (or 20.5%) from FY2017 to FY2018, primarily attributable to (i) increase in average daily leased area; and (ii) annual increment of facilities usage fee by 5% pursuant to the respective agreements with tenants.

The average monthly unit price of rental of factory premises increased by 18.0% in FY2017 versus the preceding year mainly because (i) the Group has applied HKFRS 16, *Leases*, (“HKFRS 16”) during the Track Record Period, which requires the rental income receivable under operating leases to be recognised in profit and loss in equal instalments during the lease term; and (ii) on 1 January 2017, the Group renewed tenancy agreements with all tenants of Guangdong Huizhou Park and the rental income recognised in profit or loss statement in FY2017 under HKFRS 16 was higher than the actual amount received during the year.

Wastewater treatment and utilities

Income from the segment comprises wastewater treatment fee, steam charge and utility systems maintenance fee, chargeable on our tenants based on the actual volume of fresh water, steam, and utility consumed, respectively.

(i) Wastewater treatment fee

	Guangdong Huizhou Park		
	FY2016	FY2017	FY2018
Revenue — Wastewater treatment fee (<i>RMB'000</i>)	43,876	62,052	87,730
Fresh water used (<i>tonnes</i>) ^(Note)	2,188,000	2,275,000	2,593,000
Average wastewater treatment unit price (<i>RMB per tonne</i>)	20.0	27.3	33.8

Note: Rounded to the nearest thousand.

Our wastewater treatment fee increased by RMB18.2 million (or 41.4%) from FY2016 to FY2017, primarily attributable to (i) increase in volume of fresh water used; and (ii) increase in unit price in response to the rise in costs to treat wastewater with growing volume and concentration of chemical pollutants. To the best knowledge of our Directors, our tenants in Guangdong Huizhou Park in general have been increasing their production volume as well as upgrading their electroplating facilities that enhanced their operating efficiency in various ways, including lowered the consumption rate for fresh water. Accordingly, the volume and concentration of pollutants they discharged both rose in FY2017.

Our wastewater treatment fee further increased by RMB25.7 million (or 41.4%) from FY2017 to FY2018, primarily attributable to (i) increase in volume of fresh water used; and (ii) increase in the wastewater treatment unit price in light of the surge in sludge treatment costs charged by external recycling companies resulted from the tightened inspection and supervision on sludge treatment as stipulated by Department of Ecology and Environment of Guangdong Province in July 2017.

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(ii) Steam charge

	Guangdong Huizhou Park		
	FY2016	FY2017	FY2018
Revenue — Steam charge (<i>RMB'000</i>)	18,217	23,133	40,060
Steam consumed (<i>tonnes</i>) ^(Note)	67,000	82,000	109,000
Average steam charge unit price (<i>RMB per tonne</i>)	273.9	282.4	367.7

Note: Rounded to the nearest thousand.

Our steam charge increased by RMB4.9 million (or 27.0%) from FY2016 to FY2017, primarily attributable to increase in volume of steam consumed by our tenants.

Our steam charge further increased by RMB16.9 million (or 73.2%) from FY2017 to FY2018, primarily attributable to (i) increase in volume of steam consumed by our tenants mainly due to their expanding production scale; and (ii) increase in the steam charge unit price mainly due to the increase in our raw materials costs per tonne of steam as we changed our fuel from coal to natural gas in accordance with environment protection requirement.

(iii) Utility systems maintenance fee

	Guangdong Huizhou Park		
	FY2016	FY2017	FY2018
Revenue — Utility systems maintenance fee (<i>RMB'000</i>)	25,417	31,772	37,720
Electricity consumed (<i>kWh</i>) ^(Note)	114,800,000	131,500,000	160,200,000
Average electricity system maintenance unit price (<i>RMB per kWh</i>)	0.22	0.24	0.24

Note: Rounded to the nearest hundred thousand.

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We charge our tenants for using our electricity and water supply systems, based on their consumption volume of those utilities. During the Track Record Period, over 99% of the fee was derived from utilisation of electricity system. The utility systems maintenance fee increased by RMB6.4 million (or 25.0%) from FY2016 to FY2017, and further increased by RMB5.9 million (or 18.7%) from FY2017 to FY2018, primarily attributable to (i) increase in volume of electricity consumed by our tenants mainly due to their expanding production scale; and (ii) the applicable VAT being reduced from 17% for FY2016 to 6% for FY2017, whilst the actual unit price charged on the tenants remaining unchanged.

Ancillary business

The revenue generated from sales of chemicals increased by RMB4.1 million (or 181.6%) from FY2016 to FY2017, and further increased by RMB19.7 million (or 310.7%) from FY2017 to FY2018, primarily because we required our tenants to purchase chemicals for electroplating from us to strengthen our control on pollutants discharge.

Other income mainly consisted of environmental protection licence application service income, pollutant testing service income, gas emission tower management service income and income from sale of metal extracted from sludge in Guangdong Huizhou Park.

Tianjin Bingang Park

Our Tianjin Bingang Park commenced its operation in June 2016 and generated an increasing amount of revenue during the Track Record Period.

Our revenue from Tianjin Bingang Park increased by RMB48.0 million (or 1,474.4%) from FY2016 to FY2017 and further increased by RMB81.6 million (or 159.4%) from FY2017 to FY2018, primarily attributable to (i) increase in the average daily leased area by our tenants from approximately 15,000 sq.m. for FY2016 to approximately 144,000 sq.m. for FY2018; (ii) increase in the volume of fresh water used, steam and electricity consumed by our tenants, resulted from additional consumption by new tenants and expanding production volume of existing tenants; and (iii) increase in our respective unit prices for rental and facilities usage, wastewater treatment and other services.

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Rental and facilities usage

Income from this segment comprises (i) rental of factory premises; (ii) property management fee; and (iii) facilities usage fee, chargeable on our tenants based on the GFA of their leased factory premises. Set out below is the revenue, average daily leased area and average monthly unit prices during the Track Record Period:

	Tianjin Bingang Park		
	FY2016	FY2017	FY2018
Revenue — Rental and facilities usage (<i>RMB'000</i>)	2,698	30,442	72,619
Average daily leased area (<i>sq. m.</i>) ^(Note 1)	15,000	74,000	144,000
Average monthly unit price (<i>RMB per sq.m.</i>)			
(i) Rental of factory premises	12.2	12.1	12.2
(ii) Property management fee	0.6 ^(Note 2)	1.6 ^(Note 2)	1.7
(iii) Facilities usage fee	2.7 ^(Note 2)	20.6 ^(Note 2)	28.0
	15.5	34.3	41.9

Note 1: Average daily leased area is calculated by total daily leased area during the year divided by number of days for the year, rounded to the nearest thousand.

Note 2: The amounts were less in FY2016 and FY2017 because tenants which accounted for around 75% of our leased area as at 31 December 2018 moved into the park in these two years and were waived from payment of these fees during their renovation period that generally lasted for three months.

Our Tianjin Bingang Park commenced its operation in June 2016. Driven by the demand for electroplating industrial park in Tianjin and our continuous marketing effort, our Tianjin Bingang Park recorded significant increase in number of tenants and average daily leased area during the Track Record Period.

Our revenue from rental and facilities usage increased by RMB27.7 million (or 1,028.3%) from FY2016 to FY2017, and further increased by RMB42.2 million (or 138.5%) from FY2017 to FY2018, primarily attributable to (i) increase in average daily leased area; and (ii) annual increment of facilities usage fee by 5% pursuant to the respective agreements with tenants.

FINANCIAL INFORMATION

Wastewater treatment and utilities

Income from this segment comprises wastewater treatment fee, steam charge and utility systems maintenance fee, chargeable on our tenants based on the actual volume of fresh water, steam, and utility consumed, respectively.

(i) Wastewater treatment fee

	Tianjin Bingang Park		
	FY2016	FY2017	FY2018
Revenue — Wastewater treatment fee (<i>RMB'000</i>)	194	7,350	23,331
Fresh water used (<i>tonnes</i>) ^(Note)	6,000	171,000	407,000
Average wastewater treatment unit price (<i>RMB per tonne</i>)	32.4	42.9	57.3

Note: Rounded to the nearest thousand.

Our wastewater treatment fee increased by RMB7.2 million (or 3,688.7%) from FY2016 to FY2017, primarily attributable to increase in volume of fresh water used.

Our wastewater treatment fee further increased by RMB16.0 million (or 217.4%) from FY2017 to FY2018, primarily attributable to (i) increase in volume of fresh water used; and (ii) increase in the unit price in light of the rise in wastewater treatment costs.

(ii) Steam charge

	Tianjin Bingang Park		
	FY2016	FY2017	FY2018
Revenue — Steam charge (<i>RMB'000</i>)	202	7,927	21,208
Steam consumed (<i>tonnes</i>) ^(Note)	400	17,000	47,000
Average steam charge unit price (<i>RMB per tonne</i>)	453.6	454.5	454.6

Note: Rounded to the nearest hundred/thousand.

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Our steam charge has increased by RMB7.7 million (or 3,824.3%) from FY2016 to FY2017 and further increased by RMB13.3 million (or 167.5%) from FY2017 to FY2018, primarily attributable to increase in volume of steam consumed by our tenants.

(iii) Utility systems maintenance fee

	Tianjin Bingang Park		
	FY2016	FY2017	FY2018
Revenue — Utility systems maintenance fee (RMB'000)	99	3,713	11,699
Electricity consumed (kWh) <i>(Note)</i>	300,000	11,100,000	35,200,000
Average electricity system maintenance unit price (RMB per kWh)	0.33	0.33	0.33

Note: Rounded to the nearest hundred thousand.

We charge our tenants for using our electricity and water supply systems, based on their consumption volume of those utilities. During the Track Record Period, 99% of the fee was derived from utilisation of electricity system. The utility systems maintenance fee increased by RMB3.6 million (or 3,650.5%) from FY2016 to FY2017, and further increased by RMB8.0 million (or 215.1%) from FY2017 to FY2018, primarily attributable to increase in volume of electricity consumed by our tenants.

Ancillary business

Other income mainly consisted of environmental protection licence application service income and gas emission tower management service income to our tenants in Tianjin Bingang Park.

Operating costs

Our operating costs increased by RMB90.6 million (or 56.5%) from RMB160.3 million for FY2016 to RMB250.9 million for FY2017, primarily attributable to (i) increase of RMB42.5 million in operating costs of Tianjin Bingang Park due to its first full year operation in FY2017; and (ii) increase of RMB48.1 million in operating costs of Guangdong Huizhou Park which was in line with the increase in its revenue by RMB56.3 million.

Our operating costs increased by RMB131.6 million (or 52.4%) from RMB250.9 million for FY2017 to RMB382.5 million for FY2018, which was generally in line with the increase in our revenue by RMB177.8 million (or 58.9%) during the year.

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The following table sets forth a breakdown of our operating costs:

	FY2016		FY2017		FY2018	
	RMB'000	%	RMB'000	%	RMB'000	%
Depreciation and amortisation	65,501	40.9%	95,230	37.9%	126,031	32.9%
Cost of inventories	22,648	14.1%	49,389	19.7%	101,454	26.5%
Staff costs	22,575	14.1%	35,366	14.1%	45,677	11.9%
Utility costs	10,126	6.3%	14,698	5.8%	16,514	4.3%
Property levies and other taxes	12,068	7.5%	10,496	4.2%	14,369	3.8%
Sludge treatment fee	587	0.4%	4,228	1.7%	15,550	4.1%
Research and development	2,343	1.5%	7,682	3.1%	8,369	2.2%
Listing expenses	—	0.0%	—	0.0%	4,031	1.1%
Others	24,445	15.2%	33,819	13.5%	50,501	13.2%
Total	160,293	100.0%	250,908	100.0%	382,496	100.0%

Depreciation and amortisation

Depreciation and amortisation increased by RMB29.7 million (or 45.4%) from FY2016 to FY2017 and further increased by RMB30.8 million (or 32.3%) from FY2017 to FY2018, following our significant addition of investment properties, lease prepayments for land use right, property, plant and equipment in our industrial parks by RMB560.7 million, RMB511.2 million, RMB395.7 million in FY2016, FY2017 and FY2018, respectively.

Cost of inventories

Cost of inventories consisted of, to a larger extent, inventories consumed for the operations of our industrial parks including materials for wastewater treatment and coal and natural gas for production of steam, and to a lesser extent, chemicals for sale to our tenants.

	FY2016		FY2017		FY2018	
	RMB'000	% of	RMB'000	% of	RMB'000	% of
		operating costs		operating costs		operating costs
Inventories consumed	20,541	12.8%	44,280	17.7%	79,058	20.6%
Chemicals for sale to tenants	2,107	1.3%	5,109	2.0%	22,396	5.9%
Cost of inventories	22,648	14.1%	49,389	19.7%	101,454	26.5%

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Cost of inventories increased by RMB26.7 million (or 118.1%) from FY2016 to FY2017, which was primarily attributable to (i) Tianjin Bingang Park having its first full year operation in FY2017; and (ii) increase in treatment materials per tonne of wastewater treated as a result of growing volume and concentration of chemical pollutants discharged by our tenants in Guangdong Huizhou Park.

Cost of inventories increased by RMB52.1 million (or 105.4%) from FY2017 to FY2018 which was primarily attributable to (i) increase of RMB34.8 million in inventory consumed mainly resulted from increase in volume of steam consumed by our tenants in Guangdong Huizhou Park and Tianjin Bingang Park, coupled with increase in raw material costs to produce steam as we changed our fuel from coal to natural gas in Guangdong Huizhou Park; and (ii) increase of RMB17.3 million in chemicals for sale to tenants which was in line with the increase of RMB19.7 million in revenue from sales of chemicals.

Staff costs

Staff costs represented our staff's salaries, bonus and other benefits incurred in the operations of our industrial parks. Staff costs increased by RMB12.8 million (or 56.7%) from FY2016 to FY2017 and increased by RMB10.3 million (or 29.2%) from FY2017 to FY2018. Such increase was primarily attributable to (i) the hiring of additional staff to support our expanding operating scale, especially for our Tianjin Bingang Park and as a result, our total number of employees was 284, 349 and 475, as at 31 December 2016, 2017 and 2018, respectively; and (ii) the general rise in our staff's salaries.

Utility costs

Utility costs primarily represented costs of electricity and water consumed throughout our wastewater treatment processes and for other management activities such as lighting and gardening inside our industrial parks. Utility costs increased by RMB4.6 million (or 45.2%) from FY2016 to FY2017 and increased by RMB1.8 million (or 12.4%) from FY2017 to FY2018, which was in line with our expanding operating scale and increase in wastewater treatment volume.

Property levies and other taxes

Property levies and other taxes primarily represented various kinds of government levies or taxes such as real estate tax (房產稅), urban construction tax (城市建設維護稅), education supplementary tax (教育費附加), tenure tax (土地使用稅), and stamp duty (印花稅). All these taxes were calculated and paid according to the then prevailing tax regulations.

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Sludge treatment expenses

Sludge treatment expenses represented the costs charged by external recycling companies to collect sludge generated from the wastewater treatment processes. Sludge treatment expenses increased by RMB3.6 million (or 620.3%) from FY2016 to FY2017 and RMB11.3 million (or 267.8%) from FY2017 to FY2018, primarily due to (i) our expanding operating scale; and (ii) increase in average sludge treatment costs per tonne due to the tightened inspection and supervision on sludge treatment as stipulated by Department of Ecology and Environment of Guangdong Province in July 2017.

Research and development

Research and development costs primarily represented labour costs and chemical material costs incurred in our research and development works. Our Group has increased the spending on research and development aiming to improve our wastewater treatment processes and technologies during the Track Record Period.

Others

Others are mainly expenses incidental to our business operation such as office expenses, business entertainment expenses, transportation expenses, repair and maintenance costs, bank charges, costs of low value consumables, security guard expenses and etc. Increases in such expenses during the Track Record Period were in line with our expanding operating scale.

FINANCIAL INFORMATION

Profit from operations and operating profit margin

The following table sets out a breakdown of our profit from operations and operating profit margin (calculated as profit from operations as a percentage of revenue) by industrial park:

	FY2016		FY2017		FY2018	
	Profit/(Loss) from operations RMB'000	Operating profit margin %	Profit/(Loss) from operations RMB'000	Operating profit margin %	Profit/(Loss) from operations RMB'000	Operating profit margin %
Guangdong Huizhou Park ^(Note 1)	66,975	34.5%	77,160	30.8%	105,990	30.6%
Tianjin Bingang Park ^(Note 1)	(24,172)	N/A	(18,930)	N/A	4,123	3.1%
Group	42,803	21.7%	58,230	19.3%	106,082	22.1%

Note 1: Profit/(loss) from operations represents revenue minus operating costs and excluding listing expenses of nil, nil and RMB4.0 million during the Track Record Period.

Notwithstanding our Guangdong Huizhou Park recorded a continuous growth in profit from operations, its operating profit margin was on a decreasing trend during the Track Record Period mainly because the park (i) was unable to pass on the entire rise in raw material cost for wastewater treatment and steam generation to the tenants on time as it took time to negotiate and agree with tenants for any price increase; and (ii) increased its sale of chemicals to tenants of which the margin was lower as compared to the overall margin of the park.

Our Tianjin Bingang Park recorded loss from operations for FY2016 and FY2017. It achieved profit from operations of RMB4.1 million for FY2018 when the continual growth in revenue, driven by increasing number of tenants and GFA leased, became sufficient to absorb the operating costs, particularly depreciation and amortisation. Occupancy rate of this park increased from 31.1% as at 31 December 2016 to 61.6% as at 31 December 2018.

As at the Latest Practicable Date, our Directors anticipate that (i) the raw material cost for wastewater treatment would become stable in the future, as referred to in “Industry Overview — Market analysis of electroplating industrial park in China — Costs of major raw materials” in this prospectus; and (ii) utility unit cost would remain stable in the future, which mainly includes electricity for running the facilities. However, our Group’s profitability and operating profit margin may be materially and adversely affected if we fail to pass on rise in our costs to the tenants in the future. Please refer to “Significant Factors Affecting Our Results of Operations and Financial Condition — Increase in unit price of wastewater treatment” in this section for further details.

FINANCIAL INFORMATION

Other revenue

Our other revenue primarily consisted of (i) interest income, (ii) government grants, and (iii) other income which are set out as follow:

	FY2016 <i>RMB'000</i>	FY2017 <i>RMB'000</i>	FY2018 <i>RMB'000</i>
Interest income	2,699	2,744	2,760
Government grants	2,226	4,198	5,844
Other income	95	382	2,419
Total	5,020	7,324	11,023

Interest income

The above represents mainly interest from our bank deposits of RMB50.0 million with original maturity date over three months.

Government grants

The local governments in Guangdong and Tianjin provide financial support to wastewater treatment enterprises by way of government grants. The amount of government grants is determined based on factors such as designed capacity and investment amount of the relevant projects and plants. We recognised those incomes on a systemic basis over the useful life of the relevant asset.

Revenue from government grants increased by RMB2.0 million (or 88.6%) from FY2016 to FY2017, primarily attributable to additional grants of RMB41.0 million received by our Group mainly in relation to our acquisition of land use rights and construction of wastewater treatment facilities in Guangdong Huizhou Park. It further increased by RMB1.6 million (or 39.2%) in FY2018, primarily due to the full-year recognition of the government grants received in FY2017.

Other income

The amount for FY2018 mainly included one-off income of RMB1.6 million from participants to the electroplating industry conference held by our Group in Tianjin Bingang Park in September 2018.

FINANCIAL INFORMATION

Finance costs

Finance costs comprised primarily interest on bank borrowings less interest expense capitalised into properties under development. The following table sets forth a breakdown of our finance costs:

	FY2016	FY2017	FY2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interest expenses on bank loans	39,567	57,445	65,961
Less: interest expense capitalised into properties under development	<u>(2,840)</u>	<u>(9,418)</u>	<u>(4,992)</u>
Total	<u>36,727</u>	<u>48,027</u>	<u>60,969</u>

On average over 92% of our bank loans were charged at floating interest rates which remained stable ranging from 5.64% to 6.86% during the Track Record Period. The rising trend in interest expense was mainly due to the construction of Tianjin Bingang Park which raised the amount of our bank loans from RMB611.8 million as at 31 December 2016 to RMB929.1 million as at 31 December 2017 and additional bank loans in the sum of RMB120.0 million raised to settle payments relating to equipment purchases and construction of Tianjin Bingang Park during FY2018. We repaid bank loans of RMB121.5 million in December 2018.

We capitalised a portion of our finance costs which were directly attributable to our construction in progress at rates ranging from 6.37% to 6.61% during the Track Record Period.

Other net income/(loss)

Other net loss for FY2018 mainly included loss of RMB2.5 million from changes in fair value of other financial assets. Please refer to “Other financial assets” in this section for further details.

FINANCIAL INFORMATION

Income tax

PRC

The statutory income tax rate for the PRC subsidiaries is 25% during the Track Record Period.

The following table sets forth the reconciliation between our income tax expenses and profit before taxation at applicable tax rates:

	FY2016	FY2017	FY2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit before taxation	<u>6,076</u>	<u>10,203</u>	<u>45,113</u>
Notional tax on profit before taxation (<i>Note 1</i>)	1,519	2,551	12,337
Effect of non-deductible expenses	404	490	784
Effect of preferential tax treatments (<i>Note 2</i>)	(3,365)	(1,886)	(4,594)
Effect of tax losses not recognised	<u>37</u>	<u>1</u>	<u>175</u>
Income tax (credit)/expenses	<u>(1,405)</u>	<u>1,156</u>	<u>8,702</u>

Note 1: Notional tax on profit before taxation is mainly calculated by profit before taxation derived from our subsidiaries in PRC during the year multiplied by the statutory income tax rate of 25%.

Note 2: Please refer to “Effect of preferential tax treatments” hereunder.

Our effective tax rate was Nil, 11.3% and 19.3% for FY2016, FY2017 and FY2018, respectively. The fluctuation of our effective tax rate during the Track Record Period was mainly due to the effect of preferential tax treatments entitled by our Group.

Effect of preferential tax treatments

Huizhou Jinmaoyuan and Huizhou Kimou were entitled to the preferential tax policy on environmental protection devices either throughout or in a particular year in the Track Record Period. Additional tax deduction equaling to 10% of total purchasing amount of environmental protection devices could be utilised within five years after purchase of the devices. Accordingly, for FY2016, FY2017 and FY2018, our income tax was reduced by RMB3.4 million, RMB0.9 million and RMB0.8 million, respectively.

Further, Huizhou Jinmaoyuan and Tianjin Bingang were entitled to claim additional tax deduction when determining the assessable profits in an amount equaling to 50% and 75% of our research and development expenses incurred for FY2017 and FY2018, respectively. Our income tax for FY2017 and FY2018 was reduced by RMB1.0 million and RMB1.6 million, respectively.

FINANCIAL INFORMATION

Moreover, Huizhou Jinmaoyuan has obtained qualification as a High and New Technology Enterprise with effect from November 2018. According to the applicable PRC laws and regulations, High and New Technology Enterprise enjoys a preferential income tax rate of 15%. As confirmed by the local tax bureau, the applicable income tax rate of Huizhou Jinmaoyuan for FY2018 was 15%. Accordingly, our income tax was reduced by RMB2.1 million in FY2018.

Hong Kong

No provision for Hong Kong Profits Tax was made for FY2016, FY2017 and FY2018 as the subsidiaries of our Group in Hong Kong did not have any assessable profits during the Track Record Period.

Cayman Islands and BVI

Pursuant to the rules and regulations of the Cayman Islands and BVI, we are not subject to income tax in the Cayman Islands and BVI.

During the Track Record Period and up to the Latest Practicable Date, as confirmed by our Directors, we paid all relevant taxes applicable to us and did not have any dispute or issue with tax authorities which might have a material impact on our business, financial condition or results of operations.

NON-HKFRS FINANCIAL MEASURES

To supplement our consolidated financial statements which are presented in accordance with HKFRS, we also use adjusted profit for the year, EBITDA and EBITDA margin as additional financial measures. We present these financial measures as they are used by our Directors to evaluate our operating performance. We also believe that these financial measures provide useful information in understanding and evaluating our consolidated results of operations.

Adjusted profit for the year

Adjusted profit for the year is calculated by adding back the Listing expenses to the profit for the year as presented in accordance with HKFRS, as set out in the following table:

	FY2016	FY2017	FY2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year	7,481	9,047	36,411
Add: Listing expenses	<u>—</u>	<u>—</u>	<u>4,031</u>
Adjusted profit for the year	<u><u>7,481</u></u>	<u><u>9,047</u></u>	<u><u>40,442</u></u>

FINANCIAL INFORMATION

EBITDA and EBITDA margin

EBITDA represents profit before finance costs, income tax and depreciation and amortisation. EBITDA margin is calculated by dividing EBITDA by revenue.

The use of EBITDA is subject to certain limitations as it does not reflect all items of income and expenses that affect our operations. Items excluded from EBITDA, including finance costs, income tax and depreciation and amortisation, have been and may continue to be incurred in our business and are significant components in understanding and assessing our operating and financial performance. Each of these items should be considered in the overall evaluation of our results. Additionally, EBITDA should not be considered as a measure of our liquidity as changes in working capital, capital expenditures and other investing activities are not considered. The term EBITDA is not defined under HKFRS and EBITDA is not a measure of profit or liquidity presented in accordance with HKFRS.

The following table reconciles our EBITDA with the profit for the year calculated and presented in accordance with HKFRS:

	FY2016	FY2017	FY2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year	7,481	9,047	36,411
Add: Finance costs	36,727	48,027	60,969
Income tax	(1,405)	1,156	8,702
Depreciation and amortization	<u>65,501</u>	<u>95,230</u>	<u>126,031</u>
EBITDA	<u>108,304</u>	<u>153,460</u>	<u>232,113</u>

The following table sets out our EBITDA and EBITDA margin:

	FY2016	FY2017	FY2018
EBITDA in RMB'000			
Guangdong Huizhou Park ^(Note 1)	119,888	146,217	183,841
Tianjin Bingang Park ^(Note 1)	(11,584)	7,243	52,303
Group ^(Note 2)	108,304	153,460	232,113
EBITDA margin			
Guangdong Huizhou Park	61.7%	58.3%	53.0%
Tianjin Bingang Park	N/A	14.1%	39.4%
Group	54.8%	50.8%	48.4%

Note 1: Excluding Listing expenses

Note 2: Including Listing expenses of RMB4.0 million in FY2018

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Despite the continual rise in EBITDA, the EBITDA margin of Guangdong Huizhou Park dropped during the Track Record Period mainly because of the decrease in the operating profit margin. Therefore, notwithstanding that our Tianjin Bingang Park recorded improving EBITDA margin in FY2017 and FY2018, the improvements were fully offset by the decreasing EBITDA margin of Guangdong Huizhou Park. Consequently, the EBITDA margin of our Group was on a decreasing trend during the Track Record Period.

In light of the foregoing limitations for non-HKFRS financial measures, when assessing our operating and financial performance, investors are reminded that they are analytical tools and should not be considered in isolation from, or as a substitute for, an analysis of our financial results or other operating performance measures calculated in accordance with HKFRS. In addition, these non-HKFRS financial measures may not be calculated in the same manner by all companies and therefore may not be comparable to similarly named measures used by other companies.

PERIOD-ON-PERIOD COMPARISON OF RESULTS OF OPERATIONS

FY2018 compared to FY2017

	FY2017	FY2018	Increase/(Decrease)	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	%
Revenue	301,921	479,678	177,757	58.9%
Operating costs:	(250,908)	(382,496)	(131,588)	52.4%
Depreciation and amortisation	(95,230)	(126,031)	(30,801)	32.3%
Cost of inventories	(49,389)	(101,454)	(52,065)	105.4%
Staff costs	(35,366)	(45,677)	(10,311)	29.2%
Utility costs	(14,698)	(16,514)	(1,816)	12.4%
Other expenses	(56,225)	(92,820)	(36,595)	65.1%
Other revenue	7,324	11,023	3,699	50.5%
Other net income/(loss)	(107)	(2,123)	(2,016)	1,884.1%
Profit from operations	58,230	106,082	47,852	82.2%
Finance costs	(48,027)	(60,969)	(12,942)	26.9%
Profit before taxation	10,203	45,113	34,910	342.2%
Income tax	(1,156)	(8,702)	(7,546)	652.8%
Profit for the year	9,047	36,411	27,364	302.5%

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Revenue

The revenue growth in FY2018 was contributed as to RMB96.1 million and RMB81.6 million by Guangdong Huizhou Park and Tianjin Bingang Park, respectively.

Revenue from both parks rose because (i) the average daily leased area of Guangdong Huizhou Park and Tianjin Bingang Park increased by 46,000 sq.m. and 70,000 sq.m., respectively; (ii) increase in the volume of fresh water, steam and electricity consumed resulting from the surge of average daily leased area and enlarging production volume of tenants; and (iii) increase in our respective unit prices for rental and facilities usage, wastewater treatment, and other services.

Operating Costs

Our operating costs increased by RMB131.6 million (or 52.4%) in FY2018, mainly due to our expanding operating scale and increasing sale of chemicals, which was generally in line with increase of RMB177.8 million (or 58.9%) in our revenue during the year.

Other revenue

Our other revenue increased by RMB3.7 million (or 50.5%) in FY2018, primarily due to (i) an increase of RMB1.6 million in government grants recognised in profit or loss; and (ii) RMB1.6 million income from participants to the electroplating industry conference held by our Group in Tianjin Bingang Park in September 2018.

Profit from operations and operating profit margin

As a result of the foregoing, our profit from operations increased by RMB47.9 million (or 82.2%), in FY2018. Our operating profit margin also increased from 19.3% for FY2017 to 22.1% for FY2018 mainly because our Tianjin Bingang Park turned around in its financial performance in FY2018 and recorded a profit from operations of RMB4.1 million versus loss in preceding years.

Finance costs

Our finance costs increased in FY2018, primarily due to the additional bank loans in the sum of RMB120.0 million borrowed during FY2018 for settling payments relating to equipment purchases and construction of Tianjin Bingang Park. We repaid bank loans of RMB121.5 million in December 2018.

Income tax

The increase in income tax was mainly due to the increase in our profit before taxation by RMB34.9 million, partially offset by increase of RMB2.7 million in the preferential tax treatment.

Profit for the year

Our profit for the year increased by RMB27.4 million (or 3.0 times) in FY2018, primarily as a result of factors described above.

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FY2016 Compared to FY2017

	FY2016	FY2017	Increase/(Decrease)	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	%
Revenue	197,643	301,921	104,278	52.8%
Operating costs:	(160,293)	(250,908)	(90,615)	56.5%
Depreciation and amortisation	(65,501)	(95,230)	(29,729)	45.4%
Cost of inventories	(22,648)	(49,389)	(26,741)	118.1%
Staff costs	(22,575)	(35,366)	(12,791)	56.7%
Utility costs	(10,126)	(14,698)	(4,572)	45.2%
Other expenses	(39,443)	(56,225)	(16,782)	42.5%
Other revenue	5,020	7,324	2,304	45.9%
Other net income/(loss)	433	(107)	(540)	-124.7%
Profit from operations	42,803	58,230	15,427	36.0%
Finance costs	(36,727)	(48,027)	(11,300)	30.8%
Profit before taxation	6,076	10,203	4,127	67.9%
Income tax	1,405	(1,156)	(2,561)	-182.3%
Profit for the year	<u>7,481</u>	<u>9,047</u>	<u>1,566</u>	<u>20.9%</u>

Revenue

The revenue growth in FY2017 was contributed as to RMB56.3 million and RMB48.0 million by Guangdong Huizhou Park and Tianjin Bingang Park, respectively.

Revenue from both parks rose because (i) the average daily leased area of Guangdong Huizhou Park and Tianjin Bingang Park increased by 20,000 sq.m. and 59,000 sq.m., respectively; (ii) increase in the volume of fresh water, steam and electricity consumed resulting from the surge of average daily leased area and enlarging production volume of tenants; and (iii) increase in our respective unit prices for rental and facilities usage, wastewater treatment, and other services.

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Operating Costs

Our operating costs increased by RMB90.6 million (or 56.5%), in FY2017 which was contributed as to (i) RMB42.5 million by Tianjin Bingang Park due to its first full year operation in FY2017; and (ii) RMB48.1 million by Guangdong Huizhou Park, which was in line with its expanded operation scale with an increase in revenue by RMB56.3 million during the year.

Other revenue

Other revenue increased by RMB2.3 million or (45.9%) in FY2017, primarily due to an increase of RMB2.0 million in government grants recognised in profit or loss.

Profit from operations and operating profit margin

As a result of the foregoing, our profit from operations increased by RMB15.4 million (or 36.0%) in FY2017. Our operating profit margin decreased from 21.7% for FY2016 to 19.3% for FY2017, mainly due to the drop in operating profit margin of Guangdong Huizhou Park by 3.7 percentage points for processing highly polluted wastewater and unable to pass on the additional costs to its tenants entirely on time during the year.

Finance costs

Our finance costs increased by RMB11.3 million (or 30.8%) in FY2017, primarily due to the increase in bank loans from RMB611.8 million as at 31 December 2016 to RMB929.1 million as at 31 December 2017 mainly for construction of Tianjin Bingang Park.

Income tax

We recorded an income tax credit of RMB1.4 million for FY2016 mainly arose from tax deduction of RMB3.4 million pursuant to the preferential tax treatments during the year. We then recorded income tax expenses of RMB1.2 million in FY2017 mainly due to (i) increase in our profit before taxation by RMB4.1 million (or 67.9%); and (ii) decrease in tax benefit by RMB1.5 million, versus FY2016.

Profit for the year

Our profit for the year increased by RMB1.6 million (or 20.9%), primarily as a result of the factors described above.

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SUMMARY OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 31 December		
	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>	2018 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment	438,982	590,209	871,848
Investment property	477,169	715,482	711,474
Construction in progress	287,957	181,824	92,890
Lease prepayments	191,782	218,562	213,411
Intangible assets	589	435	4,262
Other receivables	14,345	38,807	30,679
Deferred tax assets	12,174	28,650	32,683
Deposits with a bank with original maturity date over one year	—	50,000	—
Other financial assets	10,627	10,932	8,475
Total non-current assets	<u>1,433,625</u>	<u>1,834,901</u>	<u>1,965,722</u>
Current assets			
Inventories	949	2,255	4,899
Trade and other receivables	374,949	156,736	155,790
Deposits with a bank with original maturity date over three months	50,000	—	50,000
Cash and cash equivalents	2,047	19,283	80,733
Total current assets	<u>427,945</u>	<u>178,274</u>	<u>291,422</u>
Current liabilities			
Trade and other payables	1,053,543	641,099	966,400
Contract liabilities	4,645	16,074	20,218
Bank loans	158,662	177,382	105,666
Current taxation	2,400	10,405	11,624
Total current liabilities	<u>1,219,250</u>	<u>844,960</u>	<u>1,103,908</u>
Net current liabilities	<u>(791,305)</u>	<u>(666,686)</u>	<u>(812,486)</u>
Total assets less current liabilities	<u>642,320</u>	<u>1,168,215</u>	<u>1,153,236</u>
Non-current liabilities			
Bank loans	453,091	751,732	766,212
Deferred income	22,455	59,393	53,857
Deferred tax liabilities	305	343	72
Total non-current liabilities	<u>475,851</u>	<u>811,468</u>	<u>820,141</u>
Net assets	<u>166,469</u>	<u>356,747</u>	<u>333,095</u>

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	As at 31 December		
	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>	2018 <i>RMB'000</i>
Capital and reserves			
Share capital	108,200	108,200	69
Reserves	57,469	77,664	127,289
Total equity attributable to equity shareholders	165,669	185,864	127,358
Non-controlling interests	800	170,883	205,737
Total equity	166,469	356,747	333,095

PRINCIPAL FINANCIAL POSITION ITEMS

Property, plant and equipment

This item consists of buildings, plant and machinery, motor vehicles and office equipment and others. These assets are depreciated, less their estimated residual value, if any, using a straightline method over their estimated useful lives as set out in “Critical Accounting Policies — Property, plant and equipment and construction in progress” in this section.

This item represented 30.6%, 32.2% and 44.4% of our Group’s total non-current assets as at the corresponding dates.

The balance as at 31 December 2017 increased by RMB151.2 million (or 34.4%) versus the preceding year primarily attributable to (i) RMB141.9 million addition mainly for upgrading wastewater treatment facilities and equipment in our Guangdong Huizhou Park; and (ii) RMB62.7 million addition mainly for utility facilities and ancillary facilities (such as road and fire-fighting facilities) in our Tianjin Bingang Park, partially set off by depreciation of RMB62.2 million during the year.

The balance as at 31 December 2018 increased by RMB281.6 million (or 47.7%) versus the preceding year primarily attributable to (i) RMB309.4 million addition of wastewater treatment facilities and utility facilities in Tianjin Bingang Park; and (ii) RMB33.5 million addition of ancillary facilities in Guangdong Huizhou Park, partially set off by depreciation of RMB81.4 million during the year.

As at 31 December 2018, the property, plant and equipment owned by Guangdong Huizhou Park and Tianjin Bingang Park were RMB395.2 million and RMB476.6 million, respectively.

Construction in progress

This item represented factory premises and operational facilities that are under construction inside our industrial parks.

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The decreasing balance during the Track Record Period was mainly due to completed construction transferred to our property, plant and equipment and investment property.

As at 31 December 2018, the construction in progress owned by Guangdong Huizhou Park and Tianjin Bingang Park were RMB41.1 million and RMB47.0 million, respectively.

Investment property

This item represented completed factory premises in our industrial parks that are or to be leased out, and depreciable over a period of 20 years.

Our Group leased out investment properties under operating leases whose contract term in general range from five to ten years with no break clause.

This item represented 33.3%, 39.0% and 36.2% of our Group's total non-current assets as at the corresponding dates.

The balance as at 31 December 2017 increased by RMB238.3 million (or 49.9%) versus the preceding year, primarily attributable to (i) additional GFA of 140,000 sq.m. in Tianjin Bingang Park amounted to RMB234.7 million; and (ii) additional GFA of 20,000 sq.m. in our Guangdong Huizhou Park amounted to RMB23.9 million, partially offset by depreciation charge of RMB28.3 million for the year.

The balance as at 31 December 2018 decreased by RMB4.0 million (or 0.6%) versus the preceding year, primarily attributable to depreciation charge of RMB38.8 million for the year, partially offset by (i) additional GFA of 6,600 sq.m. in our Tianjin Bingang Park amounting to RMB11.8 million; and (ii) additional GFA of 13,000 sq.m. in our Guangdong Huizhou Park amounting to RMB19.7 million.

As at 31 December 2018, the investment property owned by Guangdong Huizhou Park and Tianjin Bingang Park were RMB285.3 million and RMB426.1 million, respectively.

Lease prepayments

This item represented the land use rights owned by our Group in the PRC. As at 31 December 2016, 2017 and 2018, the balance of lease prepayments represented 13.4%, 11.9% and 10.9% of our Group's total non-current assets as at the corresponding dates.

Our lease prepayments increased by RMB26.8 million (or 14.0%) from 31 December 2016 to 31 December 2017, primarily attributable to acquisition of one land use right for RMB31.4 million for our Guangdong Huizhou Park.

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We have no addition or disposal of land use right for FY2018.

As at 31 December 2018, the lease prepayments owned by Guangdong Huizhou Park and Tianjin Bingang Park were RMB100.7 million and RMB112.7 million, respectively.

Other financial assets

This item represented our financial investment in the minority equity in an unlisted financial institution incorporated in the PRC which provides banking and financing services. Our Directors confirm that our Group had no business relationship with this financial institution during the Track Record Period. Our Directors confirm that our Group will not make any other investment in financial institutions after Listing.

Inventories

Our inventories include mainly (i) chemicals applied in our wastewater treatment process; and (ii) dangerous chemicals we procured for our tenants for their electroplating operations. To the best knowledge of our Directors, there are sufficient sources of supply of those chemicals which are in close proximity to our parks. Therefore, we maintained minimal level of inventories during the Track Record Period. The following table sets out the breakdown of our inventories as at the dates indicated:

	As at 31 December		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials	853	1,935	3,477
Consumables	96	320	1,422
Total	949	2,255	4,899

The increase in inventories during the Track Record Period was in line with our expanding operating scale.

As at the Latest Practicable Date, RMB4.5 million or 91.9% of our inventories as at 31 December 2018 had been utilised.

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Trade and other receivables

The following table sets out a breakdown of our trade and other receivables:

	As at 31 December		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade debtors	24,631	55,119	75,846
Interest receivables	6,691	9,304	11,916
Deductible input VAT	1,703	17,130	30,199
Amounts due from related parties	97,202	55,167	4,886
Prepayments and other receivables	244,722	20,016	32,943
Prepayments for purchase of property, plant and equipment	14,345	38,807	26,097
Deposits for acquisition of land use rights and constructions	—	—	4,582
	389,294	195,543	186,469

Trade debtors

Our trade debtors primarily represented receivables due from our tenants. We generally offer credit period of around 10 days for factory premises rental, around 15 days for all other fees and around 60 days for sale of chemicals.

Our trade debtors increased by RMB30.5 million (or 123.8%) as at 31 December 2017 and further increased by RMB20.7 million (or 37.6%) as at 31 December 2018, versus the preceding year, which was in line with our expanding operating scale and increasing revenue.

The following table sets out the trade debtors turnover days:

	FY2016	FY2017	FY2018
Trade debtors turnover days ^(Note 1&2)	25.7	36.5	41.1

Note:

1. Trade debtors turnover days equal to the average balance of trade debtors at the beginning and the end of the relevant year divided by revenue of such year and multiplied by number of days in the year.
2. Our tenants pay electricity charges incurred in their daily operation via us to the relevant government bureau. Therefore, as at 31 December 2016, 2017 and 2018, we have electricity charge receivables from our tenants of RMB9.2 million, RMB10.2 million and RMB12.6 million respectively. Such receivables would be excluded in the calculation of our trade debtors turnover days, as they are not derived from our operations.

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Our trade debtors turnover days during the Track Record Period were in line with the credit periods we offered to our tenants. The increase in our trade debtors turnover days was mainly due to increase in our sales of chemicals.

The following table sets out the ageing analysis of trade debtors, presented based on the invoice date and net of loss allowance:

	As at 31 December		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 month	22,247	51,805	69,532
1 to 3 months	357	1,925	5,306
Over 3 months	<u>2,027</u>	<u>1,389</u>	<u>1,008</u>
	<u><u>24,631</u></u>	<u><u>55,119</u></u>	<u><u>75,846</u></u>

As at 31 December 2016, 2017 and 2018, our trade receivables aged within 3 months accounted for 91.8%, 97.5% and 98.7%, respectively.

After evaluating credibility of our tenants based on their past history of making payments and current ability to pay, our Group consider to have low credit risk arising from trade receivables and no expected loss on trade receivables were recognised as at 31 December 2016, 2017 and 2018. Furthermore, our Group received deposits from our customers amounted to RMB71.9 million, RMB113.4 million and RMB115.9 million as at 31 December 2016, 2017 and 2018, respectively, which could cover our credit loss, if any, to the extent that the credit loss arises from individual customers does not exceed the deposits we received.

As at the Latest Practicable Date, RMB75.6 million or 99.7% of our trade debtors as at 31 December 2018 had been settled.

Other receivables

Interest receivables included mainly the accrued interest for our RMB50.0 million bank deposits which were pledged to secure our bank borrowings. As at the Latest Practicable Date, we had fully received such interest.

Input VAT arises from our purchases which can be used to set off against output VAT arising from our revenue or reimbursed by the local tax authority upon expiry. Deductible input VAT arises when there is net accumulated input VAT. Our deductible input VAT was on a rising trend mainly due to the significant increase in our investment properties, lease prepayments and property, plant and equipment during the Track Record Period.

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Amounts due from related parties were mainly non-trade in nature and represented financing provided to related parties for their funding needs. As at the Latest Practicable Date, we had fully received our amounts due from related parties as at 31 December 2018.

Prepayments and other receivables primarily represented utility and other deposits as well as advances and miscellaneous prepayments to third parties. In FY2016, we provided bridging financing of RMB232.1 million to the ultimate minority shareholders of Tianjin Bingang Park for the purpose of restructuring whereby Tianjin Tianteyuan, Tianjin Wandafeng, Tianjin Sangong and Tianjin Jinhudu became our indirectly owned subsidiaries. Such receivables had been fully settled in April 2017 and contributed to the substantial drop in prepayments and other receivables as at 31 December 2017 versus the preceding year. The balance then increased by RMB12.9 million (or 64.6%) as at 31 December 2018, primarily attributable to our expanding operating scale. As at the Latest Practicable Date, RMB31.4 million or 95.4% of our prepayments and other receivables as at 31 December 2018 had been settled.

Prepayments for purchase of property, plant and equipment mainly represented prepayment to our contractors for the construction of our industrial parks. The balance as at 31 December 2016, 2017 and 2018 was mainly related to the construction works of our Tianjin Bingang Park during the Track Record Period.

Deposits for acquisition of land use rights and constructions as at 31 December 2018 were related to the development of our Hubei Jingzhou Project.

Trade and other payables

The following table sets out a breakdown of our trade and other payables:

	As at 31 December		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	24,846	30,144	46,199
Deposits due to customers	71,908	113,402	115,886
Payables for equipment and construction	309,631	214,631	175,058
Payables to entity under control of			
Controlling Shareholders	127,500	—	—
Payables to minority shareholders	122,500	—	—
Interest payable	1,181	1,864	1,694
Payroll payable	6,894	10,157	9,274
Amounts due to related parties	278,239	266,571	603,662
Other payables to third parties	<u>110,844</u>	<u>4,330</u>	<u>14,627</u>
Total	<u><u>1,053,543</u></u>	<u><u>641,099</u></u>	<u><u>966,400</u></u>

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Trade payables

Our trade payables primarily relate to the purchase of raw materials, mainly chemicals, from our suppliers. Although we are granted a credit period ranging from 30 to 60 days by our suppliers, due to our good settlement record in the past, our suppliers accept us to settle the trade payables one to two months after the due date. We generally settle payments with our suppliers by acceptance bill and bank remittance. Our trade payables increased by RMB5.3 million (or 21.3%) as at 31 December 2017 and further increased by RMB16.1 million (or 53.3%) as at 31 December 2018 versus the preceding year, which was in line with the increase in our cost of inventories mainly due to our expanding operating scale.

The following table sets out the ageing analysis of our trade payables:

	As at 31 December		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 month	17,955	24,476	35,159
1 to 3 months	4,943	4,133	10,064
Over 3 months	1,948	1,535	976
	24,846	30,144	46,199

As at the Latest Practicable Date, RMB45.6 million or 98.8% of our trade payables as at 31 December 2018 had been settled. Our Directors confirm that we had no default or delay in payment of our trade payables during the Track Record Period that had a material impact on our operation.

The following table sets out trade payables turnover days:

	FY2016	FY2017	FY2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables turnover days <i>(Note 1&2)</i>	112.1	106.3	86.3

Note:

1. Trade payables turnover days equal to the average balance of trade payables at the beginning and the end of the relevant year divided by costs of inventories and utility costs of such year and multiplied by number of days in the year.
2. Our tenants pay electricity charges incurred in their daily operation via us to the relevant government bureau. Therefore, as at 31 December 2016, 2017 and 2018, we have electricity charges payables on behalf of our tenants of RMB9.0 million, RMB8.6 million and RMB11.9 million, respectively. Such payables were excluded from the calculation of our trade payables turnover days, as they are not incurred in our operations.

Our trade payable turnover days were in line with the foregoing actual payment term allowed by our suppliers during the Track Record Period.

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Other payables

Most of our existing tenants are required to pay us a deposit of six months' rental and facilities usage fee. Our deposits due to customers increased by RMB41.5 million (or 57.7%) as at 31 December 2017 versus the preceding year, which was generally in line with the increase of 50.7% in our leased factory premises from approximately 282,000 sq.m. as at 31 December 2016 to approximately 423,000 sq.m. as at 31 December 2017. The balance further increased as at 31 December 2018 due to the expanding leased GFA during the year.

Payables for equipment and construction primarily represented payables to our contractors in relation to construction of factory premises as well as installation of wastewater treatment, utility and other ancillary facilities inside our industrial parks. The balance as at 31 December 2016, 2017 and 2018 was mainly payables to contractors for the construction of our Tianjin Bingang Park. As at the Latest Practicable Date, RMB149.9 million or 85.6% of our payables for equipment and construction as at 31 December 2018 had been settled.

Payables to entity under control of Controlling Shareholders of RMB127.5 million and payables to minority shareholders of RMB122.5 million as at 31 December 2016 were for the purpose of restructuring whereby Tianjin Tianteyuan, Tianjin Wandafeng, Tianjin Sangong, and Tianjin Jinhua, became our indirectly owned subsidiaries. These balances had been fully settled in April 2017.

Payroll payables were related to the accrued salary and bonus for our staff. The balance as at 31 December 2016, 2017 and 2018 represented 30.5%, 28.7% and 20.3% of our staff costs in the corresponding periods, respectively. As at the Latest Practicable Date, we have fully settled our payroll payables as at 31 December 2018.

Amounts due to related parties comprised (i) borrowings from related parties to meet our short-term funding needs amounting to RMB278.2 million, RMB266.6 million and RMB263.0 million as at 31 December 2016, 2017 and 2018, respectively, which were unsecured, interest-free and had no fixed repayment terms; and (ii) amounts due to our Shareholders of RMB340.7 million as at 31 December 2018, which arose from the Reorganisation and will be capitalised as equity. During the Track Record Period, the Group has conducted certain transactions with related parties in trade nature and received their services, with transaction amount in the sum of RMB117.5 million, RMB0.1 million and RMB73,000, for FY2016, FY2017 and FY2018, respectively. Amounts due to related parties as at 31 December 2018 were non-trade in nature. For further details about transaction amounts and balances with related parties, please refer to Note 32 of the Accountants' Report in Appendix I to this prospectus. Our Directors confirm that borrowings from related parties and amounts due to our Shareholders have been fully settled and capitalised as at the Latest Practicable Date, respectively.

Other payables to third parties primarily consisted of borrowings from third parties to satisfy our short-term working capital needs, tax payables and other miscellaneous payables and accruals. Our borrowings from third parties amounted to RMB106.4 million, RMB0.1 million and Nil, as at 31 December 2016, 2017 and 2018, respectively, which were unsecured, interest-free and had no fixed repayment terms. As at the Latest Practicable Date, RMB14.2 million or 97.1% of other payables to third parties as at 31 December 2018 had been settled.

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Contract Liabilities

Our contract liabilities mainly represented prepaid facilities usage fee from our tenants in Tianjin Bingang Park. Under the Environmental and Technical Services Agreement we entered into with our tenants in Tianjin, the tenants should pay facilities usage fee every six months in advance, payable on the 15th of the first month. There is no such prepayment requirement for our tenants in Huizhou, who are required to pay facilities usage fee on a monthly basis, payable on the 15th of each month. The reason why the payment terms are different in Huizhou and Tianjin is because in Tianjin, it is not uncommon for landlord to ask for one year rental in advance, and so a contractual term requiring payment of facilities usage fee every six months in advance is not novel to companies operating in Tianjin. This kind of payment arrangement is nevertheless not common in Huizhou and so the payment term is different in Huizhou. The increase in our contract liabilities was primarily attributable to the increase in the leased area of our Tianjin Bingang Park from 37,000 sq.m. as at 31 December 2016 to 158,000 sq.m. as at 31 December 2018.

As at the Latest Practicable Date, RMB15.8 million or 78.4% of contract liabilities as at 31 December 2018 had been recognised as revenue for FY2019.

Deferred income

Our deferred income comprised mainly the government grants to our Guangdong Huizhou Park for acquisition of land use rights or construction of wastewater treatment facilities. Government grants are initially recorded as deferred income under the non-current liabilities, and will be recognised in the profit or loss over the useful life of the underlying asset.

The balance increased by RMB36.9 million as at 31 December 2017 versus the preceding year, primarily attributable to the additional government grants of RMB41.0 million to our Guangdong Huizhou Park during FY2017. The balance reduced by RMB5.5 million as at 31 December 2018 which was recognised as revenue for FY2018.

Our Directors confirmed that our Group has fulfilled all conditions for the government grants received as at 31 December 2018.

As at the Latest Practicable Date, RMB2.7 million or 5.1% of our deferred income as at 31 December 2018 had been recognised as other revenue for FY2019.

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INDEBTEDNESS

The following table sets forth our indebtedness as at the dates indicated:

	As at 31 December			As at
	2016	2017	2018	30 April
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited)
Bank Loans	611,753	929,114	871,878	1,064,697
Amount due to related parties ^(Note 1,3)	278,239	266,571	603,662	405,927
Other payables to third parties ^(Note 2,3)	106,446	100	—	14,438
	<u>996,438</u>	<u>1,195,785</u>	<u>1,475,540</u>	<u>1,485,062</u>

Notes:

1. Amount due to related parties included borrowings from related parties to meet our short-term funding needs and amount due to our Shareholders arising from the Reorganisation.
2. Other payables to third parties only included the short-term borrowings we obtained from third parties to meet our funding needs.
3. According to the PRC Legal Adviser, the non-trade related funding does not breach any Chinese laws or administrative regulations, although falling within the category of unauthorised loans under the Lending General Provisions (《貸款通則》), which are rules promulgated by a government department, not laws or administrative regulations under the PRC legal system. Moreover, according to the Provisions on Certain Issues regarding the Application of Law in Trials for Private Lending Cases (《最高人民法院關於審理民間借貸案件適用法律若干問題的規定》) issued by Supreme People's Court of the PRC which came into effect on 1 September 2015, private lending contracts concluded between legal persons or other organisations are effective and valid under PRC law except for otherwise provided. As of the Latest Practicable Date, we had not received any notice of claim or penalty relating to our foregoing funding. According to the PRC Legal Adviser, the possibility that the PBOC would impose a penalty on us in respect of such funding is minimal.

The indebtedness as at 30 April 2019 were primarily denominated in RMB. As at 30 April 2019, our Group had unutilized banking facilities of approximately RMB23.0 million.

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The following table sets forth the maturity profile of our bank loans:

	As at 31 December			As at
	2016	2017	2018	30 April
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2019
				<i>RMB'000</i>
				(unaudited)
Within 1 year or on demand	158,662	177,382	105,666	173,519
After 1 year but within 2 years	116,451	238,796	200,538	183,658
After 2 years but within 5 years	216,483	342,593	449,130	579,382
After 5 years	120,157	170,343	116,544	128,138
Total	611,753	929,114	871,878	1,064,697

The foregoing bank loans are secured by the Group's assets (such as investment properties, land use rights and bank deposits) and/or charging rights for factory rental. Moreover, as at 30 April 2019, our bank loans amounting to RMB984.7 million and RMB80.0 million were guaranteed by our existing Shareholders, and the minority shareholder of Tianjin Bingang Park, respectively, which will be released or replaced by corporate guarantee provided by our Group upon Listing. As at 30 April 2019, our bank loans were charged at floating interest rates ranging from 5.7% to 6.9%.

Amounts due to related parties as at 30 April 2019 comprised (i) borrowings from related parties of RMB74.6 million, which were unsecured, interest free and have no fixed repayment terms; and (ii) amount due to our Shareholders of RMB331.3 million, which arose from the Reorganisation and will be capitalised as equity. Our Directors confirm that the borrowings from related parties and amounts due to our Shareholders have been fully settled and capitalised as at the Latest Practicable Date, respectively.

Other payables to third parties as at 30 April 2019 amounted to RMB14.4 million, representing our borrowings from a financial leasing company which is an Independent Third Party at fixed interest rate of 9.4%. Such payables were secured by properties owned by a related party and guaranteed by the minority shareholder of Tianjin Bingang Park, which will be released or replaced by corporate guarantee provided by our Group upon listing.

As at 30 April 2019, we have outstanding guarantee for the bank facilities of a related company in the amount of RMB52.0 million, which has been released as at the Latest Practicable Date.

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As at 30 April 2019, being the latest practicable date of our indebtedness statement, except as disclosed above, our Group did not have any outstanding debt securities issued and outstanding or authorised or otherwise created by unissued, term loans, other borrowings or indebtedness in the nature of borrowing including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments, mortgages and charges, material contingent liabilities or guarantees outstanding.

As at 31 December 2016, 2017 and 2018 and 30 April 2019, all our bank loans were subject to fulfilment of certain covenants, such as restricting us from taking new financing from third parties, and entering into any transactions involving consolidation, spin-off, share transfer and reorganisation, unless we obtain lender's written consent. Furthermore, the restrictive covenants could limit our ability to pay dividends or other distributions to our Shareholders. If we fail to comply with any of these restrictive covenants, the lenders may be entitled to demand our early repayment of all or any part of the loans. In the event that we are unable to obtain sufficient alternative funding at reasonable terms, our business, prospect, financial condition and results of operations could be adversely affected. Please refer to section headed "Risk Factors — The restrictive covenants of our loan agreements could materially and adversely affect our business and results of operations, financial conditions and future prospects" of this prospectus for further details.

During the Track Record Period and up to the Latest Practicable Date, we had not been in violation of any of the covenants pursuant to the applicable agreements we entered with lenders mentioned above. Our Directors confirm that we are not subject to other material covenants under any agreements with respect to any bank loans or other borrowings. Our Directors also confirm that there was no delay or default in the repayment of borrowings during the Track Record Period and up to the Latest Practicable Date.

LIQUIDITY AND CAPITAL RESOURCES

Throughout the Track Record Period, we have fulfilled our working capital needs primarily through cash flows generated from operating activities, borrowing from related parties, bank loans and capital contributions. We derived our cash inflows from operating activities principally from providing factory premises leasing, facilities usage, wastewater treatment, utilities and other ancillary services to tenants in our industrial parks. We incurred capital expenditures mainly on purchase of land use rights and plant and machinery, construction of investment property and acquisition of subsidiaries. We monitor our working capital positions from time to time to ensure that we maintain sufficient cash resources for our daily operations and capital expenditure needs.

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Cash flows

The following table sets forth our cash flows:

	FY2016	FY2017	FY2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Operating cash flow before changes in working capital	101,698	141,063	231,202
Changes in working capital	<u>(22,003)</u>	<u>38,881</u>	<u>(12,736)</u>
Net cash generated from operating activities	79,695	179,944	218,466
Net cash used in investing activities	(486,838)	(234,824)	(355,504)
Net cash generated from financing activities	<u>404,249</u>	<u>72,116</u>	<u>198,488</u>
Net increase/(decrease) in cash and cash equivalents	(2,894)	17,236	61,450
Cash and cash equivalents at beginning of year/ period	<u>4,941</u>	<u>2,047</u>	<u>19,283</u>
Cash and cash equivalents at end of year/period	<u><u>2,047</u></u>	<u><u>19,283</u></u>	<u><u>80,733</u></u>

Cash generated from operating activities

For FY2018, we had a net cash generated from operating activities of RMB218.5 million. Such amount was primarily derived from our profit before income tax expenses generated from our operations of RMB45.1 million, positively adjusted for (i) depreciation of RMB120.2 million, (ii) amortisation of RMB5.8 million; (iii) finance costs of RMB61.0 million; (iv) impairment loss of assets held for sale of RMB2.6 million; (v) increase in trade and other payables of RMB32.2 million; and (iv) foreign exchange loss of RMB8.5 million and negatively adjusted for (i) interest income of RMB2.8 million; (ii) increase in inventories of RMB2.6 million; (iii) increase in trade and other receivables of RMB36.8 million and (iv) decrease in deferred income of RMB5.5 million; less income tax paid of RMB11.8 million.

For FY2017, we had a net cash generated from operating activities of RMB179.9 million. Such amount was primarily derived from our profit before income tax expenses generated from our operations of RMB10.2 million, positively adjusted for (i) depreciation of RMB90.5 million, (ii) amortisation of RMB4.8 million; (iii) finance costs of RMB48.0 million; (iv) increase in trade and other payables of RMB56.8 million; and (v) increase in deferred income of RMB36.9 million and negatively adjusted for (i) increase in trade and other receivables of RMB53.5 million; (ii) interest income of RMB2.7 million; and (iii) increase in inventories of RMB1.3 million; less income tax paid of RMB9.6 million.

For FY2016, we had a net cash generated from operating activities of RMB79.7 million. Such amount was primarily derived from our profit before income tax expenses generated from our operations of RMB6.1 million, positively adjusted for (i) depreciation of RMB61.5 million, (ii) amortisation of RMB4.0 million; (iii) finance costs of RMB36.7 million; and (iv) increase in deferred income of RMB4.0 million; and negatively adjusted for (i) interest income of RMB2.7 million; (ii) change in fair

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value of other financial assets through profit or loss of RMB1.1 million; (iii) increase in trade and other receivables of RMB4.3 million; and (iv) decrease in trade and other payables of RMB21.3 million; less income tax paid of RMB2.8 million

Cash used in investing activities

Our cash flow used in investing activities during the Track Record Period primarily consisted of payment for purchase of property, plant and equipment, investment property and land use rights, payment for purchase of intangible assets as well as acquisition of subsidiaries (net of cash acquired).

For FY2018, we had a net cash used in investing activities of RMB355.5 million, which was primarily due to (i) payment for purchase of property, plant and equipment, investment property and land use rights of RMB338.8 million; (ii) payment for purchase of intangible assets of RMB4.5 million; (iii) net advances to third parties of RMB10.1 million; and (iv) net advances to related parties of RMB4.7 million

For FY2017, we had a net cash used in investing activities of RMB234.8 million, which was primarily due to (i) payment for purchase of property, plant and equipment, investment property and land use rights of RMB550.1 million; and (ii) net advance to other third parties of RMB6.0 million; and partially offset by (i) net repayment from related parties of RMB43.4 million; and (ii) repayment from ultimate minority shareholders of Tianjin Bingang Park of RMB277.6 million.

For FY2016, we had a net cash used in investing activities of RMB486.8 million, which was primarily due to (i) payment for purchase of property, plant and equipment, investment property and land use rights of RMB259.9 million; (ii) payment for acquisition of subsidiaries (net of cash acquired) of RMB32.3 million; and (iii) net advance to ultimate minority shareholders of Tianjin Bingang Park of RMB224.4 million; and partially offset by net repayment from related parties of RMB29.8 million.

Cash generated from financing activities

For FY2018, our net cash from financing activities was RMB198.5 million, which was mainly due to (i) net advance from related parties of RMB218.9 million; (ii) proceeds from bank loans of RMB120.0 million; (iii) repayment from our shareholders of RMB53.5 million; and (iv) capital injection from minority shareholder of Tianjin Bingang Park of RMB46.4 million; and partially offset by (i) repayment of bank loans of RMB177.2 million; and (ii) interest paid of RMB66.1 million.

For FY2017, our net cash from financing activities was RMB72.1 million, which was mainly due to (i) proceeds from bank loans of RMB645.5 million; and (ii) capital injection from minority shareholder of Tianjin Bingang Park of RMB181.2 million; and partially offset by (i) repayment of bank loans of RMB328.1 million; (ii) net repayment to ultimate minority shareholders of Tianjin Bingang Park of RMB120.6 million; (iii) interest paid of RMB56.8 million; and (iv) payment for acquisition of subsidiaries of RMB250.0 million.

For FY2016, our net cash from financing activities was RMB404.2 million, which was mainly due to (i) net advance from related parties of RMB176.8 million; (ii) proceeds from bank loans of RMB115.0 million; (iii) capital injection from Controlling Shareholders of RMB250.0 million; and (iv)

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capital injection from our shareholders of RMB28.0 million; and partially offset by (i) repayment of bank loans of RMB94.3 million; (ii) net repayment to ultimate minority shareholders of Tianjin Bingang Park of RMB31.7 million and (iii) interest paid of RMB39.5 million.

Sufficiency of working capital

Having taken into account the financial resources available to our Group, including (i) cash and cash equivalents on hand of RMB23.0 million as at 30 April 2019; (ii) operating cash inflows; (iii) additional bank loans during the four months ended 30 April 2019 with long term portion in the sum of RMB167.3 million; and (iv) estimated net proceeds of HK\$312.8 million (equivalent to RMB274.4 million) from the Share Offer at the Offer Price of HK\$1.26, being the mid-point of the Offer Price range, our Directors believe that our working capital is sufficient for our present requirements, and for at least the next 12 months from the date of this prospectus.

CONTINGENT LIABILITIES

During the Track Record Period and up to the Latest Practicable Date, we have not had significant contingent liabilities. As of the Latest Practicable Date, we were not involved in any material legal proceedings, nor are we aware of any pending or potential material legal proceedings involving our Group.

Our Directors confirm that there has not been any material changes in our contingent liabilities since 31 December 2018 and up to the Latest Practicable Date.

OFF-BALANCE SHEET ARRANGEMENTS

Save as disclosed in the section headed “Financial Information — Commitment”, as at the Latest Practicable Date, we did not have any off-balance sheet commitments and arrangements.

RELATED PARTY TRANSACTIONS

During the Track Record Period, we entered into transactions with our related parties. Our Directors confirm that each of the related party transaction set out in Note 32 of the Accountants’ Report in Appendix I to this prospectus were carried out in the ordinary course of business on an arm’s length basis and confirm that all non-trade balances and guarantees with related parties will be settled and released upon Listing.

During the Track Record Period, we engaged HICC-Longxi, a related party, as a contractor mainly for upgrading wastewater treatment facilities of Guangdong Huizhou Park in FY2016. Our transaction amount with HICC-Longxi was RMB117.5 million, Nil and Nil for FY2016, FY2017 and FY2018, respectively. To the best knowledge of our Directors, HICC-Longxi was deregistered in 2017 due to cessation of business and was solvent at the time of deregistration. Please refer to “Business — our contractors” in this prospectus for further details.

The Sole Sponsor concurs with the view of our Directors that the transactions between the Group and HICC-Longxi were conducted on normal commercial terms, and that such terms were no less favourable than terms offered by Independent Third Parties.

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Our Directors are of the view that the related party transactions did not cause any distortion of our results of operations during the Track Record Period or make our historical results not reflective of our future performance.

CURRENT ASSETS AND LIABILITIES

	As at 31 December			As at
	2016	2017	2018	30 April 2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (unaudited)
Current assets				
Inventories	949	2,255	4,899	4,310
Trade and other receivables	374,949	156,736	155,790	185,054
Deposits with a bank with original maturity date over three months	50,000	—	50,000	50,000
Cash and cash equivalents	<u>2,047</u>	<u>19,283</u>	<u>80,733</u>	<u>22,968</u>
Total current assets	<u><u>427,945</u></u>	<u><u>178,274</u></u>	<u><u>291,422</u></u>	<u><u>262,332</u></u>
Current liabilities				
Trade and other payables	1,053,543	641,099	966,400	630,193
Contract liabilities	4,645	16,074	20,218	25,569
Current taxation	2,400	10,405	11,624	13,484
Bank loans	<u>158,662</u>	<u>177,382</u>	<u>105,666</u>	<u>173,519</u>
Total current liabilities	<u><u>1,219,250</u></u>	<u><u>844,960</u></u>	<u><u>1,103,908</u></u>	<u><u>842,765</u></u>
Net current liabilities	<u><u>(791,305)</u></u>	<u><u>(666,686)</u></u>	<u><u>(812,486)</u></u>	<u><u>(580,433)</u></u>

We recorded net current liabilities as at 31 December 2016, 2017 and 2018 and 30 April 2019.

Our net current liabilities positions during the Track Record Period were mainly attributable to trade and other payables and bank loans we obtained to support the construction of our industrial parks and operation of our wastewater treatment facilities.

Our net current liabilities decreased by RMB124.6 million from 31 December 2016 to 31 December 2017, primarily due to (i) a decrease of RMB412.4 million in trade and other payables; and (ii) an increase of RMB17.2 million in cash and cash equivalents, partially offset by (i) a decrease of RMB218.2 million in trade and other receivables; (ii) reclassification of deposits with a bank of RMB50.0 million from current assets as at 31 December 2016 to non-current assets as at 31 December 2017 due to change in its original maturity; (iii) an increase of RMB18.7 million in current portion of bank loans; and (iv) an increase of RMB11.4 million in contract liabilities.

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Our net current liabilities increased by RMB145.8 million from 31 December 2017 to 31 December 2018, primarily due to (i) an increase of RMB325.3 million in trade and other payables; and (ii) an increase of RMB4.1 million in contract liabilities, partially offset by (i) an increase of RMB61.5 million in cash and cash equivalents; (ii) reclassification of deposits with a bank of RMB50.0 million from non-current assets as at 31 December 2017 to current assets as at 31 December 2018 due to change in its original maturity; and (iii) a decrease of RMB71.7 million in bank loans.

Our net current liabilities decreased by RMB232.1 million from 31 December 2018 to 30 April 2019, primarily due to a decrease of RMB336.2 million in trade and other payables, and partially offset by (i) a decrease of RMB57.8 million in cash and cash equivalents; and (ii) an increase of RMB67.9 million in bank loans.

Our trade and other payables as at 31 December 2018 and 30 April 2019 included amount due to our Shareholders of RMB340.7 million and RMB331.3 million, respectively, which arose from the Reorganisation and as confirmed by our Directors these amounts have been fully capitalised as equity as at the Latest Practicable Date.

Our Directors confirm that we had no default or delay in the payment of trade and other payables or bank loans by us during the Track Record Period.

We expect to have net current assets upon the Listing based on the following:

- (i) we have fully capitalised amount due to our Shareholders of RMB331.3 million as at 30 April 2019 as at the Latest Practicable Date;
- (ii) we will receive net proceeds from the Share Offer in the sum of HK\$312.8 million (equivalent to RMB274.4 million) at the Offer Price of HK\$1.26, being the mid-point of the Offer Price range. After deducting net proceeds earmarked for capital investments, the details of which are set out in “Future Plans and Use of Proceeds — Future plans and use of proceeds”, we will have additional cash in the sum of HK\$71.3 million (or approximately RMB62.0 million); and
- (iii) the net cash generated from our operations between May 2019 and the date of Listing.

COMMITMENT

As at 31 December 2018, our capital commitments contracted for but not provided for were RMB142.6 million, which were mainly related to construction of factory premise in Guangdong Huizhou Park and construction of wastewater treatment facilities to expand our handling capability from 6,000 tonnes per day to 22,000 tonnes per day in Tianjin Bingang Park. We intend to fund the capital commitments with net proceeds from the Share Offer, cash flow generated from operating activities and bank borrowings.

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CAPITAL EXPENDITURE

Our capital expenditures primarily comprised expenditures on purchase of land use rights and plant and machinery, construction of investment property and acquisition of subsidiaries. During the Track Record Period, we funded our capital expenditures primarily through cash flow from operating activities, bank borrowings, borrowings from related parties and capital contributions from the then Shareholders. The following table sets out our capital expenditures:

	FY2016 RMB'000	FY2017 RMB'000	FY2018 RMB'000
Purchase of land use rights and plant and machinery and construction of investment property	259,942	550,123	338,784
Purchase of intangible assets	—	—	4,506
Acquisition of subsidiaries	32,349	—	—
Total	292,291	550,123	343,290

The following table sets out our capital expenditure for FY2019 and FY2020:

Existing/ New Industrial Parks	Construct/Acquire	FY2019			FY2020			Total RMB' million
		Proceeds <i>(Note 1)</i>	Internal <i>(Note 2)</i>	Total	Proceeds <i>(Note 1)</i>	Internal <i>(Note 2)</i>	Total	
		RMB' million	RMB' million	RMB' million	RMB' million	RMB' million	RMB' million	
Guangdong Huizhou Park	Factory Premises	28.7	—	28.7	21.3	—	21.3	50.0
	Equipment <i>(Note 3)</i>	—	3.9	3.9	—	—	—	3.9
	Ancillary projects <i>(Note 3)</i>	—	12.2	12.2	—	—	—	12.2
		28.7	16.1	44.8	21.3	—	21.3	66.1
Tianjin Bingang Park	Factory premises and wastewater treatment facilities <i>(Note 3)</i>	—	120.2	120.2	—	—	—	120.2
	Wastewater treatment facilities <i>(Note 4)</i>	25.2	—	25.2	74.8	12.8	87.6	112.8
		25.2	120.2	145.4	74.8	12.8	87.6	233.0
Hubei Jingzhou Project	Land use rights	52.8	13.0	65.8	—	—	—	65.8
	Park design, roads and walls	7.7	—	7.7	—	0.8	0.8	8.5
	Wastewater treatment facilities	—	—	—	—	10.8	10.8	10.8
	Electricity and land-levelling projects <i>(Note 3)</i>	—	0.9	0.9	—	—	—	0.9
		60.5	13.9	74.4	—	11.6	11.6	86.0
Total		114.4	150.2	264.6	96.1	24.4	120.5	385.1

Notes:

1. Net proceeds from the Share Offer
2. Include internal resources and bank borrowings as well as grant of RMB20 million from Tianjin government for our Tianjin Bingang Park

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3. These are the capital expenditures incurred or committed in FY2018 and to be settled in FY2019 in the sum of RMB137.2 million. The amount is therefore excluded from the development costs to be incurred by the Group in FY2019 and thereafter as set out in “Business — Our Strategies — Increase the wastewater treatment capabilities of our industrial parks to cater for our expansion needs” in this prospectus.
4. Additional capital expenditure of RMB27.2 million for purchasing and installing wastewater treatment facilities by stages in Tianjin Bingang Park will be settled after FY2020 depending on the projected amount of wastewater to be discharged by tenants, which will be funded by our internal resources and bank borrowings.

Our capital expenditures for FY2019 and FY2020 are estimated at RMB264.6 million and RMB120.5 million, respectively, consisting of:

- (i) RMB127.4 million and RMB120.5 million, for FY2019 and FY2020 respectively, for the construction of wastewater treatment facilities in Tianjin Bingang Park and factory premises in Guangdong Huizhou Park as well as acquisition of land use right for Hubei Jingzhou Project, as set out in “Business — Our Strategies” and “Future Plans and Use of Proceeds” in this prospectus, which will be financed by cash flow from operating activities, bank borrowings and net proceeds from the Share Offer; and
- (ii) RMB137.2 million for FY2019 as referred to in Note 3 above, which will be financed by internal resources and bank borrowings as well as the grant we received from Tianjin government in the sum of RMB20 million during the four months ended 30 April 2019.

Our planned capital expenditures may be subject to change due to variations in our future cash flows, results of operations and financial condition, changes in the PRC economy, the availability of financing on terms acceptable to us, technical and other problems in obtaining or installing equipment, changes in the regulatory environment in the PRC and other factors.

KEY FINANCIAL RATIOS

	As at/for the year ended 31 December		
	2016	2017	2018
Profitability:			
Operating profit margin ⁽¹⁾	21.7%	19.3%	22.1%
EBITDA margin ⁽²⁾	54.8%	50.8%	48.4%
Net profit margin ⁽³⁾	3.8%	3.0%	7.6%
Return on total assets ⁽⁴⁾	0.4%	0.4%	1.6%
Return on equity ⁽⁵⁾	4.5%	2.5%	10.9%
Liquidity:			
Current ratio ⁽⁶⁾	0.35 times	0.21 times	0.26 times
Quick ratio ⁽⁷⁾	0.35 times	0.21 times	0.26 times
Solvency:			
Gearing ratio ⁽⁸⁾	6.0 times	3.4 times	4.4 times
Net debt to equity ratio ⁽⁹⁾	5.7 times	3.2 times	4.0 times
Interest coverage ⁽¹⁰⁾	1.2 times	1.2 times	1.7 times

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Notes:

- (1) Operating profit margin is calculated by dividing profit from operations for the year by revenue for the respective year and multiplied by 100%.
- (2) EBITDA margin is calculated by dividing EBITDA for the year by revenue for the respective year and multiplied by 100%.
- (3) Net profit margin is calculated by dividing profit for the year by revenue for the respective year and multiplied by 100%.
- (4) Return on total assets is calculated by dividing profit for the year by the total assets as at the respective year end date and multiplied by 100%.
- (5) Return on equity is calculated by dividing profit for the year by the total equity as at the respective year end date and multiplied by 100%.
- (6) Current ratio is calculated by dividing the total current assets by the total current liabilities as at the respective year end date.
- (7) Quick ratio is calculated by dividing the total current assets net of inventories by the total current liabilities as at the respective year end date.
- (8) Gearing ratio is calculated by dividing the total debt (including all borrowings) by the total equity as at the respective year end date.
- (9) Net debt to equity ratio is calculated by dividing the net debt (all borrowings net of cash and cash equivalents and bank deposits) by the total equity as at the respective year end date and multiplied by 100%.
- (10) Interest coverage ratio is calculated by dividing profit before interest and tax by interest expense for the respective year end date.

Operating profit margin

Our operating profit margin decreased from 21.7% for FY2016 to 19.3% for FY2017, mainly due to drop in operating profit margin of Guangdong Huizhou Park by 3.7 percentage points for processing highly polluted wastewater and unable to pass on the additional costs to the tenants entirely on time during the year. Our operating profit margin increased to 22.1% for FY2018 mainly because our Tianjin Bingang Park turned around in its financial performance in FY2018 and recorded a profit from operation of RMB4.1 million versus loss in preceding years. Please refer to “Profit from operations and operating profit margin” in this section for further details.

EBITDA margin

Our EBITDA margin decreased from 54.8% for FY2016 to 50.8% for FY2017 and further decreased to 48.4% for FY2018 mainly due to the continuous drop in the EBITDA margin of our Guangdong Huizhou Park, notwithstanding our Tianjin Bingang Park recorded improving EBITDA margin during the Track Record Period. Please refer to “Non-HKFRS Financial Measures” in this section for further details.

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Net profit margin

Our net profit margin remained relatively stable at 3.8% for FY2016 and 3.0% for FY2017 and increased to 7.6% for FY2018, which was primarily attributable to (i) increase in operating profit margin by 2.8 percentage points from 19.3% for FY2017 to 22.1% for FY2018; and (ii) decrease in finance costs and income tax as a percentage of revenue by 1.8 percentage points from 16.3% for FY2017 to 14.5% for FY2018.

Return on total assets

Our return on total assets remained stable at 0.4% for FY2016 and FY2017. It increased to 1.6% for FY2018, primarily attributable to increase in our profit for the year by RMB27.4 million (or 3.0 times), partially set off by increase of RMB244.0 million (or 12.1%) in our total assets.

Return on equity

Our return on equity decreased from 4.5% for FY2016 to 2.5% for FY2017, which was primarily attributable to increase in total equity of RMB190.3 million (or 1.1 times), mainly as a result of capital contributions of RMB181.2 million from minority shareholder of Tianjin Bingang Park. Our return on equity increased to 10.9% for FY2018, which was primarily attributable to increase in our profit for the period by RMB27.4 million (or 3.0 times). Should the amount due to Shareholders arising from Reorganisation of RMB340.7 million as at 31 December 2018 be fully capitalised on the same date, our total equity will increase to RMB673.8 million and our return on equity will be 5.4%.

Current ratio and quick ratio

Due to our net current liabilities position, our current ratio has been less than 1.0 times during the Track Record Period. Our Directors confirm we will change from a net current liability position to a net current asset position upon Listing, please refer to “Current assets and liabilities” in this section for further details.

Given the nature of our business, we kept a minimal level of inventories during the Track Record Period. As such, our quick ratio was similar to that of current ratio as at the respective year end date.

Gearing ratio

Our gearing ratio decreased from 6.0 times as at 31 December 2016 to 3.4 times as at 31 December 2017, which was primarily attributable to (i) increase in total equity of RMB190.3 million (or 1.1 times) mainly as a result of capital contributions of RMB181.2 million from minority shareholder of Tianjin Bingang Park; and (ii) repayment of borrowings from third parties by RMB106.3 million, partially set off by increase of RMB317.4 million (or 51.9%) in our bank loans mainly for construction of our Tianjin Bingang Park.

Our gearing ratio increased to 4.4 times as at 31 December 2018, which was primarily attributable to increase in our total debt by RMB279.8 million (or 23.4%).

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Our Directors anticipate that our gearing ratio will drop to 1.0 times upon Listing, having taken into account (i) increase in our indebtedness by RMB9.5 million during the four months ended 30 April 2019; (ii) repayment of bank borrowings of RMB54.3 million from May 2019 to June 2019 according to the repayment schedule; (iii) settlement in full the amounts due to related parties of RMB405.9 million as at 30 April 2019 (RMB603.7 million as at 31 December 2018) by repayment of RMB74.6 million and capitalisation of amount due to Shareholders in the sum of RMB331.3 million; (iv) early repayment of bank borrowings of RMB50.0 million by net proceeds from the Share Offer; and (v) increase in our equity by RMB296.0 million upon completion of the Share Offer based on an Offer Price of HK\$1.26 (being the mid-point of the Offer Price range), assuming that the Over-allotment Option is not exercised.

Net debt to equity ratio

Our net debt to equity ratio decreased from 5.7 times as at 31 December 2016 to 3.2 times as at 31 December 2017, and increased to 4.0 times as at 31 December 2018, which was in line with the movements of our gearing ratio.

Interest coverage

Our interest coverage remained stable at 1.2 times for FY2016 and FY2017 and increased to 1.7 times for FY2018 which was mainly attributable to increase in our profit from operations by RMB47.9 million (or 82.2%), partially offset by increase in the finance costs by RMB12.9 million (or 26.9%).

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

Credit risk

Our Group's credit risk is primarily attributable to trade receivables. Deposits are received from customers by our Group to reduce potential exposure to credit risk. Further, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Normally, our Group does not obtain other collateral from customers.

Our Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when our Group has significant exposure to individual customers. As at 31 December 2016, 2017 and 2018, in respect of trade receivables, sufficient deposits are received from customers to cover potential exposure to credit risk, and our Group considers to have low credit risk arising from trade receivables.

Our Group's exposure to credit risk arising from cash and cash equivalents, deposits with a bank with original maturity date over three months/one year and interest receivable is limited because the counterparties are banks and financial institutions, for which our Group considers to have low credit risk.

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Liquidity risk

Individual operating entities within our Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Board when the borrowings exceed certain predetermined levels of authority. Our Group's policy is to regularly monitor our liquidity requirements and compliance with lending covenants, to ensure that we maintain sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet our liquidity requirements in the short and longer term. In this regard, we have implemented the following capital and liquidity management measures:

- Our accounting and finance department will review regularly and update our capital and liquidity management policies to ensure their alignment with our business plan and financial position, and report the liquidity position and capital expenditure plans of our Group to our Directors on regular basis.
- Our accounting and finance department will prepare the annual budgets and forecasts that take into account our estimated revenue, cost of sales, capital expenditures and financing needs. Our Directors review and approve these budgets and forecasts. Accounting and finance department evaluates and analyses any material variance between our actual spending and projected cash flows on a monthly basis to monitor our liquidity position, and report any material difference to senior management and Directors in a timely manner.
- Our financial controller reviews and approves the relevant terms of the loan agreement, which have to be further approved by our Directors before they are signed. Our financial controller reviews and monitors our financial position on an ongoing basis to ensure the covenants of loan agreement are duly complied with from time to time and report any potential breach of loan covenants to our Directors.
- We settle our payment obligation to contractors in accordance with contract terms. We negotiate payment terms with contractors taking into account our Group's capital management policies and industry norm. We also closely monitor the collectability of the outstanding receipts from customers for the purposes of credit control and liquidity management.

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Interest rate risk

Our Group's interest rate risk arises primarily from bank loans issued at variable rates that expose our Group to cash flow interest rate risk. Our Group's management closely monitored our interest rate profile. As at 31 December 2016, 2017 and 2018, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased our Group's profit after tax by approximately RMB4.2 million, RMB6.7 million and RMB6.6 million, respectively.

Currency risk

Our Group has limited foreign currency risk as most of the transactions are denominated in RMB the functional currency of our Group.

LISTING EXPENSES

The total Listing expenses based on an Offer Price of HK\$1.26 (being the mid-point of the Offer Price range) are estimated to be RMB35.1 million (equivalent to HK\$40.0 million). We incurred Listing expenses of RMB4.0 million (equivalent to HK\$4.6 million) in FY2018 which were charged as other expenses to our consolidated profit or loss for the same year. The balance of the estimated Listing expenses is RMB31.1 million (equivalent to HK\$35.4 million), of which RMB13.5 million (equivalent to HK\$15.3 million) is directly attributable to the issue of the Offer Shares and to be accounted for as a deduction from equity; and RMB17.6 million (equivalent to HK\$20.1 million) is to be charged as other expenses to our consolidated profit or loss for FY2019. The above total Listing expenses are the latest practicable estimates for reference only, and the final amount to be recognised may differ from these estimates.

DISCLOSURE PURSUANT TO RULES 13.13 TO 13.19 OF THE HONG KONG LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, we were not aware of any circumstances which would give rise to a disclosure obligation pursuant to Rules 13.13 to 13.19 of the Hong Kong Listing Rules upon Listing.

PROPERTY INTERESTS AND PROPERTY VALUATION

Our property interests, including the interests in properties that are attributable to us, as valued by Greater China Appraisal Limited as of 31 March 2019 were approximately RMB1,290.3 million in total. For further discussion of our property interests and the text of the letter and valuation certificates of these property interests prepared by Greater China Appraisal Limited, see Appendix III entitled "Property Valuation" to this prospectus.

FINANCIAL INFORMATION

Disclosure of the reconciliation of the valuation of the interests in properties attributable to us and such property interests in our consolidated statement of financial position as of 31 March 2019 as required under Rule 5.07 of Hong Kong Listing Rules is set forth below:

RMB in millions

Net book value of the following properties and lease prepayments for land use rights where the properties are located as of 31 December 2018

— Building included in property, plant and equipment	19.7
— Investment properties	711.5
— Lease prepayments for land use rights	194.0

925.2

Net decrease during the period from 1 January 2019 to 31 March 2019	(11.7)
Net book value as of 31 March 2019	913.5
Net valuation surplus	376.8

Market value as of 31 March 2019 as set out in the property valuation report in Appendix III to this prospectus

1,290.3

DIVIDENDS AND DIVIDEND POLICY

For FY2016, FY2017 and FY2018, we had no dividend declaration and payments to its then shareholders.

Under Cayman Islands law, dividends may be paid out of the profits of our Company or out of sums standing to the credit of our share premium account. Under the Articles, declaration of dividends is subject to the Shareholders' approval at our general meeting, but no dividend shall exceed the amount recommended by our Directors. In addition, our Directors may also pay interim or special dividends without Shareholders' approval as appear to our Directors to be justified by the financial conditions and the profits of our Company. Future dividends payment will also depend on the availability of dividends we will receive from our subsidiaries in the PRC. PRC laws require that the dividends be paid only out of distributable profit, which is calculated according to the PRC accounting principles. Our PRC subsidiaries are also required to set aside part of their net profit as statutory reserves which are not available for distribution as cash dividends in accordance with PRC laws. Distributions from our PRC subsidiaries may also be subject to any restrictive covenants in bank credit facilities or loan agreements or other agreements that we or our PRC subsidiaries may enter into in the future.

Subject to the above, our Directors' discretion, and the applicable laws and regulations, the declaration, payment and amount of any dividends, if paid, will depend on our results of operations, operating and capital requirements, cash flows, financial condition, future prospects, and other factors that our Directors may consider relevant.

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Our Directors currently intend to recommend, at the relevant shareholders' meetings of our Company, a dividend of around 20% of the net profit available for distribution to our Shareholders for each financial year ending 31 December in the foreseeable future. Shareholders will be entitled to receive the dividends pro rate according to the amounts paid up or credited as paid up on the Shares. The said intention does not amount to any guarantee or representation or indication that we must or will declare and pay dividends in such manner or declare and pay dividends at all.

NO MATERIAL ADVERSE CHANGE

The Directors confirm that, up to the date of this prospectus, save as disclosed in the section headed "Summary — Recent Development and Material Adverse Change" in this prospectus, there has not been any material adverse change in our financial or trading position since 31 December 2018, being the date to which our Group's latest financial statements were made up and there has been no event since 31 December 2018 which would materially affect the information shown in the Accountants' Report as set out in Appendix I to this prospectus.

DISTRIBUTABLE RESERVES

As at the Latest Practicable Date, our Company had no distributable reserves available for distribution to our Shareholders.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

Please see the section headed "Unaudited Pro Forma Financial Information" in Appendix II to this prospectus for further details.

FUTURE PLANS AND USE OF PROCEEDS

REASONS FOR LISTING

Our Directors are of the view that the Listing will have the following benefits:

- (i) the net proceeds from the Share Offer raised in the Listing will enable us to meet our genuine funding needs as set out in “Business — Our strategies” of this prospectus.

In addition, our business, namely the development and operation of electroplating industrial park is capital intensive. Any future projects will require us to spend a substantial amount of capital for land acquisition, construction and acquisition of equipment for wastewater treatment.

The proceeds would provide us with an important capital base to fund our business plans. The Listing is also expected to bring us to additional capital not only from the Listing but also to the secondary capital markets both in debt and equity platforms;

- (ii) The completion of the Listing will allow the Group the flexibility of raising fund by either debt financing or equity financing in the future. Compared to debt financing, fund raised through equity financing can remove uncertainty in relation to debt financing in terms of the amount that can be raised, the timing of such funding, the collaterals required, the potential rise of the cost of debt financing in the future, and the constraints that are likely to be imposed upon the Group (in terms of covenants which may restrict our ability to pay dividends or obtain additional financing) as a private company; and
- (iii) being a listed company will allow us the flexibility of rewarding our staff with share options, which in turn will help us recruit, motivate and retain staff of high calibre. While it is also possible for private companies to grant share options to their staff, such options are unlikely to be attractive as a reward due to the lack of liquidity in private company shares. Being listed on the Stock Exchange which is an internationally recognised stock exchange will also increase the esteem and confidence of our employees.

Accordingly, our Directors believe that the Listing will be in the interest of our Group’s business development strategies.

BUSINESS OBJECTIVES AND STRATEGIES

Please refer to “Business — Our strategies” section in this prospectus for the Group’s business objectives and strategies.

USE OF PROCEEDS

Assuming an Offer Price of HK\$1.26 per Offer Share, being the mid-point of the indicative Offer Price range, we estimate that we will receive net proceeds of approximately HK\$312.8 million from the Share Offer after deducting the underwriting fees, commission fees and estimated expenses payable by us in connection with the Share Offer.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS AND USE OF PROCEEDS

In line with our business strategies, we currently intend to apply the net proceeds from the Share Offer for the following purposes:

Uses	Amount of net proceeds <i>HK\$' million</i>	Percentage of net proceeds %
Acquisition of land for the Hubei Jingzhou Project and construction of relevant infrastructure	69.0	22.0
Expansion of the current wastewater treatment facilities of the Tianjin Bingang Park	115.0	36.8
Fund the construction cost of two factory buildings in the Guangdong Huizhou Park	57.5	18.4
Repayment of short term bank loans	57.5	18.4
General working capital	<u>13.8</u>	<u>4.4</u>
Total	<u>312.8</u>	<u>100.0</u>

We set out below the detailed breakdown and description of our intended use of the net proceeds of the Share Offer:

- (i) as to approximately 22.0% of the net proceeds, representing approximately HK\$69.0 million, will be used to settle (a) the amount payable of HK\$60.2 million for the three land parcels for the development of the Hubei Jingzhou Project whose land use rights were acquired by our Group on 19 February 2019; and (b) the construction costs for the relevant infrastructure such as road works and border wall of HK\$8.8 million.
- (ii) as to approximately 36.8% of the net proceeds, representing approximately HK\$115.0 million, will be used to expand the existing wastewater treatment facility of the Tianjin Bingang Park from the current handling capacity of 6,000 tonnes per day to 22,000 tonnes per day to cater for the expected increase in wastewater generated from our tenants after completion of the Tianjin Bingang Park development. We have already entered into construction contracts for the expansion works and we have settled certain part of the construction costs. We intend to use the net proceeds as described above to fund the remaining portion of the construction costs;
- (iii) as to approximately 18.4% of the net proceeds, representing approximately HK\$57.5 million, will be used to settle the construction costs of two factory buildings with an aggregate GFA of approximately 29,000 sq.m. in the Guangdong Huizhou Park the construction which has been completed and has passed government inspection at the end of April 2019. Pursuant to the payment term of construction contract, we will pay the construction costs after the construction and inspection by relevant authority is completed;

FUTURE PLANS AND USE OF PROCEEDS

- (iv) as to approximately 18.4% of the net proceeds, representing HK\$57.5 million, will be used to early repay (without prepayment penalty) part of our bank borrowings which are short term bank borrowings. Such bank borrowings were used to finance the construction of our industrial parks and other capital expenditure. The last maturity date of the relevant bank borrowings is 1 September 2021. The interest rates applicable to the relevant bank borrowings are within the range of 6.37%–6.62%. It is estimated that the early repayment will achieve interest saving of approximately RMB3.2 million; and
- (v) as to approximately 4.4% of the net proceeds, representing approximately HK\$13.8 million, will be used for working capital and other general corporate purposes.

If the Offer Price is finally determined to be more than HK\$1.26, being the mid-point of the indicative range of the Offer Price, the above proposed allocation of the net proceeds will increase on a pro rata basis. If the Offer Price is less than the mid-point of the indicative range of the Offer Price, the above allocation of the net proceeds will decrease on a pro rata basis, and the Company plans to finance such shortfall by internally generated financial resources and/or other financing as and when appropriate.

If the Over-allotment Option is exercised in full, we estimate that the additional net proceeds from the offering of these additional Shares to be received by us, after deducting underwriting fees and estimated expenses payable by it, will be approximately (i) HK\$58.4 million, assuming the Offer Price is fixed at the high-end of the indicative range of the Offer Price, being HK\$1.44 per Share; (ii) HK\$51.1 million, assuming the Offer Price is fixed at the mid-point of the indicative range of the Offer Price, being HK\$1.26 per Share; and (iii) HK\$43.8 million, assuming the Offer Price is fixed at the low-end of the indicative range of the Offer Price, being HK\$1.08 per Share. Any additional proceeds received by us from the exercise of the Over-allotment Option will also be allocated to the above purposes on a pro-rata basis.

The possible use of proceeds outlined above may change in light of the Group's evolving business needs and conditions, management requirements together with prevailing market circumstances. In the event of any material modification to the use of the proceeds as described above, the Company will issue an announcement and make disclosure in the Company's annual report for the relevant year as required by the Listing Rules.

To the extent that the net proceeds from the issue of Offer Shares under the Share Offer are not immediately required for the above purposes, it is the present intention of the Directors that such net proceeds be placed in short-term interest bearing deposit accounts held with authorised financial institutions.

UNDERWRITING

PUBLIC OFFER UNDERWRITERS

Shenwan Hongyuan Capital (H.K.) Limited

Pacific Foundation Securities Limited

Aristo Securities Limited

Merdeka Capital Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company is initially offering 280,000,000 Public Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to (i) the Listing Committee granting listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus; and (ii) certain other conditions set out in the Public Offer Underwriting Agreement (including, among others, the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company agreeing on the Offer Price), the Public Offer Underwriters have agreed, severally but not jointly, to subscribe for, or procure subscribers to subscribe for, their respective applicable proportions of the Public Offer Shares which are being offered but are not taken up under the Public Offer on the terms and subject to the conditions of this prospectus, the Application Forms and the Public Offer Underwriting Agreement. The Public Offer Shares are fully underwritten pursuant to the Public Offer Underwriting Agreement.

The Public Offer Underwriting Agreement is conditional upon and subject to the Placing Underwriting Agreement having been signed and becoming unconditional and not having been terminated.

Grounds for termination of the Public Offer Underwriting Agreement

The Sole Bookrunner (for itself and on behalf of the other Public Offer Underwriters), at its sole and absolute discretion, may, for itself and on behalf of the other Public Offer Underwriters, upon giving notice in writing to the Company made pursuant to Clause 9.11 of the Public Offer Underwriting Agreement (hereunder this “**Agreement**”), terminate this Agreement with immediate effect if any of the following events occurs at or prior to 8:00 a.m. on the Listing Date:

- (a) there has come to the notice of the Sole Bookrunner:
 - (i) that any statement contained in any Offer Documents or other relevant documents issued or used in connection with the Share Offer (including any supplement or amendments thereto) (collectively, the “**Offer Documents**”) considered by the Sole Bookrunner in its sole and absolute discretion to be material in the context of the Share

UNDERWRITING

Offer, was, when it was issued, or has become, untrue, incorrect or misleading in any respect or that any forecast, expression of opinion, intention or expectation expressed in any of the Offer Documents is not, in the sole and absolute opinion of the Sole Bookrunner, in all material respects, fair and honest and based on fair and reasonable assumptions, when taken as a whole; or

- (ii) that any matter has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission from any of the Offer Documents considered by the Sole Bookrunner (for itself and on behalf of the other Public Offer Underwriters) in its sole and absolute discretion to be material in the context of the Share Offer; or
- (iii) any of the representations and warranties given by our Controlling Shareholders in this Agreement or the Placing Underwriting Agreement is (or would when repeated be) untrue, inaccurate or misleading or having been breached and considered by the Sole Bookrunner (for itself and on behalf of the other Public Offer Underwriters) in its sole and absolute opinion to be material in the context of the Public Offer; or
- (iv) any breach of any of the obligations or undertakings under this Agreement or the Placing Underwriting Agreement imposed or to be imposed upon any party (other than the Sole Bookrunner or any of the Underwriters) thereto and considered by the Sole Bookrunner (for itself and on behalf of the other Public Offer Underwriters) to be material in the context of the Public Offer; or
- (v) any material adverse change or prospective adverse change in the conditions (financial, trading or otherwise), business, assets and liabilities, properties, general affairs, management, business prospects, shareholders' equity, profits, losses, results of operations, financial or trading position or prospect or performance of any Group Company; or
- (vi) approval by the Listing Committee for the listing of, and permission to deal in, the Shares is refused or not granted, other than subject to customary conditions, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (vii) the Company withdraws any of the Offer Documents (and/or any other documents used in connection with the contemplated subscription of the Offer Shares) or the Share Offer; or
- (viii) any matter, event, act or omission which gives or is likely to give rise to any material liability of any of our Controlling Shareholders pursuant to the indemnities given by all or any of them under this Agreement or the Placing Underwriting Agreement; or
- (ix) any person (other than the Public Offer Underwriters) has withdrawn or sought to withdraw its consent to being named in any of the Offer Documents or to the issue of any of the Offer Documents; or

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- (x) a prohibition on the Company for whatever reason from offering, allotting, selling or delivering the Shares pursuant to the terms of the Share Offer; or

 - (xi) a portion of the orders in the book-building process, which is considered by the Sole Bookrunner (for itself and on behalf of the other Public Offer Underwriters) in its absolute opinion to be material, at the time the Placing Underwriting Agreement is entered into, or the investment commitments by any cornerstone investors after signing of agreements with such cornerstone investors, have been withdrawn, terminated or cancelled, and the Sole Bookrunner, in its sole and absolute discretion, conclude that it is therefore inadvisable or inexpedient or impracticable to proceed with the Share Offer; or

 - (xii) any loss or damage has been sustained by any Group company (howsoever caused and whether or not the subject of any insurance or claim against any person) which is considered by the Sole Bookrunner (for themselves and on behalf of the other Public Offer Underwriters) in its sole and absolute opinion to be material; or
- (b) there shall develop, occur, exist or come into effect:
- (i) any change or development involving a prospective change in, or any event or series of events resulting or likely to result in or representing any change or development in local, national, regional or international financial, political, military, industrial, legal, economic, currency market, fiscal or regulatory or market matters or conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets or a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a devaluation of the Renminbi against any foreign currencies) in or affecting Hong Kong, the PRC, the Cayman Islands, the BVI or any other jurisdiction(s) relevant to the Company and any of the Group Companies (collectively the “**Relevant Jurisdictions**” and each a “**Relevant Jurisdiction**”); or

 - (ii) any new laws or regulations or any change or development involving a prospective change in existing Laws, regulations, or any change or development involving a prospective change in the interpretation or application thereof by any court or other governmental authority in or affecting any of the Relevant Jurisdictions; or

 - (iii) any event or series of events in the nature of force majeure (including, without limitation, acts of government, strikes, lock-outs, fire, explosion, flooding, civil commotion, acts of war, riot, public disorder, acts of terrorism (whether or not responsibility has been claimed), acts of God, epidemic, outbreak of infectious disease) in or affecting any of the Relevant Jurisdictions; or

 - (iv) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or affecting any of the Relevant Jurisdictions; or

UNDERWRITING

- (v) (A) any suspension or limitation on trading in shares or securities generally on the Stock Exchange, the New York Stock Exchange, the Nasdaq National Market, the London Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Tokyo Stock Exchange, or (B) a general moratorium on commercial banking activities in any of the Relevant Jurisdictions declared by the relevant authorities, or a disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any of the Relevant Jurisdictions; or
- (vi) any material adverse change or development or event involving a prospective material adverse change in taxation or exchange controls (or the implementation of any exchange control), currency exchange rates or foreign investment regulations in any of the Relevant Jurisdictions; or
- (vii) any imposition of economic sanctions, in whatever form, directly or indirectly, on any of the Relevant Jurisdictions; or
- (viii) any material adverse change or development or event involving a prospective material adverse change in the Group's assets, liabilities, profit, losses, performance, condition, business, financial, earnings, trading position or prospects; or
- (ix) the commencement by any judicial or regulatory body or organisation of any public action against a Director or an announcement by any judicial or regulatory body or organisation that it intends to take any such action; or
- (x) other than with the approval of the Sole Bookrunner (where such approval shall not be unreasonably withheld), the issue or requirement to issue by the Company of a supplementary prospectus or offer document pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules in circumstances where the matter to be disclosed is, in the opinion of the Sole Bookrunner, materially adverse to the marketing for or implementation of the Share Offer; or
- (xi) a petition is presented for the winding up or liquidation of the Company or any of Group companies, or the Company or any of the Group companies makes any compromise or arrangement with its creditors or enter into a scheme of arrangement or any resolution is passed for the winding-up of the Company or any of the Group companies or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of the Company or any of the Group companies or anything analogous thereto occurs in respect of the Company or any of the Group companies; or
- (xii) any governmental authority, governmental or regulatory commission, board, body, authority or agency, or any stock exchange, self-regulatory organisation or other non-government regulatory authority, or any court, tribunal or arbitrator, whether national, central, federal, provincial, state, regional, municipal, local, domestic or foreign, or a political body or organisation in any relevant jurisdiction commencing any investigation or other action, or announcing an intention to investigate to take other action, against any Group company or Director; or

UNDERWRITING

- (xiii) a valid demand by any creditor for repayment or payment of any of the Company's indebtedness or those of any of the Group Companies or in respect of which the Company or any of the Group companies are liable prior to its stated maturity; or
- (xiv) any material litigation or claim being threatened or instigated against the Company or any of the Group companies; or
- (xv) a contravention by any Group companies of the Listing Rules or any laws, rules and regulations of the jurisdiction in which the Group carries on its business as determined by the Sole Bookrunner in its sole and absolute discretion to be material; or
- (xvi) any of the Directors or members of the senior management as set out in the section headed "Directors and Senior Management" in this prospectus being charged with an indictable offence or prohibited by operation of Law or otherwise disqualified from taking part in the management of a company; or
- (xvii) the chairman of the Company or any executive Director vacating his office,

which, individually or in aggregate, in the sole and absolute opinion of the Sole Bookrunner (for itself and on behalf of the other Public Offer Underwriters):

- (a) has or is or will or may or could be expected to have a material adverse effect on the assets, liabilities, business, general affairs, management, shareholders' equity, profits, results of operations, financial, trading or other condition or prospects or risks of any Group Companies or on any present or prospective Shareholder in his, her or its capacity as such; or
- (b) has or will or may have or could be expected to have a material adverse effect on the success, marketability or pricing of the Share Offer or the level of applications under the Public Offer or the level of interest under the Placing; or
- (c) makes or will or may make it inadvisable, inexpedient, impracticable or not commercially viable for any part of this Agreement or the Share Offer to proceed with; or
- (d) has or will or may have the effect of making any part of this Agreement (including underwriting) incapable of performance or implemented in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Share Offer or pursuant to the underwriting thereof; or
- (e) makes or will or may make the Company unable to comply with the terms and conditions of the Share Offer, the Offer Shares and/or the Listing.

UNDERWRITING

Undertakings to the Stock Exchange

Undertaking by our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that except pursuant to the Share Offer (including the Over-allotment Option), no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of our Shares or our securities will be completed within six months from the Listing Date), except in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

Undertaking by our Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of the Controlling Shareholders undertakes to the Stock Exchange and to our Company that except pursuant to the Share Offer (including the Over-allotment Option), they will not at any time:

- (a) during the period commencing on the date by reference to which disclosure of his/her/its interests in our Company is made in this prospectus and ending on the date falling six months from the Listing Date (the “First Six-month Period”), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities of our Company in respect of which he/she/it is shown by this prospectus to be the beneficial owners; or
- (b) in the six-month period commencing on the expiry of the First Six-month Period set out in paragraph (a) above (the “Second Six-month Period”), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities mentioned in paragraph (a) if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she/it would cease to be a controlling shareholder of our Company for the purposes of the Listing Rules.

Pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has further undertaken to the Stock Exchange and to our Company that within the period commencing on the date by reference to which disclosure of his/her/its shareholdings is made in this prospectus and to the date which is 12 months from the Listing Date, they will:

- (a) when they pledge or charge any securities of our Company or interests therein beneficially owned by them in favour of any authorised institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge or charge together with the number of securities so pledged or charged; and
- (b) when they receive indications, either verbal or written, from the pledgee or chargee that any of the securities of our Company pledged or charged will be disposed of, immediately inform our Company of such indications.

UNDERWRITING

Undertakings pursuant to the Public Offer Underwriting Agreement

Undertakings by our Company

Pursuant to the Public Offer Underwriting Agreement, our Company has irrevocably undertaken to each of the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Co Managers and the other Public Offer Underwriters that, except pursuant to the Share Offer, the Capitalisation Issue, the Over-allotment Option, the exercise of any options as may be granted under the Share Option Scheme, scrip dividend schemes or similar arrangements in accordance with the memorandum of association of our Company and the Articles, or any consolidation, sub-division or capital reduction of the Shares or any circumstances permitted under Rule 10.08 of the Listing Rules:

- (a) during the period commencing on the date of this Agreement and ending on, and including, the date that is six months after the Listing Date (the “**First Lock-up Period**”), our Company will not, and will procure each other Group Company not to, without the prior written consent of the Sole Sponsor and the Sole Bookrunner (for itself and on behalf of the other Public Offer Underwriters) and unless in compliance with the requirements of the Listing Rules, allot and issue, accept subscription for, offer, sell or contract to sell, grant or agree to grant any option or other right in, directly or indirectly, conditionally or unconditionally, any shares, warrants or other convertible or exchangeable securities carrying right to subscribe for or exchangeable into shares or other securities of our Company or those of the other Group Companies or enter into any swap or other arrangement that transfer, in whole or in part, any of the economic consequence of ownership or any Shares or offer or agree to do any of the foregoing or announce any intention to do so; and
- (b) our Company will not, and will procure each other Group Company not to, enter into any of the transactions specified in (a) above or offer to or agree to or announce any intention to effect any such transaction, such that the Controlling Shareholders, either individually or taken together with the others of them would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company during the period of six months immediately following the expiry of the First Lock-up Period (the “**Second Lock-up Period**”).

In the event that, during the Second Lock-up Period, our Company enters into any of the transactions specified in (a) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in any Shares or other securities of our Company.

UNDERWRITING

Undertakings by our Controlling Shareholders

Each of our Controlling Shareholders hereby jointly and severally undertakes and covenants to each of our Company, the Sole Sponsor, the Sole Bookrunner and the other Public Offer Underwriters that, except (a) pursuant to the Share Offer or pursuant to the Stock Borrowing Agreement and in compliance with the requirements under Rule 10.07(3) of the Listing Rules; or (b) permitted under the Listing Rules, without the prior written consent of our Company, the Sole Sponsor and the Sole Bookrunner (for itself and on behalf of the other Public Offer Underwriters):

- (a) he/it shall not, and shall procure that none of his/its associates or any company controlled by him/it or any of his/its associates, nominees or trustees holding in trust for him/it (the “**Related Parties**”) will, at any time during the First Lock-up Period, sell, transfer or otherwise dispose of, or enter into any agreement to sell, transfer or dispose of, or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares (or any interest therein) directly or indirectly owned by him/it or in which he/it is, directly or indirectly, interested immediately after completion of the Share Offer and the Capitalisation Issue or any interest in any shares in any company controlled by him/it which is the beneficial owner of any of these Shares, or enter into any swap or other arrangements that transfer the economic consequences of ownership of such Shares or interest, whether any of the foregoing transactions or arrangement is to be settled by delivery of such Shares or other securities, in cash or otherwise, or offer or agree to do any of the foregoing or announce any intention to do so, provided that the foregoing restriction shall not apply to any Shares which any of them may acquire or become interested in following the Listing Date (save any Shares returned under the Stock Borrowing Agreement) provided further that any such acquisition would not result in any breach of Rule 8.08 of the Listing Rules; and
- (b) he/it shall not, and shall procure that none of his/its associates or any company controlled by him/it or any of his/its associates, nominees or trustees holding in trust for him/it will, at any time during the Second Lock-up Period, sell, transfer or otherwise dispose of, or enter into any agreement to sell, transfer or dispose of, or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares (or any interest therein) directly or indirectly owned by him/it or in which he/it is, directly or indirectly, interested immediately after completion of the Share Offer and the Capitalisation Issue or any interest in any shares in any company controlled by him/it which is the beneficial owner of any of these Shares, or announce any intention to do so, if, immediately following such action, Warranting Shareholders, when taken together, would cease to be a group of controlling shareholders (as defined in the Listing Rules) of our Company.

In the event that any of the Controlling Shareholders enters into any of the transactions specified in (b) above or offer to or agrees to or announce any intention to effect any such transaction within the Second Lock-up Period, each of the Controlling Shareholders hereby irrevocably undertakes to each of our Company, the Sole Sponsor, the Sole Bookrunner and the Public Offer Underwriters that he/it shall take all reasonable steps to ensure that such transaction will not create a disorderly or false market for any Shares or other securities of our Company.

UNDERWRITING

Pursuant to the Public Offer Underwriting Agreement, each of the Controlling Shareholders has further undertaken to each of our Company, the Sole Sponsor, the Sole Bookrunner and the other Public Offer Underwriters that, within the period commencing on the date by reference to which disclosure of the Controlling Shareholders' direct or indirect shareholding in our Company is made in the Prospectus and ending on the date which is 12 months from the Listing Date, he or it will:

- (a) when he pledges or charges or otherwise create any rights or Encumbrances over any Shares or other securities of our Company in favour of an authorised institution (as defined in the Banking Ordinance) pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform our Company, the Sole Sponsor and the Sole Bookrunner (for itself and on behalf of the other Public Offer Underwriters) of such pledge or charge or creation of the rights or Encumbrances together with the number of the securities so pledged or charged and all other information as may be reasonably requested by our Company, the Sole Sponsor and/or the Sole Bookrunner (for itself and on behalf of the other Public Offer Underwriters); and
- (b) subsequent to the pledge or charge or creation of rights or Encumbrances over the Shares (or interest therein) or other shares or interests as mentioned in sub-paragraph (i) immediately above, when he/it receives any indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged or encumbered securities as referred to in sub-paragraph (i) immediately above will be sold, transferred or disposed of, immediately inform our Company of such indications, and inform the Sole Sponsor and the Sole Bookrunner (for itself and on behalf of the other Public Offer Underwriters) as soon as practicable thereafter (taking into account the requirements of applicable Laws, rules and regulations) of such indications.

Our Company undertakes that it shall comply with Rule 10.07 of the Listing Rules to inform the Stock Exchange, the Sole Sponsor and the Sole Bookrunner in writing as soon as it has been informed of any of the matters referred to above (if any) by the Controlling Shareholders and disclose such matters by way of an announcement to be published in accordance with the Listing Rules as soon as possible or in any case in accordance under the Listing Rules and/or as required by the Stock Exchange.

Commissions and expenses

According to the Public Offer Underwriting Agreement, the Public Offer Underwriters will receive an underwriting commission of 1.0% of the aggregate Offer Price in respect of all the Public Offer Shares.

In consideration of the Sole Sponsor's services in sponsoring the Share Offer, the Sole Sponsor will receive a financial advisory fee. Such underwriting commission and financial advisory fee, together with the Stock Exchange listing fee, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees, printing and other expenses relating to the Share Offer which are currently estimated to be approximately HK\$40.0 million in aggregate (assuming an Offer Price of HK\$1.26 per Offer Share (being the midpoint of the indicative Offer Price of HK\$1.08 to HK\$1.44 per Offer Share)), are to be borne by us, without taking into account the commissions and expenses relating to the exercise of Over-allotment Option.

UNDERWRITING

The Placing

The Placing Underwriting Agreement

In connection with the Placing, it is expected that our Company and the Placing Underwriters will enter into the Placing Underwriting Agreement. Under the Placing Underwriting Agreement, our Company will offer our Placing Shares for subscription and purchase by professional, institutional and other investors at the Offer Price payable in full on subscription and purchase in Hong Kong dollars, on and subject to the terms and conditions set out in the Placing Underwriting Agreement and the placing documents. It is expected that the Placing Underwriters will agree to severally underwrite for our Placing Shares. It is expected that pursuant to the Placing Underwriting Agreement, our Company and our Controlling Shareholders will give undertakings similar to those given pursuant to the Public Offer Underwriting Agreement in the paragraph headed “Undertakings pursuant to the Public Offer Underwriting Agreement” under this section.

Over-allotment Option

Our Company is expected to grant to the Placing Underwriters the Over-allotment Option exercisable by the Sole Bookrunner, on behalf of the Placing Underwriters, at any time until the 30th day after the last day for the lodging of applications under the Public Offer, to require our Company to allot and issue up to an aggregate of 42,000,000 additional Shares, representing 15% of the Offer Shares, at the Offer Price per Offer Share under the Placing, to cover over-allocations, if any, under the Placing. For further details of the Over-allotment Option, please refer to the section headed “Structure and conditions of the Share Offer” in this prospectus.

UNDERWRITERS’ INTEREST IN OUR COMPANY

Save for the interests and obligations under the Underwriting Agreements, none of the Public Offer Underwriters is interested legally or beneficially in the shares of any of our Group’s members or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any members of our Group.

INDEPENDENCE OF THE SOLE SPONSOR

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE SHARE OFFER

This prospectus is published in connection with the Public Offer which forms part of the Share Offer. A total of initially 280,000,000 Offer Shares will be made available under the Share Offer. The Share Offer comprises:

- the Public Offer which will be offered to the public in Hong Kong of 28,000,000 Offer Shares (subject to reallocation), representing 10% of the Offer Shares; and
- the Placing which will be conditionally placed with selected professional, institutional and other investors of 252,000,000 Offer Shares (subject to reallocation and the Over-allotment Option), representing 90% of the Offer Shares.

Investors may apply for the Offer Shares under the Public Offer or indicate an interest, if qualified to do so, for the Offer Shares under the Placing, but may not do both.

The Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors. The Public Offer Underwriters have severally agreed to underwrite the Public Offer under the terms of the Public Offer Underwriting Agreement. The Placing Underwriters will underwrite the Placing pursuant to the terms of the Placing Underwriting Agreement. Further details of the underwriting are set out in the section headed “Underwriting” in this prospectus.

CONDITIONS OF THE PUBLIC OFFER

Acceptance of the application for the Offer Shares pursuant to the Public Offer is conditional upon, among others:

1. Listing

the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer (including any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option) on the Stock Exchange and such approval not subsequently having been revoked prior to the commencement of dealings in the Shares;

2. Underwriting Agreements

- (i) the obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional, and not being terminated in accordance with the terms of the respective agreements; and
- (ii) the execution and delivery of the Placing Underwriting Agreement prior to or on the Price Determination Date; and

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

3. Price determination

the Offer Price having been determined and the execution of the Price Determination Agreement on or around the Price Determination Date; in each case on or before the dates and times specified in such Underwriting Agreements (unless and to the extent such conditions are waived on or before such dates and times) and in any event not beyond the 30th day after the date of this prospectus.

If any of the above conditions is not fulfilled or waived on or before the times and dates specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Public Offer to be published on the website of the Hong Kong Stock Exchange at www.hkexnews.hk and our Company's website at www.platingbase.com on the next business day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for Public Offer Shares" in this prospectus. In the meantime, the application money will be held in one or more separate bank accounts with the receiving banker or other bank(s) in Hong Kong, licenced under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Share certificates for the Offer Shares are expected to be issued on Monday, 15 July 2019 but will only become valid certificates of title at 8:00 a.m. on Tuesday, 16 July 2019 provided that (i) the Share Offer has become unconditional in all respects; and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares prior to the receipt of the share certificates or prior to the share certificates bearing valid certificates of title do so entirely at their own risk.

PUBLIC OFFER

Number of Offer Shares Initially Offered

Our Company is initially offering 28,000,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Offer Shares initially available under the Share Offer (assuming that the Over-allotment Option is not exercised). Subject to the reallocation of Offer Shares between (i) the Placing; and (ii) the Public Offer as mentioned below, the number of the Public Offer Shares will represent approximately 2.5% of our Company's issued share capital immediately after completion of the Share Offer and the Capitalisation Issue without taking into account any Shares which may be issued and allotted upon any exercise of Over-allotment Option and the options which may be granted under the Share Option Scheme.

Completion of the Public Offer is subject to the conditions as set out in the paragraph headed "Conditions of the Public Offer" in this section.

Allocation

Allocation of the Public Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. Such allocation could,

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

The total available Shares under the Public Offer (after taking into account of any reallocation of Offer Shares between the Public Offer and the Placing) is to be divided into two pools for allocation purposes: pool A and pool B. Accordingly, the maximum number of Public Offer Shares initially in pool A and pool B will be 14,000,000 and 14,000,000 respectively. The Public Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Public Offer Shares with an aggregate price of HK\$5 million (excluding the brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% payable) or less. The Public Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Public Offer Shares with an aggregate price of more than HK\$5 million (excluding the brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% payable). Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Public Offer Shares in one (but not both) of the pools are under subscribed, the surplus Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this section only, the “price” for Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Public Offer Shares from either pool A or pool B but not from both pools and can only apply for Public Offer Shares in either pool A or pool B.

Multiple or suspected multiple applications within either pool or between pools and any application for more than 14,000,000 Public Offer Shares are liable to be rejected.

Applications

Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing, and such applicant’s application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated (including conditionally and/or provisionally) Offer Shares under the Placing.

The listing of the Offer Shares on the Stock Exchange is sponsored by the Sole Sponsor. Applicants under the Public Offer are required to pay, on application, the maximum price of HK\$1.44 per Offer Share in addition to any brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the paragraph “Price Determination of the Share Offer” below in this section, is less than the maximum price of HK\$1.44 per Share, appropriate refund payments (including the brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in section headed “How to Apply for Public Offer Shares” in this prospectus.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Public Offer.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

PLACING

Number of Offer Shares offered

The number of Offer Shares to be initially offered for subscription under the Placing will be 252,000,000 Shares (subject to reallocation and the Over-allotment Option). Subject to any reallocation of Offer Shares between the Placing and the Public Offer, the Placing will represent approximately 22.5% of our enlarged issued share capital immediately after completion of the Share Offer without taking into account any Shares which may be issued and allotted upon any exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme.

The Placing is subject to the same conditions as stated in the paragraph “Conditions of the Public Offer” above in this section.

Allocation

Allocation of Offer Shares pursuant to the Placing will be effected in accordance with the book-building process and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Sole Bookrunner (for itself and on behalf of the Underwriters) may require any investor who has been offered Shares under the Placing, and who has made an application under the Public Offer, to provide sufficient information to the Sole Bookrunner so as to allow them to identify the relevant applications under the Public Offer and to ensure that it is excluded from any application for Shares under the Public Offer.

REALLOCATION BETWEEN THE PLACING AND THE PUBLIC OFFER

Reallocation

The allocation of Offer Shares between the Public Offer and the Placing is subject to reallocation on the following basis:

- (a) In the event that the Placing Shares are fully subscribed or oversubscribed under the Placing:
 - (i) if the Public Offer Shares are undersubscribed, the Sole Bookrunner, at its sole and absolute discretion, may reallocate all or any of the unsubscribed Public Offer Shares from the Public Offer to the Placing;
 - (ii) if the number of Shares validly applied for under the Public Offer represents less than 15 times the initial number of the Public Offer Shares, then the number of Shares to be re-allocated to the Public Offer from the Placing will increase so that the total number

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

of Shares available for subscription under the Public Offer will increase to 56,000,000 Shares, i.e. not more than double the initial allocation of the Public Offer, representing 20% of the total number of the Offer Shares initially available under the Share Offer;

- (iii) if the number of Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the initial number of the Public Offer Shares, then the number of Shares to be re-allocated to the Public Offer from the Placing will increase so that the total number of Shares available for subscription under the Public Offer will increase to 84,000,000 Shares, representing 30% of total number of the Offer Shares initially available under the Share Offer; and
 - (iv) if the number of Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the initial number of the Public Offer Shares, then the number of Shares to be re-allocated to the Public Offer from the Placing will increase so that the total number of Shares available for subscription under the Public Offer will increase to 112,000,000 Shares, representing 40% of the total number of the Offer Shares initially available under the Share Offer; and
 - (v) if the number of Offer Shares validly applied for under the Public Offer represents 100 times or more the number of the Offer Shares initially available for subscription under the Public Offer, then Offer Shares will be reallocated to the Public Offer from the Placing, so that the number of the Offer Shares available under the Public Offer will be 140,000,000 Shares, representing 50% of the number of the Offer Shares initially available under the Share Offer.
- (b) In the event that the Placing Shares are undersubscribed under the Placing:
- (i) if the Public Offer Shares are undersubscribed, the Share Offer shall not proceed unless fully underwritten by the Underwriters; and
 - (ii) if the Public Offer Shares are fully subscribed or oversubscribed irrespective of the number of times, then the number of Shares to be re-allocated to the Public Offer from the Placing will increase so that the total number of Shares available for subscription under the Public Offer will increase up to 56,000,000 Shares, representing 20% of the total number of the Offer Shares available under the Share Offer to cover the excess demand.

In the event of reallocation of Offer Shares from the Placing to the Public Offer in circumstances under paragraph (a)(ii), (a)(iii), (a)(iv), (a)(v) and (b)(ii) above, the number of Offer Shares allocated to the Placing will be correspondingly reduced.

In the event of reallocation of Offer Shares between the Public Offer and the Placing in the circumstances where (i) the Placing Shares are fully subscribed or over-subscribed and the Public Offer Shares are fully subscribed or over-subscribed by less than 15 times or (ii) the Placing Shares are not fully subscribed and the Public Offer Shares are fully subscribed or over-subscribed irrespective of the number of times of the initial number of the Public Offer Shares, the final Offer Price shall be fixed at the low-end of the indicative Offer Price range (i.e., HK\$1.08 per Offer Share) stated in this prospectus.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

In accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, if such reallocation is done other than pursuant to Practice Note 18 of the Listing Rules, the maximum total number of Offer Shares that may be reallocated to the Public Offer following such reallocation shall be not more than double the initial allocation to the Public Offer (i.e. 56,000,000 Shares). In each case, based on the additional Offer Shares reallocated to the Public Offer, the number of Offer Shares allocated to the Placing will be correspondingly reduced, in such manner as the Sole Bookrunner (for itself and on behalf of the Underwriters) deem appropriate, subject to Guidance Letter HKEX-GL91-18.

Details of any re-allocation of Offer Shares between the Public Offer and the Placing will be disclosed in the results announcement of the Share Offer, which is expected to be published on Monday, 15 July 2019.

Over-allotment Option

In connection with the Share Offer, our Company is expected to grant an Over-allotment Option to the Sole Bookrunner (for itself and on behalf of the Placing Underwriters) that is exercisable at the sole discretion of the Sole Bookrunner (for itself and on behalf of the Placing Underwriters).

Pursuant to the Over-allotment Option, the Sole Bookrunner has the right, exercisable at any time within 30 days from the date of the last day of lodging application under the Public Offer, to require our Company to allot and issue up to 42,000,000 additional Shares, representing 15% of the number of the Offer Shares initially available under the Share Offer, at the Offer Price, to cover over-allocation in the Placing, if any. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 3.6% of our enlarged share capital immediately following the completion of the Share Offer and the exercise of the Over-allotment Option but without taking into account any Shares which may fall to be issued upon the exercise of any options to be granted under the Share Option Scheme. In the event that the Over-allotment Option is exercised, an announcement will be made in accordance with the Listing Rules.

PRICE DETERMINATION OF THE SHARE OFFER

The Offer Price is expected to be fixed on the Price Determination Date, which is expected to be on or around Saturday, 6 July 2019, or such later date as may be agreed by the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company. If, for any reason, the Offer Price is not agreed between the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date, the Share Offer will not proceed and will lapse.

The Offer Price will be not more than HK\$1.44 per Share and is expected to be not less than HK\$1.08 per Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Public Offer.

Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

The Sole Bookrunner, for itself and on behalf of the Underwriters, may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process, and with the consent of our Company, reduce the number of

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Offer Shares being offered and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Public Offer, cause to be published on the website of the Stock Exchange at www.hkexnews.hk and our website at www.platingbase.com notices of the reduction in the number of Offer Shares being offered and/or the indicative Offer Price range and will, as soon as practicable following the decision to make such reduction, issue a supplemental prospectus updating investors of the change in the number of Offer Shares being offered and/or the indicative Offer Price range, extend the period under which the Public Offer was opened for acceptance to allow potential investors sufficient time to consider their subscriptions or reconsider their submitted subscriptions, and give potential investors who had applied for the Public Offer Shares the right to withdraw their applications under the Public Offer. Upon issue of such a notice, the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company, will be fixed within such revised Offer Price range. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Public Offer.

Such notice and supplemental prospectus will also include confirmation or revision, as appropriate, of the working capital statement and the Share Offer statistics as currently set out in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any such notice so published, the Offer Price, if agreed upon by our Company with the Sole Bookrunner (for itself and on behalf of the Underwriters), will under no circumstances be set outside the Offer Price range as stated in this prospectus.

The Offer Price, the levels of indication of interest in the Share Offer, the results of applications and the basis of allotment of Offer Shares under the Public Offer, are expected to be announced on Monday, 15 July 2019 in the manner set out in the section headed “How to Apply for Public Offer Shares — 10. Publication of Results” in this prospectus.

PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK\$1.44 per Share and is expected to be not less than HK\$1.08 per Share. Applicants under the Public Offer should pay, on application, the maximum price of HK\$1.44 per Offer Share plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy, amounting to a total of HK\$2,909.02 per board lot of 2,000 Offer Shares.

If the Offer Price, as finally determined in the manner described above, is lower than the maximum price of HK\$1.44 per Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable to the excess application monies) will be made to applicants, without interest. Further details are set out in the section headed “How to Apply for Public Offer Shares” in this prospectus.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

RESTRICTIONS ON THE OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

STOCK BORROWING ARRANGEMENT

In order to facilitate the settlement of over-allocations in connection with the Share Offer, the Sole Bookrunner as stabilising manager may choose to borrow, whether on its own or through its affiliates, up to 42,000,000 Shares, representing 15% of our Offer Shares, from Flourish Investment, one of our Controlling Shareholders, to cover over-allocation under the stock borrowing arrangement (being the maximum number of Offer Shares which may be issued upon exercise of the Over-allotment Option), or acquire Shares from other sources, including exercising the Over-allotment Option.

If such stock borrowing arrangement with Flourish Investment is entered into, it will only be effected by the stabilising manager or its agent for settlement of over-allocation in the Placing and such arrangement is not subject to the restrictions of Rule 10.07(1) of the Listing Rules provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are complied with as follows:

- such stock borrowing arrangement is fully described in this prospectus and must be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option;
- the maximum number of Shares to be borrowed from Flourish Investment by the Sole Bookrunner (or any person acting for it) is the maximum number of Shares that may be issued upon full exercise of the Over-allotment Option;
- the same number of Shares so borrowed must be returned to Flourish Investment or its nominee(s) within three business days following the earlier of (a) the last day on which the Over-allotment Option may be exercised, and (b) the day on which the Over-allotment Option is exercised in full;
- the stock borrowing arrangement will be effected in compliance with all applicable listing rules, laws and other regulatory requirements; and
- no payment will be made to Flourish Investment by the Sole Bookrunner (or any person acting for it) in relation to such stock borrowing arrangement.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the market price of the securities below the offer price. In Hong Kong and certain other jurisdictions, the price at which stabilisation is effected is not permitted to exceed the offer price.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

The Sole Bookrunner has been appointed by us as the stabilising manager for the purposes of the Share Offer in accordance with the Securities and Futures (Price Stabilising) Rules made under the SFO. In connection with the Share Offer, the Sole Bookrunner, as stabilising manager, or its affiliates or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilising or maintaining the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date.

Any such stabilising activity will be made in compliance with all applicable laws, rules and regulations in place in Hong Kong on stabilisation including the Securities and Futures (Price Stabilising) Rules made under the SFO. However, there is no obligation on the Sole Bookrunner, its affiliates or any person acting for it to do this. Such stabilisation, if commenced, will be conducted at the absolute discretion of the Sole Bookrunner, its affiliates or any person acting for it and may be discontinued at any time, and must be brought to an end after a limited period. Any such stabilisation activity is required to be brought to an end within 30 days from the last date for lodging application under the Public Offer. The number of Shares that may be over-allocated will not be greater than the number of Shares which may be made available upon exercise of the Over-allotment Option, being 42,000,000 Shares, which is 15% of the Offer Shares initially available under the Share Offer.

Subject to and under the Securities and Futures (Price Stabilising) Rules of the SFO, the Sole Bookrunner, as stabilising manager, its affiliates or any person acting for it, may take all or any of the following stabilising action in Hong Kong during the stabilisation period:

- (1) purchase, or agree to purchase, any of the Shares or offer or attempt to do so for the sole purpose of preventing or minimising any reduction in the market price of the Shares;
- (2) in connection with any action described in paragraph (1) above:
 - (a) (i) over-allocate our Shares; or
 - (ii) sell or agree to sell the Shares so as to establish a short position in them, for the sole purpose of preventing or minimising any reduction in the market price of our Shares;
 - (b) exercise the Over-allotment Option and subscribe for or purchase, or agree to subscribe for or purchase, the Shares pursuant to the Over-allotment Option in order to close out any position established under subparagraph (a) above;
 - (c) sell or agree to sell any Shares acquired by it in the course of the stabilising action referred to in paragraph (1) above in order to liquidate any position that has been established by such action; and
 - (d) offer or attempt to do anything described in subparagraphs (a)(ii), (b) or (c) above.

Specifically, prospective applicants for and investors in Offer Shares should note that:

- the Sole Bookrunner (for itself and on behalf of the Underwriters), its affiliates or any person acting for it may, in connection with the stabilising action, maintain a long position in the Shares;

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

- there is no certainty regarding the extent to which and the time period for which the Sole Bookrunner, its affiliates or any person acting for it, will maintain such a position;
- liquidation of any such long position by the Sole Bookrunner, its affiliates or any person acting for it, may have an adverse impact on the market price of the Shares;
- no stabilising action can be taken to support the price of the Shares for longer than the stabilising period which will begin on the Listing Date, and is expected to expire on Sunday, 4 August 2019, being the 30th day after the last date for lodging applications under the Public Offer. After this date, when no further action may be taken to support the price of the Shares, demand for the Shares, and therefore the price of the Shares, could fall;
- the price of any security (including the Shares) cannot be assured to stay at or above its Offer Price by the taking of any stabilising action; and
- stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

A public announcement in compliance with the Securities and Futures (Price Stabilising) Rules of the SFO will be made within seven days of the expiration of the stabilisation period.

COMMENCEMENT OF DEALINGS

Assuming the Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Tuesday, 16 July 2019, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Tuesday, 16 July 2019.

The Shares will be traded in board lots of 2,000 Shares each. The stock code of the Company is 6805.

HOW TO APPLY FOR PUBLIC OFFER SHARES

1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** Application Form or **YELLOW** Application Form;
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Bookrunner, and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** Application Form or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a U.S. person (as defined in Regulation S); and
- are not a legal or natural person of the PRC.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorised officer, who must state his/her representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, our Company and the Sole Bookrunner may accept it at their discretion, and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four.

Unless permitted by the Listing Rules, you cannot apply for any Public Offer Shares if you:

- are an existing beneficial owner of shares in our Company and/or any of its subsidiaries;
- are a Director or chief executive officer of our Company and/or any of its subsidiaries;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- are a core connected person (as defined in the Listing Rules) of our Company or will become a core connected person of our Company immediately upon completion of the Share Offer;
- are a close associate (as defined in the Listing Rules) of any of the above; or
- have been allocated or have applied for any Placing Shares or otherwise participated in the Placing.

3. APPLYING FOR PUBLIC OFFER SHARES

Which application channel to use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, either (i) use a **YELLOW** Application Form; or (ii) give **electronic application instructions** to HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to collect the Application Forms

You can collect a **WHITE** Application Form and a copy of this prospectus during normal business hours from 9:00 a.m. on Saturday, 29 June 2019 until 12:00 noon on Friday, 5 July 2019 from:

- (a) any of the following offices of the Public offer Underwriters:

Name	Address
Shenwan Hongyuan Capital (H.K.) Limited	Level 19 28 Hennessy Road Hong Kong
Pacific Foundation Securities Limited	11/F, New World Tower II 16–18 Queen's Road Central Hong Kong
Aristo Securities Limited	Room 101, 1st Floor On Hong Commercial Building 145 Hennessy Road, Wanchai Hong Kong
Merdeka Capital Limited	Room 1108, 11/F Wing On Centre 111 Connaught Road Central Hong Kong

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (b) any of the following branches of Bank of China (Hong Kong) Limited, the receiving bank for the Public Offer:

District	Branch Name	Address
Hong Kong Island	Shek Tong Tsui Branch	534 Queen's Road West, Shek Tong Tsui, Hong Kong
Kowloon	Tsim Sha Tsui Branch	24–28 Carnarvon Road, Tsim Sha Tsui, Kowloon
	194 Cheung Sha Wan Road Branch	194–196 Cheung Sha Wan Road, Sham Shui Po, Kowloon
New Territories	Yuen Long (Hang Fat Mansion) Branch	8–18 Castle Peak Road, Yuen Long, New Territories

You can collect a **YELLOW** Application Form and a copy of this prospectus during normal business hours from 9:00 a.m. on Saturday, 29 June 2019 until 12:00 noon on Friday, 5 July 2019 from:

- the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong; or
- your stockbroker.

Time for lodging Application Forms

Your completed **WHITE** Application Form or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "BANK OF CHINA (HONG KONG) NOMINEES LIMITED — KIMOUE ENVIRONMENTAL PUBLIC OFFER" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Saturday, 29 June 2019 — 9:00 a.m. to 1:00 p.m.
Tuesday, 2 July 2019 — 9:00 a.m. to 5:00 p.m.
Wednesday, 3 July 2019 — 9:00 a.m. to 5:00 p.m.
Thursday, 4 July 2019 — 9:00 a.m. to 5:00 p.m.
Friday, 5 July 2019 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, 5 July 2019, the last application day or such later time as described in the paragraph headed "9. Effect of bad weather on the opening of the application lists" in this section below.

HOW TO APPLY FOR PUBLIC OFFER SHARES

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Forms carefully; otherwise, your application may be rejected.

By submitting an Application Form, among other things, you (or if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and the Sole Bookrunner (or its agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Law and the Memorandum and Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- (vi) agree that none of our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Co Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Placing Shares under the Placing nor participated in the Placing;
- (viii) agree to disclose to our Company, the Hong Kong Share Registrar, the receiving bank, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Co Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Co Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any Share certificate(s) and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the Share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company, the Directors, the Sole Sponsor and the Sole Bookrunner, any of their respective directors, offices or representatives or any other person or parties involved in the Share Offer will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** Application Form or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC by you or by anyone as your agent or by any other person; and

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (xix) (if you are making the application as an agent for the benefit of another person) warrant that
- (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** Application Form or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and
 - (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional instructions for Yellow Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling (852) 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Centre

1/F, One & Two Exchange Square

8 Connaught Place

Central, Hong Kong

and complete an input request form.

You can also collect a copy of this prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Bookrunner and the Hong Kong Share Registrar.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Giving electronic application instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **YELLOW** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **YELLOW** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Public Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing;
 - (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
 - confirm that you understand that our Company, the Sole Sponsor and the Sole Bookrunner will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
 - authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
 - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
 - confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- agree that none of our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Co Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, the Hong Kong Share Registrar, the receiving bank, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Co Managers, the Underwriters and/or their respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for Public Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application**

HOW TO APPLY FOR PUBLIC OFFER SHARES

instructions) to observe and comply with the Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Law and the Memorandum and Articles of Association; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of giving electronic application instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum purchase amount and permitted numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 2,000 Public Offer Shares. Instructions for more than 2,000 Public Offer Shares must be in one of the numbers set out in the table in the relevant Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

Time for inputting electronic application instructions⁽¹⁾

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Saturday, 29 June 2019 — 9:00 a.m. to 1:00 p.m.
Tuesday, 2 July 2019 — 8:00 a.m. to 8:30 p.m.
Wednesday, 3 July 2019 — 8:00 a.m. to 8:30 p.m.
Thursday, 4 July 2019 — 8:00 a.m. to 8:30 p.m.
Friday, 5 July 2019 — 8:00 a.m. to 12:00 noon

HOW TO APPLY FOR PUBLIC OFFER SHARES

CCASS Investor/custodian Participants can input **electronic application instructions** from 9:00 a.m. on Saturday, 29 June 2019 until 12:00 noon on Friday, 5 July 2019 (24 hours daily, except on Friday, 5 July 2019, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, 5 July 2019, the last application day or such later time as described in the paragraph headed “9. Effect of bad weather on the opening of the application lists” in this section below.

- (1) The times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

No multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving bank, the Sole Bookrunner, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

6. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Sole Bookrunner and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a

HOW TO APPLY FOR PUBLIC OFFER SHARES

WHITE Application Form or **YELLOW** Application Form or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Friday, 5 July 2019.

7. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** Application Form or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"*Unlisted company*" means a company with no equity securities listed on the Stock Exchange.

"*Statutory control*" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

8. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** Application Form and **YELLOW** Application Form have tables showing the exact amount payable for the Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

HOW TO APPLY FOR PUBLIC OFFER SHARES

You may submit an application using a **WHITE** Application Form or **YELLOW** Application Form in respect of a minimum of 2,000 Public Offer Shares. Each application or **electronic application instruction** in respect of more than 2,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

9. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 5 July 2019. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Friday, 5 July 2019 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable” in this prospectus, an announcement will be made in such event.

10. PUBLICATION OF RESULTS

Our Company expect to announce the final Offer Price, the level of indication of interest in the Placing, the results of applications and the level and the basis of allocation of the Public Offer Shares on Monday, 15 July 2019 on our Company’s website at www.platingbase.com and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers (where appropriate) of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company’s website at www.platingbase.com and the Stock Exchange’s website at www.hkexnews.hk by no later than 9:00 a.m. on Monday, 15 July 2019;
- from the designated results of allocations website at www.iporesults.com.hk (alternatively: English <https://www.eipo.com.hk/en/Allotment>; Chinese <https://www.eipo.com.hk/zh-hk/Allotment>) with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Monday, 15 July 2019 to 12:00 midnight on Sunday, 21 July 2019;
- by telephone enquiry line by calling (852) 2862 8669 between 9:00 a.m. and 10:00 p.m. from Monday, 15 July 2019 to Thursday, 18 July 2019; and

HOW TO APPLY FOR PUBLIC OFFER SHARES

- in the special allocation results booklets which will be available for inspection during opening hours from Monday, 15 July 2019 to Wednesday, 17 July 2019 at all the receiving bank's designated branches as set out in paragraph headed "Where to collect the Application Forms" in this section.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed "Structure and Conditions of the Share Offer" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

11. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED PUBLIC OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

HOW TO APPLY FOR PUBLIC OFFER SHARES

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Sole Bookrunner and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or are suspected of making multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated, (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Sole Bookrunner believes that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Public Offer Shares initially offered under the Public Offer.

12. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$1.44 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Share Offer are not fulfilled in accordance with the section headed "Structure and Conditions of the Share Offer — Conditions of the Share Offer" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded without interest or the cheque or banker's cashier order will not be cleared.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Any refund of your application monies will be made on or before Monday, 15 July 2019.

13. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** Application Form or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- Share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Form, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of Share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before Monday, 15 July 2019. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

Share certificates will only become valid at 8:00 a.m. on Tuesday, 16 July 2019, provided that the right of termination described in the section headed “Underwriting” in this prospectus has not been exercised and the Share Offer has become unconditional. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, 15 July 2019 or such other date as notified by us.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation’s chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or Share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or Share certificate(s) will be sent to the address on the relevant Application Form on or before Monday, 15 July 2019, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above for collection of your refund cheque(s). If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Monday, 15 July 2019, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant’s stock account as stated in your Application Form on Monday, 15 July 2019, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you are applying through a designated CCASS participant (other than a CCASS Investor Participant)*

For Public Offer Shares credited to your designated CCASS participant’s stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

HOW TO APPLY FOR PUBLIC OFFER SHARES

- *If you are applying as a CCASS Investor Participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in the paragraph headed "10. Publication of results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 15 July 2019 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply via electronic application instructions to HKSCC

Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share certificates into CCASS and refund of application monies

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Monday, 15 July 2019, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer Shares in the manner specified in the paragraph headed "10. Publication of results" above on Monday, 15 July 2019. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 15 July 2019 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

HOW TO APPLY FOR PUBLIC OFFER SHARES

- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Monday, 15 July 2019. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Monday, 15 July 2019.

14. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangements as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-71, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



**ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION
TO THE DIRECTORS OF KIMOU ENVIRONMENTAL HOLDING LIMITED
AND SHENWAN HONGYUAN CAPITAL (H.K.) LIMITED**

INTRODUCTION

We report on the historical financial information of Kimou Environmental Holding Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-71, which comprises the consolidated statements of financial position of the Group as at 31 December 2016, 2017 and 2018, the statement of financial position of the Company as at 31 December 2018, the consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows, for each of the years ended 31 December 2016, 2017 and 2018 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-71 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 29 June 2019 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Group's financial position as at 31 December 2016, 2017 and 2018, the Company's financial position as at 31 December 2018 and of the Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to note 29(d) to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its incorporation.

KPMG

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

29 June 2019

A HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP under separate terms of engagement with the Company in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

Consolidated statements of profit or loss
(Expressed in Renminbi)

	Note	For the year ended 31 December		
		2016 RMB'000	2017 RMB'000	2018 RMB'000
Revenue	4	197,643	301,921	479,678
Depreciation and amortisation	7(c)	(65,501)	(95,230)	(126,031)
Cost of inventories	7(c)	(22,648)	(49,389)	(101,454)
Staff costs	7(b)	(22,575)	(35,366)	(45,677)
Utility costs	7(c)	(10,126)	(14,698)	(16,514)
Other expenses		(39,443)	(56,225)	(92,820)
Other revenue	5	5,020	7,324	11,023
Other net income/(loss)	6	433	(107)	(2,123)
Profit from operations		42,803	58,230	106,082
Finance costs	7(a)	(36,727)	(48,027)	(60,969)
Profit before taxation	7	6,076	10,203	45,113
Income tax	8	1,405	(1,156)	(8,702)
Profit for the year		<u>7,481</u>	<u>9,047</u>	<u>36,411</u>
Attributable to:				
Equity shareholders		16,367	20,195	47,936
Non-controlling interests		(8,886)	(11,148)	(11,525)
Profit for the year		<u>7,481</u>	<u>9,047</u>	<u>36,411</u>
Earnings per share	12			
Basic		<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Diluted		<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

The accompanying notes form part of the Historical Financial Information.

Consolidated statements of profit or loss and other comprehensive income*(Expressed in Renminbi)*

	<i>Note</i>	For the year ended 31 December		
		2016	2017	2018
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year		7,481	9,047	36,411
Other comprehensive income for the year (after tax and reclassification adjustments)	<i>11</i>			
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange differences on translation of financial information of entities not using Renminbi ("RMB") as functional currency		—	—	339
Total comprehensive income for the year		<u>7,481</u>	<u>9,047</u>	<u>36,750</u>
Attributable to:				
Equity shareholders		16,367	20,195	48,275
Non-controlling interests		<u>(8,886)</u>	<u>(11,148)</u>	<u>(11,525)</u>
Total comprehensive income for the year		<u>7,481</u>	<u>9,047</u>	<u>36,750</u>

The accompanying notes form part of the Historical Financial Information.

Consolidated statements of financial position*(Expressed in Renminbi)*

		As at 31 December		
	<i>Note</i>	2016	2017	2018
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets				
Property, plant and equipment	<i>13</i>	438,982	590,209	871,848
Investment property	<i>14</i>	477,169	715,482	711,474
Construction in progress	<i>15</i>	287,957	181,824	92,890
Lease prepayments	<i>16</i>	191,782	218,562	213,411
Intangible assets	<i>17</i>	589	435	4,262
Other receivables	<i>21</i>	14,345	38,807	30,679
Deferred tax assets	<i>28</i>	12,174	28,650	32,683
Deposits with a bank with original maturity date over one year	<i>22</i>	—	50,000	—
Other financial assets	<i>19</i>	10,627	10,932	8,475
Total non-current assets		<u>1,433,625</u>	<u>1,834,901</u>	<u>1,965,722</u>
Current assets				
Inventories	<i>20</i>	949	2,255	4,899
Trade and other receivables	<i>21</i>	374,949	156,736	155,790
Deposits with a bank with original maturity date over three months	<i>22</i>	50,000	—	50,000
Cash and cash equivalents	<i>23</i>	2,047	19,283	80,733
Total current assets		<u>427,945</u>	<u>178,274</u>	<u>291,422</u>

		As at 31 December		
		2016	2017	2018
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current liabilities				
Trade and other payables	24	1,053,543	641,099	966,400
Contract liabilities	25	4,645	16,074	20,218
Bank loans	26	158,662	177,382	105,666
Current taxation	28	<u>2,400</u>	<u>10,405</u>	<u>11,624</u>
Total current liabilities		<u><u>1,219,250</u></u>	<u><u>844,960</u></u>	<u><u>1,103,908</u></u>
Net current liabilities		<u><u>(791,305)</u></u>	<u><u>(666,686)</u></u>	<u><u>(812,486)</u></u>
Total assets less current liabilities		<u><u>642,320</u></u>	<u><u>1,168,215</u></u>	<u><u>1,153,236</u></u>
Non-current liabilities				
Bank loans	26	453,091	751,732	766,212
Deferred income	27	22,455	59,393	53,857
Deferred tax liabilities	28	<u>305</u>	<u>343</u>	<u>72</u>
Total non-current liabilities		<u><u>475,851</u></u>	<u><u>811,468</u></u>	<u><u>820,141</u></u>
Net assets		<u><u>166,469</u></u>	<u><u>356,747</u></u>	<u><u>333,095</u></u>
Capital and reserves				
Share capital	29	108,200	108,200	69
Reserves		<u>57,469</u>	<u>77,664</u>	<u>127,289</u>
Total equity attributable to equity shareholders		165,669	185,864	127,358
Non-controlling interests		<u>800</u>	<u>170,883</u>	<u>205,737</u>
Total equity		<u><u>166,469</u></u>	<u><u>356,747</u></u>	<u><u>333,095</u></u>

The accompanying notes form part of the Historical Financial Information.

Statement of financial position of the Company
(Expressed in Renminbi)

	<i>Note</i>	As at 31 December 2018 RMB'000
Non-current assets		
Investments in subsidiaries		—*
Current assets		
Cash and cash equivalents		47
Other receivables		<u>220,877</u>
		<u><u>220,924</u></u>
Current liabilities		
Other payables		<u>224,979</u>
Net liabilities		<u><u>(4,055)</u></u>
Capital and reserves		
Share capital	29(a)(ii)	69
Reserves		<u>(4,124)</u>
Total equity		<u><u>(4,055)</u></u>

* The balance represents amount less than RMB1,000.

The accompanying notes form part of the Historical Financial Information.

Consolidated statements of changes in equity

(Expressed in Renminbi)

	Attributable to equity shareholders					Non-controlling interests	Total equity
	Share capital	Capital reserve	Statutory reserve	Retained profits	Sub-total		
Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Note 29(a)	Note 29(c)	Note 29(c)				
Balance at 1 January 2016	80,200	18,459	667	21,976	121,302	9,686	130,988
Changes in equity for the year ended 31 December 2016							
Profit/(loss) for the year	—	—	—	16,367	16,367	(8,886)	7,481
Other comprehensive income	—	—	—	—	—	—	—
Total comprehensive income	—	—	—	16,367	16,367	(8,886)	7,481
Capital injection from equity shareholders	28,000	250,000	—	—	278,000	—	278,000
Acquisition under common control	18(a)(i)	(250,000)	—	—	(250,000)	—	(250,000)
Transfer to statutory reserve	—	—	4,551	(4,551)	—	—	—
Balance at 31 December 2016	<u>108,200</u>	<u>18,459</u>	<u>5,218</u>	<u>33,792</u>	<u>165,669</u>	<u>800</u>	<u>166,469</u>
Balance at 1 January 2017	108,200	18,459	5,218	33,792	165,669	800	166,469
Changes in equity for the year ended 31 December 2017							
Profit/(loss) for the year	—	—	—	20,195	20,195	(11,148)	9,047
Other comprehensive income	—	—	—	—	—	—	—
Total comprehensive income	—	—	—	20,195	20,195	(11,148)	9,047
Capital injection from non-controlling interests	—	—	—	—	—	181,231	181,231
Transfer to statutory reserve	—	—	3,204	(3,204)	—	—	—
Balance at 31 December 2017	<u>108,200</u>	<u>18,459</u>	<u>8,422</u>	<u>50,783</u>	<u>185,864</u>	<u>170,883</u>	<u>356,747</u>

The accompanying notes form part of the Historical Financial Information.

	Attributable to equity shareholders						Sub-total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Retained profits RMB'000	Exchange reserve RMB'000				
	Note 29(a)	Note 29(c)	Note 29(c)						
Balance at 1 January 2018	108,200	18,459	8,422	50,783	—	185,864	170,883	356,747	
Changes in equity for the year ended 31 December 2018									
Profit/(loss) for the year	—	—	—	47,936	—	47,936	(11,525)	36,411	
Other comprehensive income	—	—	—	—	339	339	—	339	
Total comprehensive income	—	—	—	47,936	339	48,275	(11,525)	36,750	
Capital injection	1,885	1,350	—	—	—	3,235	46,379	49,614	
Arising from reorganisation	29(a) (110,016)	—	—	—	—	(110,016)	—	(110,016)	
Transfer to statutory reserve	—	—	6,710	(6,710)	—	—	—	—	
Balance at 31 December 2018	69	19,809	15,132	92,009	339	127,358	205,737	333,095	

The accompanying notes form part of the Historical Financial Information.

Consolidated statements of cash flows*(Expressed in Renminbi)*

	Note	For the year ended 31 December		
		2016 RMB'000	2017 RMB'000	2018 RMB'000
Operating activities				
Cash generated from operations	23(b)	82,519	189,533	230,253
Income tax paid	28(a)	<u>(2,824)</u>	<u>(9,589)</u>	<u>(11,787)</u>
Net cash generated from operating activities		<u>79,695</u>	<u>179,944</u>	<u>218,466</u>
Investing activities				
Interest received		86	131	148
Payment for purchase of property, plant and equipment, investment property and lease prepayments		(259,942)	(550,123)	(338,784)
Payment for purchase of intangible assets		—	—	(4,506)
Payment for acquisition of subsidiaries, net of cash acquired	18(a)	(32,349)	—	—
Proceeds from disposal of property, plant and equipment		—	163	726
Proceeds from disposal of equity securities		—	—	1,700
Advance to other third parties		—	(9,000)	(22,127)
Repayment from other third parties		—	3,000	12,000
Advance to individual shareholders of non-controlling interests		(245,079)	—	—
Repayment from individual shareholders of non-controlling interests		20,659	277,641	—
Advance to related parties	32(b)	(63,392)	(322,642)	(42,225)
Repayment from related parties		<u>93,179</u>	<u>366,006</u>	<u>37,564</u>
Net cash used in investing activities		<u>(486,838)</u>	<u>(234,824)</u>	<u>(355,504)</u>

The accompanying notes form part of the Historical Financial Information.

	Note	For the year ended 31 December		
		2016 RMB'000	2017 RMB'000	2018 RMB'000
Financing activities				
Proceeds from bank loans	23(d)	115,000	645,500	120,000
Repayment of bank loans	23(d)	(94,331)	(328,139)	(177,236)
Advance from related parties	23(d)/32(b)	448,728	537,835	861,830
Repayment to related parties	23(d)	(271,924)	(536,919)	(642,952)
Advance from individual shareholders of non-controlling interests	23(d)	42,740	11,872	—
Repayment to individual shareholders of non-controlling interests	23(d)	(74,444)	(132,502)	(100)
Advance from other third parties	23(d)	—	—	42,920
Repayment to other third parties	23(d)	—	—	(42,920)
Interest paid	23(d)	(39,520)	(56,762)	(66,131)
Repayment from equity shareholders		—	—	53,463
Capital injection from Controlling Shareholder under common control	18(a)(i)	250,000	—	—
Payment for acquisition of subsidiaries to entity controlled by Controlling Shareholder	24	—	(127,500)	—
Payment for acquisition of subsidiaries to non-controlling interests	24	—	(122,500)	—
Capital injection from equity shareholders		28,000	—	3,235
Capital injection from non-controlling interests		—	181,231	46,379
Net cash generated from financing activities		<u>404,249</u>	<u>72,116</u>	<u>198,488</u>
Net (decrease)/increase in cash and cash equivalents		(2,894)	17,236	61,450
Cash and cash equivalents at the beginning of the year		<u>4,941</u>	<u>2,047</u>	<u>19,283</u>
Cash and cash equivalents at the end of the year	23	<u>2,047</u>	<u>19,283</u>	<u>80,733</u>

The accompanying notes form part of the Historical Financial Information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION**1 BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION****1.1 General information**

Kimou Environmental Holding Limited was incorporated in the Cayman Islands on 28 June 2018 as an exempted company with limited liability under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The Company is an investment holding company and has not carried on any business since the date of its incorporation save for the group reorganisation below. The principle activities of the Group are industrial park property development and management, electroplating wastewater treatment and other related businesses (the "Business") in the People's Republic of China (the "PRC").

1.2 Reorganisation and basis of presentation

During the Relevant Periods, the Business was conducted through Huizhou Kimou Industrial Investment Company Limited and its subsidiaries established in the PRC (the "PRC Operating Entities"), and all of which are under the control of Mr. Zhang Lianghong (the "Controlling Shareholder"). To rationalise the corporate structure in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Group underwent a reorganisation (the "Reorganisation") as detailed in the section headed "History, Development and Reorganisation" in the Prospectus. Upon completion of the Reorganisation in December 2018, the Company became the holding company of the companies now comprising the group. The companies now comprising the Group were controlled by the Controlling Shareholder during the Relevant Periods before and after the Reorganisation. In addition, the Reorganisation also involved inserting entities with no substantive operations as holding companies between shareholders of the Group and the PRC Operating Entities. As such, there has been no change in the ultimate control and there were no substantive changes in the business and operations of the companies now comprising the Group.

The Reorganisation is considered as business combinations under common control. Accordingly, the accompanying consolidated financial information has been prepared using the principles of merger accounting as if the Group had always been in existence. The consolidated statements of profit or loss, consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the Relevant Periods as set out in Section A include the financial performance and cash flows of the companies now comprising the Group (or where the companies were incorporated at a date later than 1 January 2016, for the period from the date of incorporation to 31 December 2018). The consolidated statements of financial position of the Group as at 31 December 2016, 31 December 2017 and 31 December 2018 as set out in Section A of this report have been prepared to present the financial position of the companies now comprising the Group as at those dates. Intra-group balances and transactions are eliminated in full in preparing the Historical Financial Information.

1.3 Subsidiaries

As at the date of this report, no audited financial statements have been prepared for the Company as it is an investment holding company and not subject to statutory audit requirements under relevant rules and regulations in the jurisdiction of incorporation. The statutory financial statements of the subsidiaries of the Group for which there are statutory requirements were prepared in accordance with the relevant accounting rules and regulations applicable to entities in the PRC.

Upon completion of the Reorganisation and as at the date of this report, the Company has direct or indirect interests in the following subsidiaries, all of which are private companies:

Company name	Date and place of incorporation/ establishment	Particulars of issued and registered capital	Proportion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by a subsidiary	
Kimou Holding Limited (i) (ii) 金茂源控股有限公司(i) (ii)	7 June 2018 British Virgin Islands	US\$50,000	100%	100%	—	Investment holding
Kimou Environmental (BVI) Limited (i) (ii) 金茂環保(BVI)有限公司(i) (ii)	7 June 2018 British Virgin Islands	US\$50,000	100%	—	100%	Investment holding
Kimou Environmental Technology (BVI) Limited (i) (ii) 金茂環保科技控股(BVI)有限公司(i) (ii)	7 June 2018 British Virgin Islands	US\$50,000	100%	—	100%	Investment holding
Kimou Environmental Limited (ii) (iii) 金茂環保有限公司(ii) (iii)	27 March 2018 Hong Kong	HK\$10,000	100%	—	100%	Investment holding
Kimou Environmental Technology Holding Limited (ii) (iii) 金茂環保科技控股有限公司(ii) (iii)	12 July 2017 Hong Kong	HK\$10,000	100%	—	100%	Investment holding
Huizhou Kimou Industrial Investment Co., Ltd. ("Huizhou Kimou") (iv) (vi) 惠州金茂實業投資有限公司(iv) (vi)	8 June 2005 PRC	RMB400,000,000	100%	—	100%	Investment property development and management
Huizhou Jinzefeng Trading Co., Ltd. ("Huizhou Jinzefeng") (iii) (iv) (vii) 惠州金澤豐貿易有限公司(iii) (iv) (vii)	1 July 2015 PRC	RMB2,000,000	100%	—	100%	Sales of chemical materials
Huizhou Jinzhun Testing Technology Co., Ltd. ("Huizhou Jinzhun") (i) (iv) (v) 惠州金准檢測技術有限公司(i) (iv) (v)	11 September 2015 PRC	RMB2,000,000	100%	—	100%	Provision of technical testing services
Huizhou Jinmaoyuan Environmental Technology Co., Ltd. ("Huizhou Jinmaoyuan") (iv) (v) (viii) 惠州金茂源環保科技有限公司(iv) (v) (viii)	6 September 2016 PRC	RMB100,000,000	100%	—	100%	Provision of electroplating wastewater processing and related services

Company name	Date and place of incorporation/ establishment	Particulars of issued and registered capital	Proportion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by a subsidiary	
Tianjin Bingang Electroplating Enterprises Management Co., Ltd. ("Tianjin Bingang") (iv) (v) (ix) 天津濱港電鍍企業管理有限公司(iv) (v) (ix)	31 March 2014 PRC	RMB589,880,000	51%	—	51%	Provision of electroplating wastewater processing and related services
Jinjinsheng Environmental Investment (Shenzhen) Co., Ltd. ("Shenzhen Jinjinsheng") (i) (ii) (iv) 金津盛環保產業投資(深圳)有限公司(i) (ii) (iv)	2 November 2015 PRC	RMB250,000,000	51%	—	100%	Investment holding
Tianjin Wandafeng Metal Surface Processing Co., Ltd. ("Tianjin Wandafeng") (iv) (v) (x) 天津萬達豐金屬表面處理有限公司(iv) (v) (x)	6 February 2015 PRC	RMB80,000,000	51%	—	100%	Investment property development and management
Tianjin Jinhua Waste Recycle Co., Ltd. ("Tianjin Jinhua") (i) (iv) (v) 天津金華都廢品收購有限公司 (i) (iv) (v)	5 June 2008 PRC	RMB60,000,000	51%	—	100%	Investment property development and management
Tianjin Tianteyuan Steel Industry Co., Ltd. ("Tianjin Tianteyuan") (iv) (v) (x) 天津市天特元鋼業有限公司 (iv) (v) (x)	3 February 2009 PRC	RMB30,000,000	51%	—	100%	Investment property development and management
Tianjin Sangong Metal Surface Processing Co., Ltd. ("Tianjin Sangong") (iv) (v) (x) 天津三工金屬表面處理有限公司(iv) (v) (x)	6 February 2015 PRC	RMB80,000,000	51%	—	100%	Investment property development and management
Tianjin Jinnuo Environmental Testing Co., Ltd. ("Tianjin Jinnuo") (i) (ii) (iv) 天津金諾環境監測有限公司 (i) (ii) (iv)	31 March 2018 PRC	RMB2,000,000	51%	—	100%	Provision of technical testing services

Company name	Date and place of incorporation/ establishment	Particulars of issued and registered capital	Proportion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by a subsidiary	
Hubei Kimou Environmental Technology Co., Ltd. ("Hubei Kimou") (ii) (iv) (xi) 湖北金茂環保科技有限公司 (ii) (iv) (xi)	8 November 2017 PRC	RMB250,000,000	100%	—	100%	Investment property development and management
Jinyuan (Jingzhou) Environmental Technology Co., Ltd. ("Jingzhou Jinyuan") (ii) (iv) (xi) 金源(荊州)環保科技有限公司 (ii) (iv) (xi)	23 July 2018 PRC	RMB60,000,000	100%	—	100%	Investment property development and management

Notes:

- i No statutory audited financial statements have been prepared for these entities during the Relevant Periods as they were not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation.
- ii During the Relevant Periods, these entities are inactive entities.
- iii As at the date of this report, the audited statutory financial statements of these entities for the year ended 31 December 2018 were not yet issued.
- iv The official names of these entities are in Chinese. The English names are for identification purpose only.
- v These entities constitute the PRC Operating Entities.
- vi The statutory financial statements of this entity for the years ended 31 December 2017 and 2018 were prepared in accordance with the Accounting Standards for Business Enterprises applicable to the enterprises in the PRC. The statutory financial statements for the years ended 31 December 2017 and 2018 were audited by Guangdong Chengxinde Accounting Firm (General Partnership) and Huizhou Dongfang Accountant Firm Co., Ltd., respectively.
- vii The statutory financial statements of this entity for the year ended 31 December 2018 were prepared in accordance with the Accounting Standards for Business Enterprises applicable to the enterprises in the PRC. The statutory financial statements were audited by Huizhou Dongfang Accountant Firm Co., Ltd.
- viii The statutory financial statements of this entity for the years ended 31 December 2016, 2017 and 2018 were prepared in accordance with the Accounting Standards for Business Enterprises applicable to the enterprises in the PRC. The statutory financial statements for the year ended 31 December 2016 were audited by Huizhou Guangcheng Accounting Firm. The statutory financial statements for the years ended 31 December 2017 and 2018 were audited by Huizhou Anxin Accounting Firm Co., Ltd.
- ix The statutory financial statements of this entity for the years ended 31 December 2017 and 2018 were prepared in accordance with the Accounting Standards for Business Enterprises applicable to the enterprises in the PRC. The statutory financial statements for the years ended 31 December 2017 and 2018 were audited by Tianjin Guangyuan CPA Co., Ltd. and Tianjin Antai CPA Co., Ltd., respectively.
- x The statutory financial statements of these entities for the years ended 31 December 2018 were prepared in accordance with the Accounting Standards for Business Enterprises applicable to the enterprises in the PRC. The statutory financial statements of these entities for the year ended 31 December 2018 were audited by Tianjin Antai CPA Co., Ltd.
- xi The statutory financial statements of these entities for the years ended 31 December 2018 were prepared in accordance with the Accounting Standards for Business Enterprises applicable to the enterprises in the PRC. The statutory financial statements of these entities for the year ended 31 December 2018 were audited by Hubei Huize Cooperatives Accounting Firm (General Partnership).

1.4 Basis of preparation

All companies now comprising the Group have adopted 31 December as their financial year end date.

At 31 December 2018, the Group's current liabilities of RMB1,103,908,000, which mainly comprises of amounts due to other related parties of RMB603,662,000, bank loans of RMB105,666,000, deposits due to customers of RMB115,886,000 and trade and other payables of RMB246,852,000, has exceeded its current assets by RMB812,486,000. The directors of the Company have confirmed that all of the amounts due to related parties as at 31 December 2018 will be fully settled or capitalised prior to the Listing. Moreover, based on future projection of the Group's profit and cash inflows from operations and the anticipated ability of the Group to renew or rollover its banking and other financing facilities to finance its continuing operations for the year ending 31 December 2019, and additional capital injection from existing shareholders if necessary, the management believes that the Group has adequate resources to continue to operate as a going concern throughout the next twelve months and that there are no material uncertainties related to events or conditions which, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern.

The Historical Financial Information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA. Further details of the significant accounting policies adopted are set out in note 2.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing this Historical Financial Information, the Group has adopted all applicable new and revised HKFRSs, which are effective for the accounting period beginning on 1 January 2018, including HKFRS 9, *Financial instruments*, and HKFRS 15, *Revenue from contracts with customers*, consistently throughout the Relevant Periods. The adoption of HKFRS 9 and HKFRS 15 did not has significant impact on the Group's financial position and performance throughout the Relevant Periods when compared to those that would have been presented under HKAS 39, *Financial Instruments: Recognition and Measurement*, and HKAS 18, *Revenue*.

HKFRS 16, *Leases*, is effective for accounting period beginning on or after 1 January 2019 and earlier application is permitted for entities that apply HKFRS 15 on or before the date of initial application of HKFRS 16. The Group has elected to early apply HKFRS 16 which has been applied consistently throughout the Relevant Periods. The adoption of HKFRS 16 did not has significant impact on the Group's financial position and performance throughout the Relevant Periods. Amendments, new standards and interpretations issued but not yet effective and which have not been adopted by the Group for the year ended 31 December 2018 are set out in note 33.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

2 SIGNIFICANT ACCOUNTING POLICIES**(a) Basis of measurement**

The Historical Financial Information is presented in RMB, rounded to the nearest thousand except share data.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that financial assets at fair value through profit or loss are stated at fair value as explained in note 2(d).

(b) Use of estimates and judgements

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

(c) Consolidation*(i) Subsidiaries and non-controlling interests*

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the Historical Financial Information from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Historical Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(d)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(i)(ii)).

(ii) Business combination not under common control

Business combinations not under common control are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Deferred consideration comprises obligations to pay specific amounts at future dates. Deferred consideration is recognised and measured at fair value at the acquisition date and included in the consideration transferred. The unwinding of any interest element of deferred consideration is recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred. Any contingent consideration payable is recognised at fair value at the acquisition date and included in the consideration transferred. If the contingent consideration is classified as equity, it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

(iii) Business combinations involving entities under common control

The consolidated financial statements incorporate the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling shareholder.

The assets and liabilities of the combining entities or businesses are combined at the carrying amounts previously recognised in the respective controlling shareholder's financial statements.

The consolidated statements of profit or loss and comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when combining entities or businesses first came under common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the earliest balance sheet date presented or when they first came under common control, whichever is later.

(d) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries, are set out below.

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 30(e). These investments are subsequently accounted for as follows, depending on their classification.

Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income.

(e) Investment property

Investment properties are buildings which are owned (see note 2(t)) to earn rental income and/or for capital appreciation. These include property that is being constructed or developed for future use as investment property.

Investment properties are stated at cost less accumulated depreciation and impairment losses (see note 2(i)(ii)). Depreciation is calculated to write off the costs of investment properties, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Investment properties	20 years
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Both the useful life of an asset and its residual value, if any, are reviewed annually.

Rental income from investment properties is accounted for as described in note 2(t)(i).

(f) Property, plant and equipment and construction in progress

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(i)(ii)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(w)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

No depreciation is provided in respect of the construction in progress.

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Buildings	20 years
Plant and machinery	3–20 years
Motor vehicles	5–10 years
Office equipment and others	3–10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(g) Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(i)(ii)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

Electroplating wastewater treatment operation rights	5 years
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Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

(h) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset — this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where all the decisions about how and for what purpose the asset is used are predetermined, the Group has the right to direct the use of the asset if either:
 - the Group has the right to operate the asset; or
 - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

At inception of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

(i) As a lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, the Group applies IFRS 15 to allocate the consideration in the contract.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'revenue' (see note 2(t)(i)).

(ii) As a lessee

Short-term leases

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of certain premises that have a lease term of 12 months or less. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(i) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses (ECLs) on the financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables and loans to associates).

Financial assets measured at fair value are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets, trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- Life time ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held). The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income

Interest income recognised in accordance with note 2(t)(iv) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- investment property;
- lease prepayments;
- intangible assets; and
- investments in subsidiaries, associates and joint ventures in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit ("CGU")).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

— Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the period in which the reversals are recognised.

(j) Inventories

Inventories are assets in the form of materials or supplies which are held for consumption in the rendering of services or for sale in the ordinary course of business.

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are consumed in the rendering of services or sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(k) Contract liabilities

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 2(t)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2(l)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 2(t)).

(l) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 2(i)(i)).

(m) Non-current assets held for sale

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group are concerned are deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries, associates and joint ventures) and investment properties. These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 2.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note 2(i)(i).

(o) Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 2(w)).

(q) Employee benefits*(i) Short term employee benefits*

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Contributions to defined contribution retirement plans

Pursuant to the relevant laws and regulations of the PRC, the Group participates in a defined contribution basic pension insurance in the social insurance system established and managed by government organisations. The Group makes contributions to basic pension insurance plans based on the applicable benchmarks and rates stipulated by the government. Basic pension insurance contributions are recognised as part of the cost of assets or charged to profit or loss as the related services are rendered by the employees.

The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance (the "MPF Scheme") for all employees in Hong Kong, which is a defined contribution retirement scheme. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income. The assets of this pension scheme are held separately from those of the Group in independently administered funds.

(iii) *Termination benefits*

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(r) **Income tax**

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to business combinations, or items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous periods.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group or the Company has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group or the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(s) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(t) Revenue and other income

Income is classified by the Group as revenue when it arises from the provision of services, the sales of goods or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax ("VAT") or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(ii) *Revenue from provision of electroplating wastewater treatment services and other related services*

Revenue from provision of electroplating wastewater treatment services and other related services is recognised when the services are rendered.

(iii) *Sales of goods*

Revenue is recognised when the customer obtains control of the goods in the contracts. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(iv) *Interest income*

Interest income is recognised as it accrues using the effective interest method. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 2(i)(i)).

(v) *Government grants*

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised as deferred income and consequently are effectively recognised in profit or loss on a systematic basis over the useful life of the asset.

(u) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Group or the Company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Renminbi at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Renminbi at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

(v) Research and development expenses

Research and development expenses comprise all expenses that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities. Research and development expenses are recognised as expenses in the period in which they are incurred.

(w) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(x) Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(y) Segment reporting

Operating segments, and the amounts of each segment item reported in the Historical Financial Information, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

Note 30 contains information about the assumptions and their risk factors relating to fair value of financial assets. Other key sources of estimation uncertainty and critical accounting judgements in the process of applying the Group's accounting policies are described below.

(a) Depreciation and amortisation

Property, plant and equipment, investment properties, lease prepayments and intangible assets are depreciated or amortised on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value.

The Group reviews annually the useful life of an asset and its residual value, if any. The depreciation and amortisation expense for future years is adjusted if there are significant changes from previous estimation.

(b) Impairments

In considering the impairment losses that may be required for certain property, plant and equipment, investment properties, lease prepayments and intangible assets, recoverable amount of these assets needs to be determined. The recoverable amount is the greater of the net selling price and the value in use. It is difficult to precisely estimate selling price because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to items such as level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as revenue and operating costs.

Impairment losses for doubtful debts are assessed and provided based on the management's regular review of ageing analysis and evaluation of collectability. A considerable level of judgement is exercised by the directors when assessing the credit worthiness and past collection history of each individual customer. An increase or decrease in the above impairment losses would affect the net profit or loss in future years.

(c) Recognition of deferred tax assets

Deferred tax assets in respect of tax losses and other deductible temporary differences carried forward are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the end of the reporting period. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and requires significant level of judgement exercised by the directors. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in future years.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are industrial park property development and management, electroplating wastewater treatment and other related businesses. Further details regarding the Group's principal activities are disclosed in note 4(b).

Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major service lines is as follows:

	For the year ended 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Revenue from contracts with customers within the scope of HKFRS 15			
Disaggregated by major service lines			
— Facilities usage and management service	72,184	101,399	150,612
— Wastewater treatment and utilities	88,005	135,947	221,748
— Ancillary business	2,318	11,716	36,111
	<u>162,507</u>	<u>249,062</u>	<u>408,471</u>
Revenue from other sources			
Gross rentals from investment properties	<u>35,136</u>	<u>52,859</u>	<u>71,207</u>
	<u>197,643</u>	<u>301,921</u>	<u>479,678</u>

Ancillary business mainly represent sales of goods.

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets is disclosed in note 4(b)(i) and note 4(b)(iii).

The Group's customer base is diversified and the Group did not have any customer with whom transactions have exceeded 10% of the Group's aggregate revenue for each of the years ended 31 December 2016, 2017 and 2018.

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Rental and facilities usage: this segment conducts industrial park property development and management business.
- Wastewater treatment and utilities and ancillary business: this segment operates electroplating wastewater treatment plants and provides related environmental services.

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. However, other than reporting inter-segment sales of investment property development and management services, assistance provided by one segment to another, including sharing of assets, is not measured.

The Group's senior executive management is provided with segment information concerning segment revenue and profit. Segment assets and liabilities are not reported to the Group's senior executive management regularly.

The measure used for reporting segment profit is "adjusted EBITDA" i.e. "adjusted earnings before finance costs, interest income, taxes, depreciation and amortisation". To arrive at adjusted EBITDA the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as directors' and auditors' remuneration and other head office or corporate administration costs.

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for each of the years ended 31 December 2016, 2017 and 2018 is set out below.

For the year ended 31 December 2016	Rental and facilities usage <i>RMB'000</i>	Wastewater treatment and utilities and ancillary business <i>RMB'000</i>	Total <i>RMB'000</i>
Disaggregated by timing of revenue recognition			
Point in time	—	90,323	90,323
Over time	107,320	—	107,320
Revenue from external customers	107,320	90,323	197,643
Inter-segment revenue	12,285	—	12,285
Reportable segment revenue	119,605	90,323	209,928
Reportable segment profit (adjusted EBITDA)	71,500	41,248	112,748
Depreciation and amortisation for the year	(63,736)	(1,765)	(65,501)
For the year ended 31 December 2017			
Disaggregated by timing of revenue recognition			
Point in time	—	147,663	147,663
Over time	154,258	—	154,258
Revenue from external customers	154,258	147,663	301,921
Inter-segment revenue	8,626	—	8,626
Reportable segment revenue	162,884	147,663	310,547
Reportable segment profit (adjusted EBITDA)	120,242	45,403	165,645
Depreciation and amortisation for the year	(93,351)	(1,879)	(95,230)

For the year ended 31 December 2018	Rental and facilities usage <i>RMB'000</i>	Wastewater treatment and utilities and ancillary business <i>RMB'000</i>	Total <i>RMB'000</i>
Disaggregated by timing of revenue recognition			
Point in time	—	257,859	257,859
Over time	221,819	—	221,819
Revenue from external customers	221,819	257,859	479,678
Inter-segment revenue	11,025	288	11,313
Reportable segment revenue	232,844	258,147	490,991
Reportable segment profit (adjusted EBITDA)	179,287	67,838	247,125
Depreciation and amortisation for the year	(123,752)	(2,279)	(126,031)
<i>(ii) Reconciliations of reportable segment profits</i>			
	For the year ended 31 December		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Reportable segment profit	112,748	165,645	247,125
Elimination of inter-segment profit	—	(1,599)	—
Reportable segment profit derived from the Group's external customers	112,748	164,046	247,125
Depreciation and amortisation	(65,501)	(95,230)	(126,031)
Finance costs	(36,727)	(48,027)	(60,969)
Interest income	2,699	2,744	2,760
Unallocated head office and corporate expenses	(7,143)	(13,330)	(17,772)
Consolidated profit before taxation	6,076	10,203	45,113
<i>(iii) Geographic information</i>			

Analysis of the Group's revenue by geographical market has not been presented as substantially all of the Group's revenue and assets are generated and located in the PRC.

(c) Revenue expected to be recognised in the future arising from contracts in existence at the reporting date

(i) Contracts with customers within in the scope of HKFRS 15

As at 31 December 2016, 2017 and 2018, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is RMB471,059,000, RMB659,907,000 and RMB650,229,000. These amounts represent revenue expected to be recognised in the future from contracts of property management, facilities usage and other services entered into by the customers with the Group. The Group will recognise the expected revenue in future when the services are rendered, which are mainly expected to occur over the next one to five years.

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its service and sales contracts such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under these contracts that had an original expected duration of one year or less.

(ii) Operating leases

The Group leases out its investment property. The Group has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Note 14 sets out information about the operating leases of investment property.

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

	As at 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Less than one year	39,483	61,022	70,115
One to two years	38,317	59,561	69,426
Two to three years	37,088	59,074	68,288
Three to four years	36,827	57,937	20,334
Four to five years	35,734	11,635	11,873
More than five years	5,075	31,827	40,174
	<u>192,524</u>	<u>281,056</u>	<u>280,210</u>
Total undiscounted lease payments	<u>192,524</u>	<u>281,056</u>	<u>280,210</u>

5 OTHER REVENUE

	For the year ended 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Interest income	2,699	2,744	2,760
Government grants			
— Unconditional subsidies	—	100	58
— Conditional subsidies (<i>note 27</i>)	2,226	4,098	5,786
Other income	95	382	2,419
	<u>5,020</u>	<u>7,324</u>	<u>11,023</u>

Government grants represent various forms of incentives and subsidies granted to the Group by the local government authorities in the PRC.

6 OTHER NET INCOME/(LOSS)

	For the year ended 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Loss arising from disposal of property, plant and equipment	—	(241)	(77)
Changes in fair value of other financial assets			
through profit or loss	1,083	305	(2,457)
Net foreign exchange gain	—	—	378
Others	(650)	(171)	33
	<u>433</u>	<u>(107)</u>	<u>(2,123)</u>

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

	For the year ended 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Interest on bank loans	39,567	57,445	65,961
Less: interest expense capitalised into properties under development	(2,840)	(9,418)	(4,992)
	<u>36,727</u>	<u>48,027</u>	<u>60,969</u>

The borrowing costs have been capitalised at rates of 6.37%, 6.37%–6.61% and 6.61% per annum during the years ended 31 December 2016, 2017 and 2018, respectively.

(b) Staff costs (including directors' emoluments)

	For the year ended 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Salaries, wages and other benefits	21,571	32,710	41,775
Retirement scheme contributions	1,004	2,656	3,902
	<u>22,575</u>	<u>35,366</u>	<u>45,677</u>

The PRC entities participate in defined contribution retirement benefit schemes (the "Schemes") organised by the PRC municipal and provincial government authorities, whereby the PRC entities are required to make contribution at the rates required by different local government authorities. The local government authorities are responsible for the pension obligations payable to the retired employees covered under the Schemes.

The Group also operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$30,000. Contributions to the plan vest immediately.

The Group has no other material obligations for payments of pension benefits beyond the contributions described above.

(c) Other items

	For the year ended 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Depreciation and amortisation			
— Property, plant and equipment	36,758	62,159	81,438
— Investment property	24,747	28,310	38,763
— Lease prepayments	3,842	4,607	5,151
— Intangible assets	154	154	679
Research and development expenses	2,343	7,682	8,369
Cost of inventories (i)	22,648	49,389	101,454
Utility costs	10,126	14,698	16,514
Listing expenses	—	—	4,031
Impairment losses of non-current assets held for sale (ii)	—	—	2,630

(i) Cost of inventories mainly represented raw materials consumed during the provision of electroplating wastewater treatment services.

(ii) During the year ended 31 December 2018, a number of machines used for provision of heating services were replaced by new machines by the Group and became idle (the "Idle Machines"). The Group's management resolved to sell these Idle Machines to an independent third party. The recoverable amount of the Idle Machines is RMB600,000, which is estimated based on the selling prices agreed with the above independent third party less costs to sell. The Group recognised the impairment loss of RMB2,630,000 to write down the carrying amount of the Idle Machines to the recoverable amount. At the end of 2018, the sale was completed.

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	For the year ended 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Current tax — PRC income tax			
Provision for the year (note 28(a))	4,007	17,594	13,006
	4,007	17,594	13,006
Deferred tax			
Origination and reversal of temporary differences (note 28(b))	(5,412)	(16,438)	(4,304)
	(1,405)	1,156	8,702

- (b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	For the year ended 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Profit before taxation	<u>6,076</u>	<u>10,203</u>	<u>45,113</u>
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned (i)	1,519	2,551	12,337
Effect of non-deductible expenses	404	490	784
Effect of preferential tax treatments on environmental protection devices (ii)	(3,365)	(855)	(847)
Additional deduction for research and development expenses (iii)	—	(1,031)	(1,615)
Effect of preferential tax treatments on High and New Technology Enterprise (iv)	—	—	(2,132)
Effect of tax losses not recognised (v)	<u>37</u>	<u>1</u>	<u>175</u>
Income tax (credit)/expenses	<u>(1,405)</u>	<u>1,156</u>	<u>8,702</u>

Notes:

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (“BVI”), the Group is not subject to any income tax in the Cayman Islands and the BVI.

The provision for Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits. For the year ended 31 December 2018, subsidiaries in Hong Kong did not have any assessable profits.

The statutory income tax rate for the PRC subsidiaries is 25%.

- (ii) For the year ended 31 December 2016, Huizhou Kimou, engaging in investment property development and management and electroplating wastewater treatment, was entitled to the preferential tax policy on environmental protection devices. Accordingly, for the year ended 31 December 2016, the income tax of Huizhou Kimou was reduced by RMB2,257,000. Such additional tax deduction equals to 10% of total purchasing amount of environmental protection devices, which would be utilised in following five years upon purchase of the environmental protection devices.

For the years ended 31 December 2016, 2017 and 2018, Huizhou Jinmaoyuan, engaging in electroplating wastewater treatment, was entitled to the preferential tax policy on environmental protection devices. Accordingly, for the years ended 31 December 2016, 2017 and 2018, the income tax of Huizhou Jinmaoyuan were reduced by RMB1,108,000, RMB855,000 and RMB847,000, respectively. Such additional tax deduction equals to 10% of total purchasing amount of environmental protection devices, which would be utilised in following five years upon purchase of the environmental protection devices.

- (iii) For the year ended 31 December 2017, Huizhou Jinmaoyuan and Tianjin Bingang obtained approval from local tax authorities to claim additional deduction on research and development expenses when determining the assessable profits. Accordingly, the income tax for the year ended 31 December 2017 was reduced by RMB841,000 and RMB190,000, respectively. Such additional tax deduction on research and development expenses equals to 50% of the amount of research and development expenses actually incurred in 2017.

For the year ended 31 December 2018, according to relevant tax rules in the PRC, such additional tax deduction on research and development expenses when determining the assessable profits equals to 75% of the amount of research and development expenses actually incurred. Accordingly, the income tax of Huizhou Jinmaoyuan and Tianjin Bingang for the year ended 31 December 2018 was reduced by RMB1,330,000 and RMB285,000, respectively.

- (iv) In November 2018, Huizhou Jinmaoyuan was approved as a High and New Technology Enterprises in Guangdong Province. According to relevant tax rules in the PRC, High and New Technology Enterprises are entitled to a preferential income tax rate of 15%. In December 2018, as confirmed by the local tax bureau, the applicable income tax rate of Huizhou Jinmaoyuan for the year ended 31 December 2018 was 15%.
- (v) In accordance with the accounting policy set out in note 2(r), the Group has not recognised deferred tax assets of RMB37,000, RMB1,000 and RMB175,000 during the years ended 31 December 2016, 2017 and 2018, respectively, in respect of cumulative tax losses of certain subsidiaries located in Hong Kong and two subsidiaries in the PRC.

9 DIRECTORS' EMOLUMENTS

Certain directors of the Company received emoluments from the operating subsidiaries now comprising the Group during the Relevant Periods which were included in staff costs as disclosed in note 7(b). Directors' emoluments as recorded are set out below:

	For the year ended 31 December 2016				
	Directors' and supervisors' fees <i>RMB'000</i>	Salaries, allowances and other benefits <i>RMB'000</i>	Defined contribution retirement plans <i>RMB'000</i>	Discretionary bonuses <i>RMB'000</i>	Total <i>RMB'000</i>
Executive directors					
Mr. Zhang Lianghong	—	204	6	17	227
Mr. Zhu Heping	—	364	—	2,887	3,251
Total	—	568	6	2,904	3,478
	For the year ended 31 December 2017				
	Directors' and supervisors' fees <i>RMB'000</i>	Salaries, allowances and other benefits <i>RMB'000</i>	Defined contribution retirement plans <i>RMB'000</i>	Discretionary bonuses <i>RMB'000</i>	Total <i>RMB'000</i>
Executive directors					
Mr. Zhang Lianghong	—	219	38	18	275
Mr. Zhu Heping	—	591	—	2,632	3,223
Total	—	810	38	2,650	3,498

	For the year ended 31 December 2018				Total RMB'000
	Directors' and supervisors' fees RMB'000	Salaries, allowances and other benefits RMB'000	Defined contribution retirement plans RMB'000	Discretionary bonuses RMB'000	
Executive directors					
Mr. Zhang Lianghong	—	219	40	7	266
Mr. Zhu Heping	—	391	—	1,616	2,007
Total	—	610	40	1,623	2,273

Subsequent to the year ended 31 December 2018, Mr. Kan Chung Nin, Mr. Li Xiaoyan and Mr. Li Yinquan were appointed as independent non-executive directors in June 2019.

During the Relevant Periods, there was no amount paid or payable by the Group to the directors or any of the five highest paid individuals as set out in note 10 below as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director had waived or agreed to waive any remuneration during the Relevant Periods.

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the 5 individuals with the highest emoluments, 2 are directors for each of the years ended 31 December 2016, 2017 and 2018 whose emoluments are disclosed in note 9. The aggregate of the emoluments in respect of the other 3 individuals for each of the years ended 31 December 2016, 2017 and 2018 are as follows:

	For the year ended 31 December		
	2016 RMB'000	2017 RMB'000	2018 RMB'000
Salaries and other emoluments	572	623	1,080
Discretionary bonuses	129	445	372
Retirement scheme contributions	13	111	79
	<u>714</u>	<u>1,179</u>	<u>1,531</u>

The emoluments of the 3 individuals with the highest emoluments are within the following bands:

	For the year ended 31 December		
	2016 Number of individuals	2017 Number of individuals	2018 Number of individuals
Nil to HK\$1,000,000	<u>3</u>	<u>3</u>	<u>3</u>

11 OTHER COMPREHENSIVE INCOME

Tax effects relating to each component of other comprehensive income

	31 December 2016			31 December 2017			31 December 2018		
	Before-tax	Tax	Net-	Before-tax	Tax	Net-	Before-tax	Tax	Net-
	amount	expense	of-tax	amount	expense	of-tax	amount	expense	of-tax
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Exchange differences on translation of financial information of entities not using RMB as functional currency	—	—	—	—	—	—	339	—	339

12 EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the presentation of the results for the years ended 31 December 2016, 2017 and 2018 on the basis of preparation and presentation as disclosed in note 1.

13 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Motor vehicles	Office equipment and others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:					
At 1 January 2016	85,663	251,139	3,843	4,445	345,090
Additions	—	31,819	788	1,169	33,776
Transfer from construction in progress (note 15)	7,427	166,506	—	—	173,933
At 31 December 2016	93,090	449,464	4,631	5,614	552,799
Additions	—	50,160	1,186	514	51,860
Transfer from construction in progress (note 15)	6,960	154,970	—	—	161,930
Disposals	—	(571)	—	—	(571)
At 31 December 2017	100,050	654,023	5,817	6,128	766,018
Additions	—	62,118	2,229	3,408	67,755
Transfer from construction in progress (note 15)	12,773	285,982	—	—	298,755
Transfer to non-current assets held for sale (note 7 (c))	—	(4,867)	—	—	(4,867)
Disposals	—	(376)	(362)	(10)	(748)
At 31 December 2018	112,823	996,880	7,684	9,526	1,126,913

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment and others RMB'000	Total RMB'000
Accumulated depreciation:					
At 1 January 2016	(32,686)	(40,557)	(1,279)	(2,537)	(77,059)
Charge for the year	<u>(7,296)</u>	<u>(28,319)</u>	<u>(625)</u>	<u>(518)</u>	<u>(36,758)</u>
At 31 December 2016	(39,982)	(68,876)	(1,904)	(3,055)	(113,817)
Charge for the year	(4,522)	(56,144)	(288)	(1,205)	(62,159)
Written back on disposals	<u>—</u>	<u>167</u>	<u>—</u>	<u>—</u>	<u>167</u>
At 31 December 2017	(44,504)	(124,853)	(2,192)	(4,260)	(175,809)
Charge for the year	(5,433)	(74,120)	(1,547)	(338)	(81,438)
Transfer to non-current assets held for sale (note 7 (c))	—	1,637	—	—	1,637
Written back on disposals	<u>—</u>	<u>215</u>	<u>326</u>	<u>4</u>	<u>545</u>
At 31 December 2018	<u><u>(49,937)</u></u>	<u><u>(197,121)</u></u>	<u><u>(3,413)</u></u>	<u><u>(4,594)</u></u>	<u><u>(255,065)</u></u>
Net book value:					
At 31 December 2018	<u><u>62,886</u></u>	<u><u>799,759</u></u>	<u><u>4,271</u></u>	<u><u>4,932</u></u>	<u><u>871,848</u></u>
At 31 December 2017	<u><u>55,546</u></u>	<u><u>529,170</u></u>	<u><u>3,625</u></u>	<u><u>1,868</u></u>	<u><u>590,209</u></u>
At 31 December 2016	<u><u>53,108</u></u>	<u><u>380,588</u></u>	<u><u>2,727</u></u>	<u><u>2,559</u></u>	<u><u>438,982</u></u>

Certain property, plant and equipment with carrying value of RMB40,199,000, RMB37,504,000 and RMB194,446,000 were pledged to secure the Group's bank loans (see note 26 (ii)) as at 31 December 2016, 2017 and 2018.

14 INVESTMENT PROPERTY

RMB'000

Cost:

At 1 January 2016	335,420
Additions through acquisition of subsidiaries (<i>note 18</i>)	<u>212,056</u>
At 31 December 2016	547,476
Transfer from construction in progress (<i>note 15</i>)	<u>266,623</u>
At 31 December 2017	814,099
Transfer from construction in progress (<i>note 15</i>)	<u>34,755</u>
At 31 December 2018	<u>848,854</u>

Accumulated amortisation:

At 1 January 2016	(45,560)
Charge for the year	<u>(24,747)</u>
At 31 December 2016	(70,307)
Charge for the year	<u>(28,310)</u>
At 31 December 2017	(98,617)
Charge for the year	<u>(38,763)</u>
At 31 December 2018	<u>(137,380)</u>

Net book value:

At 31 December 2018	<u>711,474</u>
At 31 December 2017	<u>715,482</u>
At 31 December 2016	<u>477,169</u>

Additions through acquisition of subsidiaries during the year ended 31 December 2016 comprises investment properties of RMB212,056,000 (*note 18 (a) (ii)&(iii)*).

As at 31 December 2016, 2017 and 2018, the fair value of the Group's investment properties were approximately RMB884,300,000, RMB1,236,700,000 and RMB1,284,100,000, respectively. The fair value are determined by the directors of the Company with reference to mainly the valuation performed, using the income capitalisation approach with reference to the term value and the reversionary value calculated by discounting the contracted annual rent at the capitalisation rate over the exiting lease period, and the sum of average unit market rent at the capitalisation rate after the existing lease period, by Greater China Appraisal Limited, an independent qualified professional valuer.

Certain investment property with carrying value of RMB466,552,000, RMB604,291,000 and RMB692,204,000 were pledged to secure the Group's bank loans as at 31 December 2016, 2017 and 2018 (*note 26 (ii)*).

Amount recognised in profit or loss

	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>	2018 <i>RMB'000</i>
Rental income, excluding service charges	35,136	52,859	71,207
Direct operating expenses that generated rental income during the year	(26,538)	(29,672)	(40,736)
Direct operating expenses that did not generate rental income during the year	<u>(9,256)</u>	<u>(7,319)</u>	<u>(9,340)</u>

The rental income is included in 'revenue'. The Group leased out investment properties under operating leases. The operating leases typically run for an initial period of 3 to 10 years, with an option to renew the lease after that date at which time all terms are renegotiated. Lease payments are usually increased every year to reflect market rentals. None of the leases includes contingent rentals.

15 CONSTRUCTION IN PROGRESS

	<i>RMB'000</i>
Cost:	
At 1 January 2016	55,022
Additions	398,951
Additions through acquisition of subsidiaries (<i>note 18</i>)	7,917
Transfer to property, plant and equipment (<i>note 13</i>)	<u>(173,933)</u>
At 31 December 2016	287,957
Additions	322,420
Transfer to property, plant and equipment (<i>note 13</i>)	(161,930)
Transfer to investment property (<i>note 14</i>)	<u>(266,623)</u>
At 31 December 2017	181,824
Additions	244,576
Transfer to property, plant and equipment (<i>note 13</i>)	(298,755)
Transfer to investment property (<i>note 14</i>)	<u>(34,755)</u>
At 31 December 2018	<u>92,890</u>

Additions through acquisition of subsidiaries during the year ended 31 December 2016 comprises investment properties constructed in progress of RMB7,917,000 (*note 18* (a) (ii)&(iii)).

As at 31 December 2016, 2017 and 2018, construction in progress mainly comprises investment properties and plant and machinery constructed in progress of RMB158,724,000 and RMB129,233,000, RMB29,007,000 and RMB152,817,000, and RMB38,274,000 and RMB54,616,000, respectively. Construction in progress is not subject to depreciation.

16 LEASE PREPAYMENTS

RMB'000

Cost:

At 1 January 2016	62,136
Additions through acquisition of subsidiaries (<i>note 18</i>)	120,785
Additions	<u>20,137</u>

At 31 December 2016	203,058
Additions	<u>31,387</u>

At 31 December 2017	234,445
Additions	<u>—</u>

At 31 December 2018	<u>234,445</u>
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Accumulated amortisation:

At 1 January 2016	(7,434)
Charge for the year	<u>(3,842)</u>

At 31 December 2016	(11,276)
Charge for the year	<u>(4,607)</u>

At 31 December 2017	(15,883)
Charge for the year	<u>(5,151)</u>

At 31 December 2018	<u>(21,034)</u>
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Net book value:

At 31 December 2018	<u>213,411</u>
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At 31 December 2017	<u>218,562</u>
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At 31 December 2016	<u>191,782</u>
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Lease prepayments represent the Group's land use rights on leasehold land located in the PRC. Amortisation is recognised in profit or loss on a straight-line basis over the respective periods of the land use rights, which are 42 years to 50 years. At 31 December 2016, 2017 and 2018, the remaining period of the land use rights ranges from 39 to 50 years, 38 to 49 years and 37 to 48 years, respectively.

As at 31 December 2016, 2017 and 2018, lease prepayments with net book value of RMB136,050,000, RMB159,474,000 and RMB98,117,000 were pledged for bank loans (*note 26(ii)*).

17 INTANGIBLE ASSETS

	Electroplating wastewater treatment operation rights <i>RMB'000</i>
Cost:	
At 1 January 2016, 31 December 2016 and 2017	768
Additions	<u>4,506</u>
At 31 December 2018	<u>5,274</u>
Accumulated amortisation:	
At 1 January 2016	(25)
Charge for the year	<u>(154)</u>
At 31 December 2016	(179)
Charge for the year	<u>(154)</u>
At 31 December 2017	(333)
Charge for the year	<u>(679)</u>
At 31 December 2018	<u>(1,012)</u>
Net book value:	
At 31 December 2018	<u><u>4,262</u></u>
At 31 December 2017	<u><u>435</u></u>
At 31 December 2016	<u><u>589</u></u>

18 INVESTMENTS IN SUBSIDIARIES

(a) Acquisition of subsidiaries

(i) *Shenzhen Jinjinsheng*

On 28 December 2016, the Group's subsidiary, Tianjin Bingang, obtained 51% and 49% equity interests of Shenzhen Jinjinsheng and its subsidiaries (collectively "Shenzhen Jinjinsheng Group") from the Controlling Shareholder of the Group and other individual shareholders, at a total consideration of RMB250,000,000. The consideration was fully settled in April 2017.

Shenzhen Jinjinsheng was established on 2 November 2015 in Shenzhen, Guangdong Province. Shenzhen Jinjinsheng holds 4 subsidiaries, including Tianjin Wandafeng, Tianjin Sangong, Tianjin Tianteyuan and Tianjin Jinhua. Shenzhen Jinjinsheng is ultimately controlled by the Controlling Shareholder of the Group.

Shenzhen Jinjinsheng Group was included in the scope of the combination as if the acquisition had occurred at the date that the ultimate controlling shareholder Mr. Zhang Lianghong first obtained control. According to note 2 (c) (iii), the Group made retrospective adjustments to the comparative figures of the consolidated financial statements.

(ii) Tianjin Wandafeng

The principal activity of Tianjin Wandafeng is investment property development and management. In January 2016, Shenzhen Jinjinsheng made capital injections to Tianjin Wandafeng, which Shenzhen Jinjinsheng acquired 87.5% shares of Tianjin Wandafeng with injection amount of RMB70,000,000. Later in April 2016, Shenzhen Jinjinsheng further entered into agreements with individual shareholders of Tianjin Wandafeng, acquiring remaining minority shares with consideration of RMB10,000,000. The acquisition was considered as acquisition of assets as the business of this company has not yet been commenced.

The following summarises the nature of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

	<i>Note</i>	<i>RMB'000</i>
Investment property	<i>14</i>	115,017
Construction in progress	<i>15</i>	1,596
Lease prepayment	<i>16</i>	24,472
Other receivables		400
Cash and cash equivalents		60
Other payables		<u>(131,545)</u>
Net identifiable assets		<u>10,000</u>
Cash consideration		<u>10,000</u>
Analysis of the net cash outflow in respect of the acquisition:		
Cash paid during the year ended 31 December 2016		10,000
Less: cash acquired		<u>(60)</u>
Net cash outflow during the year ended 31 December 2016		<u>9,940</u>

(iii) Tianjin Sangong

The principal activity of Tianjin Sangong is investment property development and management. In January 2016, Shenzhen Jinjinsheng made capital injections to Tianjin Sangong, which Shenzhen Jinjinsheng acquired 87.5% shares of Tianjin Sangong with injection amount of RMB70,000,000. Later in April 2016, Shenzhen Jinjinsheng further entered into agreements with individual shareholders of Tianjin Sangong, acquiring remaining minority shares with consideration of RMB10,000,000. The acquisition was considered as acquisition of assets as the business of this company has not yet been commenced.

The following summarises the nature of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

	<i>Note</i>	<i>RMB'000</i>
Investment property	14	97,039
Construction in progress	15	6,321
Lease prepayment	16	51,018
Other receivables		18,207
Cash and cash equivalents		591
Other payables		<u>(163,176)</u>
Net identifiable assets		<u>10,000</u>
Cash consideration		<u>10,000</u>
Analysis of the net cash outflow in respect of the acquisition:		
Cash paid during the year ended 31 December 2016		10,000
Less: cash acquired		<u>(591)</u>
Net cash outflow during the year ended 31 December 2016		<u>9,409</u>

(iv) *Tianjin Tianteyuan*

The principal activity of Tianjin Tianteyuan is investment property development and management. In January 2016, Shenzhen Jinjinsheng made capital injections to Tianjin Tianteyuan, which Shenzhen Jinjinsheng acquired 85% shares of Tianjin Tianteyuan with injection amount of RMB25,500,000. Later in April 2016, Shenzhen Jinjinsheng further entered into agreements with individual shareholders of Tianjin Tianteyuan, acquiring remaining minority shares with consideration of RMB4,500,000. The acquisition was considered as acquisition of assets as the business of this company has not yet been commenced.

The following summarises the nature of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

	<i>Note</i>	<i>RMB'000</i>
Lease prepayment	16	34,481
Other payables		<u>(29,981)</u>
Net identifiable assets		<u>4,500</u>
Cash consideration		<u>4,500</u>
Analysis of the net cash outflow in respect of the acquisition:		
Cash paid and net cash outflow during the year ended 31 December 2016		<u>4,500</u>

(v) *Tianjin Jinhua*

The principal activity of Tianjin Jinhua is investment property development and management. In January 2016, Shenzhen Jinjinsheng made capital injections to Tianjin Jinhua, which Shenzhen Jinjinsheng acquired 85.83% shares of Tianjin Jinhua with injection amount of RMB51,500,000. Later in April 2016, Shenzhen Jinjinsheng further entered into agreements with individual shareholders of Tianjin Jinhua, acquiring remaining minority shares with consideration of RMB8,500,000. The acquisition was considered as acquisition of assets as the business of this company has not yet been commenced.

The following summarises the nature of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

	<i>Note</i>	<i>RMB'000</i>
Lease prepayment	16	10,814
Other payables		<u>(2,314)</u>
Net identifiable assets		<u>8,500</u>
Cash consideration		<u>8,500</u>
Analysis of the net cash outflow in respect of the acquisition:		
Cash paid and net cash outflow during the year ended 31 December 2016		<u>8,500</u>

- (b) The following table lists out the information relating to Tianjin Bingang, the only subsidiary of the Group which has a material non-controlling interest (NCI). The summarised financial information presented below represents the amounts before any inter-company elimination.

	As at 31 December		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
NCI percentage	49%	49%	49%
Current assets	240,671	57,604	89,079
Non-current assets	649,507	951,162	1,118,971
Current liabilities	(772,095)	(230,650)	(309,338)
Non-current liabilities	—	(410,000)	(471,582)
Net assets	118,083	368,116	427,130
Carrying amount of NCI	800	170,883	205,737
Revenue	3,907	51,172	126,940
Loss for the year	(18,020)	(22,639)	(23,365)
Total comprehensive income	(18,020)	(22,639)	(23,365)
Loss allocated to NCI	(8,886)	(11,148)	(11,525)
Net cash (used in)/generated from operating activities	(51,479)	21,649	34,603
Net cash used in investing activities	(392,972)	(468,273)	(274,228)
Net cash generated from financing activities	443,043	452,110	239,834

19 OTHER FINANCIAL ASSETS

	As at 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Unlisted equity securities	10,627	10,932	8,475

The unlisted equity securities represented the 5% shares in Boluo Changjiang Rural Bank, a financial institution incorporated in the PRC and engaging in provision of banking and financing services.

20 INVENTORIES

	As at 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Raw materials	853	1,935	3,477
Consumables	96	320	1,422
	<u>949</u>	<u>2,255</u>	<u>4,899</u>

The analysis of the amount of inventories recognised as an expense and included in consolidated statements of profit or loss is as follows:

	For the year ended 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Carrying amount of inventories sold and consumed	<u>22,648</u>	<u>49,389</u>	<u>101,454</u>

21 TRADE AND OTHER RECEIVABLES

	As at 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Current			
Trade debtors	24,631	55,119	75,846
Less: Allowance for doubtful debts (note 30(a))	<u>—</u>	<u>—</u>	<u>—</u>
	24,631	55,119	75,846
Interest receivable	6,691	9,304	11,916
Deductible input value-added tax	1,703	17,130	30,199
Amounts due from related parties (note 32(c))	97,202	55,167	4,886
Prepayments and other receivables	<u>244,722</u>	<u>20,016</u>	<u>32,943</u>
	<u>374,949</u>	<u>156,736</u>	<u>155,790</u>
Non-current			
Prepayments for purchase of property, plant and equipment	14,345	38,807	26,097
Deposits for acquisition of land use rights and constructions	<u>—</u>	<u>—</u>	<u>4,582</u>
	<u>14,345</u>	<u>38,807</u>	<u>30,679</u>
Total	<u>389,294</u>	<u>195,543</u>	<u>186,469</u>

All of the trade and other receivables, apart from those classified as non-current portion, are expected to be recovered or recognised as expense within one year.

Ageing analysis

As of the end of the reporting period, the ageing analysis of trade debtors, based on the invoice date and net of loss allowance, is as follows:

	As at 31 December		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 month	22,247	51,805	69,532
1 to 3 months	357	1,925	5,306
Over 3 months but within 1 year	<u>2,027</u>	<u>1,389</u>	<u>1,008</u>
	<u>24,631</u>	<u>55,119</u>	<u>75,846</u>

Trade debtors are due within 15 to 60 days from the date of billing. Further details on the Group's credit policy and credit risk arising from trade debtors are set out in note 30(a).

22 DEPOSITS WITH A BANK WITH ORIGINAL MATURITY DATE OVER THREE MONTHS/ONE YEAR

As at 31 December 2016, 2017 and 2018, the deposits have been pledged with a bank as securities (note 26(ii)).

23 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	As at 31 December		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash on hand	562	147	156
Cash at bank	<u>1,485</u>	<u>19,136</u>	<u>80,577</u>
	<u>2,047</u>	<u>19,283</u>	<u>80,733</u>

As at 31 December 2016, 2017 and 2018, cash and cash equivalents placed with banks in the mainland China amounted to RMB1,485,000, RMB19,136,000 and RMB80,015,000, respectively. Remittance of funds out of mainland China is subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

(b) Reconciliation of profit before taxation to cash generated from operations:

	For the year ended 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Profit before taxation	6,076	10,203	45,113
Adjustments for:			
Depreciation	61,505	90,469	120,201
Amortisation	3,996	4,761	5,830
Finance costs	36,727	48,027	60,969
Interest income	(2,699)	(2,744)	(2,760)
Foreign exchange loss	—	—	8,472
Loss arising from disposals of property, plant and equipment	—	241	77
Change in fair value of other financial assets through profit or loss	(1,083)	(305)	2,457
Impairment loss of assets held for sale	—	—	2,630
Changes in working capital:			
Increase in inventories	(448)	(1,306)	(2,644)
Increase in trade and other receivables	(4,307)	(53,519)	(36,752)
(Decrease)/increase in trade and other payables	(21,277)	56,768	32,196
Increase/(decrease) in deferred income	4,029	36,938	(5,536)
Cash generated from operations	<u>82,519</u>	<u>189,533</u>	<u>230,253</u>

(c) Significant investing activities not requiring the use of cash:

	For the year ended 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Purchase of property, plant and equipment and investment property settled by bills endorsement	1,000	1,560	12,959
Advance to a third party by bills endorsement	—	—	1,492
	<u>—</u>	<u>—</u>	<u>1,492</u>

(d) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Bank loans	Interest payable	Liabilities arising from other borrowings	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Note 26)</i>	<i>(Note 24)</i>		
At 1 January 2016	591,084	1,134	111,271	703,489
Changes from financing cash flows:				
Proceeds from bank loans	115,000	—	—	115,000
Repayment of bank loans	(94,331)	—	—	(94,331)
Interest paid	—	(39,520)	—	(39,520)
Advance from related parties <i>(note 32(b))</i>	—	—	448,728	448,728
Repayment to related parties	—	—	(271,924)	(271,924)
Advance from individual shareholders of non-controlling interests	—	—	42,740	42,740
Repayment to individual shareholders of non-controlling interests	—	—	(74,444)	(74,444)
	<u>—</u>	<u>—</u>	<u>(74,444)</u>	<u>(74,444)</u>
Total changes from financing cash flows	<u>20,669</u>	<u>(39,520)</u>	<u>145,100</u>	<u>126,249</u>
Exchange adjustments	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Interest on bank loans <i>(note 7(a))</i>	<u>—</u>	<u>39,567</u>	<u>—</u>	<u>39,567</u>
	<u>611,753</u>	<u>1,181</u>	<u>256,371</u>	<u>869,305</u>
Acquisition of subsidiaries	<u>—</u>	<u>—</u>	<u>130,014</u>	<u>130,014</u>
At 31 December 2016	<u>611,753</u>	<u>1,181</u>	<u>386,385</u>	<u>999,319</u>

	Bank loans	Interest payable	Liabilities arising from other borrowings	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Note 26)</i>	<i>(Note 24)</i>		
At 1 January 2017	611,753	1,181	386,385	999,319
Changes from financing cash flows:				
Proceeds from bank loans	645,500	—	—	645,500
Repayment of bank loans	(328,139)	—	—	(328,139)
Interest paid	—	(56,762)	—	(56,762)
Advance from related parties <i>(note 32(b))</i>	—	—	537,835	537,835
Repayment to related parties	—	—	(536,919)	(536,919)
Advance from individual shareholders of non-controlling interests	—	—	11,872	11,872
Repayment to individual shareholders of non-controlling interests	—	—	(132,502)	(132,502)
	<u>—</u>	<u>—</u>	<u>(132,502)</u>	<u>(132,502)</u>
Total changes from financing cash flows	<u>317,361</u>	<u>(56,762)</u>	<u>(119,714)</u>	<u>140,885</u>
Exchange adjustments	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Interest on bank loans <i>(note 7(a))</i>	<u>—</u>	<u>57,445</u>	<u>—</u>	<u>57,445</u>
At 31 December 2017	<u>929,114</u>	<u>1,864</u>	<u>266,671</u>	<u>1,197,649</u>

	Bank loans	Interest payable	Liabilities arising from other borrowings	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Note 26)</i>	<i>(Note 24)</i>		
At 1 January 2018	929,114	1,864	266,671	1,197,649
Changes from financing cash flows:				
Proceeds from bank loans	120,000	—	—	120,000
Repayment of bank loans	(177,236)	—	—	(177,236)
Interest paid	—	(66,131)	—	(66,131)
Advance from related parties <i>(note 32(b))</i>	—	—	861,830	861,830
Repayment to related parties	—	—	(642,952)	(642,952)
Repayment to individual shareholders of non-controlling interests	—	—	(100)	(100)
Advance from other third parties	—	—	42,920	42,920
Repayment to other third parties	—	—	(42,920)	(42,920)
Total changes from financing cash flows	(57,236)	(66,131)	218,778	95,411
Exchange adjustments	—	—	8,213	8,213
Interest on bank loans <i>(note 7(a))</i>	—	65,961	—	65,961
At 31 December 2018	<u>871,878</u>	<u>1,694</u>	<u>493,662</u>	<u>1,367,234</u>

24 TRADE AND OTHER PAYABLES

	As at 31 December		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	24,846	30,144	46,199
Deposits due to customers	71,908	113,402	115,886
Payables for equipment and construction	309,631	214,631	175,058
Payables to entity under control of the Controlling Shareholder	127,500	—	—
Payables to non-controlling interests	122,500	—	—
Interest payable	1,181	1,864	1,694
Payroll payable	6,894	10,157	9,274
Amounts due to other related parties <i>(note 32(c))</i>	278,239	266,571	603,662
Other payables to third parties	110,844	4,330	14,627
Total	<u>1,053,543</u>	<u>641,099</u>	<u>966,400</u>

Deposits due to customers represented the rental and facilities usage deposits, which might be repayable to customers after more than one year. All of the other trade payables, other payables, accruals and amounts due to other related parties are expected to be settled within one year or are repayable on demand.

The credit period granted by the suppliers is 30 to 60 days.

As of the end of the reporting period, the ageing analysis of trade payables, based on the invoice date, is as follows:

	As at 31 December		
	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>	2018 <i>RMB'000</i>
Within 1 month	17,955	24,476	35,159
1 to 3 months	4,943	4,133	10,064
Over 3 months	1,948	1,535	976
	<u>24,846</u>	<u>30,144</u>	<u>46,199</u>

25 CONTRACT LIABILITIES

	As at 31 December		
	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>	2018 <i>RMB'000</i>
Services fees prepaid by customers	<u>4,645</u>	<u>16,074</u>	<u>20,218</u>

Services fees from customers are recorded as contract liabilities in the consolidated statements of financial position at the time of receipt. Revenue from provision of services is recognised according to the accounting policy set out in note 2(t).

Movements in contract liabilities

	As at 31 December		
	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>	2018 <i>RMB'000</i>
At the beginning of the year	1,668	4,645	16,074
Increase in contract liabilities as a result of receiving payments for prepaid services fees during the year	13,089	53,019	59,805
Decrease in contract liabilities as a result of recognising revenue during the year	<u>(10,112)</u>	<u>(41,590)</u>	<u>(55,661)</u>
	<u>4,645</u>	<u>16,074</u>	<u>20,218</u>

26 BANK LOANS

As at 31 December 2016, 2017 and 2018, the bank loans were repayable as follows:

	As at 31 December		
	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>	2018 <i>RMB'000</i>
Within 1 year or on demand	<u>158,662</u>	<u>177,382</u>	<u>105,666</u>
After 1 year but within 2 years	116,451	238,796	200,538
After 2 years but within 5 years	216,483	342,593	449,130
After 5 years	<u>120,157</u>	<u>170,343</u>	<u>116,544</u>
Sub-total	<u>453,091</u>	<u>751,732</u>	<u>766,212</u>
Total	<u>611,753</u>	<u>929,114</u>	<u>871,878</u>

As at 31 December 2016, 2017 and 2018, the bank loans were secured as follows:

	As at 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Secured bank loans	<u>611,753</u>	<u>929,114</u>	<u>871,878</u>

Notes:

(i) Bank loans amounted to RMB47,500,000 were fixed-interest rate loan with interest rate 5.22% as at 31 December 2016. Bank loans amounted to RMB38,000,000 were fixed-interest rate loan with interest rate 4.35% as at 31 December 2017. Bank loans amounted to RMB564,253,000, RMB891,114,000 and RMB871,878,000 were floating-interest rate loans with interest rates ranged from 5.64% to 6.86%, 5.64% to 6.65% and 5.64% to 6.65% as at 31 December 2016, 2017 and 2018, respectively.

(ii) Secured bank loans as at 31 December 2016, 2017 and 2018 were secured by certain of the Group's charge rights of rental income and property, plant and equipment (note 13), investment property (note 14), lease prepayments (note 16), and deposits with a bank (note 22).

In addition, bank loans amounted to RMB38,000,000 as at 31 December 2017 were secured by the bank deposits of Boluo Jinchang Trading Company Limited, which was effectively owned by Mr. Zhang Lianghong.

(iii) Bank loans amounted to RMB312,946,000, RMB216,885,000 and RMB296,278,000 as at 31 December 2016, 2017 and 2018 were guaranteed by Mr. Zhang Lianghong, Mr. Zhang Haiming, Mr. Lee Yuk Kong and Mr. Zou Maoqi, a former shareholder of Huizhou Kimou.

Bank loans amounted to RMB47,596,000, RMB492,806,000 and RMB547,100,000 as at 31 December 2016, 2017 and 2018 were guaranteed by Mr. Zhang Lianghong, Mr. Zhang Haiming, Mr. Huang Shaobo, and Mr. Lee Yuk Kong.

Bank loans amounted to RMB28,500,000 as at 31 December 2018 were guaranteed by Mr. Zhang Lianghong, Mr. Zhang Haiming, Mr. Huang Shaobo, Mr. Lee Yuk Kong and Ms. Zhang Ganduo, a close family member of Mr. Zhang Lianghong.

Bank loans amounted to RMB251,211,000 and RMB181,423,000 as at 31 December 2016 and 2017 were together guaranteed by Mr. Zhang Lianghong, Mr. Zhang Haiming, Mr. Zou Maoqi, Mr. Lee Yuk Kong and two related companies, Huizhou Jinchang Real Estate Development Company Limited and Dongguan Yongjiasheng Knitwear Co., Ltd., which were effectively owned by Mr. Zhang Lianghong and Mr. Lee Yuk Kong, respectively.

(iv) Bank loans amounted to RMB611,753,000, RMB929,114,000 and RMB871,878,000 as at 31 December 2016, 2017 and 2018 are subject to the fulfilment of covenants, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 30(b). In addition, pursuant to the terms of the bank loan agreements, certain subsidiaries are not allowed to distribute profit and/or to obtain other external financing prior to the lenders' approval. As at 31 December 2016, 2017 and 2018, none of the covenants relating to drawn down facilities had been breached.

27 DEFERRED INCOME

	As at 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
At the beginning of the year	18,426	22,455	59,393
Additions	6,255	41,036	250
Credited to profit or loss (note 5)	<u>(2,226)</u>	<u>(4,098)</u>	<u>(5,786)</u>
At the end of the year	<u>22,455</u>	<u>59,393</u>	<u>53,857</u>

Deferred income consists of deferred government grants and subsidies for acquisition of lease prepayments and construction of certain property, plant and equipment. The grants and subsidies from local government were conditional and the conditions would be fulfilled upon the completion of acquisition of lease prepayments or construction of certain property, plant and equipment of the Group. The grants will be recognised as income in profit or loss on a systematic basis over the estimated useful lives of the corresponding lease prepayments and property, plant and equipment.

28 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(a) Current taxation in the consolidated statements of financial position represents:

	As at 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
At the beginning of the year	1,217	2,400	10,405
Provision for PRC income tax for the year (note 8(a))	4,007	17,594	13,006
PRC income tax paid	<u>(2,824)</u>	<u>(9,589)</u>	<u>(11,787)</u>
At the end of the year	<u>2,400</u>	<u>10,405</u>	<u>11,624</u>

(b) Deferred tax assets and liabilities recognised

(i) Movement of each component of deferred tax assets and liabilities

The components of deferred tax (assets)/liabilities recognised in the consolidated statements of financial position and the movements during the years ended 31 December 2016, 2017 and 2018 are as follows:

	Unused tax loss	Government grant	Intangible assets	Revaluation of other financial assets	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax arising from:						
At 1 January 2016	(2,071)	(4,607)	186	35	—	(6,457)
(Credited)/charged to profit or loss (note 8(a))	<u>(4,390)</u>	<u>(1,007)</u>	<u>(38)</u>	<u>122</u>	<u>(99)</u>	<u>(5,412)</u>
At 31 December 2016	(6,461)	(5,614)	148	157	(99)	(11,869)
(Credited)/charged to profit or loss (note 8(a))	<u>(7,237)</u>	<u>(9,234)</u>	<u>(38)</u>	<u>76</u>	<u>(5)</u>	<u>(16,438)</u>
At 31 December 2017	(13,698)	(14,848)	110	233	(104)	(28,307)
(Credited)/charged to profit or loss (note 8(a))	<u>(8,041)</u>	<u>4,368</u>	<u>(38)</u>	<u>(614)</u>	<u>21</u>	<u>(4,304)</u>
At 31 December 2018	<u>(21,739)</u>	<u>(10,480)</u>	<u>72</u>	<u>(381)</u>	<u>(83)</u>	<u>(32,611)</u>

(ii) Reconciliation to the consolidated statements of financial position:

	As at 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Net deferred tax assets recognised in the consolidated statements of financial position	(12,174)	(28,650)	(32,683)
Net deferred tax liabilities recognised in the consolidated statements of financial position	<u>305</u>	<u>343</u>	<u>72</u>
	<u>(11,869)</u>	<u>(28,307)</u>	<u>(32,611)</u>

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 2(r), the Group has not recognised deferred tax assets in respect of cumulative tax losses as at 31 December 2016, 2017 and 2018 of RMB148,000, RMB151,000 and RMB1,191,000, respectively, as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entities. The tax losses of subsidiaries located in Hong Kong do not expire under current tax legislation.

(d) Deferred tax liabilities not recognised*Dividend withholding tax*

According to the Corporate Income Tax ("CIT") Law and its implementation rules, dividends receivable by non-PRC corporate residents from PRC enterprises are subject to withholding income tax at 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008.

As at 31 December 2016, 2017 and 2018, deferred tax liabilities in respect of the dividend withholding tax relating to the undistributed profits of the Company's subsidiaries were not recognised as the Company controls the dividend policy of these subsidiaries. Based on the assessment made by management as at 31 December 2016, 2017 and 2018, it was determined that certain of the undistributed profits of the Company's subsidiaries would not be distributed in the foreseeable future. The amounts of undistributed profit of the Company's subsidiaries are set out below:

	As at 31 December		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Distributable profits earned by PRC subsidiaries on or after 1 January 2008	<u>26,207</u>	<u>54,965</u>	<u>117,080</u>

29 CAPITAL, RESERVES AND DIVIDENDS**(a) Share capital**

- (i) The Company was incorporated in the Cayman Islands on 28 June 2018.

For the purpose of this report, the share capital as at 1 January 2016, 31 December 2016 and 31 December 2017 represented the aggregate amount of the paid-in capital of the companies now comprising the Group after the elimination of investments in subsidiaries.

Upon the completion of Reorganisation in December 2018, the Company became the holding company of the Group. Share capital as at 31 December 2018 represented solely the share capital of the Company.

(ii) *Share capital of the Company*

The authorised and issued share capital of the Company during the Relevant Periods are as follows:

Authorised share capital of the Company

	<i>Number of shares</i>	<i>USD</i>
At 28 June 2018 (date of incorporation)	—	—
Creation of shares upon incorporation on 28 June 2018 at US\$1.0 each	50,000	50,000
At 31 December 2018	50,000	50,000

Issued share capital of the Company

	<i>Number of shares</i>	<i>USD</i>	<i>RMB</i>
At 28 June 2018 (date of incorporation)	—	—	—
Share issued upon incorporation 28 June 2018 at US\$1.0 each	1	1	7
Share issued on 10 September 2018 at US\$1.0 each	9,999	9,999	69,150
At 31 December 2018	10,000	10,000	69,157

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 28 June 2018 with an initial authorised share capital of US\$50,000 divided into 50,000 shares with a par value of US\$1.0 each. At 31 December 2018, 10,000 shares of US\$10,000, equivalent to RMB69,000, have been issued and paid.

Kimou Environmental Limited (“KE”) was incorporated in Hong Kong with limited liability on 27 March 2018 with an initial authorised share capital of HK\$10,000 divided into 10,000 shares with a par value of HK\$1.0 each. As at 3 May 2018, 10,000 shares of HK\$10,000, equivalent to RMB8,000, have been issued and paid by a related party. On 20 August 2018, Kimou Environmental (BVI) Limited acquired 100% equity interests of KE from the related party at a consideration of RMB8,000. Upon completion of the acquisition, KE became a wholly-owned subsidiary of Kimou Environmental (BVI) Limited.

Kimou Environmental Technology Holding Limited (“KETH”) was incorporated in Hong Kong with limited liability on 12 July 2017 with an initial authorised share capital of HK\$10,000 divided into 10,000 shares with a par value of HK\$1.0 each. As at 2 May 2018, 10,000 shares of HK\$10,000, equivalent to RMB8,000, have been issued and paid by a related party. On 20 August 2018, Kimou Environmental Technology (BVI) Limited acquired 100% equity interests of KETH from the related party at a consideration of RMB8,000. Upon completion of the acquisition, KETH became a wholly-owned subsidiary of Kimou Environmental Technology (BVI) Limited.

On 17 September 2018, KETH injected capital into Huizhou Kimou at a total amount of RMB290,000,000, and the total share capital of Huizhou Kimou increased from RMB110,000,000 to RMB400,000,000. Upon completion of such capital injection, KETH held 72.5% equity interests of Huizhou Kimou. On 3 December 2018, KETH acquired remaining 27.5% equity interests of Huizhou Kimou from ultimate shareholders of the Company by then, at a total consideration of RMB110,000,000. Upon completion of the acquisition, Huizhou Kimou became a wholly-owned subsidiary of KETH.

Since then, the share capital in the consolidated financial statements of financial position as at 31 December 2018 represented solely the paid-in capital of the Company.

Pursuant to the written resolutions of the director and shareholders dated 7 January 2019, the authorised share capital of the Company was changed to HK\$168,000,000 by the creation of an additional 1,680,000,000 shares with a par value of HK\$0.10 each and the cancellation of 50,000 shares with a par value of US\$1.0 each.

Pursuant to the shareholders written resolutions dated 7 January 2019, 336,000,000 shares in the Company, with a par value of HK\$0.1 each, were issued. As at 28 February 2019, the above issued share capital of RMB29,387,000 and share premium of RMB15,728,000 have been fully paid by capitalisation of shareholder loan of the Company.

Pursuant to the shareholders written resolutions dated 21 June 2019, 504,000,000 shares in the Company, with a par value of HK\$0.1 each, were issued. As at the date of this report, the above issued shares capital of RMB44,352,000 and share premium of RMB285,294,000 have been paid by capitalisation of shareholder loan of the Company.

(b) Movements in components of equity

Details of the changes in the Company's individual components of equity for the year ended 31 December 2018 are set out below:

Company	Share capital RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 28 June 2018 (date of incorporation)	—	—	—	—
Loss for the year	—	—	(3,983)	(3,983)
Other comprehensive income	—	(141)	—	(141)
Total comprehensive income	—	(141)	(3,983)	(4,124)
Capital injection from shareholders of the Company	69	—	—	69
At 31 December 2018	69	(141)	(3,983)	(4,055)

(c) Nature and purposes of reserves

(i) Capital reserve

The capital reserve represents the difference between the increase of share capital and total capital injection made by shareholders to a subsidiary arising from Reorganisation.

(ii) Statutory reserve

According to the PRC Company Law, the Company's PRC subsidiaries are required to transfer 10% of their profit after taxation, as determined under the PRC accounting regulations, to statutory reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to shareholders.

Statutory reserve can be used to reduce previous years' losses, if any, and may be converted into paid-in capital in proportion to the existing equity interest of investors.

(d) Dividends

No dividends have been declared or paid by the Company or the companies now comprising the Group during the years ended 31 December 2016, 2017 and 2018.

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is calculated as total bank loans less deposits with a bank with original maturity date over three months/one year and cash and cash equivalents.

The Group's adjusted net debt-to-equity ratio as at 31 December 2016, 2017 and 2018 was as follows:

	Note	As at 31 December		
		2016 RMB'000	2017 RMB'000	2018 RMB'000
Bank loans:				
Current liabilities	26	158,662	177,382	105,666
Non-current liabilities	26	<u>453,091</u>	<u>751,732</u>	<u>766,212</u>
Total debt		611,753	929,114	871,878
Less: Cash and cash equivalents	23	2,047	19,283	80,733
Deposits with a bank with original maturity date over one year	22	—	50,000	—
Deposits with a bank with original maturity date over three months	22	<u>50,000</u>	<u>—</u>	<u>50,000</u>
Adjusted net debt		<u>559,706</u>	<u>859,831</u>	<u>741,145</u>
Total equity		<u>166,469</u>	<u>356,747</u>	<u>333,095</u>
Adjusted net debt-to-equity ratio		<u>3.36</u>	<u>2.41</u>	<u>2.23</u>

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables. The Group's exposure to credit risk arising from cash and cash equivalents, deposits with a bank with original maturity date over three months/one year and interest receivable is limited because the counterparties are banks and financial institutions, for which the Group considers to have low credit risk.

Except for the financial guarantees given by the Group as set out in note 32(b), the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of the financial guarantees as at 31 December 2016, 2017 and 2018 is disclosed in note 32(b).

Trade receivables

Rental and facilities usage deposits are received from customers by the Group to reduce potential exposure to credit risk. Normally, the Group does not obtain other collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at 31 December 2016, 2017 and 2018, in respect of trade receivables, sufficient rental and facilities usage deposits are received from customers to cover potential exposure to credit risk, and the Group considers to have low credit risk arising from trade receivables.

During the Relevant Periods, the expected credit loss rate for financial assets measured at amortised cost is insignificant.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Parent Company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities as at 31 December 2016, 2017 and 2018 of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	31 December 2018					
	Contractual undiscounted cash outflow					
	Within	More than	More than			
	1 year or	1 year but	2 years but	More than	Total	Carrying
	on demand	less than	less than	5 years		amount
	RMB'000	2 years	5 years	5 years	RMB'000	RMB'000
		RMB'000	RMB'000	RMB'000		
Bank loans	159,541	244,031	512,974	233,088	1,149,634	871,878
Trade and other payables	966,400	—	—	—	966,400	966,400
Total	<u>1,125,941</u>	<u>244,031</u>	<u>512,974</u>	<u>233,088</u>	<u>2,116,034</u>	<u>1,838,278</u>

	31 December 2017					
	Contractual undiscounted cash outflow					
	Within	More than	More than			
	1 year or	1 year but	2 years but	More than	Total	Carrying
	on demand	less than	less than	5 years		amount
	RMB'000	2 years	5 years	5 years	RMB'000	RMB'000
		RMB'000	RMB'000	RMB'000		
Bank loans	238,050	287,166	418,064	186,542	1,129,822	929,114
Trade and other payables	641,099	—	—	—	641,099	641,099
Total	<u>879,149</u>	<u>287,166</u>	<u>418,064</u>	<u>186,542</u>	<u>1,770,921</u>	<u>1,570,213</u>

	31 December 2016					
	Contractual undiscounted cash outflow					
	Within	More than	More than			
	1 year or	1 year but	2 years but	More than	Total	Carrying
	on demand	less than	less than	5 years		amount
	RMB'000	2 years	5 years	5 years	RMB'000	RMB'000
		RMB'000	RMB'000	RMB'000		
Bank loans	209,145	156,280	262,465	136,402	764,292	611,753
Trade and other payables	1,053,543	—	—	—	1,053,543	1,053,543
Total	<u>1,262,688</u>	<u>156,280</u>	<u>262,465</u>	<u>136,402</u>	<u>1,817,835</u>	<u>1,665,296</u>

(c) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from bank loans issued at fixed rates and variable rates that expose the Group to cash flow interest rate risk. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's bank loans at the end of the reporting period:

	As at 31 December					
	2016		2017		2018	
	Effective interest rate %	RMB'000	Effective interest rate %	RMB'000	Effective interest rate %	RMB'000
Fixed rate bank loans:						
Bank loans	5.22	<u>47,500</u>	4.35	<u>38,000</u>	—	<u>—</u>
Variable rate bank loans:						
Bank loans	5.64–6.86	<u>564,253</u>	5.64–6.65	<u>891,114</u>	5.64–6.65	<u>871,878</u>
Total bank loans		<u>611,753</u>		<u>929,114</u>		<u>871,878</u>
Fixed rate bank loans as a percentage of total bank loans		<u>7.76%</u>		<u>4.09%</u>		<u>—</u>

(ii) Sensitivity analysis

At 31 December 2016, 2017 and 2018, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately RMB4,232,000, RMB6,683,000 and RMB6,586,000, respectively. The impact on the Group's profit after tax is estimated as an annualised impact on interest expense of such a change in interest rates. The analysis is performed on the same basis for the years ended 31 December 2016, 2017 and 2018.

(d) Currency risk

Individual companies within the Group has limited foreign currency risk as most of the transactions are denominated in the same currency as the functional currency of the operations in which they relate.

(e) Fair value measurement

*Financial assets and liabilities measured at fair value**Fair value hierarchy*

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value at 31 December 2016 RMB'000	Fair value measurements as at 31 December 2016 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000

Recurring fair value measurement

Other financial assets:				
Unlisted equity securities	10,627	—	10,627	—

	Fair value at 31 December 2017 RMB'000	Fair value measurements as at 31 December 2017 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000

Recurring fair value measurement

Other financial assets:				
Unlisted equity securities	10,932	—	10,932	—

	Fair value at 31 December 2018 RMB'000	Fair value measurements as at 31 December 2018 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000

Recurring fair value measurement

Other financial assets:				
Unlisted equity securities	8,475	—	8,475	—

As at 31 December 2016, 2017 and 2018, the fair value of unlisted equity securities in Level 2 is determined with reference to the audited financial statements of Boluo Changjiang Rural Bank.

31 COMMITMENTS

Capital commitments outstanding as at 31 December 2016, 2017 and 2018 not provided for in the financial statements were as follows:

	As at 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Contracted for	121,420	44,580	142,558
Authorised but not contracted for	—	—	—
	<u>121,420</u>	<u>44,580</u>	<u>142,558</u>

32 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the Historical Financial Information, the Group entered into the following material related party transactions. During the years ended 31 December 2016, 2017 and 2018, the directors are of the view that the following are related parties of the Group:

Name of the party	Relationship
Mr. Zhang Lianghong	Controlling shareholder, chairman of the board
Mr. Huang Shaobo	Key management personnel
Mr. Zhang Haiming	Key management personnel
Mr. Li Jiazhi	A close family member of Mr. Lee Yuk Kong
Ms. Ye Suyi	A close family member of Mr. Zhang Lianghong
Ms. Chan Lai Fan	Key management personnel
Mr. Lee Yuk Kong	A shareholder of the Company
Tianjin Wanhesun Technology Co., Group Ltd. (formerly known as Tianjin Wanhesun Technology Co., Ltd.) (i)	Non-controlling interests
Huizhou Jinjinsheng Enterprises Investment Company Limited (i)	Effectively owned by Mr. Zhang Lianghong
Boluo Jinchang Trading Company Limited (i)	Effectively owned by Mr. Zhang Lianghong
Huizhou Jinchang Real Estate Development Company Limited (i)	Effectively owned by Mr. Zhang Lianghong
Huizhou Jinshang Real Estate Development Company Limited (i)	Mr. Zhang Lianghong has significant influence over the entity
Boluo Longxi Jinchangda Wastewater Treatment Company Limited (i)	Mr. Zhang Lianghong has significant influence over the entity
Huizhou Infrastructure Construction Company Longxi Branch (i)	Mr. Zhang Lianghong is a member of key management personnel of the entity
Guangzhou Zhongliang Investment Company Limited (i)	Effectively owned by Mr. Zhang Lianghong from 1 January 2016 to 27 December 2016, and then by his close family member from 28 December 2016
Huizhou Hemaot Trading Company Limited (i)	Effectively owned by a close family member of Mr. Zhang Lianghong
Guangzhou Zuji Electronic Trading Company Limited (i)	Mr. Li Jiazhi is a member of key management personnel of the entity
Dongguan Yongjiasheng Knitwear Co., Ltd. (i)	Effectively owned by Mr. Lee Yuk Kong
Dongguan Dongming Trading Company Limited (i)	Mr. Zhang Lianghong and Mr. Zhang Haiming have significant influence over the entity
Huizhou Yongjiasheng Industrial Co., Ltd. (i)	Effectively owned by Mr. Lee Yuk Kong
Huizhou Chengxinde Tax Accountant Co.,Ltd. (i)	Effectively owned by Mr. Huang Shaobo
Kimou Environmental Technology Limited	Owned by Mr. Lee Yuk Kong
Deluxe Investment International Company Limited	Owned by Mr. Zhang Haiming
Dakson Assets Management Limited	Owned by Mr. Huang Shaobo
Flourish Investment International Limited	Owned by Mr. Zhang Lianghong
Premier Investment Worldwide Company Limited	Owned by Mr. Lee Yuk Kong

Note:

(i) The official names of the above entities are in Chinese. The English names are for identification purpose only.

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 9 and certain of the highest paid employees as disclosed in note 10, is as follows.

	For the year ended 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Salaries and other benefits	4,755	5,410	4,953
Retirement scheme contributions	45	238	274
	<u>4,800</u>	<u>5,648</u>	<u>5,227</u>

Total remuneration is included in "staff costs" (see note 7(b)).

(b) Related parties transactions

During the years ended 31 December 2016, 2017 and 2018, the Group entered into the following material related party transactions:

	For the year ended 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Sales of good to			
Boluo Longxi Jinchangda Wastewater Treatment Company Limited	<u>168</u>	<u>207</u>	<u>316</u>
Receive of technical testing service from			
Boluo Jinchang Trading Company Limited	<u>—</u>	<u>1</u>	<u>—</u>
Receive of construction and maintenance services from			
Huizhou Infrastructure Construction Company Longxi Branch	<u>117,503</u>	<u>—</u>	<u>—</u>
Receive of other service from			
Huizhou Chengxinde Tax Accountant Co.,Ltd.	<u>75</u>	<u>102</u>	<u>73</u>

	For the year ended 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Provide guarantee on bank loans to			
Boluo Jinchang Trading Company Limited	<u>—</u>	<u>—</u>	<u>102,000</u>
Dispose equity shares of Guangzhou Zuji Electronic Trading Company Limited to			
Mr. Li Jiazhi	<u>1,700</u>	<u>—</u>	<u>—</u>

	For the year ended 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Advances to:			
— Huizhou Jinjinsheng Enterprises Investment Company Limited	40	—	—
— Boluo Jinchang Trading Company Limited	19,600	32,509	—
— Huizhou Infrastructure Construction Company Longxi Branch	5,602	—	—
— Huizhou Hemaoy Trading Company Limited	—	290,133	19,002
— Huizhou Jinchang Real Estate Development Company Limited	—	—	18,500
— Mr. Zhang Lianghong	—	—	792
— Mr. Li Jiazhi	—	—	60
— Guangzhou Zuji Electronic Trading Company Limited	850	—	—
— Tianjin Wanheshun Technology Co., Group Ltd. (formerly known as Tianjin Wanheshun Technology Co., Ltd.)	10,300	—	—
— Ms. Ye Suyi	27,000	—	—
— Mr. Zhang Haiming	—	—	3,863
— Kimou Environmental Technology Limited	—	—	8
	<u>63,392</u>	<u>322,642</u>	<u>42,225</u>

	For the year ended 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Advances from:			
— Mr. Zhang Lianghong	—	—	207,237
— Boluo Jinchang Trading Company Limited	82,734	236,594	—
— Guangzhou Zhongliang Investment Company Limited	—	38,000	—
— Huizhou Infrastructure Construction Company Longxi Branch	137,194	—	—
— Huizhou Hemaoy Trading Company Limited	—	240,066	47,998
— Mr. Huang Shaobo	—	1,275	3,684
— Dongguan Yongjiasheng Knitwear Co., Ltd.	102,000	14,425	7,600
— Mr. Li Jiazhi	14,100	52	120
— Tianjin Wanheshun Technology Co., Group Ltd. (formerly known as Tianjin Wanheshun Technology Co., Ltd.)	112,700	—	—
— Mr. Zhang Haiming	—	2,423	28,165
— Huizhou Jinchang Real Estate Development Company Limited	—	—	13,000
— Huizhou Jinshang Real Estate Development Company Limited	—	—	290,320
— Huizhou Yongjiasheng Industrial Co., Ltd.	—	—	28,269
— Premier Investment Worldwide Company Limited	—	—	49,134
— Flourish Investment International Limited	—	—	134,341
— Deluxe Investment International Company Limited	—	—	19,880
— Dakson Assets Management Limited	—	—	10,479
— Kimou Environmental Technology Limited	—	—	19
— Mr. Lee Yuk Kong	—	—	21,584
— Ms. Ye Suyi	—	5,000	—
	<u>448,728</u>	<u>537,835</u>	<u>861,830</u>

(c) Balance with related parties

Amounts due from related parties (note 21)

	As at 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Trade receivables from:			
— Boluo Longxi Jinchangda Wastewater Treatment Company Limited	—	—	156
Other receivables from:			
— Mr. Zhang Lianghong	27,981	27,981	820
— Mr. Zhang Haiming	3,864	3,864	3,864
— Mr. Li Jiazhi	1,700	1,700	—
— Ms. Ye Suyi	40,500	—	—
— Huizhou Yongjiasheng Industrial Co., Ltd.	21,618	21,618	—
— Huizhou Infrastructure Construction Company Longxi Branch	1,169	—	—
— Guangzhou Zuji Electronic Trading Company Limited	350	—	—
— Huizhou Jinjinsheng Enterprises Investment Company Limited	20	—	—
— Huizhou Hemaoy Trading Company Limited	—	4	2
— Flourish Investment International Limited	—	—	11
— Premier Investment Worldwide Company Limited	—	—	11
— Deluxe Investment International Company Limited	—	—	11
— Dakson Assets Management Limited	—	—	11
	<u>97,202</u>	<u>55,167</u>	<u>4,886</u>

All balances of other receivables were non-trade in nature.

Amounts due to related parties (note 24)

	As at 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Other payables to:			
— Dongguan Yongjiasheng Knitwear Co., Ltd.	90,500	104,925	83,925
— Huizhou Yongjiasheng Industrial Co., Ltd. (i)	—	—	31,771
— Boluo Jinchang Trading Company Limited	43,297	87,820	—
— Huizhou Infrastructure Construction Company Longxi Branch	78,442	—	—
— Mr. Zhang Lianghong (i)	—	26,828	107,581
— Mr. Li Jiazhi	13,200	12,500	—
— Mr. Zhang Haiming (i)	—	2,423	10,345
— Mr. Huang Shaobo (i)	—	1,275	5,445
— Ms. Ye Suyi	27,000	5,000	—
— Huizhou Jinshang Real Estate Development Company Limited	—	—	98,620
— Mr. Lee Yuk Kong (i)	—	—	17,699
— Dongguan Dongming Trading Company Limited	25,800	25,800	25,800
— Kimou Environmental Technology Limited (i)	—	—	1,113
— Premier Investment Worldwide Company Limited (i)	—	—	50,864
— Flourish Investment International Limited (i)	—	—	139,071
— Deluxe Investment International Company Limited (i)	—	—	20,580
— Dakson Assets Management Limited (i)	—	—	10,848
	<u>—</u>	<u>—</u>	<u>10,848</u>
Total	<u>278,239</u>	<u>266,571</u>	<u>603,662</u>

The balances with these related parties are unsecured, interest-free and have no fixed repayment terms.

The directors of the Company have confirmed that, all of the above amounts due to related parties as at 31 December 2018 were non-trade in nature, which have been fully settled as at the date of this report:

- (i) Amounts due to these ultimate individual shareholders of the Group and entities they effectively owned (together as the "Shareholders") of RMB374,761,000 as at 31 December 2018 have been capitalised as share capital and share premium by the Company pursuant to the shareholders written resolutions dated 7 January 2019 and 21 June 2019, respectively. Further details are disclosed in note 29(a)(ii).
- (ii) Rest of the amounts due to related parties have been fully settled by the Company.

33 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ACCOUNTING YEAR ENDED 31 DECEMBER 2018

Up to the date of issue of the Historical Financial Information, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2018 and which have not been adopted in the Historical Financial Information. These include the following:

	Effective for accounting periods beginning on or after
HK(IFRIC) 23, <i>Uncertainty over income tax treatments</i>	1 January 2019
Amendments to HKFRS 9, <i>Prepayment features with negative compensation</i>	1 January 2019
Amendments to HKAS 19, <i>Plan amendment, curtailment or settlement</i>	1 January 2019
Amendments to HKAS 28, <i>Long-term interest in associates and joint ventures</i>	1 January 2019
Annual Improvements to HKFRSs 2015–2017 Cycle	1 January 2019
Amendments to HKAS 1 and HKAS 8, <i>Definition of material</i>	1 January 2020
Amendments to HKFRS 3, <i>Definition of a business</i>	1 January 2020
Revised Conceptual Framework for Financial Reporting 2018	1 January 2020
HKFRS 17, <i>Insurance contracts</i>	1 January 2021
Amendments to HKFRS 10, <i>Consolidated financial statements</i> and HKAS 28, <i>Investments in associates and joint ventures</i>	To be determined

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. According to the preliminary assessment made by the Group, no significant impact on the Group's financial performance is expected when they become effective. While the preliminary assessment has been made by the Group, the actual impact upon the initial adoption of these amendments, new standards and interpretations may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before these amendments, new standards and interpretations are initially applied in the Group's financial report.

34 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the authorised and issued share capital of the Company was changed. Further details are disclosed in note 29(a)(ii).

35 SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries comprising the Group in respect of any period subsequent to 31 December 2018.

The information set forth in this appendix does not form part of the Accountants' Report from the reporting accountants of our Company, KPMG, Certified Public Accountants, Hong Kong, as set out in Appendix I to this prospectus, and is included herein for illustrative purpose only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and our historical financial information included in the Accountants' Report set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is to illustrate the effect of the Share Offer on the net tangible assets of the Group attributable to equity shareholders of the Company as if the Share Offer had been completed on 31 December 2018. The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the net tangible assets of the Group attributable to equity shareholders of the Company had the Share Offer been completed as at 31 December 2018 or any future date.

	Consolidated net tangible assets of the Group attributable to equity shareholders of the Company as of 31 December 2018 RMB'000 ⁽¹⁾	Estimated net proceeds from the Share Offer RMB'000 ⁽²⁾	Unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company RMB'000	Unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company per share	
				RMB ⁽³⁾	HK\$ ⁽⁴⁾
Base on an Offer Price of HK\$1.08 per share	123,096	234,648	357,744	0.32	0.36
Base on an Offer Price of HK\$1.44 per share	123,096	322,185	445,281	0.40	0.46

Notes:

- (1) The consolidated net tangible assets of the Group attributable to equity shareholders of the Company as at 31 December 2018 is calculated based on the consolidated net assets attributable to equity shareholders of the Company of RMB127,358,000 as at 31 December 2018, less intangible assets of RMB4,262,000 as at the date, as extracted from the financial information included in the Accountants' Report set out in Appendix I to the prospectus.
- (2) The estimated net proceeds from the Share Offer are based on the estimated Offer Prices of HK\$1.08 per share and HK\$1.44 per share, being the lower end price and higher end price of the indicative Offer Price range respectively, after deduction of the estimated underwriting fees and other related expenses related to Share Offer (excluding approximately RMB4,031,000 listing expenses which has been charged to profit or loss up to 31 December 2018) and the issuance of 280,000,000 shares, takes no account of any shares that may be issued upon exercise of the Over-Allotment Option or any options which may be granted under the Shares Option Scheme, and excluding any shares which may be issued or repurchased by the Company pursuant to the general mandates. The estimated net proceeds from the Share Offer is converted into RMB at an exchange rate of HK\$1.14 to RMB1.

- (3) The unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company per share is arrived at after the adjustments for the estimated net proceeds from the Share Offer payable by the Group as described in note (2) and on the basis that a total of 1,120,000,000 shares were in issue assuming that the Share Offer was completed on 31 December 2018, but takes no account of any shares which may be issued upon the exercise of the Over-Allotment Option or any options which may be granted under the Shares Option Scheme, and excluding any shares which may be issued or repurchased by the Company pursuant to the general mandates.
- (4) The unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company per share is converted into Hong Kong dollars at an exchange rate of RMB1 to HK\$1.14. No representation is made that Hong Kong dollars amounts have been, could have been or may be converted into RMB, or vice versa, at that rate.
- (5) The unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company does not take into account the capitalisation of amounts due to the Shareholders of RMB374,761,000 as at 31 December 2018, which was planned to be made by the existing equity shareholders of the Company before Listing. Had such capitalisation been taken into account, the unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company per share would be increased to RMB0.65 per share (equivalent to HK\$0.74 per share) and RMB0.73 per share (equivalent to HK\$0.83 per share) based on the low-end and high-end of the stated Offer Price of HK\$1.08 per share and HK\$1.44 per share, respectively.
- (6) No adjustment has been made to the unaudited pro forma adjusted net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2018.

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose in this prospectus.



INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF KIMOU ENVIRONMENTAL HOLDING LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of Kimou Environmental Holding Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets as at 31 December 2018 and related notes as set out in Part A of Appendix II to the prospectus dated 29 June 2019 (the "Prospectus") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offering of the ordinary shares of the Company (the "Share Offer") on the Group's financial position as at 31 December 2018 as if the Share Offer had taken place at 31 December 2018. As part of this process, information about the Group's financial position as at 31 December 2018 has been extracted by the Directors from the Group's historical financial information included in the Accountants' Report as set out in Appendix I to the Prospectus.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements (“HKSAE”) 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions as at 31 December 2018 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

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

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

Opinion

In our opinion:

- (a) the pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group, and
- (c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

29 June 2019

The following is the text of a letter, a summary of values and a valuation certificate prepared for the purpose of incorporation in this prospectus received from Greater China Appraisal Limited, an independent valuer, in connection with their valuation as at 31 March 2019 of the real property interests held by the Group.

GREATER CHINA APPRAISAL LIMITED
漢華評值有限公司

Room 2703, 27th Floor,
Shui On Centre,
6–8 Harbour Road,
Wanchai, Hong Kong

29 June 2019

The Board of Directors
Kimou Environmental Holding Limited
Flat 17A, Loyong Court Commercial Building,
212–220 Lockhart Road,
Wan Chai,
Hong Kong

Dear Sir,

Re: Valuation of Various Real Property Interests Located at Huizhou, Guangdong Province and Tianjin, the People's Republic of China (the "PRC")

In accordance with the instructions from Kimou Environmental Holding Limited (the "Company") for us to value the captioned real property interests, details of which are provided in the enclosed valuation certificate, in the PRC, we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of such real property interests as at 31 March 2019 (referred to as the "valuation date").

This letter which forms part of our valuation report explains the basis and methodology of valuation, and clarifies our assumptions made, title investigation of the real property and the limiting conditions.

I. BASIS OF VALUATION

The valuation is our opinion of the market value which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

II. VALUATION METHODOLOGY

In valuing the real properties, we have adopted the investment method whereby the rent receivable during the residual period of the existing tenancy is capitalised at an appropriate capitalisation rate with due allowance for the reversionary interests after expiry of the tenancy.

III. ASSUMPTIONS

Our valuation has been made on the assumption that the owner sells the real property interests on the open market in their existing states without the benefit of any deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangement which would serve to increase the values of the real property interests.

As the real properties are held under long term land use rights, we have assumed that the owners of the real property interests have free and uninterrupted rights to use or transfer the real property interests for the whole of the unexpired term of the respective land use rights. In our valuation, we have assumed that the real property interests can be freely disposed of and transferred to third parties on the open market without any additional payment to the relevant government authorities.

All applicable zoning and use regulations and restrictions have been complied with unless nonconformity has been stated, defined, and considered in the valuation report.

No environment impact study has been ordered or made. Full compliance with applicable national, provincial and local environmental regulations and laws is assumed unless otherwise stated, defined, and considered in the report. It is also assumed that all required licences, consents, or other legislative or administrative authority from any local, provincial, or national government or private entity or organisation either have been or can be obtained or renewed for any use which the report covers.

Other specific assumptions of the real properties, if any, have been stated out in the footnotes of the valuation certificate.

IV. TITLESHP INVESTIGATION

We have been provided with copies of legal documents regarding the real properties. However, due to the current registration system of the PRC, no investigation has been made for the legal title or any liability attached to the real properties.

In the course of our valuation, we have relied upon the legal opinion given by the Company's PRC legal adviser — Tian Yuan Law Firm (天元律師事務所) in relation to the legal title to the real properties. All legal documents disclosed in this report are for reference only and no responsibility is assumed for any legal matters concerning the legal title to the real properties set out in this report.

V. LIMITING CONDITIONS

We have inspected the exterior and, where possible, the interior of the real properties. However, no structural survey has been made and we are therefore unable to report as to whether the real property is free from rot, infestation or any other structural defects. Also, no tests were carried out on any of the services.

We have not carried out detailed site measurements to verify the correctness of the areas in respect of the real properties but have assumed that the areas shown on the relevant documents provided to us are correct. Based on our experience of valuation of similar real properties, we consider the assumptions so made to be reasonable. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

No site investigations have been carried out to determine the suitability of the ground conditions or the services for any real property development. Our valuation is made on the basis that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period.

Having examined all relevant documentation, we have relied to a very considerable extent on the information provided and have accepted advice given to us by the Company on such matters as planning approvals, statutory notices, easements, tenure, occupation, construction costs, leasing, rental, site and floor areas and in the identification of the real properties. We have had no reason to doubt the truth and accuracy of the information provided by the Company. We were also advised by the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

No allowances have been made in our valuation for any charges, mortgages or amounts owing on the real properties valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the real property interests are free of encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

Since the real properties are located in a relatively under-developed market, the PRC, those assumptions are often based on imperfect market evidence. A range of values may be attributable to the real properties depending upon the assumptions made. While we have exercised our professional judgment in arriving at the values, report readers are urged to consider carefully the nature of such assumptions which are disclosed in the valuation report and should exercise caution in interpreting the valuation report.

VI. OPINION OF VALUE

Our opinion of the market values of the real properties is set out in the attached summary of values and the valuation certificates.

VII. REMARKS

Our valuation has been prepared in accordance with generally accepted valuation procedures and in compliance with the requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited.

In valuing the real property interests, we have complied with the requirements contained in the HKIS Valuation Standards (2017 Edition) published by The Hong Kong Institute of Surveyors.

Site inspection of the real property no. 1 was conducted in November 2018 by Jeff W.P. Liu (MRICS, MHKIS) and Reyes C.W. Pun (BSSc). Site inspection of the real property no. 2 was conducted in November 2018 by Fan Chuan Peng who is a cost engineer. The completed real properties were maintained in a reasonable condition commensurate with their ages and uses and equipped with normal building services.

Unless otherwise stated, all monetary amounts herein are denominated in the currency of Renminbi (referred to as “RMB”).

We enclose herewith our summary of values and valuation certificate.

This valuation report is issued subject to our General Service Conditions.

Yours faithfully,
For and on behalf of
GREATER CHINA APPRAISAL LIMITED
Mr. Gary Man
Registered Professional Surveyor (G.P.)
FRICS, FHKIS, MCIREA
Director

Note: Mr. Gary Man is a Chartered Surveyor who has more than 31 years of valuation experience in countries such as The PRC, Hong Kong, Singapore, Vietnam, Philippines and the Asia Pacific region.

SUMMARY OF VALUES

No.	Real Property	Market Value in existing state as at 31 March 2019 (RMB)
Real property interests held for investment in the PRC		
1.	Portions of an industrial complex located at Longhua Road, Longxi Street, Boluo County, Huizhou City, Guangdong Province, the PRC	702,600,000
2.	Portions of an industrial complex located at Zhongwang Town, Jinghai District, Tianjin City, the PRC	587,670,000
		<hr/>
		Total: <u>RMB1,290,270,000</u>

VALUATION CERTIFICATE

Real property interests held for investment in the PRC

No.	Real Property	Descriptions and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 March 2019
1.	Portions of an industrial complex located at Longhua Road, Longxi Street, Boluo County, Huizhou City, Guangdong Province, the PRC	<p>The subject development is an industrial complex contains various factory buildings, warehouses, office, dormitories, canteens, sewage treatment plants, power distribution rooms, and other ancillary facilities.</p> <p>The real property comprises 44 factory buildings. The buildings were completed between 2006 and 2018.</p> <p>The total gross floor area of the buildings is approximately 318,210.77 square metres.</p> <p>The land use rights of the real property are held for industrial uses for terms of 50 years commencing from 26 April 2005 and 31 December 2016.</p>	<p>According to the information provided, the real property is subject to various tenancy agreements with the latest expiring date on 31 May 2028 with total monthly passing rent of RMB4,137,228 for industrial uses.</p>	RMB702,600,000 (Renminbi Seven Hundred and Two Million and Six Hundred Thousand).

Notes:

- (i) According to a State-owned Land Use Rights Grant Contract (Contract No. 441322-2014-000062), entered into between BoLuo Land Resources Bureau (博羅國土資源局) and Huizhou Kimou Investments Co., Ltd (惠州金茂實業投資有限公司) (“Huizhou Kimou”) dated 28 May 2014, the land use rights of the land parcel with a site area of approximately 68,669 square metres were contracted to be granted to Huizhou Kimou for a term of 50 years for industrial use at a consideration of RMB20,200,000.

According to a State-owned Land Use Rights Grant Contract (Contract No. 441322-2016-000166), entered into between BoLuo Land Resources Bureau and Huizhou Kimou dated 29 November 2016, the land use rights of the land parcel with a site area of approximately 49,518 square metres were contracted to be granted to Huizhou Kimou for a term of 50 years for industrial use at a consideration of RMB19,500,000.

According to a State-owned Land Use Rights Grant Contract (Contract No. 441322-2017-000104), entered into between BoLuo Land Resources Bureau and Huizhou Kimou dated 17 May 2017, the land use rights of the land parcel with a site area of approximately 13,571 square metres were contracted to be granted to Huizhou Kimou for a term of 50 years for industrial use at a consideration of RMB30,600,000.

- (ii) According to eight Immovable Property Rights Certificate, Yue 2018 Bo Luo Xian Bu Dong Chan Quan Nos. 0039047-48, 0039051-55 and 0039057, all issued by Boluo Land Resources Bureau (博羅國土資源局) all dated 9 August 2018, the land use rights of land parcel with a site area of approximately 42,801 square metres, were granted to Huizhou Kimou for industrial uses for a term of 50 years commencing from 26 April 2005 and the building ownership of buildings with a total gross floor area of approximately 38,537.28 square metres was held by Huizhou Kimou.

- (iii) According to thirty-six Immovable Property Rights Certificate, Yue 2018 Bo Luo Xian Bu Dong Chan Quan No 0038902-03, 0038906-07, 0038913, 0038915-17, 0038920, 0038922, 0038925, 0038928, 0038932, 0038936, 0038946, 0038948, 0038951, 0038954, 0038956, 0038959, 0038972-73, 0038976-78, 0038980-81, 0038983-84, 0038986-89, 0038992-93, issued by Boluo Land Resources Bureau (博羅國土資源局) all dated 9 August 2018, the land use rights of land parcel with a site area of approximately 398,231 square metres were granted to Huizhou Kimou for industrial uses for a term of 50 years commencing from 31 December 2016 and the building ownership of buildings with a total gross floor area of approximately 279,673.49 square metres was held by Huizhou Kimou.
- (iv) We have been provided with a legal opinion regarding the real property interests issued by the Company's PRC legal adviser which are summarised as below:
1. Huizhou Kimou has legally obtained the state-owned land use right of the aforementioned land and obtained the Immovable Property Rights Certificate. Huizhou Kimou is the sole user of the land and is recognised and protected by the PRC laws. Except as disclosed in this legal opinion, Huizhou Kimou can legally occupy, use, mortgage, lease, transfer or otherwise dispose of such land use rights within the land use right term, in accordance with the land use specified in the Immovable Property Rights Certificate.
 2. Huizhou Kimou has obtained the ownership certificate for the aforementioned properties, has legal and completed ownership for these properties. Huizhou Kimou is the sole owner of the above-mentioned properties and is recognised and protected by the PRC laws. Excepted as disclosed in this legal opinion, Huizhou Kimou has the right to occupy, use, mortgage, lease, transfer or otherwise dispose of such real properties in accordance with the law.
 3. Portion of the real property is subject to mortgage. For the mortgaged real property, Huizhou Kimou may transfer, sell, lease, re-mortgage or dispose of in any other legal manner, with the consent of the mortgagee, according to the law, during the mortgage period.
 4. As of the latest practicable date, Huizhou Kimou entered into various tenancy agreements and the tenancy agreements of the subject property have been registered. The content of the tenancy agreements does not violate the laws and regulations, and is legal and effective, and is legally binding on the parties of the agreements.

No.	Real Property	Descriptions and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 March 2019
2.	Portions of an industrial complex located at Zhongwang Town, Jinghai District, Tianjin City, the PRC	<p>The subject development is an industrial complex contains various factory buildings, warehouses, office, dormitories, canteens, sewage treatment plants, power distribution rooms and other ancillary facilities.</p> <p>The real property comprises 48 factory buildings.</p> <p>The buildings were completed between 2015 to 2018.</p> <p>The total gross floor area of the buildings is approximately 261,488.59 square metres.</p> <p>The land use rights of the real property are held for industrial uses for terms expiring on 2 July 2059, 10 March 2065, 6 April 2065, 4 May 2065 and 11 June 2065.</p>	<p>According to the information provided, as at valuation date, portions of the real property with total leased area of approximately 157,376.71 square metres are subject to various tenancy agreements with the latest expiry date on 14 April 2037 with total passing monthly rent of RMB2,144,139.36 for industrial use.</p> <p>Subsequently, portions of the real property with total leased area of 15,008.83 square metres are subject to 7 tenancy agreements commencing after the valuation date with the latest expiry date on 14 June 2024 for industrial use.</p> <p>The remaining portions of the real property are either for ancillary uses or vacant.</p>	RMB587,670,000 (Renminbi Five Hundred Eighty-Seven Million Six Hundred and Seventy Thousand)

Notes:

- (i) According to a State-owned Land Use Rights Grant Contract (Contract No. TJ10222015010), entered into between Tianjin Municipal Bureau of Land Resources and Housing Administration and Tianjin Wandafeng Metal Surface Processing Co., Ltd. (天津萬達豐金屬表面處理有限公司) (“Tianjin Wandafeng”) dated 11 March 2015, the land use rights of the land parcel with a site area of approximately 101,900.20 square metres were contracted to be granted to Tianjin Wandafeng for a term of 50 years for industrial use at a consideration of RMB21,400,000.
- (ii) According to an Immovable Property Rights Certificate (Jin (2018) Jing Hai Qu Bu Dong Chan Quan Di 1028539 Hao) dated 20 December 2018 issued by Tianjin Municipal Bureau of Land Resources and Housing Administration, the real property with a site area of approximately 101,900.90 square metres and total gross floor area of approximately 115,954.23 square metres were granted to and held by Tianjin Wandafeng for a term commencing from 11 March 2015 and expiring on 10 March 2065 for industrial use.
- (iii) According to a State-owned Land Use Rights Grant Contract (Contract No. TJ10222015013), entered into between Tianjin Municipal Bureau of Land Resources and Housing Administration and Tianjin Sangong Metal Surface Processing Co., Ltd. (天津三工金屬表面處理有限公司) (“Tianjin Sangong”) dated 7 April 2015, the land use rights of the land parcel with a site area of approximately 90,829.10 square metres were contracted to be granted to Tianjin Sangong for a term of 50 years for industrial use at a consideration of RMB19,100,000.
- (iv) According to a State-owned Land Use Rights Grant Contract (Contract No. TJ10222015018), entered into between Tianjin Municipal Bureau of Land Resources and Housing Administration and Tianjin Sangong dated 5 May 2015, the land use rights of the land parcel with a site area of approximately 59,839.80 square metres were contracted to be granted to Tianjin Sangong for a term of 50 years for industrial use at a consideration of RMB12,600,000.

- (v) According to a State-owned Land Use Rights Grant Contract (Contract No. TJ10222015021), entered into between Tianjin Municipal Bureau of Land Resources and Housing Administration and Tianjin Sangong dated 12 June 2015, the land use rights of the land parcel with a site area of approximately 70,424.70 square metres were contracted to be granted to Tianjin Sangong for a term of 50 years for industrial use at a consideration of RMB14,800,000.
- (vi) According to three sets of Immovable Property Rights Certificates (Jin (2018) Jing Hai Qu Bu Dong Chan Quan Di 1028541, 1028540 and 1028538 Hao) all dated 20 December 2018 issued by Tianjin Municipal Bureau of Land Resources and Housing Administration, the real property with a total site area of approximately 221,095.10 square metres and total gross floor area of approximately 130,219.12 square metres were granted to and held by Tianjin Sangong for terms commencing from 7 April 2015, 12 June 2015 and 4 May 2065 and expiring on 6 April 2065, 11 June 2065 and 4 May 2065, respectively for industrial use.
- (vii) According to an Immovable Property Rights Certificate (Jin (2018) Jing Hai Qu Bu Dong Chan Quan Di 1028542 Hao) dated 20 December 2018 issued by Tianjin Municipal Bureau of Land Resources and Housing Administration, the real property with a site area of approximately 88,634.70 square metres and total gross floor area of approximately 54,013.42 square metres were granted to and held by Tianjin Tianteyuan Steel Industry Co., Ltd. (天津市天特元鋼業有限公司) (“Tianjin Tianteyuan”), for a term expiring on 2 July 2059 for industrial use.
- (viii) We have been provided with a legal opinion regarding the real property interests issued by the Company’s PRC legal adviser which are summarised below:

1. Tianjin Wandafeng has legally obtained the state-owned land use right of the aforementioned land and obtained the Immovable Property Rights Certificate and the ownership certificate for the aforementioned properties, has legal and completed ownership for these properties. Tianjin Wandafeng is the sole owner and user of the buildings and the corresponding land and is recognised and protected by the PRC laws. Except as disclosed in this legal opinion, Tianjin Wandafeng can legally occupy, use, mortgage, lease, transfer or otherwise dispose of such land use rights and building ownership within the land use right term, in accordance with the land use specified in the Immovable Property Rights Certificate;
2. Tianjin Sangong has legally obtained the state-owned land use right of the aforementioned land and obtained the Immovable Property Rights Certificate. Tianjin Sangong is the sole owner and user of the buildings and the corresponding land and is recognised and protected by the PRC laws. Except as disclosed in this legal opinion, Tianjin Sangong can legally occupy, use, mortgage, lease, transfer or otherwise dispose of such land use rights and building ownership within the land use right term, in accordance with the land use specified in the Immovable Property Rights Certificate;

The land of Tianjin Sangong (with State-owned Land Use Rights Grant Contract No. TJ10222015021) had the situation of delay in commencing of construction for 11 months. Tianjin Sangong may be penalised with 0.1% per day by the relevant authority. However, as the delay is less than one year, it would not be treated as idle land and would not be penalised with a fine nor resumed by the relevant authority.

3. Tianjin Tianteyuan has legally obtained the state-owned land use right of the aforementioned land and obtained the Immovable Property Rights Certificate. Tianjin Tianteyuan is the sole owner and user of the buildings and the corresponding land and is recognised and protected by the PRC laws. Except as disclosed in this legal opinion, Tianjin Tianteyuan can legally occupy, use, mortgage, lease, transfer or otherwise dispose of such land use rights and building ownership within the land use right term, in accordance with the land use specified in the Immovable Property Rights Certificate;

The land of Tianjin Tianteyuan (with State-owned Land Use Rights Grant Contract No. 10222009052) had the situation of delay in commencing of construction. Tianjin Tianteyuan may be penalised with 0.1% per day or resumed by the relevant authority. As confirmed by the Company, the Company has not been punished by the relevant authority and Tianjin Tianteyuan had commenced construction in May 2016. The period for punishment of the above non-compliance has past. Therefore, the possibility of Tianjin Tianteyuan being punished due to the said non-compliance is low.

4. Portion of the real property is subject to mortgage. For the mortgaged real property, Tianjin Wandafeng, Tianjin Sangong and Tianjin Tianteyuan may transfer, sell, lease, re-mortgage or dispose of in any other legal manner, with the consent of the mortgagee, according to the law, during the mortgage period.

5. The real property is subject to various tenancy agreements. The content of the tenancy agreements does not violate the laws and regulations, and is legal and effective. In accordance with relevant regulations, the tenancy agreements have to be registered in the real estate management department. Except for the 1 tenancy agreement of Tianjin Sangong, the other two companies in Tianjin have registered all the tenancy agreements, according to the PRC Contract Law, the tenancy agreements, which are entered into legally, are effective since they have been entered into. Therefore, the tenancy agreements are legal and effective. Tianjin Sangong may be subject to a fine due to the non-registration of tenancy.

SUMMARY OF THE CONSTITUTION OF THE COMPANY**1 Memorandum of association**

The Memorandum of Association of the Company was conditionally adopted on 18 June 2019 and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Cayman Companies Law or any other law of the Cayman Islands.

The Memorandum of Association is available for inspection at the address specified in Appendix VI in the section headed “Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection”.

2 Articles of association

The Articles of Association of the Company were conditionally adopted on 18 June 2019 and include provisions to the following effect:

2.1 *Classes of Shares*

The share capital of the Company consists of ordinary shares. The authorised share capital of the Company at the date of adoption of the Articles is HK\$168,000,000 divided into 1,680,000,000 shares of HK\$0.10 each.

2.2 *Directors***(a) *Power to allot and issue Shares***

Subject to the provisions of the Cayman Companies Law and the Memorandum and Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such times and for such consideration as the Directors may determine. Subject to the Cayman Companies Law and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof, liable to be redeemed.

(b) Power to dispose of the assets of the Company or any subsidiary

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the Articles of Association expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the Articles of Association or the Cayman Companies Law expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Cayman Companies Law and of the Articles of Association and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

(c) Compensation or payment for loss of office

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by the Company in general meeting.

(d) Loans to Directors

There are provisions in the Articles of Association prohibiting the making of loans to Directors or their respective close associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(e) Financial assistance to purchase Shares

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

(f) Disclosure of interest in contracts with the Company or any of its subsidiaries

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in

such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the board of Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates (or, if required by the Listing Rules, his other associates) has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

- (i) the giving to such Director or any of his close associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:
 - (A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or
 - (B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

- (v) any contract or arrangement in which the Director or any of his close associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(g) Remuneration

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(h) Retirement, appointment and removal

The number of Directors shall not be less than two.

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next general meeting of the Company and shall then be eligible for re-election at that meeting.

The Company may by ordinary resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment of office as a result of the termination of this appointment as Director).

The Company may by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed. The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election but shall not be taken into account in determining the number of Directors and which Directors are to retire by rotation at such meeting.

No person shall, unless recommended by the Board, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the dispatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors. The office of a Director shall be vacated:

- (i) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;
- (ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;
- (iii) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;
- (iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;

- (vi) if he is removed from office by a notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or
- (vii) if he shall be removed from office by an ordinary resolution of the members of the Company under the Articles of Association.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) *Borrowing powers*

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

(j) *Proceedings of the Board*

The Directors may meet together for the dispatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.3 *Alteration to constitutional documents*

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.4 *Variation of rights of existing shares or classes of shares*

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Cayman Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall mutatis mutandis apply, but so that the quorum for the purposes of any such

separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorised representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.5 Alteration of capital

The Company may, from time to time, whether or not all the shares for the time being authorised shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

- (a) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares ratably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;
- (b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Cayman Companies Law; and
- (c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Cayman Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorised and subject to any conditions prescribed by the Cayman Companies Law.

2.6 Special resolution -majority required

A “special resolution” is defined in the Articles of Association to have the meaning ascribed thereto in the Cayman Companies Law, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, where proxies are allowed, by proxy or, in the case of corporations, by their duly authorised representatives, at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution signed by all members for the time being entitled to receive notice of and to attend and vote at general meetings (or being corporations by their duly appointed representatives), and any such resolution shall be deemed to have been passed at a meeting held on the date on which it was signed by the last member to sign.

In contrast, an “ordinary resolution” is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, where proxies are allowed, by proxy or, in the case of corporations, by their duly authorised representatives, at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.7 Voting rights

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorised in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairman of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee(s)) which he represents as that recognised clearing house (or its nominee(s)) could exercise as if it were an individual member of the Company holding the number and class of shares specified in such authorisation, including, where a show of hands is allowed, the right to vote individually on a show of hands.

2.8 Annual general meetings and extraordinary general meetings

The Company shall hold a general meeting as its annual general meeting each year, within a period of not more than 15 months after the holding of the last preceding annual general meeting (or such longer period as the Stock Exchange may authorise). The annual general meeting shall be specified as such in the notices calling it.

Extraordinary general meetings may be convened on the requisition of two or more shareholders (or any one member which is a recognised clearing house (or its nominee(s)) holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings.

2.9 Accounts and audit

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Cayman Companies Law.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection by members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Cayman Companies Law or any other relevant law or regulation or as authorised by the Directors or by the Company in general meeting.

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a statement of financial position as at the date to which the profit and loss account is made up and a Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles of Association to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

The Company shall at every annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The removal of an auditor before the expiration of his period of office shall require the approval of an ordinary resolution of the members in general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors.

2.10 Notice of meetings and business to be conducted thereat

An annual general meeting shall be called by not less than 21 days' notice in writing and any extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions and the general nature of the business to be considered at the meeting. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

- (a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and
- (b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

2.11 Transfer of shares

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Directors may, in its absolute discretion, and without assigning any reason, refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

- (a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;
- (b) the instrument of transfer is in respect of only one class of shares;
- (c) the instrument of transfer is properly stamped (in circumstances where stamping is required);
- (d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;
- (e) the shares concerned are free of any lien in favour of the Company; and
- (f) a fee of such amount not exceeding the maximum amount as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

2.12 Power of the Company to purchase its own shares

The Company is empowered by the Cayman Companies Law and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong. Shares which have been repurchased will be treated as cancelled upon the repurchase. The holder of the shares being purchased shall be bound to deliver up to the Company at its principal place of business in Hong Kong or such other place as the Directors shall specify the certificate(s) thereof, if any, for cancellation and thereupon the Company shall pay to him the purchase or redemption monies in respect thereof.

2.13 Power of any subsidiary of the Company to own shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.14 Dividends and other methods of distribution

Subject to the Cayman Companies Law and the Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them any dividend which may be at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared, the Directors may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.15 Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favour of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorised in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

2.16 Calls on shares and forfeiture of shares

The Directors may from time to time make calls upon the members of the Company in respect of any monies unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment and to whom such payment shall be made) pay to the person at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by instalments and shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other monies due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15% per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or instalment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be re-allotted, sold or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all monies which at the date of forfeiture were payable by him to the Company in respect of the shares, together with (if the Directors shall in their discretion so require) interest

thereon at such rate not exceeding 15% per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

2.17 Inspection of register of members

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of a fee of such amount not exceeding the maximum amount as may from time to time be permitted under the Listing Rules as the Directors may determine for each inspection.

2.18 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman which shall not be treated as part of the business of the meeting.

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.4 above.

2.19 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.20 Procedure on liquidation

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. If in a winding up the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Cayman Companies Law, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Cayman Companies Law, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.21 Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such proceeds.

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION**1 Introduction**

The Cayman Companies Law is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Cayman Companies Law and the current Companies Act of England. Set out below is a summary of certain provisions of the Cayman Companies Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2 Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 28 June 2018 under the Cayman Companies Law. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorised share capital.

3 Share capital

The Cayman Companies Law permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Cayman Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premium on those shares shall be transferred to an account called the “share premium account”. At the option of a company, these provisions may not apply to premium on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Cayman Companies Law provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

- (a) paying distributions or dividends to members;
- (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Cayman Companies Law);
- (d) writing-off the preliminary expenses of the company;
- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and
- (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Cayman Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Cayman Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorised either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4 Dividends and distributions

With the exception of section 34 of the Cayman Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Cayman Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

5 Shareholders' suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6 Protection of minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7 Disposal of assets

The Cayman Companies Law contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8 Accounting and auditing requirements

The Cayman Companies Law requires that a company shall cause to be kept proper books of account with respect to:

- (a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;
- (b) all sales and purchases of goods by the company; and
- (c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

9 Register of members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Cayman Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

10 Inspection of books and records

Members of a company will have no general right under the Cayman Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

11 Special resolutions

The Cayman Companies Law provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorised by the articles of association of the company.

12 Subsidiary owning shares in parent

The Cayman Companies Law does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13 Mergers and consolidations

The Cayman Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorised by (a) a special resolution of each constituent company and (b) such other authorisation, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together

with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75% in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

16 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17 Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, ratably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

18 Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

19 Taxation

Pursuant to section 6 of the Tax Concessions Law (2018 Revision) of the Cayman Islands, the Company may obtain an undertaking from the Financial Secretary of the Cayman Islands:

- (a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and
- (b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:
 - (i) on or in respect of the shares, debentures or other obligations of the Company; or
 - (ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2018 Revision).

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

20 Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

21 General

Campbells, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarising aspects of Cayman Islands company law. This letter, together with a copy of the Cayman Companies Law, is available for inspection as referred to in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix VI. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP**1. Incorporation of our Company**

Our Company was incorporated on 28 June 2018 in the Cayman Islands under the Companies Law as an exempted company with limited liability. Accordingly, our Company's corporate structure and Memorandum and Articles of Association are subject to relevant laws of the Cayman Islands. A summary of our Memorandum and Articles of Association is set out in Appendix IV to this prospectus. Our registered office is at the offices of McGrath Tonner Corporate Services Limited, Genesis Building, 5th Floor, Genesis Close, PO Box 446, Cayman Islands, KY1-1106.

Our principal place of business in Hong Kong is at Flat 17A, Loyong Court Commercial Building, 212–220 Lockhart Road, Wan Chai, Hong Kong. Our Company was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 28 January 2019 with the Companies Registry in Hong Kong. Ms. Chan Lai Fan, whose correspondence address is Flat H, 16/F, Block 1, Carado Garden, Tai Wai, New Territories, Hong Kong, has been appointed as our authorised representative for the acceptance of service of process in Hong Kong.

2. Changes in authorised and issued share capital of our Company

The authorised share capital of our Company as at the date of its incorporation on 28 June 2018 was US\$50,000 divided into 50,000 shares with a par value of US\$1.0 each. One fully paid share was allotted and issued at par value to an initial subscriber and such share was subsequently transferred to Mr. Lee on the same date.

On 8 September 2018, Premier Investment acquired 1 share in our Company from Mr. Lee.

Pursuant to shareholders resolutions dated 10 September 2018, each of Flourish Investment, Premier Investment, Deluxe Investment and Dakson Assets Management subscribed for 5,700 shares, 2,849 shares, 950 shares and 500 shares with a par value of US\$1.0 each in our Company, respectively. Upon completion of the subscriptions, Flourish Investment, Premier Investment, Deluxe Investment and Dakson Assets Management held 57%, 28.5%, 9.5% and 5% of the issued share capital of our Company.

Pursuant to the written resolutions of the directors and shareholders dated 7 January 2019, the authorised share capital of the Company was changed to HK\$168,000,000 by the creation of an additional 1,680,000,000 Shares with a par value of HK\$0.10 each and the cancellation of 50,000 shares with a par value of US\$1.0 each.

Pursuant to the shareholders written resolutions dated 7 January 2019, 191,520,000 Shares, 95,760,000 Shares, 31,920,000 Shares and 16,800,000 Shares in our Company, with a par value of HK\$0.1 each, were issued to Flourish Investment, Premier Investment, Deluxe Investment and Dakson Assets Management, respectively, and the U.S. dollar denominated shares previously issued to these shareholders were repurchased by our Company and thereafter cancelled. Upon completion of such share issuance and repurchase, Flourish Investment, Premier Investment, Deluxe Investment and Dakson Assets Management remained to hold 57%, 28.5%, 9.5% and 5% of the issued share capital of our Company.

Assuming that the Share Offer and the Capitalisation Issue become unconditional and the Offer Shares are issued but taking no account of any Shares to be allotted and issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, the authorised share capital of our Company will be HK\$168,000,000 divided into 1,680,000,000 Shares, of which 1,120,000,000 Shares will be issued fully paid or credited as fully paid, and 560,000,000 Shares will remain unissued.

Save as disclosed in the sections headed “History, Development and Reorganisation” and “Statutory and General Information” in this prospectus, there has been no alteration in the share capital of our Company since its incorporation.

3. Changes in share capital of our subsidiaries

Our subsidiaries are referred to in the Accountants’ Report in Appendix I to this prospectus. Save for the subsidiaries mentioned in the Accountants’ Report and in the section headed “History, Development and Reorganisation” in this prospectus, our Company has no other subsidiaries.

The following alterations in the share capital of our subsidiaries have taken place within the two years immediately preceding the date of this prospectus:

(a) *Huizhou Kimou*

On 24 May 2018, the registered capital of Huizhou Kimou was increased from RMB108.2 million to RMB110 million.

On 17 September 2018, the registered capital of Huizhou Kimou was increased from RMB110 million to RMB400 million.

(b) *Huizhou Jinmaoyuan*

On 14 November 2018, the registered capital of Huizhou Jinmaoyuan was increased from RMB30 million to RMB100 million.

(c) *Tianjin Bingang*

On 6 March 2017, the registered capital of Tianjin Bingang was increased from RMB250 million to RMB370 million.

On 8 August 2017, the registered capital of Tianjin Bingang was increased from RMB370 million to approximately RMB399.9 million.

On 18 December 2017, the registered capital of Tianjin Bingang was increased from approximately RMB399.9 million to approximately RMB449.9 million.

On 18 July 2018, the registered capital of Tianjin Bingang was increased from approximately RMB449.9 million to approximately RMB589.9 million.

(d) *Hubei Kimou*

On 27 April 2018, the registered capital of Hubei Kimou was increased from RMB20 million to RMB250 million.

Save as disclosed in the sections headed “History, Development and Reorganisation” and “Statutory and General Information” in this prospectus, there has been no alteration in the share capital of our subsidiaries within two years immediately preceding the date of this prospectus.

4. Resolutions in writing of the shareholders passed on 18 June 2019

Pursuant to the written resolutions of the shareholders of our Company passed on 18 June 2019, subject to the conditions of the Share Offer as set out in this prospectus having been fulfilled and the obligations of the Underwriters under the Underwriting Agreements having become unconditional (including, if relevant, as a result of the waiver of any condition(s) thereunder by the Sole Bookrunner for itself and on behalf of the Underwriters) and such obligations not having been terminated in accordance with their respective terms:

- (a) our Company approved and adopted the Memorandum and Articles of Association, which will come into effect upon Listing;
- (b) the Listing, the Share Offer, the Capitalisation Issue and the Over-Allotment Option was approved, subject to such modifications as our Directors (or any committee established by the Board) may in their sole discretion determine, and our Directors or any committee established by the Board were authorised to do all such things as they consider necessary to give effect to the Listing, the Share Offer, the Capitalisation Issue and the Over-allotment Option;
- (c) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “D. Other information — 1. Share Option Scheme” below in this Appendix, were approved and adopted and our Directors were authorised, at their absolute discretion, to grant options to subscribe for the Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options granted under the Share Option Scheme and to take all actions as they consider necessary or desirable to implement the Share Option Scheme;
- (d) a general unconditional mandate was granted to our Directors to allot, issue and deal with Shares or securities convertible into Shares or options, warranties or similar rights to subscribe for Shares or such convertible securities and to make or grant general offers, agreements or options which would or might require the exercise of such powers, provided that the aggregate nominal value of Shares allotted or agreed to be allotted by the Directors other than pursuant to (a) a rights issue, (b) any scrip dividend scheme or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with our Articles; (c) a specific authority granted by the shareholders in general meeting, shall not exceed the aggregate of (i) 20% of the total nominal value of the share capital of our Company in issue immediately following the completion of the Share Offer and the Capitalisation Issue (excluding any Shares to be issued upon the Over-allotment Option and any Shares that

may be issued pursuant to the exercise of the options under the Share Option Scheme; and (ii) the total nominal value of the share capital of our Company repurchased by our Company (if any) under the general mandate to repurchase Shares referred to in paragraph (e) below, such mandate to remain effective during the period from the passing of the resolution until the conclusion of our next annual general meeting, or the expiration of the period within which we are required by any applicable law or Articles to hold our next annual general meeting or the date on which the resolution is varied or revoked by any ordinary resolution of the shareholders in the general meeting, whichever occurs first (the “Applicable Period”);

- (e) a general unconditional mandate was granted to our Directors to exercise all the powers of our Company to repurchase Shares with a total nominal value of not more than 10% of the total nominal value of the share capital of our Company in issue immediately following completion of the Share Offer and the Capitalisation Issue (excluding any Shares to be issued upon the Over-allotment Option and any Shares that may be issued pursuant to the exercise of the options under the Share Option Scheme, such mandate to remain effective during the Applicable Period; and
- (f) the general unconditional mandate mentioned in paragraph (e) above to be extended by the addition to the aggregate nominal amount of the share capital of our Company which may be allotted or agreed conditionally or unconditionally to be allotted by our Directors pursuant to such general mandate repurchase Shares referred to in paragraph (e) above, provided that such extended amount shall not exceed 10% of the aggregate nominal value of our Company’s share capital in issue immediately following the completion of the Share Offer and the Capitalisation Issuer (excluding any Shares to be issued upon the Over-allotment Option and any Shares that may be issued pursuant to the exercise of the options under the Share Option Scheme.

5. Corporate reorganisation

For details of the Reorganisation effected in preparation for the Share Offer, please refer to “History, Development and Reorganisation” in this prospectus.

6. Share repurchase mandate

(a) Relevant legal and regulatory requirements

The Listing Rules permit our Shareholders to grant to our Directors a general mandate to repurchase our Shares that are listed on the Stock Exchange. Such mandate is required to be given by way of an ordinary resolution passed by our Shareholders in a general meeting.

(b) Shareholder approval

All proposed repurchases of Shares (which must be fully paid up) must be approved in advance by ordinary resolutions of our Shareholders in a general meeting, either by way of general mandate or by specific approval of a transaction. On 18 June 2019, our Directors were granted a general unconditional mandate to repurchase up to 10% of the aggregate nominal value of our share capital in issue immediately following the completion of the

Share Offer and the Capitalisation Issue but without taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and any Shares that may be issued pursuant to the exercise of the options under the Share Option Scheme on the Stock Exchange or on any other stock exchange on which our securities may be listed and which is recognised by the SFC and the Stock Exchange for this purpose. This mandate will expire at the earlier of (i) the conclusion of our next annual Shareholders' general meeting, and (ii) such mandate being revoked or varied by ordinary resolutions of our Shareholders in a general meeting (the "Relevant Period").

(c) Source of funds

Our repurchase of the Shares listed on the Stock Exchange must be funded out of funds legally available for the purpose in accordance with our Memorandum and Articles of Association and the applicable laws of the Cayman Islands. We may not repurchase our Shares on the Stock Exchange for consideration other than cash or for settlement other than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, we may make repurchases with profits of our Company, out of the share premium account or out of the proceeds of a new issuance of shares made for the purpose of the repurchase or, if authorised by our Articles of Association and subject to the Cayman Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or from sums standing to the credit of the share premium account of our Company.

(d) Suspension of repurchase

Pursuant to the Listing Rules, our Company may not make any repurchases of Shares after inside information has come to its knowledge until the information is made publicly available. In particular, under the requirements of the Listing Rules in force as of the date hereof, during the period of one month immediately preceding the earlier of:

- (i) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half year, quarterly or any other interim period (whether or not required under the Listing Rules); and
- (ii) the deadline for our Company to publish an announcement of our Company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and in each case ending on the date of the results announcement, our Company may not repurchase Shares on the Stock Exchange unless the circumstances are exceptional.

(e) Procedural and reporting requirements

As required by the Listing Rules, repurchases of Shares on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the Stock Exchange on the business day following any day on which our Company may make a purchase of Shares. The report must state the total number of Shares purchased the previous day, the purchase price per Share or the highest and lowest prices paid for such purchases. In

addition, our Company's annual report is required to disclose details regarding repurchases of Shares made during the year, including a monthly analysis of the number of shares repurchased, the purchase price per Share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate prices paid.

(f) Connected parties

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a core connected person (as defined in the Listing Rules) and a core connected person shall not knowingly sell its securities to the listed company on the Stock Exchange.

(g) Reasons for repurchase

Our Directors believe that it is in our and our Shareholders' best interests for our Directors to have general authority to execute repurchases of our Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit us and our Shareholders.

(h) Funding of repurchase

In repurchasing securities, we may only apply funds legally available for such purpose in accordance with our Memorandum and Articles of Association, Companies Law or any other applicable laws of Cayman Islands and the Listing Rules. On the basis of the current financial position of our Company as disclosed in this prospectus and taking into account the current working capital position of our Company, our Directors believe that, if the repurchase mandate were to be exercised in full, it might have a material adverse effect on our working capital and/or the gearing position as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the repurchase mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which, in the opinion of our Directors, are from time to time appropriate for us.

(i) Share capital

The exercise in full of the current repurchase mandate, on the basis of 1,120,000,000 Shares in issue immediately following the completion of Share Offer and the Capitalisation Issue but before any exercise of the Over-allotment Option and excluding any Shares that may be issued pursuant to the exercise of the options under the Share Option Scheme, could accordingly result in up to 112,000,000 Shares being repurchased by us during the Relevant Period.

(j) General

None of our Directors nor, to the best of their knowledge, having made all reasonable inquiries, any of their associates (as defined in the Listing Rules) currently intends to sell any of our Shares to us or our subsidiaries. Our Directors have undertaken to the Stock Exchange

that, so far as the same may be applicable, they will exercise the repurchase mandate in accordance with the Listing Rules, the Memorandum and Articles of Association, the Companies Law and any other applicable laws of the Cayman Islands. If, as a result of any repurchase of our Shares pursuant to the repurchase mandate, a shareholder's proportionate interest in our voting rights is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of the Shareholders interest, could obtain or consolidate control of us and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Our Directors are not aware of any consequences of repurchases which could arise under the Takeovers Code if the repurchase mandate is exercised. No connected person, as defined in the Listing Rules, has notified us that he/she or it has a present intention to sell his/her or its Shares to us, or has undertaken not to do so, if the repurchase mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or any member of our Group within two years preceding the date of this prospectus and are or may be material:

- (a) an equity transfer agreement dated 13 April 2018 entered between Huizhou Kimou and KE, pursuant to which Huizhou Kimou transferred its 100% equity interest in Hubei Kimou to KE at a consideration of RMB20 million;
- (b) a share transfer agreement dated 20 August 2018 entered into between Kimou Environmental Technology (BVI) and Mr. Lee, pursuant to which Kimou Environmental Technology (BVI) acquired 100% of the issued share capital of KETH from Mr. Lee at a consideration of HK\$10,000;
- (c) a share transfer agreement dated 20 August 2018 entered into between Kimou Environmental (BVI) and Ms. Chan Lai Fan, pursuant to which Kimou Environmental (BVI) acquired 100% of the issued share capital of KE from Ms. Chan Lai Fan at a consideration of HK\$10,000;
- (d) a share transfer agreement dated 8 September 2018 entered into between Ms. Chan Lai Fan and Kimou Holding Limited, pursuant to which Kimou Holding Limited acquired 1 share representing 100% of the issued share capital of Kimou Environmental (BVI) from Ms. Chan Lai Fan at a consideration of US\$1.0;
- (e) a share transfer agreement dated 8 September 2018 entered into between Ms. Chan Lai Fan and our Company, pursuant to which our Company acquired 1 share representing 100% of the issued share capital of Kimou Holding Limited from Ms. Chan Lai Fan at a consideration of US\$1.0;

- (f) a share transfer agreement dated 8 September 2018 entered into between Kimou Holding Limited and Mr. Lee, pursuant to which Kimou Holding Limited acquired 1 share representing 100% of the issued share capital of Kimou Environmental Technology (BVI) from Mr. Lee at a consideration of US\$1.0;
- (g) an equity transfer agreement dated 3 December 2018 entered into between Mr. Zhang and KETH, pursuant to which KETH acquired a 15.518% equity interest in Huizhou Kimou from Mr. Zhang at a consideration of approximately RMB62.073 million;
- (h) an equity transfer agreement dated 3 December 2018 entered into between Huizhou Yongjiasheng and KETH, pursuant to which KETH acquired a 7.759% equity interest in Huizhou Kimou from Huizhou Yongjiasheng at a consideration of approximately RMB31.0365 million;
- (i) an equity transfer agreement dated 3 December 2018 entered into between Mr. Zhang Haiming and KETH, pursuant to which KETH acquired a 2.587% equity interest in Huizhou Kimou from Mr. Zhang Haiming at a consideration of approximately RMB10.3455 million;
- (j) an equity transfer agreement dated 3 December 2018 entered into between Mr. Huang and KETH, pursuant to which KETH acquired a 1.361% equity interest in Huizhou Kimou from Mr. Huang at a consideration of approximately RMB5.445 million;
- (k) an equity transfer agreement dated 3 December 2018 entered into between KET and KETH, pursuant to which KETH acquired a 0.275% equity interest in Huizhou Kimou from KET at a consideration of approximately RMB1.10 million;
- (l) a loan novation agreement dated 21 June 2019 entered into between Kimou Environmental Technology (BVI) as retiring borrower, Mr. Zhang as retiring lender, the Company as incoming borrower and Flourish Investment as incoming lender, pursuant to which Kimou Environmental Technology (BVI) and Mr. Zhang agreed to novate its obligations and his rights to the Company and Flourish Investment, respectively, under such agreement in relation to a shareholder's loan in the aggregate amount of HK\$55,000;
- (m) a loan novation agreement dated 21 June 2019 entered into between Kimou Environmental Technology (BVI) as retiring borrower, Mr. Lee as retiring lender, the Company as incoming borrower and Premier Investment as incoming lender, pursuant to which Kimou Environmental Technology (BVI) and Mr. Lee agreed to novate its obligations and his rights to the Company and Premier Investment, respectively, under such agreement in relation to a shareholder's loan in the aggregate amount of HK\$10,000;
- (n) a loan novation agreement dated 21 June 2019 entered into between KE as retiring borrower, Mr. Lee as retiring lender, the Company as incoming borrower and Premier Investment as incoming lender, pursuant to which KE and Mr. Lee agreed to novate its obligations and his rights to the Company and Premier Investment, respectively, under such agreement in relation to a shareholder's loan in the aggregate amount of HK\$18,689,969.62;

- (o) a loan novation agreement dated 21 June 2019 entered into between Kimou Environmental (BVI) as retiring borrower, Mr. Lee as retiring lender, the Company as incoming borrower and Premier Investment as incoming lender, pursuant to which Kimou Environmental (BVI) and Mr. Lee agreed to novate its obligations and his rights to the Company and Premier Investment, respectively, under such agreement in relation to a shareholder's loan in the aggregate amount of HK\$10,000;
- (p) a loan novation agreement dated 21 June 2019 entered into between Kimou Holding Limited as retiring borrower, Mr. Zhang as retiring lender, the Company as incoming borrower and Flourish Investment as incoming lender, pursuant to which Kimou Holding Limited and Mr. Zhang agreed to novate its obligations and his rights to the Company and Flourish Investment, respectively, under such agreement in relation to a shareholder's loan in the aggregate amount of HK\$55,000;
- (q) a loan novation agreement dated 21 June 2019 entered into between Kimou Environmental (BVI) as retiring borrower, Mr. Zhang as retiring lender, the Company as incoming borrower and Flourish Investment as incoming lender, pursuant to which Kimou Environmental (BVI) and Mr. Zhang agreed to novate its obligations and his rights to the Company and Flourish Investment, respectively, under such agreement in relation to a shareholder's loan in the aggregate amount of HK\$55,000;
- (r) a loan novation agreement dated 21 June 2019 entered into between KETH as retiring borrower, Mr. Zhang as retiring lender, the Company as incoming borrower and Flourish Investment as incoming lender, pursuant to which KETH and Mr. Zhang agreed to novate its obligations and his rights to the Company and Flourish Investment, respectively, under such agreement in relation to a shareholder's loan in the aggregate amount of HK\$11,735,505;
- (s) a loan novation agreement dated 21 June 2019 entered into between KETH as retiring borrower, Mr. Zhang Haiming as retiring lender, the Company as incoming borrower and Deluxe Investment as incoming lender, pursuant to which KETH and Mr. Zhang Haiming agreed to novate its obligations and his rights to the Company and Deluxe Investment, respectively, under such agreement in relation to a shareholder's loan in the aggregate amount of HK\$73,116,755;
- (t) a loan novation agreement dated 21 June 2019 entered into between KETH as retiring borrower, Huizhou Yongjiasheng, KET and Mr. Lee as retiring lenders, the Company as incoming borrower and Premier Investment as incoming lender, pursuant to which Huizhou Yongjiasheng, KET and Mr. Lee agreed to novate each of their obligations and rights to the Company and Premier Investment, respectively, under such agreement in relation to a shareholder's loan in the aggregate amount of HK\$38,020,000;
- (u) a loan novation agreement dated 21 June 2019 entered into between KETH as retiring borrower, Mr. Huang as retiring lender, the Company as incoming borrower and Dakson Assets Management as incoming lender, pursuant to which KETH and Mr. Huang agreed to novate its obligations and his rights to the Company and Dakson Assets Management, respectively, under such agreement in relation to a shareholder's loan in the aggregate amount of HK\$6,166,755;

- (v) a loan capitalisation agreement of shareholders' loans in an aggregate sum of HK\$374,597,601.34 dated 21 June 2019 as full settlement by the issuance of an aggregate sum of 504,000,000 shares in the capital of the Company to be allotted and issued to Flourish Investment, Premier Investment, Deluxe Investment and Dakson Assets Management in such amount as set out in Schedule 1 of such agreement;
- (w) the Deed of Indemnity; and
- (x) Public Offer Underwriting Agreement.

2. Intellectual property rights

(a) Trademarks

As of the Latest Practicable Date, we had registered the following trademarks which we consider to be material to our business:

No.	Trademark	Class	Registered owner	Place of registration	Registration number	Registration period
1.	Kimou	36	Huizhou Kimou	PRC	8317896	28 July 2011– 27 July 2012
2.		35	Huizhou Kimou	PRC	8317897	28 October 2011– 27 October 2021
3.		36	Huizhou Kimou	PRC	8317898	7 August 2011– 6 August 2021
4.	Kimou	35, 36, 37, 39, 40&42	KETH	Hong Kong	304625271	14 March 2019– 13 March 2029
A						
5.	B 	35, 36, 37, 39, 40&42	KETH	Hong Kong	304625280	14 March 2019– 13 March 2029
6.	金茂源	39&40	KETH	Hong Kong	304625262	16 January 2019– 15 January 2029
A						
7.	B 	35, 36, 37&42	KETH	Hong Kong	304625253	14 March 2019– 13 March 2029

Note 1: This trademark marked with “A” contains grass green and sky blue colours.

As at the Latest Practicable Date, we had applied for the registration of the following trademarks which we consider to be material to our business:

No.	Trademark	Class	Applicant	Place of application	Date of application	Application number
1.		42	Tianjin Jinnuo	PRC	4 June 2018	31362207
2.		40	Tianjin Bingang	PRC	4 June 2018	31362208
3.		35	Tianjin Bingang	PRC	4 June 2018	31362209

(b) Domain names

As of the Latest Practicable Date, we had registered the following domain names which we consider to be material to our business:

No.	Domain name	Registered owner	Date of registration	Expiry date
1.	www.platingbase.com	Huizhou Kimou	25 October 2009	25 October 2027
2.	金茂實業.cn	Huizhou Kimou	11 March 2010	11 March 2020
3.	www.platingbase.com.cn	Huizhou Kimou	25 August 2014	25 August 2027
4.	jinmao.tm	Huizhou Kimou	29 April 2014	29 April 2024
5.	金茂實業.中國	Huizhou Kimou	11 March 2010	11 March 2020
6.	金茂實業.公司	Huizhou Kimou	20 August 2014	20 August 2020
7.	金茂實業.網絡	Huizhou Kimou	20 August 2014	20 August 2020
8.	金茂.tm	Huizhou Kimou	29 April 2014	29 April 2024
9.	kinport.cn	Tianjin Bingang	11 March 2015	11 March 2023

(c) Patent

As at the Latest Practicable Date, we had registered the following patents which we consider to be material to our business:

Number	Name of patent	Owner of patent	Patent number	Validity period	Patent category
1	Integrated public underground box culvert in electroplating industrial park* (電鍍工業園區集成式公共地下箱涵)	Huizhou Jinmaoyuan	ZL201620448112.8	16 May 2016– 15 May 2026	Utility model
2	Distributed solar photovoltaic power system in electroplating industrial park* (電鍍園區分布式太陽能光伏發電系統)	Huizhou Jinmaoyuan	ZL201620449298.9	16 May 2016– 15 May 2026	Utility model
3	Industrial wastewater emergency accident prevention and treatment risk emergency system in electroplating industrial park* (電鍍園區工業廢水突發性事故防範和處理風險應急系統)	Huizhou Jinmaoyuan	ZL201620453396.X	17 May 2016– 16 May 2026	Utility model
4	Unpowered sewage collection system* (無動力自流污水收集系統)	Huizhou Jinmaoyuan	ZL201620453512.8	17 May 2016– 16 May 2026	Utility model
5	Electroplating waste water dephosphorization system* (電鍍廢水除磷系統)	Huizhou Jinmaoyuan	ZL201620394830.1	3 May 2016– 2 May 2026	Utility model
6	Waste liquid evaporation treatment device* (廢液蒸發處理裝置)	Huizhou Jinmaoyuan	ZL201620406427.6	5 May 2016– 4 May 2026	Utility model
7	Electroplating wastewater activated sludge denitrification system* (電鍍廢水活性污泥法脫氮系統)	Huizhou Jinmaoyuan	ZL201621267499.3	22 November 2016– 21 November 2026	Utility model
8	A pressure filtre online cleaning system* (一種壓濾機在綫清洗系統)	Huizhou Jinmaoyuan	ZL201621267471.X	22 November 2016– 21 November 2026	Utility model
9	An advanced treatment system for electroplating wastewater* (一種電鍍廢水深度處理系統)	Huizhou Jinmaoyuan	ZL201621277868.7	25 November 2016– 24 November 2026	Utility model
10	A zero discharge treatment system for electroplating wastewater* (一種電鍍廢水零排放處理系統)	Huizhou Jinmaoyuan	ZL201621277443.6	25 November 2016– 24 November 2026	Utility model
11	Electroplating wastewater integrated treatment and recovery system* (電鍍廢水集成化處理和回收系統)	Huizhou Jinmaoyuan	ZL201621277325.5	25 November 2016– 24 November 2026	Utility model
12	A cross-flow tube type microfiltration wastewater treatment system* (一種錯流管式微濾廢水處理系統)	Huizhou Jinmaoyuan	ZL201621267127.0	22 November 2016– 21 November 2026	Utility model
13	An energy-efficient and easy-to-install electroplating wastewater treatment cyclone aeration system* (一種高能效易安裝的電鍍廢水處理旋流曝氣系統)	Huizhou Jinmaoyuan	ZL201721856308.1	27 December 2017– 26 December 2027	Utility model
14	An easy-to-maintain and ponding-water-preventing electroplating wastewater treatment pipe rack structure* (一種易檢修防積水的電鍍廢水處理地下管廊結構)	Huizhou Jinmaoyuan	ZL201721856318.5	27 December 2017– 26 December 2027	Utility model
15	A highly-concentrated chemical nickel wastewater treatment system* (一種高濃度化學鎳廢水處理系統)	Huizhou Jinmaoyuan	ZL201721585063.3	24 November 2017– 23 November 2027	Utility model

Number	Name of patent	Owner of patent	Patent number	Validity period	Patent category
16	An advanced defluoridation system for electroplating wastewater* (一種電鍍廢水深度除氟系統)	Huizhou Jinmaoyuan	ZL201721109886.9	31 August 2017– 30 August 2027	Utility model
17	Efficient self-flow sewage collection system in electroplating park* (電鍍園區高效自流式污水收集系統)	Tianjin Bingang	ZL201621455273.6	28 December 2016– 27 December 2026	Utility model
18	Traceable self-flow sewage collection system* (可追溯自流式污水收集系統)	Tianjin Bingang	ZL201621455944.9	28 December 2016– 27 December 2026	Utility model
19	An underground integrated pipe rack system* (一種地下綜合管廊系統)	Tianjin Bingang	ZL201621133901.9	17 October 2016– 16 October 2026	Utility model
20	A large-scale insulated waste gas tower for electroplating industrial park* (一種電鍍工業園區用大型保溫廢氣塔)	Tianjin Bingang	ZL201621474939.2	30 December 2016– 29 December 2026	Utility model
21	A small-scale insulated waste gas tower for electroplating industrial park* (一種電鍍工業園區用小型保溫廢氣塔)	Tianjin Bingang	ZL201621474940.5	30 December 2016– 29 December 2026	Utility model
22	A large-scale insulated waste gas tower for new electroplating industrial park* (一種新型電鍍工業園區用大型保溫廢氣塔)	Tianjin Bingang	ZL201621474938.8	30 December 2016– 29 December 2026	Utility model
23	An automatic discharge system of cooling water from the separate cylinder of steam boiler* (一種蒸汽鍋爐分氣缸冷卻水自動排放系統)	Tianjin Bingang	ZL201820219077.1	8 February 2018– 7 February 2028	Utility model
24	An automatic extraction device for sludge supernatant from wastewater treatment* (一種廢水處理污泥上清液自動抽取裝置)	Tianjin Bingang	ZL201820212008.8	7 February 2018– 6 February 2028	Utility model
25	An automatic wastewater feeding system* (一種廢水處理自動送料系統)	Tianjin Bingang	ZL201820211956.X	7 February 2018– 6 February 2028	Utility model
26	A device for recovering waste heat from boiler* (一種鍋爐廢熱回收裝置)	Tianjin Bingang	ZL201820167398.1	31 January 2018– 30 January 2028	Utility model
27	A wastewater treatment dispensing tank dosing device* (一種廢水處理配藥池加藥裝置)	Tianjin Bingang	ZL201820170308.4	31 January 2018– 30 January 2028	Utility model
28	An ash-proof limestone dissolution device* (一種防揚灰的石灰石溶藥裝置)	Tianjin Bingang	ZL201820188484.0	5 February 2018– 4 February 2028	Utility model
29	A wastewater treatment sludge collection system* (一種廢水處理污泥收集系統)	Tianjin Bingang	ZL201820188485.5	5 February 2018– 4 February 2028	Utility model
30	An oil removal device for wastewater treatment* (一種廢水處理用除油裝置)	Tianjin Bingang	ZL201820188512.9	5 February 2018– 4 February 2028	Utility model
31	Method for removing phosphorus from electroplating wastewater* (電鍍廢水除磷的方法)	Huizhou Jinmaoyuan	ZL201610289239.4	3 May 2016– 2 May 2036	Invention
32	Wastewater pretreatment system* (廢水預處理系統)	Huizhou Jinmaoyuan	ZL201820896173.X	11 June 2018– 10 June 2028	Utility model
33	Waste acid recovery system* (廢酸回收系統)	Huizhou Jinmaoyuan	ZL201820900660.9	11 June 2018– 10 June 2028	Utility model

As at the Latest Practicable Date, we had applied for the registration of the following patents which we consider to be material to our business:

No.	Name of patent	Patent number	Owner of patent	Date of application	Status
1.	An advanced electroplating wastewater defluoridation system and method* (一種電鍍廢水深度除氟系統及方法)	2017107740621	Huizhou Jinmaoyuan	31 August 2017	Pending for scrutiny and submission
2.	A electroplating wastewater secondary precipitation defluoridation system and method* (一種電鍍廢水二次沉澱除氟系統及方法)	2017107752934	Huizhou Jinmaoyuan	31 August 2017	Pending for scrutiny and submission
3.	An advanced electroplating wastewater treatment method* (一種電鍍廢水深度處理方法)	2016110564230	Huizhou Jinmaoyuan	25 November 2016	Pending for scrutiny and submission
4.	Electroplating wastewater integrated treatment and recovery system and method* (電鍍廢水集成化處理和回收系統及方法)	2016110567722	Huizhou Jinmaoyuan	25 November 2016	Pending for scrutiny and submission
5.	A zero discharge treatment method for electroplating wastewater* (一種電鍍廢水零排放處理方法)	2016110570072	Huizhou Jinmaoyuan	25 November 2016	Pending for scrutiny and submission
6.	A sludge treatment device* (一種污泥處理裝置)	2018105940153	Huizhou Jinmaoyuan	11 June 2018	Pending for scrutiny and submission
7.	A large insulated exhaust tower* (一種大型保溫廢氣塔)	2016112550355	Tianjin Bingang	30 December 2016	Pending for scrutiny and submission
8.	An underground integrated pipe rack system* (一種地下綜合管廊系統)	2016109025342	Tianjin Bingang	17 October 2016	Rejected and pending for review. The Company will request further review
9.	A sewage treatment system and treatment method under low temperature conditions* (一種低溫條件下污水處理系統及其處理方法)	2018116509503	Tianjing Bingang	31 December 2018	Pending for scrutiny and submission
10.	A triple-effect evaporation treatment system and pretreatment technology for rust removal waste hydrochloric acid in electroplating park* (一種電鍍園區除鏽廢鹽酸三效蒸發處理系統及預處理工藝)	2018116509560	Tianjing Bingang	31 December 2018	Pending for scrutiny and submission
11.	A sewage treatment system under low temperature conditions* (一種低溫條件下污水處理系統)	2018222735564	Tianjing Bingang	2 January 2019	Pending for scrutiny and submission
12.	A triple-effect evaporation treatment system for rust removal waste hydrochloric acid in electroplating park* (一種電鍍園區除鏽廢鹽酸三效蒸發處理系統)	2018222643736	Tianjing Bingang	31 December 2018	Pending for scrutiny and submission

No.	Name of patent	Patent number	Owner of patent	Date of application	Status
13.	A recycling and reuse system for softening and regenerating waste acid and waste alkali* (一種軟化再生廢酸廢鹼的回收再利用系統)	2019204157556	Tianjing Bingang	29 March 2019	Pending for scrutiny and submission
14.	A feeding device for fluorine-containing wastewater treatment to control the dosage of aluminium sulfate* (一種含氟廢水處理用便於控制硫酸鋁投量的進料裝置)	2019204162094	Tianjing Bingang	29 March 2019	Pending for scrutiny and submission
15.	A pollutant blocking device for cyanogen water gathering well* (一種含氰集水井用攔汙裝置)	201920416208X	Tianjing Bingang	29 March 2019	Pending for scrutiny and submission
16.	A reaction pool for treatment of wastewater containing zinc-nickel alloy* (一種鋅鎳合金廢水處理用反應充分的反應池)	2019204162075	Tianjing Bingang	29 March 2019	Pending for scrutiny and submission
17.	Waterproofing structure of underground pipe structural joints* (地下管廊結構縫防水結構)	2019203051499	Tianjing Bingang	12 March 2019	Pending for scrutiny and submission
18.	Low-temperature sludge dryer device for wastewater treatment system in electroplating park* (用於電鍍園區汙水處理系統的汙泥低溫烘乾機出料裝置)	2019203051376	Tianjing Bingang	12 March 2019	Pending for scrutiny and submission

(e) Copyright of computer software

No.	Name of Computer software	Copyright owner	Registration No	Certificate No.	Date of First Publication
1	Tianjin Bingang Electroplating Industrial Park Exhaust Gas Online Monitoring System V1.0* (天津濱港電鍍產業基地廢氣在綫監控系統V1.0)	Tianjin Bingang	2017SR249715	Ruan Zhu Deng Zi No. 1834999	11 October 2016
2.	Tianjin Bingang Electroplating Industrial Park Wastewater Online Monitoring System V1.0* (天津濱港電鍍產業基地廢水在綫監測系統V1.0)	Tianjin Bingang	2017SR228456	Ruan Zhu Deng Zi No. 18137440	30 November 2016
3.	Tianjin Bingang Electroplating Industrial Park Smart Management Platform V1.0* (天津濱港電鍍產業基地智慧管理平臺V1.0)	Tianjin Bingang	2017SR227357	Ruan Zhu Deng Zi No. 1812641	8 June 2016

As at the Latest Practicable Date, our Group had not applied for registration of any copyright of computer software which we consider to be material to our business.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of interests

(a) *Interests and short positions of the Directors and the chief executive in the Shares, underlying shares or debentures of our Company and our associated corporations*

Immediately following completion of the Share Offer and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised and excluding any Shares that may be issued pursuant to the exercise of the options under the Share Option Scheme), so far as our Directors are aware, the interests or short positions of the Directors and chief executive of our Company in the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of the Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, in each case once our Shares are listed, will be as follows:

(i) *Long positions in our Shares*

Name	Nature of interest(s) ⁽¹⁾	Interest in Shares	Approximate percentage of issued share capital
Mr. Zhang	Interest in a controlled corporation ⁽²⁾	478,800,000	42.8%
Mr. Lee	Interest in a controlled corporation ⁽³⁾	239,400,000	21.4%
Mr. Huang	Interest in a controlled corporation ⁽⁴⁾	42,000,000	3.7%

Notes:

- (1) All interest stated are long positions.
- (2) Mr. Zhang holds 100% of the issued share capital of Flourish Investment which, immediately following completion of the Share Offer and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised and excluding any Shares that may be issued pursuant to the exercise of the options under the Share Option Scheme), will hold 478,800,000 Shares, representing approximately 42.8% of the issued share capital of our Company.

- (3) Mr. Lee holds 100% of the issued share capital of Premier Investment which, immediately following completion of the Share Offer and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised and excluding any Shares that may be issued pursuant to the exercise of the options under the Share Option Scheme), will hold 239,400,000 Shares, representing approximately 21.4% of the issued share capital of our Company.
- (4) Mr. Huang holds 100% of the issued share capital of Dakson Assets Management which, immediately following completion of the Share Offer and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised and excluding any Shares that may be issued pursuant to the exercise of the options under the Share Option Scheme), will hold 42,000,000 Shares, representing approximately 3.7% of the issued share capital of our Company.

(b) Interests of and short positions of the substantial shareholders in the Shares, underlying shares or debentures of our Company and our associated corporations

Save as disclosed in the section headed “Substantial Shareholders” in this prospectus, our Directors or chief executive are not aware of any other person, not being a Director or chief executive of our Company, who has an interest or short position in the Shares or the underlying Shares which, once the Shares are listed, would fall to be disclosed to our Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any associated corporations of our Company.

2. Particulars of service contracts

Each of our executive Directors, Mr. Zhang, Mr. Zhu, Mr. Lee and Mr. Huang will enter into a service agreement with our Company with an initial term of three years commencing on the Listing Date, and will continue thereafter until terminated by not less than three months’ notice in writing served by either party on the other. Each of our executive Directors is entitled to their respective remuneration pursuant to the service agreement.

Each of our independent non-executive Directors will enter into a letter of appointment with our Company. The terms and conditions of each of such letters of appointment are similar in all material respects. Each of our independent non-executive Directors is appointed with an initial term of three years commencing on the Listing Date subject to termination in certain circumstances as stipulated in the relevant letters of appointment.

Save as aforesaid, none of our Directors has or is proposed to have a service contract with our Company or any members of our Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

3. Director’s remuneration

The aggregate remuneration (including fees, salaries, contributions to pension schemes, share-based compensation expenses, discretionary bonuses, housing and other allowances and other benefits in kind) incurred for the years ended 31 December, 2016, 2017 and 2018 was approximately RMB3.5 million, RMB3.5 million and RMB2.3 million, respectively.

Save as the disclosed in this prospectus, no other amounts have been paid or are payable by any member of our Group to our Directors for the years ended 31 December, 2016, 2017 and 2018.

Pursuant to the existing arrangements that are in force as of the date of this prospectus, the amount of remuneration (including benefits in kind but excluding discretionary bonuses) payable to our Directors by our Company for the year ending 31 December 2019 is estimated to be approximately RMB3.5 million in aggregate.

4. Agent fees or commissions received

Save in connection with the Underwriting Agreements, none of our Directors nor any of the parties listed in the section headed “Qualification of experts” in this Appendix had received any commissions, discounts, agency fees, brokerages or other special terms in connection with the issue or sale of any share or loan capital of our Company or any member of our Group within two years preceding the date of this prospectus.

5. Disclaimers

- (i) There are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation) between the Directors and member of our Group. For further details, please refer to “Appendix V — Statutory and General Information — C. Further information about our directors and substantial shareholders — 2. Particulars of service contracts” in this prospectus;
- (ii) none of our Directors nor any of the parties listed in the section headed “Qualification of experts” of this Appendix is interested in our promotion, or in any assets which have, within the two years immediately preceding the issue of this prospectus, been acquired or disposed of by or leased to our Company or any member of our Group, or are proposed to be acquired or disposed of by or leased to our Company or any member of our Group;
- (iii) none of our Directors or chief executive of our Company has any interests and short position in the shares, underlying shares and debentures of our Company or our associated incorporation (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors and Listed Companies to be notified to our Company and the Stock Exchange, in each case once our Shares are listed on the Stock Exchange For further details, please refer to the paragraph headed “Appendix V — Statutory and General Information — C. Further information about our directors and substantial shareholders” in this prospectus;

- (iv) so far as is known to any Director or chief executive of our Company, no person has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstance at general meetings of any other member of our Group. For further details, please refer to “Appendix V — Statutory and General Information — C. Further information about our directors and substantial shareholders” in this prospectus;
- (v) none of our Directors nor any of the parties listed in the section headed “Qualification of experts” of this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business in our Group;
- (vi) none of the parties listed in the paragraph headed “Qualification of experts” of this Appendix: (a) is interested legally or beneficially in any of our Shares or any shares in any member of our Group; or (b) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and
- (vii) none of our Directors or their respective close associates (as defined under the Listing Rules) or any Shareholders of our Company, who to the knowledge of our Directors, holding more than 5% of our issued share capital has any interest in our five largest suppliers or our five largest customers. For further details, please refer to “Business — Our Customers” and “Business — Our Suppliers” in this prospectus.

D. OTHER INFORMATION

1. Tax and other indemnities

Our Controlling Shareholders have, under the Deed of Indemnity, given joint and several indemnities to our Company (for itself and as trustee for its subsidiaries) in connection with, among other things,

- (a) any duty payable by any member of our Group by virtue of section 35 and/or section 43 of the Estate Duty Ordinance (or the equivalent thereof under the laws of any jurisdiction outside Hong Kong) by reason of the death of any person and by reason of any assets of the member of our Group being deemed for the purpose of estate duty to be included in the property passing on his death by reason of that person making or having made a transfer of the assets to the member of our Group at any time on or before the date on which the Share Offer becomes unconditional;
- (b) any taxation which any member of our Group may incur in connection with (i) the investigation, assessment, contesting or the settlement of any claim under the Deed of Indemnity; (ii) any legal proceedings in which any member of our Group claims under or in respect of the Deed of Indemnity and in which judgment is given for any member of our Group; or (iii) the enforcement of any such settlement or judgment referred to in (ii) above, falling on any member of the Group resulting from or by reference to any

- income, profits or gains earned, accrued or received on or before the date on which the Share Offer becomes unconditional or any event or transaction occurred on or before the date on which the Share Offer becomes unconditional;
- (c) the implementation of the Reorganisation and/or disposal or acquisition of the equity interest in any member of our Group since the date of incorporation of each member of our Group and up to the date on which the Share Offer becomes unconditional;
 - (d) any damages, losses, liabilities, claims, fines, penalties, orders, expenses and costs, or loss of profits, benefits which are or become payable or suffered by any member of our Group directly or indirectly as a result of or in connection with any litigation, arbitrations, claims (including counter-claims), complaints, demands and/or legal proceedings instituted by or against any member of our Group in relation to events occurred on or before the date on which the Share Offer becomes unconditional;
 - (e) any damages, losses, liabilities, claims, fines, penalties, orders, expenses and costs, or loss of profits, benefits which are or become payable or suffered by any member of our Group directly or indirectly as a result of and in connection with its failure to make adequate contributions to the social insurance and housing provident funds for its employees in compliance with the relevant PRC laws and regulations occurred on or before the date on which the Share Offer becomes unconditional;
 - (f) any damages, losses, liabilities, claims, fines, penalties, orders, expenses and costs, or loss of profits, benefits which are or become payable or suffered by Tianjin Jinhadu directly or indirectly as a result of and in connection with its failure to commence and complete construction on the Jinghai Land Parcel occurred on or before the date on which the Share Offer becomes unconditional; and
 - (g) any damages, losses, liabilities, claims, fines, penalties, orders, expenses and costs, or loss of profits, benefits which are or become payable or suffered by any member of our Group directly or indirectly as a result of and in connection with its failure to comply with any other applicable laws, regulations or regulatory rules occurred on or before the date on which the Share Offer becomes unconditional.

Our Controlling Shareholders will, however, not be liable under the Deed of Indemnity to the extent that, among others:

- (a) specific provision, reserve or allowance has been made for such liability in the audited consolidated accounts of our Company for the Track Record Period; or
- (b) the taxation liability arises or is incurred as a result of a retrospective change in law or a retrospective increase in tax rates coming into force after the date on which the Share Offer becomes unconditional; or
- (c) the taxation liability arises in the ordinary course of business of any member of our Group after 31 December 2018 up to and including the date on which the Share Offer becomes unconditional.

2. Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by the shareholders written resolutions passed on 18 June 2019.

(a) Purpose

The Share Option Scheme is a share incentive scheme prepared in accordance with Chapter 17 of the Listing Rules and is established to recognise and acknowledge the contributions that the Eligible Participants (as defined in paragraph (b) below) had or may have made to our Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives:

- (i) motivate the Eligible Participants to optimise their performance efficiency for the benefit of our Group; and
- (ii) attract and retain or otherwise maintain an on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of our Group.

(b) Who may join

The Board may, at its discretion, offer to grant an option to the following persons (collectively the “Eligible Participants”) to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph (f) below:

- (i) any full-time or part-time employees, executives or officers of our Company or any of its subsidiaries;
- (ii) any directors (including independent non-executive directors) of our Company or any of its subsidiaries; and
- (iii) any advisers, consultants, agents, suppliers, customers, distributors and such other persons who in the sole opinion of the Board will contribute or have contributed to our Company and/or any of its subsidiaries.

Upon acceptance of the option, the grantee shall pay HK\$1 to our Company by way of consideration for the grant. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot of dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting the acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

(c) Acceptance of an offer of options

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptances of the options duly signed by the grantee, together with a remittance in favour of our Company of HK\$1 by way of consideration for the grant thereof, is received by our Company on or before the relevant acceptance date. Such payment shall in no circumstances be refundable. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

Subject to paragraphs (l), (m), (n), (o) and (p), an option shall be exercised in whole or in part and, other than where it is exercised to the full extent outstanding, shall be exercised in integral multiples of such number of Shares as shall represent one board lot for dealing in Shares on the Stock Exchange for the time being, by the grantee by giving notice in writing to our Company stating that the Option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the exercise price for our Shares in respect of which the notice is given. Within 21 days after receipt of the notice and the remittance and, where appropriate, receipt of the certificate by the auditors to our Company or the approved independent financial adviser as the case may be pursuant to paragraph (r), our Company shall allot and issue the relevant number of Shares to the grantee credited as fully paid and issue to the grantee certificates in respect of our Shares so allotted.

The exercise of any option shall be subject to our Shareholders in a general meeting approving any necessary increase in the authorised share capital of our Company.

(d) Maximum number of Shares

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of our Company must not in aggregate exceed 10% of the total number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue (assuming the Over-allotment Option is not exercised), being 112,000,000 Shares, excluding for this purpose Shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of our Company). Subject to the issue of a circular by our Company and the approval of our Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

- (i) renew this limit at any time to 10% of our Shares in issue as at the date of the approval by our Shareholders in general meeting; and/or

- (ii) grant options beyond the 10% limit to Eligible Participants specifically identified by the Board. The circular issued by our Company to our Shareholders shall contain a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participants with an explanation as to how the options serve such purpose, and/or other information required under the Listing Rules.

Notwithstanding the foregoing and subject to paragraph (r) below, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company at any time shall not exceed 30% of our Shares in issue from time to time. No options shall be granted under any schemes of our Company (including the Share Option Scheme) if this will result in the 30% limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of our Company or an approved independent financial adviser shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of our Company in accordance with paragraph (r) below whether by way of consolidation, capitalisation issue, rights issue, sub-division or reduction of the share capital of our Company but in no event shall exceed the limit prescribed in this paragraph.

(e) Maximum number of options to any one individual

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of our Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of our Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to:

- (i) the issue of a circular by our Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant), and/or other information required under the Listing Rules; and
- (ii) the approval of our Shareholders in general meeting with such Eligible Participant and his/her close associates (as defined in the Listing Rules) (or his/her associates if the Eligible Participant is a core connected person) abstaining from voting. The numbers and terms (including the exercise price) of options to be granted to such participant must be fixed before our Shareholders' approval and the date of the Board meeting at which the Board proposes to grant the options to such Eligible Participant shall be taken as the date of grant for the purpose of calculating the subscription price of our Shares. The Board shall forward to such Eligible Participant an offer document in such form as the Board may from time to time determine (or, alternatively, documents accompanying the offer document which state), among others:
 - (aa) the Eligible Participant's name, address and occupation;

- (bb) the date on which an option is offered in writing to an Eligible Participant which must be a date on which the Stock Exchange is open for the business of dealing in securities;
- (cc) the date upon which an offer for an option must be accepted;
- (dd) the date upon which an option is deemed to be granted and accepted in accordance with paragraph (c);
- (ee) the number of Shares in respect of which the option is offered;
- (ff) the subscription price and the manner of payment of such price for our Shares on and in consequence of the exercise of the option;
- (gg) the date of the expiry of the option in respect of that option; and
- (hh) the method of acceptance of the option which shall, unless the Board otherwise determines, be as set out in paragraph (c).

(f) *Price of Shares*

Subject to any adjustments made as described in paragraph (r) below, the subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price must be at least the higher of:

- (i) the official closing price of our Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;
- (ii) the average of the official closing prices of our Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of a Share.

(g) Granting options to connected persons

Any grant of options to a director, chief executive or substantial shareholder (as defined in the Listing Rules) of our Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options). If the Board proposes to grant options to a substantial shareholder or any independent non-executive Director or their respective associates (as defined in the Listing Rules) which will result in the number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) to such person under the Share Option Scheme and any other share option schemes of our Company in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% or such other percentage as may be from time to time provided under the Listing Rules of our Shares in issue on the date of such grant; and
- (ii) having an aggregate value in excess of HK\$5 million or such other sum as may be from time to time provided under the Listing Rules, based on the official closing price of our Shares at the date of each grant, such further grant of options will be subject to the issue of a circular by our Company and the approval of our Shareholders in general meeting on a poll at which the grantee, his/her associates and all core connected persons (as defined in the Listing Rules) of our Company shall abstain from voting in favour, and/or such other requirements prescribed under the Listing Rules from time to time. Any vote taken at the meeting to approve the grant of such options shall be taken as a poll.

The circular to be issued by our Company to our Shareholders pursuant to the above paragraph shall contain the following information:

- (i) the details of the number and terms (including the exercise price) of the options to be granted to each selected Eligible Participant which must be fixed before our Shareholders' meeting and the date of Board meeting for proposing such further grant which shall be taken as the date of grant for the purpose of calculating the exercise price of such options;
- (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) to the independent Shareholders as to voting;
- (iii) the information required under Rule 17.02(2)(c) and (d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and
- (iv) the information required under Rule 2.17 of the Listing Rules.

(h) Restrictions on the times of grant of options

A grant of options may not be made after inside information has come to the knowledge of our Company until it has been published pursuant to the requirements of the Listing Rules and the Inside Information Provisions of Part XIVA of the SFO. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

- (i) the date of the Board meeting (as such date to first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's annual results, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and
- (ii) the deadline for our Company to publish an announcement of results for (i) any year or half-year period in accordance with the Listing Rules, and (ii) where the Company has elected to publish them, any quarterly or other interim period, and ending on the date of actual publication of the results announcement, and
- (iii) where an option is granted to a Director:
 - (aa) no options shall be granted during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
 - (bb) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(i) Rights are personal to grantee

An option is personal to the grantee and may be exercised or treated as exercised, as the case may be, in whole or in part. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option held by him or any other relating to the grant of an option made to him or attempt so to do (save that the grantee may nominate a nominee in whose name our Shares issued pursuant to the Share Option Scheme may be registered). Any breach of the foregoing shall entitle our Company to cancel any outstanding options or any part thereof granted to such grantee.

(j) Time of exercise of option and duration of the Share Option Scheme

An option may be exercised in accordance with the terms of the Share Option Scheme at any time commencing the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. Subject to earlier termination by our Company in general meeting or by the Board, the Share Option Scheme

shall be valid and effective for a period commencing on the Listing Date and ending on the tenth anniversary of the Listing Date (both dates inclusive), after which no further options shall be offered but the provisions of the Share Option Scheme shall in all other respects remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options granted prior thereto but not yet exercised shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(k) Performance target

A grantee may be required to achieve any performance targets as the Board may then specify in the grant before any options granted under the Share Option Scheme can be exercised.

(l) Rights on ceasing employment or death

In the event of the grantee of an option ceasing to be an Eligible Participant for any reason other than on his/her death, ill-health, injury, disability or the termination of his/her relationship with our Company and/or any of our subsidiaries on the grounds specified in paragraph (m), the grantee may exercise the option up to his/her entitlement at the date of cessation of being an Eligible Participant (to the extent not already exercised) within the period of one month (or such longer period as the Board may determine) following the date of such cessation (which date shall be, in relation to a grantee who is an Eligible Participant by reason of his/her employment with our Company or any of our subsidiaries, the last actual working day with our Company or the relevant subsidiary whether salary is paid in lieu of notice or not).

In the case of the grantee of an option ceasing to be an Eligible Participant by reason of death, ill-health, injury or disability (all evidenced to the satisfaction of the Board) and none of the events which would be a ground for termination of his/her relationship with our Company and/or any of our subsidiaries under paragraph (m) has occurred, the grantee or his/her personal representative(s) shall be entitled within a period of 12 months (or such longer period as the Board may determine) from the date of cessation of being an Eligible Participant or death to exercise the option in full (to the extent not already exercised).

(m) Rights on dismissal

In the event of the grantee of an option ceasing to be an Eligible Participant by reason of the termination of his/her relationship with our Company and/or any of our subsidiaries on any one or more of the following grounds:

- (i) that he/she has been guilty of serious misconduct;
- (ii) that he/she has been convicted of any criminal offence involving his/her integrity or honesty or in relation to an employee of our Company and/or any of our subsidiaries;

- (iii) that he/she has become insolvent, bankrupt or has made arrangements or compositions with his/her creditors generally; or
- (iv) on any other ground as determined by the Board that would warrant the termination of his/her employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Company or the relevant subsidiary,

his/her option will lapse automatically and not be exercisable (to the extent not already exercised) from the date of cessation of being an Eligible Participant.

(n) Rights on takeover

If a general offer is made to all our Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or in concert with the offeror (as defined in the Takeovers Code)), our Company shall use its best endeavours to procure that such offer is extended to all the grantees (on the same terms mutatis mutandis, and assuming that they shall become, by the exercise in full of the options granted to them, Shareholders). If such offer becomes or is declared unconditional, the grantee of an option (or his/her legal representative(s)) shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.

(o) Rights on winding-up

In the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to all grantees and thereupon, each grantee (or in the case of the death of the grantee, his/her legal personal representative(s)) shall be entitled to exercise all or any of his/her options at any time not later than two business days prior to the proposed general meeting of our Company referred to above by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the grantee credited as fully paid and register the grantee as holder thereof.

(p) Rights on compromise or arrangement between our Company and its members or creditors

If a compromise or arrangement between our Company and its members and/or creditors is proposed for the purposes of a scheme for the reconstruction of our Company or its amalgamation with any other companies pursuant to the Companies Law, our Company shall give notice to all the grantees of the options on the same day as it gives notice of the meeting to its members and/or creditors summoning the meeting to consider such a compromise or arrangement and thereupon each grantee shall be entitled to exercise all or any of his/her options in whole or in part at any time prior to 12 noon (Hong Kong time) on the business day immediately preceding the date of the meeting directed to be convened by the relevant

court for the purposes of considering such compromise or arrangement and if there are more than one meeting for such purpose, the date of the first meeting. With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. The Board shall endeavour to procure that the Shares issued as a result of the exercise of options in such circumstances shall for the purposes of such compromise or arrangement form part of the issued share capital of our Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the relevant court (whether upon the terms presented to the relevant court or upon any other terms as may be approved by such court) the rights of the grantees to exercise their respective options shall with effect from the date of the making of the order by the relevant court be restored in full) as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by any grantee as a result of the aforesaid suspension.

(q) Ranking of Shares

Our Shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the grantee (such other person nominated by the grantee) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options will subject to all the provisions of the Articles and rank *pari passu* in all respects with and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation as attached to the other fully-paid Shares in issue on the date of issue and rights in respect of any dividend or other distributions paid or made on or after the date of issue. Shares issued on the exercise of an option shall not rank for any rights attaching to Shares by reference to a record date preceding the date of allotment.

(r) Effect of alterations to capital

In the event of any alteration in the capital structure of our Company whilst any option may become or remains exercisable, whether by way of capitalisation issue, rights issue, open offer (if there is a price dilutive element), consolidation, sub-division or reduction of share capital of our Company, such corresponding alterations (if any) shall be made in the number of Shares subject to any options so far as unexercised and/or the subscription price per Share of each outstanding option as the auditors of our Company or an approved independent financial adviser shall (other than in respect of an adjustment made on a capitalisation issue) certify in writing to the Board to be in their/his/her opinion fair and reasonable in compliance with Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance issued by the Stock Exchange on 5 September 2005 and/or such other requirements prescribed under the Listing Rules from time to time and the note thereto. The capacity of the auditors of our Company or the approved independent financial adviser, as the case may be, in this paragraph is that of experts and not arbitrators and their certificate shall, in absence of manifest error, be final and conclusive and binding on our Company and the grantees.

Any such alterations will be made on the basis that a grantee shall have the same proportion of the issued share capital of our Company for which any grantee of an option is entitled to subscribe had he exercised all the options held by him before such alteration and the aggregate subscription price payable on full exercise of any option is to remain as nearly as possible the same (and in any event not greater than) as it was before such event. No such alteration will be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

(s) Expiry of option

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the date of expiry of the option as may be determined by the Board;
- (ii) the expiry of any of the periods referred to in paragraphs (l), (m), (n), (o) or (p);
- (iii) the date on which the scheme of arrangement of our Company referred to in paragraph (p) becomes effective;
- (iv) subject to paragraph (o), the date of commencement of the winding-up of our Company;
- (v) the date on which the grantee ceases to be an Eligible Participant by reason of the termination of his or her relationship with our Company and/or any of its subsidiaries on any one or more of the grounds that he or she has been guilty of serious misconduct, or has been convicted of any criminal offence involving his or her integrity or honesty, or in relation to an employee of our Group, or has been insolvent, bankrupt or has made arrangements or compositions with his/her creditors generally or any other ground as determined by the Board that would warrant the termination of his or her employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group. A resolution of the Board or the board of directors of the relevant subsidiary to the effect that the relationship of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or
- (vi) the date on which the Board shall exercise our Company's right to cancel the option at any time after the grantee commits a breach of paragraph (i) above or the options are cancelled in accordance with paragraph (u) below.

(t) Alteration of the Share Option Scheme

The Share Option Scheme may be altered in any respect by resolution of the Board except that:

- (i) any alteration to the advantage of the grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 17.03 of the Listing Rules; or
- (ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted (except any alterations which take effect automatically under the terms of the Share Option Scheme),

shall first be approved by our Shareholders in general meeting provided that the amended terms of the Share Option Scheme or the options shall remain in compliance with Chapter 17 of the Listing Rules, and if the proposed alteration shall adversely affect the terms of issue of any option granted or agreed to be granted prior to the date of alteration, or reduce the proportion of equity capital to which any person was entitled pursuant to such option prior to such alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the Share Option Scheme.

(u) Cancellation of options

Any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing. For the avoidance of doubt, such approval is not required in the event any Option is cancelled pursuant to paragraph (i).

(v) Termination of the Share Option Scheme

Our Company may by resolution in general meeting or of the Board at any time terminate the Share Option Scheme and in such event no further option shall be offered but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(w) Administration of the Board

The Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

(x) *Condition of the Share Option Scheme*

The Share Option Scheme is conditional on:

- (i) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in our Shares which may fall to be issued pursuant to the exercise of options to be granted under the Share Option Scheme;
- (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any such condition(s) by the Sole Bookrunner acting for and on behalf of the Underwriters) and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise; and
- (iii) the commencement of dealings in our Shares on the Stock Exchange.

If the conditions in paragraph (x) above are not satisfied within six calendar months from the adoption date of the Share Option Scheme:

- (i) the Share Option Scheme shall forthwith determine;
- (ii) any option granted or agreed to be granted pursuant to the Share Option Scheme and any offer of such a grant shall be of no effect; and
- (iii) no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme or any option granted thereunder.

(y) *Disclosure in annual and interim reports*

Our Company will disclose details of the Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise price, exercise period and vesting period during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

(z) *Present status of the Share Option Scheme*

As of the Latest Practicable Date, no option had been granted or agreed to be granted under the Share Option Scheme.

3. Estate duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any member of our Group.

4. Litigation

As of the Latest Practicable Date, we were not engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on our results of operations or financial conditions.

5. Sole Sponsor

The Sole Sponsor has made an application on our behalf to the Listing Committee for the listing of, and the permission to deal in, the Shares in issue and the Shares to be issued or sold as mentioned in this prospectus (including the Shares which may be issued pursuant to the exercise of the Over-allotment Option). The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. The fees payable to the Sole Sponsor in respect of its services as sponsor for the Listing are approximately HK\$4.5 million and are payable by us.

6. Preliminary expenses

The preliminary expenses of our Company are approximately US\$5,000 and are payable by us.

7. Promoter

Our Company has no promoter for the purposes of the Listing Rules. Within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Share Offer and the related transactions described in this prospectus.

8. Taxation of holders of Shares**(a) Hong Kong**

The sale, purchase and transfer of shares registered with our Hong Kong branch register or members will be subject to Hong Kong stamp duty. The current rate charged on each of the purchaser and seller is 0.1% of the consideration or, if higher, of the value of the shares being sold or transferred. Profits from dealings in the shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) Cayman Islands

Under present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfers of shares in the Company.

(c) Consultation with professional advisors

Potential investors in the Share Offer are urged to consult their professional tax advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, and dealing in our shares (or exercising rights attached to them). None of our Company, our Directors or the other parties involved in the Share Offer accept responsibility for any tax effects on, or liabilities of, any person, resulting from the subscription, purchase, holding or disposal of, dealing in or the exercise of any rights in relation to our shares.

9. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectus from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

10. Binding effect

This prospectus shall have effect, if an application is made in pursuance of it, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

11. Qualification of experts

The following are the qualifications of the experts (as defined under the Listing Rules and the Companies Ordinance) who gave opinions or advice which are contained in this prospectus:

Name	Qualifications
Shenwan Hongyuan Capital (H.K.) Limited	Licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) of the regulated activities under the SFO
KPMG	Certified public accountants
Tian Yuan Law Firm	PRC legal adviser
Campbells	Cayman Islands legal adviser
Frost & Sullivan	Industry consultant
Greater China Appraisal Limited	Property valuer
SHINEWING Risk Services Limited	Internal control consultant

12. Consent of experts

Each of the experts as referred to in the section headed “Qualification of experts” in this Appendix has given and has not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their reports and/or letters and/or legal opinion (as the case may be) and references to their names included in the form and context in which it respectively appears.

None of experts named above has any shareholders’ interests in our Company or any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for interests in our Company or any member of our Group.

13. No material adverse change

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in the financial or trading position or prospects of our Group since 31 December 2018 (being the date to which the latest consolidated financial statements of our Group were prepared).

14. Miscellaneous

- (a) Save as disclosed in the sections headed “History, Development and Reorganisation” and “Underwriting” in this prospectus, within the two years immediately preceding the date of this prospectus:
 - (i) neither our Company, nor any member of our Group has issued or agreed to issue any share or loan capital fully or partly paid up either for cash or for a consideration other than cash;
 - (ii) neither our Company, nor any member of our Group has granted or agreed to grant commissions, discounts, brokerages or other special terms in connection with the issues or sale of any share of loan capital;
 - (iii) no commissions had been paid or payable (except commission to the Underwriters) to any person for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any member of our Group;
- (b) no share or loan capital of our Company, or any member of our Group is under opinion or is agreed conditionally or unconditionally to be put under option;
- (c) no founder, management or deferred shares of our Company or any member of our Group have been issued or agreed to be issued;
- (d) our Company has no outstanding convertible debt securities or debentures;

- (e) none of the persons named in the paragraph headed “D. Other Information — 10. Qualification of experts” in this appendix is interested beneficially or otherwise in any shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any securities in any member of our Group;
- (f) there is no arrangement under which the future dividends are waived or to be waived;
- (g) our Directors confirm that there has not been any interruption in the business of our Company which may have or have had a material adverse effect on the financial position of our Company in the 12 months immediately preceding the date of this prospectus;
- (h) our principal register of members will be maintained by our principal registrar, Campbells Corporate Services Limited, in the Cayman Islands and our Hong Kong register of members will be maintained by our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited. All transfer and other documents of title of the Shares must be lodged for registration with and registered by our register in Hong Kong. All necessary arrangements have been made to enable the Shares to be admitted to CCASS; and
- (i) None of the equity and debt securities of our Company, if any, is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought.

APPENDIX VI DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG AND AVAILABLE FOR INSPECTION

A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

- (a) copies of the **WHITE** and **YELLOW** Application Forms;
- (b) the written consents referred to in the paragraph headed “Appendix V — Statutory and General Information — D. Other information — Consent of experts” in this prospectus; and
- (c) particulars of the material contracts referred to in the paragraph headed “Appendix V — Statutory and General Information — B. Further information about our business — Summary of material contracts” in this prospectus.

B. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of William Ji & Co. (in Association with Tian Yuan Law Firm Hong Kong Office) at Suite 702, 7/F, Two Chinachem Central, 26 Des Voeux Road Central, Central, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and Articles of Association of the Company;
- (b) the Accountants’ Report from KPMG, the text of which is set out in Appendix I to this prospectus;
- (c) the report on unaudited pro forma financial information from KPMG, the text of which is set out in “Appendix II — Unaudited pro forma financial information” to this prospectus;
- (d) the audited consolidated financial statements of the Company for the year ended 31 December 2016, 2017 and 2018;
- (e) the Industry Consultant’s Report;
- (f) the internal control report prepared by SHINEWING Risk Services Limited;
- (g) the legal opinion prepared by Tian Yuan Law Firm, our legal advisers as to PRC law, in respect of certain aspects of our Group and our property interests in the PRC;
- (h) the letter of advice prepared by Campbells, our Cayman Islands legal advisers, summarising certain aspects of the Cayman Islands company law as refer to the paragraph headed “Appendix IV — Summary of the Constitution of Our Company and Cayman Companies Law” of this prospectus;
- (i) the Cayman Companies Law;

APPENDIX VI	DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG AND AVAILABLE FOR INSPECTION
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- (j) the material contracts refer to the paragraph headed “Appendix V — Statutory and general information — B. Further information about our Business — 1. Summary of the material contracts” of this prospectus;
- (k) the service contracts with directors, refer to the paragraph headed “Appendix V — Statutory and general information — C. Further information about our Directors and Substantial Shareholders — 2. Particulars of service contracts” of this prospectus;
- (l) Share Option Scheme; and
- (m) the written consents refer to the paragraph headed “Appendix V — Statutory and general information — D. Other information — 12. Consent of experts” of this prospectus.

Kimou Environmental Holding Limited
金茂源環保控股有限公司