

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



2019

INTERIM REPORT

CONTENTS

2	Corporate Information
4	Chairman's Statement
6	Management Discussion and Analysis
13	Corporate Governance and Other Information
17	Financial Information
50	Review Report to the Board of Directors



CORPORATE INFORMATION

DIRECTORS

Executive Directors

ZHANG Lianghong (*Chairman*)
ZHU Heping (*Chief Executive Officer*)
LEE Yuk Kong
HUANG Shaobo

Independent Non-Executive Directors

KAN Chung Nin, Tony
LI Xiaoyan
LI Yinquan

BOARD COMMITTEES

Audit Committee

LI Yinquan (*Chairman*)
KAN Chung Nin, Tony
LI Xiaoyan

Nomination Committee

ZHANG Lianghong (*Chairman*)
KAN Chung Nin, Tony
LI Xiaoyan

Remuneration Committee

KAN Chung Nin, Tony (*Chairman*)
LI Xiaoyan
ZHANG Lianghong

REGISTERED OFFICE

McGrath Tonner Corporate Services Limited
Genesis Building, 5th Floor, Genesis Close, PO
Box 446, Cayman Islands, KY1-1106

PRINCIPAL PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA (THE "PRC" OR "CHINA")

Longhua Road, Longxi Street,
Boluo County, Huizhou City
Guangdong Province, the PRC

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Flat 17A, Loyong Court Commercial Building,
212-220 Lockhart Road,
Wan Chai, Hong Kong

AUTHORISED REPRESENTATIVES

ZHANG Lianghong
LEE Yuk Kong

COMPANY SECRETARY

CHAN Lai Fan, CPA

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR

Campbells Corporate Services Limited

Floor 4, Willow House, Cricket Square
Grand Cayman KY1-9010
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

Shops 1712-1716, 17th Floor,
Hopewell Centre,
183 Queen's Road East,
Wan Chai, Hong Kong

PRINCIPAL BANKER

Dongguan Rural Commercial Bank Joint Stock Company Limited

INDEPENDENT AUDITOR

KPMG

LEGAL ADVISORS

As to Hong Kong Law:

William Ji & Co. LLP (in association with
Tian Yuan Law Firm Hong Kong office)

As to PRC Law:

Tian Yuan Law Firm

As to Cayman Islands Law:

Campbells

COMPLIANCE ADVISOR

Shenwan Hangyuan Capital (H.K.) Limited
Level 19
28 Hennessy Road
Hong Kong

WEBSITE OF THE COMPANY

www.platingbase.com

LISTING INFORMATION

Place of Listing

Main Board of The Stock Exchange of Hong Kong Limited

BOARD LOT

2,000 Shares

STOCK CODE

6805

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board ("**Board**") of directors (the "**Directors**") of Kimou Environmental Holding Limited (the "**Company**"), I am pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2019 (the "**Reporting Period**") together with the relevant comparative figures for the six months ended 30 June 2018 (the "**Last Corresponding Period**").

BUSINESS REVIEW

The Company develops and operates large-scale industrial parks in the PRC which are specifically designed for the electroplating industry. Even though the US-China trade war has gradually intensified in the first half of 2019, the Group remained relatively unaffected. During the Reporting Period, the Group focused on strengthening control on cost of inventories and seizing opportunities to increase the number of tenants as well as developing the new electroplating industrial park. The Group's total revenue and profit from operations for the Reporting Period amounted to RMB281.7 million and RMB50.3 million, respectively, which was primarily attributed to (i) an increase in income arising from an increase in the wastewater treatment fees resulted from the rise in unit price of freshwater used; (ii) increase in average daily leased area of the Group's industrial parks; and (iii) increase in the sales of chemicals, as compared with that of the Last Corresponding Period. Due to a non-recurring one-off listing expenses of RMB13.8 million that was recognized during the Reporting Period and increase in finance costs since the first half of 2019, profit attributable to equity shareholders of the Company decreased by 34.9% to RMB9.7 million (corresponding period in 2018: RMB14.9 million) for the Reporting Period. Excluding the impact of the listing expenses, profit attributable to equity shareholders of the Company would have increased by approximately 57.7% to RMB23.5 million for the Reporting Period (corresponding period in 2018: RMB14.9 million).

In addition, the Company was successfully listed (the "**Listing**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 16 July 2019 (the "**Listing Date**"), marking an important milestone in the Company's history. The Listing will provide the Company with an important capital base to fund its business plans, improve its corporate governance, and enhance its competitive edge in order to lay a solid foundation for the Group's future development.

Increase the number of electroplating industrial parks

The Company entered into an agreement between Huizhou Kimou and Jingzhou ETDZ Administrative Committee on 8 November 2017 for the development of its third 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, namely the Hubei Jingzhou Project. On 19 February 2019, the Company won the tender for the land use right for three parcels of land for this project with a total site area of 325,981 square metre at a total consideration of RMB65.8 million. The relevant government authority is processing the corresponding agreements, which is expected to be completed in October 2019.

Increase the gross floor area ("GFA") available for leasing

The construction of two factory buildings by the Company with an aggregate GFA of approximately 29,000 square metre in the Guangzhou Huizhou Park has been completed and has passed government inspection at the end of April 2019.

OUTLOOK

Facing a market environment with opportunities as well as challenges, the Group shall continue to leverage its status as a listed company and allocate the net proceeds from the Listing into their predesignated uses as disclosed in the prospectus of the Company dated 29 June 2019 (the "**Prospectus**"). The Group endeavours to extend its operation capacities and increase the number of electroplating industrial parks in order to strengthen the Group's business foundation and maintain strong business performance and competitiveness as an established market leader in China's electroplating industrial park sector. The Group will also keep a close watch on latest market developments, seek new business opportunities, make risk assessment of its expansion plans in a rigorous and disciplined way to embrace a brand new stage of development and achieve stable and sustainable development going forward.

I would like to take this opportunity to express my most sincere thanks to our shareholders and various parties for their continuing support, and to my fellow Directors and our staff for their dedication and hard work during the Reporting Period.

Zhang Lianghong

Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Revenue	281,685	207,349
Operating costs:	(237,732)	(163,546)
Depreciation and amortisation	(74,055)	(58,270)
Cost of inventories	(64,200)	(39,671)
Staff costs	(25,719)	(21,689)
Utility costs	(9,810)	(6,387)
Other expenses	(63,948)	(37,529)
Other revenue	4,867	4,534
Other net income/(loss)	1,441	(2,331)
Profit from operations	50,261	46,006
Finance costs	(35,870)	(29,286)
Profit before taxation	14,391	16,720
Income tax	(11,240)	(5,065)
Profit for the period	3,151	11,655
Attributable to:		
Equity shareholders of the company	9,654	14,935
Non-controlling interests	(6,503)	(3,280)
Add:		
Listing expenses	13,802	—
Adjusted profit attributable to Equity shareholders of the company	23,456	14,935

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Revenue

The Group's revenue for the Reporting Period was mainly generated from providing factory premises leasing, facilities usage, wastewater treatment, utilities and other ancillary services to the tenants in the industrial parks.

The Group's revenue significantly increased by approximately RMB74.4 million (or 35.9%) to RMB281.7 million for the Reporting Period from RMB207.3 million for the Last Corresponding Period. Such increase was primarily attributable to (i) the increase in income arising from an increase in the wastewater treatment fees resulted from the rise in unit price of freshwater used; (ii) increase in average daily leased area of the Group's industrial parks; and (iii) increase in the sales of chemicals.

The increase in the Group's revenue was mainly in line with the increase in the Group's wastewater treatment fee. The Group's wastewater treatment fee increased by RMB37.3 million (or 41.5%) to RMB127.1 million for the Reporting Period from RMB89.8 million for the Last Corresponding Period.

Operating costs

The Group's operating costs primarily consisted of depreciation and amortization, cost of inventories, staff costs, utility costs and other expenses.

Operating costs increased by approximately RMB74.2 million (or 45.4%) to RMB237.7 million for the Reporting Period from RMB163.5 million for the Last Corresponding Period which was generally in line with the increase in the Group's revenue for the Reporting Period.

Depreciation and amortisation

Depreciation and amortisation increased by approximately RMB15.8 million (or 27.1%) to RMB74.1 million for the Reporting Period from RMB58.3 million for the Last Corresponding Period, following the Group's significant addition of investment properties and property, plant and equipment in the industrial parks.

Cost of inventories

Cost of inventories consisted of inventories consumed for the operations of the industrial parks which include materials for wastewater treatment and coal and natural gas for production of steam and chemicals for sale to the tenants.

Cost of inventories increased by approximately RMB24.5 million (or 61.7%) to RMB64.2 million for the Reporting Period from RMB39.7 million for the Last Corresponding Period, primarily attributable to (i) the increase in volume of steam consumed by the tenants in Guangdong Huizhou Park and Tianjin Bingang Park, coupled with an increase in the costs of raw materials to produce the additional steam as the Group used natural gas to replace coal in Guangdong Huizhou Park; and (ii) the significant increase in the amount of approximately RMB11.8 million for the sales of chemicals to tenants in the industrial parks.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Staff costs

Staff costs primarily consisted of staff's salaries, bonus and other benefits incurred in the operations of the industrial parks. Staff costs increased by approximately RMB4.0 million (or 18.4%) to RMB25.7 million for the Reporting Period from RMB21.7 million for the Last Corresponding Period. Such increase was mainly due to the hiring of additional staff to support the Group's expanding operating scale, especially for the Tianjin Bingang Park. As at 30 June 2019, the Group had 500 employees.

Utility costs

Utility costs mainly comprised of costs of electricity and water consumed throughout the Group's wastewater treatment processes, production of steam and for other activities such as lighting and gardening inside the industrial parks. Utility costs increased by approximately RMB3.4 million (or 53.1%) to RMB9.8 million for the Reporting Period from RMB6.4 million for the Last Corresponding Period, which was in line with the Group's expanding operating scale and increase in wastewater treatment volume.

Other expenses

Other expenses primarily consisted of property levies and other taxes, sludge treatment fee, research and development expenses, listing expenses and others.

Other expenses increased by approximately RMB26.4 million (or 70.4%) to RMB63.9 million for the Reporting Period from RMB37.5 million for the Last Corresponding Period. Such increase was mainly due to the recognition of listing expenses of approximately RMB13.8 million for the Reporting Period and the increase in sludge treatment expenses from approximately RMB2.2 million for the Last Corresponding Period to RMB7.8 million for the Reporting Period as a result of the growing volume and increasing concentration of chemical pollutants discharged by the tenants in the Guangdong Huizhou Park.

Other revenue

Other revenue increased by approximately RMB0.4 million (or 8.9%) to RMB4.9 million for the Reporting Period from RMB4.5 million for the Last Corresponding Period. Such increase was mainly due to government grants of RMB20.0 million received by the Group in the first half of 2019 in relation to the construction of wastewater treatment facilities in Tianjin Bingang Park. The government grants are initially recorded as deferred income under the non-current liabilities, and will be recognised as other revenue over the useful life of the underlying assets.

Finance costs

Finance costs primarily comprised of interest on bank borrowings. Finance costs increased by approximately RMB6.6 million (or 22.5%) to RMB35.9 million for the Reporting Period from RMB29.3 million for the Last Corresponding Period. Such increase was mainly attributable to (i) the Group taking out additional bank loans and other borrowings in the sum of RMB233 million to settle payables relating to equipment purchases and construction of the Tianjin Bingang Park; and (ii) nil of the interest expenses were capitalised for the Reporting Period as compared with RMB3.2 million for the Last Corresponding Period.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Profit before tax

Profit before tax decreased by approximately RMB2.3 million (or 13.8%) to RMB14.4 million for the Reporting Period from RMB16.7 million for the Last Corresponding Period, primarily due to the factors mentioned above.

Income Tax expense

Income tax expense recognised for the Reporting Period was RMB11.2 million as compared with RMB5.1 million for the Last Corresponding Period. Such income tax was recognised primarily due to (i) the Guangdong Huizhou Park's operations, which remained profitable during the Reporting Period, and (ii) the withholding tax on dividend distributed by the Guangdong Huizhou Park to its Hong Kong subsidiary.

Profit attributable to equity shareholders of the Company

The Group recorded profit attributable to equity shareholders of the Company of approximately RMB9.7 million and RMB14.9 million for the Reporting Period and the Last Corresponding Period, respectively. Such decrease was primarily due to (i) recognition of listing expenses; (ii) increase in finance cost; and (iii) increase in income tax.

Adjusted profit

Adjusted profit is calculated by adding back the listing expenses to the profit attributable to equity shareholders of the Company.

Based on the above, the Group's adjusted profit increased by approximately RMB8.6 million (or 57.7%) from RMB14.9 million for the Last Corresponding Period to RMB23.5 million for the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

During the Reporting Period, the Group's cash and cash equivalents was mainly used in the development of the first phase of the Hubei Jingzhou project and wastewater treatment facilities of the Tianjin Bingang Park. The Group financed its funding requirements mainly through a combination of cash generated from operating activities and borrowings.

As at 30 June 2019, the Group's total borrowings were due for repayment as follows:

	As at 30 June 2019 RMB'000 (unaudited)	As at 31 December 2018 RMB'000 (audited)
Within one year or on demand	154,781	105,666
After 1 year but within 2 years	104,765	200,538
After 2 years but within 5 years	263,207	449,130
After five years	516,515	116,544
	1,039,268	871,878

The guarantees and secured properties provided by the Company's shareholders and its close associates, and a shareholder of Tianjin Wanheshun Technology Co., Group Ltd. for its banking facilities will be released and be replaced by a corporate guarantee provided by the Group. The banks and financial institution have agreed in writing confirming the above replacement upon Listing. The provision of new guarantee and the entering of pledge agreements were still in process at the date of this report.

Gearing ratio

Gearing ratio is calculated by dividing total debt (including all borrowings and amount due to related parties) by total equity as at the respective period/year end date. Gearing ratio as at 30 June 2019 was 1.5 times, as compared with 4.4 times as at 31 December 2018.

Cash and cash equivalents

As at 30 June 2019, the Group had cash and cash equivalents of approximately RMB59.1 million (31 December 2018: approximately RMB80.7 million).

Capital expenditures

The Group incurred capital expenditures of approximately RMB125.3 million for the Reporting Period, which was primarily attributable to the purchase of land use right for the Hubei Jingzhou project and the development of wastewater treatment facilities of the Tianjin Bingang Park. These capital expenditures were mainly financed by internal resources and bank loans.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Foreign exchange risk

Individual member companies of the Group have limited foreign currency risk as most of the transactions are denominated in the same currency as the functional currency, namely Renminbi, of the operations in which they relate. However, these principal subsidiaries carried assets and liabilities in other currencies, such as Hong Kong Dollars from the proceeds of the Listing in July 2019, and so any appreciation or depreciation of Hong Kong Dollars against Renminbi will affect the Group's consolidated financial position and will be reflected in the exchange fluctuation reserve.

Interest rate risk

The Group's interest rate risk arises primarily from bank loans issued at variable rates that expose the Group to interest rate risk. The Group's management closely monitored the Group's loan portfolio in order to manage the Group's interest rate risk exposure.

Credit risk

The Group's credit risk is mainly attributable to trade receivables. Deposits are received from customers by the Group to reduce potential exposure to credit risk. Further, individual credit evaluations are performed regularly on all customers requiring credit over a certain amount. These evaluations focus on the customers' past payment records, taking into account their financial position and other relevant factors. The Group considers the credit risk arising from trade receivables is limited.

As at 30 June 2019, the Group's exposure to credit risk arising from cash and cash equivalents is limited because its counterparties are banks and financial institutions with high credit quality.

Liquidity risk

The Group has policies to regularly monitor its liquidity requirements and compliance with lending covenants, to ensure that the Group has sufficient cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements. The Group has not experienced and does not expect to experience any difficulties in meeting credit obligations when they fall due.

Charge on assets

As at 30 June 2019, certain investment property with carrying amount of RMB675,251,000, property, plant and equipment of the Group with carrying amount of RMB304,707,000 and lease prepayments with net book value of RMB97,038,000 were pledged to secure certain banking facilities and other borrowings granted to the Group.

Contingent liabilities

As at 30 June 2019, the Group had no contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2019, the Group had 500 employees in the PRC and in Hong Kong (as at 30 June 2018: 401 employees). Employee costs, including Directors' emoluments, amounted to approximately RMB25.7 million for the Reporting Period (six months ended 30 June 2018: RMB21.7 million). The remuneration for the Directors and senior management members is based on their qualifications, work experience, job duties and position with the Group. The Group has implemented an annual review system to assess the performance of its employees, which forms the basis of the determinations on salary raises, discretionary bonuses and promotion. The Group also provides other benefits such as the mandatory provident fund scheme to its employees in Hong Kong.

The Group puts great emphasis on staff training. The Group arranges orientation programs for newly hired staff to familiarize them with the Company's working environment and culture. The Group also regularly provides employees with on-the-job trainings so as to ensure their work performances will meet the Group's strategic goals, operating standards, customer and regulatory requirements.

The Company adopted a share option scheme on 18 June 2019 for the purpose of providing incentives and rewards to eligible directors and employees of the Group.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

Save as disclosed in the section headed "Future Plans and Use of Proceeds" in the Prospectus, the Group did not have any significant investments, material acquisitions or disposals of assets, subsidiaries, associates or joint ventures during the Reporting Period.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in the section headed "Future Plans and Use of Proceeds" in the Prospectus, the Group has no plan authorised by the Board for other material investments or additions of capital assets as at the date of this report.

EVENTS AFTER THE REPORTING DATE

On 16 July 2019, the shares of our Company (the "**Shares**") were listed on the Main Board of the Stock Exchange. The Group intends to apply the proceeds from the Listing as set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

Given that the Listing was completed after the Reporting Period, there was no utilisation of the proceeds as at 30 June 2019.

INTERIM DIVIDEND

The Board has not declared any interim dividend for the Reporting Period (six months ended 30 June 2018: nil).



CORPORATE GOVERNANCE AND OTHER INFORMATION

SHARE OPTION SCHEME

The Company has approved and adopted a share option scheme on 18 June 2019 (the **"Share Option Scheme"**). The terms of the Share Option Scheme are prepared in accordance with the provisions of Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the **"Listing Rules"**) and other rules and regulations.

Further details of the Share Option Scheme are set forth in the section headed "Statutory and General Information — D. Other Information — 2. Share Option Scheme" in Appendix V to the Prospectus.

No share option was granted, exercised, expired, cancelled or lapsed since the adoption of the Share Option Scheme and there is no outstanding share option under the Share Option Scheme as at the date of this report.

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

During the Reporting Period, since the Shares of the Company were not listed on the Stock Exchange, the disclosure requirements of relevant regulations in Hong Kong, including Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the **"SFO"**) and Section 352 of the SFO and the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the **"Model Code"**) were not applicable to the Company and the Directors, and chief executive of the Company.

The Shares of the Company were listed on the Stock Exchange on 16 July 2019. As at the date of this report, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required: (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein (the **"Register"**); or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

INTEREST IN THE COMPANY'S SHARES

Name of Directors/ Chief Executive	Capacity/Nature of Interest	Number of Shares Held ⁽¹⁾	Approximate Percentage of Shareholding Interest in the Company
Mr. Zhang Lianghong ("Mr. Zhang")	Interest in a controlled corporation ⁽²⁾	478,800,000	42.8%
Mr. Lee Yuk Kong ("Mr. Lee")	Interest in a controlled corporation ⁽³⁾	239,400,000	21.4%
Mr. Huang Shaobo ("Mr. Huang")	Interest in a controlled corporation ⁽⁴⁾	42,000,000	3.7%

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

Notes:

- (1) All interest stated are long positions.
- (2) Flourish Investment International Limited ("**Flourish Investment**") which held 478,800,000 Shares is wholly owned by Mr. Zhang, an executive Director and the chairman of the Board.
- (3) Premier Investment Worldwide Company Limited ("**Premier Investment**") which held 239,400,000 Shares is wholly owned by Mr. Lee, an executive Director.
- (4) Dakson Assets Management Limited which held 42,000,000 Shares is wholly owned by Mr. Huang, an executive Director.

Save as disclosed above, as at the date of this report, none of the Directors and chief executive of the Company had any interests or short positions in any Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be entered in the Register or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

During the Reporting Period, as the Shares of the Company were not listed on the Stock Exchange, the relevant regulations relating to interest or short position in the Shares and underlying Shares of the Company which are required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or interests or short positions which are required to be entered in the register of interests and short positions of the substantial shareholders (the "**Register of Substantial Shareholders**") pursuant to Section 336 of SFO, were not applicable to the Company.

The Shares of the Company were listed on the Stock Exchange on 16 July 2019. As at the date of this report, the following entities or persons (other than the Directors or the chief executive of the Company) had or were deemed or taken to have interests and short positions in the Shares and underlying Shares which have been disclosed to the Company under provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the Register of Substantial Shareholders required to be kept by the Company under section 336 of the SFO:

INTEREST IN THE COMPANY'S SHARES

Name of Shareholders	Capacity/Nature of Interest	Number of Shares Held ⁽¹⁾	Approximate
			Percentage of Shareholding Interest in the Company
Flourish Investment ⁽²⁾	Beneficial Owner	478,800,000	42.8%
Premier Investment ⁽²⁾	Beneficial Owner	239,400,000	21.4%

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

Notes:

- (1) All interest stated are long positions.
- (2) Each of Flourish Investment and Premier Investment is wholly owned by Mr. Zhang and Mr. Lee, respectively. Therefore, Mr. Zhang and Mr. Lee are deemed to be interested in the 478,800,000 Shares and 239,400,000 Shares held by Flourish Investment and Premier Investment respectively pursuant to the SFO.

Save as disclosed above, as at the date of this report, the Directors and chief executive of the Company were not aware of any entities or persons (other than a Director or the chief executive of the Company) which/who had or were deemed or taken to have interests or short positions in the Shares or the underlying Shares, which were requested to be recorded in the Register of Substantial Shareholders under section 336 of the SFO.

CORPORATE GOVERNANCE

The Company has adopted and applied the principles and code provisions of the Corporate Governance Code set out in Appendix 14 (the “**CG Code**”) to the Listing Rules. During the Reporting Period, the Shares of the Company had not been listed on the Stock Exchange. From the Listing Date to the date of this report, the Company has complied with the mandatory code provisions of the CG Code. The Group has always been committed to enhancing its corporate governance level and deems corporate governance as an integral part of the value created for Shareholders.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct governing the securities transactions by the Directors in the Shares of the Company on 16 July 2019. Following specific enquiries made by the Company with all the Directors, all of them have confirmed that they had complied with the required standard as set out in the Model Code from the Listing Date to the date of this report.

PURCHASE, SALE AND REDEMPTION OF SHARES

The Company nor any of its subsidiaries has purchased, sold or redeemed any of its Shares listed on the Main Board of the Stock Exchange, since the Listing Date up to the date of this report.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

REVIEW BY AUDIT COMMITTEE

The Company has established an audit committee (the “**Audit Committee**”) in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the CG Code for the purpose of reviewing and providing supervision over the Group’s financial reporting process, risk management and internal controls. The Audit Committee comprises three members, namely Li Yinquan (Chairman), Kan Chung Nin, Tony and Li Xiaoyan, all being independent non-executive Directors. The unaudited interim results of the Group for the Reporting Period have been reviewed by the Audit Committee and the Company’s external auditor, KPMG, in accordance with Hong Kong Standard on Review Engagement 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the HKICPA.

UPDATE ON THE DIRECTORS’ INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Pursuant to Rule 13.51B(1) of the Listing Rules, the Company is not aware of other changes in the Directors’ information.



CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2019 — unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2019 RMB'000	2018 RMB'000
Revenue	3	281,685	207,349
Depreciation and amortisation	7(c)	(74,055)	(58,270)
Cost of inventories	7(c)	(64,200)	(39,671)
Staff costs	7(b)	(25,719)	(21,689)
Utility costs		(9,810)	(6,387)
Other expenses		(63,948)	(37,529)
Other revenue	5	4,867	4,534
Other net income/(loss)	6	1,441	(2,331)
Profit from operations		50,261	46,006
Finance costs	7(a)	(35,870)	(29,286)
Profit before taxation	7	14,391	16,720
Income tax	8	(11,240)	(5,065)
Profit for the period		3,151	11,655
Attributable to:			
Equity shareholders of the Company		9,654	14,935
Non-controlling interests		(6,503)	(3,280)
Profit for the period		3,151	11,655
Earnings per share	9		
Basic		0.01	0.02
Diluted		0.01	0.02

The notes on pages 25 to 49 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 18 (a).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2019 — unaudited

(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2019 RMB'000	2018 RMB'000
Profit for the period		3,151	11,655
Other comprehensive income for the period (after tax and reclassification adjustments)			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of entities not using Renminbi ("RMB") as functional currency		(1,768)	(333)
Total comprehensive income for the period		1,383	11,322
Attributable to:			
Equity shareholders of the Company		7,886	14,602
Non-controlling interests		(6,503)	(3,280)
Total comprehensive income for the period		1,383	11,322

The notes on pages 25 to 49 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2019 — unaudited

(Expressed in Renminbi)

		At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
	Note		
Non-current assets			
Investment property	10	737,314	711,474
Property, plant and equipment	11	881,471	871,848
Construction in progress		92,960	92,890
Right-of-use assets	12	211,972	213,411
Intangible assets		4,649	4,262
Other receivables	14	46,470	30,679
Deferred tax assets		37,741	32,683
Other financial assets		9,471	8,475
Total non-current assets		2,022,048	1,965,722
Current assets			
Inventories	13	2,938	4,899
Trade and other receivables	14	147,229	155,790
Deposits with a bank with original maturity date over three months		—	50,000
Cash and cash equivalents	15	59,148	80,733
Total current assets		209,315	291,422
Current liabilities			
Trade and other payables	16	362,859	966,400
Contract liabilities		19,613	20,218
Bank loans and other borrowings	17	154,781	105,666
Lease liabilities		607	—
Current taxation		12,910	11,624
Total current liabilities		550,770	1,103,908
Net current liabilities		(341,455)	(812,486)
Total assets less current liabilities		1,680,593	1,153,236

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

at 30 June 2019 — unaudited

(Expressed in Renminbi)

	Note	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Non-current liabilities			
Bank loans and other borrowings	17	884,487	766,212
Lease liabilities		337	–
Deferred income		70,591	53,857
Deferred tax liabilities		8,477	72
Total non-current liabilities		963,892	820,141
Net assets		716,701	333,095
Capital and reserves	18		
Share capital		73,739	69
Reserves		436,197	127,289
Total equity attributable to equity shareholders		509,936	127,358
Non-controlling interests		206,765	205,737
Total equity		716,701	333,095

The notes on pages 25 to 49 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2019 — unaudited
(Expressed in Renminbi)

Note	Attributable to equity shareholders of the Company						Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000 Note 18(b)	Capital reserve RMB'000	Statutory reserve RMB'000	Retained profits RMB'000	Exchange reserve RMB'000	Sub-total RMB'000		
Balance at 1 January 2018	108,200	18,459	8,422	50,783	–	185,864	170,883	356,747
Changes in equity for the six months ended 30 June 2018:								
Profit for the period	–	–	–	14,935	–	14,935	(3,280)	11,655
Other comprehensive income	–	–	–	–	(333)	(333)	–	(333)
Total comprehensive income	–	–	–	14,935	(333)	14,602	(3,280)	11,322
Capital injection	16	–	–	–	–	16	21,193	21,209
Balance at 30 June 2018 and 1 July 2018	108,216	18,459	8,422	65,718	(333)	200,482	188,796	389,278
Changes in equity for the six months ended 31 December 2018:								
Profit for the period	–	–	–	33,001	–	33,001	(8,245)	24,756
Other comprehensive income	–	–	–	–	672	672	–	672
Total comprehensive income	–	–	–	33,001	672	33,673	(8,245)	25,428
Capital injection	1,869	1,350	–	–	–	3,219	25,186	28,405
Arising from reorganisation	(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 notes on pages 25 to 49 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

for the six months ended 30 June 2019 — unaudited
(Expressed in Renminbi)

Note	Attributable to equity shareholders of the Company							Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Statutory reserve	Retained profits	Exchange reserve	Sub-total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Note 18(b)	Note 18(b)							
Balance at 1 January 2019	69	-	19,809	15,132	92,009	339	127,358	205,737	333,095
Changes in equity for the six months ended 30 June 2019:									
Profit for the period	-	-	-	-	9,654	-	9,654	(6,503)	3,151
Other comprehensive income	-	-	-	-	-	(1,768)	(1,768)	-	(1,768)
Total comprehensive income	-	-	-	-	9,654	(1,768)	7,886	(6,503)	1,383
Capital injection	-	-	-	-	-	-	-	7,531	7,531
Purchase and cancellation of own shares	18(b)(2)	(69)	-	-	-	-	(69)	-	(69)
Issuance of share capital	18(b)(2)	29,387	15,728	-	-	-	45,115	-	45,115
Capitalisation of shareholder loan	18(b)(2)	44,352	285,294	-	-	-	329,646	-	329,646
Balance at 30 June 2019	73,739	301,022	19,809	15,132	101,663	(1,429)	509,936	206,765	716,701

The notes on pages 25 to 49 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2019 — unaudited

(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2019 RMB'000	2018 RMB'000
Operating activities			
Cash generated from operations		142,237	82,059
Income tax paid		(6,606)	(6,609)
Net cash generated from operating activities		135,631	75,450
Investing activities			
Interest received		13,143	59
Payment for purchase of property, plant and equipment, investment property and lease prepayments		(124,327)	(220,918)
Payment for purchase of intangible assets		(946)	—
Proceeds from disposal of property, plant and equipment		42	424
Advance to third parties		(63,015)	(1,492)
Repayment from third parties		86,000	12,000
Advance to related parties	21(b)	(49,666)	(19,070)
Repayment from related parties		27,732	20,754
Withdrawal of deposits with a bank with original maturity date over three months		50,000	—
Net cash used in investing activities		(61,037)	(208,243)
Financing activities			
Proceeds from bank loans and other borrowings		210,000	120,000
Repayment of bank loans and other borrowings		(65,610)	(40,200)
Advance from related parties	21(b)	60,777	464,074
Repayment to related parties		(263,297)	(397,533)
Advance from third parties		10,000	16,920
Repayment to third parties		(10,000)	(16,920)
Capital element of lease rentals paid		(413)	—
Interest element of lease rentals paid		(44)	—
Interest paid		(35,712)	(32,582)
Capital injection from equity shareholders		—	16
Capital injection from non-controlling interests		7,531	21,193
Payment of listing related expenses		(9,411)	—

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

for the six months ended 30 June 2019 — unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2019	2018
		RMB'000	RMB'000
Net cash (used in)/generated from financing activities		(96,179)	134,968
Net (decrease)/increase in cash and cash equivalents		(21,585)	2,175
Cash and cash equivalents at the beginning of the period		80,733	19,283
Cash and cash equivalents at the end of the period	15	59,148	21,458

The notes on pages 25 to 49 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (HKAS) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). It was authorised for issue on 26 August 2019.

At 30 June 2019, the Group's current liabilities has exceeded its current assets by RMB341,455,000. The directors of the Company have confirmed that, based on future projection of the Group's cash flows from operations and the anticipated ability of the Group to renew or rollover its banking and other financing sources to finance its continuing operations for the next twelve months from the end of the reporting period of this interim financial report, 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.

Hong Kong Financial Reporting Standards ("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 in the accountants' report included in the prospectus of the Company dated 29 June 2019 (the "Accountants' Report"). The adoption of HKFRS 16 did not has significant impact on the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the Accountants' Report, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2018 financial information in the Accountants' Report. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRSs.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the Board of Directors is included on page 50.

The financial information relating to the financial year ended 31 December 2018 that is included in the interim financial report as comparative information does not constitute the Company's annual financial statements for that financial year but is derived from the Accountants' Report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- HK(IFRIC) 23, *Uncertainty over income tax treatments*
- Annual Improvements to HKFRSs 2015-2017 Cycle

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 REVENUE AND 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.

(a) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major service lines is as follows:

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major service lines		
— Facilities usage and management service	87,497	71,522
— Wastewater treatment and utilities	127,113	89,842
— Ancillary business	28,671	11,562
	243,281	172,926
Revenue from other sources		
Gross rentals from investment properties	38,404	34,423
	281,685	207,349

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING (Continued)

(a) Disaggregation of revenue (Continued)

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 3(b) and 3(d).

(b) Information about profit or loss

Disaggregation of revenue from contracts with customers by 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 the period is set out below.

For the six months ended 30 June	Rental and facilities usage		Wastewater treatment and utilities and ancillary business		Total	
	2019	2018	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Disaggregated by timing of revenue recognition						
Point in time	–	–	155,784	101,404	155,784	101,404
Over time	125,901	105,945	–	–	125,901	105,945
Revenue from external customers	125,901	105,945	155,784	101,404	281,685	207,349
Inter-segment revenue	7,148	5,829	199	200	7,347	6,029
Reportable segment revenue	133,049	111,774	155,983	101,604	289,032	213,378
Reportable segment profit (adjusted EBITDA)	113,626	91,221	34,154	18,235	147,780	109,456
Depreciation and amortisation	(71,318)	(57,317)	(2,737)	(953)	(74,055)	(58,270)

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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING *(Continued)*

(c) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Reportable segment profit	147,780	109,456
Elimination of inter-segment profit	–	–
Reportable segment profit derived from the Group's external customers	147,780	109,456
Depreciation and amortisation	(74,055)	(58,270)
Finance costs	(35,870)	(29,286)
Interest income	1,227	1,365
Unallocated head office and corporate expenses	(24,691)	(6,545)
Consolidated profit before taxation	14,391	16,720

(d) Geographic information

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 People's Republic of China ("the PRC").

4 SEASONALITY OF OPERATIONS

Wastewater treatment and utilities and ancillary business of the Group is subject to seasonal factors. Demand for wastewater treatment and utilities and 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 services during these low seasons may have an adverse impact on revenue.

For the twelve months ended 30 June 2019, the Group reported revenue of RMB554,014,000 (twelve months ended 30 June 2018: RMB385,397,000).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

5 OTHER REVENUE

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Interest income	1,227	1,365
Government grants		
— Unconditional subsidies	3,267	2,892
— Conditional subsidies	117	2
Other income	256	275
	4,867	4,534

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)

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Gain arising from disposal of property, plant and equipment	20	17
Changes in fair value of other financial assets through profit or loss	996	(2,493)
Net foreign exchange gain	434	1
Others	(9)	144
	1,441	(2,331)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Interest on bank loans	35,870	32,482
Less: interest expense capitalised into properties under development	–	(3,196)
	35,870	29,286

The borrowing costs have been capitalised at rate of 6.615% during the six months ended 30 June 2018.

(b) Staff costs (including directors' emoluments)

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Salaries, wages and other benefits	23,160	19,864
Retirement scheme contributions	2,559	1,825
	25,719	21,689

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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

7 PROFIT BEFORE TAXATION (Continued)

(c) Other items

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Depreciation and amortisation		
— Property, plant and equipment	50,498	36,777
— Investment property	20,616	18,990
— Right-of-use assets	2,382	2,426
— Intangible assets	559	77
Cost of inventories (i)	64,200	39,671
Listing expenses	13,802	—
	152,057	97,941

(i) Cost of inventories mainly represented raw materials consumed during the provision of electroplating wastewater treatment services, and goods sold in ancillary business.

8 INCOME TAX

(a) Taxation in the consolidated statement of profit or loss represents:

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Current tax — PRC income tax		
Provision for the period (note (i) & (ii))	7,893	3,940
Deferred tax		
Origination and reversal of temporary differences	3,347	1,125
	11,240	5,065

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

8 INCOME TAX (Continued)

(a) Taxation in the consolidated statement of profit or loss represents: (Continued)

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 period ended 30 June 2019 and 30 June 2018, subsidiaries in Hong Kong did not have any assessable profits.

The statutory income tax rate for the PRC subsidiaries is 25% unless otherwise specified below.

- (ii) For the period ended 30 June 2019, Huizhou Jinmaoyuan Environmental Technology Co., Ltd ("Huizhou Jinmaoyuan"), engaging in electroplating wastewater treatment, was entitled to the preferential tax policy on environmental protection devices. Accordingly, for the six months ended 30 June 2019, the income tax of Huizhou Jinmaoyuan were reduced by RMB26,000 (six months ended 30 June 2018: RMB789,000). 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 period ended 30 June 2019, according to relevant tax rules in the PRC, 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 Electroplating Enterprises Management Co., Ltd. ("Tianjin Bingang") for the six months ended 30 June 2019 was reduced by RMB850,000 and RMB599,000, respectively (six months ended 30 June 2018: RMB716,000 and RMB140,000, respectively).

Huizhou Jinmaoyuan was approved as a High and New Technology Enterprise in November 2018, which entitled it to the preferential income tax rate of 15% from 2018 to 2020.

The Group has not recognised deferred tax assets of RMB164,000 for the six months ended 30 June 2019 (six months ended 30 June 2018: RMB106,000), in respect of cumulative tax losses of certain subsidiaries located in Hong Kong and two subsidiaries in the PRC.

9 EARNINGS PER SHARE

The calculation of basic earnings per share during the six months ended 30 June 2019 and 2018 is based on the profit attributable to equity shareholders of the Company for the respective period and on the assumption that 840,000,000 ordinary shares of the Company had been issued throughout the six months ended 30 June 2019 and 2018, by retrospectively adjusting for the effect of the Group's share issuance of 336,000,000 shares (note 18(b)(2)(ii)) and share issuance of 504,000,000 shares for capitalisation of shareholder loan (note 18(b)(2)(iii)) that are deemed to have become effective since 1 January 2018.

There were no dilutive potential ordinary shares during the six months ended 30 June 2019 and 2018, therefore, diluted earnings per share are the same as the basic earnings per share.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

10 INVESTMENT PROPERTY

As at 30 June 2019 and 31 December 2018, the fair value of the Group's investment properties were approximately RMB1,325,004,000 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 RMB675,251,000 and RMB692,204,000 were pledged to secure the Group's bank loans as at 30 June 2019 and 31 December 2018 (note 17(ii)), respectively.

11 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group acquired items of property, plant and equipment with a cost of RMB60,143,000 (six months ended 30 June 2018: RMB56,143,000). Items of plant and machinery with a net book value of RMB22,000 were disposed of during the six months ended 30 June 2019 (six months ended 30 June 2018: RMB407,000), resulting in a gain on disposal of RMB20,000 (six months ended 30 June 2018: RMB17,000).

Certain property, plant and equipment with carrying value of RMB304,707,000 and RMB194,446,000 were pledged to secure the Group's bank loans and other borrowings (note 17(ii)) as at 30 June 2019 and 31 December 2018, respectively.

12 RIGHT-OF-USE ASSETS

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Lease prepayments	211,029	213,411
Others	943	—
	211,972	213,411

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 30 June 2019 and 31 December 2018, the remaining period of the land use rights ranges from 36 to 47 years and 37 to 48 years, respectively.

As at 30 June 2019 and 31 December 2018, lease prepayments with net book value of RMB97,038,000 and RMB98,117,000 were pledged for bank loans (note 17(ii)), respectively.

During the six months ended 30 June 2019, the Group entered into a number of lease agreements for use of dormitories and offices, and therefore recognised the additions to right-of-use assets of RMB943,000.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

13 INVENTORIES

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Raw materials	1,546	3,477
Consumables	1,392	1,422
	2,938	4,899

The analysis of the amount of inventories recognised as an expense and included in the consolidated statement of profit or loss is as follows:

	Six months ended 30 June 2019 RMB'000	2018 RMB'000
Carrying amount of inventories sold and consumed	64,200	39,671

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

14 TRADE AND OTHER RECEIVABLES

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Current		
Trade debtors	79,953	75,846
Less: Allowance for doubtful debts	–	–
	79,953	75,846
Interest receivable	–	11,916
Deductible input value-added tax	35,431	30,199
Amounts due from related parties (note 21(c))	–	4,886
Prepayments and other receivables	31,845	32,943
	147,229	155,790
Non-current		
Prepayments for purchase of property, plant and equipment	23,965	26,097
Deposits for acquisition of land use rights, constructions and borrowings	22,505	4,582
	46,470	30,679
Total	193,699	186,469

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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

14 TRADE AND OTHER RECEIVABLES *(Continued)*

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:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Within 1 month	71,286	69,532
1 to 3 months	7,663	5,306
Over 3 months but within 1 year	1,004	1,008
	79,953	75,846

Trade debtors are due within 15 to 60 days from the date of billing.

15 CASH AND CASH EQUIVALENTS

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Cash on hand	436	156
Cash at bank	58,712	80,577
	59,148	80,733

As at 30 June 2019 and 31 December 2018, cash and cash equivalents placed with banks in the mainland China amounted to RMB57,619,000 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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

16 TRADE AND OTHER PAYABLES

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Trade payables	45,662	46,199
Deposits due to customers	129,326	115,886
Payables for equipment and construction	156,916	175,058
Interest payable	1,852	1,694
Payroll payable	6,785	9,274
Amounts due to related parties (note 21(c))	–	603,662
Other payables to third parties	22,318	14,627
Total	362,859	966,400

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 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:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Within 1 month	38,062	35,159
1 to 3 months	6,612	10,064
Over 3 months	988	976
	45,662	46,199

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

17 BANK LOANS AND OTHER BORROWINGS

As at 30 June 2019 and 31 December 2018, the bank loans and other borrowings were repayable as follows:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Within 1 year or on demand	154,781	105,666
After 1 year but within 2 years	104,765	200,538
After 2 years but within 5 years	263,207	449,130
After 5 years	516,515	116,544
Sub-total	884,487	766,212
Total	1,039,268	871,878

As at 30 June 2019 and 31 December 2018, the bank loans and other borrowings were secured as follows:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Secured bank loans	1,010,393	871,878
Secured other borrowings (iv)	28,875	–
Total	1,039,268	871,878

Notes:

- (i) Bank loans amounted to RMB1,010,393,000 and RMB871,878,000 were floating-interest rate loans with interest rates ranged from 5.64% to 6.68% and 5.64% to 6.65% as at 30 June 2019 and 31 December 2018, respectively. Other borrowings amounted to RMB28,875,000 were fixed-interest rate borrowings with a monthly interest rate of 0.625% as at 30 June 2019.
- (ii) Secured bank loans and other borrowings as at 30 June 2019 and 31 December 2018 were secured by certain of the Group's charge rights of rental income and property, plant and equipment (note 11), investment property (note 10), right-of-use assets (note 12), and deposits with a bank.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

17 BANK LOANS AND OTHER BORROWINGS *(Continued)*

Notes: *(Continued)*

- (iii) Bank loans amounted to RMB296,278,000 as at 31 December 2018 were guaranteed by Mr. Zhang Lianghong (controlling shareholder of the Company), Mr. Zhang Haiming and Mr. Lee Yuk Kong (key management personnel) and Mr. Zou Maoqi (a former shareholder of Huizhou Kimou Industrial Investment Co., Ltd, "Huizhou Kimou"). The guarantee was released from the Group during the six months ended 30 June 2019.

Bank loans amounted to RMB547,100,000 as at 31 December 2018 were guaranteed by Mr. Zhang Lianghong, Mr. Zhang Haiming, Mr. Lee Yuk Kong and Mr. Huang Shaobo (key management personnel). The guarantee was released from the Group during the six months ended 30 June 2019.

Bank loans amounted to RMB27,000,000 and RMB28,500,000 as at 30 June 2019 and 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 RMB80,000,000 as at 30 June 2019 were guaranteed by Tianjin Wanheshun Technology Co., Group Ltd. (formerly known as Tianjin Wanheshun Technology Co., Ltd.), non-controlling interest of the Group. The guarantee was subsequently released in July 2019.

- (iv) During the six months ended 30 June 2019, the Group obtained other borrowings from a financial institution amounted to RMB33,000,000, among which RMB10,000,000 was paid in form of cash, RMB20,000,000 was paid in form of bills receivables, and the remaining RMB3,000,000 was reserved by the financial institution as deposits, which would be fully recovered to the Group upon maturity of the other borrowings.

Other borrowings from the financial institution amounted to RMB28,875,000 as at 30 June 2019 were guaranteed by Mr. Zhang Lianghong, Mr. Zhang Haiming, Mr. Huang Shaobo, Mr. Lee Yuk Kong and Mr. Liu Shuchen, a shareholder of Tianjin Wanheshun Technology Co., Group Ltd. (formerly known as Tianjin Wanheshun Technology Co., Ltd.), and secured by properties owned by Guangzhou Zhongliang Investment Company Limited (effectively owned by a close family member of Mr. Zhang Lianghong) and Huizhou Jinchang Real Estate Development Company Limited (effectively owned by Mr. Zhang Lianghong).

- (v) Bank loans and other borrowings amounted to RMB1,039,268,000 and RMB871,878,000 as at 30 June 2019 and 31 December 2018 are subject to the fulfillment 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. 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 30 June 2019 and 31 December 2018, none of the covenants relating to drawn down facilities had been breached.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

18 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

No dividends have been declared or paid by the Company for the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

(b) Share capital

(1) Authorised share capital of the Company

	Number of shares	USD	HKD
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	–
Purchase and cancellation of shares Creation of shares on 7 January 2019 at HK\$0.1 each	(50,000) 1,680,000,000	(50,000) –	– 168,000,000
At 30 June 2019	1,680,000,000	–	168,000,000

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.

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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

18 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(b) Share capital (Continued)

(2) Issued share capital of the Company

	Note	Number of shares	USD	HKD	RMB
At 28 June 2018 (date of incorporation)		–	–	–	–
Share issued upon incorporation on 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	(i)	10,000	10,000	–	69,157
Purchase and cancellation of own shares	(i)	(10,000)	(10,000)	–	(69,157)
Share issued on 7 January 2019 at HK\$0.1 each	(ii)	336,000,000	–	33,600,000	29,386,560
Capitalisation of shareholder loan	(iii)	504,000,000	–	50,400,000	44,352,000
At 30 June 2019		840,000,000	–	84,000,000	73,738,560

- (i) At 31 December 2018, 10,000 shares of US\$10,000, equivalent to RMB69,000, have been issued and paid. Pursuant to the written resolutions of the director and shareholders dated 7 January 2019, 10,000 shares were purchased and cancelled by the Company.
- (ii) 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.
- (iii) 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 30 June 2019, 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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

18 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(c) 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 and other borrowings less deposits with a bank with original maturity date over three months and cash and cash equivalents.

The Group's adjusted net debt-to-equity ratio at the end of the current and previous reporting periods was as follows:

	Note	As at 30 June 2019 RMB'000	As at 31 December 2018 RMB'000
Bank loans and other borrowings:			
Current liabilities	17	154,781	105,666
Non-current liabilities	17	884,487	766,212
Total debt		1,039,268	871,878
Less: Cash and cash equivalents	15	59,148	80,733
Deposits with a bank with original maturity date over three months		–	50,000
Adjusted net debt		980,120	741,145
Total equity		716,701	333,095
Adjusted net debt-to-equity ratio		1.37	2.23

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

19 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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 30 June 2019 RMB'000	Fair value measurements as at 30 June 2019 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement				
Unlisted equity securities	9,471	–	9,471	–

	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				
Unlisted equity securities	8,475	–	8,475	–

As at 30 June 2019, the fair value of unlisted equity securities in Level 2 is determined with reference to the unaudited financial statements of Boluo Changjiang Rural Bank. As at 31 December 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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

20 COMMITMENTS

Capital commitments outstanding at 30 June 2019 not provided for in the interim financial report

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Contracted for	85,761	142,558
Authorised but not contracted for	24,036	–
	109,797	142,558

21 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the financial statements, the Group entered into the following material related party transactions. During the six months ended 30 June 2019, 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	Key management personnel
Tianjin Wanheshun Technology Co., Group Ltd. (formerly known as Tianjin Wanheshun 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 a close family member of Mr. Zhang Lianghong

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

21 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

Name of the party	Relationship
Huizhou Hemao 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
Tianjin Jinshang Real Estate Development Company Limited (i)	Effectively owned by Mr. Zhang Lianghong

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, is as follows.

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Salaries and other benefits	1,300	1,305
Retirement scheme contributions	155	137
	1,455	1,442

Total remuneration is included in "staff costs" (note 7(b)).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

21 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Related parties transactions

During the six months ended 30 June 2019, the Group entered into the following material related party transactions:

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Sales of goods to		
Boluo Longxi Jinchangda Wastewater Treatment Company Limited	38	160
Guarantee on bank loans provided to		
Boluo Jinchang Trading Company Limited (i)	102,000	—
Other service received from		
Huizhou Chengxinde Tax Accountant Co., Ltd.	—	32
	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Advances to:		
— Huizhou Hemao Trading Company Limited	—	19,002
— Huizhou Yongjiasheng Industrial Co., Ltd.	21,618	—
— Mr. Zhang Lianghong	27,982	—
— Mr. Zhang Haiming	66	—
— Mr. Li Jiazhi	—	60
— Kimou Environmental Technology Limited	—	8
	49,666	19,070

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

21 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Related parties transactions (Continued)

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Advances from:		
— Mr. Zhang Lianghong	—	155,630
— Huizhou Hemao Trading Company Limited	—	47,998
— Mr. Huang Shaobo	—	1,275
— Dongguan Yongjiasheng Knitwear Co., Ltd.	—	3,000
— Mr. Li Jiazhi	—	120
— Mr. Zhang Haiming	—	19,010
— Huizhou Jinshang Real Estate Development Company Limited	26,000	212,320
— Huizhou Yongjiasheng Industrial Co., Ltd.	—	7,268
— Flourish Investment International Limited	34,777	—
— Mr. Lee Yuk Kong	—	17,453
	60,777	464,074

(i) The guarantee was released from the Group as at 30 June 2019.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

21 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(c) Balance with related parties

Amounts due from related parties (note 14)

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Trade receivables from:		
— Boluo Longxi Jinchangda Wastewater Treatment Company Limited	—	156
Other receivables from:		
— Mr. Zhang Lianghong	—	820
— Mr. Zhang Haiming	—	3,864
— Huizhou Hemao Trading Company Limited	—	2
— Flourish Investment International Limited	—	11
— Premier Investment Worldwide Company Limited	—	11
— Deluxe Investment International Company Limited	—	11
— Dakson Assets Management Limited	—	11
	—	4,886

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi unless otherwise indicated)

21 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(c) Balance with related parties (Continued)

Amounts due to related parties (note 16)

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Other payables to:		
— Dongguan Yongjiasheng Knitwear Co., Ltd.	—	83,925
— Huizhou Yongjiasheng Industrial Co., Ltd.	—	31,771
— Mr. Zhang Lianghong	—	107,581
— Mr. Zhang Haiming	—	10,345
— Mr. Huang Shaobo	—	5,445
— Huizhou Jinshang Real Estate Development Company Limited	—	98,620
— Mr. Lee Yuk Kong	—	17,699
— Dongguan Dongming Trading Company Limited	—	25,800
— Kimou Environmental Technology Limited	—	1,113
— Premier Investment Worldwide Company Limited	—	50,864
— Flourish Investment International Limited	—	139,071
— Deluxe Investment International Company Limited	—	20,580
— Dakson Assets Management Limited	—	10,848
Total	—	603,662

The balances with these related parties are unsecured, interest-free and have no fixed repayment terms.

22 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

On 16 July 2019, the Company was listed on Hong Kong Stock Exchange. Upon completion of the initial public offer, the Company issued 280,000,000 shares, with a par value of HK\$0.1 each and initial offer price of HK\$1.33 each.

REVIEW REPORT TO THE BOARD OF DIRECTORS

Review report to the board of directors of Kimou Environmental Holding Limited

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 17 to 49 which comprises the consolidated statement of financial position of Kimou Environmental Holding Limited (the “**Company**”) as of 30 June 2019 and the related consolidated statement of profit or loss, statement of profit or loss and other comprehensive income and statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2019 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

Certified Public Accountants

8th Floor, Prince’s Building
10 Chater Road
Central, Hong Kong

26 August 2019

