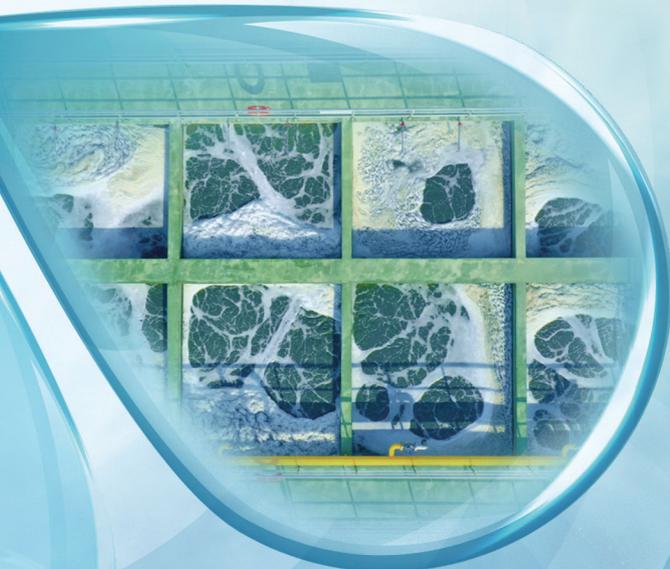


Kimou Environmental Holding Limited 金茂源環保控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 6805

2022
INTERIM REPORT



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CORPORATE INFORMATION

PLACE OF LISTING

The Stock Exchange of Hong Kong Limited

STOCK CODE

6805

BOARD OF DIRECTORS

Executive Directors

Mr. Zhang Lianghong (*Chairman*)

Mr. Zhu Heping (*Chief Executive Officer*)

Mr. Lee Yuk Kong (resigned with effect from 26 July 2022)

Mr. Lee Kin Ming (appointed with effect from 26 July 2022)

Mr. Huang Shaobo

Independent Non-Executive Directors

Mr. Kan Chung Nin, Tony *SBS, JP*

Mr. Li Xiaoyan

Mr. Li Yinquan

AUDIT COMMITTEE

Mr. Li Yinquan (*Chairman*)

Mr. Kan Chung Nin, Tony *SBS, JP*

Mr. Li Xiaoyan

NOMINATION COMMITTEE

Mr. Zhang Lianghong (*Chairman*)

Mr. Kan Chung Nin, Tony *SBS, JP*

Mr. Li Xiaoyan

REMUNERATION COMMITTEE

Mr. Kan Chung Nin, Tony *SBS, JP* (*Chairman*)

Mr. Zhang Lianghong

Mr. Li Xiaoyan

COMPANY SECRETARY

Mr. Yim Lok Kwan (resigned with effect from 29 August 2022)

Mr. Chung Ming Fai (appointed with effect from 29 August 2022)

AUTHORISED REPRESENTATIVES

Mr. Zhang Lianghong

Mr. Lee Kin Ming (appointed with effect from 26 July 2022)

Mr. Lee Yuk Kong (resigned with effect from 26 July 2022)

PRINCIPAL BANKER

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Guangdong Province

the PRC

REGISTERED OFFICE

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Cayman Islands

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CORPORATE INFORMATION

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Campbells Corporate Services Limited
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Grand Cayman KY1-9010
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
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Hopewell Centre
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Wanchai, Hong Kong

COMPANY WEBSITE

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MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Kimou Environmental Holding Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) develop and operate large-scale Surface Treatment Recycling Eco-industrial Parks in the PRC which are specifically designed for the electroplating industry. For the six months ended 30 June 2022 (the “**Period under Review**”), the Group’s revenue was approximately RMB535.0 million (six months ended 30 June 2021: RMB433.0 million), representing an increase of approximately RMB101.9 million from that of 2021, the profit attributable to the equity shareholders of the Company was approximately RMB52.6 million (six months ended 30 June 2021: RMB36.9 million), representing an increase of approximately RMB15.8 million from that of 2021. During the Period under Review, the profit attributable to the equity shareholders of the Company increased mainly due to the combined effects of (i) the increase in revenue generated by the Group from the rise in daily leased area and the rise in rental per units, environmental protection technical service fee per unit and wastewater treatment fee per unit; and (ii) the increase in government grants by approximately RMB5.7 million as compared to the six months ended 30 June 2021.

MARKET REVIEW

In the first half of 2022, the domestic COVID-19 pandemic broke out at multiple locations within our country, and the industrial chain and supply chain were greatly affected. Investment, consumption, and trade were all under enormous downward pressure. Meanwhile, international unstable factors were increasing. With the continuous spread of the pandemic, the conflict between Russia and Ukraine, the possible food crisis in some countries, energy crisis and debt crisis, the risk of stagflation in the world economy was rising, and the policies of major economies tended to be tightened; there was a risk of continued deterioration of the external environment for China’s economic development, external instability and uncertainties increased significantly, demand contraction intertwined with supply shocks, the operation of market players was still relatively difficult, which affected the Group’s tenants and revenue of the Group.

OUR SURFACE TREATMENT RECYCLING ECO-INDUSTRIAL PARKS

The Group currently operates three Surface Treatment Recycling Eco-industrial Parks which are strategically located in Huizhou, Guangdong Province (“**Guangdong Huizhou Park**”), Tianjin (“**Tianjin Bingang Park**”) and Jingzhou, Hubei Province (“**Jingzhou Park**”) in order to enjoy convenient transportation network and be in close proximity to its customers where most of the PRC electroplating enterprises are located.

Total leasable area and occupancy rate

Set out below is the total leasable area and occupancy rate of the Group’s three Surface Treatment Recycling Eco-industrial Parks:

	As at 30 June							
	2022				2021			
	Guangdong Huizhou Park	Tianjin Bingang Park	Jingzhou Park	Total	Guangdong Huizhou Park	Tianjin Bingang Park	Jingzhou Park	Total
Total leasable area (sq.m.) ^(note)	466,000	317,000	72,000	855,000	400,000	260,000	72,000	732,000
Total leased area (sq.m.) ^(note)	435,000	289,000	37,000	761,000	400,000	204,000	17,000	621,000
Occupancy Rate	93.3%	91.2%	51.4%	89.0%	100.0%	78.5%	23.6%	84.8%

Note: Rounded to the nearest thousand square metres (“**sq.m.**”).

MANAGEMENT DISCUSSION AND ANALYSIS

The Group offers factory premises in standard floor areas in which the tenants can choose to lease single or multiple floors according to their operational needs. The Group also leases land to tenants to construct their own plants according to the requirements of the Group. As at 30 June 2022, the total leasable area of Guangdong Huizhou Park, Tianjin Bingang Park and Jingzhou Park were approximately 466,000 sq.m., 317,000 sq.m. and 72,000 sq.m. respectively while their occupancy rates were 93.3%, 91.2% and 51.4% respectively.

Wastewater treatment capabilities

Set out below is the wastewater treatment capability of the Group's three Surface Treatment Recycling Eco-industrial Parks:

	Six months ended 30 June							
	2022				2021			
	Guangdong Huizhou Park	Tianjin Bingang Park	Jingzhou Park	Total	Guangdong Huizhou Park	Tianjin Bingang Park	Jingzhou Park	Total
Fresh water used (tonnes) ^(note)	1,271,000	337,000	14,000	1,622,000	1,261,000	283,000	1,300	1,545,300
Daily wastewater treatment capacity (tonnes) ^(note)	10,000	6,000	2,500	18,500	10,000	6,000	2,500	18,500
Annual average daily wastewater treatment handling capacity (tonnes)	7,022	1,862	77	8,961	6,929	1,555	7	8,491
Annual average utilisation rate of daily wastewater treatment capacity	70.2%	31.0%	3.1%	48.4%	69.3%	25.9%	0.3%	45.9%

Note: Rounded to the nearest thousand.

The factory premises of the three Surface Treatment Recycling Eco-industrial Parks have pre-installed conduits which direct the electroplating wastewater generated by the park's tenants to the Group's centralised wastewater treatment facilities. The Group has also built the systems for (i) recycling the treated wastewater back to the tenants for reuse; and (ii) discharging the rest of the treated wastewater through channels. These facilities are fundamental and of core importance to the daily operations of the tenants.

As at 30 June 2022, the total daily wastewater treatment capability of the Group reached approximately 18,500 tonnes. The annual average daily wastewater treatment handling capacity was approximately 8,961 tonnes and annual average utilisation rate of daily wastewater treatment capacity was approximately 48.4%.

OUR RESEARCH AND DEVELOPMENT

To keep enhancing the effectiveness of wastewater treatment process and reuse rate is the long term objective and the social responsibility of the Group. With our experienced and knowledgeable research and development team and the cooperation of Tsinghua Shenzhen International Graduate School, the Group has been gradually transforming itself into an integrated wastewater treatment service provider. The Group had obtained 86 patents and 38 patent applications were in the progress of registration as at 30 June 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

SALES AND MARKETING

The Group conducts marketing and promotion activities and builds customers relationship through participation in domestic exhibitions and seminars. During the Period under Review, the Group did not participate in any exhibitions and seminars due to the COVID-19 pandemic.

OUTLOOK

The “Opinions of the Central Committee of the Communist Party of China and the State Council on Deepening the Battle of Pollution Prevention and Control” clearly proposes the target of “strengthening the prevention and control of heavy metal pollution, reducing key heavy metal pollutants released by key domestic industries by 5% as compared to 2020 by 2025” and the Ministry of Ecology and Environment issued the “Opinions on Further Strengthening the Prevention and Control of Heavy Metal Pollution” as at 7 March 2022, which further requires the optimization of the enterprise layout of key industries, the obligation of the new and expanded nonferrous metals smelting, electroplating and leather production enterprises to locate in industrial parks that are legally established and ecologically planned; the facilitation of professional electroplating enterprises into industrial parks striving for the participation rate of professional electroplating enterprises to reach 75% by the end of 2025; the development of consolidated governance in the electroplating industry, the inspection and proscription of illegal electroplating enterprises, the promotion of discharge of wastewater through legal drainage among electroplating enterprises outside industrial parks to stop secret discharge and careless discharge, the development of comprehensive governance of professional electroplating industrial parks and professional electroplating enterprises regarding heavy metal pollution, the elevation of pollution control level in the electroplating industry. As one of the proactive participants in wastewater treatment in the electroplating industry, the Group will tightly embrace the positive policies of our country, develop more Surface Treatment Recycling Eco-industrial Parks, accept more electroplating enterprises and realize the high degree of recycling and reuse of electroplating wastewater, so as to continue to increase revenue.

Qingshen Park and Huadong Park project

The construction of the first phase of the Group’s fourth Surface Treatment Recycling Eco-industrial Park in Qingshen, Sichuan Province (“**Qingshen Park**”), was commenced in June 2021. Expected to be completed in the third quarter of 2022 for the commencement of operation, the construction of the first phase consisted of 8 factory buildings and ancillary facilities. After the commencement of operation, Qingshen Park will increase the leasable area and enhance the capacity of electroplating wastewater treatment for the Group.

During the Period under Review, the first phase of the Group’s fifth Surface Treatment Recycling Eco-industrial Park in Taixing Economic Development Zone, Taixing, Jiangsu Province (“**Huadong Park**”), was commenced in April 2022. Expected to be completed in the third quarter of 2023 for the commencement of operation, the construction of the first phase consisted of 10 factory buildings and ancillary facilities. After the commencement of operation, Huadong Park will increase the leasable area and enhance the capacity of electroplating wastewater treatment for the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Improve the wastewater treatment capabilities of the surface treatment circular economy industrial parks

The planned daily maximum wastewater treatment capacity of Qingshen Park was 20,000 tonnes. Upon the completion of the first phase construction and commencement of operation of Qingshen Park in Sichuan Province in the third quarter of 2022, the Group's daily wastewater treatment capacity will increase by 5,000 tonnes.

During the Period under Review, the construction of Huadong Park was commenced. The planned daily maximum wastewater treatment capacity of the first phase of Huadong Park was 5,500 tonnes. Upon the expected completion of construction and commencement of operation in the third quarter of 2023, the Group's daily wastewater treatment capacity will increase by 5,500 tonnes.

The Group has submitted the application to the relevant government authorities to increase the daily maximum wastewater treatment capacity of Guangdong Huizhou Park from 10,000 tonnes to 15,000 tonnes. As at the date of this report, the Group's application is still under review by the local government authorities.

GFA available for leasing

To fully utilise the existing land resources available for increasing the gross floor area (the "GFA") available for leasing and to increase the number of tenants that can be accommodated in Guangdong Huizhou Park, the Group constructs additional factory buildings in Guangdong Huizhou Park in two phases. The constructions of the first phase of the project, involving the construction of four factory buildings with an aggregate GFA of approximately 48,000 sq.m., and two factory buildings of the second phase of the project with an aggregate GFA of approximately 32,500 sq.m., are completed and are leased out. The construction of the remaining two factory buildings of the second phase of the project with an aggregate GFA of approximately 32,500 sq.m. with budgeted cost of approximately RMB56.0 million was commenced in first quarter of 2021 and it was completed by the second quarter of 2022, which will further increase the Group's leaseable GFA.

The construction of the second phase of Jingzhou Park was commenced in the first quarter of 2021 which includes constructing six factory buildings with an aggregate GFA of 71,000 sq.m. with the budgeted cost of approximately RMB161.0 million and its estimated completion date will be by the third quarter of 2022. It is expected that this will further increase the Group's leaseable GFA.

The planned maximum leaseable GFA of Qingshen Park is 676,000 sq.m. The first phase construction of the factory building is expected to be completed in the third quarter of 2022. The completion of construction of the first phase factory building and its commencement of operation will increase the Group's leaseable GFA by 134,000 sq.m.

The first phase construction of the factory building of Huadong Park is expected to be completed in the third quarter of 2023. The completion of construction of the first phase factory building and its commencement of operation will increase the Group's leaseable GFA by 121,000 sq.m.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF OPERATION

The Group's business mainly involves the provision of factory premises and centralised wastewater treatment services to the tenants at the Guangdong Huizhou Park, the Tianjin Bingang Park and the Jingzhou Park. The Group's main business can be categorised into three business segments, namely, (1) rental and facilities usage; (2) wastewater treatment and utilities; and (3) sales of goods and ancillary business.

Revenue

During the Period under Review, the Group's revenue amounted to approximately RMB535.0 million, representing an increase of 23.5% over that in 2021, primarily due to the increase in revenue for each of the three business segments of the Group.

Revenue by segment	Six months ended 30 June								
	2022				2021				Total change %
	Guangdong	Tianjin	Jingzhou	Total	Guangdong	Tianjin	Jingzhou	Total	
	Huizhou Park	Bingang Park	Park		Huizhou Park	Bingang Park	Park		
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
Rental and facilities usage									
Rental of factory premises	38,279	17,614	2,350	58,243	32,107	14,147	1,082	47,336	23.0%
Property management fee	7,490	3,119	494	11,103	6,586	2,264	258	9,108	21.9%
Environmental protection technical service fee	88,624	42,668	3,134	134,426	62,830	39,010	1,323	103,163	30.3%
Sub-total	134,393	63,401	5,978	203,772	101,523	55,421	2,663	159,607	27.7%
Wastewater treatment and utilities									
Wastewater treatment fee	82,736	22,156	932	105,824	64,140	19,427	81	83,648	26.5%
Steam charge	40,405	19,231	579	60,215	30,868	18,442	54	49,364	22.0%
Utility systems maintenance fee	24,324	11,418	392	36,134	23,413	9,467	56	32,936	9.7%
Sub-total	147,465	52,805	1,903	202,173	118,421	47,336	191	165,948	21.8%
Sales of goods and ancillary business									
Sales of goods and raw materials	107,867	6,624	459	114,950	87,010	4,032	-	91,042	26.3%
Other income	11,338	2,504	216	14,058	14,036	1,916	476	16,428	-14.4%
Sub-total	119,205	9,128	675	129,008	101,046	5,948	476	107,470	20.0%
Total	401,063	125,334	8,556	534,953	320,990	108,705	3,330	433,025	23.5%

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue from rental and facilities usage service

The revenue from rental and facilities usage service increased by approximately RMB44.2 million or 27.7% from approximately RMB159.6 million for the six months ended 30 June 2021 to approximately RMB203.8 million for the Period under Review. The increase was primarily attributable to (i) increase in total average daily leased area; and (ii) increase in rental fee per unit and environmental protection technical service fee per unit for the renewal of contracts with customers.

Revenue from wastewater treatment and utilities

Income from this business segment comprises of wastewater treatment fee, steam charge and utility systems maintenance fee, which are chargeable on our tenants based on the actual volume of fresh water, steam and utility consumed, respectively.

(i) *Wastewater treatment fee*

Wastewater treatment fee increased by approximately RMB22.2 million or 26.5% from approximately RMB83.6 million for the six months ended 30 June 2021 to approximately RMB105.8 million for the Period under Review. The increase was primarily attributable to the combined effects of the increase in volume of fresh water used due to the increase in leased areas for the Period under Review and the increase in wastewater treatment fee per unit for the renewal of contracts with customers.

(ii) *Steam charge*

Steam charge increased by approximately RMB10.9 million or 22% from approximately RMB49.4 million for the six months ended 30 June 2021 to approximately RMB60.2 million for the Period under Review. The increase was primarily attributable to the combined effects of the increase in the volume of the steam consumed due to the increase in leased areas during the Period under Review and the temporary increase in steam charge per unit resulting from the increase in natural gas price.

(iii) *Utility systems maintenance fee*

The Group charges its tenants for using its electricity and water supply systems, based on their consumption volume of those utilities. During the Period under Review, over 99% of the utility systems maintenance fee was derived from utilisation of the electricity system.

The utility systems maintenance fee increased by approximately RMB3.2 million or 9.7% from approximately RMB32.9 million for the six months ended 30 June 2021 to approximately RMB36.1 million for the Period under Review. The increase was primarily attributable to the combined effects of the increase in volume of electricity consumed and water used due to the increase in leased areas during the Period under Review.

Revenue from sales of goods and ancillary business

Sales of goods and ancillary business is mainly comprised of sales of goods and raw materials which accounted for 89.1% (six months ended 30 June 2021: 84.7%) of this business segment.

Sales of goods and raw materials increased by approximately RMB23.9 million or 26.3% from approximately RMB91.0 million for the six months ended 30 June 2021 to approximately RMB115.0 million for the Period under Review. The increase was primarily attributable to the combined effects of (i) more orders from the tenants due to improved quality of chemicals and increased leased areas which has resulted in the increase in the number of tenants; and (ii) the increase in unit sale price of the raw materials during the Period under Review.

MANAGEMENT DISCUSSION AND ANALYSIS

Operating costs

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

Operating costs increased by approximately RMB70.8 million or 20.1% from approximately RMB352.0 million for the six months ended 30 June 2021 to approximately RMB422.8 million for the Period under Review. The increase in operating cost was primarily attributable to the combined effects of the increase in the Group's revenue and the increase in cost.

Depreciation and amortisation

The Group's depreciation and amortisation increased by approximately RMB9.1 million or 9.3% from approximately RMB97.4 million for the six months ended 30 June 2021 to approximately RMB106.6 million for the Period under Review, the increase was mainly attributable to the newly acquired and operated investment properties and property, plant and equipment for the Period under Review.

Cost of inventories

Cost of inventories mainly consisted of raw materials for wastewater treatment and natural gas for production of steam and goods for sale to the tenants.

Cost of inventories increased by approximately RMB41.4 million or 30.5% from approximately RMB135.5 million for the six months ended 30 June 2021 to approximately RMB176.9 million for the Period under Review, primarily attributable to (i) the increased costs by selling more goods to tenants; (ii) the increase in volume of wastewater treatment as a result of the increase in volume of fresh water used by the tenants; and (iii) the increase in unit cost of materials for wastewater treatment and natural gas for production of steam.

Staff costs

Staff costs comprised of staff's salaries, bonuses and other benefits as well as remuneration for the directors of the Company (the "Director(s)"). For the Period under Review, the staff costs amounted to approximately RMB61.1 million, an increase of 34.9% as compared with approximately RMB45.2 million for the six months ended 30 June 2021. The increase was mainly due to the combined effects of the increase in number of employees due to business development needs and the increase of remuneration during the Period under Review.

Utility costs

Utility costs mainly comprised of costs of electricity and water consumed throughout the wastewater treatment processes, production of steam and for other activities such as lighting and gardening inside the Surface Treatment Recycling Eco-industrial Park. Utility costs increased by approximately RMB3.1 million or 25.7%, from approximately RMB12.1 million for the six months ended 30 June 2021 to approximately RMB15.2 million for the Period under Review. The increase was mainly attributable to the increase in use of electricity and water due to the increase in volume of wastewater treatment resulting from the increase in leased areas.

MANAGEMENT DISCUSSION AND ANALYSIS

Other expenses

Other expenses primarily consisted of professional service fees, waste treatment expenses, other taxes and surcharges, security charges and others, as set out below:

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Professional service fees	6,312	4,360
Waste treatment expenses	12,059	13,863
Other taxes and surcharges	14,176	10,040
Security charges	3,866	4,399
Maintenance and consumables	5,675	7,168
Research and development	4,829	4,151
Consultancy service fee	2,397	3,602
Business entertainment fees	4,726	4,357
Cleaning expenses	2,154	2,250
Travelling expenses	1,136	951
Office expenses	1,069	1,302
Landscaping expenses	463	1,237
Advertising and promotion expenses	285	624
Insurance	182	234
Others	3,869	3,191
Total	63,198	61,729

Other expenses increased by approximately RMB1.5 million or 2.4%, from approximately RMB61.7 million for the six months ended 30 June 2021 to approximately RMB63.2 million for the Period under Review, primarily attributable to the combined effects of (i) the increase in other taxes and surcharges resulting from the increase in revenue and investment properties; (ii) the increase in professional service fees; and (iii) the decrease in waste treatment expenses resulting from the decrease in unit handling price during the Period under Review.

Other revenue

Other revenue primarily consisted of (i) bank interest income, (ii) government grants, and (iii) other income. Other revenue increased by approximately RMB5.8 million or 126.5%, from approximately RMB4.6 million for the six months ended 30 June 2021 to approximately RMB10.4 million for the Period under Review. Such increase was mainly due to the increase in government grants.

Profit from operations and operating profit margin

The Group's profit from operations increased by approximately RMB38.2 million or 45.0%, from approximately RMB84.9 million for the six months ended 30 June 2021 to approximately RMB123.1 million for the Period under Review, which mainly resulted from increase in revenue and government grants. The operating profit margin increased from 19.6% for the six months ended 30 June 2021 to 23.0% for the Period under Review, which mainly resulted from the increase in revenue and government grants.

MANAGEMENT DISCUSSION AND ANALYSIS

Finance costs

Finance costs primarily comprised of interest in bank loans and other borrowings. Finance costs increased by approximately RMB8.9 million or 22.0%, from approximately RMB40.5 million for the six months ended 30 June 2021 to approximately RMB49.4 million for the Period under Review. The increase in finance costs was attributable to the increase in balance of average bank loans and other borrowings.

Profit before taxation

The Group's profit before taxation increased by approximately RMB29.3 million from approximately RMB44.5 million for the six months ended 30 June 2021 to approximately RMB73.8 million for the Period under Review. The increase was primarily attributable to the factors as described above.

Income tax

Income tax increased by approximately RMB12.6 million from approximately RMB13.5 million for the six months ended 30 June 2021 to approximately RMB26.1 million for the Period under Review, which was primarily attributable to the increase in profit from Guangdong Huizhou Park's operations during the Period under Review.

Profit attributable to the equity shareholders of the Company

Profit attributable to the equity shareholders of the Company increased by approximately RMB15.8 million from approximately RMB36.9 million for the six months ended 30 June 2021 to approximately RMB52.6 million for the Period under Review, which was mainly attributable to the factors as described above.

Non-HKFRS Financial Measures

To supplement our consolidated financial statements which are presented in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), we also use adjusted earnings before finance costs, interest income, income tax, depreciation and amortisation (adjusted EBITDA) as an additional financial measure. We present the financial measure as it is used by our Directors to evaluate our operating performance. We also believe that the financial measure provide useful information in understanding and evaluating our consolidated results of operations. For further details, please refer to Note 3(b) of the Notes to the Unaudited Interim Financial Report on page 34 in this interim report.

LIQUIDITY AND FINANCIAL RESOURCES

The following table summarises the Group's consolidated statement of cash flows:

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Net cash generated from operating activities	249,818	192,791
Net cash used in investment activities	(435,158)	(392,809)
Net cash generated from financing activities	153,945	279,445
Net (decrease)/increase in cash and cash equivalents	(31,395)	79,427
Effect of foreign exchange rate changes	(308)	(16)

MANAGEMENT DISCUSSION AND ANALYSIS

For the Period under Review, the Group had a net cash generated from operating activities of approximately RMB249.8 million. Such amount was primarily derived from the profit before taxation of approximately RMB73.8 million generated during the Period under Review, which was primarily adjusted for:

- (i) depreciation and amortisation of approximately RMB106.6 million;
- (ii) finance costs of approximately RMB49.4 million, and was partially offset by interest expense capitalised into properties under development;
- (iii) decrease in inventories of approximately RMB2.1 million;
- (iv) increase in trade and other payables of approximately RMB28.6 million;
- (v) increase in government grants of approximately RMB16.1 million; and
- (vi) income tax paid of approximately RMB27.2 million.

During the Period under Review, the Group had a net cash used in investing activities of approximately RMB435.2 million, which was mainly attributable to payment for purchase of property, plant and equipment, investment property and lease prepayments of approximately RMB399.8 million and payment for deposits with a bank with original maturity date over three months of approximately RMB36.0 million.

During the Period under Review, the Group had a net cash generated from financing activities of approximately RMB153.9 million, which was mainly attributable to:

- (i) proceeds from bank loans and other borrowings of approximately RMB638.8 million;
- (ii) repayment of bank loans and other borrowings of approximately RMB405.7 million;
- (iii) payment of interest of approximately RMB60.7 million;
- (iv) capital injection from non-controlling interests of approximately RMB16.7 million; and
- (v) net payment for deposits of loans and other borrowings of approximately RMB28.0 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Bank loans and other borrowings and gearing ratio

During the Period under Review, the Group's cash and cash equivalents was mainly used in the development of plants and wastewater treatment facilities of the Guangdong Huizhou Park, Jingzhou Park, Qingshen Park and Huadong Park. The Group financed its funding requirements mainly through a combination of cash generated from operating activities and bank loans and other borrowings.

As at 30 June 2022, the total bank loans and other borrowings of approximately RMB1,897.5 million (31 December 2021: RMB1,664.0 million) of which 98.9% (31 December 2021: 100%) were denominated in RMB were due for repayment as follows:

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Within one year or on demand	551,166	574,883
After one year but within two years	386,771	274,034
After two years but within five years	654,090	617,638
After five years	305,497	197,476
Total	1,897,524	1,664,031

As at 30 June 2022, the Group's gearing ratio was approximately 145.9% (31 December 2021: 134.0%). The ratio was calculated based on the total debts (comprising all bank loans and other borrowings only) as of the respective dates divided by the total equity as of the respective dates and multiplied by 100%.

Net current liabilities and sufficiency of working capital

The table below sets out our current assets, current liabilities and net current liabilities as at 30 June 2022.

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Current assets	363,074	350,294
Current liabilities	1,091,861	1,109,042
Net current liabilities	(728,787)	(758,748)

As at 30 June 2022 and 31 December 2021, the total net current liabilities of the Group amounted to approximately RMB728.8 million and RMB758.7 million, respectively. In light of the Group's current liquidity position, the unutilised banking facilities available to the Group and our projected cash inflows to be generated from operations, the Directors believe that the Group has adequate resources for the Group's present capital requirements and for the next 12 months.

MANAGEMENT DISCUSSION AND ANALYSIS

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 the shareholders and benefits for other stakeholders of the Company, 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 level 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-equity ratio (net debt divided by total equity). For this purpose, net debt is defined as the remaining balance of bank loans, other borrowings and lease liabilities less cash and cash equivalents, restricted deposits with a bank and deposits with a bank with original maturity date over three months.

The Group's adjusted net debt-to-equity ratio was as follows:

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Current liabilities:		
Bank loans and other borrowings	551,166	574,883
Lease liabilities	474	508
	551,640	575,391
Non-current liabilities:		
Bank loans and other borrowings	1,346,358	1,089,148
Lease liabilities	–	175
	1,897,998	1,664,714
Less: Cash and cash equivalents	(80,459)	(112,162)
Less: Restricted deposits with a bank	(3,140)	(3,140)
Less: Deposits with a bank with maturity date over three months	(36,000)	–
Net debt	1,778,399	1,549,412
Total equity	1,300,685	1,241,635
Adjusted net debt-to-equity ratio	1.37	1.25

MANAGEMENT DISCUSSION AND ANALYSIS

Capital Expenditure

During the Period under Review, the Group funded its capital expenditure with cash generated from operating activities and bank loans. For the six months ended 30 June 2022, the Group's capital expenditure amounted to approximately RMB393.6 million (for the six months ended 30 June 2021: RMB263.5 million), mainly attributable to the expenses on acquisition of investment property, property, plant and equipment, right-of-use assets and other intangible assets.

Pledged assets

As at 30 June 2022, the Group had certain property, plant and equipment and investment property with carrying value of approximately RMB712.3 million and approximately RMB876.4 million, respectively (31 December 2021: approximately RMB725.2 million and approximately RMB873.0 million, respectively); land-use rights with net book value of approximately RMB289.1 million (31 December 2021: approximately RMB291.7 million); construction in progress with carrying value of approximately RMB138.5 million (31 December 2021: nil); loan deposits with carrying value of RMB26.0 million (31 December 2021: nil); and deposits for other borrowings with carrying value of RMB2.0 million (31 December 2021: nil), which were pledged as collateral security for bank loans and other borrowings with carrying value of approximately RMB1,897.1 million (31 December 2021: approximately RMB1,664.0 million).

Please refer to note 17(iii) of the Notes to the Unaudited Interim Financial Report of this report for particulars of guarantees made by the connected persons of the Company in favour of the Group for securing the Group's liabilities. Such guarantees are conducted on normal commercial terms or better and are not secured by the assets of the Group.

CAPITAL COMMITMENTS

As at 30 June 2022, the Group's total capital expenditure which have been contracted for but not incurred were approximately RMB540.0 million (31 December 2021: RMB343.7 million) for the development of the warehouse and ancillary facilities of Guangdong Huizhou Park, the development of factory premises and wastewater treatment facilities of the Jingzhou Park and Qingshen Park and the development of the factory premises of Huadong Park and other equipment. These capital expenditures were mainly financed by internal resources and bank loans and other borrowings.

Contingent liabilities

In 2021, an external third party (the "**Plaintiff**") launched a lawsuit against a subsidiary of the Company (the "**Defendant**") in respect of an alleged infringement of a trademark. The Plaintiff claimed for damages for a total sum up to RMB10.0 million from the Defendant. On 16 August 2021, pursuant to an order of the court, a bank deposit of approximately RMB3.1 million was frozen. As at 30 June 2022 and up to the date of this interim report, such lawsuit remained unsettled. According to the opinion from the Defendant's legal counsel, the Directors believe it is probable that the court will not rule against the Defendant. No provision has therefore been made in respect of this claim.

Save as disclosed above, the Group did not have any material contingent liabilities as at 30 June 2022 (30 June 2021: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FOREIGN EXCHANGE RISK

Individual companies within the Group have 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. However, as the principal subsidiaries mainly carried out transactions in RMB, therefore any appreciation or depreciation of Hong Kong dollar against RMB will affect the Group's financial position and be reflected in the exchange reserve.

During the Period under Review, the Group did not use any financial derivatives to hedge against any foreign exchange risks.

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 2022, the Group's exposure to credit risk arising from cash and cash equivalents and deposits with a bank with original maturity date over three months is limited because its counterparties are banks and financial institutions with high credit quality.

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 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.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL

On 18 March 2022, Taizhou Jincheng Environmental Protection Technology Co., Ltd., an indirect non-wholly owned subsidiary of the Company, entered into (i) the Plant Construction Agreement A with Guangdong Jinjunda Construction Engineering Co., Ltd.; and (ii) the Plant Construction Agreement B with Taixing Xinxing Construction Engineering Co., Ltd. ("**Taixing Xinxing**"), both for the provision of construction services for factory buildings in Taixing Economic Development Zone at a consideration of approximately RMB150.4 million and approximately RMB77.1 million respectively. For further details, please refer to the announcement of the Company dated 18 March 2022.

On 8 April 2022, Jiangsu Jinmao Chengxing Environmental Protection Technology Co., Ltd., an indirect non-wholly owned subsidiary of the Company, entered into the Wastewater Plant Construction Agreement with Taixing Xinxing for the provision of construction services for an electroplating wastewater treatment plant in Taixing Economic Development Zone at a consideration of approximately RMB74.7 million. For further details, please refer to the announcement of the Company dated 8 April 2022.

Save as disclosed above, there was no other significant investment, material acquisition and disposal of subsidiaries, associates and joint ventures during the Period under Review.

MANAGEMENT DISCUSSION AND ANALYSIS

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES

During the Period under Review, the Company repurchased in total 2,918,000 ordinary shares of the Company (the “**Shares**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) at the aggregate consideration of approximately HK\$2.9 million (equivalent to approximately RMB2.5 million). The Company believes that such repurchase can increase the net asset value per share and/or earnings per share, which is the best way to enhance shareholders’ value and is in the best interests of shareholders of the Company.

The details of the above-mentioned repurchase are as follows:

Date of repurchase	Number of repurchased shares (share(s))	Highest price per share (HK\$)	Lowest price per share (HK\$)	Total consideration (HK\$)
20 January 2022	50,000	1.04	1.00	50,720
12 April 2022	10,000	0.90	0.84	8,500
22 April 2022	220,000	0.94	0.90	199,800
26 April 2022	10,000	0.93	0.85	8,720
28 April 2022	500,000	0.96	0.92	471,640
5 May 2022	100,000	0.98	0.95	96,460
10 May 2022	382,000	0.99	0.97	377,000
24 May 2022	262,000	0.99	0.95	258,300
26 May 2022	406,000	0.99	0.99	401,940
14 June 2022	978,000	1.02	0.99	997,220

On 20 May 2022, the Company cancelled 1,412,000 repurchased shares. As at 30 June 2022, 1,646,000 repurchased shares have not been cancelled. The Company will cancel them as soon as reasonably practicable.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities for the Period under Review.

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2022, the Group had 833 full-time employees (30 June 2021: 687 full-time employees) responsible for management, operation, property management, procurement, testing, maintenance, customer services, research and development, finance and administrative matters. The employee costs (including the Directors’ remuneration) were approximately RMB61.1 million for the Period under Review, which was an increase of approximately 34.9% as compared with approximately RMB45.2 million for the six months ended 30 June 2021. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group has also established various welfare plans including the provision of basic medical insurance, unemployment insurance and other relevant insurance to its employees pursuant to the PRC rules and regulations and the existing policy requirements of the local government. The Group has also made contributions to statutory mandatory provident fund scheme for 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 (the "**Share Option Scheme**") for the purpose of providing incentives and rewards to eligible directors and employees of the Group. During the period from the date of adoption of the Share Option Scheme and up to the date of this report, no share option under the Share Option Scheme was granted.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this report and so far as the Group is aware after having made reasonable enquiries, there were no other significant events affecting the Group which have occurred since 30 June 2022 and up to the date of this report.

INTERIM DIVIDEND

The Board does not recommend payment of an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: nil).

CORPORATE GOVERNANCE AND OTHER INFORMATION

DIRECTOR'S AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2022, the interests and short positions of the Directors and 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 Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO"), which had been 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 in which they were taken or deemed to have under such provisions of the SFO), or as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Name of Director/Chief Executive	Capacity/Nature of interest	Number of Shares or underlying Shares held ⁽¹⁾	Approximate percentage of shareholding interest in the Company
Mr. Zhang Lianghong ("Mr. Zhang")	Interest in a controlled corporation ⁽²⁾	493,270,000	44.10%
Mr. Lee Yuk Kong ("Mr. Lee")	Interest in a controlled corporation ⁽³⁾	239,400,000	21.40%
Mr. Huang Shaobo ("Mr. Huang")	Interest in a controlled corporation ⁽⁴⁾	27,530,000	2.46%

(1) All interests stated are long positions.

(2) Such Shares were registered in the name of Flourish Investment International Limited, a company wholly owned by Mr. Zhang. By virtue of Part XV of the SFO, Mr. Zhang is deemed to be interested in all the Shares held by Flourish Investment International Limited.

(3) Such Shares were registered in the name of Premier Investment Worldwide Company Limited, a company wholly owned by Mr. Lee (resigned as a Director with effect from 26 July 2022). By virtue of Part XV of the SFO, Mr. Lee is deemed to be interested in all the Shares held by Premier Investment Worldwide Company Limited.

(4) Such Shares were registered in the name of Dakson Assets Management Limited, a company wholly owned by Mr. Huang. By virtue of Part XV of the SFO, Mr. Huang is deemed to be interested in all the Shares held by Dakson Assets Management Limited.

Save as disclosed above, as at 30 June 2022, none of the Directors and/or chief executive of the Company nor their associates had or was deemed to have any interests or short positions in the shares, underlying shares or 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 each of them has taken or deemed to have taken under the SFO), or which would be required, pursuant to section 352 of the SFO, to be entered in the register required to be kept therein or which would be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Period under Review was the Company or its holding company, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors or the chief executives of the Company or their associates to acquire benefits by means of acquisitions of shares in, or debentures of, the Company or any other body corporate.

CORPORATE GOVERNANCE AND OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2022, to the best knowledge of the Directors and the senior management of the Company, the table below listed out the persons (other than the Directors or chief executives of the Company), who had interests in the Shares and underlying shares of the Company which would fall to be disclosed to the Company pursuant to provision of Division 2 and 3 of Part XV of the SFO, or as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

Name of shareholder	Capacity/Nature of interest	Number of Shares or underlying Shares held ⁽¹⁾	Approximate percentage of shareholding interest in the Company
Flourish Investment International Limited ⁽²⁾	Beneficial Owner	493,270,000	44.10%
Premier Investment Worldwide Company Limited ⁽³⁾	Beneficial Owner	239,400,000	21.40%

Notes:

- (1) All interests stated are long positions.
- (2) Flourish Investment International Limited is a company wholly owned by Mr. Zhang, an executive Director and the chairman of the Board.
- (3) Premier Investment Worldwide Company Limited is a company wholly owned by Mr. Lee, an executive Director (resigned as a Director with effect from 26 July 2022).

Save as disclosed above, as at 30 June 2022, the Directors and the senior management of the Company are not aware of any other person who had or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would require to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

SHARE OPTION SCHEME

The Company adopted the Share Option Scheme on 18 June 2019. The purpose of the Share Option Scheme is to recognise and acknowledge the contributions that the eligible participants had or may have made to our Group. Further details of the rules of the Share Option Scheme are set out in the section headed "Statutory and General Information — D. Other Information — 2. Share Option Scheme" in Appendix V to the prospectus of the Company dated 29 June 2019.

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 30 June 2022.

CORPORATE GOVERNANCE PRACTICES

The Company recognises the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of its shareholders as a whole. The Company has adopted and committed to a code of corporate governance, containing the code provisions set out in the Corporate Governance Code (the "Corporate Governance Code") contained in Appendix 14 to the Listing Rules. The Company has complied, to the extent applicable and permissible, with the code provisions as set out in the Corporate Governance Code during the Period under Review and the Directors will use their best endeavours to procure the Company to comply with such code and make disclosure of deviation from such code in accordance with the Listing Rules.

CORPORATE GOVERNANCE AND OTHER INFORMATION

COMPLIANCE WITH THE MODEL CODE BY DIRECTORS

The Company has adopted the Model Code as its code of conduct regarding its Directors' securities transactions. The Directors are reminded of their obligations under the Model Code on a regular basis. Following specific enquiry, all Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the Period under Review.

UPDATE ON DIRECTORS' INFORMATION AND CHANGE IN DIRECTORS

Since the date of the 2021 annual report of the Company and as at the date of this report, changes to the Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

Mr. Lee Yuk Kong resigned as executive Director with effect from 26 July 2022 and Mr. Lee Kin Ming has been appointed as executive Director with effect from 26 July 2022. For details, please refer to the announcement of the Company dated 26 July 2022.

AUDIT COMMITTEE

The Board established the audit committee (the "**Audit Committee**") on 18 June 2019 which comprises three independent non-executive Directors, namely Mr. Li Yinquan, Mr. Kan Chung Nin, Tony *SBS, JP* and Mr. Li Xiaoyan. Mr. Li Yinquan is the chairman of the Audit Committee. None of them is a member of the former or existing auditors of the Company. Details of the terms of reference of the Audit Committee are set out on the Company's website and the website of the Stock Exchange. The primary duties of the Audit Committee are to review and supervise the Group's financial report process and internal control and risk management systems, and to formulate or review policies relating to anti-bribery compliances by ensuring regular management review of relevant corporate governance measures and its implementation and to communicate with external auditors on the audit procedures and accounting issues. The Audit Committee has reviewed the unaudited condensed consolidated interim financial information of the Group for the Period under Review, which has also been reviewed by the Company's external auditor, KPMG Certified Public Accountants, 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 Hong Kong Institute of Certified Public Accountants.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float during the Period under Review as required under the Listing Rules.

APPRECIATION

The Company would like to take this opportunity to thank all of its valued shareholders and various stakeholders for their continuous support. Also, the Company would like to express its appreciation to all the staff for their efforts and commitments to the Group.

On behalf of the Board

Zhang Lianghong

Chairman

29 August 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2022 — unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2022 RMB'000	2021 RMB'000
Revenue	3	534,953	433,025
Other revenue	5	10,411	4,597
Depreciation and amortisation	6(c)	(106,550)	(97,448)
Cost of inventories	6(c)	(176,860)	(135,500)
Staff costs	6(b)	(61,051)	(45,244)
Utility costs	6(c)	(15,186)	(12,084)
Other expenses		(63,198)	(61,729)
Other net income/(loss)		628	(697)
Profit from operations		123,147	84,920
Finance costs	6(a)	(49,381)	(40,462)
Profit before taxation	6	73,766	44,458
Income tax	7	(26,093)	(13,463)
Profit for the period		47,673	30,995
Attributable to:			
Equity shareholders of the Company		52,632	36,857
Non-controlling interests		(4,959)	(5,862)
Profit for the period		47,673	30,995
Earnings per share (RMB)			
Basic and diluted	8	0.05	0.03

The notes on pages 31 to 48 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 2022 — unaudited
(Expressed in Renminbi)

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Profit for the period	47,673	30,995
Other comprehensive income for the period		
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	(644)	(18)
Total comprehensive income for the period	47,029	30,977
Attributable to:		
Equity shareholders of the Company	51,988	36,839
Non-controlling interests	(4,959)	(5,862)
Total comprehensive income for the period	47,029	30,977

The notes on pages 31 to 48 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2022 — unaudited
(Expressed in Renminbi)

	<i>Note</i>	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Non-current assets			
Property, plant and equipment	9	1,419,828	1,451,658
Investment property	10	964,696	916,242
Construction in progress	11	646,719	376,581
Right-of-use assets	12	357,701	358,493
Intangible assets		2,518	2,721
Interest in an associate		200	–
Other receivables	13	43,474	21,553
Deferred tax assets		44,595	52,278
Other financial assets		5,913	5,626
Total non-current assets		3,485,644	3,185,152
Current assets			
Inventories		15,902	18,018
Trade and other receivables	13	227,573	216,974
Restricted deposits with a bank		3,140	3,140
Deposits with a bank with original maturity date over three months	14	36,000	–
Cash and cash equivalents	15	80,459	112,162
Total current assets		363,074	350,294

The notes on pages 31 to 48 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2022 — unaudited
(Expressed in Renminbi)

	Note	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Current liabilities			
Trade and other payables	16	508,605	496,501
Contract liabilities		13,501	11,992
Bank loans and other borrowings	17	551,166	574,883
Current taxation		18,115	25,158
Lease liabilities		474	508
Total current liabilities		1,091,861	1,109,042
Net current liabilities		(728,787)	(758,748)
Non-current liabilities			
Bank loans and other borrowings	17	1,346,358	1,089,148
Deferred income		104,763	88,695
Deferred tax liabilities		5,051	6,751
Lease liabilities		–	175
Total non-current liabilities		1,456,172	1,184,769
NET ASSETS		1,300,685	1,241,635
CAPITAL AND RESERVES			
Share capital		98,256	98,377
Reserves		989,275	940,399
Total equity attributable to equity shareholders		1,087,531	1,038,776
Non-controlling interests		213,154	202,859
TOTAL EQUITY		1,300,685	1,241,635

The notes on pages 31 to 48 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2022 — unaudited
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company									
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Shares repurchased for cancellation RMB'000	Statutory reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2021	98,377	595,124	19,809	–	48,254	4,459	216,642	982,665	182,620	1,165,285
Changes in equity for the six months ended 30 June 2021:										
Profit for the period	–	–	–	–	–	–	36,857	36,857	(5,862)	30,995
Other comprehensive income	–	–	–	–	–	(18)	–	(18)	–	(18)
Total comprehensive income	–	–	–	–	–	(18)	36,857	36,839	(5,862)	30,977
Contributions from non-controlling interests	–	–	–	–	–	–	–	–	2,740	2,740
Balance at 30 June 2021 and 1 July 2021	98,377	595,124	19,809	–	48,254	4,441	253,499	1,019,504	179,498	1,199,002
Changes in equity for the six months ended 31 December 2021:										
Profit for the period	–	–	–	–	–	–	19,058	19,058	(2,289)	16,769
Other comprehensive income	–	–	–	–	–	318	–	318	–	318
Total comprehensive income	–	–	–	–	–	318	19,058	19,376	(2,289)	17,087
Purchase of own shares	–	–	–	(104)	–	–	–	(104)	–	(104)
Contributions from non-controlling interests	–	–	–	–	–	–	–	–	25,650	25,650
Transfer to statutory reserve	–	–	–	–	36,876	–	(36,876)	–	–	–
Balance at 31 December 2021	98,377	595,124	19,809	(104)	85,130	4,759	235,681	1,038,776	202,859	1,241,635

The notes on pages 31 to 48 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2022 — unaudited
(Expressed in Renminbi)

	Note	Attributable to equity shareholders of the Company									Total equity RMB'000
		Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Shares	Statutory reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	
					repurchased for cancellation RMB'000						
Balance at 1 January 2022		98,377	595,124	19,809	(104)	85,130	4,759	235,681	1,038,776	202,859	1,241,635
Changes in equity for the six months ended 30 June 2022:											
Profit for the period		-	-	-	-	-	-	52,632	52,632	(4,959)	47,673
Other comprehensive income		-	-	-	-	-	(644)	-	(644)	-	(644)
Total comprehensive income		-	-	-	-	-	(644)	52,632	51,988	(4,959)	47,029
Purchase of own shares	18(b)	-	-	-	(2,464)	-	-	-	(2,464)	-	(2,464)
Cancellation of shares	18(b)	(121)	(1,030)	-	1,151	-	-	-	-	-	-
Acquisition of non-controlling interests	18(c)	-	-	-	-	-	-	(769)	(769)	(1,481)	(2,250)
Contributions from non-controlling interests		-	-	-	-	-	-	-	-	16,735	16,735
Balance at 30 June 2022		98,256	594,094	19,809	(1,417)	85,130	4,115	287,544	1,087,531	213,154	1,300,685

The notes on pages 31 to 48 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2022 — unaudited
(Expressed in Renminbi)

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Operating activities		
Cash generated from operations	276,971	208,323
Income tax paid	(27,153)	(15,532)
Net cash generated from operating activities	249,818	192,791
Investing activities		
Payment for purchase of property, plant and equipment, investment property and lease prepayments	(399,836)	(392,813)
Payment for purchase of intangible assets	(100)	–
Proceeds from disposal of property, plant and equipment	978	4
Payment for interest in an associate	(200)	–
Payment for deposits with a bank with original maturity date over three months	(36,000)	–
Advance to a third party	(20,000)	–
Repayment from a third party	20,000	–
Net cash used in investing activities	(435,158)	(392,809)

The notes on pages 31 to 48 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2022 — unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2022 RMB'000	2021 RMB'000
Financing activities			
Proceeds from bank loans and other borrowings		638,842	523,964
Repayment of bank loans and other borrowings		(405,703)	(198,756)
Interest paid		(60,741)	(48,068)
Capital injection from non-controlling interests		16,735	2,740
Payment for purchase of own shares		(2,464)	–
Advance from a related party	22(b)	8,516	–
Repayment to related parties		(10,766)	–
Payments for acquisition of non-controlling interests		(2,250)	–
Payment of loan deposits		(44,874)	–
Repayment of loan deposits		18,874	–
Payment for deposits of other borrowings		(2,000)	–
Lease payments		(224)	(435)
Net cash generated from financing activities		153,945	279,445
Net (decrease)/increase in cash and cash equivalents		(31,395)	79,427
Cash and cash equivalents at the beginning of the period		112,162	72,773
Effect of foreign exchange rate changes		(308)	(16)
Cash and cash equivalents at the end of the period	15	80,459	152,184

The notes on pages 31 to 48 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 29 August 2022.

The interim financial report comprises the Kimou Environmental Holding Limited (the “**Company**”) and its subsidiaries (together referred to as the “**Group**”).

At 30 June 2022, the Group’s current liabilities exceeded its current assets by RMB728,787,000 (31 December 2021: RMB758,748,000). 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 facilities and other financing sources to finance its continuing operations and its planned and/or committed capital expenditure 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.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 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 2021 annual financial statements. 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 Hong Kong Financial Reporting Standards (“**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 pages 49 to 50.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(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:

- Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract*

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 identified three 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: this segment operates electroplating wastewater treatment plants and provides services of utilities.
- Sales of goods and ancillary business: this segment includes sales of goods and raw materials and provision of other related environmental services to customers.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING *(Continued)*

(a) Disaggregation of revenue

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

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major service lines		
— Facilities usage and management service	145,529	112,271
— Wastewater treatment and utilities	202,173	165,948
— Sales of goods and ancillary business	129,008	107,470
	476,710	385,689
Revenue from other sources		
Gross rentals from investment properties	58,243	47,336
	534,953	433,025

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets is disclosed in notes 3(b) and 3(d).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING *(Continued)*

(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		Sales of goods and ancillary business		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Disaggregated by timing of revenue recognition								
Point in time	–	–	202,173	165,948	129,008	107,470	331,181	273,418
Over time	203,772	159,607	–	–	–	–	203,772	159,607
Revenue from external customers	203,772	159,607	202,173	165,948	129,008	107,470	534,953	433,025
Inter-segment revenue	1,776	1,216	–	–	8,510	9,057	10,286	10,273
Reportable segment revenue	205,548	160,823	202,173	165,948	137,518	116,527	545,239	443,298
Reportable segment profit (adjusted EBITDA)	169,614	121,908	68,580	55,293	6,734	12,985	244,928	190,186
Depreciation and amortisation	(94,730)	(87,614)	(10,957)	(9,078)	(863)	(756)	(106,550)	(97,448)

The measure used for reporting segment profit is "adjusted EBITDA" i.e. "adjusted earnings before finance costs, interest income, income tax, 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

(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	
	2022 RMB'000	2021 RMB'000
Reportable segment profit derived from the Group's external customers	244,928	190,186
Depreciation and amortisation	(106,550)	(97,448)
Finance costs	(49,381)	(40,462)
Interest income	391	371
Unallocated head office and corporate expenses	(15,622)	(8,189)
Consolidated profit before taxation	73,766	44,458

(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 sales of goods and ancillary business of the Group is subject to seasonal factors. Demand for wastewater treatment and utilities and sales of goods and ancillary services is usually less in 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 2022, the Group reported revenue of RMB1,029,678,000 (twelve months ended 30 June 2021: RMB839,540,000).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

5 OTHER REVENUE

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Interest income	391	371
Government grants		
— Unconditional subsidies	5,188	515
— Conditional subsidies	4,441	3,457
Other income	391	254
	10,411	4,597

Government grants represent various forms of incentives and subsidies granted to the Group by the local government authorities in the PRC.

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Interest on bank loans and other borrowings	60,558	48,091
Interest on lease liabilities	15	36
Less: interest expense capitalised into properties under development	(11,192)	(7,665)
	49,381	40,462

The borrowing costs have been capitalised at rate of 6.05% to 6.55% during the six months ended 30 June 2022 (six months ended 30 June 2021: 6.88%).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

6 PROFIT BEFORE TAXATION *(Continued)*

(b) Staff costs (including directors' emoluments)

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Salaries, wages and other benefits	55,836	41,378
Retirement scheme contributions	5,215	3,866
	61,051	45,244

The Group has no other material obligations for payments of pension benefits beyond the contributions above.

(c) Other items

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Depreciation and amortisation		
— Property, plant and equipment	73,391	67,133
— Investment property	28,460	26,304
— Right-of-use assets	4,397	3,697
— Intangible assets	302	314
	106,550	97,448
Cost of inventories (i)		
— Cost of inventory-sold	107,036	86,595
— Cost of inventory-consumption	69,824	48,905
	176,860	135,500
Utility costs	15,186	12,084
Research and development expenses	4,829	4,151

(i) Cost of inventories mainly represented goods sold to customers and raw materials consumed during the provision of electroplating wastewater treatment services.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

7 INCOME TAX

Taxation in the consolidated statement of profit or loss represents:

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Current tax — PRC income tax		
Provision for the period	20,110	16,070
Deferred tax		
Origination and reversal of temporary differences	5,983	(2,607)
	26,093	13,463

- (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.
- (ii) For the six months ended 30 June 2022, subsidiaries in Hong Kong did not have any assessable profits (six months ended 30 June 2021: nil).
- (iii) The statutory income tax rate for the PRC subsidiaries is 25%, unless otherwise specified below (six months ended 30 June 2021: 25%):

Huizhou Jinmaoyuan Environmental Technology Co., Ltd. (“**Huizhou Jinmaoyuan**”) was approved as a High and New Technology Enterprise in November 2021, which entitled it to the preferential income tax rate of 15% from November 2021 to November 2024.

Tianjin Bingang Electroplating Enterprises Management Co., Ltd. (“**Tianjin Bingang**”) was approved as a High and New Technology Enterprise in November 2019, which entitled it to the preferential income tax rate of 15% from November 2019 to November 2022.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

8 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB52,632,000 (six months ended 30 June 2021: RMB36,857,000) and the weighted average number of 1,119,174,000 ordinary shares (six months ended 30 June 2021: 1,120,000,000 shares) in issue during the interim period.

(b) Diluted earnings per share

During the six months ended 30 June 2022 and 2021, there were no dilutive potential ordinary shares issued. Therefore, diluted earnings per share were the same as the basic earnings per share.

9 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group acquired items of property, plant and equipment with a cost of RMB42,862,000 (six months ended 30 June 2021: RMB324,884,000).

Certain property, plant and equipment with carrying value of RMB712,325,000 were pledged to secure the Group's bank loans and other borrowings (note 17(ii)) as at 30 June 2022 (31 December 2021: RMB725,153,000).

10 INVESTMENT PROPERTY

During the six months ended 30 June 2022, additions to investment property of RMB77,594,000 (six months ended 30 June 2021: RMB90,734,000) mainly represented properties in the industrial parks.

The Group's investment property are stated at cost less accumulated depreciation.

As at 30 June 2022, the fair value of the Group's investment property was approximately RMB1,917,050,000 (31 December 2021: RMB1,804,020,000). 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 existing lease period, and the sum of average unit market rent at the capitalisation rate after the existing lease period, by an independent qualified professional valuer.

Certain investment property with carrying value of RMB876,356,000 were pledged to secure the Group's bank loans (note 17(ii)) as at 30 June 2022 (31 December 2021: RMB873,009,000).

11 CONSTRUCTION IN PROGRESS

During the six months ended 30 June 2022, additions to construction in progress of RMB385,796,000 (six months ended 30 June 2021: RMB210,569,000) mainly represented properties and facilities under construction in the industrial parks.

Certain construction in progress with carrying value of RMB138,490,000 were pledged to secure the Group's bank loans (note 17(ii)) as at 30 June 2022 (31 December 2021: nil).

12 RIGHT-OF-USE ASSETS

Certain land-use rights with carrying value of RMB289,057,000 were pledged to secure the Group's bank loans and other borrowings (note 17(ii)) as at 30 June 2022 (31 December 2021: RMB291,649,000).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

13 TRADE AND OTHER RECEIVABLES

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 2022 RMB'000	At 31 December 2021 RMB'000
Current		
Within 1 month	104,506	102,172
1 to 3 months	13,733	10,422
4 to 6 months	3,854	2,422
Over 6 months	2,366	2,236
Trade debtors net of allowance for doubtful debts	124,459	117,252
Deductible input value-added tax	62,398	91,355
Prepayments and other receivables	12,113	7,549
Loan deposits (i)	26,000	–
Amounts due from related parties (note 22(c))	2,603	818
	227,573	216,974
Non-current		
Prepayments for purchase of property, plant and equipment	13,769	1,277
Deposits for acquisition of land-use rights and constructions	27,705	20,276
Deposits for other borrowings	2,000	–
	43,474	21,553
Total	271,047	238,527

(i) It represents the payment to a bank as deposits for certain bank loans. In July 2022, the amount of RMB26,000,000 was fully repaid by the bank.

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.

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

14 DEPOSITS WITH A BANK WITH ORIGINAL MATURITY DATE OVER THREE MONTHS

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Deposits with a bank with original maturity date over three months	36,000	–

As at 30 June 2022, the deposit have been pledged as securities for bank loans (note 17(ii)).

15 CASH AND CASH EQUIVALENTS

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Cash on hand	95	188
Cash at bank	79,508	110,434
Other cash and cash equivalents	856	1,540
	80,459	112,162

As at 30 June 2022, cash and cash equivalents placed with banks in Mainland China amounted to RMB70,036,000 (31 December 2021: RMB108,446,000). 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

(Expressed in Renminbi unless otherwise indicated)

16 TRADE AND OTHER PAYABLES

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 2022 RMB'000	At 31 December 2021 RMB'000
Within 1 month	64,795	55,668
1 to 3 months	16,443	12,830
4 to 6 months	1,253	294
Over 6 months	347	350
Trade creditors	82,838	69,142
Deposits due to customers	192,413	184,897
Payables for equipment and construction	201,685	202,124
Interest payable	3,185	3,368
Payroll payable	15,591	21,674
Amounts due to related parties (note 22(c))	983	3,235
Other payables to third parties	11,910	12,061
Total	508,605	496,501

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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

17 BANK LOANS AND OTHER BORROWINGS

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Secured bank loans	1,854,694	1,633,278
Unsecured bank loans	458	–
Secured other borrowings	42,372	30,753
Total	1,897,524	1,664,031

As at 30 June 2022, the bank loans and other borrowings were repayable as follows:

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Within 1 year or on demand	551,166	574,883
After 1 year but within 2 years	386,771	274,034
After 2 years but within 5 years	654,090	617,638
After 5 years	305,497	197,476
Sub-total	1,346,358	1,089,148
Total	1,897,524	1,664,031

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

17 BANK LOANS AND OTHER BORROWINGS *(Continued)*

- (i) As at 30 June 2022, bank loans amounted to RMB1,372,049,000 (31 December 2021: RMB1,286,288,000) were floating-interest rate loans with interest rates ranged from 4.12% to 6.86% (31 December 2021: 5.22% to 6.86%). Bank loans and other borrowings amounted to RMB525,475,000 (31 December 2021: RMB377,743,000) were fixed-interest rate borrowings with interest rates ranged from 4.90% to 8.00% (31 December 2021: 5.80% to 6.65%).
- (ii) Secured bank loans and other borrowings as at 30 June 2022 and 31 December 2021 were secured by certain of the Group's charge rights of rental income and property, plant and equipment (note 9), investment property (note 10), construction in progress (note 11), right-of-use assets (note 12), deposits with a bank with original maturity date over three months (note 14), loan deposits (note 13) and deposits for other borrowings (note 13).
- (iii) As at 30 June 2022, bank loans amounted to RMB961,197,000 (31 December 2021: RMB1,464,541,000) were guaranteed by Mr. Zhang Lianghong, Mr. Zhang Haiming, Mr. Lee Yuk Kong and Mr. Huang Shaobo, each an ultimate individual shareholder of the Company.

As at 30 June 2022, bank loans and other borrowings amounted to RMB79,292,000 (31 December 2021: RMB55,000,000) were guaranteed by Mr. Zhang Lianghong and Tianjin Wanheshun Technology Co., Group Ltd. ("**Tianjin Wanheshun**"), which holds 49% of equity interest of Tianjin Bingang.

As at 30 June 2022, bank loans amounted to RMB20,000,000 (31 December 2021: nil) were guaranteed by Mr. Zhang Lianghong, Mr. Zhang Haiming, Mr. Lee Yuk Kong, Mr. Huang Shaobo and Tianjin Wanheshun.

- (iv) Bank loans and other borrowings amounted to RMB1,897,066,000 as at 30 June 2022 (31 December 2021: RMB1,664,031,000) 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 2022, none of the covenants relating to drawn down facilities had been breached.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

18 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividend

No dividends have been declared or paid by the Company for the six months ended 30 June 2022 (six months ended 30 June 2021: nil).

(b) Purchase of own shares

During the interim period, the Company repurchased its own shares on The Stock Exchange of Hong Kong Limited as follows:

Month/year	Number of shares repurchased	Highest price paid per share	Lowest price paid per share	Aggregate price paid	RMB equivalent
		HK\$	HK\$		HK\$
January 2022	50,000	1.04	1.00	51,000	44,000
April 2022	740,000	0.96	0.84	689,000	591,000
May 2022	1,150,000	0.99	0.95	1,133,000	973,000
June 2022	978,000	1.02	0.99	997,000	856,000
				2,870,000	2,464,000

During the six-month period ended 30 June 2022, the Company repurchased 2,918,000 shares in total, representing 0.26% of the total shares of the Company, on the Stock Exchange for an aggregate price of HK\$2,870,000 (equivalent approximately to RMB2,464,000). As at 30 June 2022, the Company has cancelled all shares repurchased in 2021.

(c) Acquisition of non-controlling interests

During the six-month period ended 30 June 2022, the Group acquired non-controlling interests in a subsidiary at a consideration of RMB2,250,000, subsequent to which the Group held 100% equity interest in the subsidiary.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(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 2022 RMB'000	Fair value measurements as at 30 June 2022 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement				
Other financial assets:				
Unlisted equity securities	5,913	–	5,913	–

	Fair value at 31 December 2021 RMB'000	Fair value measurements as at 31 December 2021 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement				
Other financial assets:				
Unlisted equity securities	5,626	–	5,626	–

As at 30 June 2022 and 31 December 2021, the fair value of unlisted equity instruments in level 2 is determined by the directors of the Company with reference to the valuation performed, using the price/net assets ratios of comparable listed companies adjusted for lack of marketability discount.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

20 COMMITMENTS

Capital commitments outstanding at 30 June 2022 not provided for in the interim financial report

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Contracted for		
— Construction of industrial parks	540,020	343,748
Authorised but not contracted for		
— Construction of industrial parks	1,449,757	1,986,833
	1,989,777	2,330,581

21 CONTINGENT LIABILITY

Contingent liability in respect of legal claim

In 2021, an external third party (the “**Plaintiff**”) launched a lawsuit against a subsidiary of the Company (the “**Defendant**”) in respect of a dispute of trademark. The Plaintiff claimed to receive a total sum up to RMB10,000,000 in connection with the damages and therefrom from the Defendant. On 16 August 2021, pursuant to an order from the court, a bank deposit of RMB3,140,000 was frozen. As at 30 June 2022, such lawsuit remained unsettled. In accordance with the opinion from the external legal counsel, the directors believe it is probable that the court will not rule against the Defendant. No provision has therefore been made in respect of this claim.

22 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group is as follows.

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Salaries and other benefits	2,323	2,758
Retirement scheme contributions	49	48
	2,372	2,806

Total remuneration is included in “staff costs” (note 6(b)).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

22 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Related parties transactions

During the six-month period ended 30 June 2022, the Group entered into the following material related party transactions:

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Provision of rental services to a fellow subsidiary	2,201	–
Provision of wastewater treatment and utilities service to a fellow subsidiary	2,396	–
Advance from an entity controlled by members of key management personnel	8,516	–

(c) Balance with related parties

(i) Amounts due from related parties

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
	Trade receivables from:	
— A fellow subsidiary	2,603	818

(ii) Amounts due to related parties

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
	Other payables to:	
— Fellow subsidiaries	983	985
— A non-controlling interest	–	2,250
Total	983	3,235

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 23 to 48 which comprises the consolidated statement of financial position of Kimou Environmental Holding Limited (the "**Company**") as of 30 June 2022 and the related consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of changes in equity and the 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.

REVIEW REPORT TO THE BOARD OF DIRECTORS

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 2022 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants

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

29 August 2022