

# 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

## 2023 INTERIM REPORT



# CONTENTS

- 2** Corporate Information
- 4** Management Discussion and Analysis
- 17** Corporate Governance and Other Information
- 21** Consolidated Statement of Profit or Loss
- 22** Consolidated Statement of Profit or Loss and  
Other Comprehensive Income
- 23** Consolidated Statement of Financial Position
- 25** Consolidated Statement of Changes in Equity
- 27** Condensed Consolidated Cash Flow Statement
- 29** Notes to the Unaudited Interim Financial Report
- 49** Review Report to the Board of Directors

# 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 Kin Ming  
Mr. Huang Shaobo

### Independent Non-Executive Directors

Mr. Kan Chung Nin, Tony *SBS, JP*  
Mr. Li Xiaoyan  
Mr. Liu Da (*appointed on 1 March 2023*)

## AUDIT COMMITTEE

Mr. Liu Da (*Chairman*) (*appointed on 1 March 2023*)  
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. Chung Ming Fai

## AUTHORISED REPRESENTATIVES

Mr. Zhang Lianghong  
Mr. Lee Kin Ming

## PRINCIPAL BANKER

Dongguan Rural Commercial Bank Joint Stock Company Limited  
No. 44, Nancheng Section  
Guantai Road, Dongguan  
Guangdong Province  
the PRC

## REGISTERED OFFICE

Campbells Corporate Services Limited  
Floor 4, Willow House  
Cricket Square  
Grand Cayman KY1-9010  
Cayman Islands

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

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

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit E&F, 5/F.  
Hung Cheong Factory Building  
3 Kwong Cheung Street  
Cheung Sha Wan, Kowloon  
Hong Kong

## CORPORATE INFORMATION

### LEGAL ADVISORS AS TO HONG KONG LAWS

Tian Yuan Law Firm LLP  
Suite 3304–3309, 33/F  
Jardine House  
One Connaught Place, Central  
Hong Kong

### AUDITOR

KPMG, Certified Public Accountants  
*Public Interest Entity Auditor registered in accordance with the  
Accounting and Financial Reporting Council Ordinance*  
8th Floor  
Prince's Building  
10 Chater Road  
Central  
Hong Kong

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Campbells Corporate Services Limited  
Floor 4, Willow House  
Cricket Square  
Grand Cayman KY1-9010  
Cayman Islands

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited  
Shops 1712–1716, 17th Floor  
Hopewell Centre  
183 Queen's Road East  
Wanchai, Hong Kong

### COMPANY WEBSITE

[www.platingbase.com](http://www.platingbase.com)

# 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 2023 (the “**Period under Review**”), the Group’s revenue was approximately RMB554.3 million (six months ended 30 June 2022: approximately RMB535.0 million), representing an increase of approximately RMB19.3 million from that of 2022, the profit attributable to the equity shareholders of the Company was approximately RMB41.1 million (six months ended 30 June 2022: approximately RMB52.6 million), representing a decrease of approximately RMB11.5 million from that of 2022. During the Period under Review, the profit attributable to the equity shareholders of the Company decreased mainly due to the combined effects of (i) the commencement of provision for depreciation and amortisation as the Group’s fourth Surface Treatment Recycling Eco-industrial Park in Qingshen, Sichuan Province (“**Qingshen Park**”), was officially opened; and (ii) the increase in finance costs by approximately RMB16.2 million as compared to six months ended 30 June 2022.

## OUR SURFACE TREATMENT RECYCLING ECO-INDUSTRIAL PARKS

The Group currently operates four Surface Treatment Recycling Eco-industrial Parks which are strategically located in Huizhou, Guangdong Province (“**Guangdong Huizhou Park**”), Tianjin (“**Tianjin Bingang Park**”), Jingzhou, Hubei Province (“**Jingzhou Park**”) and Qingshen, Sichuan Province 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 four Surface Treatment Recycling Eco-industrial Parks:

	As at 30 June									
	2023					2022				
	Guangdong Huizhou Park	Tianjin Bingang Park	Jingzhou Park	Qingshen Park	Total	Guangdong Huizhou Park	Tianjin Bingang Park	Jingzhou Park	Qingshen Park	Total
Total leasable area (sq.m.) <sup>(note)</sup>	501,000	329,000	143,000	105,000	1,078,000	466,000	317,000	72,000	N/A	855,000
Total leased area (sq.m.) <sup>(note)</sup>	472,000	291,000	53,000	24,000	840,000	435,000	289,000	37,000	N/A	761,000
Occupancy Rate	94.2%	88.5%	37.1%	22.9%	77.9%	93.3%	91.2%	51.4%	N/A	89.0%

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

The Group offers factory premises in standard floor areas in which the tenants can choose to lease or buy 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 2023, the total leasable area of Guangdong Huizhou Park, Tianjin Bingang Park, Jingzhou Park and Qingshen Park were approximately 501,000 sq.m., 329,000 sq.m., 143,000 sq.m. and 105,000 sq.m., respectively while their occupancy rates were 94.2%, 88.5%, 37.1% and 22.9%, respectively.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Wastewater treatment capabilities

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

	Six months ended 30 June							
	2023				2022			
	Guangdong Huizhou Park	Tianjin Bingang Park	Jingzhou Park	Total	Guangdong Huizhou Park	Tianjin Bingang Park	Jingzhou Park	Total
Fresh water used (tonnes) <sup>(note)</sup>	1,222,000	359,000	28,000	1,609,000	1,271,000	337,000	14,000	1,622,000
Daily wastewater treatment capacity (tonnes) <sup>(note)</sup>	10,000	6,000	2,500	18,500	10,000	6,000	2,500	18,500
Annual average daily wastewater treatment handling capacity (tonnes)	6,791	1,992	156	8,939	7,022	1,862	77	8,961
Annual average utilisation rate of daily wastewater treatment capacity	67.9%	33.2%	6.2%	48.3%	70.2%	31.0%	3.1%	48.4%

Note: Rounded to the nearest thousand.

The factory premises of the four Surface Treatment Recycling Eco-industrial Parks of the Group 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.

Besides, Qingshen Park officially began operation on 18 May 2023, with a daily wastewater treatment capacity of approximately 5,000 tonnes. However, most tenants are in the renovation stage, so little fresh water was used in Qingshen Park during the Period under Review.

### RESEARCH AND DEVELOPMENT

To keep enhancing the effectiveness of wastewater treatment process and reuse rate of treated wastewater is the long term objective and the social responsibility of the Group. With our experienced and knowledgeable research and development team and in cooperation with Tsinghua Shenzhen International Graduate School, the Group has been gradually transforming itself into an integrated wastewater treatment service provider. The Group had obtained 120 patents and 32 patent applications were in the progress of registration as at 30 June 2023.

### 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 participated in seven exhibitions and eight seminars.

## MANAGEMENT DISCUSSION AND ANALYSIS

### OUTLOOK

China's environmental protection policies are becoming increasingly stringent with the government's environmental protection department gradually tightening the emission standards for wastewater, waste gas and solid waste. Local governments have been actively promoting the clustering and scaling development of electroplating industry, guiding electroplating enterprises to engage in centralised production and management, and adopting intensive operational practice to achieve economies of scale and promote sustainable economic development.

As a leader in electroplating industrial parks, we have been grasping the development trend of the industry, adhering to our core business of wastewater treatment, leveraging on a broader capital market and constructing parks at suitable sites to increase leasable area for factory buildings. The Group will continue to focus on environmental protection related businesses, and will also actively explore the businesses of hazardous and solid waste and recycling of waste materials to achieve green, low-carbon and circular development as well as revenue growth.

#### **Huadong Park project**

The construction of the first phase of the Group's fifth Surface Treatment Recycling Eco-industrial Park in Taixing Economic Development Zone, Taixing, Jiangsu Province ("**Huadong Park**"), is expected to be completed in the third quarter of 2023. The construction of the first phase consists of ten factory buildings and ancillary facilities, which will increase the leasable area and enhance the capacity of electroplating wastewater treatment of the Group upon completion and commencement of operation.

#### **Improve the wastewater treatment capabilities of the Surface Treatment Recycling Eco-industrial Parks**

The planned daily maximum wastewater treatment capacity of the first phase of Huadong Park was 5,500 tonnes. Scheduled to be completed and put into operation in the third quarter of 2023, the Group's daily wastewater treatment capacity will be increased 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.

#### **Increase ground floor area available for leasing**

The factory buildings of the first phase of Huadong Park are expected to commence operations in the fourth quarter of 2023, thereby increasing the leasable areas of the Group by approximately 121,000 sq.m..

Reference is made to the announcement of the Company dated 9 December 2022, the construction of nine factory buildings in Tianjin Bingang Park, with total gross floor area of approximately 68,400 sq.m., is expected to be completed in December 2023, which will increase the leasable area for the Group upon completion.

## 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, the Jingzhou Park and the Qingshen 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

For the Period under Review, the Group's revenue amounted to approximately RMB554.3 million, representing an increase of approximately 3.6% over that in 2022, primarily due to the increase in revenue from the segments of rental and facilities usage and wastewater treatment and utilities of the Group.

Revenue by segment	Six months ended 30 June									
	2023					2022				
	Guangdong Huizhou Park RMB'000	Tianjin Bingang Park RMB'000	Jingzhou Park RMB'000	Qingshen Park RMB'000	Total RMB'000	Guangdong Huizhou Park RMB'000	Tianjin Bingang Park RMB'000	Jingzhou Park RMB'000	Qingshen Park RMB'000	Total RMB'000
<b>Rental and facilities usage</b>										
Rental of factory premises	42,135	18,004	3,315	1,103	64,557	38,279	17,614	2,350	N/A	58,243
Property management fee	8,520	3,601	754	349	13,224	7,490	3,119	494	N/A	11,103
Environmental protection technical service fee	90,954	44,775	4,937	391	141,057	88,624	42,668	3,134	N/A	134,426
Sub-total	141,609	66,380	9,006	1,843	218,838	134,393	63,401	5,978	N/A	203,772
<b>Wastewater treatment and utilities</b>										
Wastewater treatment fee	82,803	24,152	2,331	347	109,633	82,736	22,156	932	N/A	105,824
Steam charge	35,339	20,461	1,934	190	57,924	40,405	19,231	579	N/A	60,215
Utility systems maintenance fee	25,261	13,128	876	90	39,355	24,324	11,418	392	N/A	36,134
Sub-total	143,403	57,741	5,141	627	206,912	147,465	52,805	1,903	N/A	202,173
<b>Sales of goods and ancillary business</b>										
Sales of raw materials and consumables	107,014	5,212	1,519	-	113,745	107,867	6,624	459	N/A	114,950
Other income	10,033	3,931	791	1	14,756	11,338	2,504	216	N/A	14,058
Sub-total	117,047	9,143	2,310	1	128,501	119,205	9,128	675	N/A	129,008
Total	402,059	133,264	16,457	2,471	554,251	401,063	125,334	8,556	N/A	534,953

## MANAGEMENT DISCUSSION AND ANALYSIS

### **Revenue from rental and facilities usage services**

The revenue from rental and facilities usage services increased by approximately RMB15.0 million or 7.4% from approximately RMB203.8 million for the six months ended 30 June 2022 to approximately RMB218.8 million for the Period under Review. The increase was primarily attributable to an increase in total average daily leased area.

### **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 RMB3.8 million or 3.6% from approximately RMB105.8 million for the six months ended 30 June 2022 to approximately RMB109.6 million for the Period under Review. The increase was primarily attributable to the effect of the increase in the unit price of wastewater treatment for the Period under Review.

#### *(ii) Steam charge*

Steam charge decreased by approximately RMB2.3 million or 3.8% from approximately RMB60.2 million for the six months ended 30 June 2022 to approximately RMB57.9 million for the Period under Review. The decrease was primarily attributable to the effect of the decrease in steam charge per unit resulting from the decrease 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 RMB3.3 million or 8.9% from approximately RMB36.1 million for the six months ended 30 June 2022 to approximately RMB39.4 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 materials and consumables which accounted for 88.5% (six months ended 30 June 2022: 89.1%) of this business segment.

Sales of materials and consumables decreased by approximately RMB1.3 million or 1.0% from approximately RMB115.0 million for the six months ended 30 June 2022 to approximately RMB113.7 million for the Period under Review. The decrease was primarily attributable to the decrease in demand of tenants 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 RMB19.0 million or 4.5% from approximately RMB422.8 million for the six months ended 30 June 2022 to approximately RMB441.8 million for the Period under Review. The increase in operating costs was primarily attributable to the increase in the depreciation and amortisation of the Group.

### Depreciation and amortisation

The Group's depreciation and amortisation increased by approximately RMB20.8 million or 19.5% from approximately RMB106.6 million for the six months ended 30 June 2022 to approximately RMB127.4 million for the Period under Review. The increase was mainly attributable to the commencement of provision for depreciation and amortisation of the Qingshen Park as a result of its official operation during 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 decreased by approximately RMB8.9 million or 5.0% from approximately RMB176.9 million for the six months ended 30 June 2022 to approximately RMB168.0 million for the Period under Review, primarily attributable to the decrease 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 of the directors ("**Directors**") of the Company. For the Period under Review, the staff costs amounted to approximately RMB67.6 million, representing an increase of 10.8% as compared with approximately RMB61.1 million for the six months ended 30 June 2022. The increase was mainly due to the effect of the increase in number of employees due to business development needs 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 Parks. Utility costs increased by approximately RMB2.1 million or 13.8%, from approximately RMB15.2 million for the six months ended 30 June 2022 to approximately RMB17.3 million for the Period under Review. The increase was mainly attributable to the combined impact of the increase in electricity and water consumption resulting from the increase in wastewater treatment in Tianjin Bingang Park and the increase in unit electricity price in Guangdong Huizhou Park.

## 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	
	2023 RMB'000	2022 RMB'000
Professional service fees	5,954	6,312
Waste treatment expenses	7,839	12,059
Other taxes and surcharges	18,361	14,176
Security charges	3,301	3,866
Maintenance and consumables expenses	5,720	5,675
Research and development fees	6,134	4,829
Consultancy service fees	933	2,397
Business entertainment fees	4,556	4,726
Cleaning expenses	2,055	2,154
Travelling expenses	2,202	1,136
Others	4,455	5,868
<b>Total</b>	<b>61,510</b>	63,198

Other expenses decreased by approximately RMB1.7 million or 2.7%, from approximately RMB63.2 million for the six months ended 30 June 2022 to approximately RMB61.5 million for the Period under Review, primarily attributable to the combined effects of (i) the decrease in waste treatment expenses resulting from the decrease in unit handling price; (ii) the increase in other tax and surcharges resulting from the increase in revenue and investment properties; and (iii) the increase in research and development expenses for technical improvement during the Period under Review.

### Other revenue

Other revenue primarily consisted of bank interest income, government grants, and others. Other revenue increased by approximately RMB0.4 million or 3.4%, from approximately RMB10.4 million for the six months ended 30 June 2022 to approximately RMB10.8 million for the Period under Review. Such increase was mainly due to the increase in bank interest income.

### Finance costs

Finance costs primarily comprised of interest on bank loans and other borrowings and interest expense on deferred consideration payable. Finance costs increased by approximately RMB16.2 million or 32.8%, from approximately RMB49.4 million for the six months ended 30 June 2022 to approximately RMB65.6 million for the Period under Review. The increase in finance costs was attributable to the increase in the average balance of bank loans and other borrowings during the Period under Review.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Income tax

Income tax decreased by approximately RMB7.9 million from approximately RMB26.1 million for the six months ended 30 June 2022 to approximately RMB18.2 million for the Period under Review, which was primarily attributable to the decrease in the Group's taxable income during the Period under Review.

### Profit attributable to the equity shareholders of the Company

Profit attributable to the equity shareholders of the Company decreased by approximately RMB11.5 million from approximately RMB52.6 million for the six months ended 30 June 2022 to approximately RMB41.1 million for the Period under Review, which was mainly attributable to the factors as described above.

### Bank loans and other borrowings

As at 30 June 2023, the total amount of bank loans and other borrowings of the Group was approximately RMB2,596.0 million (31 December 2022: RMB2,233.2 million), in which 98.3% (31 December 2022: 98.9%) were denominated in RMB.

### 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 2023.

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Current assets	665,571	500,974
Current liabilities	(1,688,096)	(1,355,963)
Net current liabilities	(1,022,525)	(854,989)

As at 30 June 2023 and 31 December 2022, the total net current liabilities of the Group amounted to approximately RMB1,022.5 million and RMB855.0 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 to meet the Group's present capital requirements and for the next 12 months.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Capital management

The Group's primary objectives in 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 offered 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 and restricted deposits with banks.

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

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Current liabilities:		
Bank loans and other borrowings	<b>863,412</b>	685,585
Lease liabilities	<b>2,451</b>	303
	<b>865,863</b>	685,888
Non-current liabilities:		
Bank loans and other borrowings	<b>1,732,549</b>	1,547,656
Lease liabilities	<b>14,621</b>	459
	<b>2,613,033</b>	2,234,003
Less: Cash and cash equivalents	<b>(282,083)</b>	(190,305)
Less: Restricted deposits with banks	<b>(87,776)</b>	(48,449)
Net debt	<b>2,243,174</b>	1,995,249
Total equity	<b>1,185,318</b>	1,365,453
Adjusted net debt-to-equity ratio	<b>1.89</b>	1.46

## 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 2023, the Group's capital expenditure amounted to approximately RMB286.2 million (for the six months ended 30 June 2022: RMB393.6 million), mainly attributable to acquisition of investment property, property, plant and equipment, and other intangible assets.

### Pledged assets

As at 30 June 2023, the Group had certain property, plant and equipment and investment property with carrying value of approximately RMB629.3 million and approximately RMB1,092.9 million, respectively (31 December 2022: approximately RMB687.5 million and approximately RMB1,121.5 million, respectively), land-use rights with net book value of approximately RMB181.7 million (31 December 2022: approximately RMB342.5 million), loan deposits with carrying value of RMB1.0 million (31 December 2022: RMB4.0 million), deposits for other borrowings with carrying value of RMB8.6 million (31 December 2022: RMB3.6 million), and pledged deposits with carrying value of RMB45.9 million (31 December 2022: RMB48.4 million) were pledged as security for the bank loans and other borrowings with carrying amount of approximately RMB2,596.0 million (31 December 2022: approximately RMB2,233.2 million).

Please refer to note 17(iv) of the Notes to the Unaudited Interim Financial Report of this interim 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 2023, the Group's total capital expenditure which has been contracted for but not incurred was approximately RMB275.1 million (31 December 2022: RMB390.0 million) for the development of the utility tunnel and ancillary facilities of Guangdong Huizhou Park, the development of wastewater treatment and ancillary facilities of the Jingzhou Park and Qingshen Park and the development of the factory premises of Tianjin Bingang Park and 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 a dispute of trademark. The Plaintiff claimed a compensation in a total sum up to RMB10 million in connection with the damages therefrom from the Defendant. On 16 August 2021, pursuant to an order from the court, a bank deposit of RMB3,140,000 was frozen. On 28 September 2022, the Beijing Haidian People's Court ordered that the Defendant should pay approximately RMB350,000 to the Plaintiff. The Plaintiff and the Defendant both appealed against the judgment. As at 30 June 2023, the Beijing Intermediate People's Court had yet to make a decision on the appeal.

Pursuant to the opinion from the Group's external legal counsel, the Directors believe it is probable that the Defendant will be subject to compensation payment by no more than RMB850,000. Accordingly, other than the amount recognised as "provision for litigation compensation" of RMB850,000 as at 30 June 2023 and as at the date of this report, no further provision has therefore been made by the Group in respect of this claim.

Save as disclosed above, the Group did not have any material contingent liabilities as at 30 June 2023 (31 December 2022: 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

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables. The Group's exposure to credit risk arising from cash and cash equivalents and restricted deposits with banks is limited because the counterparties are banks and financial institutions, for which the Group considers having low credit risk.

### 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 (the "**Board**") of Directors 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.

Cash and cash equivalents held by the Group are mainly denominated in RMB.

## MANAGEMENT DISCUSSION AND ANALYSIS

### SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL AND OTHER MATERIAL TRANSACTION

On 20 February 2023, Huizhou Kimou Industrial Investment Co., Ltd.\* (惠州金茂實業投資有限公司) (“**Huizhou Kimou**”), which is an indirect wholly-owned subsidiary of the Company, Tianjin Wanheshun Technology Group Co., Ltd.\* (天津萬和順科技集團有限公司) (“**Tianjin Wanheshun**”) and Tianjin Bingang Electroplating Enterprises Management Co., Ltd.\* (天津濱港電鍍企業管理有限公司) (“**Tianjin Bingang**”) entered into an equity transfer agreement, pursuant to which, Tianjin Wanheshun has agreed to sell and Huizhou Kimou has agreed to purchase 38.72% of the equity interests in Tianjin Bingang held by Tianjin Wanheshun at a total consideration of approximately RMB193.6 million. Upon completion of the acquisition, Tianjin Bingang is owned as to 89.72% and 10.28% by Huizhou Kimou and Tianjin Wanheshun, respectively, and Tianjin Bingang remains a subsidiary of the Company. For further details, please refer to the announcement of the Company dated 20 February 2023.

On 24 April 2023, Tianjin Bingang entered into a lease agreement with Tianjin Jinshang Real Estate Development Company Limited\* (天津金尚房地產開發有限公司) (“**Tianjin Jinshang**”), pursuant to which, Tianjin Bingang agreed to lease Premises A (as defined in the announcement of the Company dated 24 April 2023) and Tianjin Jinshang agreed to grant the right of use of Premises A to Tianjin Bingang. Besides, Tianjin Bingang entered into a renovation agreement with Tianjin Jinshang, pursuant to which, Tianjin Bingang agreed to engage Tianjin Jinshang to provide renovation works for Premises B (as defined in the announcement of the Company dated 24 April 2023) and to supply and install home appliances and furniture for Premises A. For further details, please refer to the announcement of the Company dated 24 April 2023.

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

### PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES

During the Period under Review, the Company repurchased in total 1,960,000 ordinary shares of the Company on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) at an aggregate consideration of approximately HK\$2.0 million (equivalent to approximately RMB1.7 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\$)
30 March 2023	310,000	0.98	0.95	297,140
31 March 2023	1,650,000	1.01	1.01	1,666,500

On 9 May 2023, the Company cancelled 3,838,000 repurchased shares of the Company.

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.

\* For identification purposes only

## MANAGEMENT DISCUSSION AND ANALYSIS

### EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2023, the Group had 867 full-time employees (30 June 2022: 833 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 RMB67.6 million for the Period under Review, which was an increase of approximately 10.8% as compared with approximately RMB61.1 million for the six months ended 30 June 2022. 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 increments, discretionary bonuses and promotions.

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, customers and regulatory requirements.

The Company adopted a share option scheme ("**Share Option Scheme**") on 18 June 2019 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 2023 and up to the date of this report.

### INTERIM DIVIDEND

The Board does not recommend any payment of interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: 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 2023, 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 of the Company held <sup>(1)</sup>	Approximate percentage of shareholding interest in the Company <sup>(1)</sup>
Mr. Zhang Lianghong ("Mr. Zhang")	Interest in a controlled corporation <sup>(2)</sup>	493,270,000	44.47%
Mr. Huang Shaobo ("Mr. Huang")	Interest in a controlled corporation <sup>(3)</sup>	27,530,000	2.48%

(1) All interests stated above are long positions. The approximate percentage of shareholding interest in the Company is calculated based on the total number of 1,109,176,000 shares in issue as at 30 June 2023.

(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 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 2023, 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 2023, 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 of the Company held <sup>(1)</sup>	Approximate percentage of shareholding interest in the Company <sup>(1)</sup>
Flourish Investment International Limited <sup>(2)</sup>	Beneficial Owner	493,270,000	44.47%
Premier Investment Worldwide Company Limited <sup>(3)</sup>	Beneficial Owner	239,400,000	21.58%

Notes:

- (1) All interests stated above are long positions. The approximate percentage of shareholding interest in the Company is calculated based on the total number of 1,109,176,000 shares in issue as at 30 June 2023.
- (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 Yuk Kong, who is the father of Mr. Lee Kin Ming, an executive Director.

Save as disclosed above, as at 30 June 2023, 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 2023.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### 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 “**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). The Company has complied, to the extent applicable and permissible, with the code provisions as set out in the CG Code (“**Code Provisions**”) during the Period under Review.

During the Period under Review, the Company has complied with the applicable Code Provisions of the CG Code, except for the temporary failure to meet the requirements of Rules 3.10(1), 3.10(2) and 3.21 of the Listing Rules as set out below:

On 22 December 2022, Mr. Li Yinquan resigned as an independent non-executive Director. Upon the resignation of Mr. Li Yinquan, he also ceased to be the chairman of the audit committee (the “**Audit Committee**”) of the Company. As a result, the Company temporarily failed to comply with the requirements as set out in Rules 3.10(1), 3.10(2) and 3.21 of the Listing Rules.

On 1 March 2023, Mr. Liu Da has been appointed as an independent non-executive Director and the chairman of the Audit Committee. Following the appointment of Mr. Liu, the Company is in compliance with the requirements of (i) Rule 3.10(1) of the Listing Rules that the Board must include at least three independent non-executive Directors; and (ii) the Audit Committee must comprise at least three members under Rule 3.21 of the Listing Rules, and at least one of whom is an independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules; and the Audit Committee must be chaired by an independent non-executive Director.

As always, the Directors will use their best endeavours to procure the Company to comply with the requirements under the CG Code and make disclosure of deviation from Code Provisions in accordance with the Listing Rules.

### 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 1 January 2023 and up to 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. Liu Da has been appointed as an independent non-executive Director and the chairman of the audit committee of the Board with effect from 1 March 2023. For details, please refer to the Company’s announcement dated 1 March 2023.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### AUDIT COMMITTEE

The Board established the Audit Committee on 18 June 2019. As at the date of this report, the Audit Committee comprises three independent non-executive Directors, namely Mr. Liu Da, Mr. Kan Chung Nin, Tony *SBS, JP* and Mr. Li Xiaoyan. Mr. Liu Da 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 reporting 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.

### 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*

25 August 2023

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2023 — unaudited  
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2023 RMB'000	2022 RMB'000
Revenue	3	554,251	534,953
Other revenue	5	10,764	10,411
Depreciation and amortisation	6(c)	(127,362)	(106,550)
Cost of inventories	6(c)	(168,042)	(176,860)
Staff costs	6(b)	(67,634)	(61,051)
Utility costs	6(c)	(17,275)	(15,186)
Other expenses		(61,510)	(63,198)
Other net (loss)/income		(42)	628
Impairment losses on trade receivables		(944)	–
<b>Profit from operations</b>		<b>122,206</b>	123,147
Finance costs	6(a)	(65,590)	(49,381)
<b>Profit before taxation</b>	6	<b>56,616</b>	73,766
Income tax	7	(18,173)	(26,093)
<b>Profit for the period</b>		<b>38,443</b>	47,673
<b>Attributable to:</b>			
Equity shareholders of the Company		41,061	52,632
Non-controlling interests		(2,618)	(4,959)
<b>Profit for the period</b>		<b>38,443</b>	47,673
<b>Earnings per share (RMB)</b>			
Basic and diluted	8	0.04	0.05

The notes on pages 29 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 2023 — unaudited  
(Expressed in Renminbi)

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
<b>Profit for the period</b>	<b>38,443</b>	47,673
<b>Other comprehensive income for the period</b>		
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	(2,571)	(644)
<b>Total comprehensive income for the period</b>	<b>35,872</b>	47,029
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>38,490</b>	51,988
Non-controlling interests	<b>(2,618)</b>	(4,959)
<b>Total comprehensive income for the period</b>	<b>35,872</b>	47,029

The notes on pages 29 to 48 form part of this interim financial report.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2023 — unaudited  
(Expressed in Renminbi)

	<i>Note</i>	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	9	<b>1,704,788</b>	1,571,451
Investment property	10	<b>1,291,887</b>	1,313,425
Construction in progress	11	<b>598,685</b>	536,293
Right-of-use assets	12	<b>374,298</b>	376,948
Intangible assets		<b>2,743</b>	2,366
Interest in associates		<b>2,848</b>	2,948
Other financial assets		<b>4,587</b>	4,511
Other receivables	13	<b>32,162</b>	15,671
Deferred tax assets		<b>47,516</b>	47,531
<b>Total non-current assets</b>		<b>4,059,514</b>	3,871,144
<b>Current assets</b>			
Inventories		<b>25,236</b>	23,560
Trade and other receivables	13	<b>270,476</b>	226,682
Non-current assets held for sale		–	11,978
Restricted deposits with banks	14	<b>87,776</b>	48,449
Cash and cash equivalents	15	<b>282,083</b>	190,305
<b>Total current assets</b>		<b>665,571</b>	500,974
<b>Current liabilities</b>			
Trade and other payables	16	<b>794,443</b>	638,557
Contract liabilities		<b>9,001</b>	12,820
Bank loans and other borrowings	17	<b>863,412</b>	685,585
Lease liabilities		<b>2,451</b>	303
Current taxation		<b>18,789</b>	18,698
<b>Total current liabilities</b>		<b>1,688,096</b>	1,355,963
<b>Net current liabilities</b>		<b>(1,022,525)</b>	(854,989)

The notes on pages 29 to 48 form part of this interim financial report.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2023 — unaudited  
(Expressed in Renminbi)

	<i>Note</i>	<b>At 30 June 2023 RMB'000</b>	<b>At 31 December 2022 RMB'000</b>
<b>Non-current liabilities</b>			
Bank loans and other borrowings	17	<b>1,732,549</b>	1,547,656
Lease liabilities		<b>14,621</b>	459
Deferred income		<b>101,750</b>	98,036
Deferred tax liabilities		<b>2,751</b>	4,551
<b>Total non-current liabilities</b>		<b>1,851,671</b>	1,650,702
<b>NET ASSETS</b>			
		<b>1,185,318</b>	1,365,453
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>97,412</b>	97,751
Reserves		<b>985,851</b>	1,043,653
<b>Total equity attributable to equity shareholders</b>		<b>1,083,263</b>	1,141,404
Non-controlling interests		<b>102,055</b>	224,049
<b>TOTAL EQUITY</b>		<b>1,185,318</b>	1,365,453

The notes on pages 29 to 48 form part of this interim financial report.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2023 — unaudited  
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company									
	Share capital	Share premium	Capital reserve	Shares repurchased	Statutory reserve	Exchange reserve	Retained profits	Sub-total	Non-controlling interests	Total equity
				for cancellation						
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Balance at 1 January 2022</b>	98,377	595,124	19,809	(104)	85,130	4,759	235,681	1,038,776	202,859	1,241,635
<b>Changes in equity for the six months ended 30 June 2022:</b>										
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	-	-	-	(2,464)	-	-	-	(2,464)	-	(2,464)
Cancellation of shares	(121)	(1,030)	-	1,151	-	-	-	-	-	-
Acquisition of non-controlling interests	-	-	-	-	-	-	(769)	(769)	(1,481)	(2,250)
Contributions from non-controlling interests	-	-	-	-	-	-	-	-	16,735	16,735
<b>Balance at 30 June 2022 and 1 July 2022</b>	98,256	594,094	19,809	(1,417)	85,130	4,115	287,544	1,087,531	213,154	1,300,685
<b>Changes in equity for the six months ended 31 December 2022:</b>										
Profit for the period	-	-	-	-	-	-	58,603	58,603	2,429	61,032
Other comprehensive income	-	-	-	-	-	699	-	699	-	699
Total comprehensive income	-	-	-	-	-	699	58,603	59,302	2,429	61,731
Purchase of own shares	-	-	-	(5,429)	-	-	-	(5,429)	-	(5,429)
Cancellation of shares	(505)	(4,603)	-	5,108	-	-	-	-	-	-
Contributions from non-controlling interests	-	-	-	-	-	-	-	-	8,466	8,466
Transfer to statutory reserve	-	-	-	-	20,444	-	(20,444)	-	-	-
<b>Balance at 31 December 2022</b>	97,751	589,491	19,809	(1,738)	105,574	4,814	325,703	1,141,404	224,049	1,365,453

The notes on pages 29 to 48 form part of this interim financial report.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2023 — unaudited  
(Expressed in Renminbi)

	Note	Attributable to equity shareholders of the Company									
		Share capital	Share premium	Capital reserve	Shares repurchased	Statutory reserve	Exchange reserve	Retained profits	Sub-total	Non-controlling interests	Total equity
					for cancellation						
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Balance at 1 January 2023</b>		97,751	589,491	19,809	(1,738)	105,574	4,814	325,703	1,141,404	224,049	1,365,453
<b>Changes in equity for the six months ended 30 June 2023:</b>											
Profit for the period		-	-	-	-	-	-	41,061	41,061	(2,618)	38,443
Other comprehensive income		-	-	-	-	-	(2,571)	-	(2,571)	-	(2,571)
<b>Total comprehensive income</b>		-	-	-	-	-	(2,571)	41,061	38,490	(2,618)	35,872
Dividends approved in respect of the previous year	18(a)	-	(49,289)	-	-	-	-	-	(49,289)	-	(49,289)
Purchase of own shares	18(b)	-	-	-	(1,712)	-	-	-	(1,712)	-	(1,712)
Cancellation of shares	18(b)	(339)	(3,111)	-	3,450	-	-	-	-	-	-
Acquisition of non-controlling interests	18(c)	-	-	(19,809)	-	-	-	(25,821)	(45,630)	(142,616)	(188,246)
Contributions from non-controlling interests		-	-	-	-	-	-	-	-	23,240	23,240
<b>Balance at 30 June 2023</b>		97,412	537,091	-	-	105,574	2,243	340,943	1,083,263	102,055	1,185,318

The notes on pages 29 to 48 form part of this interim financial report.

# CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2023 — unaudited  
(Expressed in Renminbi)

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
<b>Operating activities</b>		
Cash generated from operations	<b>174,589</b>	276,971
Income tax paid	<b>(21,340)</b>	(27,153)
<b>Net cash generated from operating activities</b>	<b>153,249</b>	249,818
<b>Investing activities</b>		
Payment for purchase of property, plant and equipment, investment property and lease prepayments	<b>(319,280)</b>	(399,836)
Payment for purchase of intangible assets	<b>(764)</b>	(100)
Proceeds from disposal of property, plant and equipment	<b>301</b>	978
Proceeds from disposal of investment property	<b>13,523</b>	–
Payment for interest in an associate	–	(200)
Payment for pledged deposits with banks	<b>(602)</b>	(36,000)
Advance to a third party	–	(20,000)
Repayment from a third party	–	20,000
<b>Net cash used in investing activities</b>	<b>(306,822)</b>	(435,158)

The notes on pages 29 to 48 form part of this interim financial report.

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2023 — unaudited  
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2023 RMB'000	2022 RMB'000
<b>Financing activities</b>			
Proceeds from bank loans and other borrowings		<b>798,026</b>	638,842
Repayment of bank loans and other borrowings		<b>(433,164)</b>	(405,703)
Interest paid		<b>(74,479)</b>	(60,741)
Advance from a related party	22(b)	–	8,516
Repayment to related parties		–	(10,766)
Payment of loan deposits		–	(44,874)
Repayment of loan deposits		<b>3,000</b>	18,874
Payment for deposits of other borrowings		<b>(5,000)</b>	(2,000)
Payments for deferred consideration for acquisition of non-controlling interests		<b>(14,961)</b>	(2,250)
Capital injection from non-controlling interests		<b>23,240</b>	16,735
Lease payments		<b>(127)</b>	(224)
Payment for purchase of own shares	18(b)	<b>(1,712)</b>	(2,464)
Dividends paid to equity shareholders of the Company	18(a)	<b>(10,564)</b>	–
Restricted cash placed in a bank designated for dividend distribution	18(a)	<b>(38,725)</b>	–
<b>Net cash generated from financing activities</b>		<b>245,534</b>	153,945
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>91,961</b>	(31,395)
<b>Cash and cash equivalents at the beginning of the period</b>		<b>190,305</b>	112,162
<b>Effect of foreign exchange rate changes</b>		<b>(183)</b>	(308)
<b>Cash and cash equivalents at the end of the period</b>	15	<b>282,083</b>	80,459

The notes on pages 29 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 25 August 2023.

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

At 30 June 2023, the Group’s current liabilities exceeded its current assets by RMB1,022,525,000 (31 December 2022: RMB854,989,000). 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 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 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 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 2022 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 Group has applied the following new and amended HKFRSs issued by the HKICPA to this interim financial report for the current accounting period:

- HKFRS 17, *Insurance contracts*
- Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to HKAS 12, *Income taxes: International tax reform — Pillar Two model rules*

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 materials and consumables 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	
	2023 RMB'000	2022 RMB'000
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
Disaggregated by major service lines		
— Facilities usage and management service	<b>154,281</b>	145,529
— Wastewater treatment and utilities	<b>206,912</b>	202,173
— Sales of goods and ancillary business	<b>128,501</b>	129,008
	<b>489,694</b>	476,710
<b>Revenue from other sources</b>		
Gross rentals from investment properties	<b>64,557</b>	58,243
	<b>554,251</b>	534,953

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	
	2023	2022	2023	2022	2023	2022	2023	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Disaggregated by timing of revenue recognition</b>								
Point in time	–	–	206,912	202,173	128,501	129,008	335,413	331,181
Over time	218,838	203,772	–	–	–	–	218,838	203,772
<b>Revenue from external customers</b>	218,838	203,772	206,912	202,173	128,501	129,008	554,251	534,953
Inter-segment revenue	9,342	1,776	–	–	24,711	8,510	34,053	10,286
<b>Reportable segment revenue</b>	228,180	205,548	206,912	202,173	153,212	137,518	588,304	545,239
<b>Reportable segment profit (adjusted EBITDA)</b>	201,441	169,614	48,535	68,580	11,468	6,734	261,444	244,928
Depreciation and amortisation	(115,684)	(94,730)	(10,839)	(10,957)	(839)	(863)	(127,362)	(106,550)

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 share of losses of associates, 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	
	2023 RMB'000	2022 RMB'000
Reportable segment profit derived from the Group's external customers	<b>261,444</b>	244,928
Depreciation and amortisation	<b>(127,362)</b>	(106,550)
Finance costs	<b>(65,590)</b>	(49,381)
Interest income	<b>1,110</b>	391
Unallocated head office and corporate expenses	<b>(12,986)</b>	(15,622)
Consolidated profit before taxation	<b>56,616</b>	73,766

#### (d) Geographic information

Substantially all of the Group's revenue and non-current 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 2023, the Group reported revenue of RMB1,115,089,000 (twelve months ended 30 June 2022: RMB1,029,678,000).

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

### 5 OTHER REVENUE

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Interest income	1,110	391
Government grants		
— Unconditional subsidies	3,084	5,188
— Conditional subsidies	5,118	4,441
Others	1,452	391
	<b>10,764</b>	10,411

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/(crediting):

#### (a) Finance costs

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Interest on bank loans and other borrowings	73,546	60,558
Interest on lease liabilities	265	15
Interest expense on deferred consideration payable (note 18(c))	3,271	–
Less: interest expense capitalised into properties under development	(11,492)	(11,192)
	<b>65,590</b>	49,381

The borrowing costs have been capitalised at a rate of 5.46% to 6.25% per annum during the six months ended 30 June 2023 (six months ended 30 June 2022: 6.05% to 6.55%).

## 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	
	2023 RMB'000	2022 RMB'000
Salaries, wages and other benefits	61,858	55,836
Retirement scheme contributions	5,776	5,215
	<b>67,634</b>	61,051

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

#### (c) Other items

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Depreciation and amortisation		
— Property, plant and equipment	82,499	73,391
— Investment property	39,897	28,460
— Right-of-use assets	4,579	4,397
— Intangible assets	387	302
	<b>127,362</b>	106,550
Cost of inventories (i)		
— Cost of inventories — sold	107,221	107,036
— Cost of inventories — consumption	60,821	69,824
	<b>168,042</b>	176,860
Net (gain)/loss arising from disposal of property, plant and equipment and investment property	(806)	322
Utility costs	17,275	15,186
Research and development expenses	6,134	4,829

(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	
	2023	2022
	RMB'000	RMB'000
<b>Current tax — PRC income tax</b>		
Provision for the period	<b>19,958</b>	20,110
<b>Deferred tax</b>		
Origination and reversal of temporary differences	<b>(1,785)</b>	5,983
	<b>18,173</b>	26,093

- (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) No provision was made for Hong Kong Profits Tax as the Group did not earn income subject to Hong Kong Profits Tax for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).
- (iii) Taxable income for the subsidiaries of the Company in the PRC is subject to PRC income tax rate of 25%, unless otherwise specified below.

Huizhou Jinmaoyuan Environmental Technology Co., Ltd.\* (“**Huizhou Jinmaoyuan**”), Tianjin Bingang Electroplating Enterprises Management Co., Ltd.\* (“**Tianjin Bingang**”) and Jinyuan (Jingzhou) Environmental Technology Co., Ltd.\* (“**Jingzhou Jinyuan**”) were qualified as “High and New Technology Enterprises” and entitled to the preferential income tax rate of 15% from 2021 to 2023, 2022 to 2024 and 2022 to 2024, respectively.

Huizhou Jinmaoyuan was engaged in the operation of environmental protection, energy and water conservation, related taxable income was qualified for income tax exemption for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

- (iv) According to the Corporate Income Tax Law and its implementation rules, dividends and interest receivable by non-PRC corporate residents from PRC enterprises are subject to withholding tax at a rate of 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008. The withholding tax rate of 10% was applicable for the Group for the six months ended 30 June 2023 (six months ended 30 June 2022: 10%).

\* For identification purposes only

## 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 ordinary equity shareholders of the Company of RMB41,061,000 (six months ended 30 June 2022: RMB52,632,000) and the weighted average number of 1,110,138,000 ordinary shares (six months ended 30 June 2022: 1,119,174,000 shares) in issue during the interim period.

#### (b) Diluted earnings per share

During the six months ended 30 June 2023 and 2022, there were no dilutive potential ordinary shares issued.

### 9 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, additions to property, plant and equipment of RMB216,503,000 (six months ended 30 June 2022: RMB42,862,000) mainly represented properties for own use and waste water treatment equipment in industrial parks.

As at 30 June 2023, certain property, plant and equipment with carrying value of RMB629,271,000 (31 December 2022: RMB687,486,000) were pledged to secure the Group's bank loans and other borrowings (note 17(ii)).

### 10 INVESTMENT PROPERTY

During the six months ended 30 June 2023, additions to investment property of RMB20,587,000 (six months ended 30 June 2022: RMB77,594,000) mainly represented properties in industrial parks and leased apartments to earn rental income.

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

As at 30 June 2023, the fair value of the Group's investment property, excluding leased properties to earn rental income, was approximately RMB2,368,140,000 (31 December 2022: RMB2,387,100,000). The fair value is 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.

As at 30 June 2023, certain investment property with carrying value of RMB1,092,862,000 (31 December 2022: RMB1,121,483,000) were pledged to secure the Group's bank loans and other borrowings (note 17(ii)).

### 11 CONSTRUCTION IN PROGRESS

During the six months ended 30 June 2023, additions to construction in progress of RMB279,302,000 (six months ended 30 June 2022: RMB385,796,000) mainly represented properties and facilities under construction in industrial parks.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

### 12 RIGHT-OF-USE ASSETS

During the six months ended 30 June 2023, the Group entered into a lease agreement with a related party for use of buildings. Certain apartments in these buildings were held for staff quarter purposes and the remaining apartments were held for investment property purposes. Accordingly, the Group recognised such additional lease agreement as right-of-use assets of RMB2,148,000 and investment property of RMB14,025,000.

As at 30 June 2023, certain land-use rights with carrying value of RMB181,663,000 (31 December 2022: RMB342,486,000) were pledged to secure the Group's bank loans and other borrowings (note 17(ii)).

### 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 2023 RMB'000	At 31 December 2022 RMB'000
<b>Current</b>		
Within 1 month	<b>118,715</b>	110,103
1 to 3 months	<b>19,027</b>	16,416
4 to 6 months	<b>8,066</b>	5,152
Over 6 months	<b>3,719</b>	2,491
Trade debtors and bills receivables, net of loss allowance	<b>149,527</b>	134,162
Deductible input value-added tax	<b>103,058</b>	78,278
Prepayments and other receivables	<b>11,645</b>	7,344
Loan deposits (i)	<b>1,000</b>	4,000
Amounts due from related parties (note 22(c))	<b>5,246</b>	2,898
	<b>270,476</b>	226,682
<b>Non-current</b>		
Prepayments for purchase of property, plant and equipment	<b>21,612</b>	10,121
Deposits for other borrowings	<b>8,550</b>	3,550
Deposits for constructions	<b>2,000</b>	2,000
	<b>32,162</b>	15,671
Total	<b>302,638</b>	242,353

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

### 13 TRADE AND OTHER RECEIVABLES (Continued)

Note:

- (i) It represents the payment to a bank as deposits for a bank loan.

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 90 days from the date of billing.

### 14 RESTRICTED DEPOSITS WITH BANKS

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Deposits for litigation dispute (note 21)	3,140	3,140
Restricted cash (i)	38,725	–
Pledged deposits (ii)	45,911	45,309
	<b>87,776</b>	48,449

Notes:

- (i) As at 30 June 2023, the restricted cash was placed in a bank and designated for dividend distribution.
- (ii) As at 30 June 2023, the deposits with banks have been pledged as securities for bank loans (note 17(ii)).

### 15 CASH AND CASH EQUIVALENTS

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Cash on hand	82	106
Cash at bank	281,938	188,371
Other cash and cash equivalents	63	1,828
	<b>282,083</b>	190,305

As of the end of the reporting period, cash and cash equivalents situated in Mainland China amounted to RMB274,735,000 (31 December 2022: RMB187,835,000). Remittance of funds out of Mainland China is subject to the relevant rules and regulations of foreign exchange control.

## 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 2023 RMB'000	At 31 December 2022 RMB'000
Within 1 month	<b>53,382</b>	56,651
1 to 3 months	<b>14,322</b>	18,127
4 to 6 months	<b>3,428</b>	4,040
Over 6 months	<b>3,944</b>	1,313
Trade creditors	<b>75,076</b>	80,131
Deposits due to customers	<b>205,863</b>	203,539
Payables for equipment and construction	<b>257,474</b>	302,574
Interest payable	<b>4,101</b>	3,971
Payroll payable	<b>19,235</b>	31,144
Amounts due to related parties (note 22(c))	<b>2,180</b>	2
Provision for litigation compensation (note 21)	<b>850</b>	850
Dividend payable (note 18(a))	<b>38,725</b>	–
Deferred consideration payable (note 18(c))	<b>176,420</b>	–
Others	<b>14,519</b>	16,346
<b>Total</b>	<b>794,443</b>	638,557

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 90 days.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

### 17 BANK LOANS AND OTHER BORROWINGS

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Secured and guaranteed bank loans	<b>2,485,585</b>	2,130,886
Secured other borrowings	<b>110,376</b>	102,355
<b>Total</b>	<b>2,595,961</b>	2,233,241

As at 30 June 2023, the bank loans and other borrowings were repayable as follows:

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Within 1 year or on demand	<b>863,412</b>	685,585
After 1 year but within 2 years	<b>413,458</b>	461,885
After 2 years but within 5 years	<b>921,508</b>	731,115
After 5 years	<b>397,583</b>	354,656
<b>Sub-total</b>	<b>1,732,549</b>	1,547,656
<b>Total</b>	<b>2,595,961</b>	2,233,241

- (i) Other borrowings represent loans received from financial institutions in the PRC.
- (ii) As at 30 June 2023, bank loans amounted to RMB2,005,409,000 (31 December 2022: RMB1,684,594,000) were floating-interest rate loans with interest rates ranged from 3.10% to 7.26% (31 December 2022: 3.10% to 7.40%). Bank loans and other borrowings amounted to RMB590,552,000 (31 December 2022: RMB548,647,000) were fixed-interest rate borrowings with interest rates ranged from 3.65% to 8.67% (31 December 2022: 3.65% to 8.67%).
- (iii) Secured bank loans and other borrowings as at 30 June 2023 and 31 December 2022 were secured by certain of the Group's charge rights of rental income, equity interests of certain subsidiaries of the Group in the PRC, property, plant and equipment (note 9), investment property (note 10), land-use rights (note 12), loan deposits (note 13), deposits for other borrowings (note 13), and pledged deposits (note 14).

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

### 17 BANK LOANS AND OTHER BORROWINGS *(Continued)*

- (iv) As at 30 June 2023, bank loans and other borrowings amounted to RMB2,591,308,000 (31 December 2022: RMB2,227,428,000) were guaranteed by certain directors of the Company, close family members of directors, non-controlling shareholders of the Company or non-controlling shareholders of certain subsidiaries of the Group in the PRC.
- (v) Bank loans and other borrowings amounted to RMB2,595,668,000 as at 30 June 2023 (31 December 2022: RMB2,233,241,000) are subject to the fulfillment of covenants, which 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 2023, none of the covenants relating to drawn down facilities had been breached (31 December 2022: Nil).

### 18 CAPITAL, RESERVES AND DIVIDENDS

#### (a) Dividends

- (i) No interim dividends were proposed to equity shareholders of the Company attributable to the interim period after the end of the reporting period (six months ended 30 June 2022: Nil).
- (ii) Dividends payable to equity shareholders attributable to the previous financial year, approved and paid during the interim period

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Final dividend in respect of the previous financial year, approved during the following interim period, of HKD0.05 per ordinary share (six months ended 30 June 2022: Nil)	49,289	–

As at 30 June 2023, RMB10,564,000 of final dividend in respect of the previous financial year has been paid, the remaining RMB38,725,000 has been recognised as "dividend payable" (note 16).

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

### 18 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

#### (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 HKD	Lowest price paid per share HKD	Aggregate price paid HKD	RMB equivalent RMB
March 2023	1,960,000	1.01	0.95	1,964,000	1,712,000

During the six months ended 30 June 2023, the Company repurchased 1,960,000 shares in total, representing 0.18% of the total shares of the Company, on the Stock Exchange for an aggregate price of HKD1,964,000 (equivalent to RMB1,712,000). As at 30 June 2023, the Company has cancelled all shares repurchased.

#### (c) Acquisition of non-controlling interests

During the six months ended 30 June 2023, the Group purchased an additional 38.72% and 49% equity interest of Tianjin Bingang and Huizhou Jinya Environmental Equipment Co., Ltd.\* from non-controlling shareholders at considerations of RMB193,650,000 and RMB655,000, respectively. Pursuant to the relevant agreements, the payment of considerations was arranged in accordance with the terms of deferred payment. Accordingly, the Group recognised a “deferred consideration payable” in the amount of its fair value of RMB188,246,000 at initial recognition, and the interest element of the deferred consideration payable shall be recognised in profit or loss over the period before the settlement of such deferred consideration. The difference between the deferred consideration at initial recognition and the acquired proportionate interests in identifiable net assets of the above subsidiaries were recognised as a deduction of RMB19,809,000 from capital reserve and a deduction of RMB25,821,000 from retained profits.

During the six months ended 30 June 2023, related interest expense in the amount of RMB3,271,000 has been recognised in profit or loss (note 6(a)). As at 30 June 2023, RMB15,097,000 of total considerations has been paid, the carrying value of the remaining deferred consideration payable was RMB176,420,000 (note 16).

\* For identification purposes only

## 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	Fair value measurements		
	30 June	as at 30 June 2023 categorised into		
	2023	Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Recurring fair value measurement</b>				
Other financial assets:				
Unlisted equity securities	4,587	–	4,587	–

	Fair value at	Fair value measurements		
	31 December	as at 31 December 2022 categorised into		
	2022	Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Recurring fair value measurement</b>				
Other financial assets:				
Unlisted equity securities	4,511	–	4,511	–

As at 30 June 2023 and 31 December 2022, 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

Commitments outstanding at 30 June 2023 not provided for in the interim financial report

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Contracted for		
— Construction of industrial parks	275,084	390,037
Authorised but not contracted for		
— Construction of industrial parks	1,350,852	1,366,966
	<b>1,625,936</b>	1,757,003

### 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 a compensation in a total sum up to RMB10 million 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. On 28 September 2022, the Beijing Haidian People’s Court ordered that the Defendant should pay approximately RMB350,000 to the Plaintiff. The Plaintiff and the Defendant both appealed against the judgment. As at 30 June 2023, the Beijing Intermediate People’s Court had yet to make a decision on the appeal.

Pursuant to the opinion from the Group’s external legal counsel, the directors believe it is probable that the Defendant will be subject to compensation payment by no more than RMB850,000. Accordingly, other than the amount recognised as “provision for litigation compensation” of RMB850,000 as at 30 June 2023, no further provision has therefore been made in respect of this claim.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

### 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	
	2023 RMB'000	2022 RMB'000
Salaries and other benefits	2,494	2,323
Retirement scheme contributions	68	49
	<b>2,562</b>	2,372

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

#### (b) Related parties transactions

During the six months ended 30 June 2023, the Group entered into the following material related party transactions:

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Provision of rental service to a fellow subsidiary	3,390	2,201
Provision of environmental service to a fellow subsidiary	1,571	–
Provision of wastewater treatment and utilities service to a fellow subsidiary	4,024	2,396
Renovation cost paid to a fellow subsidiary	14,266	–
Payment for rental deposits to a fellow subsidiary	696	–
Provision of consulting service to associates	177	–
Purchase of photovoltaic power from associates	2,124	–
Advance from an entity controlled by members of key management personnel	–	8,516

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

### 22 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

#### (c) Balance with related parties

##### (i) Amounts due from related parties

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
<b>Trade and other receivables from:</b>		
— Fellow subsidiaries	5,183	2,898
— Associates	63	–
	<b>5,246</b>	2,898

##### (ii) Amounts due to related parties

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
<b>Trade and other payables to:</b>		
— Fellow subsidiaries	1,493	2
— Associates	687	–
	<b>2,180</b>	2

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

### 22 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

#### (d) Leasing arrangement

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
<b>Lease liabilities due to a fellow subsidiary:</b>		
— Related interest expense	247	—
	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
<b>Lease liabilities due to a fellow subsidiary:</b>		
— Amounts owed by the Group	16,472	—

During the six months ended 30 June 2023, the Group entered into a lease agreement with a related party for use of buildings (note 12). The amount of rent payable (excluding taxes) by the Group under the lease is RMB639,000 per quarter, which was determined with reference to amounts charged by the fellow subsidiary to third parties.

# 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 21 to 48 which comprises the consolidated statement of financial position of Kimou Environmental Holding Limited (the “**Company**”) as of 30 June 2023 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

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

### SCOPE OF REVIEW

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



## 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 2023 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

25 August 2023