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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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

FINANCIAL HIGHLIGHTS

	For the year ended 31 December 2022 RMB'000	For the year ended 31 December 2021 RMB'000
Revenue	1,095,791	927,750
Profit from operations	253,671	170,164
Profit attributable to equity shareholders of the Company	111,235	55,915
Basic earnings per share ^(Note) (RMB)	0.10	0.05
Diluted earnings per share ^(Note) (RMB)	0.10	0.05
Total assets	4,372,118	3,535,446
Net assets	1,365,453	1,241,635
Operating profit margin	23.1%	18.3%
Net profit margin	9.9%	5.1%

The Board of the Company has resolved to recommend a final dividend of HK5 cent per share (equivalent to approximately RMB4.5 cent) (2021: Not to recommend final dividend).

Note:

The calculation of earnings per share is based on the profit attributable to the equity shareholders of the Company for each of the years ended 31 December 2022 and 2021 and the weighted average number of ordinary shares during the respective year. The Company had no dilutive ordinary shares for each of the years ended 31 December 2022 and 2021.

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Kimou Environmental Holding Limited (the “**Company**”) announces the consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2022 (the “**Year**”), together with the comparative figures for the year ended 31 December 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(Expressed in Renminbi)

		For the year ended 31 December 2022 RMB'000	For the year ended 31 December 2021 RMB'000
	<i>Note</i>		
Revenue	2	1,095,791	927,750
Other revenue	3	24,370	10,787
Depreciation and amortisation	5(c)	(219,213)	(203,637)
Cost of inventories	5(c)	(342,189)	(309,383)
Staff costs	5(b)	(133,404)	(102,251)
Utility costs	5(c)	(32,930)	(25,423)
Other expenses		(134,232)	(126,226)
Other net loss	4	(2,688)	(1,453)
Impairment losses on trade receivables		(1,834)	–
Profit from operations		253,671	170,164
Finance costs	5(a)	(101,460)	(91,365)
Profit before taxation	5	152,211	78,799
Income tax	6	(43,506)	(31,035)
Profit for the year		108,705	47,764
Attributable to:			
Equity shareholders		111,235	55,915
Non-controlling interests		(2,530)	(8,151)
Profit for the year		108,705	47,764
Earnings per share (RMB)	7		
Basic and diluted		0.10	0.05

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

(Expressed in Renminbi)

	For the year ended 31 December 2022 RMB'000	For the year ended 31 December 2021 RMB'000
Profit for the year	108,705	47,764
Other comprehensive income for the year		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of entities not using Renminbi ("RMB") as functional currency	<u>55</u>	<u>300</u>
Total comprehensive income for the year	<u>108,760</u>	<u>48,064</u>
Attributable to:		
Equity shareholders	111,290	56,215
Non-controlling interests	<u>(2,530)</u>	<u>(8,151)</u>
Total comprehensive income for the year	<u>108,760</u>	<u>48,064</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in Renminbi)

		At 31 December 2022 RMB'000	At 31 December 2021 RMB'000
	<i>Note</i>		
Non-current assets			
Property, plant and equipment	9	1,571,451	1,451,658
Investment property	10	1,313,425	916,242
Construction in progress		536,293	376,581
Right-of-use assets	11	376,948	358,493
Intangible assets		2,366	2,721
Interests in associates		2,948	–
Other financial assets		4,511	5,626
Other receivables		15,671	21,553
Deferred tax assets		47,531	52,278
		3,871,144	3,185,152
		3,871,144	3,185,152
Current assets			
Inventories		23,560	18,018
Trade and other receivables	12	226,682	216,974
Non-current assets held for sale		11,978	–
Restricted deposits with banks		48,449	3,140
Cash and cash equivalents		190,305	112,162
		500,974	350,294
		500,974	350,294
Current liabilities			
Trade and other payables	13	638,557	496,501
Contract liabilities		12,820	11,992
Bank loans and other borrowings	14	685,585	574,883
Lease liabilities		303	508
Current taxation		18,698	25,158
		1,355,963	1,109,042
		1,355,963	1,109,042
Net current liabilities		(854,989)	(758,748)
		3,016,155	2,426,404

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in Renminbi)

(Continued)

		At 31 December 2022 RMB'000	At 31 December 2021 RMB'000
	<i>Note</i>		
Non-current liabilities			
Bank loans and other borrowings	14	1,547,656	1,089,148
Lease liabilities		459	175
Deferred income		98,036	88,695
Deferred tax liabilities		4,551	6,751
		<u>1,650,702</u>	<u>1,184,769</u>
Net assets		<u>1,365,453</u>	<u>1,241,635</u>
CAPITAL AND RESERVES			
Share capital		97,751	98,377
Reserves		1,043,653	940,399
Total equity attributable to equity shareholders		1,141,404	1,038,776
Non-controlling interests		<u>224,049</u>	<u>202,859</u>
Total equity		<u>1,365,453</u>	<u>1,241,635</u>

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2022 comprise the Company and its subsidiaries (together referred to as the “**Group**”) and the Group’s interests in associates.

At 31 December 2022, the Group’s current liabilities exceeded its current assets by RMB854,989,000 (2021: RMB758,748,000). The Directors of the Company have confirmed that, based on future projection of the Group’s cash flows from operations and the anticipated ability of the Group to renew or rollover its banking facilities and other financing sources to finance its continuing operations and its planned and/or committed capital expenditure for the next twelve months from the end of the reporting period of this annual financial statement, 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.

Non-current assets held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that financial assets at fair value through profit or loss are stated at fair value.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(c) Changes in accounting policies

The Group has applied the following amendments to HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

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

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

2. REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are industrial park property development and management, electroplating wastewater treatment and sales of goods and ancillary business. Further details regarding the Group's principal activities are disclosed in note 2(b).

Disaggregation of revenue

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

	For the year ended 31 December 2022 RMB'000	For the year ended 31 December 2021 RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major business lines		
— Facilities usage and management service	291,652	236,548
— Wastewater treatment and utilities	433,322	356,900
— Sales of goods and ancillary business	249,915	234,987
	974,889	828,435
Revenue from other sources		
Gross rentals from investment properties	120,902	99,315
	1,095,791	927,750

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets is disclosed in notes 2(b)(i) and 2(b)(iii), respectively.

The Group's customer base is diversified, and the Group did not have any customer with whom transactions have exceeded 10% of the Group's aggregate revenue for the year ended 31 December 2022 (2021: nil).

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following 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.

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. However, other than reporting inter-segment rentals of properties and sales of raw materials, assistance provided by one segment to another, including sharing of assets, is not measured.

The Group's senior executive management is provided with segment information concerning segment revenue and profit. Segment assets and liabilities are not reported to the Group's senior executive management regularly.

The measure used for reporting segment profit is "**adjusted EBITDA**" i.e. "adjusted earnings before finance costs, interest income, taxes, depreciation and amortisation". To arrive at adjusted EBITDA the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as directors' and auditors' remuneration and other head office or corporate administration costs.

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2022 and 2021 are set out below.

For the year ended 31 December 2022	Rental and facilities usage <i>RMB'000</i>	Wastewater treatment and utilities <i>RMB'000</i>	Sales of goods and ancillary business <i>RMB'000</i>	Total <i>RMB'000</i>
Disaggregated by timing of revenue recognition				
Point in time	–	433,322	249,915	683,237
Over time	412,554	–	–	412,554
Revenue from external customers	412,554	433,322	249,915	1,095,791
Inter-segment revenue	18,837	–	26,810	45,647
Reportable segment revenue	431,391	433,322	276,725	1,141,438
Reportable segment profit (adjusted EBITDA)	397,824	88,552	14,752	501,128
Depreciation and amortisation for the year	(205,169)	(12,273)	(1,771)	(219,213)
For the year ended 31 December 2021				
Disaggregated by timing of revenue recognition				
Point in time	–	356,900	234,987	591,887
Over time	335,863	–	–	335,863
Revenue from external customers	335,863	356,900	234,987	927,750
Inter-segment revenue	2,812	–	17,127	19,939
Reportable segment revenue	338,675	356,900	252,114	947,689
Reportable segment profit (adjusted EBITDA)	269,577	114,235	15,276	399,088
Depreciation and amortisation for the year	(189,902)	(11,991)	(1,744)	(203,637)

(ii) *Reconciliations of reportable segment profits*

	For the year ended 31 December 2022 RMB'000	For the year ended 31 December 2021 RMB'000
Reportable segment profit derived from the Group's external customers	501,128	399,088
Depreciation and amortisation	(219,213)	(203,637)
Finance costs	(101,460)	(91,365)
Interest income	2,474	1,030
Unallocated head office and corporate expenses	(30,718)	(26,317)
	<hr/> 152,211 <hr/>	<hr/> 78,799 <hr/>
Consolidated profit before taxation	152,211	78,799

(iii) *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").

(c) **Revenue expected to be recognised in the future arising from contracts in existence at the reporting date**

(i) *Contracts with customers within in the scope of HKFRS 15*

As at 31 December 2022, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is RMB1,202,194,000 (2021: RMB1,258,880,000). This amount represents revenue expected to be recognised in the future from contracts of property management, facilities usage and other services entered into by the customers with the Group. The Group will recognise the expected revenue in future when the services are rendered, which is mainly expected to occur over the next one to twenty-two years.

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its service and sales contracts of raw materials such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under these contracts that had an original expected duration of one year or less.

(ii) *Operating leases*

The Group leases out its investment property. The Group has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Less than one year	124,426	107,780
One to two years	116,622	101,657
Two to three years	110,541	94,054
Three to four years	95,382	87,805
Four to five years	25,403	71,386
More than five years	79,088	68,341
	<u>551,462</u>	<u>531,023</u>
Total undiscounted lease payments	<u><u>551,462</u></u>	<u><u>531,023</u></u>

3. OTHER REVENUE

	For the	For the
	year ended	year ended
	31 December	31 December
	2022	2021
	RMB'000	RMB'000
Interest income	2,474	1,030
Government grants		
— Unconditional subsidies	5,949	1,742
— Conditional subsidies	11,236	7,505
Income from additional deduction of value-added tax (“VAT”)	3,849	—
Other income	862	510
	<u>24,370</u>	<u>10,787</u>
	<u><u>24,370</u></u>	<u><u>10,787</u></u>

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

4. OTHER NET LOSS

	For the	For the
	year ended	year ended
	31 December	31 December
	2022	2021
	RMB'000	RMB'000
Loss arising from disposal of property, plant and equipment	(463)	(63)
Changes in fair value of other financial assets through profit or loss	(1,115)	(114)
Net foreign exchange loss	(1,629)	(422)
Others	519	(854)
	<u>(2,688)</u>	<u>(1,453)</u>
	<u><u>(2,688)</u></u>	<u><u>(1,453)</u></u>

5. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

	For the year ended 31 December 2022 RMB'000	For the year ended 31 December 2021 RMB'000
Interest on bank loans and other borrowings	125,199	103,381
Interest on lease liabilities	48	58
Less: interest expenses capitalised into properties and plant under development	<u>(23,787)</u>	<u>(12,074)</u>
	<u>101,460</u>	<u>91,365</u>

The borrowing costs have been capitalised at a rate of 5.7% to 6.55% per annum (2021: 6.25% to 6.82%).

(b) Staff costs (including Directors' emoluments)

	For the year ended 31 December 2022 RMB'000	For the year ended 31 December 2021 RMB'000
Salaries, wages and other benefits	122,863	93,821
Retirement scheme contributions	<u>10,541</u>	<u>8,430</u>
	<u>133,404</u>	<u>102,251</u>

The PRC entities participate in defined contribution retirement benefit schemes (the “Schemes”) organised by the PRC municipal and provincial government authorities, whereby the PRC entities are required to make contribution at the rates required by different local government authorities. The local government authorities are responsible for the pension obligations payable to the retired employees covered under the Schemes.

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

(c) Other items

	For the year ended 31 December 2022 RMB'000	For the year ended 31 December 2021 RMB'000
Depreciation and amortisation		
— Property, plant and equipment	147,121	141,094
— Investment property	61,940	54,209
— Right-of-use assets	9,543	7,723
— Intangible assets	609	611
	<u>219,213</u>	<u>203,637</u>
Cost of inventories (i)		
— Cost of inventories — sold	204,302	197,700
— Cost of inventories — consumption	137,887	111,683
	<u>342,189</u>	<u>309,383</u>
Auditors' remuneration		
— Audit related	2,151	2,071
— Non-audit related	1,249	821
	<u>3,400</u>	<u>2,892</u>
Utility costs	32,930	25,423
Research and development expenses	10,907	9,593

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

6. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Taxation in the consolidated statement of profit or loss represents:

	For the year ended 31 December 2022 RMB'000	For the year ended 31 December 2021 RMB'000
Current tax — PRC income tax		
Provision for the year	40,959	41,634
Deferred tax		
Origination and reversal of temporary differences	1,132	(10,599)
Effect on deferred tax balances at 1 January resulting from a change in tax rate	1,415	—
	<u>2,547</u>	<u>(10,599)</u>
	<u>43,506</u>	<u>31,035</u>

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (“BVI”), the Group is not subject to any income tax in the Cayman Islands and the BVI.

The provision for Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits. For the year ended 31 December 2022, subsidiaries in Hong Kong did not have any assessable profits (2021: nil).

The statutory income tax rate for the PRC subsidiaries is 25%.

- (ii) In 2021, Huizhou Jinmaoyuan Environmental Technology Co., Ltd.* (惠州金茂源環保科技有限公司) (“**Huizhou Jinmaoyuan**”) was approved as a High and New Technology Enterprise. According to relevant tax rules in the PRC, Huizhou Jinmaoyuan was entitled to a preferential income tax rate of 15% from 2021 to 2023.

In 2022, Tianjin Bingang Electroplating Enterprises Management Co., Ltd.* (天津濱港電鍍企業管理有限公司) (“**Tianjin Bingang**”) was approved as a High and New Technology Enterprise. According to relevant tax rules in the PRC, Tianjin Bingang was entitled to a preferential income tax rate of 15% from 2022 to 2024.

In 2022, Jinyuan (Jingzhou) Environmental Technology Co., Ltd. (“**Jingzhou Jinyuan**”) was approved as a High and New Technology Enterprise. According to relevant tax rules in the PRC, Jingzhou Jinyuan was entitled to a preferential income tax rate of 15% from 2022 to 2024.

Accordingly, the income tax of Huizhou Jinmaoyuan, Tianjin Bingang and Jingzhou Jinyuan was reduced by RMB13,596,000 for the year ended 31 December 2022 (2021: RMB11,749,000) as High and New Technology Enterprises.

- (iii) During the year ended 31 December 2022, Huizhou Jinmaoyuan, Tianjin Bingang, Jingzhou Jinyuan and Sichuan Jinmaoyuan Environmental Technology Co., Ltd. (“**Sichuan Jinmaoyuan**”) were eligible to claim additional deduction on research and development expenses when determined the assessable profits.

Accordingly, the income tax was reduced by RMB5,357,000 for the year ended 31 December 2022 (2021: RMB3,563,000).

7. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB111,235,000 (2021: RMB55,915,000) and the weighted average number of 1,116,457,000 ordinary shares (2021: 1,119,995,000 shares) in issue during the year, calculated as follows:

	2022 '000	2021 '000
Issued ordinary shares at 1 January	1,120,000	1,120,000
Effect of shares repurchased	<u>(3,543)</u>	<u>(5)</u>
Weighted average number of ordinary shares at 31 December	<u><u>1,116,457</u></u>	<u><u>1,119,995</u></u>

(b) Diluted earnings per share

During the years ended 31 December 2022 and 2021, there were no dilutive potential ordinary shares issued.

8. DIVIDENDS

(i) Dividends payable to equity shareholders of the Company attributable to the year

	2022 RMB'000	2021 RMB'000
Final dividend proposed after the end of the reporting period of HK\$0.05 per ordinary share (2021: nil)	<u><u>49,289</u></u>	<u><u>–</u></u>

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period. and it is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

No dividends have been declared or paid by the Company during the year (2021:nil).

9. PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 December 2022, the Group acquired items of property, plant and equipment with a cost of RMB268,825,000 (2021: RMB392,012,000).

As at 31 December 2022, certain property, plant and equipment with carrying value of RMB687,486,000 (2021: RMB725,153,000) were pledged to secure the Group's bank loans and other borrowings (note 14(iii)).

10. INVESTMENT PROPERTY

During the year ended 31 December 2022, additions to investment property RMB471,765,000 (2021: RMB130,285,000) mainly represented properties in the industrial parks. The Group's investment property are stated at cost less accumulated depreciation.

As at 31 December 2022, the fair value of the Group's investment property was approximately RMB2,387,100,000 (2021: RMB1,804,020,000). The fair value is determined by the Directors of the Company with reference to 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 31 December 2022, certain investment property with carrying value of RMB1,121,483,000 (2021: RMB873,009,000) were pledged to secure the Group's bank loans and other borrowings (note 14(iii)).

11. RIGHT-OF-USE ASSETS

As at 31 December 2022, land-use rights with net book value of RMB342,486,000 (2021: RMB291,649,000) were pledged for bank loans and other borrowings (note 14(iii)).

12. TRADE AND OTHER RECEIVABLES

	At 31 December 2022 RMB'000	At 31 December 2021 RMB'000
Current		
Trade debtors	135,361	117,252
Less: Allowance for expected credit losses	<u>(1,199)</u>	<u>–</u>
	134,162	117,252
Deductible input VAT	78,278	91,355
Prepayments and other receivables	7,344	7,549
Loan deposits (i)	4,000	–
Amounts due from a related party	<u>2,898</u>	<u>818</u>
	----- 226,682	----- 216,974
Non-current		
Prepayments for purchase of property, plant and equipment	10,121	1,277
Deposits for other borrowings	3,550	–
Deposits for acquisition of land-use rights and constructions	<u>2,000</u>	<u>20,276</u>
	----- 15,671	----- 21,553
Total	<u><u>242,353</u></u>	<u><u>238,527</u></u>

(i) It represents the payments to a bank as deposits for certain bank loans.

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.

As at 31 December 2022, the Group endorsed certain bank acceptance bills totaling RMB11,000,000 (2021: RMB4,000,000) to suppliers and contractors for settling payables of the same amount on a full resource basis.

The Group has derecognised these bills receivable and the payables in their entirety. These derecognised bank acceptance bills had a maturity date of less than six months from the end of the reporting period. In the opinion of the Directors, the Group have transferred substantially all the risks and rewards of ownership of these bills and has discharged its obligation of the payables to its suppliers, and the Group have limited exposure in respect of the settlement obligation of these bills receivable under the relevant PRC rules and regulations should the issuing banks fail to settle the bills on maturity date. The Group considered the issuing banks of the bills are of good credit quality and the non-settlement of these bills by the issuing banks on maturity is not probable.

Ageing analysis

As of the end of the reporting period, the ageing analysis of trade debtors, based on the invoice date and net of loss allowance, is as follows:

	At 31 December 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Within 1 month	110,103	102,172
1 to 3 months	16,416	10,422
4 to 6 months	5,152	2,422
Over 6 months	2,491	2,236
	134,162	117,252

Trade debtors are due within 15 to 90 days from the date of billing.

13. TRADE AND OTHER PAYABLES

	At 31 December 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Trade payables	80,131	69,142
Deposits due to customers	203,539	184,897
Payables for equipment and construction	302,574	202,124
Interest payable	3,971	3,368
Payroll payable	31,144	21,674
Amounts due to related parties	2	3,235
Provision for litigation compensation	850	–
Others	16,346	12,061
Total	638,557	496,501

Deposits due to customers represented the rental and facilities usage deposits, which might be repayable to customers after more than one year. All of the other trade payables, other payables, accruals and amounts due to related parties are expected to be settled within one year or are repayable on demand.

The credit period granted by the suppliers is 30 to 60 days.

Ageing analysis

As of the end of the reporting period, the ageing analysis of trade payables, based on the invoice date, is as follows:

	At 31 December 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Within 1 month	56,651	55,668
1 to 3 months	18,127	12,830
4 to 6 months	4,040	294
Over 6 months	1,313	350
	<u>80,131</u>	<u>69,142</u>

14. BANK LOANS AND OTHER BORROWINGS

At 31 December 2022, the bank loans and other borrowings were as follows:

	At 31 December 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Secured and guaranteed bank loans	2,130,886	1,633,278
Secured other borrowings	102,355	30,753
	<u>2,233,241</u>	<u>1,664,031</u>

At 31 December 2022, the bank loans and other borrowings were repayable as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 1 year or on demand	685,585	574,883
After 1 year but within 2 years	461,885	274,034
After 2 years but within 5 years	731,115	617,638
After 5 years	354,656	197,476
Sub-total	<u>1,547,656</u>	<u>1,089,148</u>
Total	<u>2,233,241</u>	<u>1,664,031</u>

- (i) Other borrowings represent loans received from financial institutions in the PRC.
- (ii) As at 31 December 2022, bank loans amounted to RMB1,684,594,000 (2021: RMB1,286,288,000) were floating-interest rate loans with interest rates ranged from 3.10% to 7.4% (2021: 5.22% to 6.86%). Bank loans and other borrowings amounted to RMB548,647,000 (2021: RMB377,743,000) were fixed-interest rate borrowings with interest rates ranged from 3.65% to 8.67% (2021: 5.80% to 6.65%).
- (iii) Secured bank loans and other borrowings as at 31 December 2022 and 31 December 2021 were secured by certain of the Group's charge rights of 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 11), loan deposits (note 12), deposits for other borrowings (note 12), and restricted deposits with banks.
- (iv) As at 31 December 2022, bank loans and other borrowings amounted to RMB2,227,428,000 (2021: RMB1,519,541,000) 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) As at 31 December 2022, bank loans and other borrowings amounted to RMB2,233,241,000 (2021: RMB1,664,031,000) were 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 31 December 2022, none of the covenants relating to drawn down facilities had been breached (2021: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In 2022, due to the impact of the COVID-19 outbreak, the conflict between Russia and Ukraine and the resulting food and energy crises, rising inflation, tightening debt, and the climate emergency, the industrial chain and supply chain were greatly impacted, and investment, consumption and trade were all under enormous downward pressure. The global economic growth rate slowed down, and the growth momentum of developed economies such as the United States and the European Union weakened significantly. Given that the Chinese government effectively coordinated the prevention and control of the pandemic and economic and social development and expedited the introduction of a number of policies to stabilize the macroeconomic market, the growth rate of the Chinese economy ranked at the absolute forefront among the world's major economies, which benefited the Group and its customers.

BUSINESS REVIEW

The Group develops and operates large-scale Surface Treatment Recycling Eco-industrial Parks (formerly described as “**Electroplating Industrial Park**”) in the PRC which are specifically designed for the electroplating industry. For the Year, the Group's revenue was approximately RMB1,095.8 million (2021: RMB927.8 million), representing an increase of approximately 18.1% from that of 2021 and the profit attributable to the equity shareholders of the Company was approximately RMB111.2 million (2021: RMB55.9 million), representing an increase of approximately 98.9% from that of 2021.

OUR SURFACE TREATMENT RECYCLING ECO-INDUSTRIAL PARKS

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

Total leasable area and occupancy rate

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

	As at 31 December								
	2022				2021				
	Guangdong Huizhou Park	Tianjin Bingang Park	Huazhong Park	Qingshen Park	Total	Guangdong Huizhou Park	Tianjin Bingang Park	Huazhong Park	Total
Total leasable area (sq.m.) ^(Note)	501,000	329,000	143,000	111,000	1,084,000	428,000	304,000	72,000	804,000
Total leased area (sq.m.) ^(Note)	474,000	302,000	47,000	6,000	829,000	428,000	264,000	35,000	727,000
Occupancy Rate	94.6%	91.8%	32.9%	5.4%	76.5%	100.0%	86.8%	48.6%	90.4%

Note: Rounded to the nearest thousand.

The Group offers factory premises in standard floor areas in which the tenants can choose to lease or purchase single or multiple floors according to their operational needs. The Group can also lease land to tenants to construct their own plants according to the requirements of the Group. As at 31 December 2022, the total leasable area of Guangdong Huizhou Park, Tianjin Bingang Park, Huazhong Park and Qingshen Park were approximately 501,000 sq.m., 329,000 sq.m., 143,000 sq.m. and 111,000 sq.m., respectively while their occupancy rates were 94.6%, 91.8%, 32.9% and 5.4%, respectively. The first phase of factory in Qingshen Park commenced its leasing in the fourth quarter of 2022 and the occupancy rate was low. The total occupancy rate of the Group as at 31 December 2022 was approximately 76.5%, which was lower than that for 2021. Although the occupancy rate of Tianjin Bingang Park has increased, such increase was offset by the relatively low occupancy rate of Qingshen Park.

Wastewater treatment capabilities

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

	For the year ended 31 December							
	2022				2021			
	Guangdong	Tianjin			Guangdong	Tianjin		
	Huizhou Park	Bingang Park	Huazhong Park	Total	Huizhou Park	Bingang Park	Huazhong Park	Total
Fresh water used (tonnes) ^{Note (i)}	2,667,000	749,000	41,000	3,457,000	2,706,000	615,000	6,000	3,327,000
Daily wastewater treatment capacity (tonnes) ^{Note (i)}	10,000	6,000	2,500	18,500	10,000	6,000	2,500	18,500
Annual average daily wastewater treatment handling capacity (tonnes)	7,307	2,052	112	9,471	7,414	1,685	16	9,115
Annual average utilisation rate of daily wastewater treatment capacity	73.1%	34.2%	4.5%	51.2%	74.1%	28.1%	0.7%	49.3%

Note:

(i) Rounded to the nearest thousand.

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

As at 31 December 2022, the total daily maximum wastewater treatment capacity of the Group reached 18,500 tonnes. The annual average daily wastewater treatment handling volume was approximately 9,471 tonnes and annual average utilisation rate of wastewater treatment was approximately 51.2%. The Group's annual average utilisation rate of wastewater treatment was higher than that of 2021. It was mainly due to the increase in annual average utilisation rate of Tianjin Bingang Park and Huazhong Park.

As at 31 December 2022, the total daily maximum wastewater treatment handling capacity of Guangdong Huizhou Park reached 10,000 tonnes. The annual average daily wastewater treatment handling volume was 7,307 tonnes and the annual average utilisation rate of wastewater treatment was 73.1%, which was a slight decline compared to the corresponding period in 2021.

As at 31 December 2022, the total daily maximum wastewater treatment handling capacity of Tianjin Bingang Park reached 6,000 tonnes. The annual average daily wastewater treatment handling volume was 2,052 tonnes and the annual average utilisation rate of wastewater treatment was 34.2%. This represents an increase of 6.1% over the corresponding period in 2021. It was mainly due to the increase in fresh water consumption as a result of the additional leased area in 2022.

As at 31 December 2022, the total daily maximum wastewater treatment handling capacity of Huazhong Park reached 2,500 tonnes. The annual average daily wastewater treatment handling volume was 112 tonnes and the annual average utilisation rate of wastewater treatment was 4.5%. This represents an increase of 3.8% over the corresponding period in 2021. It was mainly due to the increase in fresh water consumption as a result of the additional leased area in 2022.

RESEARCH AND DEVELOPMENT

To keep enhancing the effectiveness of wastewater treatment process and reuse rate is the long term objective and the social responsibility of the Group. With our experienced and knowledgeable research and development team and the cooperation of Tsinghua Shenzhen International Graduate School, the Group has been gradually transforming itself into an integrated wastewater treatment service provider. The Group had obtained 110 registered patents and 28 patent applications were in the progress of registration as at 31 December 2022.

SALES AND MARKETING

The Group conducts marketing and promotion activities and builds customers relationship through participation in domestic exhibitions and seminars. During the Year, the Group participated in five exhibitions.

OUTLOOK

According to the 2023 World Economic Situation and Prospects report released by the United Nations, due to the convergence of multiple crises, the global economy is facing a gloomy and uncertain outlook. In 2023, global economy is projected to grow at the lowest rate in recent decades. As some of the headwinds appeared to abate, a modest pick-up in global economic growth will largely depend on the speed and sequence of continued monetary tightening, the course and consequences of the Russia-Ukraine conflict, and the possibility of further disruptions in supply chains. It will affect our tenants' consumption of fresh water, steam and utilities, which in turn may pose challenges to the Group's operations and financial condition. We will closely monitor changes in the economic environment.

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

Increasing the gross floor area available for leasing

The construction of the first phase of the Group’s fourth Surface Treatment Recycling Eco-industrial Park in Qingshen County, Sichuan (“**Qingshen Park**”) was completed in the third quarter of 2022 and will be officially opened for production and operation in the second quarter of 2023, which will increase the leasable area for the Group.

During the Year, 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**”), was commenced in April 2022. Expected to be completed in the third quarter of 2023 and for the commencement of operation, the construction of the first phase consisted of 10 factory buildings and ancillary facilities. After the commencement of operation, Huadong Park will increase the leasable area for the Group.

As announced by the Company on 9 December 2022, the construction of 9 factories 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.

Enhancing wastewater treatment capabilities

The planned daily maximum wastewater treatment capacity of Qingshen Park was 20,000 tonnes. Upon the commencement of operation of the first phase of Qingshen Park in Sichuan Province in the second quarter of 2023, the Group's daily wastewater treatment capacity will increase by 5,000 tonnes.

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

The Group has applied to the relevant government authorities to increase the daily maximum wastewater treatment capacity in the Guangdong Huizhou Park from 10,000 tonnes to 15,000 tonnes per day. As at the date of this announcement, the local government authorities are still considering the Group's application.

RESULTS OF OPERATION

Revenue

The Group's business mainly involves the provision of factory premises and centralised wastewater treatment services to the tenants at the Guangdong Huizhou Park, the Tianjin Bingang Park and the Huazhong 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. For the Year, the Group's total revenue amounted to approximately RMB1,095.8 million, representing an increase of 18.1% over that in 2021, primarily due to the increase in revenue for each of the three business segments of the Group.

Revenue by segment	For the year ended 31 December								
	2022					2021			
	Guangdong Huizhou Park RMB'000	Tianjin Bingang Park RMB'000	Huazhong Park RMB'000	Qingshen Park RMB'000	Total RMB'000	Guangdong Huizhou Park RMB'000	Tianjin Bingang Park RMB'000	Huazhong Park RMB'000	Total RMB'000
Rental and facilities usage									
Rental of factory premises	79,900	35,618	5,323	61	120,902	66,625	29,898	2,792	99,315
Property management fee	16,635	6,449	1,178	23	24,285	13,901	4,902	647	19,450
Environmental protection technical service fee	174,517	85,726	7,124	–	267,367	134,072	79,740	3,286	217,098
Sub-total	271,052	127,793	13,625	84	412,554	214,598	114,540	6,725	335,863
Wastewater treatment and utilities									
Wastewater treatment fee	178,754	51,091	2,980	–	232,825	141,178	42,087	373	183,638
Steam charge	80,116	39,545	1,667	–	121,328	64,612	37,689	310	102,611
Utility systems maintenance fee	52,689	25,497	980	3	79,169	49,334	20,973	344	70,651
Sub-total	311,559	116,133	5,627	3	433,322	255,124	100,749	1,027	356,900
Sales of goods and ancillary business									
Sales of consumables	203,598	11,868	2,236	–	217,702	195,614	8,908	–	204,522
Other income	22,791	8,330	1,092	–	32,213	23,132	6,351	982	30,465
Sub-total	226,389	20,198	3,328	–	249,915	218,746	15,259	982	234,987
Total	809,000	264,124	22,580	87	1,095,791	688,468	230,548	8,734	927,750

Revenue from rental and facilities usage service

Revenue from rental and facilities usage service includes rental of factory premises, environmental protection technical service fee and property management fee, such fees are charged on its tenants based on the gross floor area of their leased factory premises.

The revenue from rental and facilities usage services increased by approximately RMB76.7 million or 22.8% from approximately RMB335.9 million for the year ended 31 December 2021 to approximately RMB412.6 million for the Year. The increase was primarily attributable to (i) increase in average daily leased area; and (ii) increase in rental fee per unit and environmental protection technical service fee per unit for the renewal of contracts with customers.

Revenue from wastewater treatment and utilities

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

(i) Wastewater treatment fee

Wastewater treatment fee increased by approximately RMB49.2 million or 26.8% from approximately RMB183.6 million for the year ended 31 December 2021 to approximately RMB232.8 million for the Year. The increase was primarily attributable to the combined effects of the increase in volume of fresh water used due to the increase in leased areas for the Year and the increase in wastewater treatment fee per unit for the renewal of contracts with customers.

(ii) Steam charge

Steam charge increased by approximately RMB18.7 million or 18.2% from approximately RMB102.6 million for the year ended 31 December 2021 to approximately RMB121.3 million for the Year. The increase was primarily attributable to the combined effects of the increase in the volume of the steam consumed due to the increase in leased areas during the Year and the temporary increase in steam charge per unit resulting from the increase in natural gas price.

(iii) Utility systems maintenance fee

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

The utility systems maintenance fee increased by approximately RMB8.5 million or 12.1% from approximately RMB70.7 million for the year ended 31 December 2021 to approximately RMB79.2 million for the Year. 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 Year.

Revenue from sales of goods and ancillary business

Sales of goods and ancillary business is mainly comprised of sales of consumables which accounted for 87.1% (2021: 87.2%) of this business segment.

Sales of consumables increased by approximately RMB13.2 million from approximately RMB204.5 million for the year ended 31 December 2021 to approximately RMB217.7 million for the Year. The increase was primarily attributable to the combined effects of (i) more orders from the tenants due to improved quality of chemicals and increased leased areas which resulted in the increase in the number of tenants; and (ii) the increase in unit selling price of the raw materials during the Year.

Operating costs

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

Operating costs increased by approximately RMB95.1 million or 12.4% from approximately RMB766.9 million for the year ended 31 December 2021 to approximately RMB862.0 million for the Year.

Depreciation and amortisation

The Group's depreciation and amortisation increased by approximately RMB15.6 million or 7.6% from approximately RMB203.6 million for the year ended 31 December 2021 to approximately RMB219.2 million for the Year. The increase was attributable to the newly acquired and operated investment properties and property, plant and equipment for the Year.

Cost of inventories

Cost of inventories mainly consisted of materials for wastewater treatment and natural gas for production of steams and consumables for sale to the tenants. Cost of inventories increased by approximately RMB32.8 million or 10.6% from approximately RMB309.4 million for the year ended 31 December 2021 to approximately RMB342.2 million for the Year, primarily attributable to (i) the increased costs by selling more goods to tenants; and (ii) the increase in unit cost of materials for wastewater treatment and natural gas for production of steam.

Staff costs

Staff costs is comprised of staff's salaries, bonus and other benefits as well as Directors' remuneration which amounted to approximately RMB133.4 million for the Year, representing an increase of 30.5% as compared with approximately RMB102.3 million for the year ended 31 December 2021. The increase in the Group's staff costs was mainly due to the combined effects of the increase in number of employees due to business development needs and the increase of remuneration during the Year.

Utility costs

Utility costs mainly comprised of costs of electricity and water consumed throughout the Group's wastewater treatment processes, production of steam and for other activities such as lighting and gardening inside the Surface Treatment Recycling Eco-industrial Parks. Utility costs increased by approximately RMB7.5 million or 29.5%, from approximately RMB25.4 million for the year ended 31 December 2021 to approximately RMB32.9 million for the Year. The increase was mainly attributable to the combined effects of the increase in use of electricity and water due to the increase in volume of wastewater treatment resulting from the increase in leased areas during the Year.

Other expenses

Other expenses primarily consisted of professional service fee, waste treatment expenses, other taxes and surcharges, security charges, maintenance and consumables, research and development expenses and others.

	For the year ended 31 December 2022 RMB'000	For the year ended 31 December 2021 RMB'000
Professional service fee	13,971	10,628
Waste treatment expenses	21,910	23,841
Other taxes and surcharges	30,868	23,592
Security charges	7,457	8,361
Maintenance and consumables	17,002	12,492
Research and development expenses	10,907	9,593
Consultancy and services fee	5,712	7,052
Entertainment fee	8,534	10,452
Cleaning expenses	4,260	4,353
Travelling expenses	2,957	2,073
Office and seminar expenses	2,540	2,503
Landscaping expenses	1,637	1,882
Advertising and promotion expenses	768	1,469
Insurance	655	484
Others	5,054	7,451
	<hr/>	<hr/>
Total	134,232	126,226
	<hr/> <hr/>	<hr/> <hr/>

Other expenses increased by approximately RMB8.0 million or 6.3% from approximately RMB126.2 million for the year ended 31 December 2021 to approximately RMB134.2 million for the Year, primarily attributable to (a) the increase in professional and consultancy service fee resulting from the development of Surface Treatment Recycling Eco-industrial Parks; (b) the increase in expenditure on occasional maintenance and renovation; and (c) the increase in other taxes and surcharges as a result of the addition of revenue and investment properties and plants.

Other revenue

Other revenue primarily consisted of (i) bank interest income, (ii) government grants, (iii) income from additional deduction of VAT and (iv) other income. Other revenue increased by approximately RMB13.6 million or 125.9%, from approximately RMB10.8 million for the year ended 31 December 2021 to approximately RMB24.4 million for the Year. Such increase was mainly due to the increase in government grants and interest income.

Profit from operations and operating profit margin

The Group's profit from operations increased by approximately RMB83.5 million or 49.1%, from approximately RMB170.2 million for the year ended 31 December 2021 to approximately RMB253.7 million for the Year. The operating profit margin increased from 18.3% for the year ended 31 December 2021 to 23.1% for the Year. The increase in profit from operations and operating profit margin mainly was attributable to the abovementioned increase in revenue and other revenue.

Finance costs

Finance costs primarily comprised of interest in bank loans and other borrowings. Finance cost increased by approximately RMB10.1 million or 11.0%, from approximately RMB91.4 million for the year ended 31 December 2021 to approximately RMB101.5 million for the Year which was attributable to the increase in the average balance of bank loans and other borrowings during the Year.

Profit before taxation

The Group's profit before taxation increased by approximately RMB73.4 million from approximately RMB78.8 million for the year ended 31 December 2021 to approximately RMB152.2 million for the Year which was primarily attributable to the factors as described above in this section.

Income tax expense

Income tax expense increased by approximately RMB12.5 million from approximately RMB31.0 million for the year ended 31 December 2021 to approximately RMB43.5 million for the Year, which was primarily attributable to the increase in profit from Guangdong Huizhou Park and Tianjin Bingang Park's operations during the Year.

Profit attributable to the equity shareholders of the Company

Profit attributable to the equity shareholders of the Company increased by approximately RMB55.3 million from approximately RMB55.9 million for the year ended 31 December 2021 to approximately RMB111.2 million for the Year, which was mainly attributable to the factors as described above in this section.

Net current liabilities and sufficiency of working capital

The table below sets out our current assets, current liabilities and net current liabilities as at 31 December 2022.

	31 December 2022 RMB'000	31 December 2021 RMB'000
Current assets	500,974	350,294
Current liabilities	<u>1,355,963</u>	<u>1,109,042</u>
Net current liabilities	<u><u>(854,989)</u></u>	<u><u>(758,748)</u></u>

As at 31 December 2022 and 31 December 2021, the net current liabilities of the Group amounted to approximately RMB855.0 million and RMB758.7 million, respectively. In light of the current liquidity position of the Group, the unutilised banking facilities available to the Group and our projected cash inflows generated from operations, the Directors believe that the Group has sufficient working capital for our present requirements and for the next 12 months.

Borrowings and gearing ratio

During the Year, the Group's cash and cash equivalents was mainly used in the development of plants and wastewater treatment facilities of the Guangdong Huizhou Park, Huazhong Park, Qingshen Park and Huadong Park. The Group financed its funding requirements mainly through a combination of cash generated from operating activities and borrowings. As at 31 December 2022, the total interest-bearing borrowings amounted to RMB2,233.2 million were due for repayment as follows:

	As at 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Within one year or on demand	685,585	574,883
After one year but within two years	461,885	274,034
After two years but within five years	731,115	617,638
After five years	354,656	197,476
	<hr/>	<hr/>
Total	2,233,241	1,664,031
	<hr/> <hr/>	<hr/> <hr/>

As at 31 December 2022, the Group's gearing ratio is approximately 163.6% (31 December 2021: 134.0%). The ratio is calculated based on the total debts (including all borrowings) as of the respective dates divided by the total equity as of the respective dates and multiplied by 100%.

Capital Management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for the shareholders and benefits for other stakeholders of the Company, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes bank loans and other borrowings and lease liabilities) less cash and cash equivalents and restricted deposits with banks.

The Group's adjusted net debt-to-equity ratio as at 31 December 2022 was as follows:

		At 31 December 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
	<i>Note</i>		
Current liabilities:			
Bank loans and other borrowings	14	685,585	574,883
Lease liabilities		303	508
		<u>685,888</u>	<u>575,391</u>
Non-current liabilities:			
Bank loans and other borrowings	14	1,547,656	1,089,148
Lease liabilities		459	175
		<u>2,234,003</u>	<u>1,664,714</u>
Less: Cash and cash equivalents		(190,305)	(112,162)
Restricted deposits with banks		(48,449)	(3,140)
Adjusted net debt		<u>1,995,249</u>	<u>1,549,412</u>
Total equity		<u>1,365,453</u>	<u>1,241,635</u>
Adjusted net debt-to-equity ratio		<u>1.46</u>	<u>1.25</u>

Capital Expenditure

The Group funded its capital expenditure with cash generated from operating activities and bank loans. During the Year, the Group's capital expenditure amounted to approximately RMB927.1 million (for the year ended 31 December 2021: RMB627.6 million), mainly attributable to the expenditures on acquisition of investment property, property, plant and equipment, right-of-use assets and other intangible assets.

Pledged assets

As at 31 December 2022, certain property, plant and equipment and investment property with carrying value of approximately RMB687.5 million and RMB1,121.5 million, respectively (31 December 2021: approximately RMB725.2 million and RMB873.0 million, respectively), land-use rights with net book value of approximately RMB342.5 million (31 December 2021: approximately RMB291.7 million), loan deposits with carrying value of RMB4.0 million (31 December 2021: nil), deposits for other borrowings with carrying value of RMB3.6 million (31 December 2021: nil), and restricted deposits with banks with carrying value of RMB48.4 million (31 December 2021: nil) were pledged as security for the bank loans and other borrowings with carrying amount of approximately RMB2,233.2 million (31 December 2021: approximately RMB1,664.0 million).

Please refer to note 14(iv) of the Notes to the Financial Statements set out in this announcement for particulars of guarantees made by the connected persons of the Company in favour of the lenders 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.

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 appealed against the judgment. As at 31 December 2022, 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 31 December 2022, no further provision has therefore been made in respect of this claim.

Save as disclosed above, the Group did not have any material contingent liabilities as at 31 December 2022 (2021: nil).

Continuing connected transactions

On 20 August 2021, the Group entered into the lease contract, the environmental service contract and the wastewater treatment and utilities service contract (the “**Lease and Related Agreements**”) with Tianjin Hongyue Environmental Technology Co., Ltd.* (天津洪躍環保科技有限公司) (“**Lessee**”) which comprises of (1) the lease contract entered into between Tianjin Jinhua Waste Products Acquisition Co., Ltd.* (天津金華都廢品收購有限公司) (“**Tianjin Jinhua**”), a non-wholly owned subsidiary of the Company, as lessor, and the Lessee, as lessee, in relation to the leasing of a parcel of land situated at Tianjin Bingang High-tech Casting Industrial Zone, Jinghai District, Tianjin, the PRC (the “**Land**”) for a term of 20 years to the Lessee; (2) the environmental service contract entered into between Tianjin Bingang Electroplating Enterprises Management Co., Ltd.* (天津濱港電鍍企業管理有限公司) (“**Tianjin Bingang**”), a subsidiary of the Company, and the Lessee in relation to the provision of certain environmental professional technical services to the Lessee in relation to the Land for a term of 5 years; and (3) the wastewater treatment and utilities service contract entered into between Tianjin Bingang and the Lessee in relation to the provision of wastewater treatment and utilities service to the Lessee in relation to the Land for a term of 5 years. The Lease and Related Agreements are related to the lease by the Group to the Lessee of the Land situated in the Tianjin Bingang Park, one of the Group’s Surface Treatment Recycling Eco-industrial Parks.

As Mr. Zhang Lianghong is an executive Director and chairman of the Board and the controlling shareholder of the Company indirectly holding, as at the date of the Lease and Related Agreements, approximately 42.75% of the issued shares of the Company and the Lessee is a subsidiary of an associate of Mr. Zhang, the Lessee is therefore a connected person of the Company under the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). Accordingly, the transactions contemplated under the Lease and Related Agreements constituted continuing connected transactions for the Company under Chapter 14A of the Listing Rules. For further details, please refer to the Company’s announcement dated 20 August 2021.

During the Year, the aggregate amount received and receivable by the Group under such continuing connected transactions did not exceed the annual caps disclosed by the Group in the relevant announcement.

Significant investments, acquisitions and disposals

On 18 March 2022, Taizhou Jincheng Environmental Protection Technology Co., Ltd.* (泰州金成環保科技有限公司)(“**Taizhou Jincheng**”), an indirect non-wholly owned subsidiary of the Company, entered into (i) the Plant Construction Agreement A with Guangdong Jinjunda Construction Engineering Co., Ltd.* (廣東金竣達建設工程有限公司)(“**Guangdong Jinjunda**”); and (ii) the Plant Construction Agreement B with Taixing Xinxing Construction Engineering Co., Ltd.* (泰興市新興建築工程有限公司)(“**Taixing Xinxing**”), both for the provision of construction services for factory buildings in Taixing Economic Development Zone at a consideration of approximately RMB150.4 million and approximately RMB77.1 million respectively. For further details, please refer to the announcement of the Company dated 18 March 2022 and the circular of the Company dated 19 May 2022.

On 8 April 2022, Jiangsu Jinmao Chengxing Environmental Protection Technology Co., Ltd.* (江蘇金茂成興環保科技有限公司), an indirect non-wholly owned subsidiary of the Company, entered into the Wastewater Plant Construction Agreement with Taixing Xinxing for the provision of construction services for an electroplating wastewater treatment plant in Taixing Economic Development Zone at a consideration of approximately RMB74.7 million. For further details, please refer to the announcement of the Company dated 8 April 2022 and the circular of the Company dated 19 May 2022.

On 9 December 2022, Tianjin Sangong Metal Surface Processing Co., Ltd.* (天津三工金屬表面處理有限公司)(“**Tianjin Sangong**”), an indirect non-wholly owned subsidiary of the Company, entered into (1) the Construction Agreement A with Tianjin Xinyu Construction Engineering Company Limited* (天津新宇建築工程有限公司)(“**Tianjin Xinyu**”) for the provision of construction services for five factories in Tianjin Bingang Park at a consideration of approximately RMB83.2 million; and (2) the Construction Agreement B with Tianjin Xinyu for the provision of construction services for four factories in Tianjin Bingang Park at a consideration of approximately RMB66.3 million. The aggregate value of consideration payable under the Construction Agreements is approximately RMB149.5 million. For further details, please refer to the announcement of the Company dated 9 December 2022.

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

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2022, the Group had 885 full-time employees (2021: 799 full-time employees) responsible for management, operation, property management, procurement, testing, maintenance, customer services, research and development, finance and administrative matters. The staff costs (including the Directors' remuneration) were approximately RMB133.4 million for the Year, which was an increase of approximately 30.5% as compared with approximately RMB102.3 million for the year ended 31 December 2021. The remuneration for the Directors and senior management members is based on their qualifications, work experience, job duties and position with the Group. The Group has implemented an annual review system to assess the performance of its employees, which forms the basis of the determinations on salary raises, discretionary bonuses and promotion.

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 familiarise them with the Company's working environment and culture. The Group also regularly provides employees with on-the-job trainings so as to ensure their work performances will meet the Group's strategic goals, operating standards, customer and regulatory requirements. The Company adopted a share option scheme on 18 June 2019 for the purpose of providing incentives and rewards to eligible directors and employees of the Group. During the Year and up to the date of this announcement, no share option under the share option scheme has been granted.

CAPITAL COMMITMENTS

As at 31 December 2022, the Group's total capital expenditure which have been contracted for but not incurred were approximately RMB390.0 million (31 December 2021: RMB343.7 million) for the development of the warehouse of Guangdong Huizhou Park, the development of factory premises and wastewater treatment facilities of the Huazhong Park and Qingshen Park and the development of the factory premises of Huadong Park and other equipment. These capital expenditures were mainly financed by internal resources and bank loans and other borrowings.

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 Year, 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, restricted deposits with banks and deposits with a bank with original maturity over three months 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 Board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

CORPORATE GOVERNANCE CODE

The Company recognises the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the shareholders of the Company (“**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 (“**CG Code**”) contained in the Appendix 14 to the Listing Rules.

The Directors considers that, the Company has complied, to the extent applicable and permissible, with the code provisions as set out in the then prevailing CG Code during the Year 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. 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; (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 such code in accordance with the Listing Rules.

COMPLIANCE WITH THE MODEL CODE BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules 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 Year.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Year, the Company repurchased a total of 8,724,000 shares of the Company on the Stock Exchange for a total consideration of approximately HK\$8,798,000 (equivalent to approximately RMB7,859,000). The Company considers that such repurchases will result in an increase in the net asset value per share and/or the earnings per share, which is the best way to enhance shareholder value and is in the best interests of Shareholders.

Details of the aforesaid repurchases are tabulated as follows:

Date	Number of Shares repurchased (Shares)	Highest Price per Share (HK\$)	Lowest Price per Share (HK\$)	Total Consideration (HK\$)
20 January 2022	50,000	1.04	1.00	50,720.00
12 April 2022	10,000	0.90	0.84	8,500.00
22 April 2022	220,000	0.94	0.90	199,800.00
26 April 2022	10,000	0.93	0.85	8,720.00
28 April 2022	500,000	0.96	0.92	471,640.00
5 May 2022	100,000	0.98	0.95	96,460.00
10 May 2022	382,000	0.99	0.97	377,000.00
24 May 2022	262,000	0.99	0.95	258,300.00
25 May 2022	406,000	0.99	0.99	401,940.00
14 June 2022	978,000	1.02	0.99	997,220.00
15 July 2022	950,000	1.00	0.96	949,280.00
31 August 2022	1,230,000	1.01	0.96	1,236,680.00
2 September 2022	548,000	1.00	0.97	547,940.00
16 September 2022	1,200,000	1.04	0.96	1,247,480.00
31 October 2022	926,000	1.03	0.98	947,720.00
15 December 2022	952,000	1.05	0.98	998,280.00

On 20 May 2022 and 19 October 2022, the Company cancelled 1,412,000 and 5,574,000 repurchased shares of the Company, respectively.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Year.

AUDIT COMMITTEE

The Board established the audit committee (the “**Audit Committee**”) on 18 June 2019. As at the date of this announcement, the Audit Committee comprises three independent non-executive Directors, namely Mr. Liu Da, Mr. Kan Chung Nin, Tony and Mr. Li Xiaoyan. Mr. Liu Da has been appointed as the chairman of the Audit Committee on 1 March 2023. 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 published on the Company’s website and the website of the Stock Exchange.

The primary duties of the Audit Committee are to review and supervise the Group’s financial report process and internal control and risk management systems, and to formulate or review policies relating to anti-bribery compliances by ensuring regular management review of relevant corporate governance measures and its implementation and to communicate with external auditor on the audit procedures and accounting issues. The Audit Committee has reviewed the annual results of the Group for the Year.

SUBSEQUENT EVENTS AFTER THE YEAR

On 20 February 2023, Huizhou Kimou Industrial Investment Co., Ltd.* (惠州金茂實業投資有限公司) (“**the Purchaser**”) entered into an equity transfer agreement with Tianjin Wanheshun Technology Group Co., Ltd.* (天津萬和順科技集團有限公司)(“**the Vendor**”), pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to purchase 38.72% of the equity interests in the Tianjin Bingang at a consideration of approximately RMB193.6 million. Upon completion of the acquisition, Tianjin Bingang will be owned as to 89.72% and 10.28% by the Purchaser and the Vendor, respectively. For further details, please refer to the announcement of the Company dated 20 February 2023.

Save as disclosed in this announcement and so far as the Group is aware after having made reasonable enquiries, there were no material subsequent events affecting the Group after 31 December 2022 and up to the date of this announcement.

REVIEW OF PRELIMINARY ANNUAL RESULTS ANNOUNCEMENT

The financial figures in respect of the Group’s consolidated statement of financial position as at 31 December 2022, consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been compared by the Group’s auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group’s audited consolidated financial statements for the Year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by KPMG on the preliminary announcement.

FINAL DIVIDEND

On 24 March 2023, the Board has resolved to recommend a final dividend of HK5 cent per share for the Year (the “**Proposed Final Dividend**”) to Shareholders whose names appear on the register of members of the Company on 9 June 2023. Based on the 1,113,014,000 shares in issue as at 31 December 2022, it is expected that the final dividend payable will amount to approximately HK\$55,650,000 (equivalent to approximately RMB49,712,000) (tax inclusive). The Proposed Final Dividend is subject to the approval of the Shareholders at the forthcoming annual general meeting and the final dividend will be paid on or around 30 June 2023.

ANNUAL GENERAL MEETING AND CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 22 May 2023 to Thursday, 25 May 2023, both days inclusive and during which period no transfer of shares will be registered, for the purpose of ascertaining Shareholders’ entitlement to attend and vote at the annual general meeting of the Company (the “**AGM**”) to be held on Thursday, 25 May 2023. In order to be eligible to attend and vote at the AGM, all transfer shares accompanied by the relevant share certificates must be lodged for registration with the Company’s branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Friday, 19 May 2023.

In order to determine the entitlement of Shareholders to the Proposed Final Dividend, the register of members of the Company will be closed from Wednesday, 7 June 2023 to Friday, 9 June 2023 (both days inclusive), during which no transfer of shares will be registered. All transfer documents together with the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Tuesday, 6 June 2023.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and of the Company (www.platingbase.com). The annual report of the Company for the Year containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

APPRECIATION

The Company would like to take this opportunity to thank all our valued Shareholders and various stakeholders of the Company 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
Kimou Environmental Holding Limited
Zhang Lianghong
Chairman

Hong Kong, 24 March 2023

As at the date of this announcement, the executives Directors are Mr. Zhang Lianghong, Mr. Zhu Heping, Mr. Lee Kin Ming and Mr. Huang Shaobo and the independent non-executive Directors are Mr. Li Xiaoyan, Mr. Liu Da and Mr. Kan Chung Nin, Tony SBS, JP.

** For identification purpose only.*

In this announcement, amounts quoted in HK\$ has been converted into RMB at the rate of HK\$1 to RMB0.8933. Such exchange rate has been used, where applicable, for purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at such rate or any other rates.