金茂源

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 2021

FINANCIAL HIGHLIGHTS

	For the year ended 31 December 2021 *RMB'000*	For the year ended 31 December 2020 *RMB'000*
Revenue	**927,750**	724,724
Profit from operations	**170,164**	173,334
Profit attributable to equity shareholders of the Company	**55,915**	102,609
Basic earnings per share *(Note) (RMB)*	**0.05**	0.09
Diluted earnings per share *(Note) (RMB)*	**0.05**	0.09
Total assets	**3,535,446**	2,993,669
Net assets	**1,241,635**	1,165,285
Operating profit margin	**18.3%**	23.9%
Net profit margin	**5.1%**	11.8%
Gearing ratio	**134.0%**	107.2%

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 2021 and 2020 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 2021 and 2020.

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 2021 (the "**Year**"), together with the comparative figures for the year ended 31 December 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(Expressed in Renminbi)

	Note	**For the year ended 31 December 2021** *RMB'000*	For the year ended 31 December 2020 *RMB'000*
Revenue	*2*	**927,750**	724,724
Other revenue	*3*	**10,787**	10,306
Depreciation and amortisation	*5(c)*	**(203,637)**	(168,438)
Cost of inventories	*5(c)*	**(309,383)**	(190,363)
Staff costs	*5(b)*	**(102,251)**	(69,260)
Utility costs	*5(c)*	**(25,423)**	(18,180)
Other expenses		**(126,226)**	(113,007)
Other net loss	*4*	**(1,453)**	(2,448)
Profit from operations		**170,164**	173,334
Finance costs	*5(a)*	**(91,365)**	(52,936)
Profit before taxation	*5*	**78,799**	120,398
Income tax	*6*	**(31,035)**	(35,146)
Profit for the year		**47,764**	85,252
Attributable to:			
Equity shareholders		**55,915**	102,609
Non-controlling interests		**(8,151)**	(17,357)
Profit for the year		**47,764**	85,252
Earnings per share (RMB)	*7*		
Basic and diluted		**0.05**	0.09

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
(Expressed in Renminbi)

	For the year ended 31 December 2021 *RMB'000*	For the year ended 31 December 2020 *RMB'000*
Profit for the year	**47,764**	85,252
Other comprehensive income for the year		
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	**300**	124
Total comprehensive income for the year	**48,064**	85,376
Attributable to:		
Equity shareholders	**56,215**	102,733
Non-controlling interests	**(8,151)**	(17,357)
Total comprehensive income for the year	**48,064**	85,376

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Expressed in Renminbi)

	Note	At 31 December 2021 RMB'000	At 31 December 2020 RMB'000
Non-current assets			
Property, plant and equipment		**1,451,658**	1,201,695
Investment property		**916,242**	841,382
Construction in progress		**376,581**	363,246
Right-of-use assets		**358,493**	272,855
Intangible assets		**2,721**	3,263
Other receivables		**21,553**	4,813
Deferred tax assets		**52,278**	39,565
Other financial assets		**5,626**	5,740
Total non-current assets		**3,185,152**	2,732,559
Current assets			
Inventories		**18,018**	6,037
Trade and other receivables	*8*	**216,974**	181,850
Non-current assets held for sale		**–**	450
Restricted deposits with a bank		**3,140**	–
Cash and cash equivalents		**112,162**	72,773
Total current assets		**350,294**	261,110
Current liabilities			
Trade and other payables	*9*	**496,501**	483,109
Contract liabilities		**11,992**	9,148
Bank loans and other borrowings	*10*	**574,883**	384,680
Current taxation		**25,158**	15,920
Lease liabilities		**508**	695
Total current liabilities		**1,109,042**	893,552
Net current liabilities		**(758,748)**	(632,442)
Total assets less current liabilities		**2,426,404**	2,100,117

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in Renminbi)

(Continued)

	Note	At 31 December 2021 RMB'000	At 31 December 2020 RMB'000
Non-current liabilities			
Bank loans and other borrowings	*10*	**1,089,148**	864,317
Deferred income		**88,695**	65,288
Deferred tax liabilities		**6,751**	4,637
Lease liabilities		**175**	590
Total non-current liabilities		**1,184,769**	934,832
Net assets		**1,241,635**	1,165,285
CAPITAL AND RESERVES			
Share capital		**98,377**	98,377
Reserves		**940,399**	884,288
Total equity attributable to equity shareholders		**1,038,776**	982,665
Non-controlling interests		**202,859**	182,620
Total equity		**1,241,635**	1,165,285

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 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 2021 comprise the Company and its subsidiaries (together referred to as the "**Group**").

At 31 December 2021, the Group's current liabilities exceeded its current assets by RMB758,748,000 (2020: RMB632,442,000). 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 management believes that the Group has adequate resources to continue to operate as a going concern throughout the next twelve months and that there are no material uncertainties related to events or conditions which, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern.

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

- Amendment to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*

- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform — phase 2*

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 annual financial report. 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 2021 *RMB'000*	For the year ended 31 December 2020 *RMB'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major business lines		
— Facilities usage and management service	**236,548**	198,103
— Wastewater treatment and utilities	**356,900**	293,968
— Sales of goods and ancillary business	**234,987**	150,442
	828,435	642,513
Revenue from other sources		
Gross rentals from investment properties	**99,315**	82,211
	927,750	724,724

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).

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 2021 (2020: 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, 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 2021 and 2020 are set out below.

For the year ended 31 December 2021	**Rental and facilities usage** *RMB'000*	**Wastewater treatment and utilities** *RMB'000*	**Sales of goods and ancillary business** *RMB'000*	**Total** *RMB'000*
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)**

For the year ended 31 December 2020	**Rental and facilities usage** *RMB'000*	**Wastewater treatment and utilities** *RMB'000*	**Sales of goods and ancillary business** *RMB'000*	**Total** *RMB'000*
Disaggregated by timing of revenue recognition				
Point in time	–	293,968	150,442	444,410
Over time	280,314	–	–	280,314
Revenue from external customers	280,314	293,968	150,442	724,724
Inter-segment revenue	2,433	–	12,106	14,539
Reportable segment revenue	282,747	293,968	162,548	739,263
Reportable segment profit (adjusted EBITDA)	221,727	119,555	19,417	360,699
Depreciation and amortisation for the year	(158,153)	(9,049)	(1,236)	(168,438)

(ii) Reconciliations of reportable segment profits

	For the year ended 31 December 2021	For the year ended 31 December 2020
	RMB'000	*RMB'000*
Reportable segment profit derived from the Group's external customers	**399,088**	360,699
Depreciation and amortisation	**(203,637)**	(168,438)
Finance costs	**(91,365)**	(52,936)
Interest income	**1,030**	361
Unallocated head office and corporate expenses	**(26,317)**	(19,288)
Consolidated profit before taxation	**78,799**	120,398

(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 2021, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is RMB1,258,880,000 (2020: RMB495,208,000). 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 five 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.

	For the year ended 31 December 2021 *RMB'000*	For the year ended 31 December 2020 *RMB'000*
Less than one year	**107,780**	79,759
One to two years	**101,657**	33,674
Two to three years	**94,054**	26,801
Three to four years	**87,805**	19,112
Four to five years	**71,386**	12,924
More than five years	**68,341**	27,903
Total undiscounted lease payments	**531,023**	200,173

3. OTHER REVENUE

	For the year ended 31 December 2021 *RMB'000*	For the year ended 31 December 2020 *RMB'000*
Interest income	**1,030**	361
Government grants		
— Unconditional subsidies	**1,742**	3,080
— Conditional subsidies	**7,505**	6,693
Other income	**510**	172
	10,787	10,306

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 year ended 31 December 2021 *RMB'000*	For the year ended 31 December 2020 *RMB'000*
Loss arising from disposal of property, plant and equipment and land-use rights	**(63)**	(126)
Changes in fair value of other financial assets through profit or loss	**(114)**	(2,425)
Net foreign exchange loss	**(422)**	(686)
Others	**(854)**	789
	(1,453)	(2,448)

5. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

	For the year ended 31 December 2021 *RMB'000*	For the year ended 31 December 2020 *RMB'000*
Interest on bank loans	**103,381**	69,078
Interest on lease liabilities	**58**	49
Less: interest expenses capitalised into properties and plant under development	**(12,074)**	(16,191)
	91,365	52,936

The borrowing costs have been capitalised at rates ranging from 6.25% to 6.82% per annum (2020: 6.84%).

(b) Staff costs (including directors' emoluments)

	For the year ended 31 December 2021 *RMB'000*	For the year ended 31 December 2020 *RMB'000*
Salaries, wages and other benefits	**93,821**	68,773
Retirement scheme contributions	**8,430**	487
	102,251	69,260

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.

Pursuant to temporary policies consented by the State Council of the PRC to relieve the difficulties encountered by enterprises due to COVID-19 pandemic, subsidiaries of the Company in the PRC were entitled to exempt their contributions to the pension insurance, unemployment insurance and work injury insurance from February to December 2020. No such exemption was granted for the year ended 31 December 2021.

(c) Other items

	For the year ended 31 December 2021 *RMB'000*	For the year ended 31 December 2020 *RMB'000*
Depreciation and amortisation		
— Property, plant and equipment	**141,094**	117,175
— Investment property	**54,209**	43,348
— Right-of-use assets	**7,723**	7,045
— Intangible assets	**611**	870
	203,637	168,438
Cost of inventories *(i)*		
— Cost of inventories — sold	**197,700**	120,697
— Cost of inventories — consumption	**111,683**	69,666
	309,383	190,363
Auditors' remuneration		
— Audit related	**2,071**	1,753
— Non-audit related	**821**	802
	2,892	2,555
Utility costs	**25,423**	18,180
Research and development expenses	**9,593**	8,435

(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 2021 *RMB'000*	For the year ended 31 December 2020 *RMB'000*
Current tax — PRC income tax		
Provision for the year	**41,634**	32,182
Deferred tax		
Origination and reversal of temporary differences	**(10,599)**	2,964
	31,035	35,146

(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 2021, subsidiaries in Hong Kong did not have any assessable profits (2020: nil).

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

(ii) During the years ended 31 December 2020 and 2021, Huizhou Jinmaoyuan Environmental Technology Co., Ltd. ("**Huizhou Jinmaoyuan**"), engaging in electroplating wastewater treatment, was entitled to the preferential tax policy on environmental protection devices. According to relevant tax rules in the PRC, such additional tax deduction equals to 10% of total purchasing amount of environmental protection devices, which would be utilised in following five years upon purchase of the environmental protection devices.

Accordingly, for the year ended 31 December 2021, the income tax of Huizhou Jinmaoyuan was reduced by RMB903,000 (2020: RMB505,000).

(iii) During the year ended 31 December 2018, Huizhou Jinmaoyuan and Tianjin Bingang Electroplating Enterprises Management Co., Ltd. ("**Tianjin Bingang**") obtained approval from local tax authorities to claim additional deduction on research and development expenses when determined the assessable profits. According to relevant tax rules in the PRC, such additional tax deduction on research and development expenses when determined the assessable profits equals to 75% of the amount of research and development expenses actually incurred.

Accordingly, the income tax of Huizhou Jinmaoyuan and Tianjin Bingang was reduced by RMB3,563,000 for the year ended 31 December 2021 (2020: RMB3,401,000).

(iv) In 2021, Huizhou Jinmaoyuan was approved as a High and New Technology Enterprise. Therefore, 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 2019, Tianjin Bingang was approved as a High and New Technology Enterprise. Therefore, according to relevant tax rules in the PRC, Tianjin Bingang was entitled to a preferential income tax rate of 15% from 2019 to 2021.

Accordingly, the income tax of Huizhou Jinmaoyuan and Tianjin Bingang was reduced by RMB11,749,000 for the year ended 31 December 2021 (2020: RMB10,502,000) as High and New Technology Enterprises.

(v) According to the Corporate Income Tax Law and its implementation rules, non-PRC-resident enterprises are levied withholding tax at 10% on dividend from their PRC-resident enterprises for earnings accumulated since 1 January 2008.

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 RMB55,915,000 (2020: RMB102,609,000) and the weighted average number of 1,119,995,000 ordinary shares (2020: 1,120,000,000 shares) in issue during the year, calculated as follows:

	2021	2020
	’000	*’000*
Issued ordinary shares at 1 January	**1,120,000**	1,120,000
Effect of shares repurchased	**(5)**	–
Weighted average number of ordinary shares at 31 December	**1,119,995**	1,120,000

(b) Diluted earnings per share

During the years ended 31 December 2021 and 2020, there were no dilutive potential ordinary shares issued.

8. TRADE AND OTHER RECEIVABLES

	At 31 December 2021	At 31 December 2020
	RMB'000	*RMB'000*
Current		
Trade debtors	**117,252**	98,083
Less: Allowance for expected credit losses	**–**	–
	117,252	98,083
Deductible input VAT	**91,355**	76,540
Prepayments and other receivables	**7,549**	7,227
Amounts due from a related party	**818**	–
	216,974	181,850
Non-current		
Prepayments for purchase of property, plant and equipment	**1,277**	4,535
Deposits for acquisition of land-use rights and constructions	**20,276**	278
	21,553	4,813
Total	**238,527**	186,663

All of the trade and other receivables, apart from those classified as non-current portion, are expected to be recovered or recognised as expense within one year.

Ageing analysis

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

	At 31 December 2021	At 31 December 2020
	RMB'000	*RMB'000*
Within 1 month	**102,172**	88,600
1 to 3 months	**10,422**	7,201
4 to 6 months	**2,422**	1,565
Over 6 months	**2,236**	717
	117,252	98,083

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

9. TRADE AND OTHER PAYABLES

	At 31 December 2021 *RMB'000*	At 31 December 2020 *RMB'000*
Trade payables	**69,142**	55,182
Deposits due to customers	**184,897**	152,014
Payables for equipment and construction	**202,124**	244,962
Interest payable	**3,368**	2,031
Payroll payable	**21,674**	18,648
Amounts due to related parties	**3,235**	97
Others	**12,061**	10,175
Total	**496,501**	483,109

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

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

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

	At 31 December 2021 *RMB'000*	At 31 December 2020 *RMB'000*
Within 1 month	**55,668**	40,328
1 to 3 months	**12,830**	10,467
4 to 6 months	**294**	4,066
Over 6 months	**350**	321
	69,142	55,182

10. BANK LOANS AND OTHER BORROWINGS

At 31 December 2021, the bank loans and other borrowings were secured as follows:

	At 31 December 2021 *RMB'000*	At 31 December 2020 *RMB'000*
Secured bank loans	**1,633,278**	1,226,497
Secured other borrowings	**30,753**	22,500
	1,664,031	1,248,997

At 31 December 2021, the bank loans and other borrowings were repayable as follows:

	2021 *RMB'000*	2020 *RMB'000*
Within 1 year or on demand	**574,883**	384,680
After 1 year but within 2 years	**274,034**	214,261
After 2 years but within 5 years	**617,638**	518,098
After 5 years	**197,476**	131,958
Sub-total	**1,089,148**	864,317
Total	**1,664,031**	1,248,997

(i) Other borrowings represent loans received from a financial institution in the PRC.

(ii) As at 31 December 2021, bank loans amounted to RMB1,286,288,000 (2020: RMB1,082,810,000) were floating-interest rate loans with interest rates ranged from 5.22% to 6.86% (2020: 5.85% to 6.86%). Bank loans and other borrowings amounted to RMB377,743,000 (2020: RMB166,187,000) were fixed-interest rate borrowings with interest rates ranged from 5.80% to 6.65% (2020: 5.22% to 6.65%).

(iii) Secured bank loans and other borrowings as at 31 December 2021 and 2020 were secured by certain of the Group's charge over rights of income, property, plant and equipment, investment property and land-use rights.

(iv) As at 31 December 2021, bank loans amounted to RMB55,000,000 (2020: RMB65,000,000) were guaranteed by Mr. Zhang Lianghong and Tianjin Wanheshun Technology Co., Group Ltd., which holds 49% of equity interest of Tianjin Bingang.

(v) As at 31 December 2021, bank loans amounted to RMB1,464,541,000 (2020: RMB1,044,110,000) were guaranteed by Mr. Zhang Lianghong, Mr. Zhang Haiming, Mr. Huang Shaobo and Mr. Lee Yuk Kong.

(vi) As at 31 December 2021, bank loans and other borrowings amounted to RMB1,664,031,000 (2020: RMB1,248,997,000) 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 2021, none of the covenants relating to drawn down facilities had been breached (2020: nil).

11. DIVIDENDS

No dividends have been declared or paid by the Company during the Year (2020: nil). The Board has resolved not to recommend any payment of final dividend for the Year (2020: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

2021 is the first year to implement the spirit of the Fifth Plenary Session of the 19th Central Committee and start the strategic transformation of the 14th Five-Year Plan. Despite the complex international and domestic situation, China's economy has still achieved excellent results. However, the current internal and external environment of China's economy is facing profound changes and there are many factors that restrict the construction of a dual circulation economic plan ("accelerate the new development pattern in which internal circulation plays the leading role while both internal and external circulation will be mutually reinforcing"). On the one hand, deglobalization is surging and the tension in the international trade environment has increased. On the other hand, the world has entered a new normalised state after the coronavirus pandemic. Shocks brought about by new supplies began to lead the evolution of the macroeconomy, and the risk of stagflation has gradually emerged, affecting the tenants of the Group's Surface Treatment Recycling Eco-industrial Parks and the Group's profits.

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 RMB927.8 million (2020: RMB724.7 million), representing an increase of approximately 28.0% from that of 2020 and the profit attributable to the equity shareholders of the Company was approximately RMB55.9 million (2020: RMB102.6 million), representing a decrease of approximately 45.5% from that of 2020.

OUR SURFACE TREATMENT RECYCLING ECO-INDUSTRIAL PARKS

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

Total leasable area and occupancy rate

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

	As at 31 December						
	2021				2020		
	Guangdong Huizhou Park	**Tianjin Bingang Park**	**Huazhong Park**	**Total**	Guangdong Huizhou Park	Tianjin Bingang Park	Total
Total leasable area (sq.m.) *(Note)*	**428,000**	**304,000**	**72,000**	**804,000**	347,000	260,000	607,000
Total leased area (sq.m.) *(Note)*	**428,000**	**264,000**	**35,000**	**727,000**	347,000	194,000	541,000
Occupancy Rate	**100.0%**	**86.8%**	**48.6%**	**90.4%**	100.0%	74.6%	89.1%

Note: Rounded to the nearest thousand.

The Group offers factory premises in standard floor areas in which the tenants can choose to lease single or multiple floors according to their operational needs. The Group can also lease land to tenants to construct their own plants according to the requirements of the Group. As at 31 December 2021, the total leasable area of Guangdong Huizhou Park, Tianjin Bingang Park and Huazhong Park were approximately 428,000 sq.m., 304,000 sq.m. and 72,000 sq.m. respectively while their occupancy rates were 100.0%, 86.8% and 48.6% respectively. The first phase of Huazhong Park commenced its leasing in the first quarter of 2021 and the occupancy rate was relatively low.

Relying on good reputation and extensive experience and expertise in developing and operating large-scale Surface Treatment Recycling Eco-industrial Parks, the total occupancy rate of the Group as at 31 December 2021 was approximately 90.4%. It exceeded the level of that for 2020. Although the occupancy rate of Tianjin Bingang Park has increased, such increase was offset by the relatively low occupancy rate of Huazhong Park.

Wastewater treatment capabilities

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

	For the year ended 31 December						
	2021				2020		
	Guangdong Huizhou Park	**Tianjin Bingang Park**	**Huazhong Park**Note (ii)	**Total**	Guangdong Huizhou Park	Tianjin Bingang Park	Total
Fresh water used (tonnes)Note (i)	**2,706,000**	**615,000**	**6,000**	**3,327,000**	2,407,000	491,000	2,898,000
Daily wastewater treatment capacity (tonnes)Note (i)	**10,000**	**6,000**	**2,500**	**18,500**	10,000	6,000	16,000
Annual average daily wastewater treatment handling capacity (tonnes)	**7,414**	**1,685**	**16**	**9,115**	6,577	1,342	7,919
Annual average utilisation rate of daily wastewater treatment capacity	**74.1%**	**28.1%**	**0.7%**	**49.3%**	65.8%	22.4%	49.5%

Note:

(i) Rounded to the nearest thousand.

(ii) Huazhong Park commenced its operation in the first quarter of 2021 and hence no comparative figures for the Huazhong Park in 2020 are available.

The factory premises of the Group's three 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 2021, the total daily maximum wastewater treatment capacity of the Group reached 18,500 tonnes. The annual average daily wastewater treatment handling volume was approximately 9,115 tonnes and annual average utilisation rate of wastewater treatment was approximately 49.3%. The Group's annual average utilisation rate of wastewater treatment was close to the level as compared with 2020. Although the annual average utilisation rate of Guangdong Huizhou Park and Tianjin Bingang Park increased, such increase was offset by the relatively low occupancy rate of Huazhong Park and the low consumption volume of fresh water by tenants in the Huazhong Park during renovation and trial operation.

As at 31 December 2021, 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 7,414 tonnes and the annual average utilisation rate of wastewater treatment was 74.1%. This represents an increase of 8.3 percentage points over the corresponding period in 2020. It was mainly due to the increase in fresh water consumption as a result of the additional leased area in 2021 and the impact of COVID-19 outbreak in the first quarter of 2020 resulting in the decrease in fresh water consumption in the corresponding period in 2020.

As at 31 December 2021, 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 1,685 tonnes and the annual average utilisation rate of wastewater treatment was 28.1%. This represents an increase of 5.7 percentage points over the corresponding period in 2020. It was mainly due to the increase in fresh water consumption as a result of the additional leased area in 2021 and the impact of COVID-19 outbreak in the first quarter of 2020 resulting in the decrease in fresh water consumption in the corresponding period in 2020.

OUR RESEARCH AND DEVELOPMENT

To keep enhancing the effectiveness of wastewater treatment process and reuse rate is the long term objective and the social responsibility of the Group. With our experienced and knowledgeable research and development team and the cooperation of Tsinghua Shenzhen International Graduate School, the Group has been gradually transforming itself into an integrated wastewater treatment service provider. The Group had obtained 83 registered patents and 15 patent applications were in the progress of registration as at 31 December 2021.

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 and nine seminars.

OUTLOOK

According to the “World Economic Outlook Report” published by the International Monetary Fund, it is believed that the current global economic outlook is facing multiple risks. The root cause is that the world will be continually constrained by the pandemic in the long term. Recovery has weakened and the risk of global economic stagflation has risen significantly, affecting our tenants' consumption of fresh water, steam and utilities, which in turn may pose challenges to the Group's operations and financial condition.

However, 2021 is the first year of implementing the strategic transformation of the 14th Five-Year Plan. One of the main themes of the 14th Five-Year Plan is to continue reducing emissions of pollutants and improving ecological environment in order to strengthen the ecological security shields and greatly improve social living environment. Recycling the treated wastewater for reuse is essential for improving the ecological environment and the Group, as one of the active participants of wastewater treatment in the electroplating industry, will continue to put its efforts in attaining a high degree of water recycle and reuse and develop more Surface Treatment Recycling Eco-industrial Parks and attract more customers, so as to continue to increase revenue.

Increasing the number of Surface Treatment Recycling Eco-industrial Parks

In order to cope with the Group's business expansion and to capture future opportunities, as disclosed in the announcements of the Company dated 17 May 2021, 10 June 2021 and 30 July 2021, the Group has successfully won the tender of the land use rights of 3 land parcels in Qingshen County, Sichuan with a total site area of 404,909 sq.m. and commenced the construction of the first phase of the factory buildings and the first phase of the wastewater treatment plant, which marked the commencement of the construction of the Group's fourth Surface Treatment Recycling Eco-industrial Park ("**Qingshen Park**"). As at the date of this announcement, the construction works at Qingshen Park have commenced.

Reference is made to the announcements of the Company dated 9 September 2021 and 17 December 2021 in relation to the Group's establishment of a joint venture and success in winning the tender of the land use rights of two land parcels situated at Taixing Economic Development Zone, Taixing City, Jiangsu Province, with a total site area of 129,747 sq.m.. It will be used to construct a new Surface Treatment Recycling Eco-industrial Park ("**Huadong Park**"), providing wastewater treatment and other ancillary services. This marks the commencement of construction of the Group's fifth Surface Treatment Recycling Eco-industrial Park. As disclosed in the Company's announcement dated 18 March 2022, the Group has already engaged two independent contractors for the construction works at Huadong Park.

Enhancing wastewater treatment capabilities of the Surface Treatment Recycling Eco-industrial Parks

The Group has applied to the relevant government authorities to increase the daily maximum treatment capacity of wastewater that can be treated 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.

During the Year, the planned daily maximum wastewater treatment capacity of Qingshen Park under construction was 20,000 tonnes. Upon completion of construction and operation of the first phase of the wastewater facilities of Sichuan Qingshen Park, the daily wastewater treatment capacity will be 5,000 tonnes.

On 4 March 2022, the Taizhou Municipal Ecology and Environmental Bureau* (泰州市生態環境局) issued a report on the environmental effects of Huadong Park Phase I, and the planned daily maximum wastewater treatment capacity of the first phase under construction is 5,500 tonnes.

Increasing the GFA available for leasing

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

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

During the Year, the planned maximum leaseable GFA of Qingshen Park under construction is 676,000 sq.m. and the first phase of factory building is expected to be completed by 30 June 2022. The completion of construction of the first phase and its commencement of operation will increase the Group's leaseable GFA by 134,000 sq.m.

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 RMB927.8 million, representing an increase of 28.0% over that in 2020, primarily due to the increase in revenue for each of the three business segments of the Group.

	For the year ended 31 December							
	2021				2020			
Revenue by segment	**Guangdong Huizhou Park**	**Tianjin Bingang Park**	**Huazhong Park**	**Total**	Guangdong Huizhou Park	Tianjin Bingang Park	Total	Total change
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*%*
Rental and facilities usage								
Rental of factory premises	**66,625**	**29,898**	**2,792**	**99,315**	57,349	24,862	82,211	20.8%
Property management fee	**13,901**	**4,902**	**647**	**19,450**	10,770	4,134	14,904	30.5%
Environmental protection technical service fee	**134,072**	**79,740**	**3,286**	**217,098**	115,118	68,081	183,199	18.5%
Sub-total	**214,598**	**114,540**	**6,725**	**335,863**	183,237	97,077	280,314	19.8%
Wastewater treatment and utilities								
Wastewater treatment fee	**141,178**	**42,087**	**373**	**183,638**	119,982	31,894	151,876	20.9%
Steam charge	**64,612**	**37,689**	**310**	**102,611**	54,358	28,451	82,809	23.9%
Utility systems maintenance fee	**49,334**	**20,973**	**344**	**70,651**	42,659	16,624	59,283	19.2%
Sub-total	**255,124**	**100,749**	**1,027**	**356,900**	216,999	76,969	293,968	21.4%
Sales of goods and ancillary business								
Sales of consumables	**195,614**	**8,908**	**—**	**204,522**	125,253	1,346	126,599	61.6%
Other income	**23,132**	**6,351**	**982**	**30,465**	19,943	3,900	23,843	27.8%
Sub-total	**218,746**	**15,259**	**982**	**234,987**	145,196	5,246	150,442	56.2%
Total	**688,468**	**230,548**	**8,734**	**927,750**	545,432	179,292	724,724	28.0%

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 GFA of their leased factory premises.

The revenue from rental and facilities usage services increased by approximately RMB55.5 million or 19.8% from approximately RMB280.3 million for the year ended 31 December 2020 to approximately RMB335.9 million for the Year. The increase was primarily attributable to (i) increase in average daily leased area; and (ii) annual increment of environmental protection technical service fee pursuant to the respective agreements with tenants, partially offset by short-term rent reductions granted to tenants in the Year.

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 RMB31.8 million or 20.9% from approximately RMB151.9 million for the year ended 31 December 2020 to approximately RMB183.6 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 decrease in volume of fresh water used by the tenants in the corresponding period in 2020 as a result of the outbreak of COVID-19 in the first quarter in 2020.

(ii) Steam charge

Steam charge increased by approximately RMB19.8 million or 23.9% from approximately RMB82.8 million for the year ended 31 December 2020 to approximately RMB102.6 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 decrease in volume of steam consumed by the tenants for the corresponding period in 2020 as a result of the outbreak of COVID-19 in the first quarter in 2020.

(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 RMB11.4 million or 19.2% from approximately RMB59.3 million for the year ended 31 December 2020 to approximately RMB70.7 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 and the decrease in volume of electricity consumed and water used by the tenants for the corresponding period in 2020 as a result of the outbreak of COVID-19 in the first quarter in 2020.

Revenue from sales of goods and ancillary business

Sales of goods and ancillary business is mainly comprised of sales of consumables which accounted for 87.2% (2020: 84.2%) of this business segment.

Sales of consumables increased by approximately RMB77.9 million from approximately RMB126.6 million for the year ended 31 December 2020 to approximately RMB204.5 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 sale price of the consumables 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 RMB207.7 million or 37.1% from approximately RMB559.2 million for the year ended 31 December 2020 to approximately RMB766.9 million for the Year.

Depreciation and amortisation

The Group's depreciation and amortisation increased by approximately RMB35.2 million or 20.9% from approximately RMB168.4 million for the year ended 31 December 2020 to approximately RMB203.6 million for the Year. The increase was attributable to the additional depreciation and amortisation expenses incurred as a result of the addition of investment properties and the opening of Huazhong Park.

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 RMB119.0 million or 62.5% from approximately RMB190.4 million for the year ended 31 December 2020 to approximately RMB309.4 million for the Year, primarily attributable to (a) the increase in cost for the more sales of consumables to tenants, (b) the increase in costs of Guangdong Huizhou Park due to the increase in production capacity and the increase in treatment capacity which requires an increase in emission targets in 2021, and (c) the increase in unit cost of waste water materials and natural gas for production of steams.

Staff costs

Staff costs is comprised of staff's salaries, bonus and other benefits as well as Directors' remuneration which amounted to approximately RMB102.3 million for the Year, representing an increase of 47.6% as compared with approximately RMB69.3 million for the year ended 31 December 2020. The Group's staff costs increased mainly due to the combined effects of the increase in number of employees as a result of the Group's business expansion during the Year, a rise in staff's salaries and the contribution exemption of social insurance fees by the government due to COVID-19 during the corresponding period in 2020, not being available 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 RMB7.2 million or 39.8%, from approximately RMB18.2 million for the year ended 31 December 2020 to approximately RMB25.4 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, and the decrease in volume of wastewater treatment and reduction of unit price of electricity and water by the government for the corresponding period in 2020 due to the outbreak of COVID-19 in the first quarter in 2020, not being available 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 2021	For the year ended 31 December 2020
	RMB'000	*RMB'000*
Professional service fee	**10,628**	7,914
Waste treatment expenses	**23,841**	27,945
Other taxes and surcharges	**23,592**	18,866
Security charges	**8,361**	7,401
Maintenance and consumables	**12,492**	14,992
Research and development	**9,593**	8,435
Consultancy and services fee	**7,052**	2,294
Entertainment fee	**10,452**	6,522
Cleaning expenses	**4,353**	4,173
Travelling expenses	**2,073**	1,384
Office and seminar expenses	**2,503**	2,735
Landscaping expenses	**1,882**	1,894
Advertising and promotion expenses	**1,469**	636
Insurance	**484**	534
Others	**7,451**	7,282
Total	**126,226**	113,007

Other expenses increased by approximately RMB13.2 million or 11.7% from approximately RMB113.0 million for the year ended 31 December 2020 to approximately RMB126.2 million for the Year, primarily attributable to (a) the increase in professional and consultancy service fee and entertainment fee resulting from the development of new Surface Treatment Recycling Eco-industrial Parks and (b) the increase in other taxes and surcharges as a result of the addition of revenue and investment properties and plants.

Profit from operations and operating profit margin

The Group's profit from operations decreased by approximately RMB3.2 million or 1.8%, from approximately RMB173.3 million for the year ended 31 December 2020 to approximately RMB170.2 million for the Year. The operating profit margin decreased from 23.9% for the year ended 31 December 2020 to 18.3% for the Year. The decrease in profit from operations and operating profit margin mainly resulted from the abovementioned increase in operating cost.

Other revenue

Other revenue primarily consisted of (i) bank interest income, (ii) government grants, and (iii) other income. Other revenue increased by approximately RMB0.5 million or 4.7%, from approximately RMB10.3 million for the year ended 31 December 2020 to approximately RMB10.8 million for the Year. Such increase was mainly due to the increase in interest income.

Finance costs

Finance costs primarily comprised of interest in bank borrowings. Finance cost increased by approximately RMB38.4 million or 72.6%, from approximately RMB52.9 million for the year ended 31 December 2020 to approximately RMB91.4 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 decreased by approximately RMB41.6 million from approximately RMB120.4 million for the year ended 31 December 2020 to approximately RMB78.8 million for the Year which was primarily attributable to the factors as described above in this section.

Income tax expense

Income tax expense decreased by approximately RMB4.1 million from approximately RMB35.1 million for the year ended 31 December 2020 to approximately RMB31.0 million for the Year, which was primarily attributable to the reversal of the provision of the withholding tax on distribution of dividend by a subsidiary of the Company in the PRC to its immediate holding company in Hong Kong in the Year.

Profit attributable to the equity shareholders of the Company

Profit attributable to the equity shareholders of the Company decreased by approximately RMB46.7 million from approximately RMB102.6 million for the year ended 31 December 2020 to approximately RMB55.9 million for the Year, which was mainly attributable to the factors as described above in this section.

Property, plant and equipment

Property, plant and equipment represented buildings, plant and equipment, motor vehicles and office equipment and others. For the year ended 31 December 2021, our Group acquired property, plant and equipment with the cost of approximately RMB392.0 million (for the year ended 31 December 2020: RMB402.2 million), which was primarily attributable to the additions of buildings, wastewater treatment facilities, utility facilities and ancillary facilities.

Investment property

Investment property represented completed factory premises and right-of-use assets in our industrial parks that are or to be leased out, and depreciable over a period of 20 years. The Group leased out investment properties under operating leases whose contract term in general range from four to five years. For the year ended 31 December 2021, our Group acquired investment property with the cost of approximately RMB120.7 million and transferred from right-of-use assets of RMB9.6 million (for the year ended 31 December 2020: RMB163.5 million).

Construction in progress

Construction in progress refers to the Group's factory premises and operational facilities that are under construction. The balances of construction in progress increased by approximately RMB13.3 million from approximately RMB363.2 million as at 31 December 2020 to approximately RMB376.6 million as at 31 December 2021. Such increase was primarily attributable to the addition of approximately RMB509.0 million mainly for developing investment property, wastewater treatment facilities, utility facilities and ancillary facilities, which was partially offset by the completed construction transferred to the property, plant and equipment and investment property of approximately RMB495.7 million.

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 2021.

	31 December 2021 *RMB'000*	31 December 2020 *RMB'000*
Current assets	**350,294**	261,110
Current liabilities	**1,109,042**	893,552
Net current liabilities	**(758,748)**	(632,442)

As at 31 December 2021 and 31 December 2020, the net current liabilities of the Group amounted to RMB758.7 million and RMB632.4 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 2021, the total interest-bearing borrowings amounted to approximately RMB1,664.0 million were due for repayment as follows:

	As at 31 December	
	2021 *RMB'000*	2020 *RMB'000*
Within one year or on demand	**574,883**	384,680
After one year but within two years	**274,034**	214,261
After two years but within five years	**617,638**	518,098
After five years	**197,476**	131,958
Total	**1,664,031**	1,248,997

As at 31 December 2021, the Group's gearing ratio is approximately 134.0% (31 December 2020: 107.2%). 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 a bank.

The Group's adjusted net debt-to-equity ratio as at 31 December 2021 was as follows:

	Note	**At 31 December 2021** *RMB'000*	At 31 December 2020 *RMB'000*
Current liabilities:			
Bank loans and other borrowings	*10*	**574,883**	384,680
Lease liabilities		**508**	695
		575,391	385,375
Non-current liabilities:			
Bank loans and other borrowings	*10*	**1,089,148**	864,317
Lease liabilities		**175**	590
		1,664,714	1,250,282
Less: Cash and cash equivalents		**(112,162)**	(72,773)
Less: Restricted deposits with a bank		**(3,140)**	–
Adjusted net debt		**1,549,412**	1,177,509
Total equity		**1,241,635**	1,165,285
Adjusted net debt-to-equity ratio		**1.25**	1.01

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 RMB627.6 million (for the year ended 30 December 2020: RMB536.3 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 2021, certain property, plant and equipment and investment property with carrying value of approximately RMB725.2 million and RMB873.0 million, respectively (31 December 2020: approximately RMB601.8 million and RMB804.7 million, respectively), land-use rights with net book value of approximately RMB291.7 million (31 December 2020: approximately RMB191.0 million) were pledged as security for the bank loans and other borrowings with carrying amount of approximately RMB1,664.0 million (31 December 2020: approximately RMB1,249.0 million).

Please refer to note 10(iv) and (v) 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

During the Year, an external third party (the "**Plaintiff**") launched a lawsuit against a subsidiary of the Company (the "**Defendant**") in respect of an alleged infringement of a trademark. The Plaintiff claimed for damages for a total sum up to RMB10 million from the Defendant. On 16 August 2021, pursuant to an order of the court, a bank deposit of RMB3,140,000 was frozen. As at 31 December 2021 and up to the date of this results announcement, such lawsuit remained unsettled. According to the opinion from the Defendant's legal counsel, the Directors believe it is probable that the court will not rule against the Defendant. No provision has therefore been made in respect of this claim.

Save as disclosed above, the Group did not have any material contingent liabilities as at 31 December 2021 (31 December 2020: 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 Jinhuadu Waste Products Acquisition Co., Ltd.* (天津金華都廢品收購有限公司) ("**Tianjin Jinhuadu**"), 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 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

Qingshen Jinyuan Environmental Technology Co., Ltd (青神金源環保科技有限公司) ("**Qingshen Jinyuan**"), an indirect wholly-owned subsidiary of the Company, has successfully bid and won the public tender for the land use right of a parcel of land situated at Qingzhu Jiedao, Qingshen County, Sichuan Province the PRC, with a total site area of approximately 84,220 sq.m. ("**Sichuan Land 3**") and on 17 May 2021, Qingshen Jinyuan and Qingshen County Branch of Meishan Public Resource Center* (眉山市公共資源中心青神縣分中心) signed the confirmation letter confirming the winning of the tender of the land use right of the Sichuan Land 3. Together with the acquisition of the land use rights of a parcel of land situated at Jinmao Road, Qingshen County, with a total site area of approximately 204,637 square metres (the "**Sichuan Land 1**") and a parcel of land situated at Jinmao Road, Qingshen County with a total site area of approximately 116,052 square metres (the "**Sichuan Land 2**") by the Group earlier in April 2021, it is intended that the acquisition of the Sichuan Land 1, the Sichuan Land 2 and the Sichuan Land 3 would be used for the development of a Surface Treatment

Recycling Eco-industrial Park and related facilities for the expansion of the Group's principal business. Please refer to the announcement of the Company dated 17 May 2021 for further details.

On 10 June 2021, Qingshen Jinyuan entered into (1) the construction agreements with China-Europe International Construction Engineering Group Co. Ltd* (中歐國際建工集團有限公司) for the provision of construction services for factories in Qingshen Economic Development Zone; and (2) the construction agreements with Qingshen Yuxiang Construction Engineering Co., Ltd* (青神羽翔建築工程有限公司) ("**Qingshen Yuxiang**") and Guangdong Jinjunda Construction Engineering Co., Ltd* （廣東金竣達建設工程有限公司) ("**Guangdong Jinjunda**") for the provision of construction services for factories in Qingshen Economic Development Zone. Please refer to the announcement of the Company dated 10 June 2021 for further details.

On 30 July 2021, Sichuan Kimou Environmental Technology Co., Ltd.* (四川金茂源環保科技有限公司), an indirect wholly-owned subsidiary of the Company, entered into the plant construction agreement with Qingshen Yuxiang and Guangdong Jinjunda for the provision of construction services for an electroplating wastewater treatment plant in Qingshen Economic Development Zone at an aggregate consideration of RMB86.92 million. For further details, please refer to the Company's announcement dated 30 July 2021.

On 8 September 2021, Kimou Environmental Technology Holding Limited ("**KETH**", an indirect wholly-owned subsidiary of the Company), the Management Committee of Taixing Economic Development Zone and Taixing Chengxing Circular Economy Industrial Park Investment Development Co., Ltd ("**the JV Partner**"), entered into the investment agreement in respect of, among others, the capital contribution and operation and management of the affairs of a joint venture company in the PRC to be held as to 68% by KETH and 32% by the JV Partner ("**JV Company**"). The initial registered capital of the JV Company was RMB220 million (equivalent to approximately HK$257.4 million), the initial registered capital contributed by KETH and the JV Partner are 68% and 32% respectively. The JV Company will invest in the project ("**Project**") which involves the construction of a Surface Treatment Recycling Eco-industrial park located in the Taixing Economic Development Zone Recycling Economy Industrial Park, in Taixing City, Jiangsu Province, PRC for providing wastewater treatment and other ancillary services. The Project includes the acquisition of the land use right of a parcel of land located in the Taixing Economic Development Zone Recycling Economy Industrial Park* (泰興經濟開發區循環經濟產業園), in Taixing City, Jiangsu Province, PRC with site area of approximately 818 mu (畝) by public tender and construction of buildings and the related sewage treatment and other environmental protection facilities. It is planned that the facilities will cover plants with an aggregate floor area of 600,000 square metres and have wastewater treatment facilities with daily handling capacity of 20,000 tonnes and other ancillary facilities. For further details, please refer to the Company's announcement dated 9 September 2021.

On 17 December 2021, Taizhou Jincheng Environmental Protection Technology Co., Ltd. ("**Taizhou Jincheng**") and Jiangsu Jinmao Chengxing Environmental Protection Technology Co., Ltd. ("**Jinmao Chengxing**"), an indirect non wholly-owned subsidiary of the Company, has successfully bid and won the public tender for the land use right of the two parcels of land situated at Taixing Economic Development Zone, Taixing City, Jiangsu Province, PRC, with a total site area of approximately 23,837 sq.m. ("**Taixing land 1**") and 105,910 sq.m. ("**Taixing Land 2**") respectively, and signed the Confirmation Letters with the Taixing City Natural Resources and Planning Bureau confirming the winning of the tender of the land use right of Taixing Land 1 and Taixing Land 2 on 17 December 2021. For further details, please refer to the Company's announcement dated 17 December 2021.

With reference to the announcement of the Company dated 20 December 2021, Tianjin Bingang and Far Eastern Leasing Co., Ltd.* (遠東國際融資租賃有限公司) ("**Far Eastern**", a company established in the PRC with limited liability, an independent third party) entered into (1) a transfer agreement ("**Transfer Agreement**"), pursuant to which Tianjin Bingang shall sell and Far Eastern shall purchase the heavy metal deep treatment and water reuse facilities of the electroplating wastewater treatment center of Tianjin Bingang Park and all equipment and facilities thereunder ("**Leased Assets**") at the consideration of RMB37 million; and (2) a leaseback agreement ("**Leaseback Agreement**"), pursuant to which Far Eastern agreed to lease the Leased Assets back to Tianjin Bingang at the total lease payments in the amount of approximately RMB39.2 million (tax included), for a term of two years after the completion of the Transfer Agreement. The transfer agreement and the leaseback agreement form part of the two-step process of the Transfer and Leaseback Finance Arrangements and are subject to (i) the early termination of the Transfer Agreement and the fulfilment of all payment obligations under the leaseback agreement; or (ii) the expiry of the lease and (iii) upon payment of the consideration of RMB1,000, the ownership and title of the Leased Assets shall be transferred back to Tianjin Bingang.

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 2021, the Group had 799 full-time employees (2020: 602 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 RMB102.3 million for the Year, which was an increase of approximately 47.6% as compared with approximately RMB69.3 million for the year ended 31 December 2020. 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 2021, the Group's total capital expenditure which have been contracted for but not incurred were approximately RMB343.7 million (at 31 December 2020: RMB172.7 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.

INTEREST RATE RISK

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

CREDIT RISK

The Group's credit risk is mainly attributable to trade receivables. Deposits are received from customers by the Group to reduce potential exposure to credit risk. Further, individual credit evaluations are performed regularly on all customers requiring credit over a certain amount. These evaluations focus on the customers' past payment records, taking into account their financial position and other relevant factors. The Group considers the credit risk arising from trade receivables is limited. As at 31 December 2021, the Group's exposure to credit risk arising from cash and cash equivalents is limited because its counterparties are banks and financial institutions with high credit quality.

LIQUIDITY RISK

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 ("**Corporate Governance Code**") contained in the then prevailing Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

The Board considers that, the Company has complied, to the extent applicable and permissible, with the code provisions as set out in the then prevailing Corporate Governance Code during the Year and the Directors will use their best endeavours to procure the Company to comply with such code and make disclosure of deviation from such code in accordance with the Listing Rules.

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 purchased a total of 140,000 shares of the Company on the Stock Exchange for a total consideration of HK$126,480 (equivalent to approximately RMB103,410). As at 31 December 2021, all such repurchased shares have not been cancelled. 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$)*
13 December 2021	70,000	0.90	0.88	62,000.00
20 December 2021	62,000	0.93	0.92	57,240.00
30 December 2021	8,000	0.88	0.93	7,240.00

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.

PROPOSED DIVIDEND

The Board has resolved not to recommend payment of any final dividend for the Year (2020: nil).

AUDIT COMMITTEE

The Board established the audit committee (the "**Audit Committee**") on 18 June 2019 which comprises three independent non-executive Directors, namely Mr. Li Yinquan, Mr. Kan Chung Nin, Tony and Mr. Li Xiaoyan. Mr. Li Yinquan is the chairman of the Audit Committee. None of them is a member of the former or existing auditors of the Company. Details of the terms of reference of the Audit Committee are 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.

EVENTS AFTER THE YEAR

On 18 March 2022, Taizhou Jincheng, an indirect subsidiary of the Company, entered into (i) a plant construction agreement with Guangdong Jinjunda and (ii) another plant construction agreement with Taixing Xinxing Construction Engineering Co., Ltd* (泰興市新興建築工程有限公司), 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 Company's announcement dated 18 March 2022.

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 2021 and up to the date of this announcement.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the Year 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.

ANNUAL GENERAL MEETING AND CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 24 May 2022 to Friday, 27 May 2022, 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 Friday, 27 May 2022. 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 Monday, 23 May 2022.

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, 25 March 2022

As at the date of this announcement, the executives Directors are Mr. Zhang Lianghong, Mr. Zhu Heping, Mr. Lee Yuk Kong and Mr. Huang Shaobo and the independent non-executive Directors are Mr. Li Xiaoyan, Mr. Li Yinquan 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 RMB0.8176. 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.