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**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 2020**

**FINANCIAL HIGHLIGHTS**

	<b>For the year ended 31 December 2020 RMB'000</b>	<b>For the year ended 31 December 2019 RMB'000</b>
Revenue	<b>724,724</b>	640,040
Profit from operations	<b>173,334</b>	121,806
Profit attributable to equity shareholders of the Company	<b>102,609</b>	55,146
Basic earnings per share ( <i>Note 1</i> )	<b>0.09</b>	0.06
Diluted earnings per share ( <i>Note 1</i> )	<b>0.09</b>	0.06
Total assets	<b>2,993,669</b>	2,640,564
Net assets	<b>1,165,285</b>	1,079,909
Operating profit margin	<b>23.9%</b>	19.0%
Net profit margin	<b>11.8%</b>	6.5%
Gearing ratio	<b>1.1 times</b>	0.8 times

*Note:*

- (1) 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 2020 and 2019 and the weighted average number of shares during the respective year. The Company had no dilutive ordinary shares for each of the years ended 31 December 2020 and 2019.

## 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 2020 (“**Year**”), together with the comparative figures for the year ended 31 December 2019 as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(Expressed in Renminbi)

		For the year ended 31 December 2020	For the year ended 31 December 2019
	Note	RMB'000	RMB'000
Revenue	2	724,724	640,040
Depreciation and amortisation	5(c)	(168,438)	(152,241)
Cost of inventories	5(c)	(190,363)	(163,827)
Staff costs	5(b)	(69,260)	(60,849)
Utility costs	5(c)	(18,180)	(20,092)
Other expenses		(113,007)	(134,670)
Other revenue	3	10,306	12,924
Other net (loss)/income	4	(2,448)	521
<b>Profit from operations</b>		<b>173,334</b>	<b>121,806</b>
Finance costs	5(a)	(52,936)	(67,112)
<b>Profit before taxation</b>	5	<b>120,398</b>	<b>54,694</b>
Income tax	6	(35,146)	(12,839)
<b>Profit for the year</b>		<b>85,252</b>	<b>41,855</b>
<b>Attributable to:</b>			
Equity shareholders		102,609	55,146
Non-controlling interests		(17,357)	(13,291)
<b>Profit for the year</b>		<b>85,252</b>	<b>41,855</b>
<b>Earnings per share (RMB)</b>	7		
Basic and diluted		0.09	0.06

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

*(Expressed in Renminbi)*

	<b>For the year ended 31 December 2020 RMB'000</b>	For the year ended 31 December 2019 RMB'000
<b>Profit for the year</b>	<b>85,252</b>	41,855
<b>Other comprehensive income for the year</b>		
<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>124</u>	<u>3,996</u>
<b>Total comprehensive income for the year</b>	<u><b>85,376</b></u>	<u>45,851</u>
<b>Attributable to:</b>		
Equity shareholders	<b>102,733</b>	59,142
Non-controlling interests	<u>(17,357)</u>	<u>(13,291)</u>
<b>Total comprehensive income for the year</b>	<u><b>85,376</b></u>	<u>45,851</u>

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*(Expressed in Renminbi)*

		At 31 December 2020 <i>RMB'000</i>	At 31 December 2019 <i>RMB'000</i>
	<i>Note</i>		
<b>Non-current assets</b>			
Property, plant and equipment		1,201,695	917,326
Investment property		841,382	721,200
Construction in progress		363,246	392,765
Right-of-use assets		272,855	279,280
Intangible assets		3,263	4,074
Other receivables		4,813	15,788
Deferred tax assets		39,565	37,911
Other financial assets		5,740	8,165
<b>Total non-current assets</b>		<u>2,732,559</u>	<u>2,376,509</u>
<b>Current assets</b>			
Inventories		6,037	3,444
Trade and other receivables	8	181,850	157,314
Non-current assets held for sale		450	–
Cash and cash equivalents		72,773	103,297
<b>Total current assets</b>		<u>261,110</u>	<u>264,055</u>
<b>Current liabilities</b>			
Trade and other payables	9	483,109	552,894
Contract liabilities		9,148	23,372
Bank loans and other borrowings	10	384,680	253,558
Current taxation		15,920	12,341
Lease liabilities		695	728
<b>Total current liabilities</b>		<u>893,552</u>	<u>842,893</u>
<b>Net current liabilities</b>		<u>(632,442)</u>	<u>(578,838)</u>
<b>Total assets less current liabilities</b>		<u>2,100,117</u>	<u>1,797,671</u>

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*(Expressed in Renminbi)*

(Continued)

		At <b>31 December</b> <b>2020</b> <i>RMB'000</i>	At 31 December 2019 <i>RMB'000</i>
	<i>Note</i>		
<b>Non-current liabilities</b>			
Bank loans and other borrowings	<i>10</i>	<b>864,317</b>	650,147
Deferred income		<b>65,288</b>	67,203
Deferred tax liabilities		<b>4,637</b>	19
Lease liabilities		<b>590</b>	393
		<hr/>	<hr/>
<b>Total non-current liabilities</b>		<b>934,832</b>	717,762
		<hr/>	<hr/>
<b>Net assets</b>		<b>1,165,285</b>	1,079,909
		<hr/>	<hr/>
<b>CAPITAL AND RESERVES</b>			
Share capital	<i>11</i>	<b>98,377</b>	98,377
Reserves		<b>884,288</b>	781,555
		<hr/>	<hr/>
<b>Total equity attributable to equity shareholders</b>		<b>982,665</b>	879,932
Non-controlling interests		<b>182,620</b>	199,977
		<hr/>	<hr/>
<b>Total equity</b>		<b>1,165,285</b>	1,079,909
		<hr/>	<hr/>

## 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 2020 comprise the Company and its subsidiaries (together referred to as the “**Group**”).

At 31 December 2020, the Group’s current liabilities exceeded its current assets by RMB632,442,000 (2019: RMB578,838,000). 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 report, the management believes that the Group has adequate resources to continue to operate as a going concern throughout the next twelve months and that there are no material uncertainties related to events or conditions which, individually or collectively, may cast significant doubt on the Group’s ability to continue as a going concern.

The 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.

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

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.

(c) **Changes in accounting policies**

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

- *Amendments to HKFRS 16, COVID-19-Related Rent Concessions*

Other than the amendment to HKFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRS 16 is discussed below:

*Amendments to HKFRS 16, COVID-19-Related Rent Concessions*

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic (“**COVID-19-related rent concessions**”) are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to adopt the amendments and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the year. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred. There is no impact on the opening balance of equity at 1 January 2020.

**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:

	<b>For the year ended 31 December 2020 RMB’000</b>	<b>For the year ended 31 December 2019 RMB’000</b>
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
Disaggregated by major business lines		
— Facilities usage and management service	<b>198,103</b>	181,798
— Wastewater treatment and utilities	<b>293,968</b>	284,574
— Sales of goods and ancillary business	<b>150,442</b>	94,448
	<b>642,513</b>	560,820
<b>Revenue from other sources</b>		
Gross rentals from investment properties	<b>82,211</b>	79,220
	<b>724,724</b>	640,040

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 2020 (2019: 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 raw materials 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 2020 and 2019 are set out below.

<b>For the year ended 31 December 2020</b>	<b>Rental and facilities usage <i>RMB'000</i></b>	<b>Wastewater treatment and utilities <i>RMB'000</i></b>	<b>Sales of goods and ancillary business <i>RMB'000</i></b>	<b>Total <i>RMB'000</i></b>
<b>Disaggregated by timing of revenue recognition</b>				
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
<b>Reportable segment revenue</b>	<b>282,747</b>	<b>293,968</b>	<b>162,548</b>	<b>739,263</b>
<b>Reportable segment profit (adjusted EBITDA)</b>	<b>221,727</b>	<b>119,555</b>	<b>19,417</b>	<b>360,699</b>
Depreciation and amortisation for the year	(158,153)	(9,049)	(1,236)	(168,438)
<b>For the year ended 31 December 2019</b>				
	<b>Rental and facilities usage <i>RMB'000</i></b>	<b>Wastewater treatment and utilities <i>RMB'000</i></b>	<b>Sales of goods and ancillary business <i>RMB'000</i></b>	<b>Total <i>RMB'000</i></b>
<b>Disaggregated by timing of revenue recognition</b>				
Point in time	–	284,574	94,448	379,022
Over time	261,018	–	–	261,018
Revenue from external customers	261,018	284,574	94,448	640,040
Inter-segment revenue	2,246	–	19,334	21,580
<b>Reportable segment revenue</b>	<b>263,264</b>	<b>284,574</b>	<b>113,782</b>	<b>661,620</b>
<b>Reportable segment profit (adjusted EBITDA)</b>	<b>211,664</b>	<b>76,813</b>	<b>14,902</b>	<b>303,379</b>
Depreciation and amortisation for the year	(145,667)	(5,305)	(1,269)	(152,241)

(ii) *Reconciliations of reportable segment profits*

	<b>For the year ended 31 December 2020 RMB'000</b>	<b>For the year ended 31 December 2019 RMB'000</b>
Reportable segment profit	<b>360,699</b>	303,379
Elimination of inter-segment profit	<u>—</u>	<u>—</u>
Reportable segment profit derived from the Group's external customers	<b>360,699</b>	303,379
Depreciation and amortisation	<b>(168,438)</b>	(152,241)
Finance costs	<b>(52,936)</b>	(67,112)
Interest income	<b>361</b>	1,964
Unallocated head office and corporate expenses	<u><b>(19,288)</b></u>	<u>(31,296)</u>
Consolidated profit before taxation	<u><b>120,398</b></u>	<u>54,694</u>

(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 2020, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is RMB495,208,000 (2019: RMB629,185,000). 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.

	<b>At 31 December</b>	
	<b>2020</b>	2019
	<b>RMB'000</b>	<b>RMB'000</b>
Less than one year	<b>79,759</b>	79,182
One to two years	<b>33,674</b>	78,151
Two to three years	<b>26,801</b>	31,261
Three to four years	<b>19,112</b>	22,896
Four to five years	<b>12,924</b>	14,082
More than five years	<b>27,903</b>	30,291
	<hr/>	<hr/>
Total undiscounted lease payments	<b>200,173</b>	255,863
	<hr/>	<hr/>

**3. OTHER REVENUE**

	<b>For the year ended 31 December 2020 RMB'000</b>	For the year ended 31 December 2019 RMB'000
Interest income	<b>361</b>	1,964
Government grants		
— Unconditional subsidies	<b>3,080</b>	3,595
— Conditional subsidies	<b>6,693</b>	6,654
Other income	<b>172</b>	711
	<hr/>	<hr/>
	<b>10,306</b>	12,924
	<hr/>	<hr/>

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)/INCOME**

	<b>For the year ended 31 December 2020 RMB'000</b>	For the year ended 31 December 2019 RMB'000
(Loss)/gain arising from disposal of property, plant and equipment	<b>(126)</b>	34
Changes in fair value of other financial assets through profit or loss	<b>(2,425)</b>	(310)
Net foreign exchange (loss)/gain	<b>(686)</b>	1,424
Others	<b>789</b>	(627)
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	<b>(2,448)</b>	521
	<hr/>	<hr/>

## 5. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

### (a) Finance costs

	For the year ended 31 December 2020 RMB'000	For the year ended 31 December 2019 RMB'000
Interest on bank loans	69,078	69,034
Interest on lease liabilities	49	64
Less: interest expenses capitalised into properties and plant under development	<u>(16,191)</u>	<u>(1,986)</u>
	<u><b>52,936</b></u>	<u><b>67,112</b></u>

The borrowing costs have been capitalised at a rate of 6.84% per annum (2019: 6.82%).

### (b) Staff costs (including directors' emoluments)

	For the year ended 31 December 2020 RMB'000	For the year ended 31 December 2019 RMB'000
Salaries, wages and other benefits	68,773	55,775
Retirement scheme contributions	<u>487</u>	<u>5,074</u>
	<u><b>69,260</b></u>	<u><b>60,849</b></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 also operates a Mandatory Provident Fund Scheme (the “**MPF scheme**”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$30,000. Contributions to the plan vest immediately.

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

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.

(c) Other items

	For the year ended 31 December 2020 RMB'000	For the year ended 31 December 2019 RMB'000
Depreciation and amortisation		
— Property, plant and equipment	117,175	102,581
— Investment property	43,348	42,039
— Right-of-use assets	7,045	6,487
— Intangible assets	870	1,134
	<u>168,438</u>	<u>152,241</u>
Cost of inventories (i)	190,363	163,827
Utility costs	18,180	20,092
Listing expenses	—	17,907
Auditors' remuneration	2,555	2,595
Research and development expenses	<u>8,435</u>	<u>9,230</u>

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

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 2020 RMB'000	For the year ended 31 December 2019 RMB'000
<b>Current tax — PRC income tax</b>		
Provision for the year	32,182	18,120
<b>Deferred tax</b>		
Origination and reversal of temporary differences	<u>2,964</u>	<u>(5,281)</u>
	<u>35,146</u>	<u>12,839</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 2020, subsidiaries in Hong Kong did not have any assessable profits (2019: nil).

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

- (ii) During the years ended 31 December 2020 and 2019, Huizhou Jinmaoyuan Environmental Technology Co., Ltd. (“**Huizhou Jinmaoyuan**”), engaging in electroplating wastewater treatment, was entitled to the preferential tax policy on environmental protection devices. 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.
- (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.
- (iv) In 2018, 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 2018 to 2020.

In 2019, 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 2019 to 2021.

- (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 RMB102,609,000 (2019: RMB55,146,000) and the weighted average number of 1,120,000,000 ordinary shares (2019: 969,644,000 shares) in issue during the year, calculated as follows:

	For the year ended 31 December 2020 '000	For the year ended 31 December 2019 '000
Issued ordinary shares at 1 January	1,120,000	10
Effect of cancellation of shares	–	(10)
Effect of share issued on 7 January 2019 at HK\$0.1 each	–	336,000
Effect of share issued on 21 June 2019 at HK\$0.1 each	–	504,000
Effect of shares issued upon IPO	–	129,644
	<hr/>	<hr/>
Weighted average number of ordinary shares at 31 December	<u>1,120,000</u>	<u>969,644</u>

The numbers of shares during the year ended 31 December 2019 were based on the assumption that the 336,000,000 and 504,000,000 shares of the Company had been issued throughout 2019 and before the initial public offering (“**IPO**”) in July 2019.

### (b) Diluted earnings per share

During the years ended 31 December 2020 and 2019, there were no dilutive potential ordinary shares issued.

## 8. TRADE AND OTHER RECEIVABLES

	At 31 December 2020 RMB'000	At 31 December 2019 RMB'000
<b>Current</b>		
Trade debtors	98,083	104,133
Less: Allowance for expected credit losses	—	—
	<u>98,083</u>	<u>104,133</u>
Deductible input VAT	76,540	40,316
Loan deposits (i)	—	10,000
Prepayments and other receivables	7,227	2,865
	<u>181,850</u>	<u>157,314</u>
<b>Non-current</b>		
Prepayments for purchase of property, plant and equipment	4,535	11,789
Deposits for acquisition of land-use rights and constructions	278	3,999
	<u>4,813</u>	<u>15,788</u>
Total	<u><u>186,663</u></u>	<u><u>173,102</u></u>

- (i) It represents the payment to a bank as deposits for certain bank loans. Subsequently in January 2020, the amount of RMB10,000,000 had been repaid by the bank.

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

### 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 2020 RMB'000	At 31 December 2019 RMB'000
Within 1 month	88,600	95,426
1 to 3 months	7,201	6,890
4 to 6 months	1,565	949
Over 6 months	717	868
	<u>98,083</u>	<u>104,133</u>

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

## 9. TRADE AND OTHER PAYABLES

	At 31 December 2020 <i>RMB'000</i>	At 31 December 2019 <i>RMB'000</i>
Trade payables	55,182	60,579
Deposits due to customers	152,014	136,872
Payables for equipment and construction	244,962	330,872
Interest payable	2,031	1,732
Payroll payable	18,648	10,499
Amounts due to related parties	97	–
Others	10,175	12,340
	<hr/>	<hr/>
Total	<b>483,109</b>	552,894
	<hr/> <hr/>	<hr/> <hr/>

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 2020 <i>RMB'000</i>	At 31 December 2019 <i>RMB'000</i>
Within 1 month	40,328	49,190
1 to 3 months	10,467	9,364
4 to 6 months	4,066	1,984
Over 6 months	321	41
	<hr/>	<hr/>
	<b>55,182</b>	60,579
	<hr/> <hr/>	<hr/> <hr/>



## 10. BANK LOANS AND OTHER BORROWINGS

At 31 December 2020, the bank loans and other borrowings were secured as follows:

	At 31 December 2020 RMB'000	At 31 December 2019 RMB'000
Secured bank loans	1,226,497	903,705
Secured other borrowings	22,500	–
	<u>1,248,997</u>	<u>903,705</u>

At 31 December 2020, the bank loans and other borrowings were repayable as follows:

	2020 RMB'000	2019 RMB'000
Within 1 year or on demand	384,680	253,558
After 1 year but within 2 years	214,261	233,281
After 2 years but within 5 years	518,098	370,492
After 5 years	131,958	46,374
Sub-total	<u>864,317</u>	<u>650,147</u>
Total	<u>1,248,997</u>	<u>903,705</u>

- (i) Other borrowings represent loans received from a financial institution in the PRC.
- (ii) As at 31 December 2020, bank loans amounted to RMB1,082,810,000 (2019: RMB903,705,000) were floating-interest rate loans with interest rates ranged from 5.85% to 6.86% (2019: 5.70% to 6.86%). Bank loans and other borrowings amounted to RMB166,187,000 (2019: nil) were fixed-interested rate borrowings with interest rates ranged from 5.22% to 6.65% (2019: nil).
- (iii) Secured bank loans and other borrowings as at 31 December 2020 and 2019 were secured by certain of the Group's charge rights of income, property, plant and equipment, investment property, land-use rights and loan deposits.
- (iv) As at 31 December 2020, bank loans amounted to RMB65,000,000 (2019: RMB75,000,000) 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 2020, bank loans amounted to RMB1,044,110,000 (2019: RMB772,517,000) were guaranteed by Mr. Zhang Lianghong, Mr. Zhang Haiming, Mr. Huang Shaobo and Mr. Lee Yuk Kong.

- (vi) As at 31 December 2020, bank loans and other borrowings amounted to RMB1,248,997,000 (2019: RMB903,705,000) 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 2020, none of the covenants relating to drawn down facilities had been breached (2019: nil).

## 11. SHARE CAPITAL AND DIVIDENDS

### (a) Share capital

#### *Authorised share capital of the Company*

	Number of shares	USD	HKD
At 1 January 2019 (i)	50,000	50,000	–
Cancellation of shares (ii)	(50,000)	(50,000)	–
Creation of shares on 7 January 2019 at HK\$0.1 each (ii)	<u>1,680,000,000</u>	<u>–</u>	<u>168,000,000</u>
At 31 December 2019, 1 January 2020 and 31 December 2020	<u>1,680,000,000</u>	<u>–</u>	<u>168,000,000</u>

- (i) The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 28 June 2018 with an initial authorised share capital of US\$50,000 divided into 50,000 shares with a par value of US\$1.0 each.
- (ii) Pursuant to the written resolutions of the directors and shareholders of the Company dated 7 January 2019, the authorised share capital of the Company was changed to HK\$168,000,000 by the creation of an additional 1,680,000,000 shares with a par value of HK\$0.1 each and the cancellation of 50,000 shares with a par value of US\$1.0 each.

#### *Issued share capital of the Company*

	Number of shares	USD	HKD	RMB equivalent
<b>Ordinary shares, issued and fully paid</b>				
At 1 January 2019	10,000	10,000	–	69,157
Cancellation of shares (i)	(10,000)	(10,000)	–	(69,157)
Shares issued on 7 January 2019 at HK\$0.1 each (i)	336,000,000	–	33,600,000	29,386,560
Shares issued on 21 June 2019 at HK\$0.1 each (ii)	504,000,000	–	50,400,000	44,352,000
Shares issued upon IPO (iii)	<u>280,000,000</u>	<u>–</u>	<u>28,000,000</u>	<u>24,638,880</u>
At 31 December 2019 and 1 January 2020 and 31 December 2020	<u>1,120,000,000</u>	<u>–</u>	<u>112,000,000</u>	<u>98,377,440</u>

- (i) At 31 December 2018, 10,000 shares of the Company of US\$10,000, equivalent to RMB69,000, have been issued and paid. Pursuant to the written resolutions of the director and shareholders dated 7 January 2019, the above 10,000 shares were cancelled by the Company and 336,000,000 shares in the Company, with a par value of HK\$0.1 each, were issued. In 2019, the above issued share capital of HK\$33,600,000, equivalent to RMB29,387,000, and share premium of RMB15,728,000 have been fully paid by capitalisation of the amounts due to the Shareholders.
- (ii) Pursuant to the written resolutions of the directors and shareholders of the Company dated 21 June 2019, 504,000,000 shares in the Company, with a par value of HK\$0.1 each, were issued. In 2019, the above issued shares capital of HK\$50,400,000, equivalent to RMB44,352,000, and share premium of RMB285,294,000 have been paid by capitalisation of the amounts due to the shareholders of the Company.
- (iii) On 16 July 2019, shares of the Company were listed on the Stock Exchange with a total number of 1,120,000,000 shares, among which 280,000,000 shares (25% of the total shares of the Company) were issued to the public. The net proceeds received by the Company from the share offering were approximately HK\$362,196,000, equivalent to RMB318,740,000, of which HK\$28,000,000 (equivalent to RMB24,639,000) was recognised as share capital while HK\$334,196,000 (equivalent to RMB294,102,000) was recognised as share premium.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

**(b) Dividends**

No dividends have been declared or paid by the Company during the year (2019: nil). The board of directors of the Company has resolved not to recommend payment of any final dividend for the year.

**(c) Capital management**

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

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

The Group monitors its capital structure on the basis of an adjusted net debt-to-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.

The Group's adjusted net debt-to-equity ratio as at 31 December 2020 was as follows:

		At 31 December 2020 <i>RMB'000</i>	At 31 December 2019 <i>RMB'000</i>
	<i>Note</i>		
<b>Current liabilities:</b>			
Bank loans and other borrowings	10	384,680	253,558
Lease liabilities		695	728
		<u>385,375</u>	<u>254,286</u>
<b>Non-current liabilities:</b>			
Bank loans and other borrowings	10	864,317	650,147
Lease liabilities		590	393
		<u>1,250,282</u>	<u>904,826</u>
Less: Cash and cash equivalents		<u>(72,773)</u>	<u>(103,297)</u>
Adjusted net debt		<u><u>1,177,509</u></u>	<u><u>801,529</u></u>
Total equity		<u><u>1,165,285</u></u>	<u><u>1,079,909</u></u>
Adjusted net debt-to-equity ratio		<u><u>1.01</u></u>	<u><u>0.74</u></u>

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **MARKET REVIEW**

The volatility and cyclical nature of the global economy faced tremendous challenges in the year of 2020. Profound changes in the international environment, as well as the outbreak of the COVID-19 pandemic, have brought new challenges to China's economic and social development which in turn affected the tenants of the Group's electroplating industrial parks.

Against this backdrop, the PRC government put forth a new development pattern, namely the "dual circulation" strategy. In this strategy, domestic economic cycle (or internal circulation) plays the leading role while international economic cycle (or external circulation) remains as its extension and supplement, and both internal and external circulation will be mutually reinforcing. In the Fifth Plenary Session of the 19th Central Committee of the Communist Party of the PRC, it was proposed that China will "achieve sustained and healthy economic development with obvious improvement in quality and efficiency" during the session for laying down the major economic and social development targets for the next five years (the **"14th Five-Year Plan"**). One of the main themes of the 14th Five-Year Plan is to continue reducing emissions of major pollutants and improving ecological environment, in order to make ecological security shields more solid, and greatly improve social living environment. Recycling the treated wastewater for reuse are essential for improving the ecological environment and, as one of the active participants of wastewater treatment in the electroplating industry, the Group will continue to put its efforts to attain the achievement of a high degree of water recycle and reuse.

### **BUSINESS REVIEW**

The Group develops and operates large-scale industrial parks in the PRC which are specifically designed for the electroplating industry. For the Year, the Group's revenue was approximately RMB724.7 million (2019: RMB640.0 million), representing an increase of approximately 13.2% from that of 2019 and the profit attributable to the equity shareholders of the Company was approximately RMB102.6 million (2019: RMB55.1 million), representing an increase of approximately 86.2% from that of 2019.

### **OUR ELECTROPLATING INDUSTRIAL PARKS**

The Group's currently operates two electroplating industrial parks which are strategically located in Guangdong Province and Tianjin 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 two electroplating industrial parks:

	As at 31 December					
	Guangdong Huizhou Park	2020 Tianjin Bingang Park	Total	Guangdong Huizhou Park	2019 Tianjin Bingang Park	Total
Total leasable area (sq.m.) <sup>(Note)</sup>	347,000	260,000	607,000	347,000	256,000	603,000
Total leased area (sq.m.) <sup>(Note)</sup>	347,000	194,000	541,000	347,000	173,000	520,000
Occupancy Rate	100.0%	74.6%	89.1%	100%	67.6%	86.2%

*Note:* Rounded to the nearest thousand.

The Group's Guangdong Huizhou Park, which has been in operation since 2007, is the only electroplating industrial park in Huizhou. The total leasable area of Guangdong Huizhou Park was approximately 347,000 sq.m. and had an occupancy rate of 100% as at 31 December 2020.

The Group's Tianjin Bingang Park, which has been in operation since 2016, is the only large-scale and one of the two electroplating industrial parks in Tianjin. As at 31 December 2020, the total leasable area was approximately 260,000 sq.m. and the occupancy rate has increased to approximately 74.6% as compared to approximately 67.6% as at 31 December 2019.

Relying on good reputation and extensive experience and expertise in developing and operating large scale electroplating industrial parks, the total occupancy rate of the Group as at 31 December 2020 was 89.1% as compared to approximately 86.2% as at 31 December 2019.

## Wastewater treatment capabilities

Set out below is the wastewater treatment capability of the Group's two electroplating industrial parks

	As at 31 December					
	Guangdong Huizhou Park	2020 Tianjin Bingang Park	Total	Guangdong Huizhou Park	2019 Tianjin Bingang Park	Total
Fresh water used (tonnes) <sup>(Note)</sup>	2,407,000	491,000	2,898,000	2,503,000	486,000	2,989,000
Daily maximum wastewater treatment capacity (tonnes) <sup>(Note)</sup>	10,000	6,000	16,000	10,000	6,000	16,000
Daily wastewater treatment handling capacity (tonnes)						
— Annual average	6,577	1,342	7,919	6,856	1,332	8,188
— Peak	9,058	4,515	13,573	8,972	2,417	11,389
Utilisation rate of wastewater treatment capacity						
— Annual average	65.8%	22.4%	49.5%	68.6%	22.2%	51.2%
— Peak	90.6%	75.3%	84.8%	89.7%	40.3%	71.2%

*Note:* Rounded to the nearest thousand.

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

As at 31 December 2020, the total daily maximum wastewater treatment capacity of the Group reached 16,000 tonnes. The annual average daily wastewater treatment handling volume was approximately 7,919 tonnes and annual average utilisation rate of wastewater treatment was approximately 49.5%.

As at 31 December 2020, 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 6,577 tonnes and the annual average utilisation rate of wastewater treatment was 65.8% which were at similar levels as compared with 2019.

As at 31 December 2020, 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 1,342 tonnes and the annual average utilisation rate of wastewater treatment was 22.4% which were at similar levels as compared with 2019.

## **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 53 registered patents and 20 patent applications were in the progress of registration as at 31 December 2020.

## **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 one exhibition and two seminars.

## **OUTLOOK**

Stepping in the post pandemic era and facing an external environment with rising protectionism and a shrinking international market, the PRC government put forth the “dual circulation” development pattern in which domestic economic cycle plays a leading role while international economic cycle remains as its extension and supplement. However, the COVID-19 pandemic has affected the flow of products, capital and personnel between countries, whereas global economic recession caused by the pandemic has affected market demand which in turn may pose challenges to the Group’s operation and financial performance as the consumption of fresh use water, steam and utilities by the tenants is expected to decrease accordingly. The Group will closely monitor the upcoming changes in the economic environment.

### **Sichuan Qingshen Project**

As disclosed in the 2019 annual report of the Company, the Group had entered into an agreement with the Qingshen Government for the establishment and development of the Sichuan Qingshen Project on 8 November 2019. According to the agreement, the implementation of the Sichuan Qingshen Project will be subject to (i) the obtaining of the environment protection assessment approval; (ii) the completion of preparatory works in relation to the Sichuan Qingshen Project; and (iii) the successful acquisition of land-use rights of two batches of land located in the industrial development zone. As at the date of this announcement, the Group has applied for tendering of the land use right’s acquisition of such two batches of land. The Group does not have concrete timing for the development of the Sichuan Qingshen Project and has not incurred significant cost for the Sichuan Qingshen Project.



## **The wastewater treatment capabilities of the electroplating industrial parks**

The land construction work for additional wastewater treatment facilities in Tianjin Bingang Park was completed in the first half of 2020. However, by considering the trend of fresh water consumption by the tenants in Tianjin Bingang Park and a weakening demand for renting factory premises in Tianjin expected in the short to mid-term as industrialists recalibrate their expansion plans and space requirements, the management considered to temporarily suspend the construction of further additional wastewater facilities after taking into account the prevailing economic conditions.

The Group has also 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.

## **The GFA available for leasing**

To fully utilise the existing land resources available to increase 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 first phase of the project involves the construction of four factory buildings with an aggregate GFA of approximately 48,000 sq.m. with budgeted cost of approximately RMB82.4 million, of which the construction of two factory buildings with an aggregate GFA of approximately 15,400 sq.m. have been completed in December 2020 while the estimated completion date of the remaining two factory buildings with an aggregate GFA of approximately 32,600 sq.m. will be in the first quarter of 2021. The second phase of the project involves the construction of four factory buildings with an aggregate GFA of approximately 65,000 sq.m. with budgeted cost of approximately RMB111.2 million, of which the construction of two factory buildings with an aggregate GFA of approximately 32,500 sq.m. with budgeted cost of approximately RMB56.0 million has already commenced in June 2020 and its estimated completion date will be in the second quarter of 2021. The construction of the remaining two factory buildings with an aggregate GFA of approximately 32,500 sq.m. with budgeted cost of approximately RMB56.0 million has commenced in first quarter of 2021 and its estimated completion date will be by the end of 2021.

Benefiting from the rapid resumption of the construction work for development of the new electroplating industrial park in Jingzhou, Hubei Province (the "**Hubei Jingzhou Project**") in the post pandemic period, the factory buildings under the Hubei Jingzhou Project are to be let in the first quarter of 2021. The second phase of Hubei Jingzhou Project will be commenced in the first half of 2021 by constructing six factory buildings with an aggregate GFA of approximately 71,000 sq.m. with the budgeted cost of approximately RMB161.0 million and its estimated completion date to be in the second half of 2022, which will further increase the Group's leasable GFA.

## 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 and Tianjin Bingang 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 RMB724.7 million, representing an increase of 13.2% over that in 2019, 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						Change in %
	2020			2019			
	Guangdong Huizhou Park	Tianjin Bingang Park	Total	Guangdong Huizhou Park	Tianjin Bingang Park	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
<b>Rental and facilities usage</b>							
Rental of factory premises	57,349	24,862	82,211	55,064	24,156	79,220	3.8%
Property management fee	10,770	4,134	14,904	11,379	3,680	15,059	(1.0%)
Facilities usage fee	115,118	68,081	183,199	104,682	62,057	166,739	9.9%
Sub-total	183,237	97,077	280,314	171,125	89,893	261,018	7.4%
<b>Wastewater treatment and utilities</b>							
Wastewater treatment fee	119,982	31,894	151,876	116,334	28,937	145,271	4.5%
Steam charge	54,358	28,451	82,809	53,127	27,933	81,060	2.2%
Utility systems maintenance fee	42,659	16,624	59,283	42,639	15,604	58,243	1.8%
Sub-total	216,999	76,969	293,968	212,100	72,474	284,574	3.3%
<b>Sales of goods and ancillary business</b>							
Sales of chemicals	125,253	1,346	126,599	77,945	337	78,282	61.7%
Other income	19,943	3,900	23,843	13,214	2,952	16,166	47.5%
Sub-total	145,196	5,246	150,442	91,159	3,289	94,448	59.3%
Total	545,432	179,292	724,724	474,384	165,656	640,040	13.2%

## Revenue from rental and facilities usage service

Rental of factory premises, facilities usage fee and property management fee are charged on its tenants based on the GFA of their leased factory premises. Set out below is the revenue, average daily leased area and average monthly unit price of the electroplating industrial parks during the Year together with the corresponding period in 2019:

	For the year ended 31 December					
	Guangdong Huizhou Park	2020 Tianjin Bingang Park	Total	Guangdong Huizhou Park	2019 Tianjin Bingang Park	Total
Revenue (RMB'000)						
— Rental of factory premises	57,349	24,862	82,211	55,064	24,156	79,220
— Property management service fee	10,770	4,134	14,904	11,379	3,680	15,059
— Facilities usage fee	115,118	68,081	183,199	104,682	62,057	166,739
Total (RMB'000)	183,237	97,077	280,314	171,125	89,893	261,018
Average daily leased area (sq.m.) <sup>(Note)</sup>	347,000	183,000	530,000	342,000	165,000	507,000
Average monthly unit price (RMB per sq.m.)						
— Rental of factory premises	13.8	11.3	12.9	13.4	12.2	13.0
— Property management service fee	2.6	1.9	2.3	2.8	1.9	2.5
— Facilities usage fee	27.6	31.0	28.8	25.5	31.3	27.4
Total	44.0	44.2	44.1	41.7	45.4	42.9

*Note:* Average daily leased area is calculated by total daily leased area during the year divided by number of days for the year, rounded to the nearest thousand

The revenue from rentals and facilities usage service increased by approximately RMB19.3 million or 7.4% from approximately RMB261.0 million for the year ended 31 December 2019 to approximately RMB280.3 million for the Year. The increase was primarily attributable to (i) increase in total average daily leased area; and (ii) annual increment of management service fee and facilities usage fee pursuant to the respective agreements with tenants and partially offset by the short term rental relief granted to the tenants of the industrial parks.

## 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

	For the year ended 31 December					
	Guangdong Huizhou Park	2020 Tianjin Bingang Park	Total	Guangdong Huizhou Park	2019 Tianjin Bingang Park	Total
Revenue (RMB'000)						
— Wastewater treatment fee	<u>119,982</u>	<u>31,894</u>	<u>151,876</u>	<u>116,334</u>	<u>28,937</u>	<u>145,271</u>
Fresh water used (tonnes) <sup>(Note)</sup>	<u>2,407,000</u>	<u>491,000</u>	<u>2,898,000</u>	<u>2,503,000</u>	<u>486,000</u>	<u>2,989,000</u>
Average wastewater treatment unit price (RMB per tonnes)	<u>49.8</u>	<u>65.0</u>	<u>52.4</u>	<u>46.5</u>	<u>59.5</u>	<u>48.6</u>

Note: Rounded to the nearest thousand.

Wastewater treatment fee increased by approximately RMB6.6 million or 4.5% from approximately RMB145.3 million for the year ended 31 December 2019 to approximately RMB151.9 million for the Year. The increase was primarily attributable to increase in average wastewater treatment unit price for the new tenants and offset by the decrease in volume of the fresh water used by the tenants due to the outbreak of COVID-19 in the first quarter in the PRC.

### (ii) Steam charge

	For the year ended 31 December					
	Guangdong Huizhou Park	2020 Tianjin Bingang Park	Total	Guangdong Huizhou Park	2019 Tianjin Bingang Park	Total
Revenue (RMB'000)						
— Steam Charge	<u>54,358</u>	<u>28,451</u>	<u>82,809</u>	<u>53,127</u>	<u>27,933</u>	<u>81,060</u>
Steam consumed (tonnes) <sup>(Note)</sup>	<u>129,000</u>	<u>62,000</u>	<u>191,000</u>	<u>126,000</u>	<u>61,000</u>	<u>187,000</u>
Average steam charge unit price (RMB per tonne)	<u>421.4</u>	<u>458.9</u>	<u>433.6</u>	<u>421.6</u>	<u>457.9</u>	<u>433.5</u>

Note: Rounded to the nearest thousand.

Steam charge increased by approximately RMB1.7 million or 2.2% from approximately RMB81.1 million for the year ended 31 December 2019 to approximately RMB82.8 million for the Year.

*(iii) Utility systems maintenance fee*

	Guangdong Huizhou Park	2020 Tianjin Bingang Park	Total	Guangdong Huizhou Park	2019 Tianjin Bingang Park	Total
Revenue (RMB'000)						
— Utility systems maintenance fee	<u>42,659</u>	<u>16,624</u>	<u>59,283</u>	<u>42,639</u>	<u>15,604</u>	<u>58,243</u>
Electricity consumed (kWh) <sup>(Note)</sup>	183,034,000	49,929,000	232,963,000	183,200,000	46,835,000	230,035,000
Average steam charge unit price (RMB per tonnes.)	<u>0.23</u>	<u>0.33</u>	<u>0.25</u>	<u>0.23</u>	<u>0.33</u>	<u>0.25</u>

*Note:* Rounded to the nearest thousand.

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 RMB1.0 million or 1.8% from approximately RMB58.2 million for the year ended 31 December 2019 to approximately RMB59.3 million for the Year. The slight increase was primarily attributable to the increase in volume of electricity consumed by its tenants.

## **Revenue from sales of goods and ancillary business**

Sales of goods and ancillary business is mainly comprised of sales of chemical products which accounted for 84.2% (2019: 82.9%) of this business segment. Sales of chemical products increased by approximately RMB48.3 million from approximately RMB78.3 million for the year ended 31 December 2019 to approximately RMB126.6 million for the Year. In order to obtain a greater bulk purchase discount which could lower the cost of raw materials for its tenants and strictly control the risk of safety hazards, the Group strengthened the centralised procurement system for the tenants which led to a sharp increase in revenue in this business segment.

## **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 RMB27.6 million or 5.2% from approximately RMB531.7 million for the year ended 31 December 2019 to approximately RMB559.2 million for the Year which was generally in line with the increase in the Group's revenue during the Year.

### **Depreciation and amortisation**

The Group's depreciation and amortisation increased by approximately RMB16.2 million or 10.6% from approximately RMB152.2 million for the year ended 31 December 2019 to approximately RMB168.4 million for the Year, following the Group's significant addition of investment properties and property, plant and equipment in the electroplating industrial parks.

### **Cost of inventories**

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

Cost of inventories increased by approximately RMB26.6 million or 16.2% from approximately RMB163.8 million for the year ended 31 December 2019 to approximately RMB190.4 million for the Year, primarily attributable to the significant increase in the amount of approximately RMB48.3 million for the sales of chemical materials to tenants of the electroplating industrial parks, and was partially offset by the decrease 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 RMB69.3 million for the Year, an increase of 14.0% as compared with approximately RMB60.8 million for the year ended 31 December 2019. The Group's staff costs increased mainly due to (i) increase in number of employees as a result of the Group's expansion in both scope and size, and (ii) general rise in staff's salaries and partially offset by the decrease in staff welfare fund as a result of exemption of pension insurance, unemployment insurance and working injury insurance imposed by the PRC local government from February to December 2020.

### **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 electroplating parks. Utility costs decreased by approximately RMB1.9 million or 9.5%, from approximately RMB20.1 million for the year ended 31 December 2019 to approximately RMB18.2 million for the Year, which was due to the decrease in unit cost of electricity and water.

## 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.

	<b>For the year ended 31 December 2020 RMB'000</b>	<b>For the year ended 31 December 2019 RMB'000</b>
Professional service fee	7,914	22,770
Waste treatment expenses	27,945	38,097
Other taxes and surcharges	18,866	17,574
Security charges	7,401	7,121
Maintenance and consumables	14,992	11,520
Research and development	8,435	9,230
Consultancy and services fee	2,294	3,718
Entertainment	6,522	4,444
Cleaning expenses	4,173	3,310
Travelling expenses	1,384	2,389
Office and seminar expenses	2,735	2,130
Landscaping expenses	1,894	1,622
Advertising and promotion expenses	636	860
Insurance	534	478
Others	7,282	9,407
Total	<b>113,007</b>	<b>134,670</b>

Other expenses decreased by approximately RMB21.7 million or 16.1% from approximately RMB134.7 million for the year ended 31 December 2019 to approximately RMB113.0 million for the Year, primarily attributable to the absence of the recognition of listing expenses and the decrease in waste treatment expenses.

## Profit from operations and operating profit margin

The Group's profit from operations increased by approximately RMB51.5 million or 42.3%, from approximately RMB121.8 million for the year ended 31 December 2019 to approximately RMB173.3 million for the Year. The operating profit margin increased from 19.0% for the year ended 31 December 2019 to 23.9% for the Year, which mainly resulted from (i) the increase in revenue generated from the rental and facilities usage and wastewater treatment and utilities; and (ii) the absence of the recognition of listing expenses.



## **Other revenue**

Other revenue primarily consisted of (i) bank interest income, (ii) government grants, and (iii) other income. Other revenue decreased by approximately RMB2.6 million or 20.2%, from approximately RMB12.9 million for the year ended 31 December 2019 to approximately RMB10.3 million for the Year. Such decrease was mainly due to the decrease in bank interest income and unconditional government grants.

## **Finance costs**

Finance costs primarily comprised of interest in bank borrowings. Finance cost decreased by approximately RMB14.2 million or 21.2%, from approximately RMB67.1 million for the year ended 31 December 2019 to approximately RMB52.9 million for the Year which was primarily attributable to the increase in interest capitalised in relation to the construction projects of Guangdong Huizhou Park and Huazhong Industrial Park. The Group capitalised a portion of the finance costs which were directly attributable to the construction in progress during the Year.

## **Profit before taxation**

The Group's profit before income taxation increased by approximately RMB65.7 million from approximately RMB54.7 million for the year ended 31 December 2019 to approximately RMB120.4 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 RMB22.3 million from approximately RMB12.8 million for the year ended 31 December 2019 to approximately RMB35.1 million for the Year, which was primarily attributable to Guangdong Huizhou Park's operations, which remained profitable during the Year and the provision of deferred tax on the dividend declared by a subsidiary of the Company in the PRC to its immediate holding company in Hong Kong.

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

Profit attributable to the equity shareholders of the Company increased by approximately RMB47.5 million from approximately RMB55.1 million for the year ended 31 December 2019 to approximately RMB102.6 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. The balances as at 31 December 2020 increased by approximately RMB284.4 million from approximately RMB917.3 million as at 31 December 2019 to approximately RMB1,201.7 million as at 31 December 2020, which was primarily attributable to the additions of approximately RMB402.2 million of buildings, wastewater treatment facilities, utility facilities and ancillary facilities in the electroplating industrial parks and was partially offset by depreciation of approximately RMB117.2 million during the Year.

## **Investment property**

Investment property represented completed factory premises 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 five to ten years.

The balances as at 31 December 2020 increased by approximately RMB120.2 million, from approximately RMB721.2 million as at 31 December 2019 to approximately RMB841.4 million as at 31 December 2020. Such increase was mainly due to the addition of factory buildings in the electroplating industrial parks amounted to RMB163.5 million, and partially offset by depreciation charge of RMB43.3 million for the Year.

## **Construction in progress**

Construction in progress represented factory premises and operational facilities that are under construction inside the Group's electroplating industrial parks. The balances as at 31 December 2020 decreased by approximately RMB29.6 million from approximately RMB392.8 million as at 31 December 2019 to approximately RMB363.2 million as at 31 December 2020. Such decrease was primarily attributable to the completed construction transferred to the property, plant and equipment and investment property of approximately RMB559.2 million which was partially offset by the addition of approximately RMB530.0 million mainly for developing factory premises, adding wastewater treatment facilities, utility facilities and ancillary facilities in the electroplating industrial parks.

## Liquidity and financial resources

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

	<b>For the year ended 31 December 2020 RMB'000</b>	<b>For the year ended 31 December 2019 RMB'000</b>
Net cash generated from operating activities	<b>260,548</b>	275,419
Net cash used in investment activities	<b>(578,252)</b>	(309,159)
Net cash generated from financing activities	<b>285,557</b>	56,006
Net (decrease)/increase in cash and cash equivalents	<b>(32,147)</b>	22,266
Effect of foreign exchange rate changes	<b>1,623</b>	298

For the Year, the Group had a net cash generated from operating activities of approximately RMB260.5 million. Such amount was primarily derived from the profit before income tax of approximately RMB120.4 million generated in 2020, which was primarily adjusted for (i) depreciation and amortisation of approximately RMB168.4 million; (ii) finance costs of approximately RMB52.9 million; (iii) increase in trade and other payables of approximately RMB13.3 million, which was partially offset by (iv) the decrease in trade and other receivables of approximately RMB62.1 million; and (v) the income tax paid of approximately RMB28.6 million.

For the Year, the Group had a net cash used in investing activities of approximately RMB578.3 million, which was mainly attributable to payment for purchase of property, plant and equipment, investment property, and right-of-used assets of approximately RMB580.5 million.

For the Year, the Group had a net cash generated from financing activities of approximately RMB285.6 million, which was mainly attributable to (i) the proceeds of bank loans and other borrowings of approximately RMB463.7 million; which was partially offset by (ii) the repayment of bank loans and other borrowings of approximately RMB118.4 million; and (iii) the payment of interest of approximately RMB68.8 million.

As at 31 December 2020, the Group had cash and cash equivalents of approximately RMB72.8 million (31 December 2019: approximately RMB103.3 million).

### Net current liabilities

The Group's net current liabilities as at 31 December 2020 had increased by approximately RMB53.6 million, from approximately RMB578.8 million as at 31 December 2019 to approximately RMB632.4 million as at 31 December 2020.

As at 31 December 2020, the Group's total current assets amounted to approximately RMB261.1 million, representing a decrease of approximately RMB3.0 million as compared with approximately RMB264.1 million as at 31 December 2019. The decrease was primarily attributable to (i) the decrease in cash and cash equivalents of approximately RMB30.5 million; and partially offset by (ii) the increase in trade and other receivables of approximately RMB24.5 million; (iii) the increase in inventories of approximately of RMB2.6 million; and (iv) the increase in non-current assets held for sale of approximately RMB0.5 million.

As at 31 December 2020, the Group's total current liabilities amounted to approximately RMB893.6 million, representing an increase of approximately RMB50.7 million as compared with approximately RMB842.9 million as at 31 December 2019. The increase was primarily attributable to (i) the increase in non-current portion of long term borrowings of approximately RMB131.1 million; and partially offset by (ii) the decrease in trade and other payables of approximately RMB69.8 million; and (iii) the decrease in contract liabilities of approximately RMB14.2 million.

### **Borrowings and gearing ratio**

During the Year, the Group's cash and cash equivalents was mainly used in the development of the Hubei Jingzhou Project and wastewater treatment facilities of the Tianjin Bingang Park. The Group financed its funding requirements mainly through a combination of cash generated from operating activities and borrowings. As at 31 December 2020, the total interest-bearing borrowings amounted to RMB1,249.0 million were due for repayment as follows:

	<b>As at 31 December</b>	
	<b>2020</b>	<b>2019</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Within one year or on demand	<b>384,680</b>	253,558
After one year but within two years	<b>214,261</b>	233,281
After two years but within five years	<b>518,098</b>	370,492
After five years	<b>131,958</b>	46,374
	<hr/>	<hr/>
Total	<b><u>1,248,997</u></b>	<b><u>903,705</u></b>

The Group's gearing ratio is approximately 1.1 times as at 31 December 2020 (31 December 2019: 0.8 times). 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%.

## **Pledged assets**

As at 31 December 2020, the Group had certain property, plant and equipment and investment property with carrying value of approximately RMB601.8 million and RMB804.7 million, respectively (31 December 2019: approximately RMB301.2 million and RMB655.5 million, respectively); land-use rights with net book value of approximately RMB191.0 million (31 December 2019: approximately RMB95.9 million) and nil bank deposit (31 December 2019: approximately RMB10.0 million) which were pledged as security for the bank loans and other borrowings with carrying amount of approximately RMB1,249.0 million (31 December 2019: approximately RMB903.7 million). Certain connected persons of the Company have provided guarantees in favour of the financial institutions 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**

The Group did not have any material contingent liabilities as at 31 December 2020 (31 December 2019: Nil).

## **Significant investments, acquisitions and disposals**

References are made to the announcements of the Company dated 5 June 2020, 9 June 2020 and 30 June 2020 that Tianjin Bingang, a company established in the PRC with limited liability owned as to 51% by the Group and 49% by an independent third party, 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 and an independent third party, entered into (1) a sale and purchase agreement (the "**S&P Agreement**") pursuant to which Tianjin Bingang agreed to dispose and Far Eastern agreed to acquire certain equipment and ancillary facilities (the "**Leased Assets**") for the provision of wastewater treatment services and the supply of steam and electricity in the industrial park of the Group, for a cash consideration of RMB30,000,000; and (2) a lease agreement (the "**Lease Agreement**") pursuant to which Tianjin Bingang agreed to lease back the Leased Assets from Far Eastern for an aggregate rental amount of approximately RMB31,843,700 (inclusive of taxes) for a term of two years upon completion of the S&P Agreement. The S&P Agreement and the Lease Agreement are parts of a two-step process of a sale and lease back financing arrangement whereupon the title and property rights of the Leased Assets shall be transferred back to Tianjin Bingang upon (i) early termination of the Lease Agreement and after fulfilling all payment obligations under the Lease Agreement; or (ii) when the lease expires and (iii) payment of the consideration of RMB1,000.

Save as disclosed above and in this announcement, and expect for those disclosed in the section head "Future Plans and Use of Proceeds" in the prospectus of the Company dated 29 June 2019, the Group had no significant investments, acquisitions and disposals during the year ended 31 December 2020.

## **EMPLOYEE AND REMUNERATION POLICIES**

As at 31 December 2020, the Group had 602 full-time employees (2019: 519 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 RMB69.3 million for the Year, which was an increase of approximately 14.0% as compared with approximately RMB60.8 million for the year ended 31 December 2019. 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 period from the Listing Date 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 2020, the Group's total capital expenditures which have been contracted for but not incurred were approximately RMB172.7 million for the development of wastewater treatment facilities and factory premises of the Hubei Jingzhou Project, the development of wastewater treatment facilities of the Tianjin Bingang Park and the development of the factory premises of Guangdong Huizhou Park. These capital expenditures were mainly financed by internal resources and bank loans.

## **FOREIGN EXCHANGE RISK**

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

## **INTEREST RATE RISK**

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

## **CREDIT RISK**

The Group's credit risk is mainly attributable to trade receivables. Deposits are received from customers by the Group to reduce potential exposure to credit risk. Further, individual credit evaluations are performed regularly on all customers requiring credit over a certain amount. These evaluations focus on the customers' past payment records, taking into account their financial position and other relevant factors. The Group considers the credit risk arising from trade receivables is limited. As at 31 December 2020, the Group's exposure to credit risk arising from cash and cash equivalents is limited because its counterparties are banks and financial institutions with high credit quality

## **LIQUIDITY RISK**

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

## USE OF NET PROCEEDS FROM THE LISTING

On 16 July 2019, the shares of the Company (the “**Shares**”) were first listed on the Main Board of the Stock Exchange (the “**Listing**”) following the completion of the Company’s initial public offering. The net proceeds received by the Company from the Listing amounted to approximately HK\$337.0 million (approximately RMB296.7 million) (after deducting underwriting commissions and all related expenses) (the “**Net Proceeds**”). As at 31 December 2020, the Group had utilised the Net Proceeds as set out in the table below:

Intended use	Net proceeds		Unutilised amount as at 1 January 2020		Utilised amount as at 31 December 2020		Unutilised amount as at 31 December 2020	
	HK\$	RMB	HK\$	RMB	HK\$	RMB	HK\$	RMB
	in million	in million	in million	in million	in million	in million	in million	in million
Acquisition of land for the Hubei Jingzhou Project and construction of relevant infrastructure	74.1	65.3	–	–	–	–	–	–
Expansion of the current waste water treatment facilities of the Tianjin Bingang Park	124.0	109.2	68.1	60.9	(68.1)	(60.9)	–	–
Fund the construction cost of the two factory buildings in the Guangdong Huizhou Park	62.0	54.6	–	–	–	–	–	–
Repayment of short term bank loans	62.0	54.6	–	–	–	–	–	–
General working capital	14.9	13.0	9.9	8.7	(9.9)	(8.7)	–	–
Total	<u>337.0</u>	<u>296.7</u>	<u>78.0</u>	<u>69.6</u>	<u>(78.0)</u>	<u>(69.6)</u>	<u>–</u>	<u>–</u>

Up to 31 December 2020, all the aggregated Net Proceeds from the Listing of approximately HK\$337.0 million had been used in accordance with the manner as stated in the prospectus of the Company dated 29 June 2019.

## 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 (the “**Shareholders**”) as a whole. The Company has adopted and committed to a code of corporate governance, containing the code provisions set out in the Corporate Governance Code (the “**Corporate Governance Code**”) contained in Appendix 14 to the 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 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, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

## PROPOSED DIVIDEND

The Board has resolved not to recommend payment of any final dividend for the Year.

## 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 set out on the Company’s website and the website of the Stock Exchange.

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

## EVENTS AFTER THE YEAR

As disclosed in the announcement of the Company dated 12 March 2021, the Group was in preliminary discussion with an independent third party with respect to a possible disposal of a certain interest in one of the Group’s electroplating industrial parks (the “**Possible Disposal**”). The potential purchaser had commenced certain due diligence work regarding the Possible Disposal, but no legally binding agreement as regards the Possible Disposal has been entered into by the parties nor have the parties agreed upon on any concrete terms and conditions in respect of the Possible Disposal. It is expected that if the Possible Disposal materialises, it may constitute a notifiable transaction of the Company under the Listing Rules. The Company will comply with the applicable compliance requirements as and when required in accordance with the Listing Rules.



Saved as disclosed above and 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 2020 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 ended 31 December 2020 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, 25 May 2021 to Friday, 28 May 2021, 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, 28 May 2021. 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, 24 May 2021.

## **PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT**

This announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and of the Company ([www.platingbase.com](http://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, 26 March 2021

*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; Mr. Li Xiaoyan, Mr. Li Yinquan and Mr. Kan Chung Nin, Tony SBS, JP as independent non-executive Directors.*