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 UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Revenue	**318,209**	281,685
Profit from operations	**73,443**	50,261
Profit attributable to equity shareholders of the Company	**48,237**	9,654
Basic earnings per share *(RMB)*	**0.04**	0.01
Diluted earnings per share *(RMB)*	**0.04**	0.01
Operating profit margin	**23.1%**	17.8%
Net profit margin	**11.8%**	1.1%

	At 30 June 2020	At 31 December 2019
Total assets	**2,763,984**	2,640,564
Net assets	**1,117,408**	1,079,909
Gearing ratio	**0.9 times**	0.8 times

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Kimou Environmental Holding Limited (the "**Company**" or "**Kimou**", together with its subsidiaries, the "**Group**") is pleased to announce the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2020 (the "**Period under Review**"), together with the comparative figures for the corresponding period in 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020 — unaudited

		For the six months ended 30 June	
	Note	**2020**	2019
		RMB'000	*RMB'000*
Revenue	*3*	**318,209**	281,685
Depreciation and amortisation	*5(c)*	**(83,791)**	(74,055)
Cost of inventories	*5(c)*	**(76,767)**	(64,200)
Staff costs	*5(b)*	**(28,723)**	(25,719)
Utility costs		**(7,889)**	(9,810)
Other expenses		**(53,197)**	(63,948)
Other revenue		**5,804**	4,867
Other net (loss)/income		**(203)**	1,441
Profit from operations		**73,443**	50,261
Finance costs	*5(a)*	**(27,663)**	(35,870)
Profit before taxation	*5*	**45,780**	14,391
Income tax	*6*	**(8,083)**	(11,240)
Profit for the period		**37,697**	3,151
Attributable to:			
Equity shareholders of the Company		**48,237**	9,654
Non-controlling interests		**(10,540)**	(6,503)
Profit for the period		**37,697**	3,151
Earnings per share (RMB)			
Basic and diluted	*7*	**0.04**	0.01

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020 — unaudited

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Profit for the period	**37,697**	3,151
Other comprehensive income for the period		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of entities not using Renminbi ("**RMB**") as functional currency	**(198)**	(1,768)
Total comprehensive income for the period	**37,499**	1,383
Attributable to:		
Equity shareholders of the Company	**48,039**	7,886
Non-controlling interests	**(10,540)**	(6,503)
Total comprehensive income for the period	**37,499**	1,383

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2020 — unaudited

	Note	**At 30 June 2020** *RMB'000*	At 31 December 2019 *RMB'000*
Non-current assets			
Investment property	*8*	**708,858**	721,200
Property, plant and equipment	*9*	**1,059,139**	917,326
Construction in progress		**414,662**	392,765
Right-of-use assets	*10*	**275,794**	279,280
Intangible assets		**3,500**	4,074
Other receivables	*11*	**14,623**	15,788
Deferred tax assets		**43,969**	37,911
Other financial assets		**7,667**	8,165
Total non-current assets		**2,528,212**	2,376,509
Current assets			
Inventories		**2,906**	3,444
Trade and other receivables	*11*	**149,758**	157,314
Cash and cash equivalents		**83,108**	103,297
Total current assets		**235,772**	264,055
Current liabilities			
Trade and other payables	*12*	**582,065**	552,894
Contract liabilities		**20,801**	23,372
Bank loans and other borrowings	*13*	**251,229**	253,558
Lease liabilities		**643**	728
Current taxation		**14,602**	12,341
Total current liabilities		**869,340**	842,893
Net current liabilities		**(633,568)**	(578,838)
Total assets less current liabilities		**1,894,644**	1,797,671

	Note	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Non-current liabilities			
Bank loans and other borrowings	*13*	**713,148**	650,147
Lease liabilities		**265**	393
Deferred income		**63,815**	67,203
Deferred tax liabilities		**8**	19
Total non-current liabilities		**777,236**	717,762
Net assets		**1,117,408**	1,079,909
Capital and reserves			
Share capital		**98,377**	98,377
Reserves		**829,594**	781,555
Total equity attributable to equity shareholders		**927,971**	879,932
Non-controlling interests		**189,437**	199,977
Total equity		**1,117,408**	1,079,909

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

1. BASIS OF PREPARATION

This unaudited interim financial information was exacted from the interim financial report of Kimou Environmental Holding Limited (the "**Company**") and its subsidiaries (the "**Group**") for the six months ended 30 June 2020.

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("**HKAS**") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). It was authorised for issue on 28 August 2020.

At 30 June 2020, the Group's current liabilities exceeded its current assets by RMB633,568,000. 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 and other financing sources to finance its continuing operations and its planned and/or committed capital expenditure for the next twelve months from the end of the reporting period of this interim financial report, the management believes that the Group has adequate resources to continue to operate as a going concern throughout the next twelve months and that there are no material uncertainties related to events or conditions which, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of the interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2019 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA.

2. CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendment to HKFRSs issued by the HKICPA to this interim financial report 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:

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 early adopt the amendments and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the interim reporting period. 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.

3. REVENUE AND SEGMENT REPORTING

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

(a) Disaggregation of revenue

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

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major service lines		
— Environmental protection technical service and management service	**98,331**	87,497
— Wastewater treatment and utilities	**118,482**	127,113
— Sales of goods and ancillary business	**61,108**	28,671
	277,921	243,281
Revenue from other sources		
Gross rentals from investment properties	**40,288**	38,404
	318,209	281,685

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

(b) Information about profit or loss

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

For the six months ended 30 June	Rental and facilities usage		Wastewater treatment and utilities		Sales of goods and ancillary business		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Disaggregated by timing of revenue recognition								
Point in time	**–**	–	**118,482**	127,113	**61,108**	28,671	**179,590**	155,784
Over time	**138,619**	125,901	**–**	–	**–**	–	**138,619**	125,901
Revenue from external customers	**138,619**	125,901	**118,482**	127,113	**61,108**	28,671	**318,209**	281,685
Inter-segment revenue	**1,216**	7,148	**–**	–	**5,307**	11,252	**6,523**	18,400
Reportable segment revenue	**139,835**	133,049	**118,482**	127,113	**66,415**	39,923	**324,732**	300,085
Reportable segment profit (adjusted EBITDA)	**113,436**	113,626	**40,718**	28,184	**11,049**	5,970	**165,203**	147,780
Depreciation and amortisation	**(78,220)**	(71,318)	**(4,994)**	(2,164)	**(577)**	(573)	**(83,791)**	(74,055)

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.

(c) Reconciliations of reportable segment profit or loss

	For the six months ended 30 June	
	2020	2019
	RMB’000	*RMB’000*
Reportable segment profit derived from the Group’s external customers	**165,203**	147,780
Depreciation and amortisation	**(83,791)**	(74,055)
Finance costs	**(27,663)**	(35,870)
Interest income	**207**	1,227
Unallocated head office and corporate expenses	**(8,176)**	(24,691)
Consolidated profit before taxation	**45,780**	14,391

(d) Geographic information

Analysis of the Group’s revenue by geographical market has not been presented as substantially all of the Group’s revenue and assets are generated and located in the People’s Republic of China (the “**PRC**”).

4. SEASONALITY OF OPERATIONS

Wastewater treatment and utilities and sales of goods and ancillary business of the Group is subject to seasonal factors. Demand for wastewater treatment and utilities and sales of goods and ancillary services is usually less in long holidays of Chinese New Year and National Day than the rest of the year. Any reduction in consumption volume of services during these low seasons may have an adverse impact on revenue.

For the twelve months ended 30 June 2020, the Group reported revenue of RMB676,564,000 (twelve months ended 30 June 2019: RMB554,014,000).

5. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Interest on bank loans	**31,972**	35,870
Interest on lease liabilities	**26**	–
Less: interest expense capitalised into properties under development	**(4,335)**	–
	27,663	35,870

The borrowing costs have been capitalised at rate of 6.84% during the six months ended 30 June 2020 (six months ended 30 June 2019: Not applicable).

(b) Staff costs (including directors' emoluments)

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**28,252**	23,160
Retirement scheme contributions	**471**	2,559
	28,723	25,719

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

(c) Other items

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Depreciation and amortisation		
— Property, plant and equipment	**58,026**	50,498
— Investment property	**21,705**	20,616
— Right-of-use assets	**3,486**	2,382
— Intangible assets	**574**	559
	83,791	74,055
Cost of inventories *(i)*	**76,767**	64,200
Listing expenses	**–**	13,802

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

6. INCOME TAX

Taxation in the consolidated statement of profit or loss represents:

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Current tax — PRC income tax		
Provision for the period	**14,152**	7,893
Deferred tax		
Origination and reversal of temporary differences	**(6,069)**	3,347
	8,083	11,240

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

(ii) The provision for Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits. For the six months ended 30 June 2020, subsidiaries in Hong Kong did not have any assessable profits (six months ended 30 June 2019: nil).

(iii) The statutory income tax rate for the PRC subsidiaries is 25% unless otherwise specified below (six months ended 30 June 2019: 25%).

For the six months ended 30 June 2020, Huizhou Jinmaoyuan Environmental Technology Co., Ltd ("**Huizhou Jinmaoyuan**"), engaging in electroplating wastewater treatment, was entitled to the preferential tax policy on environmental protection devices. Accordingly, for the six months ended 30 June 2020, the income tax of Huizhou Jinmaoyuan were reduced by RMB471,000 (six months ended 30 June 2019: RMB26,000). 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.

For the six months ended 30 June 2020, according to relevant tax rules in the PRC, additional tax deduction on research and development expenses when determining 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 Electroplating Enterprises Management Co., Ltd. ("**Tianjin Bingang**") for the six months ended 30 June 2020 was reduced by RMB1,016,000 and RMB537,000, respectively (six months ended 30 June 2019: RMB850,000 and RMB599,000, respectively).

Huizhou Jinmaoyuan was approved as a High and New Technology Enterprise in November 2018, which entitled it to the preferential income tax rate of 15% from 2018 to 2020.

Tianjin Bingang was approved as a High and New Technology Enterprise in November 2019, which entitled it to the preferential income tax rate of 15% from 2019 to 2021.

The Group has not recognised deferred tax assets of RMB214,000 for the six months ended 30 June 2020 (six months ended 30 June 2019: RMB164,000), in respect of cumulative tax losses of certain subsidiaries located in Hong Kong and the PRC.

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 RMB48,237,000 (six months ended 30 June 2019: RMB9,654,000) and the weighted average number of 1,120,000,000 ordinary shares (six months ended 30 June 2019: 840,000,000 shares) in issue during the interim period.

The numbers of shares for six months ended 30 June 2019 is based on the assumption that the 840,000,000 shares of the Company had been issued throughout 2019 and before the IPO on 16 July 2019.

(b) Diluted earnings per share

During the six months ended 30 June 2020 and 2019, there were no dilutive potential ordinary shares issued. Therefore, diluted earnings per share were the same as the basic earnings per share.

8. INVESTMENT PROPERTY

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

As at 30 June 2020, the fair value of the Group's investment property was approximately RMB1,466,400,000 (31 December 2019: RMB1,437,273,000). The fair value are determined by the directors of the Company with reference to mainly the valuation performed, using the income capitalisation approach with reference to the term value and the reversionary value calculated by discounting the contracted annual rent at the capitalisation rate over the existing lease period, and the sum of average unit market rent at the capitalisation rate after the existing lease period, by an independent qualified professional valuer.

Certain investment property with carrying value of RMB632,239,000 were pledged to secure the Group's bank loans (note 13(ii)) as at 30 June 2020 (31 December 2019: RMB655,469,000).

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired items of property, plant and equipment with a cost of RMB199,864,000 (six months ended 30 June 2019: RMB60,143,000).

Certain property, plant and equipment with carrying value of RMB483,851,000 were pledged to secure the Group's bank loans and other borrowings (note 13(ii)) as at 30 June 2020 (31 December 2019: RMB301,237,000).

10. RIGHT-OF-USE ASSETS

The Group's land-use rights on leasehold land are located in the PRC. Amortisation is recognised in profit or loss on a straight-line basis over the respective periods of the land-use rights, which are 42 years to 50 years. At 30 June 2020, the remaining period of the land-use rights ranges from 35 to 49 years (31 December 2019: 36 to 50 years).

Certain land-use rights with carrying value of RMB114,343,000 were pledged to secure the Group's bank loans and other borrowings (note 13(ii)) as at 30 June 2020 (31 December 2019: RMB95,890,000).

11. TRADE AND OTHER RECEIVABLES

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

	At 30 June 2020 *RMB'000*	At 31 December 2019 *RMB'000*
Current		
Within 1 month	**79,333**	95,426
1 to 3 months	**7,941**	6,890
4 to 6 months	**1,784**	949
Over 6 months	**954**	868
Trade debtors net of allowance for doubtful debts	**90,012**	104,133
Deductible input value-added tax	**54,705**	40,316
Loan deposits *(i)*	**–**	10,000
Prepayments and other receivables	**5,041**	2,865
	149,758	157,314
Non-current		
Prepayments for purchase of property, plant and equipment	**14,623**	11,789
Deposits for acquisition of land-use rights, constructions and borrowings	**–**	3,999
	14,623	15,788
Total	**164,381**	173,102

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

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

12. TRADE AND OTHER PAYABLES

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

	At 30 June 2020 *RMB'000*	At 31 December 2019 *RMB'000*
Within 1 month	**36,618**	49,190
1 to 3 months	**9,750**	9,364
4 to 6 months	**3,090**	1,984
Over 6 months	**803**	41
Trade creditors	**50,261**	60,579
Deposits due to customers	**139,515**	136,872
Payables for equipment and construction	**374,844**	330,872
Interest payable	**1,610**	1,732
Payroll payable	**7,914**	10,499
Other payables to third parties	**7,921**	12,340
Total	**582,065**	552,894

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.

13. BANK LOANS AND OTHER BORROWINGS

	At 30 June 2020 *RMB'000*	At 31 December 2019 *RMB'000*
Secured bank loans	**934,377**	903,705
Secured other borrowings	**30,000**	–
Total	**964,377**	903,705

As at 30 June 2020, the bank loans and other borrowings were repayable as follows:

	At 30 June 2020 *RMB'000*	At 31 December 2019 *RMB'000*
Within 1 year or on demand	**251,229**	253,558
After 1 year but within 2 years	**282,119**	233,281
After 2 years but within 5 years	**395,938**	370,492
After 5 years	**35,091**	46,374
Sub-total	**713,148**	650,147
Total	**964,377**	903,705

(i) As at 30 June 2020, bank loans amounted to RMB934,377,000 (31 December 2019: RMB903,705,000) were floating-interest rate loans with interest rates ranged from 5.22% to 6.86% (31 December 2019: 5.70% to 6.86%). Other borrowings amounted to RMB30,000,000 (31 December 2019: nil) were fixed-interest rate borrowings with a monthly interest rate of 0.492% (31 December 2019: nil).

(ii) Secured bank loans and other borrowings as at 30 June 2020 and 31 December 2019 were secured by certain of the Group's charge rights of rental income and property, plant and equipment (note 9), investment property (note 8), right-of-use assets (note 10), and deposits with a bank.

(iii) Bank loans amounted to RMB774,489,000 as at 30 June 2020 (31 December 2019: RMB804,705,000) were guaranteed by Mr. Zhang Lianghong, Mr. Zhang Haiming, Mr. Lee Yuk Kong and Mr. Huang Shaobo, each an ultimate individual shareholder of the Company.

(iv) Bank loans and other borrowings amounted to RMB964,377,000 as at 30 June 2020 (31 December 2019: RMB903,705,000) are subject to the fulfillment of covenants, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. In addition, pursuant to the terms of the bank loan agreements, certain subsidiaries are not allowed to distribute profit and/or to obtain other external financing prior to the lenders' approval. As at 30 June 2020, none of the covenants relating to drawn down facilities had been breached (31 December 2019: nil).

14. DIVIDENDS

No dividends have been declared or paid by the Company for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

15. COMMITMENTS

Capital commitments outstanding at 30 June 2020 not provided for in the interim financial report:

	At 30 June 2020 *RMB'000*	At 31 December 2019 *RMB'000*
Contracted for	**368,562**	498,348
Authorised but not contracted for		
— Sichuan Qingshen Project	**2,000,000**	2,000,000
	2,368,562	2,498,348

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Company and its subsidiaries develop and operate large-scale industrial parks in the PRC which are specifically designed for the electroplating industry. The shares of the Company have been successfully listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 16 July 2019. For the Period under Review, the Group's revenue was approximately RMB318.2 million, representing an increase of approximately RMB36.5 million from that of approximately RMB281.7 million for the six months ended 30 June 2019 and the profit attributable to the equity shareholders of the Company was approximately RMB48.2 million, representing an increase of approximately RMB38.5 million from that of approximately RMB9.7 million for the six months ended 30 June 2019.

THE ELECTROPLATING INDUSTRIAL PARKS

The Group currently operates two electroplating industrial parks which are strategically located in Guangdong Province ("**Guangdong Huizhou Park**") and Tianjin ("**Tianjin Bingang Park**") where most of the PRC electroplating enterprises are located in order to enjoy convenient transportation network and to have close proximity to its customers.

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 30 June					
	2020			2019		
	Guangdong Huizhou Park	**Tianjin Bingang Park**	**Total**	Guangdong Huizhou Park	Tianjin Bingang Park	Total
Total leasable area *(sq.m.)* *(Note)*	**347,000**	**260,000**	**607,000**	347,000	256,000	603,000
Total leased area *(sq.m.)* *(Note)*	**347,000**	**181,000**	**528,000**	347,000	171,000	518,000
Occupancy rate	**100.0%**	**69.6%**	**87.0%**	100.0%	66.8%	85.9%

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. As at 30 June 2020, the total leasable area of Guangdong Huizhou Park and Tianjin Bingang Park were approximately 347,000 sq.m. and 260,000 sq.m. respectively while their occupancy rate were 100% and approximately 69.6% respectively.

Wastewater treatment capabilities

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

	For the six months ended 30 June					
	2020			2019		
	Guangdong Huizhou Park	**Tianjin Bingang Park**	**Total**	Guangdong Huizhou Park	Tianjin Bingang Park	Total
Fresh water used *(tonnes)* *(Note)*	**976,000**	**196,000**	**1,172,000**	1,125,000	206,000	1,331,000
Daily wastewater treatment handling capacity *(tonnes)* *(Note)*	**10,000**	**6,000**	**16,000**	10,000	6,000	16,000
Annualised average daily wastewater treatment handling volume *(tonnes)*	**5,363**	**1,077**	**6,440**	6,181	1,132	7,313
Annualised average daily utilisation rate of wastewater treatment capacity	**53.6%**	**18.0%**	**40.3%**	61.8%	18.9%	45.7%

Note: Rounded to the nearest thousand.

The factory premises of the 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 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 of core importance to the daily operations of the tenants.

As at 30 June 2020, the total daily wastewater treatment capability of the Group reached 16,000 tonnes. The annualised average daily wastewater treatment handling volume was approximately 6,440 tonnes and annualised average daily utilisation rate of wastewater treatment capacity was approximately 40.3%.

Finance lease arrangement

References are made to the announcements of the Company dated 7 June 2020, 9 June 2020 and 30 June 2020 that on 5 June 2020, Tianjin Bingang Electroplating Enterprises Management Co., Ltd. (天津濱港電鍍企業管理有限公司) ("**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, a third party independent of the Company and its connected persons, entered into (1) a sale and purchase agreement pursuant to which Tianjin Bingang agreed to dispose (the "**Disposal**") 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 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 Disposal. The Disposal and the subsequent leasing of the Leased Assets after their Disposal is part of a two-step process of a sale and lease back financing arrangement.

RESEARCH AND DEVELOPMENT

Recycling the treated wastewater for reuse is the sustainable way of addressing the long term objective of the Group, the Group keeps on investing in research and development to fulfill the tightening environmental protection standard and improve the Group's operating efficiency and cost effectiveness. Relying on its technological research and development, the Group has been gradually transforming itself into an integrated wastewater treatment service provider. Through the experience accumulated in the past years, the Group's research and development team and the cooperation with Tsinghua Shenzhen International Graduate School, the Group is able to further develop its expertise and know-how and leverage such knowledge on to the wastewater treatment services provided to the tenants. As at 30 June 2020, the Group had obtained 48 registered patents and 19 patent applications were in the progress of registration.

OUTLOOK

With the implementation of intensive epidemic prevention and stringent control measures to restrain the contagion risks of the novel coronavirus ("**COVID-19**"), the epidemic in the PRC has been brought under control and the economic and social activities in the PRC have gradually resumed. However, the continuous outbreak of COVID-19 globally, together with the trade tension between the United States and the PRC, 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 so that it may respond in a prudent manner swiftly and aptly.

Sichuan Qingshen Project

As disclosed in the 2019 annual report of the Company, the Group has entered into an agreement with Qingshen Government for the establishment and development of the Sichuan Qingshen Project on 8 November 2019. According to that 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 the land-use rights of two batches of land located in the industrial development zone. As of the date of this announcement, the Group has no concrete timing for the development of the Sichuan Qinshen 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 has been completed in the first half of 2020. However, by considering the present lower amount of fresh water consumption by the tenants in Tianjin Bingang Park and the expected weakening demand for renting factory premises in Tianjin in the short to mid-term as industrialists recalibrate their expansion plans and space requirements, the management considered temporarily suspending the acquisition and installation of additional wastewater equipments.

Meanwhile, the Group has applied to the relevant government authorities to increase the maximum amount 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

The Group is minded to fully utilise the existing land resources available to increase the ground floor area ("**GFA**") available for leasing and to increase the number of tenants that can be accommodated in Guangzhou 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. The first phase of project has commenced in the fourth quarter of 2019 and its estimated completion date will be by the end of 2020. 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 32,500 sq.m. with budgeted cost of approximately RMB56 million has already commenced in June 2020. The easing of travel restrictions on Hubei Province in April 2020 has also enabled the rapid resumption of the construction work for development of the new electroplating industrial park in Jingzhou, Hubei Province (the "**Hubei Jingzhou Project**"). The completion of the construction project in Guangdong Huizhou Park and the commencement of the operation of the new electroplating industrial park under the Hubei Jingzhou Project are expected to further increase the Group's leasable GFA.

RESULTS OF OPERATION

The Group's business mainly involves the provision of factory premises and centralised wastewater treatment services to the tenants at 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 Period under Review, the Group's revenue was approximately RMB318.2 million, representing an increase of approximately 13.0% from the corresponding period in 2019 and the profit attributable to the equity shareholders of the Company was approximately RMB48.2 million, representing an increase of approximately RMB38.5 million as compared to that of approximately RMB9.7 million from the corresponding period in 2019.

Revenue

	For the six months ended 30 June						
		2020			2019		
Revenue by segment	**Guangdong Huizhou Park**	**Tianjin Bingang Park**	**Total**	Guangdong Huizhou Park	Tianjin Bingang Park	Total	Change in Total
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*	%
Rental and facilities usage							
Rental of factory premises	**28,641**	**11,647**	**40,288**	27,138	11,266	38,404	**4.9%**
Property management fee	**4,997**	**1,956**	**6,953**	5,560	1,765	7,325	**(5.1%)**
Environmental protection technical service fee *(Note)*	**57,535**	**33,843**	**91,378**	49,803	30,369	80,172	**14.0%**
Sub-total	**91,173**	**47,446**	**138,619**	82,501	43,400	125,901	**10.1%**
Wastewater treatment and utilities							
Wastewater treatment fee	**47,149**	**12,352**	**59,501**	51,518	12,442	63,960	(7.0%)
Steam charge	**23,306**	**11,660**	**34,966**	24,383	13,148	37,531	(6.8%)
Utility systems maintenance fee	**17,460**	**6,555**	**24,015**	18,843	6,779	25,622	(6.3%)
Sub-total	**87,915**	**30,567**	**118,482**	94,744	32,369	127,113	(6.8%)
Sales of goods and ancillary business							
Sales of chemicals	**49,064**	**120**	**49,184**	21,674	39	21,713	126.5%
Other income	**10,645**	**1,279**	**11,924**	5,254	1,704	6,958	71.4%
Sub-total	**59,709**	**1,399**	**61,108**	26,928	1,743	28,671	113.1%
Total	**238,797**	**79,412**	**318,209**	204,173	77,512	281,685	13.0%

Note: To better describe the nature of usage of our wastewater treatment facilities, the name of the revenue "Facilities usage fee" is changed to "Environmental protection technical service fee". The business model of this revenue and the fee charged based on the size of the leased area are same as those disclosed in the section head "Business" in the prospectus of the Company dated 29 June 2019 and in the 2019 interim and annual report of the Company.

Revenue from rental and facilities usage service

Rental of factory premises, environmental protection technical service fee and property management fee are charged on its tenants based on the GFA of their leased factory premises.

The revenue from rental and facilities usage service increased by approximately RMB12.7 million or 10.1% from approximately RMB125.9 million for the six months ended 30 June 2019 to approximately RMB138.6 million for the Period under Review. The increase was primarily attributable to (i) increase in average daily leased area and (ii) increment of management service fee and environmental protection technical service fee pursuant to the respective agreements with tenants, and partially offset by the decrease in property management fee as Guangzhou Huizhou Park provided a 50% property management fee reduction for its tenants from May 2020 to July 2020.

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 the tenants based on the actual volume of fresh water, steam, and utility consumed, respectively.

(i) Wastewater treatment fee

Wastewater treatment fee decreased by approximately RMB4.5 million or 7.0% from approximately RMB64.0 million for the six months ended 30 June 2019 to approximately RMB59.5 million for the Period under Review. The decrease was primarily attributable to decrease in the volume of the fresh water used by the tenants due to the outbreak of COVID-19 in the PRC.

(ii) Steam charge

Steam charge decreased by approximately RMB2.5 million or 6.7% from approximately RMB37.5 million for the six months ended 30 June 2019 to approximately RMB35.0 million for the Period under Review. The decrease was primarily attributable to the decrease in volume of steam consumed by the tenants mainly due to the outbreak of COVID-19 in the PRC.

(iii) Utility systems maintenance fee

The Group charges its tenants for using its electricity and water supply systems, based on the consumption volume of those utilities. During the Period under Review, over 99% of the utility systems maintenance fee was derived from utilisation of the electricity system. The utility systems maintenance fee decreased by approximately RMB1.6 million or 6.3% from approximately RMB25.6 million for the six months ended 30 June 2019 to approximately RMB24.0 million for the Period under Review. The decrease was primarily attributable to the decrease in volume of electricity consumed by the tenants as a result of the outbreak of COVID-19 in the PRC.

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 80.5% (30 June 2019: 75.7%) of this business segment.

Sales of chemical raw materials increased by approximately RMB27.5 million or 126.5% from approximately RMB21.7 million for the six months ended 30 June 2019 to approximately RMB49.2 million for the Period under Review. 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 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 RMB12.7 million or 5.3% from approximately RMB237.7 million for the six months ended 30 June 2019 to approximately RMB250.4 million for the Period under Review which was generally in line with the increase in the Group's revenue during the Period under Review.

Depreciation and amortisation

The Group's depreciation and amortisation increased by approximately RMB9.7 million or 13.1% from approximately RMB74.1 million for the six months ended 30 June 2019 to approximately RMB83.8 million for the Period under Review, following the Group's 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 steam and chemicals for sale to the tenants.

Cost of inventories increased by approximately RMB12.6 million or 19.6% from approximately RMB64.2 million for the six months ended 30 June 2019 to approximately RMB76.8 million for the Period under Review, primarily attributable to the significant increase in the amount of approximately RMB27.5 million for the sales of chemical materials to tenants of the electroplating industrial parks, and was partially offset by the decrease in cost of wastewater treatment materials as a result of the decrease in volume of fresh water used by the tenants and the decrease in unit cost of wastewater materials and natural gas for production of steam.

Staff costs

Staff costs comprised of staff's salaries, bonuses and other benefits as well as Directors' remuneration which amounted to approximately RMB28.7 million for the Period under Review, an increase of 11.7% as compared with approximately RMB25.7 million for the six months ended 30 June 2019. The Group's staff costs increased mainly due to an increase in number of employees as a result of the Group's expansion in both scope and size.

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 19.4%, from approximately RMB9.8 million for the six months ended 30 June 2019 to approximately RMB7.9 million for the Period under Review, which was in line with the decrease in wastewater treatment handling volume as a result of the outbreak of COVID-19 in the PRC and the decrease in unit cost of electricity and water.

Other expenses

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

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Professional service fees	**1,964**	15,064
Waste treatment expenses	**11,988**	11,207
Other taxes and surcharges	**9,246**	8,112
Security charges	**3,597**	3,681
Maintenance and consumables	**8,821**	4,590
Research and development	**4,627**	3,731
Consultancy and service fee	**1,060**	1,208
Entertainment	**2,212**	2,050
Cleaning expenses	**2,092**	1,187
Travelling expenses	**463**	1,220
Office expenses	**749**	903
Landscaping expenses	**908**	583
Advertising and promotion expenses	**109**	496
Insurance	**263**	119
Others	**5,098**	9,797
Total	**53,197**	63,948

Other expenses decreased by approximately RMB10.7 million or 16.7%, from approximately RMB63.9 million for the six months ended 30 June 2019 to approximately RMB53.2 million for the Period under Review, primarily attributable to the absence of the recognition of listing expenses for the Period under Review (for the six months ended 30 June 2019: RMB13.8 million).

Profit from operations and operating profit margin

The Group's profit from operations increased by approximately RMB23.1 million or 45.9%, from approximately RMB50.3 million for the six months ended 30 June 2019 to approximately RMB73.4 million for the Period under Review. The operating profit margin increased from 17.8% for the six months ended 30 June 2019 to 23.1% for the Period under Review, which mainly resulted from (i) the increase in revenue generated from the rental and facilities usage; and (ii) the absence of the recognition of listing expenses for the Period under Review.

Finance costs

Finance costs primarily comprised of interest in bank borrowings. Finance costs decreased by approximately RMB8.2 million or 22.8%, from approximately RMB35.9 million for the six months ended 30 June 2019 to approximately RMB27.7 million for the Period under Review. The Group capitalised a portion of the finance costs which were directly attributable to the construction in progress during the Period under Review.

Profit before taxation

The Group's profit before taxation increased by approximately RMB31.4 million from approximately RMB14.4 million for the six months ended 30 June 2019 to approximately RMB45.8 million for the Period under Review, which was primarily attributable to the factors as described above.

Income tax

Income tax decreased by approximately RMB3.1 million from approximately RMB11.2 million for the six months ended 30 June 2019 to approximately RMB8.1 million for the Period under Review, which was primarily attributable to Guangdong Huizhou Park's operations, which remained profitable during the Period under Review and the absence of the deferred tax on the dividend declared by a subsidiary of the Company in the PRC to its immediate holding company in Hong Kong for the six months ended 30 June 2019.

Profit attributable to the equity shareholders of the Company

Profit attributable to the equity shareholders of the Company increased by approximately RMB38.5 million from approximately RMB9.7 million for the six months ended 30 June 2019 to approximately RMB48.2 million for the Period under Review, which was mainly attributable to the factors as described above.

LIQUIDITY AND FINANCIAL RESOURCES

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

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Net cash generated from operating activities	**112,773**	135,631
Net cash used in investment activities	**(171,869)**	(61,037)
Net cash generated/(used in) from financing activities	**38,339**	(96,179)
Net decrease in cash and cash equivalents	**(20,757)**	(21,585)
Effect of foreign exchange rate changes	**568**	–

For the Period under Review, the Group had a net cash generated from operating activities of approximately RMB112.8 million. Such amount was primarily derived from the profit before taxation of approximately RMB45.8 million generated during the Period under Review, which was primarily adjusted for:

(i) depreciation and amortisation of approximately RMB83.8 million;

(ii) finance costs of approximately RMB27.7 million, and was partially offset by;

(iii) increase in trade and other receivables of approximately RMB20.3 million;

(iv) decrease in trade and other payables of approximately RMB9.9 million; and

(v) income tax paid of approximately RMB11.9 million.

For the Period under Review, the Group had a net cash used in investing activities of approximately RMB171.9 million, which was mainly attributable to:

(i) payment for purchase of property, plant and equipment and investment property of approximately RMB173.2 million.

For the Period under Review, the Group had a net cash generated from financing activities of approximately RMB38.3 million, which was mainly attributable to:

(i) proceeds from bank loans and other borrowings of approximately RMB154.1 million; and

(ii) net withdrawal of deposits from a bank of approximately RMB10.0 million, and was partially offset by;

(iii) repayment of bank loans and other borrowings of approximately RMB93.4 million; and

(iv) payment of interest of approximately RMB32.1 million.

Net current liabilities

The Group's net current liabilities as at 30 June 2020 had increased by approximately RMB54.8 million, from approximately RMB578.8 million as at 31 December 2019 to approximately RMB633.6 million as at 30 June 2020.

As at 30 June 2020, the Group's total current assets amounted to approximately RMB235.8 million, representing a decrease of approximately RMB28.3 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 RMB20.2 million; and

(ii) the decrease in trade and other receivables of approximately RMB7.6 million.

As at 30 June 2020, the Group's total current liabilities amounted to approximately RMB869.3 million, representing a increase of approximately RMB26.4 million as compared with approximately RMB842.9 million as at 31 December 2019. The increase was primarily attributable to:

(i) the increase in trade and other payables of approximately of RMB29.2 million, and was partially offset by;

(ii) the decrease in current portion of bank loans and other borrowings of approximately of RMB2.3 million; and

(iii) the decrease in contract liabilities of approximately of RMB2.6 million.

Borrowings and gearing ratio

During the Period under Review, the Group's cash and cash equivalents was mainly used in the development of Hubei Jingzhou Project and wastewater treatment facilities of Tianjin Bingang Park. The Group financed its funding requirements mainly through a combination of cash generated from operating activities and borrowings:

As at 30 June 2020, the total interest-bearing borrowings amounted to RMB964.4 million were due for repayment as follows:

	At 30 June 2020 *RMB'000*	At 31 December 2019 *RMB'000*
Within one year or on demand	**251,229**	253,558
After one year but within two years	**282,119**	233,281
After two years but within five years	**395,938**	370,492
After five years	**35,091**	46,374
Total	**964,377**	903,705

The Group's gearing ratio is approximately 0.9 times as at 30 June 2020 (31 December 2019: 0.8 times). The ratio is calculated based on the total bank loans and other borrowings as of the respective dates divided by the total equity as of the respective dates and multiplied by 100%.

Pledged assets

As at 30 June 2020, the Group had certain property, plant and equipment and investment property with carrying value of approximately RMB483.9 million and RMB632.2 million, respectively (31 December 2019: approximately RMB301.2 million and RMB655.5 million, respectively); land-use rights with net book value of approximately RMB114.3 million (31 December 2019: approximately RMB95.9 million) and no bank deposit (31 December 2019: RMB 10.0 million) which were pledged as security for the bank loans and other borrowings with carrying amount of approximately RMB964.4 million (31 December 2019: approximately RMB903.7 million).

Please refer to note 13(iii) of the Notes to the unaudited interim financial information of this announcement for particulars of guarantees made by the connected persons of the Company in favour of the Group for securing the Group's liabilities. Such guarantees are conducted on normal commercial terms or better and are not secured by the assets of the Group.

Contingent liabilities

The Group did not have any material contingent liabilities as at 30 June 2020 (31 December 2019: nil).

Interim dividend

The Board has not declared any interim dividend for the Period under Review (six months ended 30 June 2019: nil).

CAPITAL STRUCTURE

As at 30 June 2020, the Group had total equity attributable to equity shareholders of the Company of approximately RMB928.0 million (31 December 2019: approximately RMB879.9 million).

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 to which they relate.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL

Save for those disclosed in the section head "Future Plans and Use of Proceeds" in the prospectus of the Company dated 29 June 2019 and in this announcement, the Company did not have or engaged in any significant investment, material acquisition and disposal of subsidiaries, associates and joint ventures during the Period under Review.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES

During the Period under Review, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities.

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2020, the Group had 535 full-time employees (30 June 2019: 500 full-time employees) responsible for management, operation, property management, procurement, testing, maintenance, customer services, research and development, finance and administrative matters. The employee costs (including the Directors' remuneration) were approximately RMB28.7 million for the Period under Review, which was an increase of approximately 11.7% as compared with approximately RMB25.7 million for the six months ended 30 June 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 date of adoption of the share option scheme and up to the date of this announcement, no share option under the share option scheme was granted.

CAPITAL COMMITMENTS

As at 30 June 2020, the Group's total capital expenditures which have been contracted for but not incurred were approximately RMB368.6 million for the development of wastewater treatment facilities and factory premises of the Hubei Jingzhou Project and the development of the factory premises of Guangdong Huizhou Park. These capital expenditures were mainly financed by internal resources and bank loans and other borrowings.

USE OF NET PROCEEDS FROM THE LISTING

On 16 July 2019, the shares of the Company 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 30 June 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 30 June 2020		Unutilised amount as at 30 June 2020	
	HK$ in million	*RMB in million*	*HK$ in million*	*RMB in million*	*HK$ in million*	*RMB in million*	*HK$ in million*	*RMB 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 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 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	(3.4)	(2.8)	6.5	5.9
Total	337.0	296.7	78.0	69.6	(71.5)	(63.7)	6.5	5.9

Up to 30 June 2020, approximately HK$330.5 million (approximately RMB290.8 million) out of the Net Proceeds had been utilised. The remaining unutilised Net Proceeds had been deposited in licensed banks in the PRC and Hong Kong. The Company intends to apply the Net Proceeds in the manner as stated in the prospectus of the Company dated 29 June 2019. The Directors will constantly evaluate the Group's business objectives and specific needs from time to time. The Company will make further announcement if there are any changes on the use of such proceeds as and when appropriate. The unutilised amount of the Net Proceeds is expected to be utilised in full by the end of 2020.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this announcement and so far as the Group is aware after having made reasonable enquiries, there were no other significant events affecting the Group which have occurred since 30 June 2020 and up to the date of this announcement.

CORPORATE GOVERNANCE PRACTICES

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

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**") 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 Period under Review.

AUDIT COMMITTEE

The Board established the audit committee (the "**Audit Committee**") on 16 July 2019 which comprises three independent non-executive Directors, namely Mr. Li Yinquan, Mr. Kan Chung Nin, Tony *SBS, JP* and Mr. Li Xiaoyan. Mr. Li Yinquan is the chairman of the Audit Committee. None of them is a member of the former or existing auditors of the Company. Details of the terms of reference of the Audit Committee are set out on the Company's website and the website of the Stock Exchange. The primary duties of the Audit Committee are to review and supervise the Group's financial report process and internal control and risk management systems, and to formulate or review policies relating to anti-bribery compliances by ensuring regular management review of relevant corporate governance measures and its implementation and to communicate with external auditors on the audit procedures and accounting issues. The Audit Committee has reviewed the unaudited condensed consolidated interim financial information of the Group for the Period under Review, which has also been reviewed by the Company's external auditor, KPMG, Certified Public Accountants, in accordance with Hong Kong Standard on Review Engagement 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the Hong Kong Institute of Certified Public Accountants.

PUBLIC FLOAT

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

APPRECIATION

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

On behalf of the Board
Kimou Environmental Holding Limited
Zhang Lianghong
Chairman

Hong Kong, 28 August 2020

As at the date of this announcement, the Board comprises Mr. Zhang Lianghong (Chairman), Mr. Zhu Heping (Chief Executive Officer), Mr. Lee Yuk Kong and Mr. Huang Shaobo as executive Directors, and Mr. Li Xiaoyan, Mr. Li Yinquan and Mr. Kan Chung Nin, Tony SBS, JP as independent non-executive Directors.