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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

FINANCIAL SUMMARY

- Revenue for the six months ended 30 June 2019 (the "**Reporting Period**") amounted to approximately RMB281.7 million (six months ended 30 June 2018: RMB207.3 million), representing an increase of approximately 35.9% as compared with that of the corresponding period in 2018 (the "**Last Corresponding Period**").

- Profit from operations for the Reporting Period was approximately RMB50.3 million (six months ended 30 June 2018: RMB46.0 million), representing an increase of approximately 9.3% as compared with that of the Last Corresponding Period.

- Profit for the Reporting Period was approximately RMB3.2 million (six months ended 30 June 2018: RMB11.7 million), representing a decrease of approximately 72.6% as compared with that of the Last Corresponding Period.

- Adjusted profit for the Reporting Period*(Note)* was approximately RMB23.5 million (six months ended 30 June 2018: RMB14.9 million), representing an increase of approximately 57.7% as compared with that of the Last Corresponding Period.

- The Board has resolved not to declare the payment of any dividend for the Reporting Period (six months ended 30 June 2018: nil).

Note: Adjusted profit for the Reporting Period is derived from the profit attributable to equity shareholders of the Company for the Reporting Period excluding listing expenses which are considered non-recurring in nature.

The board (the "**Board**") of directors (the "**Directors**") of Kimou Environmental Holding Limited (the "**Company**") announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the "**Group**") for the Reporting Period, together with the relevant comparative figures for the Last Corresponding Period as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019 — unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2019	2018
		RMB'000	*RMB'000*
Revenue	*3*	**281,685**	207,349
Depreciation and amortisation	*7(c)*	**(74,055)**	(58,270)
Cost of inventories	*7(c)*	**(64,200)**	(39,671)
Staff costs	*7(b)*	**(25,719)**	(21,689)
Utility costs		**(9,810)**	(6,387)
Other expenses		**(63,948)**	(37,529)
Other revenue	*5*	**4,867**	4,534
Other net income/(loss)	*6*	**1,441**	(2,331)
Profit from operations		**50,261**	46,006
Finance costs	*7(a)*	**(35,870)**	(29,286)
Profit before taxation	*7*	**14,391**	16,720
Income tax	*8*	**(11,240)**	(5,065)
Profit for the period		**3,151**	11,655
Attributable to:			
Equity shareholders of the Company		**9,654**	14,935
Non-controlling interests		**(6,503)**	(3,280)
Profit for the period		**3,151**	11,655
Earnings per share	*9*		
Basic		**0.01**	0.02
Diluted		**0.01**	0.02

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019 — unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
	Note	**2019**	2018
		RMB'000	*RMB'000*
Profit for the period		**3,151**	11,655
Other comprehensive income for the period (after tax and reclassification adjustments)			
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		**(1,768)**	(333)
Total comprehensive income for the period		**1,383**	11,322
Attributable to:			
Equity shareholders of the Company		**7,886**	14,602
Non-controlling interests		**(6,503)**	(3,280)
Total comprehensive income for the period		**1,383**	11,322

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2019 — unaudited
(Expressed in Renminbi)

	Note	**At 30 June 2019** ***RMB'000***	At 31 December 2018 *RMB'000*
Non-current assets			
Investment property	*10*	**737,314**	711,474
Property, plant and equipment	*11*	**881,471**	871,848
Construction in progress		**92,960**	92,890
Right-of-use assets	*12*	**211,972**	213,411
Intangible assets		**4,649**	4,262
Other receivables	*13*	**46,470**	30,679
Deferred tax assets		**37,741**	32,683
Other financial assets	*17*	**9,471**	8,475
Total non-current assets		**2,022,048**	1,965,722
Current assets			
Inventories		**2,938**	4,899
Trade and other receivables	*13*	**147,229**	155,790
Deposits with a bank with original maturity date over three months		**–**	50,000
Cash and cash equivalents		**59,148**	80,733
Total current assets		**209,315**	291,422
Current liabilities			
Trade and other payables	*14*	**362,859**	966,400
Contract liabilities		**19,613**	20,218
Bank loans and other borrowings	*15*	**154,781**	105,666
Lease liabilities		**607**	–
Current taxation		**12,910**	11,624
Total current liabilities		**550,770**	1,103,908
Net current liabilities		**(341,455)**	(812,486)
Total assets less current liabilities		**1,680,593**	1,153,236

	Note	At **30 June** **2019** ***RMB'000***	At 31 December 2018 *RMB'000*
Non-current liabilities			
Bank loans and other borrowings	*15*	**884,487**	766,212
Lease liabilities		**337**	–
Deferred income		**70,591**	53,857
Deferred tax liabilities		**8,477**	72
Total non-current liabilities		**963,892**	820,141
Net assets		**716,701**	333,095
Capital and reserves	*16*		
Share capital		**73,739**	69
Reserves		**436,197**	127,289
Total equity attributable to equity shareholders		**509,936**	127,358
Non-controlling interests		**206,765**	205,737
Total equity		**716,701**	333,095

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

(Expressed in Renminbi unless otherwise indicated)

1 BASIS OF PREPARATION

The unaudited interim financial information was extracted from the interim financial report of the Group for the six months ended 30 June 2019.

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 26 August 2019.

At 30 June 2019, the Group's current liabilities has exceeded its current assets by RMB341,455,000. 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 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.

Hong Kong Financial Reporting Standards ("HKFRS") 16, *Leases*, is effective for accounting period beginning on or after 1 January 2019 and earlier application is permitted for entities that apply HKFRS 15 on or before the date of initial application of HKFRS 16. The Group has elected to early apply HKFRS 16 which has been applied consistently in the accountants' report included in the prospectus of the Company dated 29 June 2019 (the "**Accountants' Report**"). The adoption of HKFRS 16 did not has significant impact on the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report.

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

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2018 financial information in the Accountants' Report. 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 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.

The financial information relating to the financial year ended 31 December 2018 that is included in the interim financial report as comparative information does not constitute the Company's annual financial statements for that financial year but is derived from the Accountants' Report.

2 CHANGES IN ACCOUNTING POLICIES

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

- HK(IFRIC) 23, *Uncertainty over income tax treatments*

- Annual Improvements to HKFRSs 2015–2017 Cycle

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

3 REVENUE AND SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following two 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 and ancillary business: this segment operates electroplating wastewater treatment plants and provides related environmental services.

(a) Disaggregation of revenue

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

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major service lines		
— Facilities usage and management service	**87,497**	71,522
— Wastewater treatment and utilities	**127,113**	89,842
— Ancillary business	**28,671**	11,562
	243,281	172,926
Revenue from other sources		
Gross rentals from investment properties	**38,404**	34,423
	281,685	207,349

Ancillary business mainly represent sales of goods.

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 and ancillary business		Total	
	2019	2018	**2019**	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Disaggregated by timing of revenue recognition						
Point in time	**–**	–	**155,784**	101,404	**155,784**	101,404
Over time	**125,901**	105,945	**–**	–	**125,901**	105,945
Revenue from external customers	**125,901**	105,945	**155,784**	101,404	**281,685**	207,349
Inter-segment revenue	**7,148**	5,829	**199**	200	**7,347**	6,029
Reportable segment revenue	**133,049**	111,774	**155,983**	101,604	**289,032**	213,378
Reportable segment profit (adjusted EBITDA)	**113,626**	91,221	**34,154**	18,235	**147,780**	109,456
Depreciation and amortisation	**(71,318)**	(57,317)	**(2,737)**	(953)	**(74,055)**	(58,270)

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

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Reportable segment profit	**147,780**	109,456
Elimination of inter-segment profit	**–**	–
Reportable segment profit derived from the Group's external customers	**147,780**	109,456
Depreciation and amortisation	**(74,055)**	(58,270)
Finance costs	**(35,870)**	(29,286)
Interest income	**1,227**	1,365
Unallocated head office and corporate expenses	**(24,691)**	(6,545)
Consolidated profit before taxation	**14,391**	16,720

(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 ancillary business of the Group is subject to seasonal factors. Demand for wastewater treatment and utilities and ancillary services is usually less around 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 2019, the Group reported revenue of RMB554,014,000 (twelve months ended 30 June 2018: RMB385,397,000).

5 OTHER REVENUE

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Interest income	**1,227**	1,365
Government grants		
— Unconditional subsidies	**3,267**	2,892
— Conditional subsidies	**117**	2
Other income	**256**	275
	4,867	4,534

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

6 OTHER NET INCOME/(LOSS)

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Gain arising from disposal of property, plant and equipment	**20**	17
Changes in fair value of other financial assets through profit or loss	**996**	(2,493)
Net foreign exchange gain	**434**	1
Others	**(9)**	144
	1,441	(2,331)

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Interest on bank loans	**35,870**	32,482
Less: interest expense capitalised into properties under development	**–**	(3,196)
	35,870	29,286

The borrowing costs have been capitalised at rate of 6.615% during the six months ended 30 June 2018.

(b) Staff costs (including directors' emoluments)

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**23,160**	19,864
Retirement scheme contributions	**2,559**	1,825
	25,719	21,689

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.

(c) Other items

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Depreciation and amortisation		
— Property, plant and equipment	**50,498**	36,777
— Investment property	**20,616**	18,990
— Right-of-use assets	**2,382**	2,426
— Intangible assets	**559**	77
Cost of inventories (i)	**64,200**	39,671
Listing expenses	**13,802**	–
	152,057	97,941

(i) Cost of inventories mainly represented raw materials consumed during the provision of electroplating wastewater treatment services, and goods sold in ancillary business.

8 INCOME TAX

(a) Taxation in the consolidated statement of profit or loss represents:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Current tax — PRC income tax		
Provision for the period *(note (i) & (ii))*	**7,893**	3,940
Deferred tax		
Origination and reversal of temporary differences	**3,347**	1,125
	11,240	5,065

Notes:

(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 period ended 30 June 2019 and 30 June 2018, subsidiaries in Hong Kong did not have any assessable profits.

The statutory income tax rate for the PRC subsidiaries is 25% unless otherwise specified below.

(ii) For the period ended 30 June 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. Accordingly, for the six months ended 30 June 2019, the income tax of Huizhou Jinmaoyuan were reduced by RMB26,000 (six months ended 30 June 2018: RMB789,000). 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 period ended 30 June 2019, 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 2019 was reduced by RMB850,000 and RMB599,000, respectively (six months ended 30 June 2018: RMB716,000 and RMB140,000, 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.

The Group has not recognised deferred tax assets of RMB164,000 for the six months ended 30 June 2019 (six months ended 30 June 2018: RMB106,000), in respect of cumulative tax losses of certain subsidiaries located in Hong Kong and two subsidiaries in the PRC.

9 EARNINGS PER SHARE

The calculation of basic earnings per share during the six months ended 30 June 2019 and 2018 is based on the profit attributable to equity shareholders of the Company for the respective period and on the assumption that 840,000,000 ordinary shares of the Company had been issued throughout the six months ended 30 June 2019 and 2018, by retrospectively adjusting for the effect of the Group's share issuance of 336,000,000 shares (note 16(b)(2)(ii)) and share issuance of 504,000,000 shares for capitalisation of shareholder loan (note 16(b)(2)(iii)) that are deemed to have become effective since 1 January 2018.

There were no dilutive potential ordinary shares during the six months ended 30 June 2019 and 2018, therefore, diluted earnings per share are the same as the basic earnings per share.

10 INVESTMENT PROPERTY

As at 30 June 2019 and 31 December 2018, the fair value of the Group's investment properties were approximately RMB1,325,004,000 and RMB1,284,100,000, respectively. 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 exiting lease period, and the sum of average unit market rent at the capitalisation rate after the existing lease period, by Greater China Appraisal Limited, an independent qualified professional valuer.

Certain investment property with carrying value of RMB675,251,000 and RMB692,204,000 were pledged to secure the Group's bank loans as at 30 June 2019 and 31 December 2018 (note 15(ii)), respectively.

11 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group acquired items of property, plant and equipment with a cost of RMB60,143,000 (six months ended 30 June 2018: RMB56,143,000). Items of plant and machinery with a net book value of RMB22,000 were disposed of during the six months ended 30 June 2019 (six months ended 30 June 2018: RMB407,000), resulting in a gain on disposal of RMB20,000 (six months ended 30 June 2018: RMB17,000).

Certain property, plant and equipment with carrying value of RMB304,707,000 and RMB194,446,000 were pledged to secure the Group's bank loans (note 15(ii)) as at 30 June 2019 and 31 December 2018, respectively.

12 RIGHT-OF-USE ASSETS

	At 30 June 2019	At 31 December 2018
	RMB'000	*RMB'000*
Lease prepayments	**211,029**	213,411
Others	**943**	–
	211,972	213,411

Lease prepayments represent the Group's land use rights on leasehold land 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 2019 and 31 December 2018, the remaining period of the land use rights ranges from 36 to 47 years and 37 to 48 years, respectively.

As at 30 June 2019 and 31 December 2018, lease prepayments with net book value of RMB97,038,000 and RMB98,117,000 were pledged for bank loans (note 15(ii)), respectively.

During the six months ended 30 June 2019, the Group entered into a number of lease agreements for use of dormitories and offices, and therefore recognised the additions to right-of-use assets of RMB943,000.

13 TRADE AND OTHER RECEIVABLES

	At 30 June 2019 *RMB'000*	At 31 December 2018 *RMB'000*
Current		
Trade debtors	**79,953**	75,846
Less: Allowance for doubtful debts	**–**	–
	79,953	75,846
Interest receivable	**–**	11,916
Deductible input value-added tax	**35,431**	30,199
Amounts due from related parties	**–**	4,886
Prepayments and other receivables	**31,845**	32,943
	147,229	155,790
Non-current		
Prepayments for purchase of property, plant and equipment	**23,965**	26,097
Deposits for acquisition of land use rights, constructions and borrowings	**22,505**	4,582
	46,470	30,679
Total	**193,699**	186,469

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 30 June 2019 *RMB'000*	At 31 December 2018 *RMB'000*
Within 1 month	**71,286**	69,532
1 to 3 months	**7,663**	5,306
Over 3 months but within 1 year	**1,004**	1,008
	79,953	75,846

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

14 TRADE AND OTHER PAYABLES

	At 30 June 2019 *RMB'000*	At 31 December 2018 *RMB'000*
Trade payables	**45,662**	46,199
Deposits due to customers	**129,326**	115,886
Payables for equipment and construction	**156,916**	175,058
Interest payable	**1,852**	1,694
Payroll payable	**6,785**	9,274
Amounts due to related parties	**–**	603,662
Other payables to third parties	**22,318**	14,627
Total	**362,859**	966,400

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 30 June 2019 *RMB'000*	At 31 December 2018 *RMB'000*
Within 1 month	**38,062**	35,159
1 to 3 months	**6,612**	10,064
Over 3 months	**988**	976
	45,662	46,199

15 BANK LOANS AND OTHER BORROWINGS

As at 30 June 2019 and 31 December 2018, the bank loans and other borrowings were repayable as follows:

	At 30 June 2019 *RMB'000*	At 31 December 2018 *RMB'000*
Within 1 year or on demand	**154,781**	105,666
After 1 year but within 2 years	**104,765**	200,538
After 2 years but within 5 years	**263,207**	449,130
After 5 years	**516,515**	116,544
Sub-total	**884,487**	766,212
Total	**1,039,268**	871,878

As at 30 June 2019 and 31 December 2018, the bank loans and other borrowings were secured as follows:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Secured bank loans	**1,010,393**	871,878
Secured other borrowings (iv)	**28,875**	–
Total	**1,039,268**	871,878

Notes:

(i) Bank loans amounted to RMB1,010,393,000 and RMB871,878,000 were floating-interest rate loans with interest rates ranged from 5.64% to 6.68% and 5.64% to 6.65% as at 30 June 2019 and 31 December 2018, respectively. Other borrowings amounted to RMB28,875,000 were fixed-interest rate borrowings with a monthly interest rate of 0.625% as at 30 June 2019.

(ii) Secured bank loans as at 30 June 2019 and 31 December 2018 were secured by certain of the Group's charge rights of rental income and property, plant and equipment (note 11), investment property (note 10), right-of-use assets (note 12), and deposits with a bank.

(iii) Bank loans amounted to RMB296,278,000 as at 31 December 2018 were guaranteed by Mr. Zhang Lianghong (controlling shareholder of the Company), Mr. Zhang Haiming and Mr. Lee Yuk Kong (key management personnel) and Mr. Zou Maoqi (a former shareholder of Huizhou Kimou Industrial Investment Co., Ltd., "Huizhou Kimou"). The guarantee was released from the Group during the six months ended 30 June 2019.

Bank loans amounted to RMB547,100,000 as at 31 December 2018 were guaranteed by Mr. Zhang Lianghong, Mr. Zhang Haiming, Mr. Lee Yuk Kong and Mr. Huang Shaobo (key management personnel). The guarantee was released from the Group during the six months ended 30 June 2019.

Bank loans amounted to RMB27,000,000 and RMB28,500,000 as at 30 June 2019 and 31 December 2018 were guaranteed by Mr. Zhang Lianghong, Mr. Zhang Haiming, Mr. Huang Shaobo, Mr. Lee Yuk Kong and Ms. Zhang Ganduo, a close family member of Mr. Zhang Lianghong.

Bank loans amounted to RMB80,000,000 as at 30 June 2019 were guaranteed by Tianjin Wanheshun Technology Co., Group Ltd. (formerly known as Tianjin Wanheshun Technology Co., Ltd.), non-controlling interest of the Group. The guarantee was subsequently released in July 2019.

(iv) During the six months ended 30 June 2019, the Group obtained other borrowings from a financial institution amounted to RMB33,000,000, among which RMB10,000,000 was paid in form of cash, RMB20,000,000 was paid in form of bills receivables, and the remaining RMB3,000,000 was reserved by the financial institution as deposits, which would be fully recovered to the Group upon maturity of the other borrowings.

Other borrowings from the financial institution amounted to RMB28,875,000 as at 30 June 2019 were guaranteed by Mr. Zhang Lianghong, Mr. Zhang Haiming, Mr. Huang Shaobo, Mr. Lee Yuk Kong and Mr. Liu Shuchen, a shareholder of Tianjin Wanheshun Technology Co., Group Ltd. (formerly known as Tianjin Wanheshun Technology Co., Ltd.), and secured by properties owned by Guangzhou Zhongliang Investment Company Limited (effectively owned by a close family member of Mr. Zhang Lianghong) and Huizhou Jinchang Real Estate Development Company Limited (effectively owned by Mr. Zhang Lianghong).

(v) Bank loans and other borrowings amounted to RMB1,039,268,000 and RMB871,878,000 as at 30 June 2019 and 31 December 2018 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 2019 and 31 December 2018, none of the covenants relating to drawn down facilities had been breached.

16 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

No dividends have been declared or paid by the Company for the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

(b) Share capital

(1) Authorised share capital of the Company

	Number of shares	*USD*	*HKD*
At 28 June 2018 (date of incorporation)	–	–	–
Creation of shares upon incorporation on 28 June 2018 at US$1.0 each	50,000	50,000	–
At 31 December 2018	50,000	50,000	–
Purchase and cancellation of shares	(50,000)	(50,000)	–
Creation of shares on 7 January 2019 at HK$0.1 each	1,680,000,000	–	168,000,000
At 30 June 2019	1,680,000,000	–	168,000,000

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.

Pursuant to the written resolutions of the director and shareholders 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$0.10 each and the cancellation of 50,000 shares with a par value of US$1.0 each.

(2) Issued share capital of the Company

	Note	**Number of shares**	*USD*	*HKD*	*RMB*
At 28 June 2018 (date of incorporation)		–	–	–	–
Share issued upon incorporation on 28 June 2018 at US$1.0 each		1	1	–	7
Share issued on 10 September 2018 at US$1.0 each		9,999	9,999	–	69,150
At 31 December 2018	*(i)*	10,000	10,000	–	69,157
Purchase and cancellation of own shares	*(i)*	(10,000)	(10,000)	–	(69,157)
Share issued on 7 January 2019 at HK$0.1 each	*(ii)*	336,000,000	–	33,600,000	29,386,560
Capitalisation of shareholder loan	*(iii)*	504,000,000	–	50,400,000	44,352,000
At 30 June 2019		840,000,000	–	84,000,000	73,738,560

(i) At 31 December 2018, 10,000 shares 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, 10,000 shares were purchased and cancelled by the Company.

(ii) Pursuant to the shareholders written resolutions dated 7 January 2019, 336,000,000 shares in the Company, with a par value of HK$0.1 each, were issued. As at 28 February 2019, the above issued share capital of RMB29,387,000 and share premium of RMB15,728,000 have been fully paid by capitalisation of shareholder loan of the Company.

(iii) Pursuant to the shareholders written resolutions dated 21 June 2019, 504,000,000 shares in the Company, with a par value of HK$0.1 each, were issued. As at 30 June 2019, the above issued shares capital of RMB44,352,000 and share premium of RMB285,294,000 have been paid by capitalisation of shareholder loan of the Company.

(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 shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

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

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is calculated as total bank loans and other borrowings less deposits with a bank with original maturity date over three months and cash and cash equivalents.

The Group's adjusted net debt-to-equity ratio at the end of the current and previous reporting periods was as follows:

	Note	As at 30 June 2019 RMB'000	As at 31 December 2018 RMB'000
Bank loans and other borrowings:			
Current liabilities	15	**154,781**	105,666
Non-current liabilities	15	**884,487**	766,212
Total debt		**1,039,268**	871,878
Less: Cash and cash equivalents		**59,148**	80,733
Deposits with a bank with original maturity date over three months		**–**	50,000
Adjusted net debt		**980,120**	741,145
Total equity		**716,701**	333,095
Adjusted net debt-to-equity ratio		**1.37**	2.23

17 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value at 30 June 2019	Fair value measurements as at 30 June 2019 categorised into		
		Level 1	**Level 2**	**Level 3**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Recurring fair value measurement				
Unlisted equity securities	**9,471**	**–**	**9,471**	**–**

	Fair value at 31 December 2018	Fair value measurements as at 31 December 2018 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurement				
Unlisted equity securities	8,475	–	8,475	–

As at 30 June 2019, the fair value of unlisted equity securities in Level 2 is determined with reference to the unaudited financial statements of Boluo Changjiang Rural Bank. As at 31 December 2018, the fair value of unlisted equity securities in Level 2 is determined with reference to the audited financial statements of Boluo Changjiang Rural Bank.

18 COMMITMENTS

Capital commitments outstanding at 30 June 2019 not provided for in the interim financial report

	At 30 June 2019	At 31 December 2018
	RMB'000	*RMB'000*
Contracted for	**85,761**	142,558
Authorised but not contracted for	**24,036**	–
	109,797	142,558

19 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

On 16 July 2019, the Company was listed on Hong Kong Stock Exchange. Upon completion of the initial public offer, the Company issued 280,000,000 shares, with a par value of HK$0.1 each and initial offer price of HK$1.33 each.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Company develops and operates large-scale industrial parks in the PRC which are specifically designed for the electroplating industry. Even though the US-China trade war has gradually intensified in the first half of 2019, the Group remained relatively unaffected. During the Reporting Period, the Group focused on strengthening control on cost of inventories and seizing opportunities to increase the number of tenants as well as developing the new electroplating industrial park. The Group's total revenue and profit from operations for the Reporting Period amounted to RMB281.7 million and RMB50.3 million, respectively, which was primarily attributed to (i) an increase in income arising from an increase in the wastewater treatment fees resulted from the rise in unit price of freshwater used; (ii) increase in average daily leased area of the Group's industrial parks; and (iii) increase in the sales of chemicals, as compared with that of the Last Corresponding Period. Due to a non-recurring one-off listing expenses of RMB13.8 million that was recognized during the Reporting Period and increase in finance costs since the first half of 2019, profit attributable to equity shareholders of the Company decreased by 34.9% to RMB9.7 million (corresponding period in 2018: RMB14.9 million) for the Reporting Period. Excluding the impact of the listing expenses, profit attributable to equity shareholders of the Company would have increased by approximately 57.7% to RMB23.5 million for the Reporting Period (corresponding period in 2018: RMB14.9 million).

In addition, the Company was successfully listed (the "**Listing**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 16 July 2019, marking an important milestone in the Company's history. The Listing will provide the Company with an important capital base to fund its business plans, improve its corporate governance, and enhance its competitive edge in order to lay a solid foundation for the Group's future development.

Increase the number of electroplating industrial parks

The Company entered into an agreement between Huizhou Kimou and Jingzhou ETDZ Administrative Committee on 8 November 2017 for the development of its third electroplating industrial park intended to be developed in the Jingzhou Economic and Technological Development Zone (荊州經濟技術開發區) located at Jingzhou, Hubei Province, the PRC, namely the Hubei Jingzhou Project. On 19 February 2019, the Company won the tender for the land use right for three parcels of land for this project with a total site area of 325,981 square metre at a total consideration of RMB65.8 million. The relevant government authority is processing the corresponding agreements, which is expected to be completed in October 2019.

Increase the gross floor area ("GFA") available for leasing

The construction of two factory buildings with an aggregate GFA of approximately 29,000 square metre in the Guangzhou Huizhou Park has been completed and has passed government inspection at the end of April 2019.

OUTLOOK

Facing a market environment with opportunities as well as challenges, the Group shall continue to leverage its status as a listed company and allocate the net proceeds from the Listing into their predesignated uses as disclosed in the prospectus of the Company dated 29 June 2019 (the "**Prospectus**"). The Group endeavours to extend its operation capacities and increase the number of electroplating industrial parks in order to strengthen the Group's business foundation and maintain strong business performance and competitiveness as an established market leader in China's electroplating industrial park sector. The Group will also keep a close watch on latest market developments, seek new business opportunities, make risk assessment of its expansion plans in a rigorous and disciplined way to embrace a brand new stage of development and achieve stable and sustainable development going forward.

FINANCIAL REVIEW

Revenue

The Group's revenue for the Reporting Period was mainly generated from providing factory premises leasing, facilities usage, wastewater treatment, utilities and other ancillary services to the tenants in the industrial parks.

The Group's revenue significantly increased by approximately RMB74.4 million (or 35.9%) to RMB281.7 million for the Reporting Period from RMB207.3 million for the Last Corresponding Period. Such increase was primarily attributable to (i) the increase in income arising from an increase in the wastewater treatment fees resulted from the rise in unit price of freshwater used; (ii) increase in average daily leased area of the Group's industrial parks; and (iii) increase in the sales of chemicals.

The increase in the Group's revenue was mainly in line with the increase in the Group's wastewater treatment fee. The Group's wastewater treatment fee increased by RMB37.3 million (or 41.5%) to RMB127.1 million for the Reporting Period from RMB89.8 million for the Last Corresponding Period.

Operating costs

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

Operating costs increased by approximately RMB74.2 million (or 45.4%) to RMB237.7 million for the Reporting Period from RMB163.5 million for the Last Corresponding Period which was generally in line with the increase in the Group's revenue for the Reporting Period.

Depreciation and amortization

Depreciation and amortisation increased by approximately RMB15.8 million (or 27.1%) to RMB74.1 million for the Reporting Period from RMB58.3 million for the Last Corresponding Period, following the Group's significant addition of investment properties and property, plant and equipment in the industrial parks.

Cost of inventories

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

Cost of inventories increased by approximately RMB24.5 million (or 61.7%) to RMB64.2 million for the Reporting Period from RMB39.7 million for the Last Corresponding Period, primarily attributable to (i) the increase in volume of steam consumed by the tenants in Guangdong Huizhou Park and Tianjin Bingang Park, coupled with an increase in the costs of raw materials to produce the additional steam as the Group used natural gas to replace coal in Guangdong Huizhou Park; and (ii) the significant increase in the amount of approximately RMB11.8 million for the sales of chemicals to tenants in the industrial parks.

Staff costs

Staff costs primarily consisted of staff's salaries, bonus and other benefits incurred in the operations of the industrial parks. Staff costs increased by approximately RMB4.0 million (or 18.4%) to RMB25.7 million for the Reporting Period from RMB21.7 million for the Last Corresponding Period. Such increase was mainly due to the hiring of additional staff to support the Group's expanding operating scale, especially for the Tianjin Bingang Park. As at 30 June 2019, the Group had 500 employees.

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 industrial parks. Utility costs increased by approximately RMB3.4 million (or 53.1%) to RMB9.8 million for the Reporting Period from RMB6.4 million for the Last Corresponding Period, which was in line with the Group's expanding operating scale and increase in wastewater treatment volume.

Other expenses

Other expenses primarily consisted of property levies and other taxes, sludge treatment fee, research and development expenses, listing expenses and others.

Other expenses increased by approximately RMB26.4 million or (70.4%) to RMB63.9 million for the Reporting Period from RMB37.5 million for the Last Corresponding Period. Such increase was mainly due to the recognition of listing expenses of approximately RMB13.8 million for the Reporting Period and the increase in sludge treatment expenses from approximately RMB2.2 million for the Last Corresponding Period to RMB7.8 million for the Reporting Period as a result of the growing volume and increasing concentration of chemical pollutants discharged by the tenants in the Guangdong Huizhou Park.

Other revenue

Other revenue increased by approximately RMB0.4 million to RMB4.9 million (or 8.9%) for the Reporting Period from RMB4.5 million for the Last Corresponding Period. Such increase was mainly due to government grants of RMB20.0 million received by the Group in the first half of 2019 in relation to the construction of wastewater treatment facilities in Tianjin Bingang Park. The government grants are initially recorded as deferred income under the non-current liabilities, and will be recognised as other revenue over the useful life of the underlying assets.

Finance costs

Finance costs primarily comprised of interest on bank borrowings. Finance costs increased by approximately RMB6.6 million (or 22.5%) to RMB35.9 million for the Reporting Period from RMB29.3 million for the Last Corresponding Period. Such increase was mainly attributable to (i) the Group taking out additional bank loans and other borrowings in the sum of RMB233 million to settle payables relating to equipment purchases and construction of the Tianjin Binggang Park; and (ii) nil of the interest expenses were capitalised for the Reporting Period as compared with RMB3.2 million for the Last Corresponding Period.

Profit before tax

Profit before tax decreased by approximately RMB2.3 million (or 13.8%) to RMB14.4 million for the Reporting Period from RMB16.7 million for the Last Corresponding Period, primarily due to the factors mentioned above.

Income Tax expense

Income tax expense recognised for the Reporting Period was RMB11.2 million as compared with RMB5.1 million for the Last Corresponding Period. Such income tax was recognised primarily due to (i) the Guangdong Huizhou Park's operations, which remained profitable during the Reporting Period, and (ii) the withholding tax on dividend distributed by the Guangdong Huizhou Park to its Hong Kong subsidiary.

Profit attributable to equity shareholders of the Company

The Group recorded profit attributable to equity shareholders of the Company of approximately RMB9.7 million and RMB14.9 million for the Reporting Period and the Last Corresponding Period, respectively. Such decrease was primarily due to (i) recognition of listing expenses; (ii) increase in finance cost; and (iii) increase in income tax.

Adjusted profit

Adjusted profit is calculated by adding back the listing expenses to the profit attributable to equity shareholders of the Company.

Based on the above, the Group's adjusted profit increased by approximately RMB8.6 million (or 57.7%) from RMB14.9 million for the Last Corresponding Period to RMB23.5 million for the Reporting Period.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

During the Reporting Period, the Group's cash and cash equivalents was mainly used in the development of the first phase 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 30 June 2019, the Group's total borrowings were due for repayment as follows:

	As at 30 June 2019 *RMB'000*	As at 31 December 2018 *RMB'000*
Within one year or on demand	**154,781**	105,666
After 1 year but within 2 years	**104,765**	200,538
After 2 years but within 5 years	**263,207**	449,130
After five years	**516,515**	116,544
	1,039,268	871,878

The guarantees and secured properties provided by the Company's shareholders and its close associates, and a Shareholder of Tianjin Weheshun Technology Co., Group Ltd. for its banking facilities will be released and be replaced by a corporate guarantee provided by the Group. The banks and financial institution have agreed in writing confirming the above replacement upon Listing and the issue of new guarantee and pledge agreements were still in process at the date of this Announcement.

Gearing Ratio

Gearing ratio is calculated by dividing total debt (including all borrowings and amount due to related parties) by total equity as at the respective period/year end date. Gearing ratio as at 30 June 2019 was 1.5 times, as compared with 4.4 times as at 31 December 2018.

Cash and cash equivalents

As at 30 June 2019, the Group had cash and cash equivalents of approximately RMB59.1 million (31 December 2018: approximately RMB80.7 million).

Capital expenditures

The Group incurred capital expenditures of approximately RMB125.3 million for the Reporting Period, which was primarily attributable to the purchase of land use right for the Hubei Jingzhou project and the development of wastewater treatment facilities of the Tianjin Bingang 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 of the Listing 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 30 June 2019, 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.

Contingent liabilities

As at 30 June 2019, the Group had no contingent liabilities.

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2019, the Group had 500 employees in the PRC and in Hong Kong (30 June 2018: 401 employees). Employee costs, including Directors' emoluments, amounted to approximately RMB25.7 million for the Reporting Period (six months ended 30 June 2018: RMB21.7 million). 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 also provides other benefits such as the mandatory provident fund scheme to its employees in Hong Kong.

The Group puts great emphasis on staff training. The Group arranges orientation programs for newly hired staff to familiarize them with the Company's working environment and culture. The Group also regularly provides employees with on-the-job trainings so as to ensure their work performances will meet the Group's strategic goals, operating standards, 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.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

Save as disclosed in the section headed "Future Plans and Use of Proceeds" in the Prospectus, the Group did not have any significant investments, material acquisitions or disposals of assets, subsidiaries, associates or joint ventures during the Reporting Period.

EVENTS AFTER THE REPORTING DATE

On 16 July 2019, the shares of the Company (the "**Shares**") were listed on the Main Board of the Stock Exchange. The Group intends to apply the proceeds from the Listing as set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

Given that the Listing was completed after the Reporting Period, there was no utilisation of the proceeds as at 30 June 2019.

INTERIM DIVIDEND

The Board has not declared any interim dividend for the Reporting Period (six months ended 30 June 2018: nil).

CORPORATE GOVERNANCE

The Company strives to maintain a high standard of corporate governance, and has applied the principles and complied with all applicable code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules (the "**CG Code**") throughout the Period.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules (the "**Model Code**") as its own code of conduct governing the securities transactions by the Directors. Following specific enquiries made by the Company with all the Directors, all of them have confirmed that they had complied with the required standard as set out in the Model Code during the Period.

PURCHASE, SALE AND REDEMPTION OF SHARES

The Company did not redeem its shares listed on the Main Board of the Stock Exchange, nor did the Company or any of its subsidiaries purchased or sold any of such shares during the Reporting Period.

REVIEW BY AUDIT COMMITTEE

The Company has established the Audit Committee in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the CG Code for the purpose of reviewing and providing supervision over the Group's financial reporting process, risk management and internal controls. The Audit Committee comprises three members, namely Li Yinquan (chairperson), Kan Chung Nin, Tony and Li Xiaoyan, all being independent non-executive Directors (the "**INEDs**"). The unaudited interim results of the Group for the Reporting Period have been reviewed by the Audit Committee and the Company's external auditor, KPMG, 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 HKICPA.

PUBLICATION OF INTERIM REPORT

The 2019 interim report of the Company will be published on the respective websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.platingbase.com) and despatched to the shareholders of the Company not later than 30 September 2019.

APPRECIATION

I would like to take this opportunity to express my most sincere thanks and gratitude to our shareholders and various parties for their continuing support, and to my fellow Directors and our staff for their dedication and hard work during the Reporting Period.

By Order of the Board
Kimou Environmental Holding Limited
Zhang Lianghong
Chairman

Hong Kong, 26 August 2019

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 as independent non-executive Directors.