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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS

	For the year ended 31 December 2019 *RMB'000*	For the year ended 31 December 2018 *RMB'000*
Revenue	**640,040**	479,678
Profit from operations	**121,806**	106,082
Profit attributable to equity shareholders of the Company	**55,146**	47,936
Adjusted profit attributable to equity shareholders of the Company *(Note)*	**73,053**	51,967
Total assets	**2,640,564**	2,257,144
Net assets	**1,079,909**	333,095
Basic earnings per share	**0.06**	0.06
Diluted earnings per share	**0.06**	0.06
Operating profit margin	**19.0%**	22.1%
Net profit margin	**6.5%**	7.6%
Gearing ratio	**0.8 times**	4.4 times

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

UNAUDITED ANNUAL RESULTS

For the reasons explained below under the paragraph headed "Unaudited Annual Results and Further Announcement(s)", the auditing process for the annual results of Kimou Environmental Holding Limited (the "**Company**" or "**Kimou**") and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2019 has not been completed. In the meantime, the board (the "**Board**") of directors (the "**Directors**", each a "**Director**") of the Company is pleased to announce the unaudited consolidated results of the Company for the year ended 31 December 2019 (the "**Year**"), together with the comparative figures extracted from the audited consolidated financial statements of the Group for the year ended 31 December 2018.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(Expressed in Renminbi)

	Note	**For the year ended 31 December 2019** *RMB'000*	For the year ended 31 December 2018 *RMB'000*
Revenue	*2*	**640,040**	479,678
Depreciation and amortisation	*5(c)*	**(152,241)**	(126,031)
Cost of inventories	*5(c)*	**(163,827)**	(101,454)
Staff costs	*5(b)*	**(60,849)**	(45,677)
Utility costs	*5(c)*	**(20,092)**	(16,514)
Other expenses		**(134,670)**	(92,820)
Other revenue	*3*	**12,924**	11,023
Other net income/(loss)	*4*	**521**	(2,123)
Profit from operations		**121,806**	106,082
Finance costs	*5(a)*	**(67,112)**	(60,969)
Profit before taxation	*5*	**54,694**	45,113
Income tax	*6*	**(12,839)**	(8,702)
Profit for the year		**41,855**	36,411
Attributable to:			
Equity shareholders		**55,146**	47,936
Non-controlling interests		**(13,291)**	(11,525)
Profit for the year		**41,855**	36,411
Earnings per share (RMB)	*7*		
Basic and diluted		**0.06**	0.06

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Expressed in Renminbi)

	Note	**For the year ended 31 December 2019** *RMB'000*	For the year ended 31 December 2018 *RMB'000*
Profit for the year		**41,855**	36,411
Other comprehensive income for the year			
Items 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		**3,996**	339
Total comprehensive income for the year		**45,851**	36,750
Attributable to:			
Equity shareholders		**59,142**	48,275
Non-controlling interests		**(13,291)**	(11,525)
Total comprehensive income for the year		**45,851**	36,750

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in Renminbi)

	Note	**At 31 December 2019** *RMB'000*	At 31 December 2018 *RMB'000*
Non-current assets			
Property, plant and equipment		**917,326**	871,848
Investment property		**721,200**	711,474
Construction in progress		**392,765**	92,890
Right-of-use assets		**279,280**	213,411
Intangible assets		**4,074**	4,262
Other receivables	*8*	**15,788**	30,679
Deferred tax assets		**37,911**	32,683
Other financial assets		**8,165**	8,475
Total non-current assets		**2,376,509**	1,965,722
Current assets			
Inventories		**3,444**	4,899
Trade and other receivables	*8*	**157,314**	155,790
Deposits with a bank with original maturity date over three months		**–**	50,000
Cash and cash equivalents		**103,297**	80,733
Total current assets		**264,055**	291,422
Current liabilities			
Trade and other payables	*9*	**552,894**	966,400
Contract liabilities		**23,372**	20,218
Bank loans	*10*	**253,558**	105,666
Current taxation		**12,341**	11,624
Lease liabilities		**728**	–
Total current liabilities		**842,893**	1,103,908
Net current liabilities		**(578,838)**	(812,486)
Total assets less current liabilities		**1,797,671**	1,153,236

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Expressed in Renminbi)
(Continued)

	Note	**At 31 December 2019** *RMB'000*	At 31 December 2018 *RMB'000*
Non-current liabilities			
Bank loans	*10*	**650,147**	766,212
Deferred income		**67,203**	53,857
Deferred tax liabilities		**19**	72
Lease liabilities		**393**	–
Total non-current liabilities		**717,762**	820,141
Net assets		**1,079,909**	333,095
Capital and reserves	*11*		
Share capital		**98,377**	69
Reserves		**781,555**	127,289
Total equity attributable to equity shareholders		**879,932**	127,358
Non-controlling interests		**199,977**	205,737
Total equity		**1,079,909**	333,095

NOTES TO THE UNAUDITED ANNUAL FINANCIAL INFORMATION

(Expressed in Renminbi unless otherwise indicated)

1 BASIS OF PREPARATION AND PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

(a) Statement of compliance

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

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as the "**Group**").

At 31 December 2019, the Group's current liabilities has exceeded its current assets by RMB578,838,000. The directors of the Company have confirmed that, based on future projection of the Group's cash flows from operations and the anticipated ability of the Group to renew or rollover its banking and other financing sources to finance its continuing operations and its planned and/or committed capital expenditure for the next twelve months from the end of the reporting period of this annual financial report, the management believes that the Group has adequate resources to continue to operate as a going concern throughout the next twelve months and that there are no material uncertainties related to events or conditions which, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except that financial assets at fair value through profit or loss are stated at fair value. Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

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

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

(c) Changes in accounting policies

The HKICPA has issued a new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of the 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. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16, Leases

HKFRS 16 replaces IAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases — incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("**short-term leases**") and leases of low-value assets. The lessor accounting requirements are brought forward from IAS 17 and substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the consolidated financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has early applied HKFRS 16 consistently throughout the years ended 31 December 2019 and 2018. The adoption of HKFRS 16 did not have significant impact on the Group's results and financial position for the current or prior periods have been prepared or presented.

2 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

Disaggregation of revenue

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

	For the year ended 31 December 2019 ***RMB'000***	For the year ended 31 December 2018 *RMB'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major business lines		
— Facilities usage and management service	**181,798**	150,612
— Wastewater treatment and utilities	**284,574**	221,748
— Sales of goods and ancillary business	**94,448**	36,111
	560,820	408,471
Revenue from other sources		
Gross rentals from investment property	**79,220**	71,207
	640,040	479,678

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

The Group's customer base is diversified, and the Group did not have any customer with whom transactions have exceeded 10% of the Group's aggregate revenue for the year ended 31 December 2019 (2018: nil).

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

— Rental and facilities usage: this segment conducts industrial park property development and management business.

— Wastewater treatment and utilities: this segment operates electroplating wastewater treatment plants and provides services of utilities.

— Sales of goods and ancillary business: this segment includes sales of raw materials and provision of other related environmental services to customers.

(i) Segment results, assets and liabilities

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

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

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

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

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2019 and 2018 is set out below.

For the year ended 31 December 2019	**Rental and facilities usage** *RMB'000*	**Wastewater treatment and utilities** *RMB'000*	**Sales of goods and ancillary business** *RMB'000*	**Total** *RMB'000*
Disaggregated by timing of revenue recognition				
Point in time	**–**	**284,574**	**94,448**	**379,022**
Over time	**261,018**	**–**	**–**	**261,018**
Revenue from external customers	**261,018**	**284,574**	**94,448**	**640,040**
Inter-segment revenue	**2,246**	**–**	**19,334**	**21,580**
Reportable segment revenue	**263,264**	**284,574**	**113,782**	**661,620**
Reportable segment profit (adjusted EBITDA)	**211,664**	**76,813**	**14,902**	**303,379**
Depreciation and amortisation for the year	**(145,667)**	**(5,305)**	**(1,269)**	**(152,241)**

For the year ended 31 December 2018	Rental and facilities usage *RMB'000*	Wastewater treatment and utilities *RMB'000*	Sales of goods and ancillary business *RMB'000*	Total *RMB'000*
Disaggregated by timing of revenue recognition				
Point in time	–	221,748	36,111	257,859
Over time	221,819	–	–	221,819
Revenue from external customers	221,819	221,748	36,111	479,678
Inter-segment revenue	11,025	46	13,188	24,259
Reportable segment revenue	232,844	221,794	49,299	503,937
Reportable segment profit (adjusted EBITDA)	179,287	63,349	4,489	247,125
Depreciation and amortisation for the year	(123,752)	(1,487)	(792)	(126,031)

(ii) *Reconciliations of reportable segment profits*

	For the year ended 31 December 2019 *RMB'000*	For the year ended 31 December 2018 *RMB'000*
Reportable segment profit	**303,379**	247,125
Elimination of inter-segment profit	**–**	–
Reportable segment profit derived from the Group's external customers	**303,379**	247,125
Depreciation and amortisation	**(152,241)**	(126,031)
Finance costs	**(67,112)**	(60,969)
Interest income	**1,964**	2,760
Unallocated head office and corporate expenses	**(31,296)**	(17,772)
Consolidated profit before taxation	**54,694**	45,113

(iii) *Geographic information*

Substantially all of the Group's revenue and non-current assets are generated and located in the PRC.

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

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

As at 31 December 2019, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is RMB629,185,000 (2018: RMB650,229,000). This amount represents revenue expected to be recognised in the future from contracts of property management, facilities usage and other services entered into by the customers with the Group. The Group will recognise the expected revenue in future when the services are rendered, which is mainly expected to occur over the next one to five years (2018: next one to five years).

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

(ii) Operating leases

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

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

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Less than one year	**79,182**	70,115
One to two years	**78,151**	69,426
Two to three years	**31,261**	68,288
Three to four years	**22,896**	20,334
Four to five years	**14,082**	11,873
More than five years	**30,291**	40,174
Total undiscounted lease payments	**255,863**	280,210

3 OTHER REVENUE

	For the year ended 31 December 2019	For the year ended 31 December 2018
	RMB'000	*RMB'000*
Interest income	**1,964**	2,760
Government grants		
— Unconditional subsidies	**3,595**	58
— Conditional subsidies	**6,654**	5,786
Other income	**711**	2,419
	12,924	11,023

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

4 OTHER NET INCOME/(LOSS)

	For the year ended 31 December 2019 *RMB'000*	For the year ended 31 December 2018 *RMB'000*
Gain/(loss) arising from disposal of property, plant and equipment	**34**	(77)
Changes in fair value of other financial assets through profit or loss	**(310)**	(2,457)
Net foreign exchange gain	**1,424**	378
Others	**(627)**	33
	521	(2,123)

5 PROFIT BEFORE TAXATION

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

(a) Finance costs

	For the year ended 31 December 2019 *RMB'000*	For the year ended 31 December 2018 *RMB'000*
Interest on bank loans	**69,034**	65,961
Interest on lease liabilities	**64**	–
Less: interest expenses capitalised into properties and plant under development	**(1,986)**	(4,992)
	67,112	60,969

The borrowing costs have been capitalised at a rate of 6.82% per annum (2018: 6.61%).

(b) Staff costs (including directors' emoluments)

	For the year ended 31 December 2019 *RMB'000*	For the year ended 31 December 2018 *RMB'000*
Salaries, wages and other benefits	**55,775**	41,775
Retirement scheme contributions	**5,074**	3,902
	60,849	45,677

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

	For the year ended 31 December 2019 *RMB'000*	For the year ended 31 December 2018 *RMB'000*
Depreciation and amortisation		
— Property, plant and equipment	**102,581**	81,438
— Investment property	**42,039**	38,763
— Right-of-use assets	**6,487**	5,151
— Intangible assets	**1,134**	679
	152,241	126,031
Cost of inventories *(i)*	**163,827**	101,454
Utility costs	**20,092**	16,514
Listing expenses	**17,907**	4,031
Impairment losses of non-current assets held for sale	**–**	2,630
Auditors' remuneration	**2,595**	64

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

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Taxation in the consolidated statement of profit or loss represents:

	For the year ended 31 December 2019 *RMB'000*	For the year ended 31 December 2018 *RMB'000*
Current tax — PRC income tax		
Provision for the year	**18,120**	13,006
Deferred tax		
Origination and reversal of temporary differences	**(5,281)**	(4,304)
	12,839	8,702

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

The provision for Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits. For the year ended 31 December 2019, subsidiaries in Hong Kong did not have any assessable profits.

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

During the year ended 31 December 2018, Huizhou Jinmaoyuan Environmental Technology Co., Ltd. ("**Huizhou Jinmaoyuan**") was approved as a High and New Technology Enterprise. According to relevant tax rules in the PRC, Huizhou Jinmaoyuan was entitled to a preferential income tax rate of 15% from 2018 to 2020.

During the year ended 31 December 2019, Tianjin Bingang Electroplating Enterprises Management Co., Ltd. ("**Tianjin Bingang**") was approved as a High and New Technology Enterprise. According to relevant tax rules in the PRC, Tianjian Bingang was entitled to a preferential income tax rate of 15% from 2019 to 2021.

7 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB55,146,000 (2018:RMB47,936,000) and the weighted average number of 969,644,000 ordinary shares (2018: 840,000,000) in issue during the year, calculated as follows:

	2019 *'000*	2018 *'000*
Issued ordinary shares at 1 January	**10**	10
Effect of cancellation of shares	**(10)**	(10)
Effect of share issued on 7 January 2019 at HK$0.1 each	**336,000**	336,000
Effect of share issued on 21 June 2019 at HK$0.1 each	**504,000**	504,000
Effect of shares issued upon IPO	**129,644**	–
Weighted average number of ordinary shares at 31 December	**969,644**	840,000

The weighted average number of shares in issue in 2018 were based on the assumption that the 840,000,000 ordinary shares of the Company had been issued throughout the year ended 31 December 2018, by retrospectively adjusting for the effect of the Company's cancellation of 10,000 shares and share issued on 7 January 2019 and 21 June 2019 of 336,000,000 shares and 504,000,000 shares (note 11(a)), respectively, that are deemed to have become effective since 1 January 2018.

(b) Diluted earnings per share

During the years ended 31 December 2019 and 2018, there were no dilutive potential ordinary shares issued.

8 TRADE AND OTHER RECEIVABLES

	At 31 December 2019 ***RMB'000***	At 31 December 2018 *RMB'000*
Current		
Trade debtors	**104,133**	75,846
Less: Allowance for expected credit losses	**–**	–
	104,133	75,846
Interest receivable	**–**	11,916
Deductible input VAT	**40,316**	30,199
Amounts due from related parties	**–**	4,886
Loan deposits *(i)*	**10,000**	–
Prepayments and other receivables	**2,865**	32,943
	157,314	155,790
Non-current		
Prepayments for purchase of property, plant and equipment	**11,789**	26,097
Deposits for acquisition of land-use rights and constructions	**3,999**	4,582
	15,788	30,679
Total	**173,102**	186,469

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

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

Ageing analysis

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

	At 31 December 2019 *RMB'000*	At 31 December 2018 *RMB'000*
Within 1 month	**95,426**	69,532
1 to 3 months	**6,890**	5,306
4 to 6 months	**949**	786
Over 6 months	**868**	222
	104,133	75,846

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

9 TRADE AND OTHER PAYABLES

	At 31 December 2019 *RMB'000*	At 31 December 2018 *RMB'000*
Trade payables	**60,579**	46,199
Deposits due to customers	**136,872**	115,886
Payables for equipment and construction	**330,872**	175,058
Interest payable	**1,732**	1,694
Payroll payable	**10,499**	9,274
Amounts due to related parties	**–**	603,662
Others	**12,340**	14,627
Total	**552,894**	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 31 December 2019 *RMB'000*	At 31 December 2018 *RMB'000*
Within 1 month	**49,190**	35,159
1 to 3 months	**9,364**	10,064
4 to 6 months	**1,984**	972
Over 6 months	**41**	4
	60,579	46,199

10 BANK LOANS

At 31 December 2019, the bank loans were repayable as follows:

	Note	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
Within 1 year or on demand	11(c)	**253,558**	105,666
After 1 year but within 2 years		**233,281**	200,538
After 2 years but within 5 years		**370,492**	449,130
After 5 years		**46,374**	116,544
Sub-total	11(c)	**650,147**	766,212
Total	(i) to (vi)	**903,705**	871,878

At 31 December 2019, the bank loans were secured as follows:

	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
Secured bank loans	**903,705**	871,878

Notes:

(i) As at 31 December 2019, bank loans amounted to RMB903,705,000 (2018: RMB871,878,000) were floating-interest rate loans with interest rates ranged from 5.70% to 6.86% (2018: 5.64% to 6.65%).

(ii) Secured bank loans as at 31 December 2019 and 2018 were secured by certain of the Group's charge rights of rental income and property, plant and equipment, investment property, land-use rights, loan deposits (note 8) and deposits with a bank.

(iii) As at 31 December 2019, bank loans amounted to RMB75,000,000 (2018: nil) were guaranteed by Mr. Zhang Lianghong and Tianjin Wanheshun Technology Co., Group Ltd., which holds 49% of equity interests of Tianjin Bingang.

(iv) As at 31 December 2018, bank loans amounted to RMB28,500,000 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.

The above guarantee was released from the Group in July 2019.

(v) As at 31 December 2018, bank loans amounted to RMB296,278,000 were guaranteed by Mr. Zhang Lianghong, Mr. Zhang Haiming, Mr. Lee Yuk Kong and Mr. Zou Maoqi, a former shareholder of Huizhou Kimou Industrial investment Co., Ltd.. Moreover, bank loans amounted to RMB547,100,000 were guaranteed by Mr. Zhang Lianghong, Mr. Zhang Haiming, Mr. Lee Yuk Kong and Mr. Huang Shaobo.

The above bank loans were issued by the same bank (the "**Bank**") and the above guarantees were released from the Group in June 2019.

On 13 December 2019, Mr. Zhang Lianghong, Mr. Zhang Haiming, Mr. Lee Yuk Kong, Mr. Huang Shaobo (the "**Ultimate Shareholders**") and the Bank entered into guarantee agreements (the "**Guarantee Agreements**"), in which the guarantee limits undertaken by the Ultimate Shareholders were up to RMB1,280,000,000. On 13 December 2019, the Bank and the Group then entered into supplemental agreements to the Guarantee Agreements, further clarifying that the existing bank loans amounted to RMB804,705,000 as at 31 December 2019 subject to the Guarantee Agreements.

In addition, on 13 January 2020, the Ultimate Shareholders and the Bank entered into additional guarantee agreements for the new bank loans, in which the additional guarantee limits undertaken by the Ultimate Shareholders were up to RMB430,000,000.

(vi) As at 31 December 2019, bank loans amounted to RMB903,705,000 (2018: RMB871,878,000) 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 31 December 2019, none of the covenants relating to drawn down facilities had been breached (2018:nil).

11 SHARE CAPITAL AND DIVIDENDS

(a) Share capital

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 *(i)*	50,000	50,000	–
At 31 December 2018	50,000	50,000	–
Cancellation of shares *(ii)*	(50,000)	(50,000)	–
Creation of shares on 7 January 2019 at HK$0.1 each	1,680,000,000	–	168,000,000
At 31 December 2019	1,680,000,000	–	168,000,000

(i) The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 28 June 2018 with an initial authorised share capital of US$50,000 divided into 50,000 shares with a par value of US$1.0 each.

(ii) Pursuant to the written resolutions of the 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$0.1 each and the cancellation of 50,000 shares with a par value of US$1.0 each.

Issued share capital of the Company

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

(i) At December 2018, 10,000 shares of the Company of US$10,000, equivalent to RMB69,000, have been issued and paid. Pursuant to the written resolutions of the director and shareholders dated 7 January 2019, the above 10,000 shares were cancelled by the Company and 336,000,000 shares in the Company, with a par value of HK$0.1 each, were issued. In 2019, the above issued share capital of HK$33,600,000, equivalent to RMB29,387,000, and share premium of RMB15,728,000 have been fully paid by capitalisation of the amounts due to the Shareholders.

(ii) Pursuant to the written resolutions of the director and shareholders dated 21 June 2019, 504,000,000 shares in the Company, with a par value of HK$0.1 each, were issued. In 2019, the above issued shares capital of HK$50,400,000, equivalent to RMB44,352,000, and share premium of RMB285,294,000 have been fully paid by capitalisation of the amounts due to the Shareholders.

(iii) On 16 July 2019, shares of the Company were listed on the Stock Exchange with a total number of 1,120,000,000 shares, among which 280,000,000 shares (25% of the total shares of the Company) were issued to the public. The net proceeds received by the Company from the share offering were approximately HK$362,196,000, equivalent to RMB318,740,000, of which HK$28,000,000 (equivalent to RMB24,638,000) was recognised as share capital while HK$334,196,000 (equivalent to RMB294,102,000) was recognised as share premium.

(b) Dividends

No dividends have been declared or paid by the Company during the year (2018: nil). The board of directors has resolve not to recommend payment of any final dividend for the year.

(c) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for 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 defined as total debt (which includes bank loans and lease liabilities) less cash and cash equivalents and deposits with a bank with original maturity date over three months.

The Group's adjusted net debt-to-equity ratio as at 31 December 2019 was as follows:

	Note	**2019** ***RMB'000***	2018 *RMB'000*
Current liabilities:			
Bank loans	*10*	**253,558**	105,666
Lease liabilities		**728**	–
		254,286	105,666
Non-current liabilities:			
Bank loans	*10*	**650,147**	766,212
Lease liabilities		**393**	–
		904,826	871,878
Less: Cash and cash equivalents		**(103,297)**	(80,733)
Deposits with a bank with original maturity date over three months		**–**	(50,000)
Adjusted net debt		**801,529**	741,145
Total equity		**1,079,909**	333,095
Adjusted net debt-to-equity ratio		**0.74**	2.23

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

The complicated and volatile global market environment arising from continuous trade friction between the United States and the People's Republic of China ("**PRC**") has gradually impacted the market sentiment of the PRC which in turn affected the tenants of the Group's electroplating industrial parks.

Despite the trade tension between the United States and the PRC in the backdrop, there is an increasing awareness of the importance of environment protection in the PRC. The PRC government is to build an environmentally friendly and green society through the issuance of various national policies over the past years. Following the enforcement of the Law of the PRC on Prevention and Control of Water Pollution (2017 Amendment) (中華人民共和國水污染防治法 (2017修正)) in 2018, governments at various level in the PRC have strengthened the degree of environmental protection by launching a range of policies and regulatory measures, which favors the electroplating industrial park industry. Under such policies and regulatory measures like Regulations of the Central Government on the Inspection of Ecological Environment Protection《中央生態環境保護督察工作規定》issued by the PRC government, the local government has strengthened the degree of their inspection level to ensure the wastewater discharged by enterprises could meet the designated environmental protection standards. This backdrop has further fueled the demand for industrial parks resulting to the continual growth of the electroplating industrial park industry in the PRC. The Group will continue to enjoy the benefits of these launched policies and regulations.

BUSINESS REVIEW

The Group develops and operates large-scale industrial parks in the PRC which are specifically designed for the electroplating industry. The Company's shares have been successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 16 July 2019 (the "**Listing**").

For the Year, the Group's revenue was approximately RMB640.0 million (2018: RMB479.7 million), representing an increase of approximately 33.4% from that of the year ended 31 December 2018 and the profit attributable from the equity shareholders of the Company was approximately RMB55.1 million (2018: RMB47.9 million), representing an increase of approximately 15.0%. The unaudited adjusted profit attributable to the equity shareholders of the Company for the Year derived, and excluding one-off item relating to the Listing, was approximately RMB73.1 million (2018: RMB52.0 million), representing a growth of approximately 40.6%.

THE ELECTROPLATING INDUSTRIAL PARKS

The Group currently operates two electroplating industrial parks which are strategically located in Guangdong Province and Tianjin 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 31 December					
	2019			2018		
	Guangdong Huizhou Park	**Tianjin Bingang Park**	**Total**	Guangdong Huizhou Park	Tianjin Bingang Park	Total
Total leasable area (sq.m)(Note)	**347,000**	**256,000**	**603,000**	318,000	256,000	574,000
Total leased area (sq.m)	**347,000**	**173,000**	**520,000**	318,000	158,000	476,000
Occupancy Rate	**100%**	**67.6%**	**86.2%**	100%	61.6%	82.9%

Note: Rounded to the nearest thousand.

The Group's Guangdong Huizhou Park, which has been in operation since 2007, is the only electroplating industrial park in Huizhou. Following the completion of the construction of two factory buildings with an aggregate ground floor area ("**GFA**") of approximately 29,000 square metres, the total leasable area of Guangdong Huizhou Park attained approximately 347,000 square metres and had occupancy rate of approximately 100% as at 31 December 2019.

The Group's Tianjin Bingang Park, which has been in operation since 2016, is the only large-scale and one of the two electroplating industrial parks in Tianjin. As at 31 December 2019, the total leasable area was approximately 256,000 square metres and the occupancy rate slightly increased to approximately 67.6% as compared to approximately 61.6% as at 31 December 2018.

With the Group's extensive experience and expertise in developing and operating large scale electroplating industrial parks and in-depth understanding of the electroplating industry, the total occupancy rate of the Group as at 31 December 2019 was 86.2% as compared to approximately 82.9% as at 31 December 2018.

Wastewater treatment capabilities

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

	2019			2018		
	Guangdong Huizhou Park	**Tianjin Bingang Park**	**Total**	Guangdong Huizhou Park	Tianjin Bingang Park	Total
Fresh water used (tonnes)(Note)	**2,503,000**	**486,000**	**2,989,000**	2,593,000	407,000	3,000,000
Daily wastewater treatment handling capacity (tonnes)	**10,000**	**6,000**	**16,000**	10,000	6,000	16,000
Daily wastewater treatment handling volume (tonnes)						
— Annual average	**6,856**	**1,332**	**8,188**	7,105	1,115	8,220
— Peak	**8,972**	**2,417**	**11,389**	9,034	2,152	11,186
Utilisation rate of wastewater treatment capacity						
— Annual average	**68.6%**	**22.2%**	**51.2%**	71.1%	18.6%	51.4%
— Peak	**89.7%**	**40.3%**	**71.2%**	90.3%	35.9%	69.9%

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 and of core importance to the daily operations of the tenants.

As at 31 December 2019, the total daily wastewater treatment handling capacity of the Group reached 16,000 tonnes. The annual average daily wastewater treatment handling volume was approximately 8,188 tonnes and annual average utilisation rate of wastewater treatment was approximately 51.2%.

As at 31 December 2019, the total daily wastewater treatment handling capacity of Guangdong Huizhou Park reached 10,000 tonnes. The annual average daily wastewater treatment handling volume was 6,856 tonnes and the annual average utilization rate of wastewater treatment was 68.6% which were at a similar levels as compared with 2018.

As at 31 December 2019, the total daily wastewater treatment handling capacity of Tianjin Bingang Park reached 6,000 tonnes. The annual average daily wastewater treatment processing volume was 1,332 tonnes and the annual average utilization rate of wastewater treatment was 22.2% which were at similar levels as compared with 2018.

RESEARCH AND DEVELOPMENT

Research and development has always been the Group's priority and focus, which has helped the Group to develop advanced technology to fulfill the tightening environmental protection standards and further improve the Group's operating efficiency and cost effectiveness. As at 31 December 2019, the Group had obtained 44 registered patents and 12 patent applications were in the progress of registration.

SALES AND MARKETING

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

OUTLOOK

The outbreak of the novel coronavirus has brought economic uncertainties in the PRC. The PRC government has stepped up efforts to curb the spread of the coronavirus. The manufacturing factories in the Group's electroplating industrial parks in Guangdong Province and Tianjin have gradually resumed their business operations and productions in mid-late February 2020 while the construction work of the new electroplating industrial park in Hubei Province has been postponed due to the travel restrictions in force in Hubei Province, which will delay the commencement of the operation to late 2022. It is expected that there might be a considerable impact brought by the coronavirus on the Company's business operations and financial performance as the consumption of fresh use water, steam and utilities by the Park's tenant is expected to decrease accordingly. The Group will do its utmost to ensure smooth business operations of the electroplating industrial parks and provide quality services to the parks' tenants by closely monitoring the latest development of the economic environment in the PRC and maintaining close communications with the tenants. The Group's electroplating industrial parks are expected to continue to provide contributions in the future especially after the enhancement of its wastewater treatment capacities and the commencement of operation of its new electroplating industrial park in Hubei Province in late 2022.

Increasing the number of our electroplating industrial parks

To cope with the Group's business expansion and to capture future opportunities, the Group has entered into an agreement (the "**New Agreement**") regarding the Sichuan Qingshen Project with the Qingshen Government. Reference is made to the voluntary announcement of the Company dated 8 November 2019 in relation to the Group entering into the New Agreement regarding the Sichuan Qingshen Project with the Qingshen Government. Pursuant to the New Agreement, the Group and the Qingshen Government have agreed to cooperate for the establishment and development of the Sichuan Qingshen Project located in the industrial development zone. The development of this Sichuan Qingshen Project will cover a proposed site area of approximately 1,170 mu (equivalent to approximately 780,000 sq.m.) with a total development cost of approximately RMB2.0 billion and an expected wastewater treatment capacity of approximately 20,000 tonnes per day. According to the New Agreement, the implementation of the Sichuan Qingshen Project will be subject to (i) obtaining environment protection assessment approval; (ii) completion of preparatory works in relation to the Sichuan

Qingshen Project; and (iii) the successful acquisition of land use rights of two batches of land located in the industrial development zone. As of the date of this announcement, the Group does not have concrete timing for the development of the Sichuan Qingshen Project and have not incurred significant cost for the Sichuan Qingshen Project.

Increase the wastewater treatment capabilities of the electroplating industrial parks

The construction for additional wastewater treatment facilities in Tianjin Bingang Park has commenced since June 2018. With the impact of sub-zero temperatures in Tianjin and the complexity in the technical requirement of building wastewater treatment facilities as well as the outbreak of the coronavirus, the completion date of the construction is expected to postpone to the fourth quarter of 2020. However, based on the present usage of fresh water and wastewater treatment requirements from our tenants in the Tianjin Bingang Park, there is spare operation capacity in our wastewater treatment facilities to cope with demand from our tenants. The management expects that the completion date of the construction of such additional wastewater treatment facilities will be postponed to the fourth quarter of 2020.

To further expand the Group's wastewater treatment capabilities to meet the demand of the tenants of Guangdong Huizhou Park, the Group has applied to the relevant government authorities to increase the maximum amount of wastewater to be treated in this 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.

Increase the GFA available for leasing

In addition to seeking new sites for development of new electroplating industrial parks, the Group has to fully utilise the existing land resources available to increase the GFA available for leasing and to increase the number of tenants that can be accommodated in the industrial parks, which in turn will generate more revenue for the Group. The Group plans to construct eight factory buildings in Guangdong Huizhou Park with an aggregate GFA of approximately 113,000 square metres and budgeted cost of approximately RMB193.6 million. The project will be divided into two phases. The first phase of the project involves the construction of four factory buildings with an aggregate GFA of approximately 48,000 square metres and budgeted cost of approximately RMB82.4 million. The first phase 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 square metres with budgeted cost of approximately RMB111.2 million which is expected to commence during the third quarter of 2020 and complete by the third quarter of 2021.

RESULTS OF OPERATION

Revenue

The Group's business mainly involves the provision of factory premises and centralized wastewater treatment services to the tenants at the Guangdong Huizhou Park and Tianjin Bingang Park. The Group's main business can be categorised into three business segments, namely, (1) Rental and facilities usage; (2) Wastewater treatment and utilities; and (3) Sales of goods and ancillary business.

For the Year, the Group's total revenue amounted to approximately RMB640.0 million, representing an increase of 33.4% over the same period in 2018, primarily due to the increase in revenue for each of the three business segments of the Group.

	For the year ended 31 December						
	2019			2018			
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	55,064	24,156	79,220	50,105	21,102	71,207	11.3%
Property management fee	11,379	3,680	15,059	4,878	2,931	7,809	92.8%
Facilities usage fee	104,682	62,057	166,739	94,217	48,586	142,803	16.8%
Sub-total	171,125	89,893	261,018	149,200	72,619	221,819	17.7%
Wastewater treatment and utilities							
Wastewater treatment fee	116,334	28,937	145,271	87,730	23,331	111,061	30.8%
Steam charge	53,127	27,933	81,060	40,060	21,208	61,268	32.3%
Utility systems maintenance fee	42,639	15,604	58,243	37,720	11,699	49,419	17.9%
Sub-total	212,100	72,474	284,574	165,510	56,238	221,748	28.3%
Sales of goods and ancillary business							
Sales of chemicals	77,945	337	78,282	26,065	–	26,065	200.3%
Other income	13,214	2,952	16,166	6,076	3,970	10,046	60.9%
Sub-total	91,159	3,289	94,448	32,141	3,970	36,111	161.5%
Total	474,384	165,656	640,040	346,851	132,827	479,678	33.4%

Revenue from rental and facilities usage service

Rental of factory premises, facilities usage fee and property management fee are charged on its tenants based on the GFA of their leased factory premises. Set out below is the revenue, average daily leased area and average monthly unit price of the electroplating industrial parks during the Year together with the corresponding period in 2018:

	For the year ended 31 December					
	2019			2018		
	Guangdong Huizhou Park	**Tianjin Bingang Park**	**Total**	Guangdong Huizhou Park	Tianjin Bingang Park	Total
Revenue *(RMB'000)*						
— Rental of factory premises	**55,064**	**24,156**	**79,220**	50,105	21,102	71,207
— Property management fee	**11,379**	**3,680**	**15,059**	4,878	2,931	7,809
— Facilities usage fee	**104,682**	**62,057**	**166,739**	94,217	48,586	142,803
Total *(RMB'000)*	**171,125**	**89,893**	**261,018**	149,200	72,619	221,819
Average daily leased area (sq.m) *(Note)*	**342,000**	**165,000**	**507,000**	314,000	144,000	458,000
Average monthly unit price (RMB per sq.m.)						
— Rental of factory premises	**13.4**	**12.2**	**13.0**	13.3	12.2	13.0
— Management service fee	**2.8**	**1.9**	**2.5**	1.3	1.7	1.4
— Facilities usage fee	**25.5**	**31.3**	**27.4**	25.0	28.0	26.0
Total	**41.7**	**45.4**	**42.9**	39.6	41.9	40.4

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

The revenue from rentals and facilities usage service increased by approximately RMB39.2 million or 17.7% from approximately RMB221.8 million for the year ended 31 December 2018 to approximately RMB261.0 million for the Year. The increase was primarily attributable to (i) increase in average daily leased area and (ii) annual increment of management service fee and facilities usage fee pursuant to the respective agreements with tenants.

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

	For the year ended 31 December					
	2019			2018		
	Guangdong Huizhou Park	Tianjin Bingang Park	Total	Guangdong Huizhou Park	Tianjin Bingang Park	Total
Revenue *(RMB'000)*						
— Wastewater treatment fee	**116,334**	**28,937**	**145,271**	87,730	23,331	111,061
Fresh water used (tonnes)*(Note)*	**2,503,000**	**486,000**	**2,989,000**	2,593,000	407,000	3,000,000
Average wastewater treatment unit price (RMB per tonne)	**46.5**	**59.5**	**48.6**	33.8	57.3	37.0

Note: Rounded to the nearest thousand.

Wastewater treatment fee increased by approximately RMB34.2 million or 30.8% from approximately RMB111.1 million for the year ended 31 December 2018 to approximately RMB145.3 million for the Year. The increase was primarily attributable to increase in unit price in response to the rise in costs in wastewater treatment and chemical pollutants discharged by the tenants at Guangdong Huizhou Park.

(ii) Steam Charge

	For the year ended 31 December					
	2019			2018		
	Guangdong Huizhou Park	Tianjin Bingang Park	Total	Guangdong Huizhou Park	Tianjin Bingang Park	Total
Revenue *(RMB'000)*						
— Steam Charge	**53,127**	**27,933**	**81,060**	40,060	21,208	61,268
Steam consumed (tonnes)*(Note)*	**126,000**	**61,000**	**187,000**	109,000	47,000	156,000
Average steam charge unit price (RMB per tonne)	**421.6**	**457.9**	**433.5**	367.7	454.6	392.7

Note: Rounded to the nearest thousand.

Steam charge increased by approximately RMB19.8 or 32.3% from approximately RMB61.3 million for the year ended 31 December 2018 to approximately RMB81.1 million for the Year. The increase was primarily attributable to (i) an increase in volume of steam consumed by the tenants mainly due to the increase in number of new tenants; and (ii) increase in the steam charge unit price mainly due to the increase in cost of raw materials per tonne for the production of steam as our Guangdong Huizhou Park changed its fuel from coal to natural gas in mid 2018.

(iii) Utility systems maintenance fee

	2019			2018		
	Guangdong Huizhou Park	**Tianjin Bingang Park**	**Total**	Guangdong Huizhou Park	Tianjin Bingang Park	Total
Revenue *(RMB'000)*						
— Utility systems maintenance fee	**42,639**	**15,604**	**58,243**	37,720	11,699	49,419
Electricity consumed (kWh) *(Note)*	**183,200,000**	**46,835,000**	**230,035,000**	160,200,000	35,200,000	195,400,000
Average unit price (RMB Per kWh)	**0.23**	**0.33**	**0.25**	0.24	0.33	0.25

Note: Rounded to the nearest thousand.

The Group charges its tenants for using its electricity and water supply systems, based on their consumption volume of those utilities. During the Year, over 99% of the utility systems maintenance fee was derived from utilisation of the electricity system. The utility systems maintenance fee increased by approximately RMB8.8 million or 17.8% from approximately RMB49.4 million for the year ended 31 December 2018 to approximately RMB58.2 million for the Year. The increase was primarily attributable to the increase in volume of electricity consumed by its tenants.

Revenue from sales of goods and ancillary business

Sales of goods and ancillary business is mainly comprised of sales of chemical products which accounted for 82.9% (2018:72.2%) of this business segment.

Sale of chemical raw materials increased by approximately RMB52.2 million from approximately RMB26.1 million for the year ended 31 December 2018 to approximately RMB78.3 million for the Year. In order to obtain a greater bulk purchase discount which could lower the cost of raw materials for its tenants and strictly control the risk of safety hazards, the Group strengthened the centralized 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 amortization, cost of inventories, staff costs, utility costs and other expenses.

Operating costs increased by approximately RMB149.2 million or 39.0% from approximately RMB382.5 million for the year ended 31 December 2018 to approximately RMB531.7 million for the Year which was generally in line with the increase in the Group's revenue during the Year.

Depreciation and amortisation

The Group's depreciation and amortization increased by approximately RMB26.2 million or 20.8% from approximately RMB126.0 million for the year ended 31 December 2018 to approximately RMB152.2 million for the Year, following the Group's significant addition of investment properties and property, plant and equipment in the electroplating industrial parks.

Cost of inventories

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

Cost of inventories increased by approximately RMB62.3 million or 61.4% from approximately RMB101.5 million for the year ended 31 December 2018 to approximately RMB163.8 million for the Year, primarily attributable to (i) increase in cost of wastewater treatment materials as a result of the increasing volume of high concentration chemical pollutants discharged by the tenants in Guangdong Huizhou Park; (ii) increase in volume of steam consumed by the tenants in Guangdong Huizhou Park and Tianjin Bingang Park, coupled with an increase in the average cost of raw materials to produce the steam as the Group used natural gas to replace coal in Guangdong Huizhou Park in mid 2018; and (iii) the significant increase in the amount of approximately RMB50.2 million for the sales of chemical materials to tenants of the electroplating industrial parks.

Staff costs

Staff costs is comprised of staff's salaries, bonus and other benefits as well as Directors' remuneration which amounted to approximately RMB60.8 million for the Year, an increase of 33.0% as compared with approximately RMB45.7 million for the year ended 31 December 2018. The Group's staff costs increased mainly due to (i) increase in number of employees as a result of the Group's expansion in both scope and size and (ii) general rise in staff's salaries.

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 increased by approximately RMB3.6 million or 21.8%, from approximately RMB16.5 million for the year ended 31 December 2018 to approximately RMB20.1 million for the Year, which was in line with the Group's expanding operating scale.

Other expenses

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

	For the year ended 31 December 2019	For the year ended 31 December 2018
	RMB'000	*RMB'000*
Professional service fee	**22,770**	6,168
Waste treatment expenses	**38,097**	17,805
Other taxes and surcharges	**17,574**	14,372
Security charges	**7,121**	6,491
Others	**49,108**	47,984
Total	**134,670**	92,820

Other expenses increased by approximately RMB41.9 million or 45.2%, from approximately RMB92.8 million for the year ended 31 December 2018 to approximately RMB134.7 million for the Year, primarily attributable to (i) the recognition of listing expenses of approximately RMB17.9 million; and (ii) increase in waste treatment expenses of approximately RMB20.3 million as a result of the increasing volume of high concentration chemical pollutants discharged by the tenants in the Guangdong Huizhou Park.

Profit from operations and operating profit margin

The Group's profit from operations increased by approximately RMB15.7 million or 14.8%, from approximately RMB106.1 million for the year ended 31 December 2018 to approximately RMB121.8 million for the Year. The operating profit margin slightly decreased from 22.1% for the year ended 31 December 2018 to 19.0% for the Year, which was mainly resulted from (i) the recognition of listing expenses of approximately RMB17.9 million; and (ii) increase in sales of chemicals to its tenants of which the margin was lower as compared to the overall margin of operation of the electroplating industrial parks.

Other revenue

Other revenue increased by approximately RMB1.9 million or 17.3%, from approximately RMB11.0 million for the year ended 31 December 2018 to approximately RMB12.9 million for the Year. Such increase was mainly due to the 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 in bank borrowings. Finance cost increased by approximately RMB6.1 million or 10.0%, from approximately RMB61.0 million for the year ended 31 December 2018 to approximately RMB67.1 million for the Year which was primarily attributable to the increase in average bank borrowings for the Year. The Group capitalised a portion of the finance costs which were directly attributable to the construction in progress during the Year.

Profit before tax

The Group's profit before income tax increased by approximately RMB9.6 million from approximately RMB45.1 million for the year ended 31 December 2018 to approximately RMB54.7 million for the Year which was primarily attributable to the factors as described above in this section.

Income tax expense

Income tax expense increased by approximately RMB4.1 million from approximately RMB8.7 million for the year ended 31 December 2018 to approximately RMB12.8 million for the Year, which was primarily attributable to the Guangdong Huizhou Park's operations, which remained profitable during the Year.

Profit attributable to the equity shareholders of the Company

Profit attributable to the equity shareholders of the Company increased by approximately RMB7.2 million from approximately RMB47.9 million for the year ended 31 December 2018 to approximately RMB55.1 million for the Year, which was mainly attributable to the factors as described above in this section.

Property, plant and equipment

Property, plant and equipment represented buildings, plant and equipment, motor vehicles and office equipment and others. The balances as at 31 December 2019 increased by approximately RMB45.5 million as compared with 31 December 2018 was primarily attributable to approximately RMB148.1 million for upgrading and adding wastewater treatment facilities, utility facilities and ancillary facilities in the electroplating industrial parks; which was partially offset by depreciation of approximately RMB102.6 million during the Year.

Construction in progress

Construction in progress represented factory premises and operational facilities that are under construction inside the electroplating industrial parks. The balances as at 31 December 2019 increased by approximately RMB299.9 million as compared with 31 December 2018. Such increase was primarily attributable to approximately RMB494.7 million addition mainly for developing factory premises, upgrading and adding wastewater treatment facilities, utility facilities and ancillary facilities in the electroplating industrial parks which was partially offset by the completed construction transferred to the property, plant and equipment and investment property of approximately RMB194.8 million.

Liquidity and financial resources

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

	For the year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Net cash generated from operating activities	**275,419**	218,466
Net cash used in investment activities	**(309,159)**	(355,504)
Net cash generated from financing activities	**56,006**	198,488
Net increase in cash and cash equivalents	**22,266**	61,450
Effect of foreign exchange rate changes	**298**	–

For the Year, the Group had a net cash generated from operating activities of approximately RMB275.4 million. Such amount was primarily derived from the profit before income tax of approximately RMB54.7 million generated in 2019, which was primarily adjusted for:

(i) depreciation and amortization of approximately RMB152.2 million;

(ii) finance costs of approximately RMB67.1 million;

(iii) increase in trade and other payables of approximately RMB60.3 million;

(iv) increase in deferred income of approximately RMB13.3 million; which was partially offset by

(v) increase in trade and other receivables of approximately RMB59.2 million; and

(vi) income tax paid of approximately RMB17.4 million.

For the Year, the Group had a net cash used in investing activities of approximately RMB309.1 million, which was mainly attributable to:

(i) payment for purchase of property, plant and equipment, investment property, land-use rights and intangible assets of approximately RMB373.3 million;

(ii) net advance to related parties of approximately RMB21.9 million; which was partially offset by;

(iii) net repayment from other third parties of approximately RMB23.0 million;

(iv) withdrawal of deposits with a bank with original maturity date over three months of approximately RMB50.0 million; and

(v) interest received of approximately RMB13.9 million.

For the Year, the Group had a net cash generated from financing activities of approximately RMB56.0 million, which was mainly attributable to:

(i) proceeds of approximately RMB322.2 million from the Listing;

(ii) proceeds from banks loans of approximately RMB210.0 million;

(iii) advance from related parties of approximately RMB61.4 million;

(iv) capital injection from non-controlling interests of approximately RMB7.5 million; which was partially offset by;

(v) repayment of bank loans of approximately RMB198.2 million;

(vi) repayment to related parties approximately RMB263.4 million; and

(vii) payment of interest of approximately RMB69.0 million.

As at 31 December 2019, the Group had cash and cash equivalents of approximately RMB103.3 million (31 December 2018: approximately RMB80.7 million).

Net current liabilities

The Group's net current liabilities as at 31 December 2019 had decreased by approximately RMB233.7 million, from approximately RMB812.5 million as at 31 December 2018 to approximately RMB578.8 million as at 31 December 2019.

As at 31 December 2019, the Group's total current assets amounted to approximately RMB264.1million, representing a decrease of approximately RMB27.3 million as compared with approximately RMB291.4 million as at 31 December 2018. The decrease was primarily attributable to:

(i) the increase in cash and cash equivalents of approximately RMB22.6 million; but was partially offset by;

(ii) the decrease in deposits with banks with original maturity date over three months of approximately RMB50.0 million;

As at 31 December 2019, the Group's total current liabilities amounted to approximately RMB842.9 million, representing a decrease of approximately RMB261.0 million as compared with approximately RMB1,103.9 million as at 31 December 2018. The decrease was primarily attributable to:

(i) the decrease in trade and other payables of approximately RMB413.5 million; which was partially offset by;

(ii) the increase in current portion of borrowings of approximately RMB147.9 million.

Borrowings and gearing ratio

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

As at 31 December 2019, the total interest-bearing borrowings amounted to RMB903.7 million were due for repayment as follows:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Within one year or on demand	**253,558**	105,666
After one year but within two years	**233,281**	200,538
After two years but within five years	**370,492**	449,130
After five years	**46,374**	116,544
Total	**903,705**	871,878

The Group's gearing ratio is approximately 0.8 times as at 31 December 2019 (31 December 2018: 4.4 times). The ratio is calculated based on the total debts (including all bank borrowings and amounts due to related parties) as of the respective dates divided by the total equity as of the respective dates and multiplied by 100%.

Pledged assets

As at 31 December 2019, the Group had certain property, plant and equipment, investment property with carrying value of approximately RMB301.2 million and RMB655.5 million respectively (31 December 2018: approximately RMB194.4 million and RMB692.2 million respectively); land-use rights with net book value of approximately RMB95.9 million (31 December 2018: approximately RMB98.1 million) and bank deposits of approximately RMB10.0 million (31 December 2018: nil) which are pledged as security for the bank borrowings with carrying amount of approximately RMB903.7 million (31 December 2018: approximately RMB871.9 million).

All personal guarantees provided by the controlling shareholders of the Company for the Group's bank loans prior to the Listing of the Company on the Stock Exchange were released upon the date of Listing of the Company.

Please refer to note 10 to the unaudited annual financial information in this announcement for particulars of new guarantees made by the connected persons of the Company on 13 December 2019 and 13 January 2020 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 31 December 2019 (31 December 2018: nil)

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2019, the Group had 519 full-time employees (2018: 475 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 RMB60.8 million for the Year, which was an increase of approximately 33.0% as compared with approximately RMB45.7 million for the year ended 31 December 2018. 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.

CAPITAL COMMITMENTS

As at 31 December 2019, the Group's total capital expenditures which have been contracted for but not incurred were approximately RMB498.3 million for the development of wastewater treatment facilities and factory premises of the Hubei Jingzhou project, the development of wastewater treatment facilities of the Tianjin Bingang Park and the development of the factory premises of Guangdong Huizhou Park. These capital expenditures were mainly financed by the net proceeds from the Company's Listing, 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 receivable. Deposits are received from customers by the Group to reduce potential exposure to credit risk. Further, individual credit evaluations are performed regularly on all customers requiring credit over a certain amount. These evaluations focus on the customers' past payment records, taking into account their financial position and other relevant factors. The Group considers the credit risk arising from trade receivables is limited.

As at 31 December 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.

USE OF NET PROCEEDS FROM THE COMPANY'S LISTING

The Company was incorporated in the Cayman Islands on 28 June 2018 as an exempted company with limited liability under the Companies Law of Cayman Islands.

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

Intended use	**Net proceeds**		**Utilised amount as at 31 December 2019**		**Unutilised amount as at 31 December 2019**	
	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	(74.1)	(65.3)	–	–
Expansion of the current waste water treatment facilities of the Tianjin Bingang Park	124.0	109.2	(55.9)	(48.3)	68.1	60.9
Fund the construction cost of the two factory buildings in the Guangdong Huizhou Park	62.0	54.6	(62.0)	(54.6)	–	–
Repayment of short term bank loans	62.0	54.6	(62.0)	(54.6)	–	–
General working capital	14.9	13.0	(5.0)	(4.3)	9.9	8.7
Total	337.0	296.7	(259.0)	(227.1)	78.0	69.6

As at 31 December 2019, approximately RMB227.1 million out of the Net Proceeds from the Listing had been used. The remaining unutilised Net Proceeds were 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 proceeds as and when appropriate. The unutilised amount of the Net Proceeds is expected to be utilised by the end of 2020.

CORPORATE GOVERNANCE CODE

The Company recognises the importance of good corporate governance in management and internal control procedures so as to achieve accountability. The Company has adopted the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules (the "**Corporate Governance Code**").

The Board considers that, the Company has complied, to the extent applicable and permissible, with the code provisions as set out in the Corporate Governance Code during the period from 16 July 2019, being the date of the Listing, to 31 December 2019 (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 as set out in Appendix 10 to the Listing Rules as its code of conduct for dealings in the Company's securities by the Directors. The Directors are reminded of their obligations under the code of conduct on a regular basis. Having made specific enquiry by the Company, all Directors have confirmed that they have complied with the required standard set out in its code of conduct during the Period Under Review.

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

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

PROPOSED DIVIDEND

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

AUDIT COMMITTEE

The 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 unaudited annual results contained herein have been reviewed by the audit committee.

UNAUDITED ANNUAL RESULTS AND FURTHER ANNOUNCEMENT(S)

The auditing process for the annual results for the year ended 31 December 2019 has not been completed due to postponement of auditor's field works resulting from the coronavirus outbreak in the PRC. The unaudited annual results contained herein have not been agreed with the Company's auditors as required under Rule 13.49(2) of the Listing Rules and may subject to adjustments upon completion of audit. The Company expects that an agreement from the auditors will be obtained on or before 20 April 2020. Further announcements will be published upon obtaining the auditor's agreement on the annual results for the year ended 31 December 2019 stating (i) that the annual results contained herein have been agreed with the auditors or; (ii) where there would be adjustments to the unaudited annual results contained herein, an explanation of such adjustments and where appropriate, a revised annual results that have been agreed with the auditors.

ANNUAL GENERAL MEETING AND CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 28 May 2020 to Tuesday, 2 June 2020, both days inclusive and during which period no transfer of shares will be registered, for the purpose of ascertaining shareholders' entitlement to attend and vote at the annual general meeting of the Company (the "**2020 AGM**") to be held on Tuesday, 2 June 2020. In order to be eligible to attend and vote at the 2020 AGM, all transfer shares accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 pm on Wednesday, 27 May 2020.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

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

APPRECIATION

The Company would like to take this opportunity to thank all 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.

The financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed by the auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 31 March 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; Mr. Li Xiaoyan, Mr. Li Yinquan and Mr. Kan Chung Nin SBS, JP, Tony as independent non-executive Directors.