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金茂源

Kimou Environmental Holding Limited

金 茂 源 環 保 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6805)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Revenue	**554,251**	534,953
Profit from operations	**122,206**	123,147
Profit attributable to equity shareholders of the Company	**41,061**	52,632
Basic earnings per share *(RMB)*	**0.04**	0.05
Diluted earnings per share *(RMB)*	**0.04**	0.05
Operating profit margin	**22.0%**	23.0%
Net profit margin	**6.9%**	8.9%
	At 30 June 2023	At 31 December 2022
Total assets	**4,725,085**	4,372,118
Net assets	**1,185,318**	1,365,453

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Kimou Environmental Holding Limited (the "**Company**" or "**Kimou**", together with its subsidiaries, the "**Group**") is pleased to announce the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2023 (the "**Period under Review**"), together with the comparative figures for the corresponding period in 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023 — unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
		2023	2022
	Note	***RMB'000***	*RMB'000*
Revenue	*3*	**554,251**	534,953
Other revenue	*5*	**10,764**	10,411
Depreciation and amortisation	*6(c)*	**(127,362)**	(106,550)
Cost of inventories	*6(c)*	**(168,042)**	(176,860)
Staff costs	*6(b)*	**(67,634)**	(61,051)
Utility costs	*6(c)*	**(17,275)**	(15,186)
Other expenses		**(61,510)**	(63,198)
Other net (loss)/income		**(42)**	628
Impairment losses on account receivables		**(944)**	–
Profit from operations		**122,206**	123,147
Finance costs	*6(a)*	**(65,590)**	(49,381)
Profit before taxation	*6*	**56,616**	73,766
Income tax	*7*	**(18,173)**	(26,093)
Profit for the period		**38,443**	47,673
Attributable to:			
Equity shareholders of the Company		**41,061**	52,632
Non-controlling interests		**(2,618)**	(4,959)
Profit for the period		**38,443**	47,673
Earnings per share *(RMB)*			
Basic and diluted	*8*	**0.04**	0.05

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023 — unaudited
(Expressed in Renminbi)

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Profit for the period	**38,443**	47,673
Other comprehensive income for the period		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of entities not using Renminbi ("**RMB**") as functional currency	**(2,571)**	(644)
Total comprehensive income for the period	**35,872**	47,029
Attributable to:		
Equity shareholders of the Company	**38,490**	51,988
Non-controlling interests	**(2,618)**	(4,959)
Total comprehensive income for the period	**35,872**	47,029

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023 — unaudited
(Expressed in Renminbi)

	Note	**At 30 June 2023** *RMB'000*	At 31 December 2022 *RMB'000*
Non-current assets			
Property, plant and equipment	*9*	**1,704,788**	1,571,451
Investment property	*10*	**1,291,887**	1,313,425
Construction in progress		**598,685**	536,293
Right-of-use assets	*11*	**374,298**	376,948
Intangible assets		**2,743**	2,366
Interest in associates		**2,848**	2,948
Other financial assets		**4,587**	4,511
Other receivables	*12*	**32,162**	15,671
Deferred tax assets		**47,516**	47,531
Total non-current assets		**4,059,514**	3,871,144
Current assets			
Inventories		**25,236**	23,560
Trade and other receivables	*12*	**270,476**	226,682
Non-current assets held for sale		**–**	11,978
Restricted deposits with banks		**87,776**	48,449
Cash and cash equivalents		**282,083**	190,305
Total current assets		**665,571**	500,974
Current liabilities			
Trade and other payables	*13*	**794,443**	638,557
Contract liabilities		**9,001**	12,820
Bank loans and other borrowings	*14*	**863,412**	685,585
Lease liabilities		**2,451**	303
Current taxation		**18,789**	18,698
Total current liabilities		**1,688,096**	1,355,963
Net current liabilities		**(1,022,525)**	(854,989)

	Note	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Non-current liabilities			
Bank loans and other borrowings	*14*	**1,732,549**	1,547,656
Lease liabilities		**14,621**	459
Deferred income		**101,750**	98,036
Deferred tax liabilities		**2,751**	4,551
Total non-current liabilities		**1,851,671**	1,650,702
NET ASSETS		**1,185,318**	1,365,453
CAPITAL AND RESERVES			
Share capital		**97,412**	97,751
Reserves		**985,851**	1,043,653
Total equity attributable to equity shareholders		**1,083,263**	1,141,404
Non-controlling interests		**102,055**	224,049
TOTAL EQUITY		**1,185,318**	1,365,453

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

1. BASIS OF PREPARATION

The unaudited interim financial information was extracted from the interim financial report of Kimou Environmental Holding Limited (the "**Company**") and its subsidiaries (together the "**Group**") for the six months ended 30 June 2023.

The 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 25 August 2023.

At 30 June 2023, the Group's current liabilities exceeded its current assets by RMB1,022,525,000 (31 December 2022: RMB854,989,000). The directors of the Company have confirmed that, based on future projection of the Group's cash flows from operations and the anticipated ability of the Group to renew or rollover its banking facilities and other financing sources to finance its continuing operations and its planned and/or committed capital expenditure for the next twelve months from the end of the reporting period of the interim financial report, the Group has adequate resources to continue to operate as a going concern throughout the next twelve months and that there are no material uncertainties related to events or conditions which, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 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.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2022 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

2. CHANGES IN ACCOUNTING POLICIES

The Group has applied the following new and amended HKFRSs issued by the HKICPA to the interim financial report for the current accounting period:

- HKFRS 17, *Insurance contracts*
- Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to HKAS 12, *Income taxes: International tax reform — Pillar Two model rules*

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 the 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 identified three reportable segments. No operating segments have been aggregated to form the following reportable segments.

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

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

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

(a) Disaggregation of revenue

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

	Six months ended 30 June	
	2023	2022
	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	**154,281**	145,529
— Wastewater treatment and utilities	**206,912**	202,173
— Sales of goods and ancillary business	**128,501**	129,008
	489,694	476,710
Revenue from other sources		
Gross rentals from investment properties	**64,557**	58,243
	554,251	534,953

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.

	Rental and facilities usage		Wastewater treatment and utilities		Sales of goods and ancillary business		Total	
For the six months ended 30 June	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Disaggregated by timing of revenue recognition								
Point in time	**–**	–	**206,912**	202,173	**128,501**	129,008	**335,413**	331,181
Over time	**218,838**	203,772	**–**	–	**–**	–	**218,838**	203,772
Revenue from external customers	**218,838**	203,772	**206,912**	202,173	**128,501**	129,008	**554,251**	534,953
Inter-segment revenue	**9,342**	1,776	**–**	–	**24,711**	8,510	**34,053**	10,286
Reportable segment revenue	**228,180**	205,548	**206,912**	202,173	**153,212**	137,518	**588,304**	545,239
Reportable segment profit (adjusted EBITDA)	**201,441**	169,614	**48,535**	68,580	**11,468**	6,734	**261,444**	244,928
Depreciation and amortisation	**(115,684)**	(94,730)	**(10,839)**	(10,957)	**(839)**	(863)	**(127,362)**	(106,550)

The measure used for reporting segment profit is "adjusted EBITDA" i.e."adjusted earnings before finance costs, interest income, income tax, 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 share of losses of associates, 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	
	2023	2022
	RMB'000	*RMB'000*
Reportable segment profit derived from the Group's external customers	**261,444**	244,928
Depreciation and amortisation	**(127,362)**	(106,550)
Finance costs	**(65,590)**	(49,381)
Interest income	**1,110**	391
Unallocated head office and corporate expenses	**(12,986)**	(15,622)
Consolidated profit before taxation	**56,616**	73,766

(d) Geographic information

Substantially all of the Group's revenue and non-current assets are generated and located in the People's Republic of China ("**the PRC**").

4. SEASONALITY OF OPERATIONS

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

For the twelve months ended 30 June 2023, the Group reported revenue of RMB1,115,089,000 (twelve months ended 30 June 2022: RMB1,029,678,000).

5. OTHER REVENUE

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Interest income	**1,110**	391
Government grants		
— Unconditional subsidies	**3,084**	5,188
— Conditional subsidies	**5,118**	4,441
Others	**1,452**	391
	10,764	10,411

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

6. PROFIT BEFORE TAXATION

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

(a) Finance costs

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Interest on bank loans and other borrowings	**73,546**	60,558
Interest on lease liabilities	**265**	15
Interest expense on deferred consideration payable	**3,271**	–
Less: interest expense capitalised into properties under development	**(11,492)**	(11,192)
	65,590	49,381

The borrowing costs have been capitalised at a rate of 5.46% to 6.25% per annum during the six months ended 30 June 2023 (six months ended 30 June 2022: 6.05% to 6.55%).

(b) Staff costs (including directors' emoluments)

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**61,858**	55,836
Retirement scheme contributions	**5,776**	5,215
	67,634	61,051

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

(c) Other items

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Depreciation and amortisation		
— Property, plant and equipment	**82,499**	73,391
— Investment property	**39,897**	28,460
— Right-of-use assets	**4,579**	4,397
— Intangible assets	**387**	302
	127,362	106,550
Cost of inventories (i)		
— Cost of inventories — sold	**107,221**	107,036
— Cost of inventories — consumption	**60,821**	69,824
	168,042	176,860
Net (gain)/loss arising from disposal of property, plant and equipment and investment property	**(806)**	322
Utility costs	**17,275**	15,186
Research and development expenses	**6,134**	4,829

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

7. INCOME TAX

Taxation in the consolidated statement of profit or loss represents:

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Current tax — PRC income tax		
Provision for the period	**19,958**	20,110
Deferred tax		
Origination and reversal of temporary differences	**(1,785)**	5,983
	18,173	26,093

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

(ii) No provision was made for Hong Kong Profits Tax as the Group did not earn income subject to Hong Kong Profits Tax for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

(iii) Taxable income for the subsidiaries of the Company in the PRC is subject to PRC income tax rate of 25%, unless otherwise specified below.

Huizhou Jinmaoyuan Environmental Technology Co., Ltd. ("**Huizhou Jinmaoyuan**"), Tianjin Bingang Electroplating Enterprises Management Co., Ltd. ("**Tianjin Bingang**") and Jinyuan (Jingzhou) Environmental Technology Co., Ltd. ("**Jingzhou Jinyuan**") were qualified as "High and New Technology Enterprises" and entitled to the preferential income tax rate of 15% from 2021 to 2023, 2022 to 2024 and 2022 to 2024, respectively.

Huizhou Jinmaoyuan was engaged in the operation of environmental protection, energy and water conservation, related taxable income was qualified for income tax exemption for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

(iv) According to the Corporate Income Tax Law and its implementation rules, dividends and interest receivable by non-PRC corporate residents from PRC enterprises are subject to withholding tax at a rate of 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008. The withholding tax rate of 10% was applicable for the Group for the six months ended 30 June 2023 (six months ended 30 June 2022: 10%).

8. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB41,061,000 (six months ended 30 June 2022: RMB52,632,000) and the weighted average number of 1,110,138,000 ordinary shares (six months ended 30 June 2022: 1,119,174,000 shares) in issue during the interim period.

(b) Diluted earnings per share

During the six months ended 30 June 2023 and 2022, there were no dilutive potential ordinary shares issued.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, additions to property, plant and equipment of RMB216,503,000 (six months ended 30 June 2022: RMB42,862,000) mainly represented properties for own use and wastewater treatment equipment in industrial parks.

As at 30 June 2023, certain property, plant and equipment with carrying value of RMB629,271,000 (31 December 2022: RMB687,486,000) were pledged to secure the Group's bank loans and other borrowings (note 14(ii)).

10. INVESTMENT PROPERTY

During the six months ended 30 June 2023, additions to investment property of RMB20,587,000 (six months ended 30 June 2022: RMB77,594,000) mainly represented properties in industrial parks and leased apartments to earn rental income.

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

As at 30 June 2023, the fair value of the Group's investment property, excluding leased properties to earn rental income, was approximately RMB2,368,140,000 (31 December 2022: RMB2,387,100,000). The fair value is determined by the directors of the Company with reference to mainly the valuation performed, using the income capitalisation approach with reference to the term value and the reversionary value calculated by discounting the contracted annual rent at the capitalisation rate over the existing lease period, and the sum of average unit market rent at the capitalisation rate after the existing lease period, by an independent qualified professional valuer.

As at 30 June 2023, certain investment property with carrying value of RMB1,092,862,000 (31 December 2022: RMB1,121,483,000) were pledged to secure the Group's bank loans and other borrowings (note 14(ii)).

11. RIGHT-OF-USE ASSETS

During the six months ended 30 June 2023, the Group entered into a lease agreement with a related party for use of buildings. Certain apartments in these buildings were held for staff quarter purposes and the remaining apartments were held for investment property purposes. Accordingly, the Group recognised such additional lease agreement as right-of-use assets of RMB2,148,000 and investment property of RMB14,025,000.

As at 30 June 2023, certain land-use rights with carrying value of RMB181,663,000 (31 December 2022: RMB342,486,000) were pledged to secure the Group's bank loans and other borrowings (note 14(ii)).

12. TRADE AND OTHER RECEIVABLES

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

	At	At
	30 June	31 December
	2023	2022
	RMB'000	*RMB'000*
Current		
Within 1 month	**118,715**	110,103
1 to 3 months	**19,027**	16,416
4 to 6 months	**8,066**	5,152
Over 6 months	**3,719**	2,491
Trade debtors and bills receivables, net of loss allowance	**149,527**	134,162
Deductible input value-added tax	**103,058**	78,278
Prepayments and other receivables	**11,645**	7,344
Loan deposits (i)	**1,000**	4,000
Amounts due from related parties	**5,246**	2,898
	270,476	226,682
Non-current		
Prepayments for purchase of property, plant and equipment	**21,612**	10,121
Deposits for other borrowings	**8,550**	3,550
Deposits for constructions	**2,000**	2,000
	32,162	15,671
Total	**302,638**	242,353

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

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

Trade debtors are due within 15 to 90 days from the date of billing.

13. TRADE AND OTHER PAYABLES

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

	At 30 June 2023	At 31 December 2022
	RMB'000	*RMB'000*
Within 1 month	**53,382**	56,651
1 to 3 months	**14,322**	18,127
4 to 6 months	**3,428**	4,040
Over 6 months	**3,944**	1,313
Trade creditors	**75,076**	80,131
Deposits due to customers	**205,863**	203,539
Payables for equipment and construction	**257,474**	302,574
Interest payable	**4,101**	3,971
Payroll payable	**19,235**	31,144
Amounts due to related parties	**2,180**	2
Provision for litigation compensation	**850**	850
Dividend payable *(note 15)*	**38,725**	–
Deferred consideration payable	**176,420**	–
Others	**14,519**	16,346
Total	**794,443**	638,557

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 90 days.

14. BANK LOANS AND OTHER BORROWINGS

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Secured and guaranteed bank loans	**2,485,585**	2,130,886
Secured other borrowings	**110,376**	102,355
Total	**2,595,961**	2,233,241

As at 30 June 2023, the bank loans and other borrowings were repayable as follows:

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Within 1 year or on demand	**863,412**	685,585
After 1 year but within 2 years	**413,458**	461,885
After 2 years but within 5 years	**921,508**	731,115
After 5 years	**397,583**	354,656
Sub-total	**1,732,549**	1,547,656
Total	**2,595,961**	2,233,241

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

(ii) As at 30 June 2023, bank loans amounted to RMB2,005,409,000 (31 December 2022: RMB1,684,594,000) were floating-interest rate loans with interest rates ranged from 3.10% to 7.26% (31 December 2022: 3.10% to 7.40%). Bank loans and other borrowings amounted to RMB590,552,000 (31 December 2022: RMB548,647,000) were fixed-interest rate borrowings with interest rates ranged from 3.65% to 8.67% (31 December 2022: 3.65% to 8.67%).

(iii) Secured bank loans and other borrowings as at 30 June 2023 and 31 December 2022 were secured by certain of the Group's charge rights of rental income, equity interests of certain subsidiaries of the Group in the PRC, property, plant and equipment (note 9), investment property (note 10), land-use rights (note 11), loan deposits (note 12), deposits for other borrowings (note 12) and pledged deposits.

(iv) As at 30 June 2023, bank loans and other borrowings amounted to RMB2,591,308,000 (31 December 2022: RMB2,227,428,000) were guaranteed by certain Directors of the Company, close family members of Directors, non-controlling shareholders of the Company or non-controlling shareholders of certain subsidiaries of the Group in the PRC.

(v) Bank loans and other borrowings amounted to RMB2,595,668,000 as at 30 June 2023 (31 December 2022: RMB2,233,241,000) are subject to the fulfillment of covenants, which are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. In addition, pursuant to the terms of the bank loan agreements, certain subsidiaries are not allowed to distribute profit and/or to obtain other external financing prior to the lenders' approval. As at 30 June 2023, none of the covenants relating to drawn down facilities had been breached (31 December 2022: Nil).

15. DIVIDENDS

(i) No interim dividends were proposed to equity shareholders of the Company attributable to the interim period after the end of the reporting period (six months ended 30 June 2022: Nil).

(ii) Dividends payable to equity shareholders attributable to the previous financial year, approved and paid during the interim period

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved during the interim period, of HKD0.05 per ordinary share (six months ended 30 June 2022: Nil)	**49,289**	–

As at 30 June 2023, RMB10,564,000 of final dividend in respect of the previous financial year has been paid, the remaining RMB38,725,000 has been recognised as "dividend payable" (note 13).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group develops and operates large-scale Surface Treatment Recycling Eco-industrial Parks in the PRC which are specifically designed for the electroplating industry. For the Period under Review, the Group's revenue was approximately RMB554.3 million (six months ended 30 June 2022: approximately RMB535.0 million), representing an increase of approximately RMB19.3 million from that of 2022, the profit attributable to the equity shareholders of the Company was approximately RMB41.1 million (six months ended 30 June 2022: approximately RMB52.6 million), representing a decrease of approximately RMB11.5 million from that of 2022. During the Period under Review, the profit attributable to the equity shareholders of the Company decreased mainly due to the combined effects of (i) the commencement of provision for depreciation and amortisation as the Group's fourth Surface Treatment Recycling Eco-industrial Park in Qingshen, Sichuan Province ("**Qingshen Park**"), was officially opened; and (ii) the increase in finance costs by approximately RMB16.2 million as compared to six months ended 30 June 2022.

OUR SURFACE TREATMENT RECYCLING ECO-INDUSTRIAL PARKS

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

Total leasable area and occupancy rate

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

	As at 30 June									
	2023					2022				
	Guangdong Huizhou Park	**Tianjin Bingang Park**	**Jingzhou Park**	**Qingshen Park**	**Total**	Guangdong Huizhou Park	Tianjin Bingang Park	Jingzhou Park	Qingshen Park	Total
Total leasable area (sq.m.) (note)	**501,000**	**329,000**	**143,000**	**105,000**	**1,078,000**	466,000	317,000	72,000	N/A	855,000
Total leased area (sq.m.) (note)	**472,000**	**291,000**	**53,000**	**24,000**	**840,000**	435,000	289,000	37,000	N/A	761,000
Occupancy Rate	**94.2%**	**88.5%**	**37.1%**	**22.9%**	**77.9%**	93.3%	91.2%	51.4%	N/A	89.0%

Note: Rounded to the nearest thousand square metres (“**sq.m.**”).

The Group offers factory premises in standard floor areas in which the tenants can choose to lease or buy single or multiple floors according to their operational needs. The Group also leases land to tenants to construct their own plants according to the requirements of the Group. As at 30 June 2023, the total leasable area of Guangdong Huizhou Park, Tianjin Bingang Park, Jingzhou Park and Qingshen Park were approximately 501,000 sq.m., 329,000 sq.m., 143,000 sq.m. and 105,000 sq.m., respectively while their occupancy rates were 94.2%, 88.5%, 37.1% and 22.9%, respectively.

Wastewater treatment capabilities

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

	Six months ended 30 June							
	2023				2022			
	Guangdong Huizhou Park	**Tianjin Bingang Park**	**Jingzhou Park**	**Total**	Guangdong Huizhou Park	Tianjin Bingang Park	Jingzhou Park	Total
Fresh water used (tonnes) (note)	**1,222,000**	**359,000**	**28,000**	**1,609,000**	1,271,000	337,000	14,000	1,622,000
Daily wastewater treatment capacity (tonnes) (note)	**10,000**	**6,000**	**2,500**	**18,500**	10,000	6,000	2,500	18,500
Annual average daily wastewater treatment handling capacity (tonnes)	**6,791**	**1,992**	**156**	**8,939**	7,022	1,862	77	8,961
Annual average utilisation rate of daily wastewater treatment capacity	**67.9%**	**33.2%**	**6.2%**	**48.3%**	70.2%	31.0%	3.1%	48.4%

Note: Rounded to the nearest thousand.

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

Besides, Qingshen Park officially began operation on 18 May 2023, with a daily wastewater treatment capacity of 5,000 tonnes. However, most tenants are in the renovation stage, so little fresh water was used in Qingshen Park during the Period under Review.

RESEARCH AND DEVELOPMENT

To keep enhancing the effectiveness of wastewater treatment process and reuse rate of treated wastewater is the long term objective and the social responsibility of the Group. With our experienced and knowledgeable research and development team and in cooperation with Tsinghua Shenzhen International Graduate School, the Group has been gradually transforming itself into an integrated wastewater treatment service provider. The Group had obtained 120 patents and 32 patent applications were in the progress of registration as at 30 June 2023.

SALES AND MARKETING

The Group conducts marketing and promotion activities and builds customers relationship through participation in domestic exhibitions and seminars. During the Period under Review, the Group participated in seven exhibitions and eight seminars.

OUTLOOK

China's environmental protection policies are becoming increasingly stringent with the government environmental protection department gradually tightening the emission standards for wastewater, waste gas and solid waste. Local governments have been actively promoting the clustering and scaling development of electroplating industry, guiding electroplating enterprises to engage in centralised production and management, and adopting intensive operational practice to achieve economies of scale and promote sustainable economic development.

As a leader in electroplating industrial parks, we have been grasping the development trend of the industry, adhering to our core business of wastewater treatment, leveraging on a broader capital market and constructing parks at suitable sites to increase leasable area. The Group will continue to focus on environmental protection related businesses, and will also actively explore the businesses of hazardous and solid waste and recycling of waste materials to achieve green, low-carbon and circular development as well as revenue growth.

Huadong Park project

The construction of the first phase of the Group's fifth Surface Treatment Recycling Eco-industrial Park in Taixing Economic Development Zone, Taixing, Jiangsu Province ("**Huadong Park**"), is expected to be completed in the third quarter of 2023. The construction of the first phase consists of ten factory buildings and ancillary facilities, which will increase the leasable area and enhance the capacity of electroplating wastewater treatment of the Group upon completion and commencement of operation.

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

The planned daily maximum wastewater treatment capacity of the first phase of Huadong Park was 5,500 tonnes. Upon the expected completion of construction and commencement of operation in the third quarter of 2023, the Group's daily wastewater treatment capacity will increase by 5,500 tonnes.

The Group has submitted the application to the relevant government authorities to increase the daily maximum wastewater treatment capacity of Guangdong Huizhou Park from 10,000 tonnes to 15,000 tonnes. As at the date of this announcement, the Group's application is still under review by the local government authorities.

Increase ground floor area available for leasing

The factory buildings of the first phase of Huadong Park are expected to commence operation in the fourth quarter of 2023, thereby increasing the leasable areas of the Group by 121,000 sq.m..

Reference is made to the announcement of the Company dated 9 December 2022, the construction of nine factories in Tianjin Bingang Park, with total gross floor area of approximately 68,400 sq.m., is expected to be completed in December 2023, which will increase the leasable area for the Group upon completion.

RESULTS OF OPERATION

The Group's business mainly involves the provision of factory premises and centralised wastewater treatment services to the tenants at the Guangdong Huizhou Park, the Tianjin Bingang Park, the Jingzhou Park and the Qingshen 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.

Revenue

For the Period under Review, the Group's revenue amounted to approximately RMB554.3 million, representing an increase of approximately 3.6% over that in 2022, primarily due to the increase in revenue from the segments of rental and facilities usage and wastewater treatment and utilities of the Group.

	Six months ended 30 June									
	2023					2022				
Revenue by segment	**Guangdong Huizhou Park** *RMB'000*	**Tianjin Bingang Park** *RMB'000*	**Jingzhou Park** *RMB'000*	**Qingshen Park** *RMB'000*	**Total** *RMB'000*	Guangdong Huizhou Park *RMB'000*	Tianjin Bingang Park *RMB'000*	Jingzhou Park *RMB'000*	Qingshen Park *RMB'000*	Total *RMB'000*
Rental and facilities usage										
Rental of factory premises	**42,135**	**18,004**	**3,315**	**1,103**	**64,557**	38,279	17,614	2,350	N/A	58,243
Property management fee	**8,520**	**3,601**	**754**	**349**	**13,224**	7,490	3,119	494	N/A	11,103
Environmental protection technical service fee	**90,954**	**44,775**	**4,937**	**391**	**141,057**	88,624	42,668	3,134	N/A	134,426
Sub-total	**141,609**	**66,380**	**9,006**	**1,843**	**218,838**	134,393	63,401	5,978	N/A	203,772
Wastewater treatment and utilities										
Wastewater treatment fee	**82,803**	**24,152**	**2,331**	**347**	**109,633**	82,736	22,156	932	N/A	105,824
Steam charge	**35,339**	**20,461**	**1,934**	**190**	**57,924**	40,405	19,231	579	N/A	60,215
Utility systems maintenance fee	**25,261**	**13,128**	**876**	**90**	**39,355**	24,324	11,418	392	N/A	36,134
Sub-total	**143,403**	**57,741**	**5,141**	**627**	**206,912**	147,465	52,805	1,903	N/A	202,173
Sales of goods and ancillary business										
Sales of raw materials and consumables	**107,014**	**5,212**	**1,519**	**–**	**113,745**	107,867	6,624	459	N/A	114,950
Other income	**10,033**	**3,931**	**791**	**1**	**14,756**	11,338	2,504	216	N/A	14,058
Sub-total	**117,047**	**9,143**	**2,310**	**1**	**128,501**	119,205	9,128	675	N/A	129,008
Total	**402,059**	**133,264**	**16,457**	**2,471**	**554,251**	401,063	125,334	8,556	N/A	534,953

Revenue from rental and facilities usage service

The revenue from rental and facilities usage service increased by approximately RMB15.0 million or 7.4% from approximately RMB203.8 million for the six months ended 30 June 2022 to approximately RMB218.8 million for the Period under Review. The increase was primarily attributable to increase in total average daily leased area.

Revenue from wastewater treatment and utilities

Income from this business segment comprises of wastewater treatment fee, steam charge and utility systems maintenance fee, which are chargeable on our tenants based on the actual volume of fresh water, steam and utility consumed, respectively.

(i) Wastewater treatment fee

Wastewater treatment fee increased by approximately RMB3.8 million or 3.6% from approximately RMB105.8 million for the six months ended 30 June 2022 to approximately RMB109.6 million for the Period under Review. The increase was primarily attributable to the effect of the increase in the unit price of wastewater treatment for the Period under Review.

(ii) Steam charge

Steam charge decreased by approximately RMB2.3 million or 3.8% from approximately RMB60.2 million for the six months ended 30 June 2022 to approximately RMB57.9 million for the Period under Review. The decrease was primarily attributable to the effect of the decrease in steam charge per unit resulting from the decrease in natural gas price.

(iii) Utility systems maintenance fee

The Group charges its tenants for using its electricity and water supply systems, based on their consumption volume of those utilities. During the Period under Review, over 99% of the utility systems maintenance fee was derived from utilisation of the electricity system.

The utility systems maintenance fee increased by approximately RMB3.3 million or 8.9% from approximately RMB36.1 million for the six months ended 30 June 2022 to approximately RMB39.4 million for the Period under Review. The increase was primarily attributable to the combined effects of the increase in volume of electricity consumed and water used due to the increase in leased areas during the Period under Review.

Revenue from sales of goods and ancillary business

Sales of goods and ancillary business is mainly comprised of sales of materials and consumables which accounted for 88.5% (six months ended 30 June 2022: 89.1%) of this business segment.

Sales of materials and consumables decreased by approximately RMB1.3 million or 1.0% from approximately RMB115.0 million for the six months ended 30 June 2022 to approximately RMB113.7 million for the Period under Review. The decrease was primarily attributable to the decrease in demand of tenants during the Period under Review.

Operating costs

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

Operating costs increased by approximately RMB19.0 million or 4.5% from approximately RMB422.8 million for the six months ended 30 June 2022 to approximately RMB441.8 million for the Period under Review. The increase in operating costs was primarily attributable to the increase in the depreciation and amortisation of the Group.

Depreciation and amortisation

The Group's depreciation and amortisation increased by approximately RMB20.8 million or 19.5% from approximately RMB106.6 million for the six months ended 30 June 2022 to approximately RMB127.4 million for the Period under Review. The increase was mainly attributable to the commencement of provision for depreciation and amortisation of the Qingshen Park as a result of official operation during the Period under Review.

Cost of inventories

Cost of inventories mainly consisted of raw materials for wastewater treatment and natural gas for production of steam and goods for sale to the tenants.

Cost of inventories decreased by approximately RMB8.9 million or 5.0% from approximately RMB176.9 million for the six months ended 30 June 2022 to approximately RMB168.0 million for the Period under Review, primarily attributable to the decrease in unit cost of materials for wastewater treatment and natural gas for production of steam.

Staff costs

Staff costs comprised of staff's salaries, bonuses and other benefits as well as Directors' remuneration. For the Period under Review, the staff costs amounted to approximately RMB67.6 million, representing an increase of 10.8% as compared with approximately RMB61.1 million for the six months ended 30 June 2022. The increase was mainly due to the effect of the increase in number of employees due to business development needs during the Period under Review.

Utility costs

Utility costs mainly comprised of costs of electricity and water consumed throughout the wastewater treatment processes, production of steam and for other activities such as lighting and gardening inside the Surface Treatment Recycling Eco-industial Parks. Utility costs increased by approximately RMB2.1 million or 13.8%, from approximately RMB15.2 million for the six months ended 30 June 2022 to approximately RMB17.3 million for the Period under Review. The increase was mainly attributable to the combined impact of the increase in electricity and water consumption resulting from the increase in wastewater treatment in Tianjin Bingang Park and the increase in unit electricity price in Guangdong Huizhou Park.

Other expenses

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

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Professional service fees	**5,954**	6,312
Waste treatment expenses	**7,839**	12,059
Other taxes and surcharges	**18,361**	14,176
Security charges	**3,301**	3,866
Maintenance and consumables expenses	**5,720**	5,675
Research and development fees	**6,134**	4,829
Consultancy service fee	**933**	2,397
Business entertainment fees	**4,556**	4,726
Cleaning expenses	**2,055**	2,154
Travelling expenses	**2,202**	1,136
Others	**4,455**	5,868
Total	**61,510**	63,198

Other expenses decreased by approximately RMB1.7 million or 2.7%, from approximately RMB63.2 million for the six months ended 30 June 2022 to approximately RMB61.5 million for the Period under Review, primarily attributable to the combined effects of (i) the decrease in waste treatment expenses resulting from the decrease in unit handling price; (ii) the increase in other tax and surcharges resulting from the increase in revenue and investment properties; and (iii) the increase in research and development expenses for technical improvement during the Period under Review.

Other revenue

Other revenue primarily consisted of bank interest income, government grants, and others. Other revenue increased by approximately RMB0.4 million or 3.4%, from approximately RMB10.4 million for the six months ended 30 June 2022 to approximately RMB10.8 million for the Period under Review. Such increase was mainly due to the increase in bank interest income.

Finance costs

Finance costs primarily comprised of interest on bank loans and other borrowings and interest expense on deferred consideration payable. Finance costs increased by approximately RMB16.2 million or 32.8%, from approximately RMB49.4 million for the six months ended 30 June 2022 to approximately RMB65.6 million for the Period under Review. The increase in finance costs was attributable to the increase in the average balance of bank loans and other borrowings during the Period under Review.

Income tax

Income tax decreased by approximately RMB7.9 million from approximately RMB26.1 million for the six months ended 30 June 2022 to approximately RMB18.2 million for the Period under Review, which was primarily attributable to the decrease in the Group's taxable income during the Period under Review.

Profit attributable to the equity shareholders of the Company

Profit attributable to the equity shareholders of the Company decreased by approximately RMB11.5 million from approximately RMB52.6 million for the six months ended 30 June 2022 to approximately RMB41.1 million for the Period under Review, which was mainly attributable to the factors as described above.

Bank loans and other borrowings

As at 30 June 2023, the total amount of bank loans and other borrowings of the Group was approximately RMB2,596.0 million (31 December 2022: RMB2,233.2 million), in which 98.3% (31 December 2022: 98.9%) were denominated in RMB.

Net current liabilities and sufficiency of working capital

The table below sets out our current assets, current liabilities and net current liabilities as at 30 June 2023.

	At 30 June 2023 *RMB'000*	At 31 December 2022 *RMB'000*
Current assets	**665,571**	500,974
Current liabilities	**(1,688,096)**	(1,355,963)
Net current liabilities	**(1,022,525)**	(854,989)

As at 30 June 2023 and 31 December 2022, the total net current liabilities of the Group amounted to approximately RMB1,022.5 million and RMB855.0 million, respectively. In light of the Group's current liquidity position, the unutilised banking facilities available to the Group and our projected cash inflows to be generated from operations, the Directors believe that the Group has adequate resources to meet the Group's present capital requirements and for the next 12 months.

Capital management

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

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher level of borrowings and the advantages and security offered 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-equity ratio (net debt divided by total equity). For this purpose, net debt is defined as the remaining balance of bank loans, other borrowings and lease liabilities less cash and cash equivalents and restricted deposits with banks.

The Group's adjusted net debt-to-equity ratio was as follows:

	At 30 June 2023 *RMB'000*	At 31 December 2022 *RMB'000*
Current liabilities:		
Bank loans and other borrowings	**863,412**	685,585
Lease liabilities	**2,451**	303
	865,863	685,888
Non-current liabilities:		
Bank loans and other borrowings	**1,732,549**	1,547,656
Lease liabilities	**14,621**	459
	2,613,033	2,234,003
Less: Cash and cash equivalents	**(282,083)**	(190,305)
Less: Restricted deposits with banks	**(87,776)**	(48,449)
Net debt	**2,243,174**	1,995,249
Total equity	**1,185,318**	1,365,453
Adjusted net debt-to-equity ratio	**1.89**	1.46

Capital Expenditure

During the Period under Review, the Group funded its capital expenditure with cash generated from operating activities and bank loans. For the six months ended 30 June 2023, the Group's capital expenditure amounted to approximately RMB286.2 million (for the six months ended 30 June 2022: RMB393.6 million), mainly attributable to acquisition of investment property, property, plant and equipment, and other intangible assets.

Pledged assets

As at 30 June 2023, the Group had certain property, plant and equipment and investment property with carrying value of approximately RMB629.3 million and approximately RMB1,092.9 million, respectively (31 December 2022: approximately RMB687.5 million and approximately RMB1,121.5 million, respectively), land-use rights with net book value of approximately RMB181.7 million (31 December 2022: approximately RMB342.5 million), loan deposits with carrying value of RMB1.0 million (31 December 2022: RMB4.0 million), deposits for other borrowings with carrying value of RMB8.6 million (31 December 2022: RMB3.6 million), and pledged deposits with carrying value of RMB45.9 million (31 December 2022: RMB48.4 million) were pledged as security for the bank loans and other borrowings with carrying amount of approximately RMB2,596.0 million (31 December 2022: approximately RMB2,233.2 million).

Please refer to note 14(iv) of the Notes to the Unaudited Interim Financial Information of this announcement for particulars of guarantees made by the connected persons of the Company in favour of the Group for securing the Group's liabilities. Such guarantees are conducted on normal commercial terms or better and are not secured by the assets of the Group.

Capital commitments

As at 30 June 2023, the Group's total capital expenditure which has been contracted for but not incurred were approximately RMB275.1 million (31 December 2022: RMB390.0 million) for the development of the utility tunnel and ancillary facilities of Guangdong Huizhou Park, the development of wastewater treatment and ancillary facilities of the Jingzhou Park and Qingshen Park and the development of the factory premises of Tianjin Bingang Park and Huadong Park and other equipment. These capital expenditures were mainly financed by internal resources and bank loans and other borrowings.

Contingent liabilities

In 2021, an external third party (the "**Plaintiff**") launched a lawsuit against a subsidiary of the Company (the "**Defendant**") in respect of a dispute of trademark. The Plaintiff claimed a compensation in a total sum up to RMB10 million in connection with the damages therefrom from the Defendant. On 16 August 2021, pursuant to an order from the court, a bank deposit of RMB3,140,000 was frozen. On 28 September 2022, the Beijing Haidian People's Court ordered that the Defendant should pay approximately RMB350,000 to the Plaintiff. The Plaintiff and the Defendant both appealed against the judgment. As at 30 June 2023, the Beijing Intermediate People's Court had yet to make a decision on the appeal.

Pursuant to the opinion from the Group's external legal counsel, the Directors believe it is probable that the Defendant will be subject to compensation payment by no more than RMB850,000. Accordingly, other than the amount recognised as "provision for litigation compensation" of RMB850,000 as at 30 June 2023 and as at the date of this announcement, no further provision has therefore been made by the Group in respect of this claim.

Save as disclosed above, the Group did not have any material contingent liabilities as at 30 June 2023 (31 December 2022: Nil).

FOREIGN EXCHANGE RISK

Individual companies within the Group have limited foreign currency risk as most of the transactions are denominated in the same currency as the functional currency of the operations in which they relate. However, as the principal subsidiaries mainly carried out transactions in RMB, therefore any appreciation or depreciation of Hong Kong dollar against RMB will affect the Group's financial position and be reflected in the exchange reserve.

During the Period under Review, the Group did not use any financial derivatives to hedge against any foreign exchange risks.

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

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables. The Group's exposure to credit risk arising from cash and cash equivalents and restricted deposits with banks is limited because the counterparties are banks and financial institutions, for which the Group considers having low credit risk.

LIQUIDITY RISK

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's Board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

Cash and cash equivalents held by the Group are mainly denominated in RMB.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL AND OTHER MATERIAL TRANSACTION

On 20 February 2023, Huizhou Kimou Industrial Investment Co., Ltd.*（惠州金茂實業投資有限公司）("**Huizhou Kimou**"), which is an indirect wholly-owned subsidiary of the Company, Tianjin Wanheshun Technology Group Co., Ltd.*（天津萬和順科技集團有限公司）("**Tianjin Wanheshun**") and Tianjin Bingang entered into an equity transfer agreement, pursuant to which, Tianjin Wanheshun has agreed to sell and Huizhou Kimou has agreed to purchase 38.72% of the equity interests in Tianjin Bingang held by Tianjin Wanheshun at a total consideration of approximately RMB193.6 million. Upon completion of the acquisition, Tianjin Bingang is owned as to 89.72% and 10.28% by Huizhou Kimou and Tianjin Wanheshun, respectively, and Tianjin Bingang remains a subsidiary of the Company. For further details, please refer to the announcement of the Company dated 20 February 2023.

On 24 April 2023, Tianjin Bingang entered into a lease agreement with Tianjin Jinshang Real Estate Development Company Limited*（天津金尚房地產開發有限公司）("**Tianjin Jinshang**"), pursuant to which, Tianjin Bingang agreed to lease Premises A (as defined in the announcement of the Company dated 24 April 2023) and Tianjin Jinshang agreed to grant the right of use of Premises A to Tianjin Bingang. Besides, Tianjin Bingang entered into a renovation agreement with Tianjin Jinshang, pursuant to which, Tianjin Bingang agreed to engage Tianjin Jinshang to provide renovation works for Premises B (as defined in the announcement of the Company dated 24 April 2023) and to supply and install home appliances and furniture for Premises A. For further details, please refer to the announcement of the Company dated 24 April 2023.

Save as disclosed above, there was no other significant investment, material acquisition or disposal of subsidiaries, associates or joint ventures or other material transaction during the Period under Review.

* *For identification purposes only*

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES

During the Period under Review, the Company repurchased in total 1,960,000 ordinary shares of the Company on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") at an aggregate consideration of approximately HK$2.0 million (equivalent to approximately RMB1.7 million). The Company believes that such repurchase can increase the net asset value per share and/or earnings per share, which is the best way to enhance shareholders' value and is in the best interests of shareholders of the Company.

The details of the above-mentioned repurchase are as follows:

Date of repurchase	**Number of repurchased shares** *(share(s))*	**Highest price per share** *(HK$)*	**Lowest price per share** *(HK$)*	**Total consideration** *(HK$)*
30 March 2023	310,000	0.98	0.95	297,140
31 March 2023	1,650,000	1.01	1.01	1,666,500

On 9 May 2023, the Company cancelled 3,838,000 repurchased shares of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities for the Period under Review.

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2023, the Group had 867 full-time employees (30 June 2022: 833 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 RMB67.6 million for the Period under Review, which was an increase of approximately 10.8% as compared with approximately RMB61.1 million for the six months ended 30 June 2022. 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 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, customers and regulatory requirements.

The Company adopted a share option scheme on 18 June 2019 for the purpose of providing incentives and rewards to eligible directors and employees of the Group. During the period from the date of adoption of the share option scheme and up to the date of this announcement, no share option under the share option scheme was granted.

UPDATE ON DIRECTORS' INFORMATION AND CHANGE IN DIRECTORS

From 1 January 2023 and up to the date of this announcement, the change to the Director's information that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is as follows:

Mr. Liu Da has been appointed as an independent non-executive Director and the chairman of the audit committee of the Board with effect from 1 March 2023. For details, please refer to the Company's announcement dated 1 March 2023.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this announcement and so far as the Group is aware after having made reasonable enquiries, there were no other significant events affecting the Group which have occurred since 30 June 2023 and up to the date of this announcement.

CORPORATE GOVERNANCE PRACTICES

The Company recognises the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of its shareholders as a whole. The Company has adopted and committed to a code of corporate governance, containing the code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). The Company has complied, to the extent applicable and permissible, with the code provisions as set out in the CG Code ("**Code Provisions**") during the Period under Review.

During the Period under Review, the Company has complied with the applicable Code Provisions of the CG Code, except for the temporary failure to meet the requirements of Rules 3.10(1), 3.10(2) and 3.21 of the Listing Rules as set out below:

On 22 December 2022, Mr. Li Yinquan resigned as an independent non-executive Director. Upon the resignation of Mr. Li Yinquan, he also ceased to be the chairman of the Audit Committee. As a result, the Company temporarily failed to comply with the requirements as set out in Rules 3.10(1), 3.10(2) and 3.21 of the Listing Rules.

On 1 March 2023, Mr. Liu Da has been appointed as an independent non-executive Director and the chairman of the Audit Committee. Following the appointment of Mr. Liu, the Company is in compliance with the requirements of (i) Rule 3.10(1) of the Listing Rules that the Board must include at least three independent non-executive Directors; and (ii) the Audit Committee must comprise at least three members under Rule 3.21 of the Listing Rules, and at least one of whom is an independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules; and the Audit Committee must be chaired by an independent non-executive Director.

As always, the Directors will use their best endeavours to procure the Company to comply with the requirements under the CG Code and make disclosure of deviation from Code Provisions in accordance with the Listing Rules.

COMPLIANCE WITH THE MODEL CODE BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its code of conduct regarding its Directors' securities transactions. The Directors are reminded of their obligations under the Model Code on a regular basis. Following specific enquiry, all Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the Period under Review.

AUDIT COMMITTEE

The Board established the audit committee (the "**Audit Committee**") on 18 June 2019. As at the date of this announcement, the Audit Committee comprises three independent non-executive Directors, namely Mr. Liu Da, Mr. Kan Chung Nin, Tony SBS, JP and Mr. Li Xiaoyan. Mr. Liu Da is the chairman of the Audit Committee. None of them is a member of the former or existing auditors of the Company.

Details of the terms of reference of the Audit Committee are set out on the Company's website and the website of the Stock Exchange. The primary duties of the Audit Committee are to review and supervise the Group's financial reporting process and internal control and risk management systems, and to formulate or review policies relating to anti-bribery compliances by ensuring regular management review of relevant corporate governance measures and its implementation and to communicate with external auditors on the audit procedures and accounting issues. The Audit Committee has reviewed the unaudited interim results of the Group, which has also been reviewed by the Company's external auditor, KPMG, Certified Public Accountants, in accordance with Hong Kong Standard on Review Engagement 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by HKICPA.

INTERIM DIVIDEND

The Board does not recommend any payment of interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the websites of the Stock Exchange (www.hkexnews. hk) and of the Company (www.platingbase.com). The interim report of the Company for the six months ended 30 June 2023 containing all the information required by the Listing Rules will be despatched to the shareholders of the Company 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 of its valued shareholders and various stakeholders for their continuous support. Also, the Company would like to express its appreciation to all the staff for their efforts and commitments to the Group.

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

Hong Kong, 25 August 2023

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