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

2019 ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

PLACE OF LISTING

The Stock Exchange of Hong Kong Limited
(the "**Stock Exchange**")

STOCK CODE

6805

BOARD OF DIRECTORS

Executive Directors

Mr. Zhang Lianghong *(Chairman)*
Mr. Zhu Heping *(Chief Executive Officer)*
Mr. Lee Yuk Kong
Mr. Huang Shaobo

Independent Non-Executive Directors

Mr. Kan Chung Nin, Tony *SBS, JP*
Mr. Li Xiaoyan
Mr. Li Yinquan

AUDIT COMMITTEE

Mr. Li Yinquan *(Chairman)*
Mr. Kan Chung Nin, Tony *SBS, JP*
Mr. Li Xiaoyan

NOMINATION COMMITTEE

Mr. Zhang Lianghong *(Chairman)*
Mr. Kan Chung Nin, Tony *SBS, JP*
Mr. Li Xiaoyan

REMUNERATION COMMITTEE

Mr. Kan Chung Nin, Tony *SBS, JP (Chairman)*
Mr. Zhang Lianghong
Mr. Li Xiaoyan

COMPANY SECRETARY

Ms. Yeung Ching Man

AUTHORISED REPRESENTATIVES

Mr. Zhang Lianghong
Mr. Lee Yuk Kong

PRINCIPAL BANKER

Dongguan Rural Commercial Bank Joint
Stock Company Limited
No. 44, Nancheng Section,
Guantai Road,
Dongguan, Guangdong Province
the PRC

REGISTERED OFFICE

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Cricket Square
Grand Cayman KY1-9010
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA (THE "PRC")

Longhua Road, Longxi Street, Boluo County
Huizhou City
Guangdong Province, the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Sunlight Tower
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Hong Kong

LEGAL ADVISORS AS TO HONG KONG LAWS

William Ji & Co. LLP in Association with
Tian Yuan Law Firm Hong Kong Office
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Two Chinachem Central
26 Des Voeux Road Central
Central Hong Kong

AUDITOR

KPMG, *Certified Public Accountants*
Public Interest Entity Auditor
registered in accordance with the Financial Reporting Council Ordinance
8th Floor
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Central Hong Kong

COMPLIANCE ADVISOR

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Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Campbells Corporate Services Limited
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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
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183 Queen's Road East
Wanchai, Hong Kong

COMPANY WEBSITE

www.platingbase.com

CHAIRMAN'S STATEMENT

Dear shareholders of the Company,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Kimou Environmental Holding Limited (the "**Company**"), I am pleased to present the first annual report of the Company and its subsidiaries (collectively as the "**Group**" or "**Kimou**"), after the listing of the shares of the Company (the "**Listing**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), for the year ended 31 December 2019 ("**Year**").

RESULTS

The year of 2019 was a challenging year for the Group. Heightening geopolitical risks and international economic uncertainties like Brexit and continued trade tensions between the PRC and the United States has slowed down the global economy and negatively impacted the manufacturing industry in China which in turn has affected the tenants of the Group's electroplating industrial parks. In view of this backdrop, the Group was able to record revenue of RMB640.0 million for the Year, representing an increase of RMB160.3 million or 33.4% since the year ended 31 December 2018 and the profit attributable to the equity shareholders of the Company increased to RMB55.1 million for the Year, representing an increase of RMB7.2 million or 15.0% since the year ended 31 December 2018. The unaudited adjusted profit attributable to the equity shareholders of the Company derived, and excluding one-off item relating to our Listing, was approximately RMB73.1 million, representing a growth of 40.6% as compared to year ended 31 December 2018.

BUSINESS REVIEW

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.

There is rising awareness on the impacts of environmental hazards on the PRC society and economy and the PRC government has in response launched a number of comprehensive environmental protection measures to support ecological civilization, build an environmentally-friendly society and develop a green recyclable economy. These measures have resulted to an increase in demand of qualified electroplating industrials parks with high standards of waste water treatment capacity. The Group continued to strengthen its core businesses namely wastewater treatment and rental and facilities usage of its two electroplating industrial parks. The annual average daily wastewater treatment handling volume of the Group was 8,188 tonnes which is at a similar level as that of the previous year while the total leasable area of the Group increased from 476,000 sq.m. to 520,000 sq.m. in 2019. As at 31 December 2019, the occupancy rate of the Group was 86.2%.

PROSPECTS

To further expand the wastewater treatment capabilities and the gross floor area for leasing of our electroplating industrial parks, the Group commenced its construction work in the Huibei Jingzhou Project and Guangdong Huizhou Park. We will continue to focus on our market development plan which targets new markets in rapidly development regions with low risk exposures in the PRC and also look for business opportunities and other suitable investments which will bring synergies to the Group's existing business.

As always, our vision is to embrace green development and promote the harmonious coexistence of nature and mankind ("**堅持綠色發展•促進人與自然和諧共生**") and maximize the benefits of the shareholders of the Company.

APPRECIATION

Finally, on behalf of the Board, I would like to take this opportunity to thank our valued shareholders and various stakeholders of the Company for their continuous support. Also, I would like to express my appreciation to our staff for their efforts, commitments and contribution to the Group.

Zhang Lianghong
Chairman
6 May 2020

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

The complicated and volatile global market environment arising from continuous trade friction between the United States and the 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 environmental protection in the PRC as the PRC government aims to build an environmentally friendly and green society. 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 the 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》, the local government has stepped up their inspection levels 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 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 (the "**Shares**") have been successfully listed on the Stock Exchange since 16 July 2019 (the "**Listing Date**"). 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% from the year ended 31 December 2018.

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 ELECTROPLATING INDUSTRIAL PARKS *(Continued)*

Total leasable area and occupancy rate *(Continued)*

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 sq.m., the total leasable area of Guangdong Huizhou Park attained approximately 347,000 sq.m. 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 largescale and one of the Group's two electroplating industrial parks in Tianjin. As at 31 December 2019, the total leasable area was approximately 256,000 sq.m. 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.

Details of the lease term of our factory buildings are set out in note 13 to the Consolidated Financial Statements on page 94 of this annual report.

Wastewater treatment capabilities

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

	For the year ended 31 December					
	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 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%.

THE ELECTROPLATING INDUSTRIAL PARKS *(Continued)*

Wastewater treatment capabilities *(Continued)*

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 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 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 its operation until late 2022. It is expected that there might be a considerable impact brought by the coronavirus on the Group's business operations and financial performance as the consumption of fresh use water, steam and utilities by the Parks' tenants 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.

OUTLOOK *(Continued)*

On 19 February 2019, the Group won the tender for the land use right for three parcels of land for the Hubei Jingzhou Project with a total site area of 325,981 sq.m. at a total consideration of RMB65.8 million. Such transaction was completed in August 2019 when the consideration was settled in full. During the Year, the Group commenced the construction work for its third electroplating industrial park in Hubei Province. However, the construction works have been postponed following the outbreak of the coronavirus. As such, it is expected that the commencement of the operation of Hubei Jingzhou Project will be delayed until 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 report, 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 be postponed 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 report, 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. Details of the occupancy rate of the newly constructed two factory buildings in the Group's Guangdong Huizhou Park are set out in the paragraph headed "The Electroplating Industrial Parks" on page 7 of this annual report. The Group plans to construct eight factory buildings in Guangdong Huizhou Park with an aggregate GFA of approximately 113,000 sq.m. 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 sq.m. 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 the end of 2020. The second phase of the project involves the construction of four factory buildings with an aggregate GFA of approximately 65,000 sq.m. with budgeted cost of approximately RMB111.2 million which is expected to commence during the third quarter of 2020 and be completed 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 RMB'000**	**Tianjin Bingang Park RMB'000**	**Total RMB'000**	Guangdong Huizhou Park RMB'000	Tianjin Bingang Park RMB'000	Total RMB'000	Change in Total %
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%

RESULTS OF OPERATION *(Continued)*

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		
Revenue (RMB'000)	**Guangdong Huizhou Park**	**Tianjin Bingang Park**	**Total**	Guangdong Huizhou Park	Tianjin Bingang Park	Total
— 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.

RESULTS OF OPERATION *(Continued)*

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		
Revenue (RMB'000)	Guangdong Huizhou Park	Tianjin Bingang Park	Total	Guangdong Huizhou Park	Tianjin Bingang Park	Total
— 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		
Revenue (RMB'000)	Guangdong Huizhou Park	Tianjin Bingang Park	Total	Guangdong Huizhou Park	Tianjin Bingang Park	Total
— 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 million 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.

RESULTS OF OPERATION *(Continued)*

Revenue from wastewater treatment and utilities *(Continued)*

(iii) Utility systems maintenance fee

	For the year ended 31 December					
	2019			2018		
Revenue (RMB'000)	Guangdong Huizhou Park	Tianjin Bingang Park	Total	Guangdong Huizhou Park	Tianjin Bingang Park	Total
— 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.

RESULTS OF OPERATION *(Continued)*

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 RMB'000	For the year Ended 31 December 2018 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.

RESULTS OF OPERATION *(Continued)*

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 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, which 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 and was partially offset by depreciation of approximately RMB102.6 million during the Year.

RESULTS OF OPERATION *(Continued)*

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 an addition of approximately RMB494.7 million 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 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.

RESULTS OF OPERATION *(Continued)*

Liquidity and financial resources *(Continued)*

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).

RESULTS OF OPERATION *(Continued)*

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.

Funding and Treasury Policies

The Group's funding and treasury policies are designed to maintain a diversified and balanced debt profile and financing structure. The Group continues to monitor its cash flow position and debt profile, and to enhance the cost-efficiency of funding initiatives by its centralised treasury function. In order to maintain financial flexibility and adequate liquidity for the Group's operations, potential investments and growth, the Group would keep monitoring its cash flow position and debt profile.

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%.

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.

Significant Investment, Material Acquisition and Disposal

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

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 25 to the Consolidated Financial Statements on pages 106 to 107 of this annual report 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. During the period from the Listing Date and up to the date of this annual report, no share option under the share option scheme was granted.

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.

Below are the brief profiles of our current Directors and senior management.

DIRECTORS

The Board currently comprises seven Directors, of which four are executive Directors and three are independent non-executive Directors. The following table sets forth information regarding the Directors.

Name	Age	Position	Date of Appointment as Director
Mr. Zhang Lianghong	50	Executive Director and chairman of the Board	7 January 2019
Mr. Zhu Heping	67	Executive Director and chief executive officer	7 January 2019
Mr. Lee Yuk Kong	68	Executive Director	28 June 2018
Mr. Huang Shaobo	55	Executive Director and Financial Controller	7 January 2019
Mr. Kan Chung Nin, Tony	69	Independent non-executive Director	18 June 2019
Mr. Li Xiaoyan	56	Independent non-executive Director	18 June 2019
Mr. Li Yinquan	65	Independent non-executive Director	18 June 2019

EXECUTIVE DIRECTORS

Mr. Zhang Lianghong (張梁洪), aged 50, is the founder, executive Director, chairman of the Board, chairman of the nomination committee and member of the remuneration committee of the Group. Mr. Zhang is responsible for the strategic planning, major business decisions and overall management of the Group.

Mr. Zhang has over 18 years of experience in property construction and operation of electroplating industrial parks in the PRC. In July 2001, Mr. Zhang established Boluo Jinchang Trading Company Limited* (博羅縣金昌貿易有限公司) ("**Boluo Jinchang**"), which engaged in the sale of building materials, hardware and chemicals and Huizhou Infrastructure Construction Company Longxi Branch ("**HICC-Longxi**") in July 2005, which principally engaged in contracting of building constructions. Mr. Zhang has served as a general manager of Boluo Jinchang and HICC-Longxi since their respective inception. Since the incorporation of the Group's principal operating entity, Huizhou Kimou Industrial Investment Co., Ltd. ("**Huizhou Kimou**") in June 2005, Mr. Zhang has been committing substantial time and efforts on the construction and operation of electroplating industrial parks. In November 2017, under the leadership of Mr. Zhang, Huizhou Kimou entered into cooperations with the Jingzhou ETDZ Administrative Committee in Hubei Province for the development of the Hubei Jingzhou Project.

Mr. Zhang obtained his high school diploma from Boluo County Longxi High School* (博羅縣龍溪中學) in July 1989. Mr. Zhang was awarded the Outstanding Entrepreneur of Guangdong Environmental Protection Industry (廣東省環境保護產業優秀企業家) by the Guangdong Association of Environmental Protection Industry (廣東省環境保護產業協會) in July 2016.

EXECUTIVE DIRECTORS *(Continued)*

Mr. Zhu Heping (朱和平), aged 67, is the executive Director and chief executive officer of the Group. Mr. Zhu is primarily responsible for strategic planning and daily operational management of the Group.

Mr. Zhu has over 18 years of experience in the electroplating industry, including the implementation of business strategies for, and the construction and management of electroplating industrial parks in the PRC. Mr. Zhu established a trading company in Lanzhou, Gansu Province, in the PRC, which principally engaged in the trading of a variety of products, including fire fighting equipment, knitwear and leather goods from March 1998 to June 2001. Subsequently, Mr. Zhu served as general managers of Boluo Jinchang and Huizhou Jinchang Real Estate Development Company Limited* (惠州金昌房地產有限公司), from July 2001 to May 2007 and from May 2007 to December 2018, respectively. Mr. Zhu joined the Group in June 2013 when he was appointed as the general manager of the Guangdong Huizhou Park. Under his direction, Guangdong Huizhou Park was recognised by Electroplating Division of China Surface Engineering Association (中國表面工程協會電鍍分會) as a China Demonstration Area of Plating Industry (中國電鍍示範園區) in January 2015. In September 2015, Mr. Zhu was appointed as general manager of the Tianjin Bingang Park and subsequently, in December 2017, he was promoted as chief executive officer of the Group.

Mr. Zhu received his diploma in business management from Jincheng United University* (金城聯合大學) in Gansu Province, the PRC, in July 1986. In May 2018, Mr. Zhu was jointly recognised as one of the Chinese Entrepreneurs (全國優秀企業家) by the China Enterprise Confederation* (中國企業聯合會) and the China Enterprise Directors Association* (中國企業家協會).

Mr. Lee Yuk Kong (李旭江), aged 68, is an executive Director of the Company. Mr. Lee is responsible for the banking relationship and human resources planning of the Group.

Mr. Lee has over 41 years of experience in overall business management. Through his interest in Huizhou Yongjiasheng Industrial Co., Ltd.* (惠州永嘉盛實業有限公司), Mr. Lee became an ultimate shareholder of Huizhou Kimou in July 2016, where he supervised the overall financial management of Huizhou Kimou. Mr. Lee has been serving as chairman of Dongguan Yongjiasheng Knitwear Co., Ltd.* (東莞永嘉盛針織有限公司) since 1979, responsible for overall management including financial and human resources planning.

Mr. Lee has served as member of the Dongguan Spiritual Civilization Establishment Committee* (東莞市精神文明建設委員會), a representative of the 4th Congress of Dongguan Nancheng District Federation of Returned Overseas Chinese (東莞市南城區歸國華僑聯合會第四次代表大會), director of Guandong Overseas Chinese Enterprises Association (廣東省僑商投資企業協會) chairman of Hong Kong Dongguan Nancheng Natives' Association (香港東莞南城同鄉會) and Guangdong Dongguan committee member of the 12th Chinese People Political Consultative Conference in China (中國人民政治協商會議) in December 2011. Mr. Lee also received the Top 100 Distinguished Character of Guangdong Dongguan award (中國廣東省東莞市百名傑出人物) from Dongguan Spiritual Civilisation Establishment Committee* (東莞市精神文明建設委員會) in 2007. Mr. Lee attended primary education.

EXECUTIVE DIRECTORS *(Continued)*

Mr. Huang Shaobo (黃少波), aged 55, is an executive Director and financial controller of the Group. Mr. Huang is responsible for financial planning and corporate development of the Group. Mr. Huang has over 26 years of experience in accounting, asset appraisal as well as mergers and acquisitions advisory. Prior to joining the Group, Mr. Huang held executive positions of several audit and asset appraisal firms in the PRC and as corporate advisors of the PRC or Hong Kong branch of several multinational companies from June 1993 to October 2015, responsible for managerial and corporate advisory. Since January 2001, Mr. Huang has been serving as independent certified asset appraiser of Dexin Asset Appraisal Firm* (惠州德信資產評估事務所), responsible for independent audit work and asset appraisals.

Mr. Huang received his diploma in management from Shaanxi Fashion Institute of Technology* (陝西紡織服裝職業技術學院) (formerly known as Shaanxi Textile Industry University* (陝西省紡織工業公司職工大學) in July 1986. In December 2001 and May 1997, Mr. Huang was accredited as a certified public accountant by the Chinese Institute of Certified Public Accountants and as certified appraiser by the Chinese Appraisal Society, respectively.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Kan Chung Nin, Tony (簡松年), *SBS, JP*, aged 69, is an independent non-executive Director, chairman of the remuneration committee, member of the audit committee and nomination committee of the Group. Mr. Kan was appointed as an independent non-executive director of the Company in June 2019. He is responsible for providing independent advice to the Board.

Mr. Kan has extensive experience in legal practice. Prior to joining the Group, Mr. Kan founded Tony Kan & Co., Solicitors & Notaries in March 1984 and became the senior consultant in April 2014. Mr. Kan has been practising as a solicitor in Hong Kong since March 1982.

Mr. Kan has been serving as independent non-executive directors of Man Wah Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1999) since May 2013 and Hopewell Highway Infrastructure, a company listed on the Main Board of the Stock Exchange (stock code: 0737) since April 2018, respectively. Hopewell Highway Infrastructure Limited has been changed the name to Shenzhen Investment Holdings Bay Area Development Company Limited with effect from 30 April 2019. Mr. Kan has been serving as non-executive director as well as chairman of the board of Midland IC&I Limited, a company listed on the Main Board of the Stock Exchange (stock code: 459) since October 2016 to October 2019. Mr. Kan has served as independent non-executive director of Nameson Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1982) since January 2016. Mr. Kan has also served as vice chairman of the board of directors of DBG Technology Co., Ltd. (惠州光弘科技股份有限公司), a company listed on the ChiNext Market of the Shenzhen Stock Exchange (stock code: 300735) since December 2017.

Mr. Kan received his bachelor in law degree from University of London in 1979 and Postgraduate Certificate in Laws from The University of Hong Kong in 1980.

Mr. Kan is currently a committee member of the National Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議全國委員會). Mr. Kan served as director of China Overseas Friendship Association (中華海外聯誼會) and vice president of Guangdong Overseas Friendship Association (廣東海外聯誼會).

Mr. Kan has been serving as member of the election committee of the chief executive of Hong Kong since December 2011, the Justice of the Peace since July 2003 and council member of Hong Kong Sha Tin District Council from 1985 to 2011. Mr. Kan also served as chief president of the Hong Kong Professionals Association from 2015 to 2017 and standing vice chairman of the Hong Kong Guangdong Association from July 2017 to June 2019.

Mr. Kan has been awarded the Silver Bauhinia Star by the government of Hong Kong.

INDEPENDENT NON-EXECUTIVE DIRECTORS *(Continued)*

Mr. Li Xiaoyan (李曉岩), aged 56, is an independent non-executive Director and members of the audit, nomination and remuneration committee of the Group. Mr. Li was appointed as an independent non-executive director of the Company in June 2019. He is responsible for providing independent advice to the Board.

Mr. Li has been serving as professor at the Department of Civil Engineering of the University of Hong Kong since July 2009 and the Tsinghua-Berkeley Shenzhen Institute since July 2018, respectively. Mr. Li is an expert in solid-liquid separation, membrane filtration and nanotechnology for advanced water and wastewater treatment and resource recovery from wastewater.

Mr. Li received his bachelor's and his master's degrees in Environmental Engineering from Tsinghua University in the PRC in June 1986 and June 1990, respectively, and subsequently obtained his Ph.D. degree from the University of Arizona in the United States in August 1996.

Mr. Li received the Outstanding Young Overseas Researcher Award from the National Natural Science Foundation of China (國家自然科學基金委員會) in 2004, the First-Class Scientific Research Outstanding Achievement Award (Science & Technology) in 2012 and the Second-Class State Natural Science Award in 2014 from the Ministry of Education of the PRC (中華人民共和國教育部).

Mr. Li Yinquan (李引泉), aged 65, is an independent non-executive Director and chairman of the audit committee of the Group. Mr. Li was appointed as independent non-executive director of our Company in June 2019. He is responsible for providing independent advice to our Board.

Mr. Li has extensive experience in the finance and banking industry. He has been serving as a director of China Merchants Group and China Merchants Capital Investment Co., Ltd. since June 2014, a director of China Merchants Port Holdings Company Limited (formerly known as China Merchants Holdings (International) Company Limited) (a company listed on the Main Board of the Stock Exchange (stock code: 144)) from June 2001 to March 2015 and as a non-executive director of China Merchants Bank Co., Ltd. (a company listed on the Main Board of the Stock Exchange (stock code: 3968) and the Shanghai Stock Exchange (stock code: 600036)) from April 2001 to June 2016. Mr. Li was an executive director of China Merchants China Direct Investments Limited (a company listed on the Main Board of the Stock Exchange (stock code: 133)) from July 2008 to April 2017. He has also been serving as an independent non-executive director of Genertec Universal Medical Group Company Limited (formerly known as Universal Medical Financial and Technical Advisory Services Company Limited) (a company listed on the Main Board of the Stock Exchange (stock code: 2666)) since June 2015. Mr. Li has also been serving as an independent non-executive director of Million Cities Holdings Limited (a company listed on the Main Board of the Stock Exchange (Stock Code: 2892)) since June 2018 and Hong Kong Shanghai Alliance Holdings Limited (a company listed on the Main Board of the Stock Exchange (Stock Code: 1001)) since July 2018.

Prior to serving as a director of various listed companies, Mr. Li worked for China Merchants Group from January 2000 to December 2012. During that period, Mr. Li served as general manager of the Financial Department, Chief Financial Officer and executive vice president of China Merchants Group, respectively. He was in charge of the Group's finance, financial services, information technology and human resources. Mr. Li has also worked with the Agricultural Bank of China from December 1985 to December 1999, where he held senior positions in various divisions at the Beijing headquarter as well as New York and Hong Kong offices of the bank.

INDEPENDENT NON-EXECUTIVE DIRECTORS *(Continued)*

During his tenure of serving Hong Kong listed companies, Mr. Li performed duties including supervising the listed companies' financial management and reviewing and analysing audited financial statements of listed companies, and was involved in various types of transactions governed by the Listing Rules. Mr. Li has gained relevant experience in, including but not limited to, (i) review and preparation of comparable and/or audited financial statements of Hong Kong listed companies; (ii) review of internal control systems; and (iii) analysis of financial statements and information of Hong Kong listed companies. Moreover, Mr. Li is well experienced in collaborating and dealing with internal and external auditors regarding the supervision of internal financial controls and the auditing of financial statements.

Mr. Li received his bachelor's degree in economics from Shaanxi Institute of Finance and Economics (陝西財經學院) in July 1983. He subsequently obtained his master's degree in economics from the PBC School of Finance, Tsinghua University (清華大學五道口金融學院) (formerly known as Graduate School of the People's Bank of China (中國人民銀行研究生部)) in July 1986. In October 1988, Mr. Li obtained his master's degree in banking and finance for development from Finafrica Institute in Milan, Italy. In August 1989, he was accredited as senior economist by the Appraisal and Approval Committee for Professional & Technical Qualification of the Agricultural Bank of China. Mr. Li has also served as Hong Kong Deputy to the 13th National People's Congress of the PRC in 2017.

SENIOR MANAGEMENT

Mr. Chen Zhicai (陳志才), aged 41, is the vice president of operation of the Group. Mr. Chen is responsible for overseeing the overall operation of the Group.

Mr. Chen has over 20 years of experience in design, construction and operation of environmental protection engineering projects. Mr. Chen joined the Group in August 2005, and has assumed various positions including production manager. From July 2000 to November 2004, Mr. Chen served as environmental protection engineer of Guangyi Group* (廣一集團), which principally engages in the production and maintenance of water pump system, where he was responsible for the design, research and development of city wastewater and electroplating wastewater treatment technologies.

Mr. Chen received his bachelor's degree in environmental engineering from School of Environmental and Municipal Engineering of Xi'an University of Architecture and Technology (西安建築科技大學環境與市政工程學院) in July 2000.

SENIOR MANAGEMENT *(Continued)*

Mr. Chen Wai Chung Edmund (陳煒聰), aged 47, was appointed as the chief financial officer of the Group in January 2020. Mr. Chen is responsible for the overall financial strategies, planning and financial management of the Group.

Mr. Chen has over 22 years of solid experiences in business management, auditing, accounting, internal control and investment planning. Mr. Chen had worked as senior management positions for various listed companies in Hong Kong and international accounting firm including KPMG HK and KPMG Huazhen, China Regenerative Medicine International Limited (a company listed on the Main Board of the Stock Exchange (stock code: 8158)) and Legend Strategy International Holdings Group Company Limited (a company listed on the Main Board of the Stock Exchange (stock code: 1355)). He was also the vice president and the company secretary of Austar Lifesciences Limited (a company listed on the Main Board of the Stock Exchange (stock code: 6118)).

Mr. Chen was an independent non-executive director of Mason Group Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 273) from July 2017 to March 2019 and Huarong International Financial Holdings Limited (formerly known as Simsen International Corporation Limited), a company listed on the Main Board of the Stock Exchange (stock code: 993) from July 2013 to October 2015. He was a non-executive director of KOALA Financial Group Limited (formerly known as Sunrise (China) Technology Group Limited), a company listed on the Main Board of the Stock Exchange (stock code: 8226) from November 2014 to January 2016.

Mr. Chen holds a bachelor's degree in accountancy from the City University of Hong Kong. He is currently a fellow member of the Hong Kong Institute of Certified Public Accountants and an associate member of the Association of Chartered Certified Accountants.

CHANGES IN SENIOR MANAGEMENT

- Ms. Yeung Ching Man has been appointed as the company secretary of the Company with effect from 27 November 2019.
- Mr. Huang Shaobo, an executive Director, has been appointed as the financial controller of the Company with effect from 27 November 2019.
- Mr. Chen Wai Chung Edmund was appointed as the chief financial officer of the Group with effect from 1 January 2020.

The Board is pleased to present the annual report together with the audited consolidated financial statements (the "**Consolidated Financial Statements**") of the Group for the year ended 31 December 2019 (the "**Year**").

PRINCIPAL ACTIVITIES

The Company was incorporated in the Cayman Islands on 28 June 2018 as an exempted company with limited liability under the Companies Law of the Cayman Islands. Since the Group's inception in 2004, it has engaged in the development and operation of electroplating industrial parks and the provision of centralized wastewater treatment services in the PRC. An analysis of the Group's revenue and operating profit for the Year by principal activities is set out in the section headed "Management Discussion and Analysis" on pages 6 to 20 of this annual report and the Consolidated Financial Statements.

BUSINESS REVIEW

A review of the Group's business during the Year, which includes a discussion of the principal challenges and uncertainties faced by the Group, an analysis of the Group's performance using financial key performance indicators, particulars of important events affecting the Group during the Year, and an indication of likely future developments in the Group's business, could be found in the sections headed "Chairman's Statement", "Management Discussion and Analysis" and "Corporate Governance Report" in this annual report. The review and discussion form part of this report of the Directors.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group has engaged professional service firms for advice regarding compliance matters in various jurisdictions with which the Group's subsidiaries operate, and has kept a close watch on any new laws or regulatory changes.

During the Year and up to the date of this annual report, the Group has complied with the relevant laws and regulations that have a significant impact on the Company in material respects.

RESULTS AND DIVIDEND

The results of the Group for the Year are set out on pages 56 to 59 of this annual report. The Board has resolved not to recommend payment of any final dividend for the Year.

ANNUAL GENERAL MEETING AND CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 23 June 2020 to Monday, 29 June 2020, both days inclusive and during which period no share transfer of the Company will be registered, for the purpose of ascertaining shareholders' entitlement to attend and vote at the annual general meeting of the Company (the "**AGM**") to be held on Monday. 29 June 2020. In order to be eligible to attend and vote at the AGM, all transfer shares of the Company accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Monday, 22 June 2020.

FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the Year, together with the financial results and of the assets and liabilities for the three years ended 31 December 2018, is set out in the section headed "Four Year Financial Summary" on page 128 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the Year are set out in note 12 to the Consolidated Financial Statements on page 92 of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is highly aware of the importance of environment protection and has not noted any material incompliance with all relevant laws and regulations in relation to its business including health and safety, workplace conditions, employment and the environment. Further details of the Group's policies and performance will be disclosed in the environmental, social and governance report of the Company for the Year to be published in due course.

BANK BORROWINGS

Details of bank borrowings of the Group as at 31 December 2019 are set out in note 25 to the Consolidated Financial Statements on pages 106 to 107 of this annual report.

SHARE CAPITAL

Details of the movements in share capital of the Company during the Year are set out in note 29 to the Consolidated Financial Statements on pages 111 to 115 of this annual report.

RESERVES

Details of the movement in the reserves of the Group and of the Company during the Year are set out in the Consolidated Statement of Changes in Equity on pages 60 to 61 of this annual report and in note 29 to the Consolidated Financial Statements on pages 111 to 115 of this annual report, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2019, the Company had reserves available for distribution to its shareholders amounting to approximately HKD647,234,000 (equivalent to RMB581,729,000).

CHARITABLE CONTRIBUTIONS

During the Year, the Group made charitable contributions amounting to RMB1,000,000.

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

Since the Shares were only listed on the Stock Exchange on 16 July 2019, neither the Company, nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association, or the laws of Cayman Islands, which would oblige the Company to offer new shares of the Company on a pro-rata basis to its existing shareholders.

USE OF NET PROCEEDS FROM THE COMPANY'S LISTING

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

Up to 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.

DIRECTORS

The Board currently consists of the following seven Directors:

Executive Directors

Mr. Zhang Lianghong *(Chairman)*
Mr. Zhu Heping *(Chief Executive Officer)*
Mr. Lee Yuk Kong
Mr. Huang Shaobo

Independent Non-executive Directors

Mr. Li Xiaoyan
Mr. Li Yinquan
Mr. Kan Chung Nin, Tony *SBS, JP*

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND THE SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group as at the date of this annual report are set out on pages 21 to 26 in the section headed "Profiles of Directors and Senior Management" to this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company, for an initial term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either the Director or the Company.

Each of the independent non-executive Directors has signed an appointment letter with the Company for an initial term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either of the Director or the Company. Under the respective appointment letters, each of the independent non-executive Directors is entitled to a fixed Director's fee.

The appointments of the Directors are subject to the provisions of retirement and rotation of Directors under the Company's articles of association.

None of the Directors (including the Directors proposed for re-election at the AGM) have a service contract with members of the Group that cannot be terminated by the Group within one year without payment of compensation, other than statutory compensation.

CONTRACT WITH CONTROLLING SHAREHOLDERS

Other than those set out in note 32 to the Consolidated Financial Statements on pages 121 to 124 in this annual report, no contract of significance was entered into between the Company or any of its subsidiaries and the controlling shareholders of the Company or any of its subsidiaries during the Year or subsisted at the end of the year and no contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder of the Company or any of its subsidiaries was entered into during the Year or subsisted at the end of the year.

DIRECTOR'S INTEREST IN TRANSACTIONS, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

Other than those set out in note 8 and note 32 to the Consolidated Financial Statements on pages 89 to 90 and on pages 121 to 124 in this annual report, no transaction, arrangement and contract of significance to the business of the Group which the Company or any of its subsidiaries was a party, subsisting during or at the end of the Year in which a Director or any entity connected with such a Director is or was materially interested, whether directly or indirectly.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The emoluments of the Directors and senior management of the Group are decided by the Board with reference to the recommendation given by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

Details of the Directors' emoluments and emoluments of the five highest paid individuals in the Group are set out in note 8 and note 9 to the Consolidated Financial Statements on pages 89 to 90 in this annual report.

For the Year, no emoluments were paid by the Group to any Director or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors had waived any emoluments for the Year.

Except as disclosed above, no other payments had been made or were payable, for the Year, by our Group to or on behalf of any of the Directors.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the Year, none of the Directors or their respective close associates (as defined in the Listing Rules) had any interest in a business that competed or was likely to compete, either directly or indirectly, with the business of the Group, other than being a director of the Company and/or its subsidiaries.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

Save as disclosed in this annual report, the Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

MANAGEMENT CONTRACTS

Other than the Directors' service contracts and appointment letters, no contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or in existence as at the end of the year or at any time during the Year.

EQUITY-LINKED AGREEMENTS

During the Year, the Company did not enter into any equity-linked agreement.

MATERIAL LEGAL PROCEEDINGS

The Group was not involved in any material legal proceeding during the Year.

LOAN AND GUARANTEE

During the Year, the Group had not made any loan or provided any guarantee for loan, directly or indirectly, to the Directors, senior management of the Company, the controlling shareholders of the Company or their respective connected persons.

SHARE OPTION SCHEME

The Company adopted the share option scheme ("**Share Option Scheme**") on 18 June 2019. The purpose of the Share Option Scheme is to recognise and acknowledge the contributions that the Eligible Participants (as defined below) had or may have made to our Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives:

(a) Purpose

(i) motivate the Eligible Participants to optimise their performance efficiency for the benefit of our Group; and

(ii) attract and retain or otherwise maintain an on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of our Group.

(b) Eligible Participants

The eligible participants of the Share Option Scheme (the "**Eligible Participants**") include:

(i) any full-time or part-time employees, executives or officers of our Company or any of its subsidiaries;

(ii) any directors (including independent non-executive directors) of our Company or any of its subsidiaries; and

(iii) any advisers, consultants, agents, suppliers, customers, distributors and such other persons who in the sole opinion of the Board will contribute or have contributed to our Company and/or any of its subsidiaries.

(c) Maximum number of shares

The total number of Shares that may be issued upon exercise of all share options granted and to be granted must not in aggregate exceed 10% of the Shares in issue at the date of adoption of the Share Option Scheme (i.e. 112,000,000 Shares). Subject to the issue of a circular by our Company and the approval of the shareholders of the Company in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

(i) renew this 10% limit at any time to 10% of the issued share capital of the Company as at the date of the approval by the shareholders of the Company in general meeting; and/or

(ii) grant options beyond the 10% limit to Eligible Participants specifically identified by the Board; and

(iii) the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company at any time shall not exceed 30% of the issued share capital of the Company from time to time.

As at 6 May 2020, being the date of this report, the outstanding number of share options available for grant under the Share Option Scheme is 112,000,000 share options to subscribe for the Shares, representing 10% of the issued share capital of the Company.

SHARE OPTION SCHEME *(Continued)*

(d) Maximum entitlement of each Eligible Participant

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of our Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of our Shares in issue as at the date of grant.

Any further grant of options in excess of this 1% limit shall be subject to:

(i) the issue of a circular by our Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant), and/or other information required under the Listing Rules; and

(ii) the approval of the Company's shareholders in general meeting with such Eligible Participant and his/her close associates (as defined in the Listing Rules) (or his/her associates if the Eligible Participant is a core connected person) abstaining from voting.

(e) Acceptance of an offer of share options

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptances of the options duly signed by the grantee, together with a remittance in favour of the Company of HK$1 by way of consideration for the grant thereof, is received by our Company on or before the relevant acceptance date.

Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

SHARE OPTION SCHEME *(Continued)*

(f) Period which an option must be held before exercised

The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. In addition, a grantee may be required to achieve any performance targets as the Board may then specify in the grant before any options granted under the Share Option Scheme can be exercised.

(g) Basis of determining the subscription price of the share option

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price must be at least the higher of:

(i) the official closing price of our Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;

(ii) the average of the official closing prices of our Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and

(iii) the nominal value of a Share.

(h) Life of the Share Option Scheme

Subject to earlier termination by our Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period commencing on the Listing Date (i.e. 16 July 2019) and ending on the tenth anniversary of the Listing Date (i.e. 15 July 2029) (both dates inclusive), after which no further options shall be offered but the provisions of the Share Option Scheme shall in all other respects remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options granted prior thereto but not yet exercised shall continue to be valid and exercisable in accordance with the Share Option Scheme. The remaining life of the Share Option Scheme is approximately nine years, two months and ten days (expiring on 15 July 2029).

During the period from the Listing Date to the date of this annual report, no share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme.

DIRECTOR'S AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2019, the interests or short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**"), were as follows:

Name of Director/Chief Executive	Capacity/Nature of interest	Number of Shares or underlying Shares held (1)	Approximate percentage of shareholding interest in the Company
Mr. Zhang Lianghong ("**Mr. Zhang**")	Interest in a controlled corporation (2)	478,800,000	42.75%
Mr. Lee Yuk Kong ("**Mr. Lee**")	Interest in a controlled corporation (3)	239,400,000	21.40%
Mr. Huang Shaobo ("**Mr. Huang**")	Interest in a controlled corporation (4)	42,000,000	3.75%

Notes:

(1) All interests stated are long positions.

(2) Flourish Investment International Limited which held 478,800,000 Shares is wholly owned by Mr. Zhang, an executive Director and the chairman of the Board.

(3) Premier Investment Worldwide Company Limited which held 239,400,000 Shares is wholly owned by Mr. Lee, an executive Director.

(4) Dakson Assets Management Limited which held 42,000,000 Shares is wholly owned by Mr. Huang, an executive Director.

Save as disclosed above, as at 31 December 2019, none of the Directors nor the chief executive of the Company had any interests or short positions in any of the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

So far as the Directors were aware, as at 31 December 2019, the following entities or persons (other than the Directors and the chief executive of the Company) had or were deemed or taken to have interests or short positions in the Shares or underlying Shares which would require to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of Shareholders	Capacity/Nature of interest	Number of Shares held (1)	Approximate percentage of shareholding interest in the Company
Flourish Investment International Limited (2)	Beneficial Owner	478,800,000	42.75%
Premier Investment Worldwide Company Limited (2)	Beneficial Owner	239,400,000	21.40%
Deluxe Investment International Company Limited (3)	Beneficial Owner	79,800,000	7.13%

Notes:

(1) All interests stated are long positions.

(2) Each of Flourish Investment International Limited and Premier Investment Worldwide Company Limited is wholly owned by Mr. Zhang and Mr. Lee, respectively. Therefore, Mr. Zhang and Mr. Lee are deemed to be interested in the 478,800,000 Shares and 239,400,000 Shares held by Flourish Investment International Limited and Premier Investment Worldwide Company Limited respectively pursuant to the SFO.

(3) Deluxe Investment International Company Limited is wholly owned by Mr. Zhang Haiming Therefore, Mr. Zhang Haiming is deemed to be interested in the 79,800,000 shares held by Deluxe Investment International Company Limited pursuant to the SFO.

Save as disclosed above, as at 31 December 2019, the Directors and chief executive of the Company were not aware of any other person or entity (other than a Director or the chief executive of the Company) which/who had or were deemed or taken to have interests or short positions in the Shares or underlying Shares of the Company which would require to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the Share Option Scheme, at no time during the period from the Listing Date up to the date of this annual report was the Company or any of its subsidiaries, holding companies, or any of the subsidiary undertakings (within the meaning of the Companies (Directors' Report) Regulation (Cap. 622D of the Laws of Hong Kong)) of the Company and such holding companies a party to any arrangements whose objects are, or one of whose objects is, to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Save as disclosed above, none of the Directors and chief executive of the Company (including their spouses and children under the age of 18) had any interests in or was granted any right to subscribe for the securities of the Company or its associated corporations (within the meaning of Part XV of the SFO), or had exercised any such rights.

MAJOR SUPPLIERS AND CUSTOMERS

As at 31 December 2019, the Group's largest customer accounted for 3.6% of the Group's total revenue. The Group's five largest customers accounted for 15.2% of the Group's total revenue.

As at 31 December 2019, the Group's largest supplier accounted for 17.3% of the Group's total purchase. The Group's five largest suppliers accounted for 45.4% of the Group's total purchase.

None of the Directors or any of their close associates (as defined under the Listing Rules) or any of the Company's shareholders (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest suppliers or the Group's five largest customers.

TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

The Company is not aware of any tax relief or exemption available to its shareholders by reason of their holding of the Company's securities.

HUMAN RESOURCES

As of 31 December 2019, we had 519 full-time employees in the PRC and in Hong Kong responsible for management, operation, property management, procurement, testing, maintenance, customer services, research and development, finance and administrative matters.

The Group has entered into employment contracts with its employees to cover matters such as position, terms of employment, wages, employee benefits and liabilities for breaches and grounds for termination.

Remuneration of the Group's employees includes basic wages, allowance, bonuses and other employee benefits, and is determined with reference to their experience, qualifications, job duties and position with our Group. The emolument policy for the employees of the Group is set up by the Board on the basis of their merit, qualification and competence. We provide regular training to our employees in order to improve their skills and knowledge.

We provide orientation programmes for new employees to familiarise them with our working environment and culture. We will also arrange on-the-job trainings for our employees which aim at developing their skills so as to meet our strategic goals, operating standards, customer requirements and regulatory requirements.

The Group 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.

RETIREMENT BENEFITS SCHEME

The Group's employees in Hong Kong have all participated in the Mandatory Provident Fund Scheme in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when they are contributed into the scheme. Where employees leave the scheme prior to the full vesting of the employer's contributions, the amount of forfeited contributions cannot be used to reduce the contributions payable by the Group.

The employees of the PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The employees of the PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to this retirement benefits scheme is to make the required contributions under the scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of this retirement benefits scheme.

Details of the pension obligations of the Company are set out in note 6(b) to the Consolidated Financial Statements on page 86 in this annual report.

CONNECTED TRANSACTIONS

During the Year, the Group had not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the requirements of Rule 14A.71 of the Listing Rules. The Company has complied with the disclosure requirements set out in Chapter 14A of the Listing Rules.

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for the Year are set out in note 32 to the Consolidated Financial Statements on pages 121 to 124 contained herein.

None of the related party transactions constituted a connected transaction or continuing connected transaction subject to independent shareholders' approval, annual review and all disclosure requirements in Chapter 14A of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Board, as at the date of this annual report, the Company has maintained the public float as required under the Listing Rules.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision contained in the Company's articles of association that is subject to the requirements specified in the Companies Ordinance (Cap. 622 of the Laws of Hong Kong) for the benefit of the Directors of the Company was in force during the Year and up to the date of this annual report.

The Company has taken out and maintained directors' and officers' liability insurance throughout the year, which provides appropriate cover certain legal actions brought against its directors and officers.

CORPORATE GOVERNANCE

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 the code provisions set out in the Corporate Governance Code (the "**CG Code**") and Corporate Governance Report as set out in Appendix 14 of the Listing Rules as its own code to govern its corporate governance practices.

In the opinion of the Directors, the Company has complied with the relevant code provisions contained in the CG Code during the Year, other than the code provisions A.2.7.

The Board will continue to review and monitor the practices of the Company with an aim to maintaining a high standard of corporate governance. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 40 to 50 of this annual report.

AUDITOR

The Shares were only listed on the Stock Exchange on 16 July 2019 and there has been no change in auditor since the Listing Date. The Consolidated Financial Statements for the Year have been audited by KPMG, Certified Public Accountants, who are proposed for reappointment at the forthcoming AGM.

On behalf of the Board
Zhang Lianghong
Chairman

Hong Kong, 6 May 2020

CORPORATE GOVERNANCE REPORT

The Company is committed to achieving and maintaining high standards of corporate governance by focusing on principles of integrity, accountability, transparency, independence, responsibility and fairness. The Company has developed and implemented sound corporate governance policies and measures of which the Board is responsible for performing. The Board will continue to review and monitor the corporate governance of the Company, as well as various internal policies and procedures, including but not limited to those applicable to employees and Directors, with reference to the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix 14 to the Listing Rules and other applicable legal and regulatory requirements so as to maintain a high standard of corporate governance of the Company.

During the Year, the Company has complied with the applicable code provisions of the CG Code other than the code provisions A.2.7 as set out below.

Code Provision A.2.7

Under code provision A.2.7 of the CG Code, the chairman should at least annually hold meetings with the independent non-executive directors without the presence of the executive directors. During the Year, a formal meeting could not be arranged between the Chairman and the independent non-executive Directors without the executive Directors present due to their tight schedules. Although such meeting was not held during the Year, the chairman could be contacted by email or phone to discuss any potential concerns and/or questions that the independent non-executive Directors might have and would arrange to set up follow-up meetings, whenever necessary.

BOARD OF DIRECTORS

The Board is responsible for leadership and the internal control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. The Board has general powers for the management and conducting the Company's business. The day-to-day operations and management are delegated by the Board to the management of the Group, which will implement the strategy and direction as determined by the Board.

The Board currently consists of seven Directors, namely Mr. Zhang Lianghong (Chairman), Mr. Zhu Heping (Chief Executive Officer), Mr. Lee Yuk Kong and Mr. Huang Shaobo as executive Directors, and Mr. Li Xiaoyan, Mr. Li Yinquan and Mr. Kan Chung Nin, Tony as independent non-executive Directors. In compliance with provision A.2.1 of the CG Code, the roles of chairman and chief executive officer are separate and performed by Mr. Zhang Lianghong and Mr. Zhu Heping, respectively. None of the Directors had a relationship (including financial, family or other substantial or related relationship) with each other. The Board has a balance of skills and experience appropriate for the requirements of the business of the Group.

The biographies of the Directors are set out on pages 21 to 25 of this annual report.

Each of the executive Directors has entered into a service contract with the Company and each of the independent non-executive Directors has signed a letter of appointment with the Company for an initial term of three years since the Listing Date and is subject to retirement by rotation at an annual general meeting at least once every three years in accordance with the articles of association of the Company. These service contracts and letters of appointments are subject to termination in accordance with their respective terms. The term of the service contracts and the letters of appointment may be renewed in accordance with the articles of association of the Company, the Listing Rules and other applicable laws. The aggregate remuneration (including fees, salaries, contributions to pension schemes, share-based compensation expenses, discretionary bonuses, housing and other allowances and other benefits in kind) payable to the Directors for the Year was approximately RMB2,988,000.

BOARD OF DIRECTORS *(Continued)*

The remuneration of the Directors and senior management is determined with reference to salaries paid by comparable companies, time commitment and responsibilities of the Directors and senior management and performance of the Group. Details of the remuneration of the Directors and senior management for the Year are set out in note 8 and note 9 to the Consolidated Financial Statements on pages 89 to 90 in this annual report.

The Company has arranged appropriate insurance cover in respect of legal proceedings against the Directors.

The procedure agreed by the Board to enable Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expense as required pursuant to code provision A.1.6 of the CG Code.

During the Year and up to the date of this annual report, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors, representing one-third of the Board, of whom Mr. Li Yinquan is the Director possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has also complied with Rule 3.10A of the Listing Rules relating to the appointment of independent non-executive Directors representing at least one-third of the Board.

The Company has received a written confirmation of independence from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules, and accordingly considered them to be independent.

The Directors have access to the services of the company secretary to ensure that the Board procedures are followed. The company secretary of the Company is Ms. Yeung Ching Man. Ms. Yeung currently serves as a vice president of SWCS Corporate Services Group (Hong Kong) Limited and has the necessary qualifications and experience as required under Rule 3.28 and 8.17 of the Listing Rules. During the Year, the Company confirmed that the company secretary of the Company, Ms. Yeung had in compliance with Rule 3.29 of the Listing Rules, undertaken relevant professional training for not less than fifteen hours to ensure her expertise is in line with all the requirements as applicable to her. Mr. Chen Wai Chung Edmund is the primary contact person of Mr. Yeung.

All Directors attended various trainings in the Year, including trainings regarding the updating of the Listing Rules, the responsibilities and continuous obligations of Directors and the Environmental, Social and Governance Reporting Guide. The Company has arranged suitable trainings for all Directors in order to develop and refresh their knowledge and skills as part of their continuous professional development relevant to the Company's business and director's duties and responsibilities.

The Company is committed to continuously reviewing and improving its internal systems, including those in relation to internal supervision and control, and risk management.

BOARD DIVERSITY POLICY

Pursuant to the CG Code, the Board has adopted a board diversity policy. The diversity policy sets out the basic principles to ensure that the Board has the requisite knowledge of the Company and experience in different business and cultural conditions of different regions and markets and a variety of perspectives necessary to maintain and enhance the overall effectiveness of the Board and taking account of succession planning. All Board appointments will continue to be made on a merit basis based on the Group's business needs from time to time while taking into account the benefit of diversity. The Company will ensure that the Board has a balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standards of corporate governance. Selection of board candidates will be based on a range of factors with reference to the Company's business needs, including but not limited to age, gender, nationality, educational background, industry and professional experience (the "**Measurable Objectives**"). The Nomination Committee will select board members in accordance with the Company's nomination policy and will also give consideration to the board diversity policy. The Nomination Committee will review the board diversity policy and its Measurable Objectives at least annually to ensure its continued effectiveness.

BOARD MEETINGS

The Company has adopted a practice to convene Board meetings regularly which is at least four meetings per year and roughly on a quarterly basis. A notice of a regular Board meeting shall be delivered to all the Directors at least 14 days in advance with the matters to be discussed specified in agenda of the meeting. For other Board and committee meetings, reasonable notice is generally served. Agendas or relevant documents of the Board or committee meetings shall be despatched to the Directors or members of the committees at least 3 days prior to the convening of the meetings to ensure that they have sufficient time to review the relevant documents and be adequately prepared for the meetings. When Directors or committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting. The minutes are kept by the company secretary of the Company and the copies are circulated to all Directors for reference and record purpose.

The minutes of the meetings of the Board and committees thoroughly are recorded all matters under consideration and decisions made including any problems raised by the Directors. Draft minutes of each Board meeting and committee meeting are sent to the Directors for comments within a reasonable time after the date on which the meeting is held. Directors have a right to review the minutes of the Board meetings and the committee meetings.

According to code provision A.1.1 of the CG Code, Board meetings should be held at least four times a year at approximately quarterly intervals with active participation of the majority of the Directors, either in person or through electronic means of communication. Notwithstanding the shares of the Company were only listed on the Stock Exchange on 16 July 2019, the Board convened a total of four Board meetings during the Year in compliance with code provision A.1.1 of the CG Code, even though the Board meetings were not held at approximately quarterly intervals.

After the Year and at the date of this annual report, the Board convened three more Board meetings on 31 March 2020, 20 April 2020 and on 30 April 2020 to consider and approve the annual results announcement, the supplementary announcement in relation to (i) the unaudited annual results for the Year; (ii) the delay in publication of the annual report of the Group for the Year; and (iii) the postponement of the annual general meeting and change of book closure date and the annual report of the Group for the Year, respectively.

BOARD MEETINGS *(Continued)*

The individual attendance record of the Directors at Board meetings of the Company is tabulated as follows:

Board meetings

Name of Directors	Number of meetings held	Number of meeting attended
Executive Directors		
Mr. Zhang Lianghong *(Chairman)*	7	7
Mr. Zhu Heping	7	7
Mr. Lee Yuk Kong	7	7
Mr. Huang Shaobo	7	7
Independent non-executive Directors		
Mr. Kan Chung Nin, Tony *SBS, JP*	4	4
Mr. Li Xiaoyan	4	4
Mr. Li Yinquan	4	4

Board committee meeting will be convened as and when necessary.

For the individual attendance record of the Directors at meetings of the nomination committee, audit committee and remuneration committee of the Board, please refer to the paragraphs headed "nomination committee", "audit committee" and "remuneration committee", respectively, of this corporate governance report.

GENERAL MEETING

As the Shares were only listed on the Stock Exchange on 16 July 2019, no general meeting was held from the Listing Date to the Year.

BOARD COMMITTEES

The Company has three principal Board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee. Each of the Board committees operates under its terms of reference which states their authority and duties. The terms of reference of the Board committees are available on the website of the Company and that of the Stock Exchange. Accordingly, the Board committees should report to the Board for their decisions or recommendations made and they shall be provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses. Please refer to the respective terms of reference for each of the Board committees for their practices, procedures and arrangements in conducting meetings.

BOARD COMMITTEES *(Continued)*

Audit Committee

The Board is responsible for preparing the accounts of the Company, which give a true and fair view of the financial position of the Group on a going concern basis. It is also responsible for presenting a balanced, clear and understandable assessment of the Group's annual and interim reports, announcements regarding the inside information and other financial disclosures as required under the Listing Rules. The management provides all relevant information and records to the Board which enable it to prepare the accounts and to make the above assessments.

The Company has established an Audit Committee with written terms of reference in compliance with the CG Code. The Audit Committee consists of three members, namely Mr. Li Yinquan, Mr. Kan Chung Nin, Tony and Mr. Li Xiaoyan, our independent non-executive Directors. Mr. Li Yinquan is the chairman of the Audit Committee. Under its terms of reference, the primary duties of the Audit Committee are to review and supervise, and provide an independent view of the effectiveness of, the financial reporting process and the risk management and internal control systems of the Group, oversee the audit process and perform other duties and responsibilities as assigned by the Board.

A meeting of the Audit Committee was held on 26 August 2019 to review the interim results and interim report of the Group for the six months ended 30 June 2019 . A meeting of the Audit Committee was held on 31 March 2020 to review the annual results announcement, the internal control policy and risk management systems and the effectiveness of the internal audit function of the Group for the Year. All members of the Audit Committee had participated in the above meetings.

Remuneration Committee

The Company has established a Remuneration Committee with written terms of reference in compliance with the CG Code. The Remuneration Committee has three members, comprising two independent non-executive Directors, namely Mr. Kan Chung Nin, Tony, Mr. Li Xiaoyan and one executive Director, namely Mr. Zhang Lianghong. Mr. Kan Chung Nin, Tony is the chairman of the Remuneration Committee. Under its terms of reference, the primary duties of the Remuneration Committee are to establish and review the policy and structure of the remuneration for the Directors and senior management and make recommendations to the Board on employee benefit arrangement. Details of the Group's remuneration policy are set out in the paragraph headed "Management Discussion and Analysis — Employee and Remuneration Policies" in this annual report.

As the Company's shares were only listed on the Stock Exchange on 16 July 2019, the Remuneration Committee did not hold any meetings during the Year. A meeting of the Remuneration Committee was held on 31 March 2020 to review the remuneration policy and structure and to make recommendations to the Board on determining the annual remuneration packages of the executive Directors and the senior management and other related matters. All members of the Remuneration Committee had participated in the above meeting.

BOARD COMMITTEES *(Continued)*

Nomination Committee

The Company has established a Nomination Committee with written terms of reference in compliance with the CG Code. The Nomination Committee consists of two independent non-executive Directors, being Mr. Kan Chung Nin, Tony and Mr. Li Xiaoyan, and one executive Director, being Mr. Zhang Lianghong, who is the chairman of the Nomination Committee.

The Nomination Committee is responsible for reviewing and assessing the structure, size and composition of the Board and the independence of the independent non-executive Directors and making recommendations to the Board on appointment and removal of Directors. In recommending candidates for appointment to the Board, the Nomination Committee will consider candidates on merit against objective criteria and with due regards to the benefits of diversity on the Board in accordance with the board diversity policy adopted by the Company. Diversity of the Board will be considered from a number of perspectives, including but not limited to gender, age, cultural and educational background, industry experience, technical and professional skills and/or qualifications, knowledge, length of services and time to be devoted as a Director. The Company will also take into account factors relating to its own business model and specific needs from time to time. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

As the Company's shares were only listed on the Stock Exchange on 16 July 2019, the Nomination Committee did not hold any meetings during the Year. A meeting of the Nomination Committee was held on 31 March 2020 to review composition of the Board, assess the independence of independent non-executive Directors and recommend the Board on the re-election of Directors. All members of the Nomination Committee had participated in the above meeting.

Nomination Policy

According to the Nomination Policy, in evaluating and selecting any candidate for directorship, the Nomination Committee would consider the criteria, including, among other things, character and integrity, qualifications (cultural and educational background, professional qualifications, skills, knowledge and experience and diversity aspects under the Board Diversity Policy), any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and diversity, and willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s).

The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of new director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship. The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship with a ranking of the candidates (if applicable) by order of preference based on the needs of the Company and reference check of each candidate.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its code of conduct regarding dealings in the securities of the Company by the Directors, the senior management, and the Group's employees who, because of their office or employment, is likely to possess inside information in relation to the Group or the Company's securities.

Upon specific enquiry of all directors, all Directors confirmed that they have complied with the Model Code during the Year. In addition, the Company is not aware of any non-compliance of the Model Code by the Directors, senior management and employees of the Group during the Year.

FRAMEWORK FOR DISCLOSURE OF INSIDE INFORMATION

The Company has in place a policy on handling and dissemination of inside information (the "**Policy**") which sets out the procedures and internal controls for handling and dissemination of inside information in a timely manner in such a way so as not to place any person in a privileged dealing position and to allow time for the market to determine the price of the listed securities of the Company with the latest available information. This Policy also provides guidelines to staff of the Company to ensure proper safeguards exist to prevent the Company from breaching the statutory disclosure requirements. It also includes appropriate internal control and reporting systems to identify and assess potential inside information. Dissemination of inside information of the Company shall be conducted by publishing the relevant information on the websites of the Stock Exchange and the Company, according to the requirements of the Listing Rules.

AUDITOR'S REMUNERATION

For the Year, the fees paid/payable to KPMG for audit and other non-audit services (among others, for reviewing the interim financial information of the Group) amounted to approximately RMB1.28 million and RMB1.01 million, respectively.

ACCOUNTABILITY AND AUDIT

The Directors of the Company are responsible for overseeing the preparation of the consolidated financial statements which give a true and fair view of the state of affairs of the Group and of the results and cash flows during the Year. A statement from the auditor about its reporting responsibilities on the consolidated financial statements is set out on pages 53 to 54 of this annual report. In preparing the consolidated financial statements for the Year, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimated that are prudent, fair and reasonable and prepared the consolidated financial statements on a going concern basis.

The Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The basis on which the Company generates or preserves value over the longer term and the strategy for delivering its objectives are explained in the "Management Discussion and Analysis" set out on pages 6 to 20 of this annual report.

INTERNAL CONTROLS AND RISK MANAGEMENT

The Board is responsible for establishing and maintaining appropriate and effective internal control and risk management systems in order to evaluate and determine the nature and extent of the risk the Company is willing to take to achieve the Group's strategic objectives. The Board has developed its internal management systems, which include but not limited to the following processes:

- The Board receives regular updates from the senior management and reviews the Group's business plan, financial results, investment strategies and business indicators to ensure that the business risks are identified and managed;

- The senior management supervises the Group's business performance on an on-going basis via regular meetings with respective departments and project teams, to identify potential risks and develop strategies to address the risk;

- The Group monitors a wide range of indicators, such as our key operational data, employee turnover rate, and responds promptly if any risk indicators arise;

- The Group works with external legal, accounting and other professional advisers at various jurisdictions to ensure that it is in compliance with relevant legislation and regulations; and

- The Company also has an internal audit function which primarily carries out the analysis and independent appraisal of the adequacy and effectiveness of the Company's risk management and internal control systems, and reports their findings to the Board on, at least, an annual basis.

However, the risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

During the Year, the Board has conducted reviews of the risk management and internal control systems of the Group and considered the risk management and internal control systems of the Group have been implemented effectively and are adequate. Such reviews covered financial, compliance and operational controls. The Board has also discussed the business risk, financial risk, compliance risk, operational risk and other risks.

In addition, the Board has reviewed and considered that the resources, staff qualifications and experience, training programs and budget of the Company's accounting, compliance, legal and financial reporting functions are adequate and effective during the Year.

The Group attaches utmost importance to the proper handling and dissemination of inside information. Internal policies have been put in place to ensure that inside information is adequately controlled. To ensure the confidentiality and the timely disclosure of inside information, all employees have been provided with learning materials and guidelines regarding the handling and dissemination of inside information. Our data system controls have been implemented to ensure the access to sensitive data is restricted to authorized personnel only.

DIVIDEND POLICY

The Company has adopted a dividend policy which allows the Company's shareholders to share the profits of the Company whilst retaining adequate reserves for the Group's future growth. The declaration and amount of dividends shall be determined at the sole discretion of the Board. Pursuant to the dividend policy, in deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, inter alia, the following factors:

(a) the Company's actual and expected financial performance;

(b) dividends received from the Company's subsidiaries and associates;

(c) retained earnings and distributable reserves of the Company and its subsidiaries and associates;

(d) the liquidity position of the Group;

(e) the Group's expected working capital requirements;

(f) general business conditions and strategies;

(g) taxation considerations;

(h) possible effects on creditworthiness;

(i) legal, statutory and regulatory restrictions;

(j) contractual restrictions; and

(k) any other factors that the Board deem appropriate.

The Company could not recommend a dividend of around 20% of the net profit available for distribution to its shareholders for the Year as the Company intends to maintain sufficient cash in order to sustain the development of the Hubei Jingzhou Project and the Sichuan Qingshen Project.

CHANGE IN CONSTITUTIONAL DOCUMENTS

The Articles of Association was conditionally adopted by the Board on 18 June 2019 and became effective on the Listing Date. A copy of the Articles of Association is available on the website of the Company and the Stock Exchange. Since the Listing Date up to the date of this annual report, there was no significant change in constitutional documents of the Company.

SHAREHOLDERS' RIGHTS

Procedures for shareholders to convene an extraordinary general meeting

The following procedures for shareholders of the Company to convene an extraordinary general meeting (the "**EGM**") of the Company are prepared in accordance with Article 12.3 of the articles of association of the Company:

(a) written requisition of any two or more members deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company; or

(b) written requisition of any one member which is a recognised clearing house (or its nominee(s)) deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionist, provided that such requisitionist held as at the date of deposit of the requisition not less than one tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company.

(c) if the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

Such requisition shall be made in writing to the Board or the company secretary of the Company via email at the email address of the Company at edmundchen@platingbase.com.cn.

Procedures and contact details for raising enquiries

(a) Shareholders should direct their questions about their shareholdings, share transfer, registration and payment of dividend to the Company's Hong Kong share registrar, details of which are set out in the section headed "Corporate Information" of this annual report.

(b) Shareholders may raise any enquiry in respect of the Company in writing to the Company via email at the email address of the Company at edmundchen@platingbase.com.cn.

(c) Shareholders are reminded to lodge their questions together with their detailed contact information for the prompt response from the Company if it deems appropriate

Procedures and contact details for putting forward proposals at shareholders' meetings

The Board is not aware of any provisions allowing the Shareholders to put forward proposals at general meetings of the Company under the Articles of Association and the Companies Law of the Cayman Islands. Shareholders who wish to put forward proposals at general meetings of the Company may refer to the preceding paragraph to make a written requisition to require the convening of an extraordinary general meeting of the Company.

INVESTOR RELATIONS AND SHAREHOLDERS' COMMUNICATIONS

Information of the Company shall be communicated to the shareholders of the Company and the investment community mainly through the Company's financial reports (interim and annual reports), annual general meeting and other meetings that maybe convened, during which the Directors and designated senior management will attend the meeting and respond to requests for information and queries from the shareholders of the Company and the investment community.

Shareholders are encouraged to attend the annual general meeting of the Company. Notice of the annual general meeting and related papers shall be sent to shareholders in accordance with the requirements of the articles of association of the Company and the Listing Rules and such documents shall be also made available on the Company's website (http://www.platingbase.com) and the Hong Kong Stock Exchange's website (http://www.hkexnews.hk). In addition, the Company's website provides information such as e-mail address and telephone number for making inquiries to the Company in order to maintain effective communication with its shareholders and investors.

INDEPENDENT AUDITOR'S REPORT

KPMG

To the shareholders of Kimou Environmental Holding Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Kimou Environmental Holding Limited ("**the Company**") and its subsidiaries (together "**the Group**") set out on pages 56 to 127, which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("**the Code**") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS *(Continued)*

Revenue recognition

Refer to note 3 to the consolidated financial statements and the accounting policies on page 81.

The Key Audit Matter	How the matter was addressed in our audit
The Group has the following principal sources of revenue: — Facilities usage and management service; — Wastewater treatment and utilities; — Sales of goods and ancillary business. These sources of revenue have different trade terms and revenue recognition criteria and the Group handles individual transactions manually which increases the risk of errors that may be made in the recognition of revenue. We identified recognition of revenue as a key audit matter because revenue is a key performance measure for the Group and a key driver of the gross margin which increases the risk that revenue may be manipulated to meet targets and expectations and because the different trade terms and manual accounting treatments increase the risk of errors in the recognition of revenue.	Our audit procedures to assess the recognition of revenue included the following: • understanding and assessing the design, implementation and operating effectiveness of the key internal controls over the recognition of revenue; • evaluating the Group's revenue recognition accounting policies with reference to the requirements of the prevailing accounting standards; • obtaining the calculation sheets of the rental revenue, comparing rental revenue received and receivables with underlying tenancy information, including monthly rents and rental periods as set out the signed rental agreements for facilities usage, on a sample basis, and examining the calculations to assess whether rental revenue had been recorded in the appropriate accounting period; • reconciling revenue records as set out in the management accounts to wastewater treatment and utilities monthly fee notes, monthly wastewater and utilities meter reading records, service contracts, bank-in slips and other relevant documents, on a sample basis to assess whether the related revenue has been recognised in the appropriate accounting period; • selecting a sample of transactions regarding the sales of goods during and after the end of the reporting period and comparing the details with the underlying sales invoices and relevant documents evidencing the date of delivering and acceptance of the goods or services to assess whether the related revenue had been recognised in the appropriate accounting period; and • obtaining confirmations directly from the Group's customers, on a sample basis, to confirm the transaction amounts during the reporting period and reconciling the amounts confirmed to the Group's accounting records and assessing the reasons for any differences with relevant supporting documents.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lam Kai Wa.

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

6 May 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(Expressed in Renminbi)

	Note	2019 RMB'000	2018 RMB'000
Revenue	3	**640,040**	479,678
Depreciation and amortisation	6(c)	**(152,241)**	(126,031)
Cost of inventories	6(c)	**(163,827)**	(101,454)
Staff costs	6(b)	**(60,849)**	(45,677)
Utility costs	6(c)	**(20,092)**	(16,514)
Other expenses		**(134,670)**	(92,820)
Other revenue	4	**12,924**	11,023
Other net income/(loss)	5	**521**	(2,123)
Profit from operations		**121,806**	106,082
Finance costs	6(a)	**(67,112)**	(60,969)
Profit before taxation	6	**54,694**	45,113
Income tax	7	**(12,839)**	(8,702)
Profit for the year		**41,855**	36,411
Attributable to:			
Equity shareholders		**55,146**	47,936
Non-controlling interests	17	**(13,291)**	(11,525)
Profit for the year		**41,855**	36,411
Earnings per share (RMB)	11		
Basic and diluted		**0.06**	0.06

The notes on pages 64 to 127 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 29(b).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Expressed in Renminbi)

	Note	2019 RMB'000	2018 RMB'000
Profit for the year		**41,855**	36,411
Other comprehensive income for the year	10		
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		**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

The notes on pages 64 to 127 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in Renminbi)

	Note	**2019 RMB'000**	2018 RMB'000
Non-current assets			
Property, plant and equipment	12	**917,326**	871,848
Investment property	13	**721,200**	711,474
Construction in progress	14	**392,765**	92,890
Right-of-use assets	15	**279,280**	213,411
Intangible assets	16	**4,074**	4,262
Other receivables	20	**15,788**	30,679
Deferred tax assets	28	**37,911**	32,683
Other financial assets	18	**8,165**	8,475
Total non-current assets		**2,376,509**	1,965,722
Current assets			
Inventories	19	**3,444**	4,899
Trade and other receivables	20	**157,314**	155,790
Deposits with a bank with original maturity date over three months	21	**–**	50,000
Cash and cash equivalents	22	**103,297**	80,733
Total current assets		**264,055**	291,422
Current liabilities			
Trade and other payables	23	**552,894**	966,400
Contract liabilities	24	**23,372**	20,218
Bank loans	25	**253,558**	105,666
Current taxation	28	**12,341**	11,624
Lease liabilities	26	**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
Non-current liabilities			
Bank loans	25	**650,147**	766,212
Deferred income	27	**67,203**	53,857
Deferred tax liabilities	28	**19**	72
Lease liabilities	26	**393**	–
Total non-current liabilities		**717,762**	820,141
Net assets		**1,079,909**	333,095

(Expressed in Renminbi)

	Note	**2019 RMB'000**	2018 RMB'000
CAPITAL AND RESERVES	29		
Share capital		**98,377**	69
Reserves		**781,555**	127,289
Total equity attributable to equity shareholders		**879,932**	127,358
Non-controlling interests	17	**199,977**	205,737
Total equity		**1,079,909**	333,095

Approved and authorised for issue by the board of directors on 6 May 2020.

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) *Directors*
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The notes on pages 64 to 127 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Expressed in Renminbi)

	Note	Attributable to equity shareholders								
		Share capital RMB'000 Note 29(c)	Share premium RMB'000 Note 29(d)	Capital reserve RMB'000 Note 29(d)	Statutory reserve RMB'000 Note 29(d)	Exchange reserve RMB'000 Note 29(d)	Retained profits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2019		69	-	19,809	15,132	339	92,009	127,358	205,737	333,095
Changes in equity for the year ended 31 December 2019										
Profit/(loss) for the year		-	-	-	-	-	55,146	55,146	(13,291)	41,855
Other comprehensive income		-	-	-	-	3,996	-	3,996	-	3,996
Total comprehensive income		-	-	-	-	3,996	55,146	59,142	(13,291)	45,851
Capital injection		-	-	-	-	-	-	-	7,531	7,531
Cancellation of shares	29(c)	(69)	-	-	-	-	-	(69)	-	(69)
Share issued	29(c)	73,739	301,022	-	-	-	-	374,761	-	374,761
Share issued upon initial public offering ("IPO")	29(c)	24,638	294,102	-	-	-	-	318,740	-	318,740
Transfer to statutory reserve		-	-	-	17,874	-	(17,874)	-	-	-
Balance at 31 December 2019		98,377	595,124	19,809	33,006	4,335	129,281	879,932	199,977	1,079,909

The notes on pages 64 to 127 form part of these financial statements.

(Expressed in Renminbi)

		Attributable to equity shareholders							
	Note	Share capital RMB'000 Note 29(c)	Capital reserve RMB'000 Note 29(d)	Statutory reserve RMB'000 Note 29(d)	Exchange reserve RMB'000 Note 29(d)	Retained profits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2018		108,200	18,459	8,422	–	50,783	185,864	170,883	356,747
Changes in equity for the year ended 31 December 2018									
Profit/(loss) for the year		–	–	–	–	47,936	47,936	(11,525)	36,411
Other comprehensive income		–	–	–	339	–	339	–	339
Total comprehensive income		–	–	–	339	47,936	48,275	(11,525)	36,750
Capital injection		1,885	1,350	–	–	–	3,235	46,379	49,614
Arising from reorganisation	29(c)	(110,016)	–	–	–	–	(110,016)	–	(110,016)
Transfer to statutory reserve		–	–	6,710	–	(6,710)	–	–	–
Balance at 31 December 2018		69	19,809	15,132	339	92,009	127,358	205,737	333,095

The notes on pages 64 to 127 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

(Expressed in Renminbi)

	Note	2019 RMB'000	2018 RMB'000
Operating activities			
Cash generated from operations	22(b)	**292,822**	230,253
Income tax paid	28(a)	**(17,403)**	(11,787)
Net cash generated from operating activities		**275,419**	218,466
Investing activities			
Interest received		**13,879**	148
Payment for purchase of property, plant and equipment, investment property and right-of-use assets		**(373,253)**	(338,784)
Payment for purchase of intangible assets		**(946)**	(4,506)
Proceeds from disposal of property, plant and equipment		**109**	726
Proceeds from disposal of equity securities		**–**	1,700
Advance to third parties		**(63,015)**	(22,127)
Repayment from third parties		**86,000**	12,000
Advance to related parties	32(b)	**(49,666)**	(42,225)
Repayment from related parties		**27,732**	37,564
Payment for government bonds		**(4,044)**	–
Proceeds from disposal of government bonds		**4,045**	–
Withdrawal of deposits with a bank with original maturity date over three months		**50,000**	–
Net cash used in investing activities		**(309,159)**	(355,504)
Financing activities			
Proceeds from bank loans and other borrowings	22(e)	**210,000**	120,000
Repayment of bank loans and other borrowings	22(e)	**(198,173)**	(177,236)
Repayment to individual shareholders of non-controlling interest	22(e)	**–**	(100)
Advance from other third parties	22(e)	**10,000**	42,920
Repayment to other third parties	22(e)	**(10,000)**	(42,920)
Repayment from equity shareholders		**–**	53,463
Advance from related parties	22(e)	**61,354**	861,830
Repayment to related parties	22(e)	**(263,441)**	(642,952)
Interest paid	22(e)	**(68,996)**	(66,131)
Payment for loan deposits		**(10,000)**	–
Capital injection from equity shareholders		**–**	3,235
Capital injection from non-controlling interests		**7,531**	46,379
Payment for cancellation of shares		**(69)**	–
Payment of capitalised listing expenses		**(3,429)**	–
Proceeds from share issued upon IPO		**322,169**	–
Lease payments	22(f)	**(940)**	–

(Expressed in Renminbi)

	Note	2019 RMB'000	2018 RMB'000
Net cash generated from financing activities		**56,006**	198,488
Net increase in cash and cash equivalents		**22,266**	61,450
Cash and cash equivalents at the beginning of the year		**80,733**	19,283
Effect of foreign exchange rate changes		**298**	–
Cash and cash equivalents at the end of the year	22	**103,297**	80,733

The notes on pages 64 to 127 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

1 Significant accounting policies

(a) Statement of compliance

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

The HKICPA has issued 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 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 financial statements is the historical cost basis except that financial assets at fair value through profit or loss are stated at fair value as explained in note 1(e).

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

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.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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 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.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Subsidiaries and non-controlling interests *(Continued)*

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of the controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(j)(ii)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(e) Investments in debt equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries, are set out below.

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 30(e). These investments are subsequently accounted for as follows, depending on their classification.

Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Investment property

Investment properties are buildings which are owned to earn rental income and/or for capital appreciation. These include property that is being constructed or developed for future use as investment property.

Investment properties are stated at cost less accumulated depreciation and impairment losses (see note 1(j)(ii)). Depreciation is calculated to write off the costs of investment properties, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Investment property	20 years

Both the useful life of an asset and its residual value, if any, are reviewed annually.

Rental income from investment property is accounted for as described in note 1(t)(i).

(g) Property, plant and equipment and construction in progress

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(j)(ii)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(v)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

No depreciation is provided in respect of the construction in progress.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Buildings	20 years
Plant and machinery	3–20 years
Motor vehicles	5–10 years
Office equipment and others	3–10 years

Both the useful life of an asset and its residual value, if any, are reviewed annually.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(j)(ii)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

Electroplating wastewater treatment operation rights	5 years
Software	10 years

Both the period and method of amortisation are reviewed annually.

(i) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use assets recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payment made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use assets is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 1(g) and 1(j)(ii)). Depreciation is calculated to write off the cost of items of right-of-use assets, using the straight-line method over the unexpired term of lease.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Leases *(Continued)*

(i) As a lessee *(Continued)*

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or losses if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets and lease liabilities separately in the statement of financial position.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified an operating lease.

When a contract contains lease and non-lease components, the group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 1(t)(i).

(j) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses (ECLs) on the financial assets measured at amortised cost (including cash and cash equivalents, deposits with a bank with original maturity date over three months and trade and other receivables).

Other financial assets measured at fair value are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

— fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof.

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Credit losses and impairment of assets *(Continued)*

(i) Credit losses from financial instruments *(Continued)*

Measurement of ECLs (Continued)

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

— 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

— Lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held). The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

— failure to make payments of principal or interest on their contractually due dates;

— an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Credit losses and impairment of assets *(Continued)*

(i) Credit losses from financial instruments *(Continued)*

Significant increases in credit risk (Continued)

— an actual or expected significant deterioration in the operating results of the debtor; and

— existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

— significant financial difficulties of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

— the disappearance of an active market for a security because of financial difficulties of the issuer.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Credit losses and impairment of assets *(Continued)*

(i) Credit losses from financial instruments *(Continued)*

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

— construction in progress;

— investment property;

— right-of-use assets;

— intangible assets; and

— investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

— *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit ("CGU")).

— *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Credit losses and impairment of assets *(Continued)*

(ii) Impairment of other non-current assets *(Continued)*

— *Reversals of impairment losses*

An impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the period in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(j)(i) and (ii)).

(k) Inventories

Inventories are assets in the form of materials or supplies which are held for consumption in the rendering of services or for sale in the ordinary course of business.

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business.

When inventories are consumed in the rendering of services or sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(l) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 1(t)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 1(m)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 1(j)(i)).

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note 1(j)(i).

(o) Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 1(v)).

(q) Employee benefits

(i) Short term employee benefits

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Contributions to defined contribution retirement plans

Pursuant to the relevant laws and regulations of the PRC, the Group participates in a defined contribution basic pension insurance in the social insurance system established and managed by government organisations. The Group makes contributions to basic pension insurance plans based on the applicable benchmarks and rates stipulated by the government.

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. Contributions to the plan vest immediately.

Contributions to defined contribution retirement plans are recognised as part of the cost of assets or charged to profit or loss as the related services are rendered by the employees.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Employee benefits *(Continued)*

(iii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(r) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to business combinations, or items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous periods.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Income tax *(Continued)*

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group or the Company has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Group or the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

 — the same taxable entity; or

 — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(s) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(t) Revenue and other income

Income is classified by the Group as revenue when it arises from the provision of services, the sales of goods or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value-added tax ("VAT") and is after deduction of any trade discounts.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Revenue and other income *(Continued)*

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable.

(ii) Revenue from provision of facilities usage and management services, wastewater treatment and other related services

Revenue from provision of facilities usage and management services, wastewater treatment and utilities and other related services is recognised when the services are rendered.

(iii) Sales of goods

Revenue is recognised when the customer obtains control of the goods in the contracts. Revenue excludes VAT and is after deduction of any trade discounts.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 1(j)(i)).

(v) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised as deferred income and consequently are effectively recognised in profit or loss on a systematic basis over the useful life of the asset.

(u) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Group or the Company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Translation of foreign currencies *(Continued)*

The results of foreign operations are translated into Renminbi at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Renminbi at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

(v) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(w) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Related parties *(Continued)*

(b) An entity is related to the Group if any of the following conditions applies: (Continued)

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(x) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 ACCOUNTING JUDGEMENTS AND ESTIMATES

Note 30 contains information about the assumptions and their risk factors relating to fair value of financial assets. Other key sources of estimation uncertainty and critical accounting judgements in the process of applying the Group's accounting policies are as follows:

(a) Depreciation and amortisation

Property, plant and equipment, investment property, right-of-use assets and intangible assets are depreciated or amortised on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value.

The Group reviews annually the useful life of an asset and its residual value, if any. The depreciation and amortisation expense for future years is adjusted if there are significant changes from previous estimation.

(b) Credit losses and impairments of assets

In considering the impairment losses that may be required for certain property, plant and equipment, construction in progress, investment property, right-of-use assets and intangible assets, recoverable amount of these assets needs to be determined. The recoverable amount is the greater of the net selling price and the value in use. It is difficult to precisely estimate selling price because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to items such as level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as revenue and operating costs.

2 ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

(b) Credit losses and impairments of assets *(Continued)*

Credit losses from financial instruments are assessed and provided based on the management's regular review of ageing analysis and evaluation of collectability. A considerable level of judgement is exercised by the directors when assessing the credit worthiness and past collection history of each individual customer. An increase or decrease in the above credit losses would affect the net profit or loss in future years.

(c) Recognition of deferred tax assets

Deferred tax assets in respect of tax losses and other deductible temporary differences carried forward are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the end of the reporting period. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and requires significant level of judgement exercised by the directors. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in future years.

3 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 3(b).

Disaggregation of revenue

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

	2019 RMB'000	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 3(b)(i) and 3(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.

3 REVENUE AND SEGMENT REPORTING *(Continued)*

(b) Segment reporting *(Continued)*

(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)

3 REVENUE AND SEGMENT REPORTING *(Continued)*

(b) Segment reporting *(Continued)*

(i) Segment results, assets and liabilities *(Continued)*

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

	2019 RMB'000	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.

(Expressed in Renminbi unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING *(Continued)*

(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 of raw materials such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under these contracts that had an original expected duration of one year or less.

(ii) Operating leases

The Group leases out its investment property. The Group has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Note 13 sets out information about the operating leases of investment property.

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

	2019 **RMB'000**	2018 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

4 OTHER REVENUE

	2019 RMB'000	2018 RMB'000
Interest income	**1,964**	2,760
Government grants		
— Unconditional subsidies	**3,595**	58
— Conditional subsidies (note 27)	**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.

5 OTHER NET INCOME/(LOSS)

	2019 RMB'000	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)

6 PROFIT BEFORE TAXATION

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

(a) Finance costs

	2019 RMB'000	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%).

6 PROFIT BEFORE TAXATION *(Continued)*

(b) Staff costs (including directors' emoluments)

	2019 RMB'000	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

	2019 RMB'000	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.

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2019 RMB'000	2018 RMB'000
Current tax — PRC income tax		
Provision for the year (note 28(a))	**18,120**	13,006
Deferred tax		
Origination and reversal of temporary differences (note 28(b))	**(5,281)**	(4,304)
	12,839	8,702

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2019 RMB'000	2018 RMB'000
Profit before taxation	**54,694**	45,113
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned (i)	**17,943**	12,337
Effect of non-deductible expenses	**1,066**	784
Effect of preferential tax treatments on environmental protection devices (ii)	**(73)**	(847)
Additional deduction for research and development expenses (iii)	**(3,330)**	(1,615)
Effect of preferential tax treatments on High and New Technology Enterprise (iv)	**(6,532)**	(2,132)
Effect of deferred tax balances at 1 January resulting from a change in tax rate (iv)	**3,377**	–
Effect of unused tax losses not recognised (v)	**388**	175
Income tax expenses	**12,839**	8,702

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

The provision for Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits. For the year ended 31 December 2019, subsidiaries in Hong Kong did not have any assessable profits (2018: nil).

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

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(Continued)*

(b) Reconciliation between tax expense and accounting profit at applicable tax rates: *(Continued)*

(ii) During the years ended 31 December 2019 and 2018, Huizhou Jinmaoyuan Environmental Technology Co., Ltd. ("Huizhou Jinmaoyuan"), engaging in electroplating wastewater treatment, was entitled to the preferential tax policy on environmental protection devices. According to relevant tax rules in the PRC, such additional tax deduction equals to 10% of total purchasing amount of environmental protection devices, which would be utilised in following five years upon purchase of the environmental protection devices.

Accordingly, for the year ended 31 December 2019, the income tax of Huizhou Jinmaoyuan was reduced by RMB73,000 (2018: RMB847,000).

(iii) During the year ended 31 December 2018, Huizhou Jinmaoyuan and Tianjin Bingang Electroplating Enterprises Management Co., Ltd. ("Tianjin Bingang") obtained approval from local tax authorities to claim additional deduction on research and development expenses when determined the assessable profits. According to relevant tax rules in the PRC, such additional tax deduction on research and development expenses when determined the assessable profits equals to 75% of the amount of research and development expenses actually incurred.

Accordingly, the income tax of Huizhou Jinmaoyuan and Tianjin Bingang for the year ended 31 December 2019 was reduced by RMB3,330,000 (2018: RMB1,615,000).

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

During the year ended 31 December 2019, Tianjin Bingang was approved as a High and New Technology Enterprise. According to relevant tax rules in the PRC, Tianjin Bingang was entitled to a preferential income tax rate of 15% from 2019 to 2021. The effect of deferred tax balances at 1 January resulting from the above change in tax rate of Tianjin Bingang amounted to RMB3,377,000.

Accordingly, the income tax of Huizhou Jinmaoyuan and Tianjin Bingang for the year ended 31 December 2019 was reduced by RMB6,532,000 (2018: RMB2,132,000) as High and New Technology Enterprises.

(v) In accordance with the accounting policy set out in note 1(r), the Group has not recognised deferred tax assets of RMB388,000 for the year ended 31 December 2019 (2018: RMB175,000), in respect of cumulative tax losses of certain subsidiaries located in Hong Kong and Mainland China, respectively.

8 DIRECTORS' EMOLUMENTS

Directors' emoluments disclose pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation. Directors' emoluments as recorded are set out below:

	For the year ended 31 December 2019				
	Directors' and supervisors' fees RMB'000	Salaries, allowances and other benefits RMB'000	Defined contribution retirement plans RMB'000	Discretionary bonuses RMB'000	Total RMB'000
Executive directors					
Mr. Zhang Lianghong (i)	–	548	29	–	577
Mr. Zhu Heping (ii)	–	767	–	808	1,575
Mr. Huang Shaobo (iii)	–	220	–	–	220
Mr. Lee Yuk Kong (iii)	–	220	–	–	220
Subtotal	–	1,755	29	808	2,592
Independent non-executive directors					
Mr. Kan Chung Nin (iv)	–	132	–	–	132
Mr. Li Xiaoyan (iv)	–	132	–	–	132
Mr. Li Yinquan (iv)	–	132	–	–	132
Subtotal	–	396	–	–	396
Total	–	2,151	29	808	2,988

	For the year ended 31 December 2018				
	Directors' and supervisors' fees RMB'000	Salaries, allowances and other benefits RMB'000	Defined contribution retirement plans RMB'000	Discretionary bonuses RMB'000	Total RMB'000
Executive directors					
Mr. Zhang Lianghong (i)	–	219	40	7	266
Mr. Zhu Heping (ii)	–	391	–	1,616	2,007
Total	–	610	40	1,623	2,273

8 DIRECTORS' EMOLUMENTS *(Continued)*

(i) Mr. Zhang Lianghong was appointed as executive director and chairman of the board on 7 January 2019. He was the key management personnel of the Group during the years ended 31 December 2019 and 2018 and his remuneration disclosed above included those for services rendered by him as key management personnel of the Group.

(ii) Mr. Zhu Heping was appointed as executive director and chief execute officer on 7 January 2019. He was the key management personnel of the Group during the years ended 31 December 2019 and 2018 and his remuneration disclosed above included those for services rendered by him as key management personnel of the Group.

(iii) Mr. Lee Yuk Kong and Mr. Huang Shaobo were appointed as executive director on 28 June 2018 and 7 January 2019, respectively.

(iv) Mr. Li Yinquan, Mr. Kan Chung Nin and Mr. Li Xiaoyan were appointed as independent non-executive directors on 18 June 2019.

There was no amount paid or payable by the Group to the directors or any of the five highest paid individuals as set out in note 9 below as an inducement to join or upon joining the Group or as compensation for loss of office during the year ended 31 December 2019 (2018: nil). There was no arrangement under which a director had waived or agreed to waive any remuneration during the year (2018: nil).

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2018: one) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other three (2018: four) individuals are as follows:

	2019 **RMB'000**	2018 RMB'000
Salaries and other emoluments	**1,150**	1,080
Discretionary bonuses	**348**	372
Retirement scheme contributions	**70**	79
	1,568	1,531

The emoluments of the three (2018: four) individuals with the highest emoluments are within the following bands:

	2019 **Number of individuals**	2018 Number of individuals
Nil to HKD1,000,000	**3**	4

10 OTHER COMPREHENSIVE INCOME

Tax effects relating to each component of other comprehensive income

	2019			2018		
	Before-tax amount RMB'000	**Tax expense RMB'000**	**Net-of-tax amount RMB'000**	Before-tax amount RMB'000	Tax expense RMB'000	Net-of-tax amount RMB'000
Exchange differences on translation of financial statements of entities not using RMB as functional currency	**3,996**	**–**	**3,996**	339	–	339

11 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 shares) 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 29(c)), 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.

(Expressed in Renminbi unless otherwise indicated)

12 Property, plant and equipment

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment and others RMB'000	Total RMB'000
Cost:					
At 1 January 2018	100,050	654,023	5,817	6,128	766,018
Additions	–	62,118	2,229	3,408	67,755
Transfer from construction in progress (note 14)	12,773	285,982	–	–	298,755
Transfer to non-current assets held for sale	–	(4,867)	–	–	(4,867)
Disposals	–	(376)	(362)	(10)	(748)
At 31 December 2018	**112,823**	**996,880**	**7,684**	**9,526**	**1,126,913**
Additions	**–**	**3,917**	**515**	**1,367**	**5,799**
Transfer from construction in progress (note 14)	**821**	**140,981**	**–**	**533**	**142,335**
Disposals	**–**	**(308)**	**(14)**	**(39)**	**(361)**
At 31 December 2019	**113,644**	**1,141,470**	**8,185**	**11,387**	**1,274,686**
Accumulated depreciation:					
At 1 January 2018	(44,504)	(124,853)	(2,192)	(4,260)	(175,809)
Charge for the year	(5,433)	(74,120)	(1,547)	(338)	(81,438)
Transfer to non-current assets held for sale	–	1,637	–	–	1,637
Written back on disposals	–	215	326	4	545
At 31 December 2018	**(49,937)**	**(197,121)**	**(3,413)**	**(4,594)**	**(255,065)**
Charge for the year	**(4,816)**	**(95,109)**	**(1,289)**	**(1,367)**	**(102,581)**
Written back on disposals	**–**	**254**	**6**	**26**	**286**
At 31 December 2019	**(54,753)**	**(291,976)**	**(4,696)**	**(5,935)**	**(357,360)**
Net book value:					
At 31 December 2019	**58,891**	**849,494**	**3,489**	**5,452**	**917,326**
At 31 December 2018	62,886	799,759	4,271	4,932	871,848

As at 31 December 2019, certain property, plant and equipment with carrying value of RMB301,237,000 were pledged to secure the Group's bank loans (2018: RMB194,446,000) (note 25(ii)).

13 INVESTMENT PROPERTY

	RMB'000
Cost:	
At 1 January 2018	814,099
Transfer from construction in progress (note 14)	34,755
At 31 December 2018	**848,854**
Transfer from construction in progress (note 14)	**51,765**
At 31 December 2019	**900,619**
Accumulated amortisation:	
At 1 January 2018	(98,617)
Charge for the year	(38,763)
At 31 December 2018	**(137,380)**
Charge for the year	**(42,039)**
At 31 December 2019	**(179,419)**
Net book value:	
At 31 December 2019	**721,200**
At 31 December 2018	711,474

As at 31 December 2019, the fair value of the Group's investment property was approximately RMB1,437,273,000 (2018: RMB1,284,100,000). The fair value are determined by the directors of the Company with reference to the valuation performed, using the income capitalisation approach with reference to the term value and the reversionary value calculated by discounting the contracted annual rent at the capitalisation rate over the exiting lease period and the sum of average unit market rent at the capitalisation rate after the existing lease period, by Greater China Appraisal Limited, an independent qualified professional valuer.

As at 31 December 2019, certain investment property with carrying value of RMB655,469,000 were pledged to secure the Group's bank loans (2018: RMB692,204,000) (note 25(ii)).

13 INVESTMENT PROPERTY *(Continued)*

Amount recognised in profit or loss

	2019 RMB'000	2018 RMB'000
Rental income, excluding service charges	**79,220**	71,207
Direct operating expenses that generated rental income during the year	**(47,055)**	(40,736)
Direct operating expenses that did not generate rental income during the year	**(9,381)**	(9,340)

The rental income is included in 'revenue'. The Group leased out investment property under operating leases. The operating leases mainly run for an initial period of 4 to 5 years, with an option to renew the lease after that date at which time all terms are renegotiated. Lease payments are usually increased every year to reflect market rentals. None of the leases includes contingent rentals.

14 CONSTRUCTION IN PROGRESS

	RMB'000
Cost:	
At 1 January 2018	181,824
Additions	244,576
Transfer to property, plant and equipment (note 12)	(298,755)
Transfer to investment property (note 13)	(34,755)
At 31 December 2018	**92,890**
Additions	**493,975**
Transfer to property, plant and equipment (note 12)	**(142,335)**
Transfer to investment property (note 13)	**(51,765)**
At 31 December 2019	**392,765**

As at 31 December 2019, construction in progress mainly comprises properties and plant and machinery. Construction in progress is not subject to depreciation.

15 RIGHT-OF-USE ASSETS

Information about leases for which the Group is a lessee is presenting as below:

	Land-use rights RMB'000	Office and dormitories RMB'000	Total RMB'000
Cost:			
At 1 January 2018	234,445	–	234,445
Additions	–	–	–
At 31 December 2018	**234,445**	**–**	**234,445**
Additions	**70,359**	**1,997**	**72,356**
At 31 December 2019	**304,804**	**1,997**	**306,801**
Accumulated depreciation:			
At 1 January 2018	(15,883)	–	(15,883)
Charge for the year	(5,151)	–	(5,151)
At 31 December 2018	**(21,034)**	**–**	**(21,034)**
Charge for the year	**(5,716)**	**(771)**	**(6,487)**
At 31 December 2019	**(26,750)**	**(771)**	**(27,521)**
Net book value:			
At 31 December 2019	**278,054**	**1,226**	**279,280**
At 31 December 2018	213,411	–	213,411

The Group's land-use rights on leasehold land locate in the PRC. Amortisation is recognised in profit or loss on a straight-line basis over the respective periods of the land-use rights, which are 42 to 50 years (2018: 42 to 50 years). At 31 December 2019, the remaining periods of the land-use rights range from 36 to 50 years (2018: 37 to 48 years).

As at 31 December 2019, land-use rights with net book value of RMB95,890,000 (2018: RMB98,117,000) were pledged for bank loans (note 25(ii)).

The Group leases office and dormitories expiring from 1.1 to 2.8 years. All leases include an option to renew the lease when all terms are renegotiated. None of the leases includes variable lease payments.

15 RIGHT-OF-USE ASSETS *(Continued)*

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2019 RMB'000	2018 RMB'000
Interest on lease liabilities (note 6(a))	**64**	–
Expenses relating to short-term leases	**149**	245
	213	245

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 22 and 26, respectively.

16 INTANGIBLE ASSETS

	Electroplating wastewater treatment operation rights RMB'000	Software RMB'000	Total RMB'000
Cost:			
At 1 January 2018	768	–	768
Additions	4,506	–	4,506
At 31 December 2018	**5,274**	**–**	**5,274**
Additions	**–**	**946**	**946**
At 31 December 2019	**5,274**	**946**	**6,220**
Accumulated amortisation:			
At 1 January 2018	(333)	–	(333)
Charge for the year	(679)	–	(679)
At 31 December 2018	**(1,012)**	**–**	**(1,012)**
Charge for the year	**(1,055)**	**(79)**	**(1,134)**
At 31 December 2019	**(2,067)**	**(79)**	**(2,146)**
Net book value:			
At 31 December 2019	**3,207**	**867**	**4,074**
At 31 December 2018	4,262	–	4,262

(Expressed in Renminbi unless otherwise indicated)

17 INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of major subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated:

			Proportion of ownership interest			
Name of company	Place of incorporation and business	Particulars of issued and registered capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Huizhou Kimou Industrial Investment Co., Ltd. ("Huizhou Jinmao") (i) 惠州金茂實業投資有限公司 (i)	Huizhou, the PRC	RMB600,000,000	100%	–	100%	Investment property development and management
Huizhou Jinzefeng Trading Co., Ltd. ("Huizhou Jinzefeng") (ii) 惠州金澤豐貿易有限公司 (ii)	Huizhou, the PRC	RMB2,000,000	100%	–	100%	Sales of chemical materials
Huizhou Jinmaoyuan Environmental Technology Co., Ltd. ("Huizhou Jinmaoyuan") (ii) 惠州金茂源環保科技有限公司 (ii)	Huizhou, the PRC	RMB160,000,000	100%	–	100%	Provision of electroplating wastewater processing and related services
Tianjin Bingang Electroplating Enterprises Management Co., Ltd. ("Tianjin Bingang") (ii) 天津濱港電鍍企業管理有限公司 (ii)	Tianjin, the PRC	RMB589,880,000	51%	–	51%	Provision of electroplating wastewater processing and related services

(i) This is a wholly foreign owned enterprise in the PRC. The official name of the entity is in Chinese. The English translation of the name is for reference only.

(ii) These are private limited liability companies in the PRC. The official names of these entities are in Chinese. The English translation of the names is for reference only.

17 INVESTMENTS IN SUBSIDIARIES *(Continued)*

The following table lists out the information relating to Tianjin Bingang, the only subsidiary of the Group which has a material non-controlling interest (NCI). The summarised financial information presented below represents the amounts before any inter-company elimination.

	2019 RMB'000	2018 RMB'000
NCI percentage	**49%**	49%
Current assets	**108,735**	89,079
Non-current assets	**1,265,894**	1,119,551
Current liabilities	**(445,317)**	(309,338)
Non-current liabilities	**(521,195)**	(471,582)
Net assets	**408,117**	427,710
Carrying amount of NCI	**199,977**	205,737
Revenue	**158,056**	126,940
Loss for the year	**(27,124)**	(23,365)
Total comprehensive income	**(27,124)**	(23,365)
Loss allocated to NCI	**(13,291)**	(11,525)
Net cash generated from operating activities	**50,751**	34,603
Net cash used in investing activities	**(152,761)**	(274,228)
Net cash generated from financing activities	**117,977**	239,834

18 OTHER FINANCIAL ASSETS

	2019 RMB'000	2018 RMB'000
Unlisted equity securities	**8,165**	8,475

The unlisted equity securities represented the 5% shares in a local commercial bank incorporated in the PRC and engaging in provision of banking and financing services. Dividends of RMB24,000 were received on this investment during the year (2018: RMB10,000).

19 INVENTORIES

	2019 RMB'000	2018 RMB'000
Raw materials	**1,961**	3,477
Consumables	**1,483**	1,422
	3,444	4,899

19 INVENTORIES *(Continued)*

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2019 RMB'000	2018 RMB'000
Carrying amount of inventories consumed and sold (note 6(c))	**163,827**	101,454

20 TRADE AND OTHER RECEIVABLES

	2019 RMB'000	2018 RMB'000
Current		
Trade debtors	**104,133**	75,846
Less: Allowance for expected credit losses (note 30(a))	**–**	–
	104,133	75,846
Interest receivable	**–**	11,916
Deductible input VAT	**40,316**	30,199
Amounts due from related parties (note 32(c))	**–**	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.

(Expressed in Renminbi unless otherwise indicated)

20 TRADE AND OTHER RECEIVABLES *(Continued)*

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:

	2019 RMB'000	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. Further details on the Group's credit policy and credit risk arising from trade debtors are set out in note 30(a).

21 DEPOSITS WITH A BANK WITH ORIGINAL MATURITY DATE OVER THREE MONTHS

	2019 RMB'000	2018 RMB'000
Deposits with a bank with original maturity date over three months	**–**	50,000

As at 31 December 2018, the deposits have been pledged with a bank as securities (note 25(ii)).

22 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	2019 RMB'000	2018 RMB'000
Cash on hand	**255**	156
Cash at bank	**103,042**	80,577
	103,297	80,733

As at 31 December 2019, cash and cash equivalents placed with banks in Mainland China amounted to RMB77,223,000 (2018: RMB80,015,000). Remittance of funds out of Mainland China is subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

22 CASH AND CASH EQUIVALENTS *(Continued)*

(b) Reconciliation of profit before taxation to cash generated from operations:

	2019 **RMB'000**	2018 RMB'000
Profit before taxation	**54,694**	45,113
Adjustments for:		
Depreciation and amortisation	**152,241**	126,031
Finance costs	**67,112**	60,969
Interest income	**(1,964)**	(2,760)
Foreign exchange loss	**4,544**	8,472
(Gain)/loss arising from disposals of property, plant and equipment	**(34)**	77
Change in fair value of other financial assets through profit or loss	**310**	2,457
Impairment loss of non-current assets held for sale	**–**	2,630
Changes in working capital:		
Decrease/(increase) in inventories	**1,455**	(2,644)
Increase in trade and other receivables	**(59,157)**	(36,752)
Increase in trade and other payables	**60,275**	32,196
Increase/(decrease) in deferred income	**13,346**	(5,536)
Cash generated from operations	**292,822**	230,253

(Expressed in Renminbi unless otherwise indicated)

22 CASH AND CASH EQUIVALENTS *(Continued)*

(c) Significant investing activities not requiring the use of cash:

	2019 RMB'000	2018 RMB'000
Purchase of property, plant and equipment and investment property settled by bills endorsement	**24,542**	12,959
Advance to a third party by bills endorsement	**–**	1,492

(d) Significant financing activities not requiring the use of cash:

	2019 RMB'000	2018 RMB'000
Capitalisation of the amounts due to ultimate individual shareholders of the Group and entities they effectively owned (together as the "Shareholders") (i)	**374,761**	–
Settlement of amounts due to related parties by off-setting with amounts due from the corresponding related parties (note 22(e))	**27,991**	–
Proceeds from a loan received by bills (ii)	**20,000**	–

(i) During the year ended 31 December 2019, Shareholders loan amounted to RMB264,761,000 and consideration payable to the Shareholders amounted to RMB110,000,000 had been capitalised as share capital and share premium by the Company (note 29 (c)).

(ii) During the year ended 31 December 2019, the Group obtained borrowings from a financial institution among which RMB20,000,000 was paid in the form of bills.

22 CASH AND CASH EQUIVALENTS *(Continued)*

(e) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Bank loans RMB'000 (Note 25)	Interest payable RMB'000 (Note 23)	Liabilities arising from other borrowings RMB'000	Lease liabilities RMB'000 (Note 26)	Total RMB'000
At 1 January 2019	871,878	1,694	493,662	–	1,367,234
Changes from financing cash flows:					
Proceeds from bank loans and other borrowings	200,000	–	10,000	–	210,000
Repayment of bank loans and other borrowings	(168,173)	–	(30,000)	–	(198,173)
Interest paid	–	(68,996)	–	–	(68,996)
Advance from related parties (note 32(b))	–	–	61,354	–	61,354
Repayment to related parties	–	–	(263,441)	–	(263,441)
Advance from other third parties	–	–	10,000	–	10,000
Repayment to other third parties	–	–	(10,000)	–	(10,000)
Capital element of lease rentals paid (note 22(f))	–	–	–	(940)	(940)
Total changes from financing cash flows	31,827	(68,996)	(222,087)	(940)	(260,196)
Exchange adjustments	–	–	1,177	–	1,177
Interest on bank loan (note 6(a))	–	69,034	–	–	69,034
Interest on lease liabilities (note 6(a))	–	–	–	64	64
Receive of bills (note 22(d))	–	–	20,000	–	20,000
Capitalisation of Shareholders loan (note 22(d))	–	–	(264,761)	–	(264,761)
Off-setting with amounts due from related parties (note 22(d))	–	–	(27,991)	–	(27,991)
Increase in lease liabilities from entering into new leases during this period	–	–	–	1,997	1,997
Total other charges	–	69,034	(272,752)	2,061	(201,657)
At 31 December 2019	903,705	1,732	–	1,121	906,558

(Expressed in Renminbi unless otherwise indicated)

22 CASH AND CASH EQUIVALENTS *(Continued)*

(e) Reconciliation of liabilities arising from financing activities *(Continued)*

	Bank loans RMB'000 (Note 25)	Interest payable RMB'000 (Note 23)	Liabilities arising from other borrowings RMB'000	Total RMB'000
At 1 January 2018	929,114	1,864	266,671	1,197,649
Changes from financing cash flows:				
Proceeds from bank loans	120,000	–	–	120,000
Repayment of bank loans	(177,236)	–	–	(177,236)
Interest paid	–	(66,131)	–	(66,131)
Advance from related parties (note 32(b))	–	–	861,830	861,830
Repayment to related parties	–	–	(642,952)	(642,952)
Repayment to individual shareholders of non-controlling interests	–	–	(100)	(100)
Advance from other third parties	–	–	42,920	42,920
Repayment to other third parties	–	–	(42,920)	(42,920)
Total changes from financing cash flows	(57,236)	(66,131)	218,778	95,411
Exchange adjustments	–	–	8,213	8,213
Interest on bank loans (note 6(a))	–	65,961	–	65,961
At 31 December 2018	871,878	1,694	493,662	1,367,234

(f) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2019 RMB'000	2018 RMB'000
Within operating cash flows	**149**	245
Within financing cash flows	**940**	–

23 TRADE AND OTHER PAYABLES

	2019 RMB'000	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 (note 32(c))	**–**	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:

	2019 RMB'000	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

24 CONTRACT LIABILITIES

	2019 RMB'000	2018 RMB'000
Services fees prepaid by customers	**23,175**	20,198
Payments of goods prepaid by customers	**197**	20
	23,372	20,218

24 Contract liabilities *(Continued)*

Services fees and payments of goods from customers are recorded as contract liabilities in the consolidated statement of financial position at the time of receipt. Revenue from provision of services and sales for goods is recognised according to the accounting policy set out in note 1(t).

Movements in contract liabilities

	2019 RMB'000	2018 RMB'000
Balance at 1 January	**20,218**	16,074
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the period	**(20,218)**	(16,074)
Increase in contract liabilities as a result of receiving services fees and payments of goods in advance as at the year end	**23,372**	20,218
Balance at 31 December	**23,372**	20,218

25 BANK LOANS

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

	2019 RMB'000	2018 RMB'000
Within 1 year or on demand	**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	**650,147**	766,212
Total	**903,705**	871,878

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

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

(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%).

25 BANK LOANS *(Continued)*

(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 (note 12), investment property (note 13), land-use rights (note 15), loan deposits (note 20) and deposits with a bank (note 21).

(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 interest 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. 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. Further details of the Group's management of liquidity risk are set out in note 30(b). 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).

(Expressed in Renminbi unless otherwise indicated)

26 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities as at 31 December of 2019:

	31 December 2019		31 December 2018	
	Present value of the minimum lease payments RMB'000	**Total minimum lease payments RMB'000**	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year	**728**	**766**	–	–
After 1 year but within 2 years	**295**	**315**	–	–
After 2 years but within 5 years	**98**	**113**	–	–
	393	**428**	–	–
	1,121	**1,194**	–	–
Less: Total future interest expenses		**(73)**		–
Present value of lease liabilities		**1,121**		–

27 DEFERRED INCOME

	2019 RMB'000	2018 RMB'000
At the beginning of the year	**53,857**	59,393
Additions	**20,000**	250
Credited to profit or loss (note 4)	**(6,654)**	(5,786)
At the end of the year	**67,203**	53,857

Deferred income consists of deferred government grants and subsidies for acquisition of right-of-use assets and construction of certain property, plant and equipment. The grants and subsidies from local government were conditional and the conditions would be fulfilled upon the completion of acquisition of right-of-use assets or construction of certain property, plant and equipment of the Group. The grants will be recognised as income in profit or loss on a systematic basis over the estimated useful lives of the right-of-use assets and property, plant and equipment.

28 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(a) Current taxation in the consolidated statements of financial position represents:

	2019 RMB'000	2018 RMB'000
At the beginning of the year	**11,624**	10,405
Provision for PRC income tax for the year (note 7(a))	**18,120**	13,006
PRC income tax paid	**(17,403)**	(11,787)
At the end of the year	**12,341**	11,624

(b) Deferred tax assets and liabilities recognised

(i) Movement of each component of deferred tax assets and liabilities

The components of deferred tax (assets)/liabilities recognised in the consolidated statements of financial position and the movements during the year are as follows:

	Unused tax loss RMB'000	Government grant RMB'000	Intangible assets RMB'000	Revaluation of other financial assets RMB'000	Others RMB'000	Total RMB'000
Deferred tax arising from:						
At 1 January 2018	(13,698)	(14,848)	110	233	(104)	(28,307)
(Credited)/charged to profit or loss (note 7(a))	(8,041)	4,368	(38)	(614)	21	(4,304)
At 31 December 2018	**(21,739)**	**(10,480)**	**72**	**(381)**	**(83)**	**(32,611)**
(Credited)/charged to profit or loss (note 7(a))	**(3,624)**	**(1,804)**	**(53)**	**242**	**(42)**	**(5,281)**
At 31 December 2019	**(25,363)**	**(12,284)**	**19**	**(139)**	**(125)**	**(37,892)**

(ii) Reconciliation to the consolidated statements of financial position:

	2019 RMB'000	2018 RMB'000
Net deferred tax assets recognised in the consolidated statements of financial position	**(37,911)**	(32,683)
Net deferred tax liabilities recognised in the consolidated statements of financial position	**19**	72
	(37,892)	(32,611)

28 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Continued)

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(r), the Group has not recognised deferred tax assets in respect of cumulative tax losses as at 31 December 2019 of RMB3,040,000 (2018: RMB1,191,000), as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entities. The tax losses of subsidiaries located in Hong Kong do not expire under current tax legislation.

(d) Deferred tax liabilities not recognised

Dividend withholding tax

According to the Corporate Income Tax ("CIT") Law and its implementation rules, dividends receivable by non-PRC corporate residents from PRC enterprises are subject to withholding income tax at 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008.

As at 31 December 2019, deferred tax liabilities in respect of the dividend withholding tax relating to the undistributed profits of the Company's subsidiaries were not recognised as the Company controls the dividend policy of these subsidiaries. Based on the assessment made by management as at 31 December 2019, it was determined that the undistributed profits of the Company's subsidiaries would not be distributed in the foreseeable future. The amounts of undistributed profit of the Company's subsidiaries are set out below:

	2019 **RMB'000**	2018 RMB'000
Distributable profits earned by PRC subsidiaries on or after 1 January 2008	**118,860**	117,080

29 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Note	Share capital RMB'000	Share premium RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Company						
At 28 June 2018 (date of incorporation)		–	–	–	–	–
Changes in equity for 2018:						
Loss for the year		–	–	–	(3,983)	(3,983)
Other comprehensive income		–	–	(141)	–	(141)
Total comprehensive income		–	–	(141)	(3,983)	(4,124)
Capital injection from shareholders of the Company		69	–	–	–	69
At 31 December 2018 and 1 January 2019	34	**69**	**–**	**(141)**	**(3,983)**	**(4,055)**
Changes in equity for 2019:						
Loss for the year		**–**	**–**	**–**	**(21,439)**	**(21,439)**
Other comprehensive income		**–**	**–**	**12,168**	**–**	**12,168**
Total comprehensive income		**–**	**–**	**12,168**	**(21,439)**	**(9,271)**
Cancellation of shares	29(c)	**(69)**	**–**	**–**	**–**	**(69)**
Share issued	29(c)	**73,739**	**301,022**	**–**	**–**	**374,761**
Share issued upon IPO	29(c)	**24,638**	**294,102**	**–**	**–**	**318,740**
At 31 December 2019	34	**98,377**	**595,124**	**12,027**	**(25,422)**	**680,106**

(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.

(Expressed in Renminbi unless otherwise indicated)

29 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(c) Share capital

The Company was incorporated in the Cayman Islands on 28 June 2018. In preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Group underwent a reorganisation (the "Reorganisation") in 2018, which was considered as business combinations under common control.

At 1 January 2018, the share capital represented the aggregate amount the paid-in capital of the companies now comprising the Group after the elimination of investments in subsidiaries.

During the Reorganisation, Kimou Environmental (BVI) Limited, a wholly owned subsidiary under the Company, acquired 100% of equity interests of Kimou Environmental Limited ("KE") and Kimou Environmental Technology Holding Limited ("KETH") at a consideration of RMB8,000 and RMB8,000, respectively, in August 2018. In September 2018, KETH acquired 72.5% equity interest of Huizhou Kimou by capital injection of RMB290,000,000 and subsequently acquired remaining 27.5% equity interests at a consideration of RMB110,000,000 in December 2018. Upon KETH acquired 100% equity interest of Huizhou Kimou, the Reorganisation was completed.

The share capital in the consolidated statement of financial position as at 31 December 2018 represented solely the share capital of the Company.

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 (ii)	**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.

(Expressed in Renminbi unless otherwise indicated)

29 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(c) Share capital *(Continued)*

Issued share capital of the Company

	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 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.

29 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(d) Nature and purposes of reserves

(i) Share premium

The share premium represents the difference between the par value of the shares of the Company and proceeds received from the issuance of the shares of the Company (note 29(c)).

Under the Companies Law of the Cayman Islands, the funds in the share premium account and other reserve account of the Company are distributable to the shareholders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Capital reserve

The capital reserve represents the difference between the increase of share capital and total capital injection made by shareholders to a subsidiary.

(iii) PRC statutory reserve

According to the PRC Company Law, the Company's PRC subsidiaries are required to transfer 10% of their profit after taxation, as determined under the PRC accounting regulations, to statutory reserve until the reserve balance reaches 50% of the registered capital. For the purpose of calculating the transfer to reserve, the profit after taxation shall be the amount determined based on the statutory financial statements prepared in accordance with PRC accounting standards. The transfer to this reserve must be made before distribution of dividend to shareholders.

Statutory reserve can be used to reduce losses of prior years, if any, and may be converted into paid-in capital in proportion to the existing equity interests of shareholders.

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of companies with functional currency other than RMB presentation currency. The reserve is dealt with in accordance with the accounting policy set out in note 1(u).

(e) Distributability of reserves

As at 31 December 2019, the aggregate amounts of reserves available for distribution to equity shareholders of the Company was HKD647,234,000 (equivalent to RMB581,729,000) (2018: nil), which comprises of share premium and offset by accumulated losses of the Company.

29 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(f) 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	25	**253,558**	105,666
Lease liabilities	26	**728**	–
		254,286	105,666
Non-current liabilities:			
Bank loans	25	**650,147**	766,212
Lease liabilities	26	**393**	–
		904,826	871,878
Less: Cash and cash equivalents	22	**(103,297)**	(80,733)
Deposits with a bank with original maturity date over three months	21	**–**	(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

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) 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, deposits with a bank with original maturity date over three months, loan deposits and interest receivable is limited because the counterparties are banks and financial institutions, for which the Group considers having low credit risk.

Except for the financial guarantees given by the Group as set out in note 32(b), the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of the financial guarantees as at the end of the reporting period is disclosed in note 32(b).

Trade receivables

Rental and facilities usage deposits are received from customers by the Group to reduce potential exposure to credit risk. Normally, the Group does not obtain other collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at 31 December 2019 and 2018, in respect of trade receivables, sufficient rental and facilities usage deposits are received from customers to cover potential exposure to credit risk, and the Group considers to have low credit risk arising from trade receivables.

The expected credit loss rate for financial assets measured at amortised cost is insignificant for the years ended 31 December 2019 and 2018.

(b) 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 parent 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.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(Continued)

(b) Liquidity risk *(Continued)*

The following tables show the remaining contractual maturities as at 31 December 2019 of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	2019 Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	**More than 1 year but less than 2 years RMB'000**	**More than 2 years but less than 5 years RMB'000**	**More than 5 years RMB'000**	**Total RMB'000**	**Carrying amount RMB'000**
Bank loans	**306,530**	**269,544**	**417,312**	**48,440**	**1,041,826**	**903,705**
Lease liabilities	**766**	**315**	**113**	**–**	**1,194**	**1,121**
Trade and other payables	**552,894**	**–**	**–**	**–**	**552,894**	**552,894**
Total	**860,190**	**269,859**	**417,425**	**48,440**	**1,595,914**	**1,457,720**

	2018 Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Bank loans	159,541	244,031	512,974	233,088	1,149,634	871,878
Lease liabilities	–	–	–	–	–	–
Trade and other payables	966,400	–	–	–	966,400	966,400
Total	1,125,941	244,031	512,974	233,088	2,116,034	1,838,278

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(Continued)

(c) Interest rate risk

The Group's interest rate risk arises primarily from bank loans issued at variable rates that expose the Group to cash flow interest rate risk. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's bank loans at the end of the reporting period:

	2019		2018	
	Effective interest rate		Effective interest rate	
	%	**RMB'000**	%	RMB'000
Variable rate borrowings:				
Bank loans	**5.70–6.86**	**903,705**	5.64–6.65	871,878

(ii) Sensitivity analysis

At 31 December 2019, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately RMB6,777,000 (2018: RMB6,586,000). The impact on the Group's profit after tax is estimated as an annualised impact on interest expense of such a change in interest rates. The analysis is performed on the same basis as 2018.

(d) Currency 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.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(Continued)

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

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

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

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

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

	Fair value at 31 December	Fair value measurements as at 31 December 2019 categorised into		
	2019 RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement				
Other financial assets:				
Unlisted equity securities	**8,165**	**–**	**8,165**	**–**

(Expressed in Renminbi unless otherwise indicated)

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(e) Fair value measurement *(Continued)*

(i) Financial assets and liabilities measured at fair value *(Continued)*

Fair value hierarchy (Continued)

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

As at 31 December 2019 and 2018, the fair value of unlisted equity securities in Level 2 is determined with reference to the audited balance of net assets of the local commercial bank invested by the Group.

(ii) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at amortised cost were not materially different from their fair values as at 31 December 2019 and 2018.

31 CAPITAL COMMITMENTS

Capital commitments outstanding as at 31 December 2019 not provided for in the financial statements were as follows:

	2019	2018
	RMB'000	RMB'000
Contracted for	**498,348**	142,558
Authorised but not contracted for:		
— Sichuan Qingshen Project	**2,000,000**	–
	2,498,348	142,558

32 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the financial statements, the Group entered into the following material related party transactions. During the years ended 31 December 2019 and 2018, the directors are of the view that the following are related parties of the Group:

Name of the party	Relationship
Mr. Zhang Lianghong	Controlling shareholder, chairman of the board
Mr. Huang Shaobo	Key management personnel
Mr. Zhang Haiming	Key management personnel
Mr. Li Jiazhi	A close family member of Mr. Lee Yuk Kong
Ms. Ye Suyi	A close family member of Mr. Zhang Lianghong
Mr. Lee Yuk Kong	Key management personnel
Tianjin Wanheshun Technology Co., Group Ltd. (i)	Non-controlling interests
Huizhou Jinjinsheng Enterprises Investment Company Limited (i)	Effectively owned by Mr. Zhang Lianghong
Boluo Jinchang Trading Company Limited (i)	Effectively owned by Mr. Zhang Lianghong
Huizhou Jinchang Real Estate Development Company Limited (i)	Effectively owned by Mr. Zhang Lianghong
Huizhou Jinshang Real Estate Development Company Limited (i)	Mr. Zhang Lianghong has significant influence over the entity
Boluo Longxi Jinchangda Wastewater Treatment Company Limited (i)	Mr. Zhang Lianghong has significant influence over the entity
Huizhou Infrastructure Construction Company Longxi Branch (i)	Mr. Zhang Lianghong is a member of key management personnel of the entity
Guangzhou Zhongliang Investment Company Limited (i)	Effectively owned by a close family member of Mr. Zhang Lianghong
Huizhou Hemao Trading Company Limited (i)	Effectively owned by a close family member of Mr. Zhang Lianghong
Guangzhou Zuji Electronic Trading Company Limited (i)	Mr. Li Jiazhi is a member of key management personnel of the entity
Dongguan Yongjiasheng Knitwear Co., Ltd. (i)	Effectively owned by Mr. Lee Yuk Kong
Dongguan Dongming Trading Company Limited (i)	Mr. Zhang Lianghong and Mr. Zhang Haiming have significant influence over the entity
Huizhou Yongjiasheng Industrial Co., Ltd. (i)	Effectively owned by Mr. Lee Yuk Kong
Huizhou Chengxinde Tax Accountant Co., Ltd. (i)	Effectively owned by Mr. Huang Shaobo
Kimou Environmental Technology Limited	Owned by Mr. Lee Yuk Kong
Deluxe Investment International Company Limited	Owned by Mr. Zhang Haiming
Dakson Assets Management Limited	Owned by Mr. Huang Shaobo
Flourish Investment International Limited	Owned by Mr. Zhang Lianghong
Premier Investment Worldwide Company Limited	Owned by Mr. Lee Yuk Kong
Tianjin Jinshang Real Estate Development Company Limited (i)	Effectively owned by Mr. Zhang Lianghong

(i) The official names of the above entities are in Chinese. The English names are for identification purpose only.

(Expressed in Renminbi unless otherwise indicated)

32 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows.

	2019 **RMB'000**	2018 RMB'000
Salaries and other benefits	**5,781**	4,953
Retirement scheme contributions	**219**	274
	6,000	5,227

Total remuneration is included in "staff costs" (note 6(b)).

(b) Related parties transactions

During the years ended 31 December 2019 and 2018, the Group entered into the following material related party transactions:

	2019 **RMB'000**	2018 RMB'000
Sales of goods to		
Boluo Longxi Jinchangda Wastewater Treatment Company Limited	**50**	316
Tianjin Jinshang Real Estate Development Company Limited	**42**	–
Lease of an office to		
Tianjin Jinshang Real Estate Development Company Limited	**9**	–
Receive of services from		
Huizhou Chengxinde Tax Accountant Co., Ltd.	**–**	73
Provision of guarantee on bank loans to		
Boluo Jinchang Trading Company Limited (i)	**102,000**	102,000
Advances to:		
— Huizhou Hemao Trading Company Limited	**–**	19,002
— Huizhou Jinchang Real Estate Development Company Limited	**–**	18,500
— Mr. Zhang Lianghong	**27,982**	792
— Mr. Li Jiazhi	**–**	60
— Mr. Zhang Haiming	**66**	3,863
— Kimou Environmental Technology Limited	**–**	8
— Huizhou Yongjiasheng Industrial Co., Ltd.	**21,618**	–
	49,666	42,225

32 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Related parties transactions *(Continued)*

	2019 RMB'000	2018 RMB'000
Advances from:		
— Mr. Zhang Lianghong	–	207,237
— Huizhou Hemao Trading Company Limited	–	47,998
— Mr. Huang Shaobo	–	3,684
— Dongguan Yongjiasheng Knitwear Co., Ltd.	–	7,600
— Mr. Li Jiazhi	–	120
— Mr. Zhang Haiming	–	28,165
— Huizhou Jinchang Real Estate Development Company Limited	–	13,000
— Huizhou Jinshang Real Estate Development Company Limited	**26,000**	290,320
— Huizhou Yongjiasheng Industrial Co., Ltd.	–	28,269
— Premier Investment Worldwide Company Limited	–	49,134
— Flourish Investment International Limited	**35,354**	134,341
— Deluxe Investment International Company Limited	–	19,880
— Dakson Assets Management Limited	–	10,479
— Kimou Environmental Technology Limited	–	19
— Mr. Lee Yuk Kong	–	21,584
	61,354	861,830

(i) The guarantee of RMB102,000,000 were fully released from the Group by June 2019.

(c) Balance with related parties

Amounts due from related parties (note 20)

	2019 RMB'000	2018 RMB'000
Trade receivables from:		
— Boluo Longxi Jinchangda Wastewater Treatment Company Limited	–	156
Other receivables from:		
— Mr. Zhang Lianghong	–	820
— Mr. Zhang Haiming	–	3,864
— Huizhou Hemao Trading Company Limited	–	2
— Flourish Investment International Limited	–	11
— Premier Investment Worldwide Company Limited	–	11
— Deluxe Investment International Company Limited	–	11
— Dakson Assets Management Limited	–	11
	–	4,886

(Expressed in Renminbi unless otherwise indicated)

32 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(c) Balance with related parties *(Continued)*

Amounts due to related parties (note 23)

	2019 RMB'000	2018 RMB'000
Other payables to:		
— Dongguan Yongjiasheng Knitwear Co., Ltd.	–	83,925
— Huizhou Yongjiasheng Industrial Co., Ltd.	–	31,771
— Mr. Zhang Lianghong	–	107,581
— Mr. Zhang Haiming	–	10,345
— Mr. Huang Shaobo	–	5,445
— Huizhou Jinshang Real Estate Development Company Limited	–	98,620
— Mr. Lee Yuk Kong	–	17,699
— Dongguan Dongming Trading Company Limited	–	25,800
— Kimou Environmental Technology Limited	–	1,113
— Premier Investment Worldwide Company Limited	–	50,864
— Flourish Investment International Limited	–	139,071
— Deluxe Investment International Company Limited	–	20,580
— Dakson Assets Management Limited	–	10,848
Total	–	603,662

The balances with these related parties are unsecured, interest-free and have no fixed repayment terms.

33 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) Subsequent to the end of the reporting period, the Group has obtained additional guarantee from the Ultimate Shareholders for certain bank loans. Further details are disclosed in note 25(iv).

(b) The coronavirus outbreak since early 2020 has brought about additional uncertainties in the Group's operating environment and has impacted the Group's operations and financial position. The Group has been closely monitoring the impact of the developments on the Group's businesses and has put in place contingency measures. These contingency measures include but not limited continuously monitoring the operations of our customers and strengthening cost control and assessing our suppliers' readiness. The Group will keep its contingency measures under review as the situation devolves.

The Directors have assessed that the outbreak may have the following possible impacts on the Group:

— The temporary economic slowdown resulting from the outbreak may lead to a reduction in the operating performance of part of the Group's customers which might indirectly affect the Group's financial performance.

— The assessment of the recoverable amounts of the Group's certain property, plant and equipment, construction in progress, investment property, right-of-use assets and intangible assets is based on the conditions as at 31 December 2019. The outbreak and its impact on the recoverable amounts of the related assets (if any) will be considered in the impairment test to be performed in 2020.

— In determining the carrying amounts of deferred tax assets of certain entities within the Group, expected taxable profits are estimated based on the operating environment of the Group as at 31 December 2019. The outbreak and its impact on the Group's performance may affect the carrying amounts of such deferred tax assets to be recognised and hence the net profit in 2020.

— The Group might have to experience longer turnover time for recovering its trade receivables which may increase the associated credit risks.

— Completion progress of the certain construction projects of the Group may be delayed resulting from the outbreak.

As the extent to which the coronavirus outbreak will continue is uncertain, it is not practicable to estimate the full financial effect that the coronavirus outbreak may have on the Group's businesses as at the date when the financial statements are authorised to issue.

34 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2019 RMB'000	2018 RMB'000
Non-current assets			
Investments in subsidiaries	17	**–***	–*
Current assets			
Cash and cash equivalents		**5,442**	47
Other receivables		**685,305**	220,877
		690,747	220,924
Current liabilities			
Other payables		**10,641**	224,979
Net assets/(liabilities)		**680,106**	(4,055)
CAPITAL AND RESERVES			
Share capital	29(a)	**98,377**	69
Reserves		**581,729**	(4,124)
Total equity/(deficit)		**680,106**	(4,055)

* The balance represents amount less than RMB1,000.

(Expressed in Renminbi unless otherwise indicated)

35 IMMEDIATE AND ULTIMATE CONTROLLING PARTIES

At 31 December 2019, the directors consider the immediate controlling party to be Flourish Investment International, while the ultimate controlling party of the Company as at 31 December 2019 to be Mr. Zhang Lianghong.

36 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ACCOUNTING YEAR ENDED 31 DECEMBER 2019

Up to the date of issue of the financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2019 and which have not been adopted in the financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1 and HKAS 8, *Definition of material*	1 January 2020
Amendments to HKFRS 3, *Definition of a business*	1 January 2020
Revised Conceptual Framework for Financial Reporting 2018	1 January 2020
Amendments to HKFRS 10, *Consolidated financial statements* and HKAS 28, *Investments in associates and joint ventures*	To be determined

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

FOUR YEAR FINANCIAL SUMMARY

RESULTS

	For the year ended 31 December			
	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**640,040**	479,678	301,921	197,643
Depreciation	**(152,241)**	(126,031)	(95,230)	(65,501)
Cost of inventories	**(163,827)**	(101,454)	(49,389)	(22,648)
Staff costs	**(60,849)**	(45,677)	(35,366)	(22,575)
Utility costs	**(20,092)**	(16,514)	(14,698)	(10,126)
Other expenses	**(134,670)**	(92,820)	(56,225)	(39,443)
Other revenue	**12,924**	11,023	7,324	5,020
Other net income/(loss)	**521**	(2,123)	(107)	433
Profit from operations	**121,806**	106,082	58,230	42,803
Finance costs	**(67,112)**	(60,969)	(48,027)	(36,727)
Profit before taxation	**54,694**	45,113	10,203	6,076
Income tax	**(12,839)**	(8,702)	(1,156)	1,405
Profit for the year	**41,855**	36,411	9,047	7,481
Attributable to:				
Equity shareholders	**55,146**	47,936	20,195	16,367
Non-controlling interests	**(13,291)**	(11,525)	(11,148)	(8,886)
Profit for the year	**41,855**	36,411	9,047	7,481

ASSETS AND LIABILITIES

	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**2,640,564**	2,257,144	2,013,175	1,861,570
Total liabilities	**1,560,655**	1,924,049	1,656,428	1,695,101
Total assets less current liabilities	**1,797,671**	1,153,236	1,168,215	642,320
Total equity attributable to the equity shareholders of the Company	**1,079,909**	333,095	356,747	166,469