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

ANNUAL REPORT
2021

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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 *(resigned with effect from 5 February 2021)*
Mr. Yim Lok Kwan *(appointed with effect from 5 February 2021)*

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

Campbells Corporate Services Limited
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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

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Cheung Sha Wan, Kowloon
Hong Kong

LEGAL ADVISORS AS TO HONG KONG LAWS

LCH Lawyers LLP
Room 702, 7/F
Admiralty Centre Tower One
18 Harcourt Road, Admiralty
Hong Kong

AUDITOR

KPMG, *Certified Public Accountants*
Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance
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Prince's Building
10 Chater Road
Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Campbells Corporate Services Limited
Floor 4, Willow House
Cricket Square
Grand Cayman KY1-9010
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
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 annual report of the Company and its subsidiaries (collectively as the "Group" or "Kimou") for the year ended 31 December 2021 (the "**Year**").

In 2021, the normalisation of the novel coronavirus ("**COVID-19**"), the uneven distribution of vaccines across countries, geopolitical risks and trade protectionism have led to changes in new supply. The sluggish economic recovery of various countries, the eminent risk of stagflation and rising costs have casted effects across industries around the world. However, 2021 is a milestone year in the history of the Group's development. The launch and construction of the Sichuan Qingshen Surface Treatment Recycling Eco-industrial Park (formerly described as electroplating industrial park) ("**Qingshen Park**") and the Jiangsu Taixing Surface Treatment Recycling Eco-industrial Park ("**Huadong Park**") has mapped the Group's industrial development blueprint of "South, North, Middle, West and East". In terms of daily management, the Group adheres to the business policy of "strengthened standards, refined management, comprehensive improvement, and transcending development": calmly responding to the external environment, implementing development and safety requirements, actively promoting the construction of green and smart parks, engineering and supporting construction, upgrading the wastewater treatment process and transforming its technology, and continuously enhancing the level of management and innovation. In terms of operating results, compared with the year ended 31 December 2020, the Group recorded an increase in revenue of RMB203.0 million or 28.0% to RMB927.8 million, while the profit attributable to equity shareholders of the Company for the Year recorded a decrease of RMB46.7 million or 45.5% to RMB55.9 million, mainly due to the combined effects of the increases in material costs, depreciation and amortisation costs, staff cost and financing costs.

Currently, the Group mainly operates three Surface Treatment Recycling Eco-industrial Parks, strategically located in Guangdong Province, Tianjin and Jingzhou in Hubei Province (where most electroplating enterprises in China are located), in order to enjoy convenient transportation network and be in close proximity to its customers. The construction of Qingshen Park, located in Qingshen County of Meishan City, Sichuan Province, has commenced, and the park is estimated to begin operation in the second half of 2022. As at 31 December 2021, more than 16 tenants have signed contracts to station in Qingshen Park.

The Group has rich experience in the operation of large-scale Surface Treatment Recycling Eco-industrial Parks and electroplating wastewater treatment. We have an in-depth understanding of the surface treatment industry, and our high standard in wastewater treatment capabilities is recognized by the surface treatment industry. Relying on the influence of the "Kimou" brand, our electroplating wastewater treatment technology and experience, and comprehensive management capabilities, our management has laid a solid technological, management and talent foundation for future development. We will also continue to implement our market strategy and development plan, develop and operate Surface Treatment Recycling Eco-industrial Parks in regions with rapid development, low risk and strong demand for surface treatment business in China, uphold electroplating wastewater treatment as our core business, and actively consider the solid waste and hazardous waste treatment business and the electroplating supporting equipment business to extend our supply chain, seeking business opportunities to increase the Group's income and improve the cash flow position.

Under the national strategy of reaching "carbon peak and carbon neutrality", energy conservation, emission reduction and cyclic development are the main directions of development. Improving our ecology and environment, promoting green development and reducing industrial wastewater pollution are the sustainable pathways for the Group to achieve its long-term goals. The PRC government has issued environmental protection policies and measures to actively guide surface treatment enterprises to settle in qualified parks with a high standard of wastewater treatment capabilities. We will firmly hold onto the development opportunities in the surface treatment industry and achieve steady growth in the Group's revenue and profits to reward our shareholders .

The stable development on our Group depends on the wholehearted contributions and persistent support from the Board and all staff members. On behalf of the Board, I would like to express my heartfelt thanks to all employees for their efforts, commitments and contributions to the Group, and my gratitude to the long-term support of all customers/tenants, suppliers, business partners, shareholders and investors. In the future, we will strive forward steadily as in the past with full responsibility to all shareholders, customers/tenants and suppliers and secure satisfactory results to repay the support from various sectors.

Zhang Lianghong
Chairman
25 March 2022

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

2021 is the first year to implement the spirit of the Fifth Plenary Session of the 19th Central Committee and start the strategic transformation of the 14th Five-Year Plan. Despite the complex international and domestic situation, China's economy has still achieved excellent results. However, the current internal and external environment of China's economy is facing profound changes and there are many factors that restrict the construction of a dual circulation economic plan ("accelerate the new development pattern in which internal circulation plays the leading role while both internal and external circulation will be mutually reinforcing"). On the one hand, deglobalization is surging and the tension in the international trade environment has increased. On the other hand, the world has entered a new normalised state after the coronavirus pandemic. Shocks brought about by new supplies began to lead the evolution of the macroeconomy, and the risk of stagflation has gradually emerged, affecting the tenants of the Group's Surface Treatment Recycling Eco-industrial Parks and the Group's profits.

BUSINESS REVIEW

The Group develops and operates large-scale Surface Treatment Recycling Eco-industrial Parks (formerly described as Electroplating Industrial Parks) in the PRC which are specifically designed for the electroplating industry. For the Year, the Group's revenue was approximately RMB927.8 million (2020: RMB724.7 million), representing an increase of approximately 28.0% from that of 2020 and the profit attributable to the equity shareholders of the Company was approximately RMB55.9 million (2020: RMB102.6 million), representing a decrease of approximately 45.5% from that of 2020.

OUR SURFACE TREATMENT RECYCLING ECO-INDUSTRIAL PARKS

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

Total leasable area and occupancy rate

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

	As at 31 December						
	2021				2020		
	Guangdong Huizhou Park	Tianjin Bingang Park	Huazhong Park	Total	Guangdong Huizhou Park	Tianjin Bingang Park	Total
Total leasable area (sq.m.) (Note)	428,000	304,000	72,000	804,000	347,000	260,000	607,000
Total leased area (sq.m.) (Note)	428,000	264,000	35,000	727,000	347,000	194,000	541,000
Occupancy Rate	100.0%	86.8%	48.6%	90.4%	100.0%	74.6%	89.1%

Note: Rounded to the nearest thousand.

OUR SURFACE TREATMENT RECYCLING ECO-INDUSTRIAL PARKS *(Continued)*

Total leasable area and occupancy rate *(Continued)*

The Group offers factory premises in standard floor areas in which the tenants can choose to lease single or multiple floors according to their operational needs. The Group can also lease land to tenants to construct their own plants according to the requirements of the Group. As at 31 December 2021, the total leasable area of Guangdong Huizhou Park, Tianjin Bingang Park and Huazhong Park were approximately 428,000 sq.m., 304,000 sq.m. and 72,000 sq.m. respectively while their occupancy rates were 100.0%, 86.8% and 48.6% respectively. The first phase of Huazhong Park commenced its leasing in the first quarter of 2021 and the occupancy rate was relatively low.

Relying on good reputation and extensive experience and expertise in developing and operating large-scale Surface Treatment Recycling Eco-industrial Parks, the total occupancy rate of the Group as at 31 December 2021 was approximately 90.4%. It exceeded the level of that for 2020. Although the occupancy rate of Tianjin Bingang Park has increased, such increase was offset by the relatively low occupancy rate of Huazhong Park.

Wastewater treatment capabilities

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

	For the year ended 31 December						
	2021				2020		
	Guangdong Huizhou Park	Tianjin Bingang Park	Huazhong Park[Note (2)]	Total	Guangdong Huizhou Park	Tianjin Bingang Park	Total
Fresh water used (tonnes)[Note (1)]	2,706,000	615,000	6,000	3,327,000	2,407,000	491,000	2,898,000
Daily wastewater treatment capacity (tonnes)[Note (1)]	10,000	6,000	2,500	18,500	10,000	6,000	16,000
Annual average daily wastewater treatment handling capacity (tonnes)	7,414	1,685	16	9,115	6,577	1,342	7,919
Annual average utilisation rate of daily wastewater treatment capacity	74.1%	28.1%	0.7%	49.3%	65.8%	22.4%	49.5%

Note:

1. Rounded to the nearest thousand.

2. Huazhong Park commenced its operation in the first quarter of 2021 and hence no comparative figures for the Huazhong Park in 2020 are available.

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

OUR SURFACE TREATMENT RECYCLING ECO-INDUSTRIAL PARKS *(Continued)*

Wastewater treatment capabilities *(Continued)*

As at 31 December 2021, the total daily maximum wastewater treatment capacity of the Group reached 18,500 tonnes. The annual average daily wastewater treatment handling volume was approximately 9,115 tonnes and annual average utilisation rate of wastewater treatment was approximately 49.3%. The Group's annual average utilisation rate of wastewater treatment was close to the level as compared with 2020. Although the annual average utilisation rate of Guangdong Huizhou Park and Tianjin Bingang Park increased, such increase was offset by the relatively low occupancy rate of Huazhong Park and the low consumption volume of fresh water by tenants in the Huazhong Park during renovation and trial operation.

As at 31 December 2021, the total daily maximum wastewater treatment handling capacity of Guangdong Huizhou Park reached 10,000 tonnes. The annual average daily wastewater treatment handling volume was 7,414 tonnes and the annual average utilisation rate of wastewater treatment was 74.1%. This represents an increase of 8.3 percentage points over the corresponding period in 2020. It was mainly due to the increase in fresh water consumption as a result of the additional leased area in 2021 and the impact of COVID-19 outbreak in the first quarter of 2020 resulting in the decrease in fresh water consumption in the corresponding period in 2020.

As at 31 December 2021, the total daily maximum wastewater treatment handling capacity of Tianjin Bingang Park reached 6,000 tonnes. The annual average daily wastewater treatment handling volume was 1,685 tonnes and the annual average utilisation rate of wastewater treatment was 28.1%. This represents an increase of 5.7 percentage points over the corresponding period in 2020. It was mainly due to the increase in fresh water consumption as a result of the additional leased area in 2021 and the impact of COVID-19 outbreak in the first quarter of 2020 resulting in the decrease in fresh water consumption in the corresponding period in 2020.

OUR RESEARCH AND DEVELOPMENT

To keep enhancing the effectiveness of wastewater treatment process and reuse rate is the long term objective and the social responsibility of the Group. With our experienced and knowledgeable research and development team and the cooperation of Tsinghua Shenzhen International Graduate School, the Group has been gradually transforming itself into an integrated wastewater treatment service provider. The Group had obtained 83 registered patents and 15 patent applications were in the progress of registration as at 31 December 2021.

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 five exhibitions and nine seminars.

OUTLOOK

According to the "World Economic Outlook Report" published by the International Monetary Fund, it is believed that the current global economic outlook is facing multiple risks. The root cause is that the world will be continually constrained by the pandemic in the long term. Recovery has weakened and the risk of global economic stagflation has risen significantly, affecting our tenants' consumption of fresh water, steam and utilities, which in turn may pose challenges to the Group's operations and financial condition.

However, 2021 is the first year of implementing the strategic transformation of the 14th Five-Year Plan. One of the main themes of the 14th Five-Year Plan is to continue reducing emissions of pollutants and improving ecological environment in order to strengthen the ecological security shields and greatly improve social living environment. Recycling the treated wastewater for reuse is essential for improving the ecological environment and the Group, as one of the active participants of wastewater treatment in the electroplating industry, will continue to put its efforts in attaining a high degree of water recycle and reuse and develop more Surface Treatment Recycling Eco-industrial Parks and attract more customers, so as to continue to increase revenue.

Increasing the number of Surface Treatment Recycling Eco-industrial Parks

In order to cope with the Group's business expansion and to capture future opportunities, as disclosed in the announcements of the Company dated 17 May 2021, 10 June 2021 and 30 July 2021, the Group has successfully won the tender of the land use rights of three land parcels in Qingshen County, Sichuan with a total site area of 404,909 sq.m. and commenced the construction of the first phase of the factory buildings and the first phase of the wastewater treatment plant, which marked the commencement of the construction of the Group's fourth Surface Treatment Recycling Eco-industrial Park ("**Qingshen Park**"). As at the date of this annual report, the construction works at Qingshen Park have commenced.

Reference is made to the announcements of the Company dated 9 September 2021 and 17 December 2021 in relation to the Group's establishment of a joint venture and success in winning the tender of the land use rights of two land parcels situated at Taixing Economic Development Zone, Taixing City, Jiangsu Province, with a total site area of 129,747 sq.m.. It will be used to construct a new Surface Treatment Recycling Eco-industrial Park ("**Huadong Park**"), providing wastewater treatment and other ancillary services. This marks the commencement of construction of the Group's fifth Surface Treatment Recycling Eco-industrial Park. As disclosed in the Company's announcements dated 18 March 2022 and 8 April 2022, the Group has already engaged two independent contractors for the construction works at Huadong Park.

The aforesaid development of new Surface Treatment Recycling Eco-industrial Parks would be funded by the Group's internal resources and/or bank loans.

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

The Group has applied to the relevant government authorities to increase the daily maximum treatment capacity of wastewater that can be treated in the Guangdong Huizhou Park from 10,000 tonnes to 15,000 tonnes per day. As at the date of this annual report, the local government authorities are still considering the Group's application.

During the Year, the planned daily maximum wastewater treatment capacity of Qingshen Park under construction was 20,000 tonnes. Upon completion of construction and operation of the first phase of the wastewater facilities, the daily wastewater treatment capacity will be 5,000 tonnes.

On 4 March 2022, the Taizhou Municipal Ecology and Environmental Bureau* (泰州市生態環境局) issued a report on the environmental effects of Huadong Park Phase I, and the planned daily maximum wastewater treatment capacity of the first phase under construction is 5,500 tonnes.

OUTLOOK *(Continued)*

Increasing the GFA available for leasing

To fully utilise the existing land resources available for increasing the ground floor area (the "**GFA**") available for leasing and to increase the number of tenants that can be accommodated in Guangdong Huizhou Park, the Group plans to construct additional factory buildings in Guangdong Huizhou Park in two phases. The constructions of the first phase of the project, involving the construction of four factory buildings with an aggregate GFA of approximately 48,000 sq.m., and two factory buildings of the second phase of the project with an aggregate GFA of approximately 32,500 sq.m., are completed and are leased out. The construction of the remaining two factory buildings of the second phase of the project with an aggregate GFA of approximately 32,500 sq.m. with budgeted cost of approximately RMB56.0 million commenced in first quarter of 2021 and its estimated completion date will be by the second quarter of 2022, which will further increase the Group's leasable GFA.

The construction of the second phase of Huazhong Park commenced in the first quarter of 2021 which includes constructing six factory buildings with an aggregate GFA of 71,000 sq.m. with the budgeted cost of approximately RMB161.0 million and its estimated completion date will be by the second quarter of 2022. It is expected that this will further increase the Group's leasable GFA.

During the Year, the planned maximum leaseable GFA of Qingshen Park under construction is 676,000 sq.m. and the first phase of factory building is expected to be completed by 30 June 2022. The completion of construction of the first phase and its commencement of operation will increase the Group's leaseable GFA by 134,000 sq.m.

The aforesaid expansion of GFA in relation to the existing Surface Treatment Recycling Eco-industrial Parks would be funded by the Group's internal resources and/or bank loans.

RESULTS OF OPERATION

Revenue

The Group's business mainly involves the provision of factory premises and centralised wastewater treatment services to the tenants at the Guangdong Huizhou Park, the Tianjin Bingang Park and the Huazhong 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 RMB927.8 million, representing an increase of 28.0% over that in 2020, primarily due to the increase in revenue for each of the three business segments of the Group.

	For the year ended 31 December							
	2021				2020			
Revenue by segment	**Guangdong Huizhou Park RMB'000**	**Tianjin Bingang Park RMB'000**	**Huazhong Park RMB'000**	**Total RMB'000**	Guangdong Huizhou Park RMB'000	Tianjin Bingang Park RMB'000	Total RMB'000	Total change %
Rental and facilities usage								
Rental of factory premises	**66,625**	**29,898**	**2,792**	**99,315**	57,349	24,862	82,211	20.8%
Property management fee	**13,901**	**4,902**	**647**	**19,450**	10,770	4,134	14,904	30.5%
Environmental protection technical service fee	**134,072**	**79,740**	**3,286**	**217,098**	115,118	68,081	183,199	18.5%
Sub-total	**214,598**	**114,540**	**6,725**	**335,863**	183,237	97,077	280,314	19.8%
Wastewater treatment and utilities								
Wastewater treatment fee	**141,178**	**42,087**	**373**	**183,638**	119,982	31,894	151,876	20.9%
Steam charge	**64,612**	**37,689**	**310**	**102,611**	54,358	28,451	82,809	23.9%
Utility systems maintenance fee	**49,334**	**20,973**	**344**	**70,651**	42,659	16,624	59,283	19.2%
Sub-total	**255,124**	**100,749**	**1,027**	**356,900**	216,999	76,969	293,968	21.4%
Sales of goods and ancillary business								
Sales of consumables	**195,614**	**8,908**	**–**	**204,522**	125,253	1,346	126,599	61.6%
Other income	**23,132**	**6,351**	**982**	**30,465**	19,943	3,900	23,843	27.8%
Sub-total	**218,746**	**15,259**	**982**	**234,987**	145,196	5,246	150,442	56.2%
Total	**688,468**	**230,548**	**8,734**	**927,750**	545,432	179,292	724,724	28.0%

RESULTS OF OPERATION *(Continued)*

Revenue from rental and facilities usage service

Revenue from rental and facilities usage service includes rental of factory premises, environmental protection technical service fee and property management fee, such fees are charged on its tenants based on the GFA of their leased factory premises.

The revenue from rental and facilities usage services increased by approximately RMB55.5 million or 19.8% from approximately RMB280.3 million for the year ended 31 December 2020 to approximately RMB335.9 million for the Year. The increase was primarily attributable to (i) increase in average daily leased area; and (ii) annual increment of environmental protection technical service fee pursuant to the respective agreements with tenants, partially offset by short-term rent reductions granted to tenants in the Year.

Revenue from wastewater treatment and utilities

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

(i) Wastewater treatment fee

Wastewater treatment fee increased by approximately RMB31.8 million or 20.9% from approximately RMB151.9 million for the year ended 31 December 2020 to approximately RMB183.6 million for the Year. The increase was primarily attributable to the combined effects of the increase in volume of fresh water used due to the increase in leased areas for the Year and the decrease in volume of fresh water used by the tenants in the corresponding period in 2020 as a result of the outbreak of COVID-19 in the first quarter in 2020.

(ii) Steam charge

Steam charge increased by approximately RMB19.8 million or 23.9% from approximately RMB82.8 million for the year ended 31 December 2020 to approximately RMB102.6 million for the Year. The increase was primarily attributable to the combined effects of the increase in the volume of the steam consumed due to the increase in leased areas during the Year and the decrease in volume of steam consumed by the tenants for the corresponding period in 2020 as a result of the outbreak of COVID-19 in the first quarter in 2020.

(iii) Utility systems maintenance fee

The Group charges its tenants for using its electricity and water supply systems, based on their consumption volume of those utilities. During the 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 RMB11.4 million or 19.2% from approximately RMB59.3 million for the year ended 31 December 2020 to approximately RMB70.7 million for the Year. The increase was primarily attributable to the combined effects of the increase in volume of electricity consumed and water used due to the increase in leased areas during the Year and the decrease in volume of electricity consumed and water used by the tenants for the corresponding period in 2020 as a result of the outbreak of COVID-19 in the first quarter in 2020.

RESULTS OF OPERATION *(Continued)*

Revenue from sales of goods and ancillary business

Sales of goods and ancillary business is mainly comprised of sales of consumables which accounted for 87.2% (2020: 84.2%) of this business segment.

Sales of consumables increased by approximately RMB77.9 million from approximately RMB126.6 million for the year ended 31 December 2020 to approximately RMB204.5 million for the Year. The increase was primarily attributable to the combined effects of (i) more orders from the tenants due to improved quality of chemicals and increased leased areas which resulted in the increase in the number of tenants; and (ii) the increase in unit sale price of the consumables during the Year.

Operating costs

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

Operating costs increased by approximately RMB207.7 million or 37.1% from approximately RMB559.2 million for the year ended 31 December 2020 to approximately RMB766.9 million for the Year.

Depreciation and amortisation

The Group's depreciation and amortisation increased by approximately RMB35.2 million or 20.9% from approximately RMB168.4 million for the year ended 31 December 2020 to approximately RMB203.6 million for the Year. The increase was attributable to the additional depreciation and amortisation expenses incurred as a result of the addition of investment properties and the opening of Huazhong Park.

Cost of inventories

Cost of inventories mainly consisted of materials for wastewater treatment and natural gas for production of steams and consumables for sale to the tenants. Cost of inventories increased by approximately RMB119.0 million or 62.5% from approximately RMB190.4 million for the year ended 31 December 2020 to approximately RMB309.4 million for the Year, primarily attributable to (a) the increase in cost for the more sales of consumables to tenants, (b) the increase in costs of Guangdong Huizhou Park due to the increase in production capacity and the increase in treatment capacity which requires an increase in emission targets in 2021, and (c) the increase in unit cost of waste water materials and natural gas for production of steams.

Staff costs

Staff costs is comprised of staff's salaries, bonus and other benefits as well as Directors' remuneration which amounted to approximately RMB102.3 million for the Year, representing an increase of 47.6% as compared with approximately RMB69.3 million for the year ended 31 December 2020. The Group's staff costs increased mainly due to the combined effects of the increase in number of employees as a result of the Group's business expansion during the Year, a rise in staff's salaries and the contribution exemption of social insurance fees by the government due to COVID-19 during the corresponding period in 2020, not being available during the Year.

RESULTS OF OPERATION *(Continued)*

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 Surface Treatment Recycling Eco-industrial Parks. Utility costs increased by approximately RMB7.2 million or 39.8%, from approximately RMB18.2 million for the year ended 31 December 2020 to approximately RMB25.4 million for the Year. The increase was mainly attributable to the combined effects of the increase in use of electricity and water due to the increase in volume of wastewater treatment resulting from the increase in leased areas during the Year, and the decrease in volume of wastewater treatment and reduction of unit price of electricity and water by the government for the corresponding period in 2020 due to the outbreak of COVID-19 in the first quarter in 2020, not being available during the Year.

Other expenses

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

	For the year ended 31 December 2021 RMB'000	For the year ended 31 December 2020 RMB'000
Professional service fee	**10,628**	7,914
Waste treatment expenses	**23,841**	27,945
Other taxes and surcharges	**23,592**	18,866
Security charges	**8,361**	7,401
Maintenance and consumables	**12,492**	14,992
Research and development	**9,593**	8,435
Consultancy and services fee	**7,052**	2,294
Entertainment fee	**10,452**	6,522
Cleaning expenses	**4,353**	4,173
Travelling expenses	**2,073**	1,384
Office and seminar expenses	**2,503**	2,735
Landscaping expenses	**1,882**	1,894
Advertising and promotion expenses	**1,469**	636
Insurance	**484**	534
Others	**7,451**	7,282
Total	**126,226**	113,007

Other expenses increased by approximately RMB13.2 million or 11.7% from approximately RMB113.0 million for the year ended 31 December 2020 to approximately RMB126.2 million for the Year, primarily attributable to (a) the increase in professional and consultancy service fee and entertainment fee resulting from the development of new Surface Treatment Recycling Eco-industrial Parks and (b) the increase in other taxes and surcharges as a result of the addition of revenue and investment properties and plants.

RESULTS OF OPERATION *(Continued)*

Profit from operations and operating profit margin

The Group's profit from operations decreased by approximately RMB3.2 million or 1.8%, from approximately RMB173.3 million for the year ended 31 December 2020 to approximately RMB170.2 million for the Year. The operating profit margin decreased from 23.9% for the year ended 31 December 2020 to 18.3% for the Year. The decrease in profit from operations and operating profit margin mainly resulted from the above mentioned increase in operating cost.

Other revenue

Other revenue primarily consisted of (i) bank interest income, (ii) government grants, and (iii) other income. Other revenue increased by approximately RMB0.5 million or 4.7%, from approximately RMB10.3 million for the year ended 31 December 2020 to approximately RMB10.8 million for the Year. Such increase was mainly due to the increase in interest income.

Finance costs

Finance costs primarily comprised of interest in bank borrowings. Finance cost increased by approximately RMB38.4 million or 72.6%, from approximately RMB52.9 million for the year ended 31 December 2020 to approximately RMB91.4 million for the Year which was attributable to the increase in the average balance of bank loans and other borrowings during the Year.

Profit before taxation

The Group's profit before taxation decreased by approximately RMB41.6 million from approximately RMB120.4 million for the year ended 31 December 2020 to approximately RMB78.8 million for the Year which was primarily attributable to the factors as described above in this section.

Income tax expense

Income tax expense decreased by approximately RMB4.1 million from approximately RMB35.1 million for the year ended 31 December 2020 to approximately RMB31.0 million for the Year, which was primarily attributable to the reversal of the provision of the withholding tax on distribution of dividend by a subsidiary of the Company in the PRC to its immediate holding company in Hong Kong in the Year.

Profit attributable to the equity shareholders of the Company

Profit attributable to the equity shareholders of the Company decreased by approximately RMB46.7 million from approximately RMB102.6 million for the year ended 31 December 2020 to approximately RMB55.9 million for the Year, which was mainly attributable to the factors as described above in this section.

Non-HKFRS Financial Measures

To supplement our consolidated financial statements which are presented in accordance with HKFRS, we also use adjusted earnings before finance costs, interest income, taxes, depreciation and amortisation (adjusted EBITDA) for the Year as an additional financial measure. We present these financial measures as they are used by our Directors to evaluate our operating performance. We also believe that these financial measures provide useful information in understanding and evaluating oue consolidated results of operations. For further details, please refer to Note 3(b) of the Notes to the Financial Statements on pages 95 to 97 in this annual report.

RESULTS OF OPERATION *(Continued)*

Property, plant and equipment

Property, plant and equipment represented buildings, plant and equipment, motor vehicles and office equipment and others. For the year ended 31 December 2021, our Group acquired property, plant and equipment with the cost of approximately RMB392.0 million (for the year ended 31 December 2020: RMB402.2 million), which was primarily attributable to the additions of buildings, wastewater treatment facilities, utility facilities and ancillary facilities.

Investment property

Investment property represented completed factory premises and right-of-use assets in our industrial parks that are or to be leased out, and depreciable over a period of 20 years. The Group leased out investment properties under operating leases whose contract term in general range from four to five years. For the year ended 31 December 2021, our Group acquired investment property with the cost of approximately RMB120.7 million and transferred from right-of-use assets of RMB9.6 million (for the year ended 31 December 2020: RMB163.5 million).

Construction in progress

Construction in progress refers to the Group's factory premises and operational facilities that are under construction. The balances of construction in progress increased by approximately RMB13.3 million from approximately RMB363.2 million as at 31 December 2020 to approximately RMB376.6 million as at 31 December 2021. Such increase was primarily attributable to the addition of approximately RMB509.0 million mainly for developing investment property, wastewater treatment facilities, utility facilities and ancillary facilities, which was partially offset by the completed construction transferred to the property, plant and equipment and investment property of approximately RMB495.7 million.

Net current liabilities and sufficiency of working capital

The table below sets out our current assets, current liabilities and net current liabilities as at 31 December 2021.

	31 December 2021 RMB'000	31 December 2020 RMB'000
Current assets	**350,294**	261,110
Current liabilities	**1,109,042**	893,552
Net current liabilities	**(758,748)**	(632,442)

As at 31 December 2021 and 31 December 2020, the net current liabilities of the Group amounted to RMB758.7 million and RMB632.4 million, respectively. In light of the current liquidity position of the Group, the unutilised banking facilities available to the Group and our projected cash inflows generated from operations, the Directors believe that the Group has sufficient working capital for our present requirements and for the next 12 months.

RESULTS OF OPERATION *(Continued)*

Borrowings and gearing ratio

During the Year, the Group's cash and cash equivalents was mainly used in the development of plants and wastewater treatment facilities of the Guangdong Huizhou Park, Huazhong Park, Qingshen Park and Huadong Park. The Group financed its funding requirements mainly through a combination of cash generated from operating activities and bank loans and other borrowings. As at 31 December 2021, the total interest-bearing bank loans and other borrowings which was made in RMB amounted to approximately RMB1,664.0 million were due for repayment as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Within one year or on demand	**574,883**	384,680
After one year but within two years	**274,034**	214,261
After two years but within five years	**617,638**	518,098
After five years	**197,476**	131,958
Total	**1,664,031**	1,248,997

Details of the aforesaid bank loans and other borrowings are at Note 25 of the Notes to the Financial Statements set out in this annual report.

As at 31 December 2021, the Group's gearing ratio is approximately 134.0% (31 December 2020: 107.2%). The ratio is calculated based on the total debts (comprising all borrowings only) as of the respective dates divided by the total equity as of the respective dates and multiplied by 100%.

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

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher 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 comprises bank loans, other borrowings and lease liabilities) less cash and cash equivalents and restricted deposits with a bank.

RESULTS OF OPERATION *(Continued)*

Capital Management *(Continued)*

The Group's adjusted net debt-to-equity ratio as at 31 December 2021 was as follows:

	At 31 December 2021 RMB'000	At 31 December 2020 RMB'000
Current liabilities:		
Bank loans and other borrowings	**574,883**	384,680
Lease liabilities	**508**	695
	575,391	385,375
Non-current liabilities:		
Bank loans and other borrowings	**1,089,148**	864,317
Lease liabilities	**175**	590
	1,664,714	1,250,282
Less: Cash and cash equivalents	**(112,162)**	(72,773)
Less: Restricted deposits with a bank	**(3,140)**	–
Adjusted net debt	**1,549,412**	1,177,509
Total equity	**1,241,635**	1,165,285
Adjusted net debt-to-equity ratio	**1.25**	1.01

Capital Expenditure

The Group funded its capital expenditure with cash generated from operating activities and bank loans. During the Year, the Group's capital expenditure amounted to approximately RMB627.6 million (for the year ended 30 December 2020: RMB536.3 million), mainly attributable to the expenditures on acquisition of investment property, property, plant and equipment, right-of-use assets and other intangible assets.

Pledged assets

As at 31 December 2021, certain property, plant and equipment and investment property with carrying value of approximately RMB725.2 million and RMB873.0 million, respectively (31 December 2020: approximately RMB601.8 million and RMB804.7 million, respectively), land-use rights with net book value of approximately RMB291.7 million (31 December 2020: approximately RMB191.0 million) were pledged as security for the bank loans and other borrowings with carrying amount of approximately RMB1,664.0 million (31 December 2020: approximately RMB1,249.0 million).

Please refer to note 25(iv) and (v) of the Notes to the Financial Statements set out in this annual report for particulars of guarantees made by the connected persons of the Company in favour of the lenders 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.

RESULTS OF OPERATION *(Continued)*

Contingent liabilities

During the Year, an external third party (the "**Plaintiff**") launched a lawsuit against a subsidiary of the Company (the "**Defendant**") in respect of an alleged infringement of a trademark. The Plaintiff claimed for damages for a total sum up to RMB10 million from the Defendant. On 16 August 2021, pursuant to an order of the court, a bank deposit of RMB3,140,000 was frozen. As at 31 December 2021 and up to the date of this annual report, such lawsuit remained unsettled. According to the opinion from the Defendant's legal counsel, the Directors believe it is probable that the court will not rule against the Defendant. No provision has therefore been made in respect of this claim.

Save as disclosed above, the Group did not have any material contingent liabilities as at 31 December 2021 (31 December 2020: nil).

CONTINUING CONNECTED TRANSACTIONS

On 20 August 2021, the Group entered into the lease contract, the environmental service contract and the wastewater treatment and utilities service contract (the "**Lease and Related Agreements**") with Tianjin Hongyue Environmental Technology Co., Ltd.*（天津洪躍環保科技有限公司）("**Lessee**") which comprises of (1) the lease contract entered into between Tianjin Jinhuadu Waste Products Acquisition Co., Ltd.*（天津金華都廢品收購有限公司）("**Tianjin Jinhuadu**"), a non-wholly owned subsidiary of the Company, as lessor, and the Lessee, as lessee, in relation to the leasing of a parcel of land situated at Tianjin Bingang High-tech Casting Industrial Zone, Jinghai District, Tianjin, the PRC (the "**Land**") for a term of 20 years to the Lessee; (2) the environmental service contract entered into between Tianjin Bingang Electroplating Enterprises Management Co., Ltd.*（天津濱港電鍍企業管理限公司）("**Tianjin Bingang**"), a subsidiary of the Company, and the Lessee in relation to the provision of certain environmental professional technical services to the Lessee in relation to the Land for a term of 5 years; and (3) the wastewater treatment and utilities service contract entered into between Tianjin Bingang and the Lessee in relation to the provision of wastewater treatment and utilities service to the Lessee in relation to the Land for a term of 5 years. The Lease and Related Agreements are related to the lease by the Group to the Lessee of the Land situated in the Tianjin Bingang Park, one of the Group's Surface Treatment Recycling Eco-industrial Parks.

As Mr. Zhang Lianghong is an executive Director, chairman of the Board and the controlling shareholder of the Company indirectly holding, as at the date of the Lease and Related Agreements, approximately 42.75% of the issued shares of the Company and the Lessee is a subsidiary of an associate of Mr. Zhang, the Lessee is therefore a connected person of the Company under the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**"). Accordingly, the transactions contemplated under the Lease and Related Agreements constituted continuing connected transactions for the Company under Chapter 14A of the Listing Rules. For further details, please refer to the Company's announcement dated 20 August 2021.

During the Year, the aggregate amount received and receivable by the Group under such continuing connected transactions did not exceed the annual caps disclosed by the Group in the relevant announcement.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

Qingshen Jinyuan Environmental Technology Co., Ltd（青神金源環保科技有限公司）(“**Qingshen Jinyuan**”), an indirect wholly-owned subsidiary of the Company, has successfully bid and won the public tender for the land use right of a parcel of land situated at Qingzhu Jiedao, Qingshen County, Sichuan Province the PRC, with a total site area of approximately 84,220 sq.m. (“**Sichuan Land 3**”) and on 17 May 2021, Qingshen Jinyuan and Qingshen County Branch of Meishan Public Resource Center*（眉山市公共資源中心青神縣分中心）signed the confirmation letter confirming the winning of the tender of the land use right of the Sichuan Land 3. Together with the acquisition of the land use rights of a parcel of land situated at Jinmao Road, Qingshen County, with a total site area of approximately 204,637 square metres (the “**Sichuan Land 1**”) and a parcel of land situated at Jinmao Road, Qingshen County with a total site area of approximately 116,052 square metres (the “**Sichuan Land 2**”) by the Group earlier in April 2021, it is intended that the acquisition of the Sichuan Land 1, the Sichuan Land 2 and the Sichuan Land 3 would be used for the development of a Surface Treatment Recycling Eco-industrial Park and related facilities for the expansion of the Group’s principal business. Please refer to the announcement of the Company dated 17 May 2021 for further details.

On 10 June 2021, Qingshen Jinyuan entered into (1) the construction agreements with China-Europe International Construction Engineering Group Co. Ltd*（中歐國際建工集團有限公司）for the provision of construction services for factories in Qingshen Economic Development Zone; and (2) the construction agreements with Qingshen Yuxiang Construction Engineering Co., Ltd*（青神羽翔建築工程有限公司）(“**Qingshen Yuxiang**”) and Guangdong Jinjunda Construction Engineering Co., Ltd*（廣東金竣達建設工程有限公司）(“**Guangdong Jinjunda**”) for the provision of construction services for factories in Qingshen Economic Development Zone. Please refer to the announcement of the Company dated 10 June 2021 for further details.

On 30 July 2021, Sichuan Kimou Environmental Technology Co., Ltd.*（四川金茂源環保科技有限公司）, an indirect wholly-owned subsidiary of the Company, entered into the plant construction agreement with Qingshen Yuxiang and Guangdong Jinjunda for the provision of construction services for an electroplating wastewater treatment plant in Qingshen Economic Development Zone at an aggregate consideration of RMB86.92 million. For further details, please refer to the Company’s announcement dated 30 July 2021.

On 8 September 2021, Kimou Environmental Technology Holding Limited (“**KETH**”, an indirect wholly-owned subsidiary of the Company), the Management Committee of Taixing Economic Development Zone and Taixing Chengxing Circular Economy Industrial Park Investment Development Co., Ltd (“**the JV Partner**”), entered into the investment agreement in respect of, among others, the capital contribution and operation and management of the affairs of a joint venture company in the PRC to be held as to 68% by KETH and 32% by the JV Partner (“**JV Company**”). The initial registered capital of the JV Company was RMB220 million (equivalent to approximately HK$257.4 million), the initial registered capital contributed by KETH and the JV Partner are 68% and 32% respectively. The JV Company will invest in the project (“**Project**”) which involves the construction of a Surface Treatment Recycling Eco-industrial park located in the Taixing Economic Development Zone Recycling Economy Industrial Park, in Taixing City, Jiangsu Province, PRC for providing wastewater treatment and other ancillary services. The Project includes the acquisition of the land use right of a parcel of land located in the Taixing Economic Development Zone Recycling Economy Industrial Park*（泰興經濟開發區循環經濟產業園）, in Taixing City, Jiangsu Province, PRC with site area of approximately 818 mu（畝）by public tender and construction of buildings and the related sewage treatment and other environmental protection facilities. It is planned that the facilities will cover plants with an aggregate floor area of 600,000 square metres and have wastewater treatment facilities with daily handling capacity of 20,000 tonnes and other ancillary facilities. For further details, please refer to the Company’s announcement dated 9 September 2021.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS *(Continued)*

On 17 December 2021, Taizhou Jincheng Environmental Protection Technology Co., Ltd. ("**Taizhou Jincheng**") and Jiangsu Jinmao Chengxing Environmental Protection Technology Co., Ltd. ("**Jinmao Chengxing**"), an indirect non wholly-owned subsidiary of the Company, has successfully bid and won the public tender for the land use right of the two parcels of land situated at Taixing Economic Development Zone, Taixing City, Jiangsu Province, PRC, with a total site area of approximately 23,837 sq.m. ("**Taixing Land 1**") and 105,910 sq.m. ("**Taixing Land 2**") respectively, and signed the Confirmation Letters with the Taixing City Natural Resources and Planning Bureau confirming the winning of the tender of the land use right of Taixing Land 1 and Taixing Land 2 on 17 December 2021. For further details, please refer to the Company's announcement dated 17 December 2021.

With reference to the announcement of the Company dated 20 December 2021, Tianjin Bingang and Far Eastern Leasing Co., Ltd.* （遠東國際融資租賃有限公司）("**Far Eastern**", a company established in the PRC with limited liability, an independent third party) entered into (1) a transfer agreement ("**Transfer Agreement**"), pursuant to which Tianjin Bingang shall sell and Far Eastern shall purchase the heavy metal deep treatment and water reuse facilities of the electroplating wastewater treatment center of Tianjin Bingang Park and all equipment and facilities thereunder ("**Leased Assets**") at the consideration of RMB37 million; and (2) a leaseback agreement ("**Leaseback Agreement**"), pursuant to which Far Eastern agreed to lease the Leased Assets back to Tianjin Bingang at the total lease payments in the amount of approximately RMB39.2 million (tax included), for a term of two years after the completion of the Transfer Agreement. The transfer agreement and the leaseback agreement form part of the two-step process of the Transfer and Leaseback Finance Arrangements and are subject to (i) the early termination of the Transfer Agreement and the fulfilment of all payment obligations under the leaseback agreement; or (ii) the expiry of the lease and (iii) upon payment of the consideration of RMB1,000, the ownership and title of the Leased Assets shall be transferred back to Tianjin Bingang.

Save as disclosed above, there was no other significant investment, material acquisition and disposal of subsidiaries, associates and joint ventures during the Year.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, the Group had 799 full-time employees (2020: 602 full-time employees) responsible for management, operation, property management, procurement, testing, maintenance, customer services, research and development, finance and administrative matters. The staff costs (including the Directors' remuneration) were approximately RMB102.3 million for the Year, which was an increase of approximately 47.6% as compared with approximately RMB69.3 million for the year ended 31 December 2020. 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 Year and up to the date of this annual report, no share option under the share option scheme has been granted.

CAPITAL COMMITMENTS

As at 31 December 2021, the Group's total capital expenditure which have been contracted for but not incurred were approximately RMB343.7 million (at 31 December 2020: RMB172.7 million) for the development of the warehouse of Guangdong Huizhou Park, the development of factory premises and wastewater treatment facilities of the Huazhong Park and Qingshen Park and the development of the factory premises of Huadong Park and other equipment. These capital expenditures were mainly financed by internal resources and bank loans and other borrowings.

FOREIGN EXCHANGE RISK

Individual companies within the Group have limited foreign currency risk as most of the transactions are denominated in the same currency as the functional currency of the operations in which they relate. However, as the principal subsidiaries mainly carried out transactions in RMB, therefore any appreciation or depreciation of Hong Kong dollar against RMB will affect the Group's financial position and be reflected in the exchange reserve. During the Year, the Directors did not consider it necessary to adopt a foreign currency hedging policy as the potential impact on the profit or loss of the Group due to the exchange rate fluctuation was immaterial.

INTEREST RATE RISK

The Group's interest rate risk arises primarily from bank loans issued at variable rates that expose the Group to interest rate risk. The Group's management closely monitored the Group's loan portfolio in order to manage the Group's interest rate risk exposure.

CREDIT RISK

The Group's credit risk is mainly attributable to trade receivables. Deposits are received from customers by the Group to reduce potential exposure to credit risk. Further, individual credit evaluations are performed regularly on all customers requiring credit over a certain amount. These evaluations focus on the customers' past payment records, taking into account their financial position and other relevant factors. The Group considers the credit risk arising from trade receivables is limited. As at 31 December 2021, 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

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 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.

* *For identification purpose only.*

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Our Board comprises seven Directors, including four executive Directors and three independent non-executive Directors. The following table sets forth certain information relating to our Directors:

Name	Age	Position	Date of Appointment as Director
Mr. Zhang Lianghong	52	Executive Director and chairman of the Board	7 January 2019
Mr. Zhu Heping	69	Executive Director and chief executive officer	7 January 2019
Mr. Lee Yuk Kong	70	Executive Director	28 June 2018
Mr. Huang Shaobo	57	Executive Director and Financial Controller	7 January 2019
Mr. Kan Chung Nin, Tony	71	Independent non-executive Director	18 June 2019
Mr. Li Xiaoyan	58	Independent non-executive Director	18 June 2019
Mr. Li Yinquan	66	Independent non-executive Director	18 June 2019

EXECUTIVE DIRECTORS

Mr. Zhang Lianghong (張梁洪), aged 52, is the founder, an executive Director, chairman of the Board, chairman of the nomination committee and member of the remuneration committee of the Board. Mr. Zhang is responsible for the strategic planning, major business decisions and overall management of the Group.

Mr. Zhang has over 20 years of experience in property construction and operation of Surface Treatment Recycling Eco-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. in June 2005, Mr. Zhang has been committing substantial time and efforts on the construction and operation of Surface Treatment Recycling Eco-industrial Parks. In November 2017, under the leadership of Mr. Zhang, Huizhou Kimou Industrial Investment Co., Ltd. entered into cooperations with the Jingzhou Economic-Technological Development Zone 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.

Mr. Zhang is a director of Flourish Investment International Limited, a substantial shareholder (within the meaning under the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("**SFO**")) of the Company.

EXECUTIVE DIRECTORS *(Continued)*

Mr. Zhu Heping (朱和平), aged 69, is an executive Director and the 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 20 years of experience in the electroplating industry, including the implementation of business strategies for, and the construction and management of Surface Treatment Recycling Eco-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 the general manager 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 70, is an executive Director. Mr. Lee is responsible for the banking relationship and human resources planning of the Group.

Mr. Lee has over 43 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 Industrial Investment Co., Ltd. in July 2016, where he supervised the overall financial management of Huizhou Kimou Industrial Investment Co., Ltd. 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 Guangdong Overseas Chinese Enterprises Association (廣東省僑商投資企業協會) chairman of Hong Kong Dongguan Nancheng Natives' Association (香東莞南城同鄉會) 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.

Mr. Lee is a director of Premier Investment Worldwide Company Limited, a substantial shareholder (within the meaning under the SFO) of the Company.

EXECUTIVE DIRECTORS *(Continued)*

Mr. Huang Shaobo (黃少波), aged 57, 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 28 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 Shanxi Fashion Institute of Technology* (陝西紡織服裝職業技術學院) (formerly known as Shanxi 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 71, is an independent non-executive Director, chairman of the remuneration committee, member of the audit committee and nomination committee of the Board. Mr. Kan was appointed as an independent non-executive Director on 18 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 Shenzhen Investment Holdings Bay Area Development Company Limited (formerly known as Hopewell Highway Infrastructure Limited), a company listed on the Main Board of the Stock Exchange (stock code: 0737) since April 2018, respectively. Mr. Kan served 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) from 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 served as member of the election committee of the chief executive of Hong Kong from December 2011 to 2021, and is an ex-officio member of the election committee of Hong Kond Special Administrative Region since 2021, the Justice of the Peace since July 2003 and council member of Hong Kong Sha Tin District Council from 1985 to 2011. Mr. Kan has also been serving as the founding chairman and later simultaneously as chief president of the Association of Hong Kong Professionals since 2015 and currently as standing vice chairman of the Federation of Hong Kong Guangdong Community Organisations.

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 58, is an independent non-executive Director and a member of the audit committee, the nomination committee and the remuneration committee of the Board. Mr. Li was appointed as an independent non-executive Director on 18 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 66, is an independent non-executive Director and chairman of the audit committee of the Board. Mr. Li was appointed as independent non-executive Director on 18 June 2019. He is responsible for providing independent advice to our Board.

Mr. Li has extensive experience in the finance and banking industry. Mr. Li 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, and 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)) and Hong Kong Shanghai Alliance Holdings Limited (a company listed on the Main Board of the Stock Exchange (stock code: 1001)) since June 2018 and July 2018 respectively, and was appointed as an independent non-executive director of China Everbright Bank Company Limited (a company listed on the Main Board of the Stock Exchange (stock code: 6818) and the Shanghai Stock Exchange (stock code: 601818)) since June 2020. Mr. Li served as an independent Director of Lizhi Inc. (a company listed on the Global Market of the NASDAQ (stock code: LIZI)) from January 2020 to June 2021.

Prior to serving as a director of various listed companies, Mr. Li worked for China Merchants Group from January 2000 to March 2015. During that period, Mr. Li served as general manager of the Financial Department, Chief Financial Officer and 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 Shanxi 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.

SENIOR MANAGEMENT

Mr. Zhang Lianghong (張梁洪), aged 52, is an executive Director and the chairman of the Board of the Company. His profile is set out in the paragraph headed "Executive Directors" above.

Mr. Zhu Heping (朱和平), aged 69, is the executive Director and chief executive officer of the Group. His profile is set out in the paragraph headed "Executive Directors" above.

Mr. Lee Yuk Kong (李旭江), aged 70, is an executive Director. His profile is set out in the paragraph headed "Executive Directors" above.

Mr. Huang Shaobo (黃少波), aged 57, is an executive Director and financial controller of the Group. His profile is set out in the paragraph headed "Executive Directors" above.

Mr. Lai Liangquan (賴亮全), aged 45, joined the Group in April 2021 as the Chief Accountant of the Group. He was appointed as the Chief Financial Officer of the Company in October 2021. Mr. Lai is responsible for the overall financial strategy, planning and financial management of the Company.

Mr. Lai has over 20 years of solid experience in finance, accounting, internal control, investment and merger and compliance. Before joining our Group, he held accounting and financial management positions at NVC International Holdings Limited (a company listed on the Hong Kong Stock Exchange, stock code: 2222), TCL Technology Group Corporation (a company listed on the Shenzhen Stock Exchange, stock code: 00100), CNOOC and Shell Petrochemical Company Limited and Dongguan Hucais Printing Company Limited (a company listed on the National Equities Exchange and Quotations, stock code: 834295). Mr. Lai has been serving as an independent non-executive director of China Health Group Limited (a company listed on the Hong Kong Stock Exchange, stock code: 673) since March 2019. Mr. Lai graduated from Xi'an Jiaotong University in the PRC with a bachelor's degree in accounting in 2001, and is a member of The Chinese Institute of Certified Public Accountants and a member of China Certified Tax Agents Association.

REPORT OF THE DIRECTORS

The Board presents the annual report together with the audited consolidated financial statements (the "**Consolidated Financial Statements**") of the Group for the Year.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company was incorporated in the Cayman Islands on 28 June 2018 as an exempted company with limited liability under the laws of the Cayman Islands. The Group principally operates its business through its indirect subsidiaries. Since the Group's inception in 2004, it has engaged in the development and operation of Surface Treatment Recycling Eco-industrial Parks (formerly described as "Electroplating Industrial Parks") and the provision of centralized wastewater treatment services in the PRC under three business segments, namely, (1) rental and facilities usage; (2) wastewater treatment and utilities; and (3) sales of goods and ancillary business. During the Year, there is no significant change for the Group's principal activities. Details of principal activities of the major subsidiaries of the Company are set out in Note 17 of the Notes to the Financial Statements of this annual report.

A detailed review on the Group's business performance and the material factors underlying its financial position during the Year, as well as the development and likely future prospects of the Group's business are provided throughout this annual report and in particular under the following separate sections:

(a) review of the Company's business and financial position; and development and future prospects of the Company's business are shown in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this annual report;

(b) details of key performance indicators are set out in the section headed "Management Discussion and Analysis" of this annual report; and

(c) the principal risks and uncertainties facing the Company are set out in the paragraph headed "Risks and uncertainties" of this report of the Directors.

RISKS AND UNCERTAINTIES

The Group's businesses, financial condition, results of operations and growth prospects may be affected by risks and uncertainties directly or indirectly pertaining to the Group's businesses. The risk factors set out below are those that could result in the Group's businesses, financial conditions, results of operations or growth prospects differing materially from expected or historical results. Such factors are by no means exhaustive or comprehensive, and there may be other risks in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

RISKS	MAJOR RELEVANT ALLEVIATING MEASURES
Business/Market risks	
The Group 's business is highly dependent on the performance of the electroplating industry in the PRC. The PRC electroplating industry is affected by many factors, including changes in the PRC's political, economic and legal environment, and demand for electroplate products. Any market downturn would have a material adverse impact the Group's business, financial condition and, results of operations, and prospects.	The Group reviews its competitive edges in view of the industry, market conditions and customer preferences through the industry seminars in a timely manner in order to formulate responsive marketing and development strategy.

RISKS AND UNCERTAINTIES *(Continued)*

RISKS	MAJOR RELEVANT ALLEVIATING MEASURES
Compliance Risks	
The Group's operations are subject to the environmental protection, safety and health laws and regulations in the PRC. Any changes in legislative or regulatory requirements may necessitate to involve financial and other resources for substantial upgrades and improvements of the Group's wastewater treatment technologies and facilities	The Group is able to obtain and update itself the latest environmental protection, safety and health laws and regulations by close monitoring of legal and regulatory pronouncements from the PRC government by its industry experts and in-house training for regulatory updates are conducted regularly to our employees. A real time automated monitoring system and control measures for controlling the level of pollutants in the whole cycle of wastewater treatment process ensure the due compliance with relevant discharge standards.
Investment Risks	
The establishment of a new Surface Treatment Recycling Eco-industrial Park is capital intensive. Failure to obtain sufficient of funds from our operations or banks may disrupt the project development plans which may materially and adversely affect the financial conditions and future prospects of the Group.	In order to finance the growth of the Group and its strategic expansions, the Group requires substantial funding resources and a strong capital base. The Group's finance department is responsible to manage its relationship with banks and other financial institutions and to closely monitor the Group's cash flow adequacy. The Group may consider other fund raising activities, such as share placements, the issuance of convertible bonds, etc. to strengthen the Group's capital base and bank/other borrowings and trade facilities to improve its financial position if necessary.

The discussions referred to in the above form part of this report of the Directors.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group has complied with the relevant laws and regulations that have significant impact on the operations of the Group, and will pay close attention to any new changes in laws and regulations.

During the Year and up to the date of this Report of the Directors, the Board was not aware of any relevant legal and regulatory violations that have a significant impact on the business and operations of the Group.

Further discussion on the Group's compliance with laws and regulations will be disclosed in the environmental, social and governance report of the Company for the Year to be published in due course.

RESULTS AND DIVIDEND

For the Year, the results of the Group are set out in the Consolidated Financial Statements on pages 69 to 75 of this annual report.

No interim dividend was declared by the Board during the Year.

The Board has resolved not to recommend the 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, 24 May 2022 to Friday, 27 May 2022, 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 Friday, 27 May 2022.

In order to be eligible to attend and vote at the AGM, all transfer of 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, 23 May 2022.

RELATIONSHIP WITH STAKEHOLDERS

The Group recognises that employees, customers and business partners are keys to its sustainable development. The Group is committed to establishing a close relationship with its employees, providing professional and quality services to its customers and enhancing cooperation with its business partners, so that all parties can benefit, intensive, agglomerated and clustered development of Surface Treatment Recycling Eco-industrial Parks can be promoted, assisting the quality development of regional economies and high-standard environmental protection.

FINANCIAL SUMMARY

For the Year, a summary of the published results and of the assets and liabilities of the Group, together with the financial results and of the assets and liabilities for the five years ended 31 December 2021, is set out in the section headed "Five Year Financial Summary" of this annual report.

PROPERTY, PLANT AND EQUIPMENT

For the Year, details of movement in the Group's property, plant and equipment are set out in Note 12 of the Notes to the Financial Statements of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is highly aware of the importance of environment protection and is devoted to supporting environmental sustainability. It has not noted any material non-compliance with any relevant laws and regulations in relation to its business including health and safety, workplace conditions, employment and the environment. The Group will continue to fulfill its mission of "protecting the environment and benefiting mankind", adhering to the concept of green, low-carbon and circular development. With the help of a broader capital market, we continue to construct parks on various sites, steadily implementing our strategic plan, and promoting high-quality economic development and protecting our environment, and playing a part in allowing mankind to live in harmony with nature in China.

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 AND OTHER BORROWINGS

Details of bank and other borrowings of the Group as at 31 December 2021 are set out in Note 25 of the Notes to the Financial Statements of this annual report.

SHARE CAPITAL

For the Year, details of movements in the share capital of the Company are set out in Note 29 of the Notes to the Financial Statements of this annual report.

RESERVES

For the Year, details of movements in the reserves of the Group and the Company are set out in the Consolidated Statement of Changes in Equity on pages 73 to 74 and in Note 29 of the Notes to the Financial Statements of this annual report, respectively.

DISTRIBUTABLE RESERVES

Pursuant to applicable statutory provisions of the Cayman Islands, the Company's reserves available for distribution to the shareholders of the Company as at 31 December 2021 amounted to approximately RMB506,870,000 (31 December 2020: RMB532,617,000).

CHARITABLE CONTRIBUTIONS

During the Year, the Group made charitable contributions amounting to RMB35,000.

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

During the Year, the Company repurchased a total of 140,000 shares of the Company on the Stock Exchange, with an aggregate consideration of HK$126,480 (equivalent to approximately RMB103,410). As at the date of this annual report, the repurchased shares have not been cancelled. The Company considered that such repurchase has led to an enhancement of the net asset value per Share and/or its earnings per Share, and that it was the best way of enhancing shareholder value and that it was in the best interest of the shareholders.

Date	Number of shares repurchased (shares)	Highest price per share (HK$)	Lowest price per share (HK$)	Aggregate consideration (amount)
13 December 2021	70,000	0.90	0.88	62,000
20 December 2021	62,000	0.93	0.92	57,240
30 December 2021	8,000	0.88	0.93	7,240

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Year.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the knowledge of the Directors, the Company has maintained the prescribed minimum percentage of public float during the Year and as at the date of this annual report as required under the Listing Rules.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association ("**Articles of Association**"), or the laws of the Cayman Islands, which would oblige the Company to offer new shares of the Company on a pro-rata basis to its existing Shareholders.

DIRECTORS

The Directors during the Year and up to the date of this annual report were:

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*

In accordance with Article 16.18 of the Articles of Association, Mr. Huang Shaobo, Mr. Li Yinquan and Mr. Kan Chung Nin, Tony *SBS, JP* will retire by rotation at the AGM and, being eligible, will offer themselves for re-election.

DIRECTORS' PROFILES

Details of the Directors' profiles are set out in the section headed "Profiles of Directors and Senior Management" of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for a term of three years, 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 a term of three years, 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 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.

CONFIRMATION OF INDEPENDENCE FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. Based on such confirmations, the Company considers that all of the independent non-executive Directors are independent in accordance with Rule 3.13 of the Listing Rules.

CONTRACT WITH CONTROLLING SHAREHOLDERS AND THEIR PLEDGED SHARES

As at 31 December 2021, Flourish Investment International Limited held 42.75% of the Company's issued shares and was the controlling shareholder of the Company. During the Year, to the best knowledge of the Company, none of the controlling shareholders pledged their shares pursuant to Rule 13.17 of the Listing Rules.

Other than the continuing connected transactions disclosed in the section "Continuing Connected Transactions Exempted from Independent Shareholders' Approval" and those set out in Note 33(b) of the Notes to the Financial Statements on page 131 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 the continuing connected transactions disclosed in the section "Continuing Connected Transactions Exempted from Independent Shareholders' Approval" and those set out in Note 8 and Note 33 of the Notes to the Financial Statements on pages 103 to 104 and on pages 130 to 132 in this annual report, during the Year or at any time of the Year, none of the Directors or entities related to the Directors has a material interest, directly or indirectly, in any transaction, arrangement or contract in which the Company or any of its subsidiaries is involved and which is of material significance to the business of the Group.

REMUNERATION POLICY

The Group's remuneration policy is to compensate our employees based on their performance, qualifications and our results of operations. 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 of the Notes to the Financial Statements on pages 103 to 105 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 or agreed to waive 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, save for the share option scheme of the Company, the Company did not enter into any equity-linked agreement.

MATERIAL LEGAL PROCEEDINGS

During the Year, an external third party (the "**Plaintiff**") launched a lawsuit against a subsidiary of the Company (the "**Defendant**") in respect of an alleged infringement of a trademark. The Plaintiff claimed for damages for a total sum up to RMB10 million from the Defendant. On 16 August 2021, pursuant to an order of the court, a bank deposit of RMB3,140,000 was frozen. As at 31 December 2021 and up to the date of this annual report, such lawsuit remained unsettled. According to the opinion from the Defendant's legal counsel, the Directors believe it is probable that the court will not rule against the Defendant. No provision has therefore been made in respect of this claim.

Save as disclosed above, the Group was not involved in any material legal proceedings during the Year.

LOAN AND GUARANTEE

During the Year, the Group had not made any loan, quasi-loans 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.

The Group did not grant any loans to any entities, nor did it offer any financial assistance to its associates or make any guarantee for the facilities granted to its associates.

SHARE OPTION SCHEME

The Company adopted the share option scheme (the "**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 in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

(i) refresh 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 in general meeting; and/or

(ii) grant options beyond the 10% limit to Eligible Participants specifically identified by the Board subject to the approval for refreshment of 10% limit as mentioned in (i) above.

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. No options shall be granted under any schemes of the Company (including the Share Option Scheme) if this will result in the 30% limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of the Company or an approved independent financial adviser shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of the Company in accordance with whether by way of consolidation, capitalisation issue, rights issue, sub-division or reduction of the share capital of the Company but in no event shall exceed the limit prescribed in this paragraph.

As at the date of this annual 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.

(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 ten 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.

SHARE OPTION SCHEME *(Continued)*

(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 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 seven years.

Since its adoption, 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 2021, the interests and 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 Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "**SFO**"), which had been 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 in which they were taken or deemed to have under such provisions of the SFO), or as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules, 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	21.38%
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) Such Shares were registered in the name of Flourish Investment International Limited, a company wholly owned by Mr. Zhang. By virtue of Part XV of the SFO, Mr. Zhang is deemed to be interested in all the Shares held by Flourish Investment International Limited.

(3) Such Shares were registered in the name of Premier Investment Worldwide Company Limited, a company wholly owned by Mr. Lee. By virtue of Part XV of the SFO, Mr. Lee is deemed to be interested in all the Shares held by Premier Investment Worldwide Company Limited.

(4) Such Shares were registered in the name of Dakson Assets Management Limited, a company wholly owned by Mr. Huang. By virtue of Part XV of the SFO, Mr. Huang is deemed to be interested in all the Shares held by Dakson Assets Management Limited.

Save as disclosed above, as at 31 December 2021, none of the Directors and/or chief executive of the Company nor their associates had or was deemed to have any interests or short positions in 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 each of them has taken or deemed to have taken under the SFO), or which would be required, pursuant to section 352 of the SFO, to be entered in the register required to be kept therein or which would be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Year was the Company or its holding company (if applicable), subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors or the chief executives of the Company or their associates to acquire benefits by means of acquisitions of shares in, or debentures of, the Company or any other body corporate.

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

As at 31 December 2021, to the best knowledge of the Directors, the table below listed out the persons (other than the Directors or chief executives of the Company), who had interests in the shares and underlying shares of the Company which would fall to be disclosed to the Company pursuant to provision of Division 2 and 3 of Part XV of the SFO, or as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

Name of shareholder	Capacity/Nature of interest	Number of Shares or underlying 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 [3]	Beneficial Owner	239,400,000	21.38%
Deluxe Investment International Company Limited[4]	Beneficial Owner	79,800,000	7.13%
Mr. Zhang Haiming [4]	Interest in a controlled corporation	79,800,000	7.13%

Notes:

(1) All interests stated are long positions.

(2) Flourish Investment International Limited is a company wholly owned by Mr. Zhang, an executive Director and the chairman of the Board.

(3) Premier Investment Worldwide Company Limited is a company wholly owned by Mr. Lee, an executive Director.

(4) Such shares were registered in the name of Deluxe Investment International Company Limited, a company wholly owned by Mr. Zhang Haiming. By virtue of Part XV of the SFO, Mr. Zhang Haiming is deemed to be interested in all the shares of the Company held by Deluxe Investment International Company Limited.

Save as disclosed above, as at 31 December 2021, the Directors and the senior management of the Company are not aware of any other person who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of Part XV of the SFO.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the Share Option Scheme, at no time during and at the end of the Year 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

During the Year, the Group's five largest customers accounted for less than 30% of the Group's total revenue.

During the Year, the Group's largest supplier accounted for 12.4% of the Group's total purchase and the Group's five largest suppliers accounted for 47.3% 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.

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 at 31 December 2021, the Group had 799 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 the 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. The Group provides regular training to its employees in order to improve their skills and knowledge.

The Group provide orientation programmes for new employees to familiarise them with our working environment and culture. The Group 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) of the Notes to the Financial Statements on pages 99 to 100 in this annual report.

CONTINUING CONNECTED TRANSACTIONS EXEMPTED FROM INDEPENDENT SHAREHOLDERS' APPROVAL

Lease and Related Agreements

On 20 August 2021, the Group entered into the lease and related agreements with Tianjin Hongyue, including:

(1) Tianjin Jinhuadu, a non-wholly-owned subsidiary of the Company and Tianjin Hongyue entered into a lease agreement in relation to the lease of a 33,000-square-meter parcel (the "Land") to Tianjin Hongyue for a term of 20 years. Under the lease agreement, Tianjin Jinhuadu will grant the right of land use of the Land to Tianjin Hongyue during the term. Tianjin Hongyue shall, at its own cost, construct the factory buildings and supporting facilities and equipment on the Land, whereupon the real property rights of the buildings and real property constructed thereon shall belong to Tianjin Jinhuadu, and Tianjin Hongyue shall have the right to use such buildings and real property during the term. Pursuant to the lease agreement, the rent for the right of use of the Land payable by Tianjin Hongyue commencing on 1 July 2022 are set out as follows:

  (i) for the five years commencing on 1 July 2022 and ending on 30 June 2027 (both dates inclusive), the monthly rent shall be RMB163,677.50;

  (ii) for the five years commencing on 1 July 2027 and ending on 30 June 2032 (both dates inclusive), the monthly rent shall be RMB180,045.25;

  (iii) for the five years commencing on 1 July 2032 and ending on 30 June 2037 (both dates inclusive), the monthly rent shall be RMB198,049.78; and

  (iv) for the four years one month and 19 days commencing on 1 July 2037 and ending on 19 August 2041 (both dates inclusive), the monthly rent shall be RMB218,018.43.

  A monthly management fee of RMB65,471, which shall be payable by Tianjin Hongyue commencing on 20 August 2021 during the term.

CONTINUING CONNECTED TRANSACTIONS EXEMPTED FROM INDEPENDENT SHAREHOLDERS' APPROVAL *(Continued)*

Lease and Related Agreements *(Continued)*

(2) Tianjin Bingang, a non-wholly-owned subsidiary of the Company and Tianjin Hongyue entered into an environmental service contract in relation to the provision of certain environmental professional technical services to Tianjin Hongyue for the Land for a period of 5 years. Pursuant to the environmental service agreement, Tianjin Bingang shall provide Tianjin Hongyue with professional environmental technical services in respect of the Land, including but not limited to:

(a) research and development of relevant professional technologies for the operation and management of Tianjin Bingang Park;

(b) provision of standardised and process-oriented guiding services for the lessee's planning and layout, process design, environmental and safety management and public management of the Land;

(c) provision of services assisting the lessee in improving the safety and environmental awareness and daily management level of its management team; and

(d) provision of service platform for labour, finance, materials, and promoting exchanges and cooperation between the lessee and related units.

Under the environmental service agreement, the monthly service fee payable by Tianjin Hongyue for the period from 1 July 2022 to 19 August 2026 was RMB261,884.

(3) Tianjin Bingang and Tianjin Hongyue entered into a wastewater treatment and utilities service contract in relation to the provision of wastewater treatment and public utilities services to Tianjin Hongyue for the Land for a term of 5 years. Pursuant to the wastewater treatment and utility service contracts, Tianjin Bingang shall provide wastewater treatment and utilities service to Tianjin Hongyue in relation to the Land such as (a) centralised wastewater treatment, recycling and discharge; (b) water, steam and electricity supply; and (c) utilities maintenance.

Under the wastewater treatment and utility services contract, Tianjin Hongyue is required to pay a monthly fee in the following manner:

(i) wastewater treatment — for the provision of wastewater treatment services the fees are calculated based on (a) the type of the pollutant to be treated or recycled and (b) the volume of water used on the Land;

(ii) supply of water, electricity and steam — for supply of water (including tap water, recycled water and purified water), electricity and steam, calculated based on the amount of water, electricity and steam consumed; and

(iii) utility maintenance — for maintenance of the public facilities in the industrial park.

Under the wastewater treatment and utilities service contract, in the event of national macro policy adjustments or changes in national environmental protection requirements, expansion of environmental governance management service projects, increase in production and operation costs or increase in price index, Tianjin Bingang has the right to adjust the charging rates under the said contracts and Tianjin Hongyue shall accept and pay according to such adjusted charging rates.

CONTINUING CONNECTED TRANSACTIONS EXEMPTED FROM INDEPENDENT SHAREHOLDERS' APPROVAL *(Continued)*

Lease and Related Agreements *(Continued)*

The entering into of the lease contract to lease the Land, situated in Tianjin Bingang Park, will enable the Group to secure a tenant to lease a relative sizable space in the industrial park and provide steady rental income and increase the occupancy rate of the Tianjin Bingang Park. The management considered that for the lease under the lease contract, taking into account the size of the land and that under the lease contract the lessee shall construct the factory buildings and supporting facilities and equipment on the land at its own cost, it is reasonable for the lessee to secure a long period of the term of the lease so as to recover the related investment and construction costs.

It is a standard practice of the Group that at the same time of leasing to a tenant in its industrial parks, the Group would require the entering into of an agreement for the Group to provide environmental professional technical services to the tenant and an agreement requiring the tenant to use the wastewater treatment and utilities service provided by the Group in the industrial parks. As such, the Group considered that entering into of the aforesaid agreements together with the lease contract part and parcel of the lease of the land offered to the lessee. For the term of the environmental service contract and the wastewater treatment and utilities service contract ("**Related Agreements**"), it is expected that after the expiry of the respective current term under each of the Related Agreements, the Group will enter into new agreements with the tenant to provide the environmental professional technical services and wastewater treatment and utilities services so long as the lessee is the tenant of the land.

The Group considered that having a shorter terms of the Related Agreements than the lease of the land can provide sufficient flexibility to cater for any unanticipated fluctuations of raw materials and energy costs in the future, which may at the same time require adjustments to the environmental professional technical services fee, the wastewater treatment and utilities service fees to be charged to the Lessee. The Company will comply with the relevant Listing Rules requirements in respect of the transactions contemplated under the abovementioned environment service agreement(s) and wastewater treatment and utilities service agreement(s) when such materialises.

Pursuant to Rule 14A .52 of the Listing Rules, the term of each agreement in respect of a continuing connected transaction shall not exceed three years unless, in exceptional circumstances, the nature of the transaction requires a longer contractual period. The Group has appointed an independent financial adviser (Gram Capital Limited) who has confirmed that the duration of the lease contract and the Related Agreements which is longer than three years is required and it is normal business practice for said agreements to be of such duration.

As Mr. Zhang Lianghong is an executive director of the Company and the controlling shareholder of the Company (indirectly holding approximately 42.75% of the issued shares of the Company as at the date of the lease contract and the Related Agreements), and Tianjin Hongyue is a subsidiary of an associate of Mr. Zhang, Tianjin Hongyue is a connected person of the Company as defined under the Listing Rules. Accordingly, the transactions between the Group and Tianjin Hongyue constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. These leases and related agreements were entered into in the ordinary course of business on normal commercial terms, and the prices charged by the Group were determined through arm's length negotiation between the Group and Tianjin Hongyue with reference to the prevailing pricing standards in the market. For details, please refer to the announcement of the Company dated 20 August 2021.

As disclosed in the Company's announcement dated 20 August 2021, the annual cap for the lease agreement for the Year is RMB327,335 and the annual cap for the waste water treatment and utilities service contract for the Year is RMB6.1 million. During the Year, the aggregate amounts received and receivable for the lease contract, the environmental service and wastewater treatment and utilities service contracts were RMB287,000, RMB0 and RMB31,000, respectively, which did not exceed the annual caps.

CONTINUING CONNECTED TRANSACTIONS EXEMPTED FROM INDEPENDENT SHAREHOLDERS' APPROVAL *(Continued)*

Confirmation on Continuing Connected Transactions

Pursuant to rule 14A.55 of the Listing Rules, the above continuing connected transactions have been reviewed by the independent non-executive Directors, who confirmed that these continuing connected transactions were entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better; and

(iii) according to relevant agreements governing them on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole.

Pursuant to rule 14A.56 of the Listing Rules, the Company's auditor was engaged to report on the Group's the connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits and Reviews of Historical Financial Information " and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

The auditor has issued a letter to the Board containing a conclusion that the continuing connected transactions disclosed by the Group above involve no non-compliance with Rule 14A.56 of Listing Rule. The auditor's letter has confirmed that nothing has come to their attention that causes them to believe that the continuing connected transactions:

(i) have not been approved by the Board;

(ii) were not, in all material respects, in accordance with the pricing policies of the Group where the transactions involve the provision of goods or services by the Group;

(iii) were not entered into, in all material respects, in accordance with the relevant agreements governing the continuing connected transactions; and

(iv) have exceeded their respective annual caps for the financial year ended 31 December 2021 set by the Company.

A copy of the auditor 's letter would be submitted by the Company to the Stock Exchange at least 10 business days before the bulking print of this annual report.

RELATED PARTY TRANSACTIONS

The Group entered into certain transactions with "related parties" as defined under the applicable accounting standards, the details of which are set out in Note 33 of the Notes to the Financial Statements on pages 130 to 132.

As regards the transactions entered into between the Group and Guangdong Tengkunda Enterprise Investment Company Limited ("**Guangdong Tengkunda**"), Guangdong Tengkunda is a substantial shareholder (as defined under the Listing Rules) of an insignificant subsidiary (as defined under the Listing Rules) of the Group and hence Guangdong Tengkunda is not a connected person of the Company for the purpose of Chapter 14A of the Listing Rules.

Save and except for the continuing connected transactions disclosed in the section "Continuing Connected Transactions Exempted from Independent Shareholders' Approval" and the transaction disclosed above, all other related party transactions constituted a connected transaction or continuing connected transaction and they are fully exempt under Chapter 14A of the Listing Rules. The Directors confirm that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

The amounts of related party transactions disclosed in Note 33 of the Notes to the Financial Statements in this annual report are recognised in accordance with Hong Kong Accounting Standards ("**HKASs**").

PERMITTED INDEMNITY PROVISION

In accordance with the Articles of Association, each Director is entitled to be indemnified out of the assets of the Company against all losses or legal liabilities incurred or sustained by him as a Director in defending any proceedings, whether civil or criminal, in which judgement is given in his favour or in which he is acquitted.

During the Year and up to 27 June 2021, the Company has arranged liabilities insurance covering the indemnity of the directors and senior management of the Company. From 28 June 2021 onwards, the liabilities insurance has been discontinued due to non-renewal of the policy in time and as at the date of this annual report, the Company is in the process of arranging renewal of the policy or looking for other suitable insurers to provide the service.

CORPORATE GOVERNANCE

During the Year, the Company recognises the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of its shareholders as a whole. The Company has adopted and complied with the then prevailing Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules applicable during the Year as its own code to govern its corporate governance practices. 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 section headed "Corporate Governance Report" of this annual report.

Model Code for Securities Transactions

The Company has adopted the Model Code as its code of conduct regarding Directors' securities transactions. Specific enquiry has been made to all Directors, and all of them have confirmed that they have complied with all relevant requirements as set out in the Model Code during the Year, the details are set out in the "Corporate Governance Report" on pages 47 to 63 of this annual report.

AUDITOR

During the previous three financial years to date, there has been no change in auditor. The Consolidated Financial Statements for the Year have been audited by KPMG, Certified Public Accountants. A resolution to re-appoint KPMG as our auditor will be submitted for shareholders' approval at forthcoming annual general meeting.

EVENTS AFTER THE REPORTING PERIOD

On 18 March 2022, Taizhou Jincheng, an indirect subsidiary of the Company, entered into (i) a plant construction agreement with Guangdong Jinjunda and (ii) another plant construction agreement with Taixing Xinxing Construction Engineering Co., Ltd.* (泰興市新興建築工程有限公司), both for the provision of plant construction services in Taixing County Economic Development Zone* (泰興經濟開發區) at a consideration of approximately RMB150.4 million and approximately RMB77.1 million respectively. For further details, please refer to the announcement of the Company dated 18 March 2022.

On 8 April 2022, Jiangsu Jinmao Chengxing Environmental Protection Technology Co., Ltd* (江蘇金茂成興環保科技有限公司), an indirect subsidiary of the Company, entered into a wastewater plant construction agreement with Taixing Xinxing Construction Engineering Co., Ltd.* (泰興市新興建築工程有限公司) for the provision of construction services for an electroplating wastewater treatment plant in Taixing Economic Development Zone at a consideration of approximately RMB74.7 million. For further details, please refer to the announcement of the Company dated 8 April 2022.

Save as disclosed above, so far as the Group is aware after having made reasonable enquiries, there were no other significant events affecting the Group which have occurred since 31 December 2021 and up to the date of this annual report.

On behalf of the Board

Zhang Lianghong
Chairman

Hong Kong, 25 March 2022

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 Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of shareholders, enhance corporate value, set up business strategy and measures, and enhance its transparency and accountability. 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 (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.

COMPLIANCE WITH THE MODEL CODE BY DIRECTORS

The Company has adopted the Model Code as its code of conduct regarding its Directors' securities transactions. The Directors are reminded of their obligations under the Model Code on a regular basis. Following specific enquiry by the Company, all Directors have confirmed that they have complied with the required standard set out in the Model Code during the Year.

The Company has also established written guidelines no less exacting than the Model Code for securities transactions by the relevant employees who are likely to be in possession of unpublished price-sensitive information of the Company (the "Employees Written Guidelines"). The Company is not aware of any incident of non-compliance of the Employees Written Guidelines by the relevant employees.

BOARD OF DIRECTORS

Function of the Board

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 should regularly review the contribution required from a Director to perform his/her responsibilities to the Company, and whether the Director is spending sufficient time performing them.

Board Composition

The Board consists of seven Directors, comprising four executive Directors and three independent non-executive Directors. In compliance with Code provision A.2.1 of the CG Code (renumbered as Code Provision C.2.1 with effect from 1 January 2022), the roles of chairman and chief executive officer are separate and performed by Mr. Zhang Lianghong and Mr. Zhu Heping respectively.

The biographical details of the Directors are set out in the section headed "Profiles of Directors and Senior Management" of this annual report. There are no relationships (including financial, business, family or other material or relevant relationships) among members of the Board.

BOARD OF DIRECTORS *(Continued)*

Board Composition *(Continued)*

The Directors during the Year and up to the date of this annual report were:

Executive Directors

Mr. Zhang Lianghong	Chairman of the Board, Chairman of the Nomination Committee and Member of the Remuneration Committee
Mr. Zhu Heping	Chief executive officer of the Company
Mr. Lee Yuk Kong	
Mr. Huang Shaobo	

Independent Non-Executive Directors

Mr. Li Yinquan	Chairman of the Audit Committee
Mr. Kan Chung Nin, Tony *SBS, JP*	Chairman of the Remuneration Committee, Member of the Audit Committee and the Nomination Committee
Mr. Li Xiaoyan	Member of the Audit Committee, the Remuneration Committee and the Nomination Committee

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Throughout the Year, the Board has met the requirements of Rules 3.10 and 3.10A of the Listing Rules of having a minimum of three independent non-executive Directors representing at least one-third of the Board, of whom the independent non-executive Director (Mr. Li Yinquan) possesses appropriate professional qualifications or accounting or related financial management expertise.

The Company has received an annual confirmation of independence from each of Mr. Li Yinquan, Mr. Kan Chung Nin, Tony *SBS, JP* and Mr. Li Xiaoyan, being all the independent non-executive Directors, in accordance with Rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that all independent non-executive Directors are independent.

TERM OF APPOINTMENT OF NON-EXECUTIVE DIRECTORS

All independent non-executive Directors are appointed for a term of three years and subject to retirement and rotation under the Articles of Association.

Appointment and Re-election of Directors

Non-executive directors of the Company have been appointed for a specific term, subject to re-election. All directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

The procedures and process of appointment, re-election and removal of directors are laid down in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of directors, monitoring the appointment and succession planning of directors and assessing the independence of independent non-executive directors.

TERM OF APPOINTMENT OF NON-EXECUTIVE DIRECTORS *(Continued)*

Appointment and Re-election of Directors *(Continued)*

Each of the executive Directors has entered into a service contract with the Company for a term of three years with effect from their respective date of appointment subject to termination by not less than three months' written notice served by either the executive Director or the Company.

Each of the independent non-executive Directors has signed an appointment letter with the Company for a term of three years with effect from their respective date of appointment subject to termination by not less than three months' written notice served by either the independent non-executive Directors or the Company. The above appointments are subject to the provisions of retirement and rotation of Directors under the Articles of Association.

According to Article 16.2 of the Articles of Association, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting.

According to Article 16.18 of the Articles of Association, at every annual general meeting of the Company one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. Any Director appointed pursuant to Article 16.2 or Article 16.3 shall not be taken into account in determining the number of Directors and which Directors are to retire by rotation. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. Accordingly, Mr. Huang Shaobo, Mr. Li Yinquan and Mr. Kan Chung Nin, Tony *SBS, JP* will retire at the forthcoming annual general meeting and being eligible, will offer themselves for re-election at the Annual General Meeting.

None of the Directors including those who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company that is not determinable by the Company or any of its subsidiaries within one year without payment of compensation (other than statutory compensation).

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

TERM OF APPOINTMENT OF NON-EXECUTIVE DIRECTORS *(Continued)*

Responsibilities, Accountabilities and Contributions of the Board and Management *(Continued)*

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his/her responsibilities to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company.

Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the chief executive officer and the senior management. The delegated functions and work tasks are periodically reviewed.

Approval has to be obtained from the Board prior to any significant transactions entered into by the abovementioned officers.

BOARD COMMITTEES

The Company has three principal Board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee (collectively, the "**Board Committees**") to oversee particular aspects of the Company's affairs. Each of the Board committees operates under its own written terms of reference which states their authority and duties. The terms of reference of the Audit Committee, Remuneration Committee and Nomination Committee are posted on the Company 's website and the Stock Exchange's website and are available to shareholders upon request.

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.

Audit Committee

The Board established the Audit Committee with written terms of reference in compliance with Rules 3.21 to 3.23 of the Listing Rules and the CG Code. Rule 3.21 of the Listing Rules requires the Audit Committee to comprise non-executive directors only and have a minimum of three members with independent non-executive directors in majority and at least one independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise.

As at the date of this annual report, the Audit Committee consists of three members, namely Mr. Li Yinquan, Mr. Kan Chung Nin, Tony *SBS, JP* and Mr. Li Xiaoyan, the independent non-executive Directors. Mr. Li Yinquan is the chairman of the Audit Committee, who has appropriate professional qualifications or accounting or related financial management expertise. None of them is a member of the former or existing auditors of the Company for the two years immediately preceding the date of their appointments. The terms of reference of the Audit Committee are published on the Company's website and the website of the Stock Exchange.

BOARD COMMITTEES *(Continued)*

Audit Committee *(Continued)*

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, review the financial information of the Company and maintain the relationship with the auditors of the Group and perform other duties and responsibilities as assigned by the Board.

During the Year, the Audit Committee held 2 meetings, and the attendance of each member is set out in the section headed "Board meetings and general meeting" below. In addition to the Audit Committee meetings, the Audit Committee also dealt with matters by way of circulation during the Year. A summary of the work performed by the Audit Committee during the Year is listed below:

— reviewed the Group's annual financial statements for the year ended 31 December 2020 and interim financial statements for the six months ended 30 June 2021 and the related result announcements, documents and other matters or issues raised by external auditor of the Company;

— reviewed the terms of engagement of external auditor of the Company;

— recommended to the Board, for the approval by the shareholders of the Company, of the re-appointment of the auditor of the Company;

— discussed and confirmed with the management the effectiveness of the Group's financial reporting process, risk management and internal control systems;

— reviewed internal audit function and its effectiveness;

— reviewed the terms of reference of the Audit Committee; and

— engagement of non-audit services and relevant scope of works, connected transactions, continuing connected transactions and their annual caps and significant issues such as arrangements for employees to raise concerns about possible improprieties.

For the Year , the Audit Committee also met the external auditors twice.

Remuneration Committee

The Board established the Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules requires an issuer to establish a remuneration committee chaired by independent non-executive director and comprising a majority of independent non-executive directors. The Remuneration Committee consists of three members, in which there are two independent non-executive Directors, namely Mr. Kan Chung Nin, Tony *SBS, JP*, Mr. Li Xiaoyan and one executive Director, namely Mr. Zhang Lianghong. Mr. Kan Chung Nin, Tony *SBS, JP* is the chairman of the Remuneration Committee. The terms of reference of the Remuneration Committee are published on the Company's website and the website of the Stock Exchange.

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, review the performance and the remuneration packages of individual executive Directors and senior management and to assess the performance of the Directors and approve the terms of the Directors' service contracts, to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

BOARD COMMITTEES *(Continued)*

Remuneration Committee *(Continued)*

The Remuneration Committee has adopted the approach under Code provision B.1.2(c)(ii) (renumbered as Code Provision E.1.2(c)(ii) with effect from 1 January 2022) of the CG Code to make recommendations to the Board on remuneration packages of the Directors and the members of senior management. The remuneration of the Directors was determined with reference to their respective experience, responsibilities with the Group and the general market conditions.

During the Year, the Remuneration Committee held two meetings and the attendance of each member is set out in the section headed "Board meetings and general meeting" below, to review the remuneration policy and structure of the Company, as well as the performance and remuneration packages of executive directors and senior management, review the service contracts of executive directors and other related matters, and provide advice to the Board in this regard. A summary of the work performed by the Remuneration Committee during the Year is listed below:

— reviewed the existing policy and structure for the remuneration of the Directors and senior management; and

— reviewed and recommended to the Board the proposal for salary adjustments for executive Directors and senior management of the Company.

Pursuant to Code Provision B.1.5 (renumbered as Code Provision E.1.5 with effect from 1 January 2022) of the CG Code, details of the emoluments of the senior management by bands for the Year were as follows:

Emoluments Band	Number of Individuals
HK$1,000,000 and below	3
HK$1,000,001 to HK$1,500,000	1
HK$1,500,001 to HK$2,000,000	1
	5

Pursuant to Appendix 16 to the Listing Rules, the emoluments of the employees who are Directors and who are amongst the five highest paid individuals are set out in Note 8 and Note 9 of the Notes to the Financial Statements.

BOARD COMMITTEES *(Continued)*

Nomination Committee

The Board established the Nomination Committee with written terms of reference in compliance with the CG Code, chaired by the chairman of the board or an independent non-executive Director and comprises a majority of independent non-executive Directors. The Nomination Committee consists of two independent non-executive Directors, being Mr. Kan Chung Nin, Tony *SBS, JP* and Mr. Li Xiaoyan, and one executive Director, being Mr. Zhang Lianghong, who is the chairman of the Nomination Committee. The terms of reference of the Nomination Committee are published on the Company's website and the website of the Stock Exchange.

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.

If a candidate is proposed to be appointed as an independent non-executive Director, his or her independence shall be assessed in accordance with, among other things, the factors as set out in Rule 3.13 of the Listing Rules, subject to any amendments as may be made by the Stock Exchange from time to time. Where applicable, the totality of the candidate's education, qualifications and experience shall also be evaluated to consider whether he or she has the appropriate professional qualifications or accounting or related financial management expertise for filling the office of an independent with such qualifications or expertise as required under Rule 3.10(2) of the Listing Rules.

When considering the appointment or reappointment of Directors, the Nomination Committee will consider various factors including the background, experience and qualification of the proposed candidates to ensure that the proposed candidates possess the requisite experience, characters and integrity to act as a Director, and other criteria with regard to the benefits of diversity, including but not limited to gender, age, cultural and educational background, or professional experience and taking into account the Group's business model and specific needs.

BOARD COMMITTEES *(Continued)*

Nomination Committee *(Continued)*

During the Year, the Nomination Committee held two meetings and the attendance of each member is set out in the section headed "Board meetings and general meeting" below. A summary of the work performed by the Nomination Committee during the Year is listed below:

— reviewed the Board's structure, size and composition;

— assessed the independence of the independent non-executive Directors;

— made recommendation to the Board on the re-election of retiring Directors at the 2021 AGM; and

— reviewed the terms of reference of the Nomination Committee.

During the year, the Nomination Committee has reviewed the structure, number and composition of the Board and the independence of independent non-executive directors and has considered the qualifications of the retiring directors standing for election at the Annual General Meeting, and was of the opinion that the composition of the Board, taking into account the Group's business model and specific needs, met the requirements under the Board Diversity Policy. However, the board of directors currently consists of only male members, and the company will look for one suitable female member to join the Board as soon as possible. Pursuant to amended rule 13.92 of the Listing Rules with effect from 1 January 2022, the Company is required to appoint at least one female director by no later than 31 December 2024.

Board Diversity Policy

The Company has adopted a Board Diversity Policy which sets out the approach to achieve diversity of the Board. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

Pursuant to the Board Diversity Policy, the Nomination Committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company 's corporate strategy and to ensure that the Board maintains a balanced diverse profile. In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and regional and industry experience.

The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered.

The Board will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. The Company will appoint at least one female Director no later than 31 December 2024 in order to achieve gender diversity of the Board.

The Nomination Committee reviews the Board Diversity Policy, as appropriate, to ensure its effectiveness.

BOARD COMMITTEES *(Continued)*

Director Nomination Policy

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company.

The Company has adopted a Director Nomination Policy which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company 's business and corporate strategy;
- Diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;
- Requirements of independent non-executive Directors on the Board and independence of the proposed independent non-executive Directors in accordance with the Listing Rules; and
- Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

The Director Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings.

The Nomination Committee reviews the Director Nomination Policy, as appropriate, to ensure its effectiveness.

Corporate Governance Functions

The Board has delegated the responsibility for performing the functions set out in the code provision D.3.1 (renumbered as Code Provision A.2.1 with effect from 1 January 2022) of the CG Code to the Audit Committee.

During the Year, the Audit Committee had reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company 's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and Employee Written Guidelines, and the Company 's compliance with the CG Code and disclosure in this Corporate Governance Report.

BOARD MEETINGS AND GENERAL MEETING

Regular Board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication, of a majority of Directors.

Prior notices convening the Board meetings were despatched to the Directors setting out the matters to be discussed. At the meetings, the Directors were provided with the relevant documents to be discussed and approved. The company secretary of the Company was responsible for keeping minutes for the Board meetings.

The Board is regularly provided with brief reports containing balanced and comprehensive evaluation on the Group's performance, status and prospects to keep it abreast of the Group's affairs and facilitate the Directors' performance of their obligations under the relevant requirements of the Listing Rules.

In addition to regular Board meetings, during the Year, the chairman of the Board held one meeting with the independent non-executive Directors without the presence of other Directors.

During the Year, the Company held 7 Board meetings in total. The attendance record of each Director at the Board and Board committee meetings and the general meeting of the Company held during the Year is set out in the table below:

	Attendance/Number of Meetings Eligible to Attend				
Name of Director	Board Meeting	Audit Committee Meeting	Nomination Committee Meeting	Remuneration Committee Meeting	2021 AGM
Executive Directors					
Mr. Zhang Lianghong	7/7	N/A	2/2	2/2	1/1
Mr. Zhu Heping	7/7	N/A	N/A	N/A	1/1
Mr. Lee Yuk Kong	7/7	N/A	N/A	N/A	1/1
Mr. Huang Shaobo	7/7	N/A	N/A	N/A	1/1
Independent non-executive Directors					
Mr. Kan Chung Nin, Tony *SBS, JP*	7/7	2/2	2/2	2/2	1/1
Mr. Li Xiaoyan	7/7	2/2	N/A	N/A	1/1
Mr. Li Yinquan	7/7	2/2	2/2	2/2	1/1

During the Year, no Board or Committee meeting was attended by a Director's alternate.

TRAINING AND CONTINUING DEVELOPMENT FOR DIRECTORS

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

It is the Company's policy that every newly appointed Director will receive formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. No new director has been appointed by the Company during the Year.

The Company is committed to arranging and funding suitable training to all Directors for their continuous professional development. Each Director is briefed and updated from time to time to ensure that he is fully aware of his roles, functions, duties and responsibilities under the Listing Rules and applicable legal and regulatory requirements and the governance policies of the Group.

All Directors, namely, Mr. Zhang Lianghong, Mr. Zhu Heping, Mr. Lee Yuk Kong, Mr. Huang Shaobo, Mr. Kan Chung Nin, Tony *SBS, JP*, Mr. Li Xiaoyan and Mr. Li Yinquan, had participated in continuous professional development with respect to directors' duties, relevant programmes and seminars or had perused reading materials and updated information in relation to business and industrial development. During the Year, the Company received professional development records from each Director relating to directors' responsibilities, regulatory requirements and continuity of business development.

COMPANY SECRETARY

The Company engaged an external professional company secretarial services provider, SWCS Corporate Services Group (Hong Kong) Limited ("**SWCS**"), to provide company secretarial services to the Group in order to assist the Group to cope with the changing regulatory environment and to suit different commercial needs. All Directors have access to the advice and services of the company secretary on corporate governance and board practices and matters.

On 5 February 2021, Ms. Yeung Ching Man, a representative of SWCS, has resigned as the company secretary of the Company (the "**Company Secretary**") and Mr. Yim Lok Kwan ("**Mr. Yim**"), a representative of SWCS, has been appointed as the company secretary with effect from 5 February 2021.

Mr. Yim currently serves as a manager of SWCS Corporate Services Group (Hong Kong) Limited and has over nine years of experience in the corporate services field. He is an associate member of both the Hong Kong Corporate Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute in the United Kingdom, and by virtue of the aforesaid qualifications, Mr. Yim would be capable of discharging the functions of the Company Secretary.

Mr. Lai Liangquan, the Group's Chief Financial Officer, is the primary point of contact at the Company for the Company Secretary, and will collaborate and communicate with Mr. Yim on corporate governance, secretarial and administrative matters of the company. Further, whenever necessary, the contact person assigned will promptly deliver information regarding the performance, financial positions and other major development and affairs of the Group to Mr. Yim. Having in place a mechanism that enables Mr. Yim to get hold of the Group's development promptly without material delay and with his expertise and experience, the Board is confident that having Mr. Yim as the Company Secretary is beneficial to the Group's compliance with the relevant board procedures, applicable laws, rules and regulations.

According to the requirements of Rule 3.29 of the Listing Rules, Mr. Yim has taken not less than 15 hours of relevant professional training for the Year.

ACCOUNTABILITY AND AUDIT

Responsibilities in respect of the Consolidated Financial Statements

The Directors confirm that it is their responsibility to prepare the financial statement of the Group for the year ended 31 December 2021, and the management will provide information and explanation to the Board to enable it to make an informed assessment of the financial and other Board decisions.

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

The statement of the independent auditor of the Company about their reporting responsibilities and opinion on the Consolidated Financial Statements for the Year is set out in the section headed "Independent Auditor's Report" of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

Risk management and internal control systems

The Board, with the assistance of the management, is the ultimate risk management decision-making body and makes risk management decisions on major risk matters. The management is responsible for managing the Group's risk matters, directing and coordinating the work of risk management functions and risk assessment framework in relation to its corresponding business activities.

The Board and the management have the responsibility for overseeing the effectiveness of the risk assessment framework and risk management functions. The management reports to the Audit Committee and the Board regarding the results of the risk management framework on an annual basis.

The Group 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; and

- 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.

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.

The Company has also engaged an external consultant to conduct an internal control review assessment for the Year. The internal control assessment procedures conducted by the external consultant included a comprehensive system for reviewing and reporting information and findings to the Board and the management, and to assess whether the material controls are sufficient and adequate for the Group. The management will report to the Board as regards findings on the internal control weaknesses as reviewed and identified by the external consultant and provide remedial action plan, if required, together with follow-up on status of remediation to the Board from time to time.

RISK MANAGEMENT AND INTERNAL CONTROL *(Continued)*

Review of the effectiveness of the risk management and internal control systems

During the Year, the Board has conducted review of the risk management and internal control systems of the Group including but not limited to, (i) the changes in the nature and extent of significant risks and the Company's ability to respond to changes in its business and the external environment, (ii) the scope and quality of the Management's ongoing monitoring of risks and of the internal control systems, (iii) the extent and frequency of communication of monitoring results to the Board and Audit Committee to assess control of the Company and the effectiveness of risk management, (iv) significant control failings or weaknesses that have been identified, and (v) the effectiveness of the Company's processes for financial reporting and Listing Rules compliance; and (vi) reviewing internal control review assessment conducted by the external consultant for the Year.

Based on the review of the risk management and internal control systems and its own assessment, the Board considered that the risk management and internal control systems of the Group have been implemented effectively and are adequate.

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.

Internal audit function

The Company has set up the audit and risk control department to regularly monitor and assess the internal risk and control system of each department in order to determine the risk which may affect the business and other aspects of the Group (including key operational and financial processes, regulatory compliance and information safety).

Inside information

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.

The Group complies with the requirements of the SFO and the Listing Rules. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the safe harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensure that information contained in the announcements or circulars of the Company are not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

As for the surveillance and disclosure of the inside information, the Company has adopted the policy for the disclosure of inside information, with the aim to ensure that the internal personnel shall comply with the requirements for confidentiality and perform the responsibility for the disclosure of inside information. The policy has expressly set forth the identification of inside information and the decision-making tree for taking the required action. The employees and other relevant parties shall maintain strict confidentiality in respect of the inside information. In the event of disclosing the inside information, it shall be made on the fair, true and effective basis.

RISK MANAGEMENT AND INTERNAL CONTROL *(Continued)*

Whistleblowing Policy

All staff is considered to be an informal monitor. The Group relies on each of its employees, at all levels, to monitor the quality, ethics and professionalism of the Group's business operation and the Group's standards. The Group listens to employees' concerns, considers recommendations for improving the Group's practices and controls and announces timely communications on policy changes and other matters of the Group. In addition, the Company has established a whistleblowing policy, under which employees and those who come into contact with the Company are provided with ways to raise their concerns about possible improprieties in any matter relating to the Company without fear of reprisal or victimisation, and in a responsible and effective manner. Written complaints can be lodged directly to the Audit Committee. The Audit Committee will then convene a meeting to decide whether and/or how to carry out any necessary investigation and, depending upon the circumstances, consider to nominate investigating officer or set up a special committee to investigate the matter independently.

INSURANCE ON DIRECTOR'S AND OFFICER'S LIABILITIES

During the year and up to 27 June 2021, the Company has arranged liabilities insurance covering the indemnity of the directors and senior management of the Company. From 28 June 2021, the liabilities insurance has been discontinued due to non-renewal of the policy in time and as at the date of this annual report, the Company is in the process of arranging for renewal or looking for other suitable insurers to provide services.

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) financial performance;

(b) cash flow position;

(c) business profile and strategy;

(d) future operations and revenues;

(e) capital requirements and expenditures plans;

(f) the interests of shareholders;

(g) any restrictions on the payment of dividends; and

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

AUDITOR'S REMUNERATION

The remuneration paid and payable to the Company's external auditors of the Company (including KPMG and other PRC auditors) in respect of audit services for the Year amounted to RMB2,892,000, of which RMB2,650,000 is for HKFRSs audit services and interim review services rendered by KPMG. No other non-audit services were provided by the Company's external auditors during the Year.

For the Year, the remuneration paid and payable to the Company's auditor, KPMG, is set out below:

Services rendered	For the year ended 31 December 2021 RMB'000
Audit services — mainly related to annual audits	**1,829**
Non-audit services — mainly related to interim review	**821**
Total	**2,650**

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;

(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; or

(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 via email at the email address of the Company at llq@platingbase.com.cn.

SHAREHOLDERS' RIGHTS *(Continued)*

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 llq@platingbase.com.cn.

(c) For putting forward any enquiries to the Board, shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

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

Putting Forward Proposals at General Meetings

There are no provisions allowing shareholders to put forward new resolutions at the general meetings under the Cayman Islands Companies Act or the Articles of Association of the Company. However, shareholders who wish to put forward proposal at general meetings may convene an EGM following the procedures set out above.

Contact Details

Shareholders may send their requisitions, proposed resolutions for the general meeting or enquiries to the Board as mentioned above to the primary contact person of the Company as set out below:

Name: The Chairman of the Board of Directors of Kimou Environmental Holding Limited
Address: Unit E&F, 5/F. Hung Cheong Factory Building, 3 Kwong Cheung Street, Cheung Sha Wan, Kowloon, Hong Kong
Email: llq@platingbase.com.cn

For the avoidance of doubt, Shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

CHANGE IN CONSTITUTIONAL DOCUMENTS

During the Year, there has been no change to the constitutional documents of the Company. The Company's Memorandum and Articles of Association is available on the websites of the Company and the Stock Exchange.

INVESTOR RELATIONS AND SHAREHOLDERS' COMMUNICATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings.

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. The chairman of the Board as well as chairman of Audit Committee, Remuneration Committee and Nomination Committee or, in their absence, other members of the respective committees will make themselves available at the annual general meetings to meet shareholders and answer their enquiries.

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

Independent auditor's report 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 69 to 134, which comprise the consolidated statement of financial position as at 31 December 2021, 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 2021 and of its consolidated financial performance and its consolidated cash flows for the year then ended 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 matter

Key audit matter is the matter that, in our professional judgement, was of most significance in our audit of the consolidated financial statements of the current period. This matter was 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 this matter.

Key audit matter *(Continued)*

Revenue recognition

Refer to note 3 to the consolidated financial statements and the accounting policies on page 94.

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 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 scepticism 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, 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, actions taken to eliminate threats or safeguards applied.

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.

KPMG
Certified Public Accountants

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

25 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2021
(Expressed in Renminbi)

	Note	2021 RMB'000	2020 RMB'000
Revenue	3	**927,750**	724,724
Other revenue	4	**10,787**	10,306
Depreciation and amortisation	6(c)	**(203,637)**	(168,438)
Cost of inventories	6(c)	**(309,383)**	(190,363)
Staff costs	6(b)	**(102,251)**	(69,260)
Utility costs	6(c)	**(25,423)**	(18,180)
Other expenses		**(126,226)**	(113,007)
Other net loss	5	**(1,453)**	(2,448)
Profit from operations		**170,164**	173,334
Finance costs	6(a)	**(91,365)**	(52,936)
Profit before taxation	6	**78,799**	120,398
Income tax	7	**(31,035)**	(35,146)
Profit for the year		**47,764**	85,252
Attributable to:			
Equity shareholders		**55,915**	102,609
Non-controlling interests	17	**(8,151)**	(17,357)
Profit for the year		**47,764**	85,252
Earnings per share (RMB)	11		
Basic and diluted		**0.05**	0.09

The notes on pages 76 to 134 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

for the year ended 31 December 2021
(Expressed in Renminbi)

	Note	2021 RMB'000	2020 RMB'000
Profit for the year		**47,764**	85,252
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		**300**	124
Total comprehensive income for the year		**48,064**	85,376
Attributable to:			
Equity shareholders		**56,215**	102,733
Non-controlling interests		**(8,151)**	(17,357)
Total comprehensive income for the year		**48,064**	85,376

The notes on pages 76 to 134 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in Renminbi)

	Note	2021 RMB'000	2020 RMB'000
Non-current assets			
Property, plant and equipment	12	**1,451,658**	1,201,695
Investment property	13	**916,242**	841,382
Construction in progress	14	**376,581**	363,246
Right-of-use assets	15	**358,493**	272,855
Intangible assets	16	**2,721**	3,263
Other receivables	20	**21,553**	4,813
Deferred tax assets	28	**52,278**	39,565
Other financial assets	18	**5,626**	5,740
Total non-current assets		**3,185,152**	2,732,559
Current assets			
Inventories	19	**18,018**	6,037
Trade and other receivables	20	**216,974**	181,850
Non-current assets held for sale		**–**	450
Restricted deposits with a bank	21	**3,140**	–
Cash and cash equivalents	22	**112,162**	72,773
Total current assets		**350,294**	261,110
Current liabilities			
Trade and other payables	23	**496,501**	483,109
Contract liabilities	24	**11,992**	9,148
Bank loans and other borrowings	25	**574,883**	384,680
Current taxation	28	**25,158**	15,920
Lease liabilities	26	**508**	695
Total current liabilities		**1,109,042**	893,552
Net current liabilities		**(758,748)**	(632,442)
Total assets less current liabilities		**2,426,404**	2,100,117
Non-current liabilities			
Bank loans and other borrowings	25	**1,089,148**	864,317
Deferred income	27	**88,695**	65,288
Deferred tax liabilities	28	**6,751**	4,637
Lease liabilities	26	**175**	590
Total non-current liabilities		**1,184,769**	934,832
Net assets		**1,241,635**	1,165,285

The notes on pages 76 to 134 form part of these financial statements.

(Expressed in Renminbi)

	Note	2021 RMB'000	2020 RMB'000
CAPITAL AND RESERVES	29		
Share capital		**98,377**	98,377
Reserves		**940,399**	884,288
Total equity attributable to equity shareholders		**1,038,776**	982,665
Non-controlling interests	17	**202,859**	182,620
Total equity		**1,241,635**	1,165,285

Approved and authorised for issue by the board of directors on 25 March 2022.

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The notes on pages 76 to 134 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2021
(Expressed in Renminbi)

	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)	Shares repurchased for cancellation shares 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 2021	**98,377**	**595,124**	**19,809**	**–**	**48,254**	**4,459**	**216,642**	**982,665**	**182,620**	**1,165,285**
Changes in equity for the year ended 31 December 2021										
Profit/(loss) for the year	–	–	–	–	–	–	55,915	55,915	(8,151)	47,764
Other comprehensive income	–	–	–	–	–	300	–	300	–	300
Total comprehensive income	–	–	–	–	–	300	55,915	56,215	(8,151)	48,064
Purchase of own shares	–	–	–	(104)	–	–	–	(104)	–	(104)
Contributions from non-controlling interest	–	–	–	–	–	–	–	–	28,390	28,390
Transfer to statutory reserve	–	–	–	–	36,876	–	(36,876)	–	–	–
Balance at 31 December 2021	**98,377**	**595,124**	**19,809**	**(104)**	**85,130**	**4,759**	**235,681**	**1,038,776**	**202,859**	**1,241,635**

The notes on pages 76 to 134 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2021
(Expressed in Renminbi)

	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 2020	98,377	595,124	19,809	33,006	4,335	129,281	879,932	199,977	1,079,909
Changes in equity for the year ended 31 December 2020									
Profit/(loss) for the year	–	–	–	–	–	102,609	102,609	(17,357)	85,252
Other comprehensive income	–	–	–	–	124	–	124	–	124
Total comprehensive income	–	–	–	–	124	102,609	102,733	(17,357)	85,376
Transfer to statutory reserve	–	–	–	15,248	–	(15,248)	–	–	–
Balance at 31 December 2020	98,377	595,124	19,809	48,254	4,459	216,642	982,665	182,620	1,165,285

The notes on pages 76 to 134 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2021
(Expressed in Renminbi)

	Note	2021 RMB'000	2020 RMB'000
Operating activities			
Cash generated from operations	22(b)	**389,757**	289,151
Income tax paid	28(a)	**(32,396)**	(28,603)
Net cash generated from operating activities		**357,361**	260,548
Investing activities			
Interest received		**1,030**	361
Payment for purchase of property, plant and equipment, investment property and right-of-use assets		**(661,683)**	(580,446)
Payment for purchase of intangible assets		**(69)**	(59)
Proceeds from disposal of property, plant and equipment		**24**	574
Proceed from disposal of land-use rights		**–**	1,318
Proceeds of deposits with a bank with original maturity date over three months		**(36,000)**	–
Withdrawal of deposits with a bank with original maturity date over three months		**36,000**	–
Advance to related parties	33(b)	**–**	(100)
Repayment from related parties		**–**	100
Net cash used in investing activities		**(660,698)**	(578,252)
Financing activities			
Proceeds from bank loans and other borrowings	22(d)	**760,298**	463,732
Repayment of bank loans and other borrowings	22(d)	**(345,264)**	(118,440)
Interest paid	22(d)	**(102,044)**	(68,779)
Advance from related parties	22(d)	**2,250**	–
Payment of loan deposits		**–**	(5,000)
Withdrawal of deposits from a bank		**–**	15,000
Capital injection from non-controlling interests		**28,390**	–
Payment for purchase of own shares		**(104)**	–
Lease payments	22(e)	**(861)**	(956)
Net cash generated from financing activities		**342,665**	285,557
Net increase/(decrease) in cash and cash equivalents		**39,328**	(32,147)
Cash and cash equivalents at the beginning of the year		**72,773**	103,297
Effect of foreign exchange rate changes		**61**	1,623
Cash and cash equivalents at the end of the year	22	**112,162**	72,773

The notes on pages 76 to 134 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 disclosure 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 amendments to 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 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 2021 comprise the Company and its subsidiaries (together referred to as the "Group").

At 31 December 2021, the Group's current liabilities exceeded its current assets by RMB758,748,000 (2020: RMB632,442,000). The directors of the Company have confirmed that, based on future projection of the Group's cash flows from operations and the anticipated ability of the Group to renew or rollover its banking facilities and other financing sources to finance its continuing operations and its planned and/or committed capital expenditure for the next twelve months from the end of the reporting period of this annual financial statement, 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.

1 Significant accounting policies *(Continued)*

(b) Basis of preparation of the financial statements *(Continued)*

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.

(c) Changes in accounting policies

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

- Amendment to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*

- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform — phase 2*

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

(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 and 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 irrecoverable 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 land and buildings which are owned or held to earn rental income and/or for capital appreciation.

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:

Buildings	20 years
Land-use rights	50 years

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

Rental income from investment properties 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(w)).

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) Leased assets

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 short-term 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 note 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) Leased assets *(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 lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of HKFRS 16 Leases. In such cases, the Group has taken advantages of the practical expedient not to assess whether the rent concessions are lease modifications, and recognized the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

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 inception 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).

(Expressed in Renminbi unless otherwise indicated)

1 Significant accounting policies *(Continued)*

(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, restricted deposits with a bank and trade and other receivables), which are held for the collection of contractual cash flows which represent solely payments of principal and interest.

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;

— variable-rate financial assets: current effective interest rate;

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.

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

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);

— 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).

1 Significant accounting policies *(Continued)*

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

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

Basis of calculation of interest income

Interest income recognised in accordance with note 1(t)(iv) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

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 past due event;

— 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.

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.

1 Significant accounting policies *(Continued)*

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

(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 of disposal 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")). A portion of the carrying amount of a corporate asset (for example, head office building) is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

— *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).

— *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.

(Expressed in Renminbi unless otherwise indicated)

1 Significant accounting policies *(Continued)*

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

(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 and consumables 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 less the estimated costs of completion and the estimated costs necessary to make the sale.

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.

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.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost, using the effective interest method and including 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. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amount.

(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(w)).

(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 People's Republic of China (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.

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 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.

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.

1 Significant accounting policies *(Continued)*

(r) Income tax *(Continued)*

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.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

1 Significant accounting policies *(Continued)*

(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.

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 utilities and other related services is recognised when the services are rendered.

(iii) Sales of goods

Revenue is recognised when the customer takes possession of and accepts 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.

1 Significant accounting policies *(Continued)*

(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.

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) Research and development expenses

Research and development expenses comprise all expenses that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities. Research and development expenses are recognised as expenses in the period in which they are incurred.

(w) 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.

(Expressed in Renminbi unless otherwise indicated)

1 Significant accounting policies *(Continued)*

(x) 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).

(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.

1 Significant accounting policies *(Continued)*

(y) 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:

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.

(Expressed in Renminbi unless otherwise indicated)

3 Revenue and segment reporting

(a) Revenue

The principal activities of the Group are industrial park property development and management, electroplating wastewater treatment and sales of goods and ancillary business. 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:

	2021 **RMB'000**	2020 RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major business lines		
— Facilities usage and management service	**236,548**	198,103
— Wastewater treatment and utilities	**356,900**	293,968
— Sales of goods and ancillary business	**234,987**	150,442
	828,435	642,513
Revenue from other sources		
Gross rentals from investment properties (note 13)	**99,315**	82,211
	927,750	724,724

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 2021 (2020: nil).

3 Revenue and segment reporting *(Continued)*

(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 materials and consumables and provision of other related environmental services to customers.

(i) Segment results, assets and liabilities

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

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

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

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

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2021 and 2020 are set out below.

(Expressed in Renminbi unless otherwise indicated)

3 Revenue and segment reporting *(Continued)*

(b) Segment reporting *(Continued)*

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

For the year ended 31 December 2021	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	**–**	**356,900**	**234,987**	**591,887**
Over time	**335,863**	**–**	**–**	**335,863**
Revenue from external customers	**335,863**	**356,900**	**234,987**	**927,750**
Inter-segment revenue	**2,812**	**–**	**17,127**	**19,939**
Reportable segment revenue	**338,675**	**356,900**	**252,114**	**947,689**
Reportable segment profit (adjusted EBITDA)	**269,577**	**114,235**	**15,276**	**399,088**
Depreciation and amortisation for the year	**(189,902)**	**(11,991)**	**(1,744)**	**(203,637)**

For the year ended 31 December 2020	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	–	293,968	150,442	444,410
Over time	280,314	–	–	280,314
Revenue from external customers	280,314	293,968	150,442	724,724
Inter-segment revenue	2,433	–	12,106	14,539
Reportable segment revenue	282,747	293,968	162,548	739,263
Reportable segment profit (adjusted EBITDA)	221,727	119,555	19,417	360,699
Depreciation and amortisation for the year	(158,153)	(9,049)	(1,236)	(168,438)

3 Revenue and segment reporting *(Continued)*

(b) Segment reporting *(Continued)*

(ii) Reconciliations of reportable segment profits

	2021 RMB'000	2020 RMB'000
Reportable segment profit derived from the Group's external customers	**399,088**	360,699
Depreciation and amortisation	**(203,637)**	(168,438)
Finance costs	**(91,365)**	(52,936)
Interest income	**1,030**	361
Unallocated head office and corporate expenses	**(26,317)**	(19,288)
Consolidated profit before taxation	**78,799**	120,398

(iii) Geographic information

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

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

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

As at 31 December 2021, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is RMB1,258,880,000 (2020: RMB495,208,000). 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.

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.

3 Revenue and segment reporting *(Continued)*

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

(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.

	2021 **RMB'000**	2020 RMB'000
Less than one year	**107,780**	79,759
One to two years	**101,657**	33,674
Two to three years	**94,054**	26,801
Three to four years	**87,805**	19,112
Four to five years	**71,386**	12,924
More than five years	**68,341**	27,903
Total undiscounted lease payments	**531,023**	200,173

4 Other revenue

	2021 **RMB'000**	2020 RMB'000
Interest income	**1,030**	361
Government grants		
— Unconditional subsidies	**1,742**	3,080
— Conditional subsidies (note 27)	**7,505**	6,693
Other income	**510**	172
	10,787	10,306

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

5 Other net loss

	2021 RMB'000	2020 RMB'000
Loss arising from disposal of property, plant and equipment and land-use rights	**(63)**	(126)
Changes in fair value of other financial assets through profit or loss	**(114)**	(2,425)
Net foreign exchange loss	**(422)**	(686)
Others	**(854)**	789
	(1,453)	(2,448)

6 Profit before taxation

Profit before taxation is arrived at after charging:

(a) Finance costs

	2021 RMB'000	2020 RMB'000
Interest on bank loans	**103,381**	69,078
Interest on lease liabilities (note 15)	**58**	49
Less: interest expenses capitalised into properties and plant under development	**(12,074)**	(16,191)
	91,365	52,936

The borrowing costs have been capitalised at a rate of 6.25% to 6.82% per annum (2020: 6.84%).

(b) Staff costs (including directors' emoluments)

	2021 RMB'000	2020 RMB'000
Salaries, wages and other benefits	**93,821**	68,773
Retirement scheme contributions	**8,430**	487
	102,251	69,260

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.

(Expressed in Renminbi unless otherwise indicated)

6 Profit before taxation *(Continued)*

(b) Staff costs (including directors' emoluments) *(Continued)*

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

Pursuant to temporary policies consented by the State Council of the PRC to relieve the difficulties encountered by enterprises due to COVID-19 pandemic, subsidiaries of the Company in the PRC were entitled to exempt their contributions to the pension insurance, unemployment insurance and work injury insurance from February to December 2020, no such exemption was granted for the year ended 31 December 2021.

(c) Other items

	2021 RMB'000	2020 RMB'000
Depreciation and amortisation		
— Property, plant and equipment	**141,094**	117,175
— Investment property	**54,209**	43,348
— Right-of-use assets	**7,723**	7,045
— Intangible assets	**611**	870
	203,637	168,438
Cost of inventories (i)		
— Cost of inventory-sold	**197,700**	120,697
— Cost of inventory-consumption	**111,683**	69,666
	309,383	190,363
Auditor's remuneration		
— Audit related	**2,071**	1,753
— Non-audit related	**821**	802
	2,892	2,555
Utility costs	**25,423**	18,180
Research and development expenses	**9,593**	8,435

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

7 Income tax in the consolidated statement of profit or loss

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

	2021 **RMB'000**	2020 RMB'000
Current tax — PRC income tax		
Provision for the year (note 28(a))	**41,634**	32,182
Deferred tax		
Origination and reversal of temporary differences (note 28(b))	**(10,599)**	2,964
	31,035	35,146

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

	2021 **RMB'000**	2020 RMB'000
Profit before taxation	**78,799**	120,398
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned (i)	**21,670**	32,224
Effect of non-deductible expenses	**2,876**	2,918
Effect of preferential tax treatments on environmental protection devices (ii)	**(903)**	(505)
Additional deduction for research and development expenses (iii)	**(3,563)**	(3,401)
Effect of preferential tax treatments on High and New Technology Enterprise (iv)	**(11,749)**	(10,502)
Effect of unused tax losses not recognised	**13,993**	3,581
Withholding tax on distribution of profit from of a PRC subsidiary (v)	**8,711**	10,831
Income tax expenses	**31,035**	35,146

(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 2021, subsidiaries in Hong Kong did not have any assessable profits (2020: 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 2021 and 2020, Huizhou Jinmaoyuan Environmental Technology Co., Ltd. ("Huizhou Jinmaoyuan"), engaging in electroplating wastewater treatment, was entitled to the preferential tax policy on environmental protection devices. 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 2021, the income tax of Huizhou Jinmaoyuan was reduced by RMB903,000 (2020: RMB505,000).

(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 was reduced by RMB3,563,000 for the year ended 31 December 2021 (2020: RMB3,401,000).

(iv) In 2021, 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 2021 to 2023.

In 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.

Accordingly, the income tax of Huizhou Jinmaoyuan and Tianjin Bingang was reduced by RMB11,749,000 for the year ended 31 December 2021 (2020: RMB10,502,000) as High and New Technology Enterprises.

(v) According to the Corporate Income Tax ("CIT") Law and its implementation rules, non-PRC-resident enterprises are levied withholding tax at 10% on dividend from their PRC-resident enterprises for earnings accumulated since 1 January 2008.

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 are as follows:

	For the year ended 31 December 2021				
	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	–	823	31	–	854
Mr. Zhu Heping	–	1,206	–	360	1,566
Mr. Huang Shaobo	–	415	–	–	415
Mr. Lee Yuk Kong	–	415	–	–	415
	–	2,859	31	360	3,250
Independent non-executive directors					
Mr. Kan Chung Nin	–	249	–	–	249
Mr. Li Xiaoyan	–	249	–	–	249
Mr. Li Yinquan	–	249	–	–	249
	–	747	–	–	747
	–	3,606	31	360	3,997

8 Directors' emoluments *(Continued)*

	For the year ended 31 December 2020				
	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	–	860	2	–	862
Mr. Zhu Heping	–	1,318	–	414	1,732
Mr. Huang Shaobo	–	445	–	–	445
Mr. Lee Yuk Kong	–	445	–	–	445
	–	3,068	2	414	3,484
Independent non-executive directors					
Mr. Kan Chung Nin	–	267	–	–	267
Mr. Li Xiaoyan	–	267	–	–	267
Mr. Li Yinquan	–	267	–	–	267
	–	801	–	–	801
	–	3,869	2	414	4,285

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 2021 (2020: nil). There was no arrangement under which a director had waived or agreed to waive any remuneration during the year (2020: nil).

9 Individuals with highest emoluments

Of the five individuals with the highest emoluments, two (2020: three) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other three (2020: two) individuals are as follows:

	2021 RMB'000	2020 RMB'000
Salaries and other emoluments	**1,468**	1,557
Discretionary bonuses	**374**	218
Retirement scheme contributions	**69**	18
	1,911	1,793

9 Individuals with highest emoluments *(Continued)*

The emoluments of the three (2020: two) individuals with the highest emoluments are within the following bands:

	2021 Number of individuals	2020 Number of individuals
Nil to HKD1,000,000	**3**	2

10 Other comprehensive income

Tax effects relating to each component of other comprehensive income

	2021			2020		
	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	**300**	**–**	**300**	124	–	124

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 RMB55,915,000 (2020: RMB102,609,000) and the weighted average number of 1,119,995,000 ordinary shares (2020: 1,120,000,000 shares) in issue during the year, calculated as follows:

	2021 '000	2020 '000
Issued ordinary shares at 1 January	**1,120,000**	1,120,000
Effect of shares repurchased (note 29(c)(ii))	**(5)**	–
Weighted average number of ordinary shares at 31 December	**1,119,995**	1,120,000

(b) Diluted earnings per share

During the years ended 31 December 2021 and 2020, 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 2020	113,644	1,141,470	8,185	11,387	1,274,686
Additions	–	4,463	292	1,804	6,559
Transfer from construction in progress (note 14)	142,754	251,584	–	1,347	395,685
Disposals	–	(1,899)	(917)	(85)	(2,901)
At 31 December 2020	**256,398**	**1,395,618**	**7,560**	**14,453**	**1,674,029**
Additions	**–**	**11,828**	**3,070**	**2,224**	**17,122**
Transfer from construction in progress (note 14)	**178,274**	**196,616**	**–**	**–**	**374,890**
Disposals	**–**	**(1,683)**	**(168)**	**(57)**	**(1,908)**
At 31 December 2021	**434,672**	**1,602,379**	**10,462**	**16,620**	**2,064,133**
Accumulated depreciation:					
At 1 January 2020	(54,753)	(291,976)	(4,696)	(5,935)	(357,360)
Charge for the year	(4,861)	(109,375)	(1,198)	(1,741)	(117,175)
Written back on disposals	–	1,345	787	69	2,201
At 31 December 2020	**(59,614)**	**(400,006)**	**(5,107)**	**(7,607)**	**(472,334)**
Charge for the year	**(19,442)**	**(117,561)**	**(1,206)**	**(2,885)**	**(141,094)**
Written back on disposals	**–**	**750**	**149**	**54**	**953**
At 31 December 2021	**(79,056)**	**(516,817)**	**(6,164)**	**(10,438)**	**(612,475)**
Net book value:					
At 31 December 2021	**355,616**	**1,085,562**	**4,298**	**6,182**	**1,451,658**
At 31 December 2020	196,784	995,612	2,453	6,846	1,201,695

As at 31 December 2021, certain property, plant and equipment with carrying value of RMB725,153,000 were pledged to secure the Group's bank loans and other borrowings (2020: RMB601,803,000) (note 25(iii)).

13 Investment property

	RMB'000
Cost:	
At 1 January 2020	900,619
Transfer from construction in progress (note 14)	163,530
At 31 December 2020	**1,064,149**
Transfer from construction in progress (note 14)	**120,724**
Transfer from land-use rights (note 15)	**9,561**
At 31 December 2021	**1,194,434**
Accumulated depreciation:	
At 1 January 2020	(179,419)
Charge for the year	(43,348)
At 31 December 2020	**(222,767)**
Charge for the year	**(54,209)**
Transfer from land-use rights (note 15)	**(1,216)**
At 31 December 2021	**(278,192)**
Net book value:	
At 31 December 2021	**916,242**
At 31 December 2020	841,382

As at 31 December 2021, the fair value of the Group's investment property was approximately RMB1,804,020,000 (2020: RMB1,653,200,000). The fair value is 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 capitalization rate after the existing lease period, by an independent qualified professional valuer.

As at 31 December 2021, certain investment property with carrying value of RMB873,009,000 were pledged to secure the Group's bank loans (2020: RMB804,669,000) (note 25(iii)).

(Expressed in Renminbi unless otherwise indicated)

13 Investment property *(Continued)*

Amount recognised in profit or loss

	2021 RMB'000	2020 RMB'000
Rental income, excluding service charges (note 3(a))	**99,315**	82,211
Direct operating expenses that generated rental income during the year	**(69,031)**	(53,623)
Direct operating expenses that did not generate rental income during the year	**(8,921)**	(9,084)

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 2020	392,765
Additions	529,696
Transfer to property, plant and equipment (note 12)	(395,685)
Transfer to investment property (note 13)	(163,530)
At 31 December 2020	**363,246**
Additions	**508,949**
Transfer to property, plant and equipment (note 12)	**(374,890)**
Transfer to investment property (note 13)	**(120,724)**
At 31 December 2021	**376,581**

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 2020	304,804	1,997	306,801
Additions	–	1,070	1,070
Transfer to assets held for sale	(514)	–	(514)
At 31 December 2020	**304,290**	**3,067**	**307,357**
Additions	**101,505**	**201**	**101,706**
Transfer to Investment property (note 13)	**(9,561)**	**–**	**(9,561)**
At 31 December 2021	**396,234**	**3,268**	**399,502**
Accumulated amortisation:			
At 1 January 2020	(26,750)	(771)	(27,521)
Charge for the year	(6,206)	(839)	(7,045)
Written back on assets held for sale	64	–	64
At 31 December 2020	**(32,892)**	**(1,610)**	**(34,502)**
Charge for the year	**(6,977)**	**(746)**	**(7,723)**
Transfer to Investment property (note 13)	**1,216**	**–**	**1,216**
At 31 December 2021	**(38,653)**	**(2,356)**	**(41,009)**
Net book value:			
At 31 December 2021	**357,581**	**912**	**358,493**
At 31 December 2020	271,398	1,457	272,855

The Group's land-use rights on leasehold land are located in the PRC. Amortisation is recognised in profit or loss on a straight-line basis over the respective periods of the land-use rights, which are 42 to 50 years (2020: 42 to 50 years). At 31 December 2021, the remaining periods of the land-use rights range from 34 to 50 years (2020: 35 to 49 years).

As at 31 December 2021, land-use rights with net book value of RMB291,649,000 (2020: RMB190,973,000) were pledged for bank loans (note 25(iii)).

The Group leases office and dormitories expiring from 1 to 3 years. All leases include an option to renew the lease when all terms are renegotiated. None of the leases includes variable lease payments.

(Expressed in Renminbi unless otherwise indicated)

15 Right-of-use assets *(Continued)*

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

	2021 **RMB'000**	2020 RMB'000
Interest on lease liabilities (note 6(a))	**58**	49
Expenses relating to short-term leases	**339**	115
COVID-19-related rent concessions received	**–**	(131)
	397	33

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 2020	5,274	946	6,220
Additions	59	–	59
At 31 December 2020	**5,333**	**946**	**6,279**
Additions	**69**	**–**	**69**
At 31 December 2021	**5,402**	**946**	**6,348**
Accumulated amortisation:			
At 1 January 2020	(2,067)	(79)	(2,146)
Charge for the year	(781)	(89)	(870)
At 31 December 2020	**(2,848)**	**(168)**	**(3,016)**
Charge for the year	**(522)**	**(89)**	**(611)**
At 31 December 2021	**(3,370)**	**(257)**	**(3,627)**
Net book value:			
At 31 December 2021	**2,032**	**689**	**2,721**
At 31 December 2020	2,485	778	3,263

(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:

Name of company	Place of incorporation and business	Particulars of issued and registered capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Huizhou Kimou Industrial Investment Co., Ltd. (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. (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 (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 (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 limited liability companies 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.

The following table lists out the information relating to Tianjin Bingang, the 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.

17 Investments in subsidiaries *(Continued)*

	2021 RMB'000	2020 RMB'000
NCI percentage	**49%**	49%
Current assets	**80,718**	76,043
Non-current assets	**1,148,815**	1,226,349
Current liabilities	**(459,942)**	(357,434)
Non-current liabilities	**(406,685)**	(572,121)
Net assets	**362,906**	372,837
Carrying amount of NCI	**177,824**	182,690
Revenue	**222,102**	171,037
Loss for the year	**(9,931)**	(35,280)
Total comprehensive income	**(9,931)**	(35,280)
Loss allocated to NCI	**(4,866)**	(17,287)
Net cash generated from operating activities	**79,915**	43,359
Net cash used in investing activities	**(22,231)**	(113,215)
Net cash (used in)/generated from financing activities	**(54,060)**	50,975

18 Other financial assets

	2021 RMB'000	2020 RMB'000
Unlisted equity securities measured as fair value through profit or loss	**5,626**	5,740

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. No dividend was received on this investment during the year (2020: RMB27,000).

19 Inventories

	2021 RMB'000	2020 RMB'000
Raw material	**4,398**	1,557
Consumables	**13,620**	4,480
	18,018	6,037

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

	2021 RMB'000	2020 RMB'000
Carrying amount of inventories sold and consumed (note 6(c))	**309,383**	190,363

20 Trade and other receivables

	2021 RMB'000	2020 RMB'000
Current		
Trade debtors	**117,252**	98,083
Less: Allowance for expected credit losses (note 30(a))	**–**	–
	117,252	98,083
Deductible input VAT	**91,355**	76,540
Prepayments and other receivables	**7,549**	7,227
Amounts due to related parties (note 33(c))	**818**	–
	216,974	181,850
Non-current		
Prepayments for purchase of property, plant and equipment	**1,277**	4,535
Deposits for acquisition of land-use rights and constructions	**20,276**	278
	21,553	4,813
Total	**238,527**	186,663

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.

As at 31 December 2021, the Group endorsed certain bank acceptance bills totaling RMB4,000,000 (2020: nil) to suppliers and contractors for settling payables of the same amount on a full resource basis. The Group have derecognised these bills receivable and the payables in their entirety. These derecognised bank acceptance bills had a maturity date of less than six months from the end of the reporting period. In the opinion of the directors, the Group have transferred substantially all the risks and rewards of ownership of these bills and has discharged its obligation of the payables to its suppliers, and the Group have limited exposure in respect of the settlement obligation of these bills receivable under the relevant PRC rules and regulations should the issuing banks fail to settle the bills on maturity date. The Group considered the issuing banks of the bills are of good credit quality and the non-settlement of these bills by the issuing banks on maturity is not probable.

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:

	2021 RMB'000	2020 RMB'000
Within 1 month	**102,172**	88,600
1 to 3 months	**10,422**	7,201
4 to 6 months	**2,422**	1,565
Over 6 months	**2,236**	717
	117,252	98,083

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).

(Expressed in Renminbi unless otherwise indicated)

21 Restricted deposits with a bank

As at 31 December 2021, the restricted deposits with a bank amounting to RMB3,140,000 was required by the court due to a litigation dispute (note 31).

22 Cash and cash equivalents

(a) Cash and cash equivalents comprise:

	2021 RMB'000	2020 RMB'000
Cash on hand	**188**	202
Cash at bank	**110,434**	72,571
Other cash and cash equivalents	**1,540**	–
	112,162	72,773

As at 31 December 2021, cash and cash equivalents placed with banks in Mainland China amounted to RMB108,446,000 (2020: RMB72,009,000). Remittance of funds out of Mainland China is subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

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

	2021 RMB'000	2020 RMB'000
Profit before taxation	**78,799**	120,398
Adjustments for:		
Depreciation and amortisation	**203,637**	168,438
Finance costs	**91,365**	52,936
Interest income	**(1,030)**	(361)
Foreign exchange loss/(gain)	**239**	(1,504)
Loss arising from disposals of property, plant and equipment	**63**	126
Change in fair value of other financial assets through profit or loss	**114**	2,425
Changes in working capital:		
Decrease in restricted deposits with a bank (note 21)	**(3,140)**	–
Decrease in inventories	**(11,981)**	(2,593)
Decrease in trade and other receivables	**(70,118)**	(62,087)
Increase in trade and other payables	**78,402**	13,288
Increase/(decrease) in deferred income	**23,407**	(1,915)
Cash generated from operations	**389,757**	289,151

(Expressed in Renminbi unless otherwise indicated)

22 Cash and cash equivalents *(Continued)*

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

	2021 **RMB'000**	2020 RMB'000
Purchase of property, plant and equipment and investment property settled by bills endorsement	**11,297**	18,323

(d) 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)	Liabilities arising from other borrowings RMB'000 (Note 25)	Interest payable RMB'000 (Note 23)	Liabilities arising from related parties liabilities RMB'000 (Note 33(b))	Lease liabilities RMB'000 (Note 26)	Total RMB'000
At 1 January 2021	1,226,497	22,500	2,031	–	1,285	1,252,313
Changes from financing cash flows:						
Proceeds from bank loans and other borrowings	725,418	34,880	–	–	–	760,298
Repayment of bank loans and other borrowings	(318,637)	(26,627)	–	–	–	(345,264)
Interest paid	–	–	(102,044)	–	–	(102,044)
Advance from related parties	–	–	–	2,250	–	2,250
Capital element of lease rentals paid (note 22(e))	–	–	–	–	(861)	(861)
Total changes from financing cash flows	406,781	8,253	(102,044)	2,250	(861)	314,379
Interest on bank loans and other borrowings (note 6(a))	–	–	103,381	–	–	103,381
Interest on lease liabilities (note 6(a))	–	–	–	–	58	58
Increase in lease liabilities from entering into new leases during this period	–	–	–	–	201	201
Total other charges	–	–	103,381	–	259	103,640
At 31 December 2021	1,633,278	30,753	3,368	2,250	683	1,670,332

(Expressed in Renminbi unless otherwise indicated)

22 Cash and cash equivalents *(Continued)*

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

	Bank loans RMB'000 (Note 25)	Liabilities arising from other borrowings RMB'000 (Note 25)	Interest payable RMB'000 (Note 23)	Lease liabilities RMB'000 (Note 26)	Total RMB'000
At 1 January 2020	903,705	–	1,732	1,121	906,558
Changes from financing cash flows:					
Proceeds from bank loans and other borrowings	433,732	30,000	–	–	463,732
Repayment of bank loans and other borrowings	(110,940)	(7,500)	–	–	(118,440)
Interest paid	–	–	(68,779)	–	(68,779)
Capital element of lease rentals paid (note 22(e))	–	–	–	(956)	(956)
Total changes from financing cash flows	322,792	22,500	(68,779)	(956)	275,557
Interest on bank loans and other borrowings (note 6(a))	–	–	69,078	–	69,078
Interest on lease liabilities (note 6(a))	–	–	–	49	49
Increase in lease liabilities from entering into new leases during this period	–	–	–	1,071	1,071
Total other charges	–	–	69,078	1,120	70,198
At 31 December 2020	1,226,497	22,500	2,031	1,285	1,252,313

(e) Total cash outflow for leases

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

	2021 RMB'000	2020 RMB'000
Within operating cash flows	**339**	115
Within financing cash flows	**861**	956

23 Trade and other payables

	2021 RMB'000	2020 RMB'000
Trade payables	**69,142**	55,182
Deposits due to customers	**184,897**	152,014
Payables for equipment and construction	**202,124**	244,962
Interest payable	**3,368**	2,031
Payroll payable	**21,674**	18,648
Amounts due to related parties (note 33(c))	**3,235**	97
Others	**12,061**	10,175
Total	**496,501**	483,109

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:

	2021 RMB'000	2020 RMB'000
Within 1 month	**55,668**	40,328
1 to 3 months	**12,830**	10,467
4 to 6 months	**294**	4,066
Over 6 months	**350**	321
	69,142	55,182

24 Contract liabilities

	2021 RMB'000	2020 RMB'000
Service fees prepaid by customers	**9,725**	7,757
Payments of right-of-use assets prepaid by a third party (note 22)	**–**	1,318
Payments of goods prepaid by customers	**2,267**	73
	11,992	9,148

Service 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

	2021 RMB'000	2020 RMB'000
Balance at 1 January	**9,148**	23,372
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	**(9,148)**	(23,372)
Increase in contract liabilities as a result of receiving services fees and payments of goods in advance as at the year end	**11,992**	9,148
Balance at 31 December	**11,992**	9,148

25 Bank loans and other borrowings

At 31 December 2021, the bank loans and other borrowings were secured as follows:

	2021 RMB'000	2020 RMB'000
Secured bank loans	**1,633,278**	1,226,497
Secured other borrowings	**30,753**	22,500
	1,664,031	1,248,997

At 31 December 2021, the bank loans and other borrowings were repayable as follows:

	2021 RMB'000	2020 RMB'000
Within 1 year or on demand	**574,883**	384,680
After 1 year but within 2 years	**274,034**	214,261
After 2 years but within 5 years	**617,638**	518,098
After 5 years	**197,476**	131,958
Sub-total	**1,089,148**	864,317
Total	**1,664,031**	1,248,997

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

(ii) As at 31 December 2021, bank loans amounted to RMB1,286,288,000 (2020: RMB1,082,810,000) were floating-interest rate loans with interest rates ranged from 5.22% to 6.86% (2020: 5.85% to 6.86%). Bank loans and other borrowings amounted to RMB377,743,000 (2020: RMB166,187,000) were fixed-interest rate borrowings with interest rates ranged from 5.80% to 6.65% (2020: 5.22% to 6.65%).

(iii) Secured bank loans and other borrowings as at 31 December 2021 and 2020 were secured by certain of the Group's charge rights of income, property, plant and equipment (note 12), investment property (note 13) and land-use rights (note 15).

(iv) As at 31 December 2021, bank loans amounted to RMB55,000,000 (2020: RMB65,000,000) were guaranteed by Mr. Zhang Lianghong and Tianjin Wanheshun Technology Co., Group Ltd., which holds 49% of equity interest of Tianjin Bingang.

(v) As at 31 December 2021, bank loans amounted to RMB1,464,541,000 (2020: RMB1,044,110,000) were guaranteed by Mr. Zhang Lianghong, Mr. Zhang Haiming, Mr. Huang Shaobo and Mr. Lee Yuk Kong.

(vi) As at 31 December 2021, bank loans and other borrowings amounted to RMB1,664,031,000 (2020: RMB1,248,997,000) were subject to the fulfillment of covenants, which are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. 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 2021, none of the covenants relating to drawn down facilities had been breached (2020: nil).

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26 Lease liabilities

The following table shows the remaining contractual maturities of the Group's lease liabilities as at 31 December of 2021:

	2021		2020	
	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	**508**	**547**	695	749
After 1 year but within 2 years	**175**	**189**	436	471
After 2 years but within 5 years	**–**	**–**	154	167
	175	**189**	590	638
	683	**736**	1,285	1,387
Less: Total future interest expenses		**(53)**		(102)
Present value of lease liabilities		**683**		1,285

27 Deferred income

	2021 RMB'000	2020 RMB'000
At the beginning of the year	**65,288**	67,203
Additions	**30,912**	4,778
Credited to profit or loss (note 4)	**(7,505)**	(6,693)
At the end of the year	**88,695**	65,288

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:

	2021 RMB'000	2020 RMB'000
At the beginning of the year	**15,920**	12,341
Provision for PRC income tax for the year (note 7(a))	**41,634**	32,182
PRC income tax paid	**(32,396)**	(28,603)
At the end of the year	**25,158**	15,920

28 Income tax in the consolidated statements of financial position *(Continued)*

(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	Withholding tax on distribution of profit from PRC to HK RMB'000	Others RMB'000	Net deferred tax asset RMB'000
Deferred tax arising from:							
At 1 January 2020	(25,363)	(12,284)	19	(139)	–	(125)	(37,892)
(Credited)/charged to profit or loss (note 7(a))	(8,042)	1,068	(19)	(926)	10,831	52	2,964
At 31 December 2020	**(33,405)**	**(11,216)**	**–**	**(1,065)**	**10,831**	**(73)**	**(34,928)**
(Credited)/charged to profit or loss (note 7(a))	**(7,758)**	**1,058**	**–**	**(29)**	**(4,080)**	**210**	**(10,599)**
At 31 December 2021	**(41,163)**	**(10,158)**	**–**	**(1,094)**	**6,751**	**137**	**(45,527)**

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

	2021 RMB'000	2020 RMB'000
Net deferred tax assets recognised in the consolidated statements of financial position	**(52,278)**	(39,565)
Net deferred tax liabilities recognised in the consolidated statements of financial position	**6,751**	4,637
	(45,527)	(34,928)

(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 2021 of RMB57,738,000 (2020: RMB5,356,000), 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 the PRC expire in 5 years under current tax legislation.

(d) Deferred tax liabilities not recognised

Dividend withholding tax

According to the 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.

(Expressed in Renminbi unless otherwise indicated)

28 Income tax in the consolidated statements of financial position *(Continued)*

(d) Deferred tax liabilities not recognised *(Continued)*

Dividend withholding tax *(Continued)*

As at 31 December 2021, 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 2021, 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:

	2021 **RMB'000**	2020 RMB'000
Distributable profits earned by PRC subsidiaries on or after 1 January 2008	**14,622**	146,551

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:

Company	Note	**Share capital** RMB'000	**Share premium** RMB'000	**Exchange reserve** RMB'000	**Shares repurchased for cancellation** RMB'000	**Accumulated losses** RMB'000	**Total** RMB'000
At 1 January 2020		98,377	595,124	12,027	–	(25,422)	680,106
Changes in equity for 2020:							
Loss for the year		–	–	–	–	(8,429)	(8,429)
Other comprehensive income		–	–	(40,683)	–	–	(40,683)
Total comprehensive income		–	–	(40,683)	–	(8,429)	(49,112)
At 31 December 2020 and 1 January 2021	29	**98,377**	**595,124**	**(28,656)**	**–**	**(33,851)**	**630,994**
Changes in equity for 2021:							
Loss for the year		**–**	**–**	**–**	**–**	**(7,759)**	**(7,759)**
Other comprehensive income		**–**	**–**	**(17,884)**	**–**	**–**	**(17,884)**
Total comprehensive income		**–**	**–**	**(17,884)**	**–**	**(7,759)**	**(25,643)**
Purchase of own shares		**–**	**–**	**–**	**(104)**	**–**	**(104)**
As at 31 December 2021	29	**98,377**	**595,124**	**(46,540)**	**(104)**	**(41,610)**	**605,247**

(Expressed in Renminbi unless otherwise indicated)

29 Capital, reserves and dividends *(Continued)*

(b) Dividends

No dividends have been declared or paid by the Company during the year (2020: nil). The board of directors of the Company has resolved not to recommend payment of any final dividend for the year (2020: nil).

(c) Share capital

(i) Issued share capital of the Company

	Number of shares	USD	HKD	RMB equivalent
Ordinary shares, issued and fully paid				
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	1,120,000,000	–	112,000,000	98,377,440

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(ii) Purchase of own shares

During the year, the Company repurchased its own ordinary shares on The Stock Exchange of Hong Kong Limited as follows:

Month/Year	Number of shares repurchased	Highest price paid per share HKD	Lowest price paid per share HKD	Aggregate price paid HKD	RMB equivalent RMB
December 2021	140,000	0.93	0.88	126,000	104,000

In 2021, the Company repurchased 140,000 shares in total, representing 0.0001% of the total shares of the Company, on the Stock Exchange for an aggregate price of HK$126,000 (equivalent to RMB104,000).

(Expressed in Renminbi unless otherwise indicated)

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.

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 2021, the aggregate amounts of reserves available for distribution to equity shareholders of the Company was HKD628,273,000 (equivalent to RMB506,870,000) (2020: HKD637,756,000 (equivalent to RMB532,617,000)), 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 the shareholders and benefits for other stakeholders of the Company, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher 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 other borrowings and lease liabilities) less cash and cash equivalents and restricted deposits with a bank.

The Group's adjusted net debt-to-equity ratio as at 31 December 2021 was as follows:

	Note	**2021** **RMB'000**	2020 RMB'000
Current liabilities:			
Bank loans and other borrowings	25	**574,883**	384,680
Lease liabilities	26	**508**	695
		575,391	385,375
Non-current liabilities:			
Bank loans and other borrowings	25	**1,089,148**	864,317
Lease liabilities	26	**175**	590
		1,664,714	1,250,282
Less: Cash and cash equivalents	22	**(112,162)**	(72,773)
Restricted deposits with a bank	21	**(3,140)**	–
Adjusted net debt		**1,549,412**	1,177,509
Total equity		**1,241,635**	1,165,285
Adjusted net debt-to-equity ratio		**1.25**	1.01

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 and restricted deposits with a bank is limited because the counterparties are banks and financial institutions, for which the Group considers having low credit risk.

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 2021 and 2020, 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 2021 and 2020.

(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 2021 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:

	2021 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 and other borrowings	**662,549**	**337,364**	**702,418**	**209,920**	**1,912,251**	**1,664,031**
Lease liabilities	**547**	**189**	**–**	**–**	**736**	**683**
Trade and other payables	**496,501**	**–**	**–**	**–**	**496,501**	**496,501**
Total	**1,159,597**	**337,553**	**702,418**	**209,920**	**2,409,488**	**2,161,215**

	2020 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 and other borrowings	452,831	263,235	586,785	142,804	1,445,655	1,248,997
Lease liabilities	749	471	167	–	1,387	1,285
Trade and other payables	483,109	–	–	–	483,109	483,109
Total	936,689	263,706	586,952	142,804	1,930,151	1,733,391

(Expressed in Renminbi unless otherwise indicated)

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 and other borrowings 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 and other borrowings at the end of the reporting period:

	2021		2020	
	Effective interest rate %	**RMB'000**	Effective interest rate %	RMB'000
Fixed rate borrowings:				
Lease liabilities	**4.75**	**683**	4.75	1,285
Bank loans and other borrowings	**5.80–6.65**	**377,743**	5.22–6.65	166,187
		378,426		167,472
Variable rate borrowings:				
Bank loans	**5.22–6.86**	**1,286,288**	5.85–6.86	1,082,810

(ii) Sensitivity analysis

At 31 December 2021, 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 RMB10,238,000 (2020: RMB8,708,000). 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 2020.

(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 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 2021 categorised into		
	2021	Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement				
Other financial assets:				
Unlisted equity securities	**5,626**	**–**	**5,626**	**–**

	Fair value at 31 December	Fair value measurements as at 31 December 2020 categorised into		
	2020	Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement				
Other financial assets:				
Unlisted equity securities	5,740	–	5,740	–

During the years ended 31 December 2020 and 2021, the fair value of unlisted equity instruments in level 2 is determined by the directors of the Company with reference to the valuation performed, using the price/net assets ratios of comparable listed companies adjusted for lack of marketability discount, by an independent qualified professional valuer.

(Expressed in Renminbi unless otherwise indicated)

30 Financial risk management and fair values of financial instruments *(Continued)*

(e) Fair value measurement *(Continued)*

(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 2021 and 2020.

31 Contingent Liability

Contingent liability in respect of legal claim

During the year ended 31 December 2021, an external third party (the "Plaintiff") launched a lawsuit against a subsidiary of the Company (the "Defendant") in respect of a dispute of trademark. The Plaintiff claimed to receive a total sum up to RMB10 million in connection with the damages and therefrom from the Defendant. On 16 August 2021, pursuant to an order from the court, a bank deposit of RMB3,140,000 was frozen (note 21). As at 31 December 2021, such lawsuit remained unsettled. In accordance with the opinion from the external legal counsel, the directors believe it is probable that the court will not rule against them. No provision has therefore been made in respect of this claim.

32 Capital commitments

Capital commitments outstanding as at 31 December 2021 not provided for in the financial statements were as follows:

	2021 RMB'000	2020 RMB'000
Contracted for	**343,748**	172,671
Authorised but not contracted for:		
— Sichuan Qingshen Project	**1,809,656**	2,000,000
— Jiangsu Taixing Project	**177,177**	–
	2,330,581	2,172,671

33 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 2021, 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. Lee Yuk Kong	Director of the Company
Mr. Li Jiazhi	A close family member of Mr. Lee Yuk Kong
Boluo Jinchang Trading Company Limited (i)	Effectively owned by Mr. Zhang Lianghong
Wing Ka Shing Limited (i)	Effectively owned by Mr. Lee Yuk Kong
Flourish Investment International Limited	Owned by Mr. Zhang Lianghong
Tianjin Hongyue Environmental Technology Co., Ltd (i)	Owned by Mr. Zhang Lianghong
Guangdong Tengkunda Enterprise Investment Company Limited (i)	Non-controlling interests

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

33 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.

	2021 **RMB'000**	2020 RMB'000
Salaries and other benefits	**5,806**	6,056
Retirement scheme contributions	**100**	21
	5,906	6,077

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

(b) Related parties transactions

During the years ended 31 December 2021, the Group entered into the following material related party transactions:

	2021 **RMB'000**	2020 RMB'000
Provision of ancillary business from		
Wing Ka Shing Limited	**25**	162
Provision of rental service from		
Boluo Jinchang Trading Company Limited	**10**	–
Provision of rental service to		
Tianjin Hongyue Environmental Technology Co., Ltd	**1,011**	–
Provision of wastewater treatment and utilities service to		
Tianjin Hongyue Environmental Technology Co., Ltd	**31**	–
Payables of rental deposits		
Tianjin Hongyue Environmental Technology Co., Ltd	**982**	–

	2021 **RMB'000**	2020 RMB'000
Advances to:		
— Mr. Li Jiazhi	**–**	100
	–	100
Advances from:		
— Guangdong Tengkunda Enterprise Investment Company Limited	**2,250**	–

33 Material related party transactions *(Continued)*

(c) Balance with related parties

(i) Amount due from a related party (note 20)

	2021 RMB'000	2020 RMB'000
Trade receivables from:		
— Tianjin Hongyue Environmental Technology Co., Ltd	**818**	–

(ii) Amounts due to related parties (note 23)

	2021 RMB'000	2020 RMB'000
Other payables to:		
— Boluo Jinchang Trading Company Limited	**3**	–
— Tianjin Hongyue Environmental Technology Co., Ltd	**982**	–
— Guangdong Tengkunda Enterprise Investment Company Limited	**2,250**	–
— Wing Ka Shing Limited	**–**	97
Total	**3,235**	97

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

(d) Applicability of the Listing Rules relating to connected transactions

Save and except for the transaction with Guangdong Tengkunda Enterprise Investment Company Limited, the related party transactions in respect of Note 33(b) above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are set out in the section headed "Continuing connected transaction exempted from independent shareholders' approval" and "Related party transactions" of the Directors' Report.

(Expressed in Renminbi unless otherwise indicated)

34 Company-Level Statement of Financial Position

	Note	2021 RMB'000	2020 RMB'000
Non-current asset			
Investments in subsidiaries	17	**–***	–*
Current assets			
Cash and cash equivalents		**2,571**	379
Other receivables		**609,301**	643,453
		611,872	643,832
Current liability			
Other payables		**6,625**	12,838
Net assets		**605,247**	630,994
CAPITAL AND RESERVES			
Share capital	29(a)	**98,377**	98,377
Reserves		**506,870**	532,617
Total equity		**605,247**	630,994

* The balance represents amount less than RMB1,000.

35 Immediate and ultimate controlling parties

At 31 December 2021, the directors consider the immediate controlling party to be Flourish Investment International Limited, while the ultimate controlling party of the Company as at 31 December 2021 to be Mr. Zhang Lianghong.

(Expressed in Renminbi unless otherwise indicated)

36 Possible impact of amendments, new standards and interpretations issued but not yet effective for the accounting year ended 31 December 2021

Up to the date of issue of the financial statements, the HKICPA has issued a number of amendments, and a new standards, HKFRS 17, *Insurance contracts*, which are not yet effective for the year ended 31 December 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 HKFRS 3, *Reference to the Conceptual Framework*	1 January 2022
Amendments to HKAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*	1 January 2022
Amendments to HKAS 37, *Onerous Contracts — Cost of Fulfilling a Contract*	1 January 2022
Annual Improvement to HKFRSs 2018–2020 Cycle	1 January 2022
Amendments to HKAS 1, *Classification of liabilities as current or non-current*	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2, *Disclosure of accounting policies*	1 January 2023
Amendments to HKAS 8, *Definition of accounting estimates*	1 January 2023
Amendments to HKAS 12, *Deferred tax related to assets and liabilities arising from a single transaction*	1 January 2023

The Group is in the process of making an assessment of what the impact of these developments 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.

FIVE YEAR FINANCIAL SUMMARY

RESULTS

	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000
Revenue	**927,750**	724,724	640,040	479,678	301,921
Other revenue	**10,787**	10,306	12,924	11,023	7,324
Depreciation and amortisation	**(203,637)**	(168,438)	(152,241)	(126,031)	(95,230)
Cost of inventories	**(309,383)**	(190,363)	(163,827)	(101,454)	(49,389)
Staff costs	**(102,251)**	(69,260)	(60,849)	(45,677)	(35,366)
Utility costs	**(25,423)**	(18,180)	(20,092)	(16,514)	(14,698)
Other expenses	**(126,226)**	(113,007)	(134,670)	(92,820)	(56,225)
Other net (loss)/income	**(1,453)**	(2,448)	521	(2,123)	(107)
Profit from operations	**170,164**	173,334	121,806	106,082	58,230
Finance costs	**(91,365)**	(52,936)	(67,112)	(60,969)	(48,027)
Profit before taxation	**78,799**	120,398	54,694	45,113	10,203
Income tax	**(31,035)**	(35,146)	(12,839)	(8,702)	(1,156)
Profit for the year	**47,764**	85,252	41,855	36,411	9,047
Attributable to:					
Equity shareholders	**55,915**	102,609	55,146	47,936	20,195
Non-controlling interests	**(8,151)**	(17,357)	(13,291)	(11,525)	(11,148)
Profit for the year	**47,764**	85,252	41,855	36,411	9,047

ASSETS AND LIABILITIES

	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000
Total assets	**3,535,446**	2,993,669	2,640,564	2,257,144	2,013,175
Total liabilities	**2,293,811**	1,828,384	1,560,655	1,924,049	1,656,428
Total assets less current liabilities	**2,426,404**	2,100,117	1,797,671	1,153,236	1,168,215
Total equity attributable to the equity shareholders of the Company	**1,038,776**	982,665	879,932	333,095	356,747

SCHEDULE OF INVESTMENT PROPERTIES

SCHEDULE OF PROPERTIES

Properties held for development and/or sale

Item	Address	Parcel No.	Stage of Completion as at the date of the annual report	Expected Completion Date	Use	Site Area and Gross Floor Area	Percentage held by the Group
1.	Jinmao Road, Qingshen County, Sichuan Province, the PRC	511425006011GB00012W00000000	30%	30 June 2022	Industrial	316,000 sq.m/ 558,000 sq.m	100%
2.	Taixing Economic Development Zone (泰興經濟開發區), in Taixing City, Jiangsu Province, the PRC	321283600001GB00019W00000000	0%	30 April 2023	Industrial	106,000 sq.m/ 155,000 sq.m	68%

Investment properties

Item	Address	Parcel No.	Use	Category of the lease	Percentage held by the Group
1.	Portions of an industrial complex located at Longhua Road, Longxi Street, Boluo County, Huizhou City, Guangdong Province, the PRC	441322021005GB00669 441322021002GB00265	Industrial	Medium term	100%
2.	Portions of an industrial complex located at Zhongwang Town, Jinghai District, Tianjin City, the PRC	1202231072202010000 1202231072202030000 1202231072202040000 1202231072202020000 1202231072200030000 1202231072200040001 1202231072200040003 1202231072200040004	Industrial	Medium term	51%
3.	Portions of an industrial complex located at Meide Road, Shashi District, Jingzhou City, Hubei Province, the PRC	421002101010GB00005 421002101010GB00006 421002101010GB00007	Industrial	Medium term	100%