

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



2020

ANNUAL REPORT

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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

Mr. Yim Lok Kwan (*appointed on 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
Floor 4, Willow House
Cricket Square
Grand Cayman KY1-9010
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN THE PEOPLE’S REPUBLIC OF CHINA (THE “PRC”)

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Dah Sing Financial Centre
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Hong Kong

LEGAL ADVISORS AS TO HONG KONG LAWS

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18 Harcourt Road, Admiralty
Hong Kong

AUDITOR

KPMG, *Certified Public Accountants*
Public Interest Entity Auditor registered in
accordance with the Financial Reporting Council Ordinance
8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

COMPLIANCE ADVISOR

Shenwan Hongyuan Capital (H.K.) Limited
Level 19
28 Hennessy Road
Hong Kong

**PRINCIPAL SHARE REGISTRAR AND
TRANSFER OFFICE IN THE CAYMAN
ISLANDS**

Campbells Corporate Services Limited
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Cricket Square
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**HONG KONG BRANCH SHARE REGISTRAR
AND TRANSFER OFFICE**

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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 2020 (the "**Year**").

2020 has been a challenging year for the Group. The global spread of novel coronavirus ("**COVID-19**"), volatility arising from uncertainties in vaccine development and geopolitical risks have posed challenges to market sentiment, leading to sluggish economic growth and shrinking global markets. After a range of policies and measures being swiftly and strongly implemented by the PRC government, the impact of COVID-19 in the PRC began ebbing away and the pandemic-ravaged economy has started to recover. As compared to the year ended 31 December 2019, the Group was able to record revenue of RMB724.7 million for the Year, representing an increase of RMB84.7 million or 13.2%, and the profit attributable to the equity shareholders of the Company increased to RMB102.6 million for the Year, representing an increase of RMB47.5 million or 86.2%.

Environmental quality and ecological conditions will be key indicators to the livelihood and happiness of the people. To build a sustainable economy and harmony social environment, the PRC government has showed continual commitment to ecological conservation and taken a positive stance on greener and sustainable development. The PRC government has promulgated a number of comprehensive environmental protection policies and measures that set supportive directional trend for the electroplating manufacturers to identify qualified electroplating industrial parks with high standard of waste water treatment capacity, which are in general at the favour of the Group to capture the opportunities in the electroplating sector.

The Group currently operates two electroplating industrial parks which are strategically located in Guangdong Province and Tianjin, where most of the PRC electroplating enterprises are located, in order to enjoy convenient transportation network and to have close proximity to its customers.

With the Group's extensive knowledge in development and operation of large scale electroplating industrial parks with quality management services together with in-depth understanding of the electroplating industry, the management has established a solid foundation for future development and the brand name of "Kimou" has been gradually built up and recognised in the sector of electroplating industry. The footprint of the Group's business has also been stepped into the different regions of the PRC. Our electroplating industrial park, namely "Huazhong Surface Treatment Circular Economy Industrial Park" ("**Huazhong Industrial Park**"), located at Jingzhou, Hubei Province, is expected to commence its operation in the first half of 2021. As at 31 December 2020, more than 20 electroplating industry manufacturers have entered into letters of intent for moving into the Huazhong Industrial Park. The establishment of the Huazhong Industrial Park represented a new chapter of the historical development of the Group as well as the surface treatment industry in the PRC.

For the year 2021, which marks the beginning of the 14th Five-Year Plan, commitment to environmental quality and ecological condition will continue to uphold and the related policies imposed by the PRC government are definitely the fundamental factors for the growth opportunities of the Group. We will continue to focus on our market strategy and development plan which target new markets in rapidly-developing regions with low risk exposures in the PRC as well as business opportunities to increase the source of income and improve the cash flow position.

Efforts to improve ecological conditions, promote green development and mitigate industrial wastewater pollution are the sustainable way of addressing the long term objective of the Group. As always, our vision is to embrace green development and promote the harmonious coexistence of nature and mankind, (“堅持綠色發展 促進人與自然和諧共生”) and maximize the benefits of the shareholders of the Company.

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

Zhang Lianghong

Chairman

26 March 2021

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

The volatility and cyclicity of the global economy faced tremendous challenges in the year of 2020. Profound changes in the international environment, as well as the outbreak of the COVID-19 pandemic, have brought new challenges to China's economic and social development which in turn affected the tenants of the Group's electroplating industrial parks.

Against this backdrop, the PRC government put forth a new development pattern, namely the "dual circulation" strategy. In this strategy, domestic economic cycle (or internal circulation) plays the leading role while international economic cycle (or external circulation) remains as its extension and supplement, and both internal and external circulation will be mutually reinforcing. In the Fifth Plenary Session of the 19th Central Committee of the Communist Party of the PRC, it was proposed that China will "achieve sustained and healthy economic development with obvious improvement in quality and efficiency" during the session for laying down the major economic and social development targets for the next five years (the "14th Five-Year Plan"). One of the main themes of the 14th Five-Year Plan is to continue reducing emissions of major pollutants and improving ecological environment, in order to make ecological security shields more solid, and greatly improve social living environment. Recycling the treated wastewater for reuse are essential for improving the ecological environment and, as one of the active participants of wastewater treatment in the electroplating industry, the Group will continue to put its efforts to attain the achievement of a high degree of water recycle and reuse.

BUSINESS REVIEW

The Group develops and operates large-scale industrial parks in the PRC which are specifically designed for the electroplating industry. For the Year, the Group's revenue was approximately RMB724.7 million (2019: RMB640.0 million), representing an increase of approximately 13.2% from that of 2019 and the profit attributable to the equity shareholders of the Company was approximately RMB102.6 million (2019: RMB55.1 million), representing an increase of approximately 86.2% from that of 2019.

OUR ELECTROPLATING INDUSTRIAL PARKS

The Group's currently operates two electroplating industrial parks which are strategically located in Guangdong Province and Tianjin 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 two electroplating industrial parks:

	As at 31 December					
	Guangdong Huizhou Park	2020 Tianjin Bingang Park	Total	Guangdong Huizhou Park	2019 Tianjin Bingang Park	Total
Total leasable area (sq.m.) ^(Note)	347,000	260,000	607,000	347,000	256,000	603,000
Total leased area (sq.m.) ^(Note)	347,000	194,000	541,000	347,000	173,000	520,000
Occupancy Rate	100.0%	74.6%	89.1%	100%	67.6%	86.2%

Note: Rounded to the nearest thousand.

OUR ELECTROPLATING INDUSTRIAL PARKS *(Continued)*

Total leasable area and occupancy rate *(Continued)*

The Group's Guangdong Huizhou Park, which has been in operation since 2007, is the only electroplating industrial park in Huizhou. The total leasable area of Guangdong Huizhou Park was approximately 347,000 sq.m. and had an occupancy rate of 100% as at 31 December 2020.

The Group's Tianjin Bingang Park, which has been in operation since 2016, is the only large-scale and one of the two electroplating industrial parks in Tianjin. As at 31 December 2020, the total leasable area was approximately 260,000 sq.m. and the occupancy rate has increased to approximately 74.6% as compared to approximately 67.6% as at 31 December 2019.

Relying on good reputation and extensive experience and expertise in developing and operating large scale electroplating industrial parks, the total occupancy rate of the Group as at 31 December 2020 was 89.1% as compared to approximately 86.2% as at 31 December 2019.

Wastewater treatment capabilities

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

	As at 31 December					
	Guangdong Huizhou Park	2020 Tianjin Bingang Park	Total	Guangdong Huizhou Park	2019 Tianjin Bingang Park	Total
Fresh water used (tonnes) <i>(Note)</i>	2,407,000	491,000	2,898,000	2,503,000	486,000	2,989,000
Daily maximum wastewater treatment capacity (tonnes) <i>(Note)</i>	10,000	6,000	16,000	10,000	6,000	16,000
Daily wastewater treatment handling capacity (tonnes)						
— Annual average	6,577	1,342	7,919	6,856	1,332	8,188
— Peak	9,058	4,515	13,573	8,972	2,417	11,389
Utilisation rate of wastewater treatment capacity						
— Annual average	65.8%	22.4%	49.5%	68.6%	22.2%	51.2%
— Peak	90.6%	75.3%	84.8%	89.7%	40.3%	71.2%

Note: Rounded to the nearest thousand.

The factory premises of the Group's two electroplating industrial parks have pre-installed conduits which direct the electroplating wastewater generated by the park's tenants to the Group's centralised wastewater treatment facilities. The Group 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.

MANAGEMENT DISCUSSION AND ANALYSIS

OUR ELECTROPLATING INDUSTRIAL PARKS *(Continued)*

Wastewater treatment capabilities *(Continued)*

As at 31 December 2020, the total daily maximum wastewater treatment capacity of the Group reached 16,000 tonnes. The annual average daily wastewater treatment handling volume was approximately 7,919 tonnes and annual average utilisation rate of wastewater treatment was approximately 49.5%.

As at 31 December 2020, 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 6,577 tonnes and the annual average utilisation rate of wastewater treatment was 65.8% which were at similar levels as compared with 2019.

As at 31 December 2020, 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 1,342 tonnes and the annual average utilisation rate of wastewater treatment was 22.4% which were at similar levels as compared with 2019.

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 53 registered patents and 20 patent applications were in the progress of registration as at 31 December 2020.

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 one exhibition and two seminars.

OUTLOOK

Stepping in the post pandemic era and facing an external environment with rising protectionism and a shrinking international market, the PRC government put forth the “dual circulation” development pattern in which domestic economic cycle plays a leading role while international economic cycle remains as its extension and supplement. However, the COVID-19 pandemic has affected the flow of products, capital and personnel between countries, whereas global economic recession caused by the pandemic has affected market demand which in turn may pose challenges to the Group’s operation and financial performance as the consumption of fresh use water, steam and utilities by the tenants is expected to decrease accordingly. The Group will closely monitor the upcoming changes in the economic environment.

OUTLOOK *(Continued)*

Sichuan Qingshen Project

As disclosed in the 2019 annual report of the Company, the Group had entered into an agreement with the Qingshen Government for the establishment and development of the Sichuan Qingshen Project on 8 November 2019. According to the agreement, the implementation of the Sichuan Qingshen Project will be subject to (i) the obtaining of the environment protection assessment approval; (ii) the completion of preparatory works in relation to the Sichuan Qingshen Project; and (iii) the successful acquisition of land-use rights of two batches of land located in the industrial development zone. As at the date of this annual report, the Group has applied for tendering of the land use right's acquisition of such two batches of land. The Group does not have concrete timing for the development of the Sichuan Qingshen Project and has not incurred significant cost for the Sichuan Qingshen Project.

The wastewater treatment capabilities of the electroplating industrial parks

The land construction work for additional wastewater treatment facilities in Tianjin Bingang Park was completed in the first half of 2020. However, by considering the trend of fresh water consumption by the tenants in Tianjin Bingang Park and a weakening demand for renting factory premises in Tianjin expected in the short to mid-term as industrialists recalibrate their expansion plans and space requirements, the management considered to temporarily suspend the construction of further additional wastewater facilities after taking into account the prevailing economic conditions.

The Group has also 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.

The GFA available for leasing

To fully utilise the existing land resources available to increase 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 first phase of the project involves the construction of four factory buildings with an aggregate GFA of approximately 48,000 sq.m. with budgeted cost of approximately RMB82.4 million, of which the construction of two factory buildings with an aggregate GFA of approximately 15,400 sq.m. have been completed in December 2020 while the estimated completion date of the remaining two factory buildings with an aggregate GFA of approximately 32,600 sq.m. will be in the first quarter of 2021. The second phase of the project involves the construction of four factory buildings with an aggregate GFA of approximately 65,000 sq.m. with budgeted cost of approximately RMB111.2 million, of which the construction of two factory buildings with an aggregate GFA of approximately 32,500 sq.m. with budgeted cost of approximately RMB56.0 million has already commenced in June 2020 and its estimated completion date will be in the second quarter of 2021. The construction of the remaining two factory buildings with an aggregate GFA of approximately 32,500 sq.m. with budgeted cost of approximately RMB56.0 million has commenced in first quarter of 2021 and its estimated completion date will be by the end of 2021.

Benefiting from the rapid resumption of the construction work for development of the new electroplating industrial park in Jingzhou, Hubei Province (the "Hubei Jingzhou Project") in the post pandemic period, the factory buildings under the Hubei Jingzhou Project are to be let in the first quarter of 2021. The second phase of Hubei Jingzhou Project will be commenced in the first half of 2021 by constructing six factory buildings with an aggregate GFA of approximately 71,000 sq.m. with the budgeted cost of approximately RMB161.0 million and its estimated completion date to be in the second half of 2022, which will further increase the Group's leasable GFA.

MANAGEMENT DISCUSSION AND ANALYSIS

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 and Tianjin Bingang Park. The Group's main business can be categorised into three business segments, namely, (1) Rental and facilities usage; (2) Wastewater treatment and utilities; and (3) Sales of goods and ancillary business.

For the Year, the Group's total revenue amounted to approximately RMB724.7 million, representing an increase of 13.2% over that in 2019, primarily due to the increase in revenue for each of the three business segments of the Group.

Revenue by segment	2020			2019			Change in %
	Guangdong Huizhou Park RMB'000	Tianjin Bingang Park RMB'000	Total RMB'000	Guangdong Huizhou Park RMB'000	Tianjin Bingang Park RMB'000	Total RMB'000	
Rental and facilities usage							
Rental of factory premises	57,349	24,862	82,211	55,064	24,156	79,220	3.8%
Property management fee	10,770	4,134	14,904	11,379	3,680	15,059	(1.0%)
Facilities usage fee	115,118	68,081	183,199	104,682	62,057	166,739	9.9%
Sub-total	183,237	97,077	280,314	171,125	89,893	261,018	7.4%
Wastewater treatment and utilities							
Wastewater treatment fee	119,982	31,894	151,876	116,334	28,937	145,271	4.5%
Steam charge	54,358	28,451	82,809	53,127	27,933	81,060	2.2%
Utility systems maintenance fee	42,659	16,624	59,283	42,639	15,604	58,243	1.8%
Sub-total	216,999	76,969	293,968	212,100	72,474	284,574	3.3%
Sales of goods and ancillary business							
Sales of chemicals	125,253	1,346	126,599	77,945	337	78,282	61.7%
Other income	19,943	3,900	23,843	13,214	2,952	16,166	47.5%
Sub-total	145,196	5,246	150,442	91,159	3,289	94,448	59.3%
Total	545,432	179,292	724,724	474,384	165,656	640,040	13.2%

RESULTS OF OPERATION *(Continued)*
Revenue from rental and facilities usage service

Rental of factory premises, facilities usage fee and property management fee are charged on its tenants based on the GFA of their leased factory premises. Set out below is the revenue, average daily leased area and average monthly unit price of the electroplating industrial parks during the Year together with the corresponding period in 2019:

	For the year ended 31 December					
	2020			2019		
	Guangdong Huizhou Park	Tianjin Bingang Park	Total	Guangdong Huizhou Park	Tianjin Bingang Park	Total
Revenue (RMB'000)						
— Rental of factory premises	57,349	24,862	82,211	55,064	24,156	79,220
— Property management service fee	10,770	4,134	14,904	11,379	3,680	15,059
— Facilities usage fee	115,118	68,081	183,199	104,682	62,057	166,739
Total (RMB'000)	183,237	97,077	280,314	171,125	89,893	261,018
Average daily leased area (sq.m.) ^(Note)	347,000	183,000	530,000	342,000	165,000	507,000
Average monthly unit price (RMB per sq.m.)						
— Rental of factory premises	13.8	11.3	12.9	13.4	12.2	13.0
— Property management service fee	2.6	1.9	2.3	2.8	1.9	2.5
— Facilities usage fee	27.6	31.0	28.8	25.5	31.3	27.4
Total	44.0	44.2	44.1	41.7	45.4	42.9

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

The revenue from rentals and facilities usage service increased by approximately RMB19.3 million or 7.4% from approximately RMB261.0 million for the year ended 31 December 2019 to approximately RMB280.3 million for the Year. The increase was primarily attributable to (i) increase in total average daily leased area; and (ii) annual increment of management service fee and facilities usage fee pursuant to the respective agreements with tenants and partially offset by the short term rental relief granted to the tenants of the industrial parks.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF OPERATION *(Continued)*

Revenue from wastewater treatment and utilities

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

(i) Wastewater treatment fee

	For the year ended 31 December					
	2020			2019		
	Guangdong Huizhou Park	Tianjin Bingang Park	Total	Guangdong Huizhou Park	Tianjin Bingang Park	Total
Revenue (RMB'000)						
— Wastewater treatment fee	119,982	31,894	151,876	116,334	28,937	145,271
Fresh water used (tonnes) ^(Note)	2,407,000	491,000	2,898,000	2,503,000	486,000	2,989,000
Average wastewater treatment unit price (RMB per tonnes)	49.8	65.0	52.4	46.5	59.5	48.6

Note: Rounded to the nearest thousand.

Wastewater treatment fee increased by approximately RMB6.6 million or 4.5% from approximately RMB145.3 million for the year ended 31 December 2019 to approximately RMB151.9 million for the Year. The increase was primarily attributable to increase in average wastewater treatment unit price for the new tenants and offset by the decrease in volume of the fresh water used by the tenants due to the outbreak of COVID-19 in the first quarter in the PRC.

(ii) Steam charge

	For the year ended 31 December					
	2020			2019		
	Guangdong Huizhou Park	Tianjin Bingang Park	Total	Guangdong Huizhou Park	Tianjin Bingang Park	Total
Revenue (RMB'000)						
— Steam Charge	54,358	28,451	82,809	53,127	27,933	81,060
Steam consumed (tonnes) ^(Note)	129,000	62,000	191,000	126,000	61,000	187,000
Average steam charge unit price (RMB per tonnes)	421.4	458.9	433.6	421.6	457.9	433.5

Note: Rounded to the nearest thousand.

Steam charge increased by approximately RMB1.7 million or 2.2% from approximately RMB81.1 million for the year ended 31 December 2019 to approximately RMB82.8 million for the Year.

RESULTS OF OPERATION *(Continued)***Revenue from wastewater treatment and utilities** *(Continued)***(iii) Utility systems maintenance fee**

	2020			2019		
	Guangdong Huizhou Park	Tianjin Bingang Park	Total	Guangdong Huizhou Park	Tianjin Bingang Park	Total
Revenue (RMB'000)						
— Utility systems maintenance fee	42,659	16,624	59,283	42,639	15,604	58,243
Electricity consumed (kWh) ^(Note)	183,034,000	49,929,000	232,963,000	183,200,000	46,835,000	230,035,000
Average steam charge unit price (RMB per tonnes.)	0.23	0.33	0.25	0.23	0.33	0.25

Note: Rounded to the nearest thousand.

The Group charges its tenants for using its electricity and water supply systems, based on their consumption volume of those utilities. During the Year, over 99% of the utility systems maintenance fee was derived from utilisation of the electricity system. The utility systems maintenance fee increased by approximately RMB1.0 million or 1.8% from approximately RMB58.2 million for the year ended 31 December 2019 to approximately RMB59.3 million for the Year. The slight increase was primarily attributable to the increase in volume of electricity consumed by its tenants.

Revenue from sales of goods and ancillary business

Sales of goods and ancillary business is mainly comprised of sales of chemical products which accounted for 84.2% (2019: 82.9%) of this business segment. Sales of chemical products increased by approximately RMB48.3 million from approximately RMB78.3 million for the year ended 31 December 2019 to approximately RMB126.6 million for the Year. In order to obtain a greater bulk purchase discount which could lower the cost of raw materials for its tenants and strictly control the risk of safety hazards, the Group strengthened the centralised procurement system for the tenants which led to a sharp increase in revenue in this business segment.

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 RMB27.6 million or 5.2% from approximately RMB531.7 million for the year ended 31 December 2019 to approximately RMB559.2 million for the Year which was generally in line with the increase in the Group's revenue during the Year.

Depreciation and amortisation

The Group's depreciation and amortisation increased by approximately RMB16.2 million or 10.6% from approximately RMB152.2 million for the year ended 31 December 2019 to approximately RMB168.4 million for the Year, following the Group's significant addition of investment properties and property, plant and equipment in the electroplating industrial parks.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF OPERATION *(Continued)*

Cost of inventories

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

Cost of inventories increased by approximately RMB26.6 million or 16.2% from approximately RMB163.8 million for the year ended 31 December 2019 to approximately RMB190.4 million for the Year, primarily attributable to the significant increase in the amount of approximately RMB48.3 million for the sales of chemical materials to tenants of the electroplating industrial parks, and was partially offset by the decrease 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 RMB69.3 million for the Year, an increase of 14.0% as compared with approximately RMB60.8 million for the year ended 31 December 2019. The Group's staff costs increased mainly due to (i) increase in number of employees as a result of the Group's expansion in both scope and size, and (ii) general rise in staff's salaries and partially offset by the decrease in staff welfare fund as a result of exemption of pension insurance, unemployment insurance and working injury insurance imposed by the PRC local government from February to December 2020.

Utility costs

Utility costs mainly comprised of costs of electricity and water consumed throughout the Group's wastewater treatment processes, production of steam and for other activities such as lighting and gardening inside the electroplating parks. Utility costs decreased by approximately RMB1.9 million or 9.5%, from approximately RMB20.1 million for the year ended 31 December 2019 to approximately RMB18.2 million for the Year, which was due to the decrease in unit cost of electricity and water.

RESULTS OF OPERATION *(Continued)*
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 2020 RMB'000	For the year ended 31 December 2019 RMB'000
Professional service fee	7,914	22,770
Waste treatment expenses	27,945	38,097
Other taxes and surcharges	18,866	17,574
Security charges	7,401	7,121
Maintenance and consumables	14,992	11,520
Research and development	8,435	9,230
Consultancy and services fee	2,294	3,718
Entertainment	6,522	4,444
Cleaning expenses	4,173	3,310
Travelling expenses	1,384	2,389
Office and seminar expenses	2,735	2,130
Landscaping expenses	1,894	1,622
Advertising and promotion expenses	636	860
Insurance	534	478
Others	7,282	9,407
Total	113,007	134,670

Other expenses decreased by approximately RMB21.7 million or 16.1% from approximately RMB134.7 million for the year ended 31 December 2019 to approximately RMB113.0 million for the Year, primarily attributable to the absence of the recognition of listing expenses and the decrease in waste treatment expenses.

Profit from operations and operating profit margin

The Group's profit from operations increased by approximately RMB51.5 million or 42.3%, from approximately RMB121.8 million for the year ended 31 December 2019 to approximately RMB173.3 million for the Year. The operating profit margin increased from 19.0% for the year ended 31 December 2019 to 23.9% for the Year, which mainly resulted from (i) the increase in revenue generated from the rental and facilities usage and wastewater treatment and utilities; and (ii) the absence of the recognition of listing expenses.

Other revenue

Other revenue primarily consisted of (i) bank interest income, (ii) government grants, and (iii) other income. Other revenue decreased by approximately RMB2.6 million or 20.2%, from approximately RMB12.9 million for the year ended 31 December 2019 to approximately RMB10.3 million for the Year. Such decrease was mainly due to the decrease in bank interest income and unconditional government grants.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF OPERATION *(Continued)*

Finance costs

Finance costs primarily comprised of interest in bank borrowings. Finance cost decreased by approximately RMB14.2 million or 21.2%, from approximately RMB67.1 million for the year ended 31 December 2019 to approximately RMB52.9 million for the Year which was primarily attributable to the increase in interest capitalised in relation to the construction projects of Guangdong Huizhou Park and Huazhong Industrial Park. The Group capitalised a portion of the finance costs which were directly attributable to the construction in progress during the Year.

Profit before taxation

The Group's profit before income taxation increased by approximately RMB65.7 million from approximately RMB54.7 million for the year ended 31 December 2019 to approximately RMB120.4 million for the Year which was primarily attributable to the factors as described above in this section.

Income tax expense

Income tax expense increased by approximately RMB22.3 million from approximately RMB12.8 million for the year ended 31 December 2019 to approximately RMB35.1 million for the Year, which was primarily attributable to Guangdong Huizhou Park's operations, which remained profitable during the Year and the provision of deferred tax on the dividend declared by a subsidiary of the Company in the PRC to its immediate holding company in Hong Kong.

Profit attributable to the equity shareholders of the Company

Profit attributable to the equity shareholders of the Company increased by approximately RMB47.5 million from approximately RMB55.1 million for the year ended 31 December 2019 to approximately RMB102.6 million for the Year, which was mainly attributable to the factors as described above in this section.

Property, plant and equipment

Property, plant and equipment represented buildings, plant and equipment, motor vehicles and office equipment and others. The balances as at 31 December 2020 increased by approximately RMB284.4 million from approximately RMB917.3 million as at 31 December 2019 to approximately RMB1,201.7 million as at 31 December 2020, which was primarily attributable to the additions of approximately RMB402.2 million of buildings, wastewater treatment facilities, utility facilities and ancillary facilities in the electroplating industrial parks and was partially offset by depreciation of approximately RMB117.2 million during the Year.

Investment property

Investment property represented completed factory premises 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 five to ten years.

The balances as at 31 December 2020 increased by approximately RMB120.2 million, from approximately RMB721.2 million as at 31 December 2019 to approximately RMB841.4 million as at 31 December 2020. Such increase was mainly due to the addition of factory buildings in the electroplating industrial parks amounted to RMB163.5 million, and partially offset by depreciation charge of RMB43.3 million for the Year.

RESULTS OF OPERATION *(Continued)*

Construction in progress

Construction in progress represented factory premises and operational facilities that are under construction inside the Group's electroplating industrial parks. The balances as at 31 December 2020 decreased by approximately RMB29.6 million from approximately RMB392.8 million as at 31 December 2019 to approximately RMB363.2 million as at 31 December 2020. Such decrease was primarily attributable to the completed construction transferred to the property, plant and equipment and investment property of approximately RMB559.2 million which was partially offset by the addition of approximately RMB530.0 million mainly for developing factory premises, adding wastewater treatment facilities, utility facilities and ancillary facilities in the electroplating industrial parks.

Liquidity and financial resources

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

	For the year ended 31 December 2020 RMB'000	For the year ended 31 December 2019 RMB'000
Net cash generated from operating activities	260,548	275,419
Net cash used in investment activities	(578,252)	(309,159)
Net cash generated from financing activities	285,557	56,006
Net (decrease)/increase in cash and cash equivalents	(32,147)	22,266
Effect of foreign exchange rate changes	1,623	298

For the Year, the Group had a net cash generated from operating activities of approximately RMB260.5 million. Such amount was primarily derived from the profit before income tax of approximately RMB120.4 million generated in 2020, which was primarily adjusted for (i) depreciation and amortisation of approximately RMB168.4 million; (ii) finance costs of approximately RMB52.9 million; (iii) increase in trade and other payables of approximately RMB13.3 million, which was partially offset by (iv) the decrease in trade and other receivables of approximately RMB62.1 million; and (v) the income tax paid of approximately RMB28.6 million.

For the Year, the Group had a net cash used in investing activities of approximately RMB578.3 million, which was mainly attributable to payment for purchase of property, plant and equipment, investment property, and right-of-used assets of approximately RMB580.5 million.

For the Year, the Group had a net cash generated from financing activities of approximately RMB285.6 million, which was mainly attributable to (i) the proceeds of bank loans and other borrowings of approximately RMB463.7 million; which was partially offset by (ii) the repayment of bank loans and other borrowings of approximately RMB118.4 million; and (iii) the payment of interest of approximately RMB68.8 million.

As at 31 December 2020, the Group had cash and cash equivalents of approximately RMB72.8 million (31 December 2019: approximately RMB103.3 million).

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF OPERATION *(Continued)*

Net current liabilities

The Group's net current liabilities as at 31 December 2020 had increased by approximately RMB53.6 million, from approximately RMB578.8 million as at 31 December 2019 to approximately RMB632.4 million as at 31 December 2020.

As at 31 December 2020, the Group's total current assets amounted to approximately RMB261.1 million, representing a decrease of approximately RMB3.0 million as compared with approximately RMB264.1 million as at 31 December 2019. The decrease was primarily attributable to (i) the decrease in cash and cash equivalents of approximately RMB30.5 million; and partially offset by (ii) the increase in trade and other receivables of approximately RMB24.5 million; (iii) the increase in inventories of approximately RMB2.6 million; and (iv) the increase in non-current assets held for sale of approximately RMB0.5 million.

As at 31 December 2020, the Group's total current liabilities amounted to approximately RMB893.6 million, representing an increase of approximately RMB50.7 million as compared with approximately RMB842.9 million as at 31 December 2019. The increase was primarily attributable to (i) the increase in non-current portion of long term borrowings of approximately RMB131.1 million; and partially offset by (ii) the decrease in trade and other payables of approximately RMB69.8 million; and (iii) the decrease in contract liabilities of approximately RMB14.2 million.

Borrowings and gearing ratio

During the Year, the Group's cash and cash equivalents was mainly used in the development of the Hubei Jingzhou Project and wastewater treatment facilities of the Tianjin Bingang Park. The Group financed its funding requirements mainly through a combination of cash generated from operating activities and borrowings. As at 31 December 2020, the total interest-bearing borrowings amounted to approximately RMB1,249.0 million were due for repayment as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Within one year or on demand	384,680	253,558
After one year but within two years	214,261	233,281
After two years but within five years	518,098	370,492
After five years	131,958	46,374
Total	1,248,997	903,705

The Group's gearing ratio is approximately 1.1 times as at 31 December 2020 (31 December 2019: 0.8 times). The ratio is calculated based on the total debts (including all borrowings) as of the respective dates divided by the total equity as of the respective dates and multiplied by 100%.

FOREIGN EXCHANGE RISK

Individual member companies of the Group have limited foreign currency risk as most of the transactions are denominated in the same currency as the functional currency, namely Renminbi, of the operations in which they relate. However, these principal subsidiaries carried assets and liabilities in other currencies, such as Hong Kong Dollars from the proceeds from the Listing (as defined below) in July 2019, and so any appreciation or depreciation of Hong Kong Dollars against Renminbi will affect the Group's consolidated financial position and will be reflected in the exchange fluctuation reserve.

INTEREST RATE RISK

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

CREDIT RISK

The Group's credit risk is mainly attributable to trade receivables. Deposits are received from customers by the Group to reduce potential exposure to credit risk. Further, individual credit evaluations are performed regularly on all customers requiring credit over a certain amount. These evaluations focus on the customers' past payment records, taking into account their financial position and other relevant factors. The Group considers the credit risk arising from trade receivables is limited. As at 31 December 2020, the Group's exposure to credit risk arising from cash and cash equivalents is limited because its counterparties are banks and financial institutions with high credit quality.

LIQUIDITY RISK

The Group has policies to regularly monitor its liquidity requirements and compliance with lending covenants, to ensure that the Group has sufficient cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements. The Group has not experienced and does not expect to experience any difficulties in meeting credit obligations when they fall due.

Significant investments, acquisitions and disposals

References are made to the announcements of the Company dated 5 June 2020, 9 June 2020 and 30 June 2020 that Tianjin Bingang, a company established in the PRC with limited liability owned as to 51% by the Group and 49% by an independent third party, 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 and an independent third party, entered into (1) a sale and purchase agreement (the "**S&P Agreement**") pursuant to which Tianjin Bingang agreed to dispose and Far Eastern agreed to acquire certain equipment and ancillary facilities (the "**Leased Assets**") for the provision of wastewater treatment services and the supply of steam and electricity in the industrial park of the Group, for a cash consideration of RMB30,000,000; and (2) a lease agreement (the "**Lease Agreement**") pursuant to which Tianjin Bingang agreed to lease back the Leased Assets from Far Eastern for an aggregate rental amount of approximately RMB31,843,700 (inclusive of taxes) for a term of two years upon completion of the S&P Agreement. The S&P Agreement and the Lease Agreement are parts of a two-step process of a sale and lease back financing arrangement whereupon the title and property rights of the Leased Assets shall be transferred back to Tianjin Bingang upon (i) early termination of the Lease Agreement and after fulfilling all payment obligations under the Lease Agreement; or (ii) when the lease expires and (iii) payment of the consideration of RMB1,000.

Save as disclosed above and in this annual report, and expect for those disclosed in the section head "Future Plans and Use of Proceeds" in the prospectus of the Company dated 29 June 2019, the Group had no significant investments, acquisitions and disposals during the year ended 31 December 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

Pledged assets

As at 31 December 2020, the Group had certain property, plant and equipment and investment property with carrying value of approximately RMB601.8 million and RMB804.7 million, respectively (31 December 2019: approximately RMB301.2 million and RMB655.5 million, respectively); land-use rights with net book value of approximately RMB191.0 million (31 December 2019: approximately RMB95.9 million) and nil bank deposit (31 December 2019: approximately RMB10.0 million) which were pledged as security for the bank loans and other borrowings with carrying amount of approximately RMB1,249.0 million (31 December 2019: approximately RMB903.7 million). Certain connected persons of the Company have provided guarantees in favour of the financial institutions for securing the Group's liabilities. Such guarantees are conducted on normal commercial terms or better and are not secured by the assets of the Group.

Contingent liabilities

The Group did not have any material contingent liabilities as at 31 December 2020 (31 December 2019: Nil).

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2020, the Group had 602 full-time employees (2019: 519 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 RMB69.3 million for the Year, which was an increase of approximately 14.0% as compared with approximately RMB60.8 million for the year ended 31 December 2019. The remuneration for the Directors and senior management members is based on their qualifications, work experience, job duties and position with the Group. The Group has implemented an annual review system to assess the performance of its employees, which forms the basis of the determinations on salary raises, discretionary bonuses and promotion.

The Group has also established various welfare plans including the provision of basic medical insurance, unemployment insurance and other relevant insurance to its employees pursuant to the PRC rules and regulations and the existing policy requirements of the local government. The Group has also made contributions to statutory mandatory provident fund scheme for its employees in Hong Kong.

The Group puts great emphasis on staff training. The Group arranges orientation programs for newly hired staff to familiarise them with the Company's working environment and culture. The Group also regularly provides employees with on-the-job trainings so as to ensure their work performances will meet the Group's strategic goals, operating standards, customer and regulatory requirements. The Company adopted a share option scheme on 18 June 2019 for the purpose of providing incentives and rewards to eligible directors and employees of the Group. During the period from the Listing Date and up to the date of this annual report, no share option under the share option scheme has been granted.

CAPITAL COMMITMENTS

As at 31 December 2020, the Group's total capital expenditures which have been contracted for but not incurred were approximately RMB172.7 million for the development of wastewater treatment facilities and factory premises of the Hubei Jingzhou Project, the development of wastewater treatment facilities of the Tianjin Bingang Park and the development of the factory premises of Guangdong Huizhou Park. These capital expenditures were mainly financed by internal resources and bank loans.

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	51	Executive Director and chairman of the Board	7 January 2019
Mr. Zhu Heping	68	Executive Director and chief executive officer	7 January 2019
Mr. Lee Yuk Kong	69	Executive Director	28 June 2018
Mr. Huang Shaobo	56	Executive Director and Financial Controller	7 January 2019
Mr. Kan Chung Nin, Tony	70	Independent non-executive Director	18 June 2019
Mr. Li Xiaoyan	57	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 51, is the founder, executive Director, chairman of the Board, chairman of the nomination committee and member of the remuneration committee of the Group. Mr. Zhang is responsible for the strategic planning, major business decisions and overall management of the Group.

Mr. Zhang has over 19 years of experience in property construction and operation of electroplating industrial parks in the PRC. In July 2001, Mr. Zhang established Boluo Jinchang Trading Company Limited* (博羅縣金昌貿易有限公司) ("**Boluo Jinchang**"), which engaged in the sale of building materials, hardware and chemicals and Huizhou Infrastructure Construction Company Longxi Branch ("**HICC-Longxi**") in July 2005, which principally engaged in contracting of building constructions. Mr. Zhang has served as a general manager of Boluo Jinchang and HICC-Longxi since their respective inception. Since the incorporation of the Group's principal operating entity, Huizhou Kimou Industrial Investment Co., Ltd. ("**Huizhou Kimou**") in June 2005, Mr. Zhang has been committing substantial time and efforts on the construction and operation of electroplating industrial parks. In November 2017, under the leadership of Mr. Zhang, Huizhou Kimou entered into cooperations with the Jingzhou ETDZ Administrative Committee in Hubei Province for the development of the Hubei Jingzhou Project.

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

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS *(Continued)*

Mr. Zhu Heping (朱和平), aged 68, is the executive Director and chief executive officer of the Group. Mr. Zhu is primarily responsible for strategic planning and daily operational management of the Group.

Mr. Zhu has over 19 years of experience in the electroplating industry, including the implementation of business strategies for, and the construction and management of electroplating industrial parks in the PRC. Mr. Zhu established a trading company in Lanzhou, Gansu Province, in the PRC, which principally engaged in the trading of a variety of products, including fire fighting equipment, knitwear and leather goods from March 1998 to June 2001. Subsequently, Mr. Zhu served as general managers of Boluo Jinchang and Huizhou Jinchang Real Estate Development Company Limited* (惠州金昌房地產有限公司), from July 2001 to May 2007 and from May 2007 to December 2018, respectively. Mr. Zhu joined the Group in June 2013 when he was appointed as the general manager of the Guangdong Huizhou Park. Under his direction, Guangdong Huizhou Park was recognised by Electroplating Division of China Surface Engineering Association (中國表面工程協會電鍍分會) as a China Demonstration Area of Plating Industry (中國電鍍示範園區) in January 2015. In September 2015, Mr. Zhu was appointed as general manager of the Tianjin Bingang Park and subsequently, in December 2017, he was promoted as chief executive officer of the Group.

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

Mr. Lee Yuk Kong (李旭江), aged 69, is an executive Director. Mr. Lee is responsible for the banking relationship and human resources planning of the Group.

Mr. Lee has over 42 years of experience in overall business management. Through his interest in Huizhou Yongjiasheng Industrial Co., Ltd.* (惠州永嘉盛實業有限公司), Mr. Lee became an ultimate shareholder of Huizhou Kimou in July 2016, where he supervised the overall financial management of Huizhou Kimou. Mr. Lee has been serving as chairman of Dongguan Yongjiasheng Knitwear Co., Ltd.* (東莞永嘉盛針織有限公司) since 1979, responsible for overall management including financial and human resources planning.

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

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS *(Continued)*

Mr. Huang Shaobo (黃少波), aged 56, 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 27 years of experience in accounting, asset appraisal as well as mergers and acquisitions advisory. Prior to joining the Group, Mr. Huang held executive positions of several audit and asset appraisal firms in the PRC and as corporate advisors of the PRC or Hong Kong branch of several multinational companies from June 1993 to October 2015, responsible for managerial and corporate advisory. Since January 2001, Mr. Huang has been serving as independent certified asset appraiser of Dexin Asset Appraisal Firm* (惠州德信資產評估事務所), responsible for independent audit work and asset appraisals.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Kan Chung Nin, Tony (簡松年), *SBS, JP*, aged 70, is an independent non-executive Director, chairman of the remuneration committee, member of the audit committee and nomination committee of the Group. Mr. Kan was appointed as an independent non-executive Director in June 2019. He is responsible for providing independent advice to the Board.

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

Mr. Kan has been serving as independent non-executive directors of Man Wah Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1999) since May 2013 and Hopewell Highway Infrastructure, a company listed on the Main Board of the Stock Exchange (stock code: 0737) since April 2018, respectively. Hopewell Highway Infrastructure Limited has been changed the name to Shenzhen Investment Holdings Bay Area Development Company Limited with effect from 30 April 2019. Mr. Kan 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 has been serving as member of the election committee of the chief executive of Hong Kong since December 2011, the Justice of the Peace since July 2003 and council member of Hong Kong Sha Tin District Council from 1985 to 2011. Mr. Kan also served as chief president of the Hong Kong Professionals Association from 2015 to 2017 and standing vice chairman of the Hong Kong Guangdong Association from July 2017 to June 2019.

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

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS *(Continued)*

Mr. Li Xiaoyan (李曉岩), aged 57, is an independent non-executive Director and members of the audit, nomination and remuneration committee of the Group. Mr. Li was appointed as an independent non-executive Director in June 2019. He is responsible for providing independent advice to the Board.

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

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

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

Mr. Li Yinquan (李引泉), aged 66, is an independent non-executive Director and chairman of the audit committee of the Group. Mr. Li was appointed as independent non-executive Director in June 2019. He is responsible for providing independent advice to our Board.

Mr. Li has extensive experience in the finance and banking industry. He has been serving as an independent Director of Lizhi Inc. (a company listed on the Global Market of the NASDAQ (stock code: LIZI)) since January 2020, 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 each of (i) 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; (ii) Million Cities Holdings Limited (a company listed on the Main Board of the Stock Exchange (stock code: 2892)) since June 2018; (iii) Hong Kong Shanghai Alliance Holdings Limited (a company listed on the Main Board of the Stock Exchange (stock code: 1001)) since July 2018; and (iv) 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.

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

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

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

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

SENIOR MANAGEMENT

Mr. Chen Zhicai (陳志才), aged 42, is the vice president of operation of the Group. Mr. Chen is responsible for overseeing the overall operation of the Group.

Mr. Chen has over 21 years of experience in design, construction and operation of environmental protection engineering projects. Mr. Chen joined the Group in August 2005, and has assumed various positions including production manager. From July 2000 to November 2004, Mr. Chen served as environmental protection engineer of Guangyi Group* (廣一集團), which principally engages in the production and maintenance of water pump system, where he was responsible for the design, research and development of city wastewater and electroplating wastewater treatment technologies.

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

Mr. Chen Wai Chung Edmund (陳煒聰), aged 48, was appointed as the chief financial officer of the Group in January 2020. Mr. Chen is responsible for the overall financial strategies, planning and financial management of the Group.

Mr. Chen has over 23 years of solid experiences in business management, auditing, accounting, internal control and investment planning. Mr. Chen had worked as senior management positions for various listed companies in Hong Kong and international accounting firm including KPMG HK and KPMG Huazhen, China Regenerative Medicine International Limited (a company listed on the Main Board of the Stock Exchange (stock code: 8158)) and Legend Strategy International Holdings Group Company Limited (a company listed on the Main Board of the Stock Exchange (stock code: 1355)). He was also the vice president and the company secretary of Austar Lifesciences Limited (a company listed on the Main Board of the Stock Exchange (stock code: 6118)).

Mr. Chen was an independent non-executive director of Mason Group Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 273) from July 2017 to March 2020 and Huarong International Financial Holdings Limited (formerly known as Simsen International Corporation Limited), a company listed on the Main Board of the Stock Exchange (stock code: 993) from July 2013 to October 2015. He was a non-executive director of KOALA Financial Group Limited (formerly known as Sunrise (China) Technology Group Limited), a company listed on the Main Board of the Stock Exchange (stock code: 8226) from November 2014 to January 2016. Mr. Chen holds a bachelor's degree in accountancy from the City University of Hong Kong. He is currently a fellow member of the Hong Kong Institute of Certified Public Accountants and an associate member of the Association of Chartered Certified Accountants.

REPORT OF THE DIRECTORS

The Board is pleased to present the annual report together with the audited consolidated financial statements (the “**Consolidated Financial Statements**”) of the Group for the year ended 31 December 2020 (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 Companies Law of the Cayman Islands. Since the Group’s inception in 2004, it has engaged in the development and operation of electroplating industrial parks and the provision of centralized wastewater treatment services in the PRC under three business segments, namely, (1) Rental and facilities usage; (2) Wastewater treatment and utilities; and (3) Sales of goods and ancillary business. Details of principal activities of the major subsidiaries of the Company are set out in Note 17 to the Consolidated 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 shown 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
<p>Compliance Risks</p> <p>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</p>	<p>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.</p> <p>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.</p>
<p>Investment Risks</p> <p>The establishment of a new electroplating 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.</p>	<p>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</p>

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

COMPLIANCE WITH LAWS AND REGULATIONS

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

During the Year and up to the date of this report of the Directors, the Board was unaware of any non-compliance with relevant laws and regulations 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.

REPORT OF THE DIRECTORS

RESULTS AND DIVIDEND

The results of the Group for the Year are set out in the Consolidated Financial Statements of this annual report.

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, 25 May 2021 to Friday, 28 May 2021, 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, 28 May 2021.

In order to be eligible to attend and vote at the AGM, all transfer shares of the Company accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Monday, 24 May 2021.

FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the Year, together with the financial results and of the assets and liabilities for the five years ended 31 December 2020, is set out in the section headed "Five Year Financial Summary" on this annual report.

PROPERTY, PLANT AND EQUIPMENT

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

BANK AND OTHER BORROWINGS

Details of bank and other borrowings of the Group as at 31 December 2020 are set out in Note 25 to the Consolidated Financial Statements of this annual report.

SHARE CAPITAL

Details of movements during the Year in the share capital of the Company are set out in Note 29 to the Consolidated Financial Statements of this annual report.

RESERVES

Details of movements in the reserves of the Group and the Company during the Year are set out in the Consolidated Statement of Changes in Equity on pages 61 to 62 and in Note 29 to the Consolidated 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 (the "Shareholders") as at 31 December 2020 amounted to approximately RMB532,617,000 (31 December 2019: RMB581,729,000).

CHARITABLE CONTRIBUTIONS

During the Year, the Group made charitable contributions amounting to RMB230,000.

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

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

SUFFICIENCY OF PUBLIC FLOAT

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

USE OF NET PROCEEDS FROM THE LISTING

On 16 July 2019, the shares of the Company (the "Shares") were first listed on the Main Board of the Stock Exchange (the "Listing") following the completion of the Company's initial public offering. The net proceeds received by the Company from the Listing amounted to approximately HK\$337.0 million (approximately RMB296.7 million) (after deducting underwriting commissions and all related expenses) (the "Net Proceeds"). As at 31 December 2020, the Group had utilised the Net Proceeds as set out in the table below:

Intended use	Net proceeds		Unutilised amount as at 1 January 2020		Utilised amount as at 31 December 2020		Unutilised amount as at 31 December 2020	
	HK\$ in million	RMB in million	HK\$ in million	RMB in million	HK\$ in million	RMB in million	HK\$ in million	RMB in million
Acquisition of land for the Hubei Jingzhou Project and construction of relevant infrastructure	74.1	65.3	-	-	-	-	-	-
Expansion of the current waste water treatment facilities of the Tianjin Bingang Park	124.0	109.2	68.1	60.9	(68.1)	(60.9)	-	-
Fund the construction cost of the two factory buildings in the Guangdong Huizhou Park	62.0	54.6	-	-	-	-	-	-
Repayment of short term bank loans	62.0	54.6	-	-	-	-	-	-
General working capital	14.9	13.0	9.9	8.7	(9.9)	(8.7)	-	-
Total	337.0	296.7	78.0	69.6	(78.0)	(69.6)	-	-

Up to 31 December 2020, all the aggregated Net Proceeds from the Listing of approximately HK\$337.0 million had been used in accordance with the manner as stated in the prospectus of the Company dated 29 June 2019.

REPORT OF THE DIRECTORS

PRE-EMPTIVE RIGHTS

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

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. Zhang Lianghong, Mr. Zhu Heping and Mr. Lee Yuk Kong 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 an initial term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either the Director or the Company.

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

The appointments of the Directors are subject to the provisions of retirement and rotation of Directors under the 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 a confirmation of independence pursuant to Rule 3.13 of the Listing Rules. Based on such confirmations, the Company considers all of the independent non-executive Directors are independent in accordance with Rule 3.13 of the Listing Rules.

CONTRACT WITH CONTROLLING SHAREHOLDERS

Other than those set out in Note 32 to the Consolidated Financial Statements on pages 122 to 123 in this annual report, no contract of significance was entered into between the Company or any of its subsidiaries and the controlling shareholders of the Company or any of its subsidiaries during the Year or subsisted at the end of the year and no contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder of the Company or any of its subsidiaries was entered into during the Year or subsisted at the end of the year.

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

Other than those set out in Note 8 and Note 32 to the Consolidated Financial Statements on page 92 and on pages 122 to 123 in this annual report, no transaction, arrangement and contract of significance to the business of the Group which the Company or any of its subsidiaries was a party, subsisting during or at the end of the Year in which a Director or any entity connected with such a Director is or was materially interested, whether directly or indirectly.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

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

Details of the Directors' emoluments and emoluments of the five highest paid individuals in the Group are set out in Note 8 and Note 9 to the Consolidated Financial Statements on pages 92 to 93 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.

REPORT OF THE DIRECTORS

DISCLOSURE PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Subsequent to the date of the 2020 interim report of the Company and as at the date of this annual report, there has been no change in the Directors' biographical details which are required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules.

MANAGEMENT CONTRACTS

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

EQUITY-LINKED AGREEMENTS

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

MATERIAL LEGAL PROCEEDINGS

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

LOAN AND GUARANTEE

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

SHARE OPTION SCHEME

The Company adopted the share option scheme (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.

SHARE OPTION SCHEME *(Continued)***(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) renew this 10% limit at any time to 10% of the issued share capital of the Company as at the date of the approval by the Shareholders in general meeting; and/or
- (ii) grant options beyond the 10% limit to Eligible Participants specifically identified by the Board; and
- (iii) the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company at any time shall not exceed 30% of the issued share capital of the Company from time to time.

As at 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.

(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.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME *(Continued)*

(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.

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

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

- (i) the official closing price of our Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;
- (ii) the average of the official closing prices of our Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of a Share.

(h) Life of the Share Option Scheme

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

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 2020, 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 Future 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	21.40%
Mr. Huang Shaobo ("Mr. Huang")	Interest in a controlled corporation ⁽⁴⁾	42,000,000	3.75%

Notes:

- (1) All interests stated are long positions.
- (2) 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 2020, 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, 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.

REPORT OF THE DIRECTORS

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

As at 31 December 2020, to the best knowledge of the Directors and the senior management of the Company, 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	21.40%
Deluxe Investment International Company Limited	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 held by Deluxe Investment International Company Limited.

Save as disclosed above, as at 31 December 2020, 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 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

As at 31 December 2020, the Group's largest customer accounted for 3.4% of the Group's total revenue. The Group's five largest customers accounted for 13.5% of the Group's total revenue.

As at 31 December 2020, the Group's largest supplier accounted for 22.5% of the Group's total purchase. The Group's five largest suppliers accounted for 55.0% of the Group's total purchase.

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

TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

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

HUMAN RESOURCES

As of 31 December 2020, the Group had 602 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.

REPORT OF THE DIRECTORS

RETIREMENT BENEFITS SCHEME

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

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

Details of the pension obligations of the Company are set out in Note 6(b) to the Consolidated Financial Statements on pages 87 to 88 in this annual report.

CONNECTED TRANSACTIONS

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

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for the Year are set out in Note 32 to the Consolidated Financial Statements on pages 122 to 123 contained herein.

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

PERMITTED INDEMNITY PROVISION

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

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

CORPORATE GOVERNANCE

The Company recognises the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of its shareholders as a whole. The Company has adopted the Corporate Governance Code as set out in Appendix 14 to the Listing Rules 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.

AUDITOR

During the Year, there has been no change in auditor since up to the date of this annual report. The Consolidated Financial Statements for the Year have been audited by KPMG, Certified Public Accountants, who are proposed for reappointment at the forthcoming AGM.

EVENTS AFTER THE REPORTING PERIOD

As disclosed in the announcement of the Company dated 12 March 2021, the Group was in preliminary discussion with an independent third party with respect to a possible disposal of a certain interest in one of the Group's electroplating industrial parks (the "**Possible Disposal**"). The potential purchaser had commenced certain due diligence work regarding the Possible Disposal, but no legally binding agreement as regards the Possible Disposal has been entered into by the parties nor have the parties agreed upon on any concrete terms and conditions in respect of the Possible Disposal. It is expected that if the Possible Disposal materialises, it may constitute a notifiable transaction of the Company under the Listing Rules. The Company will comply with the applicable compliance requirements as and when required in accordance with the Listing Rules. Save as disclosed in this annual report and so far as the Group is aware after having made reasonable enquiries, there were no other significant events affecting the Group which have occurred since 31 December 2020 and up to the date of this annual report.

On behalf of the Board

Zhang Lianghong

Chairman

Hong Kong, 26 March 2021

CORPORATE GOVERNANCE REPORT

The Company is committed to achieving and maintaining high standards of corporate governance by focusing on principles of integrity, accountability, transparency, independence, responsibility and fairness. The Company has developed and implemented sound corporate governance policies and measures of which the Board is responsible for performing. The Board will continue to review and monitor the corporate governance of the Company, as well as various internal policies and procedures, including but not limited to those applicable to employees and Directors, with reference to the Corporate Governance Code (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, all Directors have confirmed that they have complied with the required standard set out in the Model Code during the Year.

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.

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, 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 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 <i>SBS, JP</i>	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 Mr. Li Yinquan is the independent non-executive Director possessing 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.

BOARD COMMITTEES

The Company has three principal Board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee (collectively, the "**Board Committees**"). Each of the Board committees operates under its own written terms of reference which states their authority and duties. Accordingly, the Board committees should report to the Board for their decisions or recommendations made and they shall be provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES *(Continued)*

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. 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. 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.

Under its terms of reference, the primary duties of the Audit Committee are to review and supervise, and provide an independent view of the effectiveness of, the financial reporting process and the risk management and internal control systems of the Group, oversee the audit process and perform other duties and responsibilities as assigned by the Board.

During the Year, the Audit Committee held 3 meetings, and the attendance of each member is set out in the paragraph 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 2019 and interim financial statements for the six months ended 30 June 2020 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 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; and
- reviewed the terms of reference of the Audit Committee.

BOARD COMMITTEES (Continued)**Remuneration Committee**

The Board established the Remuneration Committee with written terms of reference in compliance with the CG Code. The Remuneration Committee consists of three members, 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 and to assess the performance of the Directors and approve the terms of the Directors' service contracts.

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

During the Year, the Remuneration Committee held one meeting and the attendance of each member is set out in the paragraph headed "Board meetings and general meeting" below. 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.

Nomination Committee

The Board established the Nomination Committee with written terms of reference in compliance with the CG Code. The Nomination Committee consists of two independent non-executive Directors, being Mr. Kan Chung Nin, Tony 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.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES *(Continued)*

Nomination Committee *(Continued)*

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, as set out in the board diversity policy adopted by the Company (the "**Board Diversity Policy**") which is available on the website of the Company.

During the Year, the Nomination Committee held one meeting and the attendance of each member is set out in the paragraph 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 2020 AGM (as defined below); and
- reviewed the terms of reference of the Nomination Committee.

During the Year, the Nomination Committee has reviewed the Board composition 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.

BOARD MEETINGS AND GENERAL MEETING

During the Year, an annual general meeting was held on 29 June 2020 ("**2020 AGM**"), and four Board meetings were held.

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.

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

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.

Directors' attendance records at meetings of the Board and the Board Committees and general meeting

Name of Director	Attendance/Number of Meetings Eligible to Attend				2020 AGM
	Board Meeting	Audit Committee Meeting	Nomination Committee Meeting	Remuneration Committee Meeting	
<i>Executive Directors</i>					
Mr. Zhang Lianghong	4/4	N/A	1/1	1/1	1/1
Mr. Zhu Heping	4/4	N/A	N/A	N/A	1/1
Mr. Lee Yuk Kong	4/4	N/A	N/A	N/A	1/1
Mr. Huang Shaobo	4/4	N/A	N/A	N/A	1/1
<i>Independent non-executive Directors</i>					
Mr. Kan Chung Nin, Tony <i>SBS, JP</i>	4/4	3/3	1/1	1/1	1/1
Mr. Li Xiaoyan	4/4	3/3	N/A	N/A	1/1
Mr. Li Yinquan	4/4	3/3	1/1	1/1	1/1

CORPORATE GOVERNANCE REPORT

SENIOR MANAGEMENT EMOLUMENTS

Pursuant to Code provision B.1.5 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 to the Consolidated Financial Statements.

TRAINING AND CONTINUING DEVELOPMENT FOR DIRECTORS

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. The Directors had provided the relevant training records for the Year to the Company.

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.

COMPANY SECRETARY

The Company engaged an external professional company secretarial services provider, SWCS Corporate Services Group (Hong Kong) Limited ("**SWCS**"), to provide compliance and full range of 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.

During the Year and up to 5 February 2021, Ms. Yeung Ching Man ("**Ms. Yeung**"), a representative of SWCS, was appointed as the named company secretary of the Company (the "**Company Secretary**"). Mr. Yim Lok Kwan, a representative of SWCS, was appointed as the named Company Secretary on 5 February 2021.

Mr. Chen Wai Chung Edmund, the Group's Chief Financial Officer, is the primary point of contact at the Company for the Company Secretary.

According to the requirements of Rule 3.29 of the Listing Rules, Ms. Yeung 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 acknowledge that it is their responsibility to prepare the accounts of the Group and other disclosures required under the Listing Rules 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 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.

CORPORATE GOVERNANCE REPORT

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 did not have an internal audit function for the Year. The Board has reviewed, on an annual basis, the need for an internal audit function and is of the view that in light of the size, nature and complexity of the business of the Group, it would be more cost effective to appoint external independent professionals to perform independent review of the adequacy and effectiveness of the risk management and internal control systems of the Group. The Board will continue to review at least annually the need for an internal audit department.

Insider 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.

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 deal 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 executive Directors. The executive Directors 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

The Company has arranged for liability insurance cover to indemnify the Directors and the senior management of the Company. The insurance coverage is reviewed by the Board on an annual basis.

DIVIDEND POLICY

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

- (a) the Company's actual and expected financial performance;
- (b) dividends received from the Company's subsidiaries and associates;
- (c) retained earnings and distributable reserves of the Company and its subsidiaries and associates;
- (d) the liquidity position of the Group;
- (e) the Group's expected working capital requirements;
- (f) general business conditions and strategies;
- (g) taxation considerations;
- (h) possible effects on creditworthiness;
- (i) legal, statutory and regulatory restrictions;
- (j) contractual restrictions; and
- (k) any other factors that the Board deem appropriate.

CORPORATE GOVERNANCE REPORT

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.

AUDITOR'S REMUNERATION

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

Services rendered	For the year ended 31 December 2020	
	RMB'000	
Audit services	1,669	
Non-audit services	712	
Total	2,381	

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 requisitioner, provided that such requisitioner 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 requisitioner(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 requisitioner(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 edmundchen@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 edmundchen@platingbase.com.cn.
- (c) Shareholders are reminded to lodge their questions together with their detailed contact information for the prompt response from the Company if it deems appropriate.

INVESTOR RELATIONS AND SHAREHOLDERS' COMMUNICATIONS

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

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

On behalf of the Board

Zhang Lianghong
Chairman

26 March 2021

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 57 to 126, which comprise the consolidated statement of financial position as at 31 December 2020, 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 2020 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 MATTERS

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 MATTERS *(Continued)*

Revenue recognition

Refer to note 3 to the consolidated financial statements and the accounting policies on page 82.

The Key Audit Matter	How the matter was addressed in our audit
<p>The Group has the following principal sources of revenue:</p> <ul style="list-style-type: none"> — Facilities usage and management service; — Wastewater treatment and utilities; — Sales of goods and ancillary business. <p>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.</p> <p>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.</p>	<p>Our audit procedures to assess the recognition of revenue included the following:</p> <ul style="list-style-type: none"> • understanding and assessing the design, implementation and operating effectiveness of the key internal controls over the recognition of revenue; • evaluating the Group's revenue recognition accounting policies with reference to the requirements of the prevailing accounting standards; • obtaining the calculation sheets of the rental revenue, comparing rental revenue received and receivables with underlying tenancy information, including monthly rents and rental periods as set out the signed rental agreements for facilities usage, on a sample basis, and examining the calculations to assess whether rental revenue had been recorded in the appropriate accounting period; • reconciling revenue records as set out in the management accounts to wastewater treatment and utilities monthly fee notes, monthly wastewater and utilities meter reading records, service contracts, bank-in slips and other relevant documents, on a sample basis to assess whether the related revenue has been recognised in the appropriate accounting period; • selecting a sample of transactions regarding the sales of goods during and after the end of the reporting period and comparing the details with the underlying sales invoices and relevant documents evidencing the date of delivering and acceptance of the goods or services to assess whether the related revenue had been recognised in the appropriate accounting period; and • obtaining confirmations directly from the Group's customers, on a sample basis, to confirm the transaction amounts during the reporting period and reconciling the amounts confirmed to the Group's accounting records and assessing the reasons for any differences with relevant supporting documents.

INDEPENDENT AUDITOR'S REPORT

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 HKSAAs 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 HKSA's, 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, then we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

INDEPENDENT AUDITOR'S REPORT

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

26 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2020
(Expressed in Renminbi)

	Note	2020 RMB'000	2019 RMB'000
Revenue	3	724,724	640,040
Depreciation and amortisation	6(c)	(168,438)	(152,241)
Cost of inventories	6(c)	(190,363)	(163,827)
Staff costs	6(b)	(69,260)	(60,849)
Utility costs	6(c)	(18,180)	(20,092)
Other expenses		(113,007)	(134,670)
Other revenue	4	10,306	12,924
Other net (loss)/income	5	(2,448)	521
Profit from operations		173,334	121,806
Finance costs	6(a)	(52,936)	(67,112)
Profit before taxation	6	120,398	54,694
Income tax	7	(35,146)	(12,839)
Profit for the year		85,252	41,855
Attributable to:			
Equity shareholders		102,609	55,146
Non-controlling interests	17	(17,357)	(13,291)
Profit for the year		85,252	41,855
Earnings per share (RMB)	11		
Basic and diluted		0.09	0.06

The notes on pages 64 to 126 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 2020
(Expressed in Renminbi)

	Note	2020 RMB'000	2019 RMB'000
Profit for the year		85,252	41,855
Other comprehensive income for the year	10		
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of financial statements of entities not using Renminbi ("RMB") as functional currency		124	3,996
Total comprehensive income for the year		85,376	45,851
Attributable to:			
Equity shareholders		102,733	59,142
Non-controlling interests		(17,357)	(13,291)
Total comprehensive income for the year		85,376	45,851

The notes on pages 64 to 126 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in Renminbi)

	Note	2020 RMB'000	2019 RMB'000
Non-current assets			
Property, plant and equipment	12	1,201,695	917,326
Investment property	13	841,382	721,200
Construction in progress	14	363,246	392,765
Right-of-use assets	15	272,855	279,280
Intangible assets	16	3,263	4,074
Other receivables	20	4,813	15,788
Deferred tax assets	28	39,565	37,911
Other financial assets	18	5,740	8,165
Total non-current assets		2,732,559	2,376,509
Current assets			
Inventories	19	6,037	3,444
Trade and other receivables	20	181,850	157,314
Non-current assets held for sale	21	450	–
Cash and cash equivalents	22	72,773	103,297
Total current assets		261,110	264,055
Current liabilities			
Trade and other payables	23	483,109	552,894
Contract liabilities	24	9,148	23,372
Bank loans and other borrowings	25	384,680	253,558
Current taxation	28	15,920	12,341
Lease liabilities	26	695	728
Total current liabilities		893,552	842,893
Net current liabilities		(632,442)	(578,838)
Total assets less current liabilities		2,100,117	1,797,671
Non-current liabilities			
Bank loans and other borrowings	25	864,317	650,147
Deferred income	27	65,288	67,203
Deferred tax liabilities	28	4,637	19
Lease liabilities	26	590	393
Total non-current liabilities		934,832	717,762
Net assets		1,165,285	1,079,909

The notes on pages 64 to 126 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in Renminbi)

	Note	2020 RMB'000	2019 RMB'000
CAPITAL AND RESERVES	29		
Share capital		98,377	98,377
Reserves		884,288	781,555
Total equity attributable to equity shareholders		982,665	879,932
Non-controlling interests	17	182,620	199,977
Total equity		1,165,285	1,079,909

Approved and authorised for issue by the board of directors on 26 March 2021.

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) *Directors*
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The notes on pages 64 to 126 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2020
(Expressed in Renminbi)

	Attributable to equity shareholders								
	Share capital	Share premium	Capital reserve	Statutory reserve	Exchange reserve	Retained profits	Sub-total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Note 29(c)	Note 29(d)	Note 29(d)	Note 29(d)	Note 29(d)				
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 64 to 126 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2020
(Expressed in Renminbi)

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

The notes on pages 64 to 126 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2020
(Expressed in Renminbi)

	Note	2020 RMB'000	2019 RMB'000
Operating activities			
Cash generated from operations	22(b)	289,151	292,822
Income tax paid	28(a)	(28,603)	(17,403)
Net cash generated from operating activities		260,548	275,419
Investing activities			
Interest received		361	13,879
Payment for purchase of property, plant and equipment, investment property and right-of-use assets		(580,446)	(373,253)
Payment for purchase of intangible assets		(59)	(946)
Proceeds from disposal of property, plant and equipment		574	109
Proceeds from disposal of land-use rights		1,318	–
Advance to third parties		–	(63,015)
Repayment from third parties		–	86,000
Advance to related parties	32(b)	(100)	(49,666)
Repayment from related parties		100	27,732
Payment for government bonds		–	(4,044)
Proceeds from disposal of government bonds		–	4,045
Withdrawal of deposits with a bank with original maturity date over three months		–	50,000
Net cash used in investing activities		(578,252)	(309,159)
Financing activities			
Proceeds from bank loans and other borrowings	22(e)	463,732	210,000
Repayment of bank loans and other borrowings	22(e)	(118,440)	(198,173)
Advance from other third parties	22(e)	–	10,000
Repayment to other third parties	22(e)	–	(10,000)
Advance from related parties	22(e)	–	61,354
Repayment to related parties	22(e)	–	(263,441)
Interest paid	22(e)	(68,779)	(68,996)
Payment of loan deposits		(5,000)	(10,000)
Withdrawal of deposits from a bank		15,000	–
Capital injection from non-controlling interests		–	7,531
Payment for cancellation of shares		–	(69)
Payment of capitalised listing expenses		–	(3,429)
Proceeds from share issued upon IPO		–	322,169
Lease payments	22(f)	(956)	(940)
Net cash generated from financing activities		285,557	56,006
Net (decrease)/increase in cash and cash equivalents		(32,147)	22,266
Cash and cash equivalents at the beginning of the year		103,297	80,733
Effect of foreign exchange rate changes		1,623	298
Cash and cash equivalents at the end of the year		72,773	103,297

The notes on pages 64 to 126 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 2020 comprise the Company and its subsidiaries (together referred to as the "Group").

At 31 December 2020, the Group's current liabilities exceeded its current assets by RMB632,442,000 (2019: RMB578,838,000). The directors of the Company have confirmed that, based on future projection of the Group's cash flows from operations and the anticipated ability of the Group to renew or rollover its banking 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 report, the management believes that the Group has adequate resources to continue to operate as a going concern throughout the next twelve months and that there are no material uncertainties related to events or conditions which, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern.

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

Non-current assets held for sale are stated at the lower of carrying amount and fair value less costs to sell (see note 1(x)).

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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

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 Group has applied the following amendment to HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- Amendments to HKFRS 16, *Covid-19- Related Rent Concessions*

Other than the amendment to HKFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRS 16 is discussed below:

Amendments to HKFRS 16, *Covid-19- Related Rent Concessions*

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic ("COVID-19-related rent concessions") are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to adopt the amendments and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the year. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred (see note 15). There is no impact on the opening balance of equity at 1 January 2020.

(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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

1 Significant accounting policies *(Continued)*

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

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.

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 irrevocable 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

1 Significant accounting policies *(Continued)*

(f) Investment property

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

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

Investment property	20 years
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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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

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 any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of HKFRS 16 *Leases*. In such cases, the Group took advantages of the practical expedient set out in paragraph 46A of HKFRS 16 and recognized the change in consideration as if it were not a lease modification.

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).

NOTES TO THE FINANCIAL STATEMENTS

(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, 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

1 Significant accounting policies *(Continued)*

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

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

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).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

1 Significant accounting policies *(Continued)*

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

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")).

— *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.

NOTES TO THE FINANCIAL STATEMENTS

(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 or supplies which are held for consumption in the rendering of services or for sale in the ordinary course of business.

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

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

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

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

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

(l) Contract liabilities

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

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

(m) Trade and other receivables

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

1 Significant accounting policies *(Continued)*

(n) Cash and cash equivalents

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

(o) Trade and other payables

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

(p) Interest-bearing borrowings

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

The Group also operates a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. Contributions to the plan vest immediately.

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

(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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

1 Significant accounting policies *(Continued)*

(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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

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.

(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:

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

1 Significant accounting policies *(Continued)*

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

(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

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

1 Significant accounting policies *(Continued)*

(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.

(x) Non-current assets held for sale

A non-current asset is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset is available for sale in its present condition.

Immediately before classification as held for sale, the measurement of the non-current assets is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group are concerned are deferred tax assets, financial assets (other than investments in subsidiaries) and investment properties. These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 1.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, the non-current asset is not depreciated or amortised.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

1 Significant accounting policies *(Continued)*

(y) 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

1 Significant accounting policies *(Continued)*

(z) Segment reporting

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

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

2 Accounting judgements and estimates

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

(a) Depreciation and amortisation

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

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

(b) Credit losses and impairments of assets

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

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

NOTES TO THE FINANCIAL STATEMENTS

(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:

	2020 RMB'000	2019 RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major business lines		
— Facilities usage and management service	198,103	181,798
— Wastewater treatment and utilities	293,968	284,574
— Sales of goods and ancillary business	150,442	94,448
	642,513	560,820
Revenue from other sources		
Gross rentals from investment properties (note 13)	82,211	79,220
	724,724	640,040

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 2020 (2019: nil).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

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 raw materials and provision of other related environmental services to customers.

(i) Segment results, assets and liabilities

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

3 Revenue and segment reporting *(Continued)*

(b) Segment reporting *(Continued)*

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

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 2020 and 2019 are set out below.

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)

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

3 Revenue and segment reporting *(Continued)*

(b) Segment reporting *(Continued)*

(ii) Reconciliations of reportable segment profits

	2020 RMB'000	2019 RMB'000
Reportable segment profit	360,699	303,379
Elimination of inter-segment profit	–	–
Reportable segment profit derived from the Group's external customers	360,699	303,379
Depreciation and amortisation	(168,438)	(152,241)
Finance costs	(52,936)	(67,112)
Interest income	361	1,964
Unallocated head office and corporate expenses	(19,288)	(31,296)
Consolidated profit before taxation	120,398	54,694

(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 2020, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is RMB495,208,000 (2019: RMB629,185,000). 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

3 Revenue and segment reporting *(Continued)*

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

	2020 RMB'000	2019 RMB'000
Less than one year	79,759	79,182
One to two years	33,674	78,151
Two to three years	26,801	31,261
Three to four years	19,112	22,896
Four to five years	12,924	14,082
More than five years	27,903	30,291
Total undiscounted lease payments	200,173	255,863

4 Other revenue

	2020 RMB'000	2019 RMB'000
Interest income	361	1,964
Government grants		
— Unconditional subsidies	3,080	3,595
— Conditional subsidies (note 27)	6,693	6,654
Other income	172	711
	10,306	12,924

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

5 Other net (loss)/income

	2020 RMB'000	2019 RMB'000
(Loss)/gain arising from disposal of property, plant and equipment	(126)	34
Changes in fair value of other financial assets through profit or loss	(2,425)	(310)
Net foreign exchange (loss)/gain	(686)	1,424
Others	789	(627)
	(2,448)	521

6 Profit before taxation

Profit before taxation is arrived at after charging:

(a) Finance costs

	2020 RMB'000	2019 RMB'000
Interest on bank loans	69,078	69,034
Interest on lease liabilities (note 15)	49	64
Less: interest expenses capitalised into properties and plant under development	(16,191)	(1,986)
	52,936	67,112

The borrowing costs have been capitalised at a rate of 6.84% per annum (2019: 6.82%).

(b) Staff costs (including directors' emoluments)

	2020 RMB'000	2019 RMB'000
Salaries, wages and other benefits	68,773	55,775
Retirement scheme contributions	487	5,074
	69,260	60,849

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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

6 Profit before taxation *(Continued)*

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

The Group also operates the MPF scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$30,000. Contributions to the plan vest immediately.

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

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 the exemption of the contributions to the pension insurance, unemployment insurance and work injury insurance from February to December 2020.

(c) Other items

	2020 RMB'000	2019 RMB'000
Depreciation and amortisation		
— Property, plant and equipment	117,175	102,581
— Investment property	43,348	42,039
— Right-of-use assets	7,045	6,487
— Intangible assets	870	1,134
	168,438	152,241
Cost of inventories (i)	190,363	163,827
Utility costs	18,180	20,092
Listing expenses	—	17,907
Auditors' remuneration	2,555	2,595
Research and development expenses	8,435	9,230

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

7 Income tax in the consolidated statement of profit or loss

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

	2020 RMB'000	2019 RMB'000
Current tax — PRC income tax		
Provision for the year (note 28(a))	32,182	18,120
Deferred tax		
Origination and reversal of temporary differences (note 28(b))	2,964	(5,281)
	35,146	12,839

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

	2020 RMB'000	2019 RMB'000
Profit before taxation	120,398	54,694
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned (i)	32,224	17,943
Effect of non-deductible expenses	2,918	1,066
Effect of preferential tax treatments on environmental protection devices (ii)	(505)	(73)
Additional deduction for research and development expenses (iii)	(3,401)	(3,330)
Effect of preferential tax treatments on High and New Technology Enterprise (iv)	(10,502)	(6,532)
Effect of deferred tax balances at 1 January resulting from a change in tax rate (iv)	–	3,377
Effect of unused tax losses not recognised	3,581	388
Withholding tax on distribution of profit from of a PRC subsidiary (v)	10,831	–
Income tax expenses	35,146	12,839

- (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 2020, subsidiaries in Hong Kong did not have any assessable profits (2019: nil).

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

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 2020 and 2019, Huizhou Jinmaoyuan Environmental Technology Co., Ltd. ("Huizhou Jinmaoyuan"), engaging in electroplating wastewater treatment, was entitled to the preferential tax policy on environmental protection devices. 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 2020, the income tax of Huizhou Jinmaoyuan was reduced by RMB505,000 (2019: RMB73,000).

- (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 RMB3,401,000 for the year ended 31 December 2020 (2019: RMB3,330,000).

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

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 RMB10,502,000 for the year ended 31 December 2020 (2019: RMB6,532,000) 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

8 Directors' emoluments

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

	For the year ended 31 December 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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

8 Directors' emoluments (Continued)

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

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 2020 (2019: nil). There was no arrangement under which a director had waived or agreed to waive any remuneration during the year (2019: nil).

9 Individuals with highest emoluments

Of the five individuals with the highest emoluments, three (2019: two) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other two (2019: three) individuals are as follows:

	2020 RMB'000	2019 RMB'000
Salaries and other emoluments	1,557	1,150
Discretionary bonuses	218	348
Retirement scheme contributions	18	70
	1,793	1,568

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

9 Individuals with highest emoluments *(Continued)*

The emoluments of the two (2019: three) individuals with the highest emoluments are within the following bands:

	2020 Number of individuals	2019 Number of individuals
Nil to HK\$1,000,000	2	3

10 Other comprehensive income

Tax effects relating to each component of other comprehensive income

	2020			2019		
	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	124	-	124	3,996	-	3,996

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 RMB102,609,000 (2019: RMB55,146,000) and the weighted average number of 1,120,000,000 ordinary shares (2019: 969,644,000 shares) in issue during the year, calculated as follows:

	2020 '000	2019 '000
Issued ordinary shares at 1 January	1,120,000	10
Effect of cancellation of shares	-	(10)
Effect of share issued on 7 January 2019 at HK\$0.1 each	-	336,000
Effect of share issued on 21 June 2019 at HK\$0.1 each	-	504,000
Effect of shares issued upon IPO	-	129,644
Weighted average number of ordinary shares at 31 December	1,120,000	969,644

The number of shares during the year ended 31 December 2019 were based on the assumption that the 336,000,000 and 504,000,000 shares of the Company had been issued throughout 2019 and before the IPO in July 2019.

(b) Diluted earnings per share

During the years ended 31 December 2020 and 2019, there were no dilutive potential ordinary shares issued.

NOTES TO THE FINANCIAL STATEMENTS

(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 2019	112,823	996,880	7,684	9,526	1,126,913
Additions	–	3,917	515	1,367	5,799
Transfer from construction in progress (note 14)	821	140,981	–	533	142,335
Disposals	–	(308)	(14)	(39)	(361)
At 31 December 2019	113,644	1,141,470	8,185	11,387	1,274,686
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
Accumulated depreciation:					
At 1 January 2019	(49,937)	(197,121)	(3,413)	(4,594)	(255,065)
Charge for the year	(4,816)	(95,109)	(1,289)	(1,367)	(102,581)
Written back on disposals	–	254	6	26	286
At 31 December 2019	(54,753)	(291,976)	(4,696)	(5,935)	(357,360)
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)
Net book value:					
At 31 December 2020	196,784	995,612	2,453	6,846	1,201,695
At 31 December 2019	58,891	849,494	3,489	5,452	917,326

As at 31 December 2020, certain property, plant and equipment with carrying value of RMB601,803,000 were pledged to secure the Group's bank loans (2019: RMB301,237,000) (note 25(ii)).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

13 Investment property

	RMB'000
Cost:	
At 1 January 2019	848,854
Transfer from construction in progress (note 14)	51,765
At 31 December 2019	900,619
Transfer from construction in progress (note 14)	163,530
At 31 December 2020	1,064,149
Accumulated depreciation:	
At 1 January 2019	(137,380)
Charge for the year	(42,039)
At 31 December 2019	(179,419)
Charge for the year	(43,348)
At 31 December 2020	(222,767)
Net book value:	
At 31 December 2020	841,382
At 31 December 2019	721,200

As at 31 December 2020, the fair value of the Group's investment property was approximately RMB1,653,200,000 (2019: RMB1,437,273,000). The fair value are determined by the directors of the Company with reference to the valuation performed, using the income capitalisation approach with reference to the term value and the reversionary value calculated by discounting the contracted annual rent at the capitalization rate over the existing 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 2020, certain investment property with carrying value of RMB804,669,000 were pledged to secure the Group's bank loans (2019: RMB655,469,000) (note 25(ii)).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

13 Investment property *(Continued)*

Amount recognised in profit or loss

	2020 RMB'000	2019 RMB'000
Rental income, excluding service charges (note 3(a))	82,211	79,220
Direct operating expenses that generated rental income during the year	(53,623)	(47,055)
Direct operating expenses that did not generate rental income during the year	(9,084)	(9,381)

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 2019	92,890
Additions	493,975
Transfer to property, plant and equipment (note 12)	(142,335)
Transfer to investment property (note 13)	(51,765)
At 31 December 2019	392,765
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

As at 31 December 2020, construction in progress mainly comprises properties and plant and machinery.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

15 Right-of-use assets

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

	Land-use rights RMB'000	Office and dormitories RMB'000	Total RMB'000
Cost:			
At 1 January 2019	234,445	–	234,445
Additions	70,359	1,997	72,356
At 31 December 2019	304,804	1,997	306,801
Additions	–	1,070	1,070
Transfer to assets held for sale (note 21)	(514)	–	(514)
At 31 December 2020	304,290	3,067	307,357
Accumulated amortisation:			
At 1 January 2019	(21,034)	–	(21,034)
Charge for the year	(5,716)	(771)	(6,487)
At 31 December 2019	(26,750)	(771)	(27,521)
Charge for the year	(6,206)	(839)	(7,045)
Written back on assets held for sale (note 21)	64	–	64
At 31 December 2020	(32,892)	(1,610)	(34,502)
Net book value:			
At 31 December 2020	271,398	1,457	272,855
At 31 December 2019	278,054	1,226	279,280

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 (2019: 42 to 50 years). At 31 December 2020, the remaining periods of the land-use rights range from 35 to 49 years (2019: 36 to 50 years).

As at 31 December 2020, land-use rights with net book value of RMB190,973,000 (2019: RMB95,890,000) were pledged for bank loans (note 25(ii)).

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.

NOTES TO THE FINANCIAL STATEMENTS

(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:

	2020 RMB'000	2019 RMB'000
Interest on lease liabilities (note 6(a))	49	64
Expenses relating to short-term leases	115	149
COVID-19-related rent concessions received	(131)	–
	33	213

As disclosed in note 1(c), the Group has already adopted the Amendment to HKFRS 16, *Leases, Covid-19-Related Rent Concessions*, and applies the practical expedient introduced by the Amendment to all eligible rent concessions received by the Group during the period.

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 2019	5,274	–	5,274
Additions	–	946	946
At 31 December 2019	5,274	946	6,220
Additions	59	–	59
At 31 December 2020	5,333	946	6,279
Accumulated amortisation:			
At 1 January 2019	(1,012)	–	(1,012)
Charge for the year	(1,055)	(79)	(1,134)
At 31 December 2019	(2,067)	(79)	(2,146)
Charge for the year	(781)	(89)	(870)
At 31 December 2020	(2,848)	(168)	(3,016)
Net book value:			
At 31 December 2020	2,485	778	3,263
At 31 December 2019	3,207	867	4,074

NOTES TO THE FINANCIAL STATEMENTS

(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	Group's effective interest	Proportion of ownership interest		Principal activity
				Held by the Company	Held by a subsidiary	
Huizhou Kimou Industrial Investment Co., Ltd. ("Huizhou Jinmao") (i) 惠州金茂實業投資有限公司 (i)	Huizhou, the PRC	RMB600,000,000	100%	–	100%	Investment property development and management
Huizhou Jinzefeng Trading Co., Ltd. ("Huizhou Jinzefeng") (ii) 惠州金澤豐貿易有限公司 (ii)	Huizhou, the PRC	RMB2,000,000	100%	–	100%	Sales of chemical materials
Huizhou Jinmaoyuan (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.

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(Expressed in Renminbi unless otherwise indicated)

17 Investments in subsidiaries *(Continued)*

	2020 RMB'000	2019 RMB'000
NCI percentage	49%	49%
Current assets	76,043	108,735
Non-current assets	1,226,349	1,265,894
Current liabilities	(357,434)	(445,317)
Non-current liabilities	(572,121)	(521,195)
Net assets	372,837	408,117
Carrying amount of NCI	182,690	199,977
Revenue	171,037	158,056
Loss for the year	(35,280)	(27,124)
Total comprehensive income	(35,280)	(27,124)
Loss allocated to NCI	(17,287)	(13,291)
Net cash generated from operating activities	43,359	50,751
Net cash used in investing activities	(113,215)	(152,761)
Net cash generated from financing activities	50,975	117,977

18 Other financial assets

	2020 RMB'000	2019 RMB'000
Unlisted equity securities	5,740	8,165

The unlisted equity securities represented the 5% shares in a local commercial bank incorporated in the PRC and engaging in provision of banking and financing services. Dividends of RMB27,000 were received on this investment during the year (2019: RMB24,000).

19 Inventories

	2020 RMB'000	2019 RMB'000
Raw materials	1,557	1,961
Consumables	4,480	1,483
	6,037	3,444

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

	2020 RMB'000	2019 RMB'000
Carrying amount of inventories consumed and sold (note 6(c))	190,363	163,827

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

20 Trade and other receivables

	2020 RMB'000	2019 RMB'000
Current		
Trade debtors	98,083	104,133
Less: Allowance for expected credit losses (note 30(a))	-	-
	98,083	104,133
Deductible input VAT	76,540	40,316
Loan deposits (i)	-	10,000
Prepayments and other receivables	7,227	2,865
	181,850	157,314
Non-current		
Prepayments for purchase of property, plant and equipment	4,535	11,789
Deposits for acquisition of land-use rights and constructions	278	3,999
	4,813	15,788
Total	186,663	173,102

(i) It represents the payment to a bank as deposits for certain bank loans. Subsequently in January 2020, the amount of RMB10,000,000 had been repaid by the bank (note 25(ii)).

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

Ageing analysis

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

	2020 RMB'000	2019 RMB'000
Within 1 month	88,600	95,426
1 to 3 months	7,201	6,890
4 to 6 months	1,565	949
Over 6 months	717	868
	98,083	104,133

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).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

21 Non-current assets held for sale

	2020 RMB'000	2019 RMB'000
Non-current assets held for sale	450	–

Non-current assets held for sale represents right-of-use assets which were planned to be sold to an independent third party in the next 12 months and were measured at the lower of their carrying amounts and fair values less costs to sell.

22 Cash and cash equivalents

(a) Cash and cash equivalents comprise:

	2020 RMB'000	2019 RMB'000
Cash on hand	202	255
Cash at bank	72,571	103,042
	72,773	103,297

As at 31 December 2020, cash and cash equivalents placed with banks in Mainland China amounted to RMB72,009,000 (2019: RMB77,223,000). 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:

	2020 RMB'000	2019 RMB'000
Profit before taxation	120,398	54,694
Adjustments for:		
Depreciation and amortisation	168,438	152,241
Finance costs	52,936	67,112
Interest income	(361)	(1,964)
Foreign exchange loss	(1,504)	4,544
Loss/(gain) arising from disposals of property, plant and equipment	126	(34)
Change in fair value of other financial assets through profit or loss	2,425	310
Changes in working capital:		
(Decrease)/increase in inventories	(2,593)	1,455
Decrease in trade and other receivables	(62,087)	(59,157)
Increase in trade and other payables	13,288	60,275
(Decrease)/increase in deferred income	(1,915)	13,346
Cash generated from operations	289,151	292,822

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

22 Cash and cash equivalents *(Continued)*

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

	2020 RMB'000	2019 RMB'000
Purchase of property, plant and equipment and investment property settled by bills endorsement	18,323	24,542

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

	2020 RMB'000	2019 RMB'000
Capitalisation of the amounts due to ultimate individual shareholders of the Group and entities they effectively owned (together as the "Shareholders") (i)	-	374,761
Settlement of amounts due to related parties by off-setting with amounts due from the corresponding related parties (note 22(e))	-	27,991
Proceeds from a loan received by bills (ii)	-	20,000

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

22 Cash and cash equivalents *(Continued)*

(e) Reconciliation of liabilities arising from financing activities

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

	Liabilities arising from other				Total RMB'000
	Bank loans RMB'000 (Note 25)	borrowings RMB'000 (Note 25)	Interest payable RMB'000 (Note 23)	Lease liabilities RMB'000 (Note 26)	
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(f))	-	-	-	(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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

22 Cash and cash equivalents *(Continued)*

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

22 Cash and cash equivalents *(Continued)*

(f) Total cash outflow for leases

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

	2020 RMB'000	2019 RMB'000
Within operating cash flows	115	149
Within financing cash flows	956	940

23 Trade and other payables

	2020 RMB'000	2019 RMB'000
Trade payables	55,182	60,579
Deposits due to customers	152,014	136,872
Payables for equipment and construction	244,962	330,872
Interest payable	2,031	1,732
Payroll payable	18,648	10,499
Amounts due to related parties (note 32(c))	97	–
Others	10,175	12,340
Total	483,109	552,894

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:

	2020 RMB'000	2019 RMB'000
Within 1 month	40,328	49,190
1 to 3 months	10,467	9,364
4 to 6 months	4,066	1,984
Over 6 months	321	41
	55,182	60,579

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

24 Contract liabilities

	2020 RMB'000	2019 RMB'000
Service fees prepaid by customers	7,757	23,175
Payments of right-of-use assets prepaid by a third party (note 21)	1,318	–
Payments of goods prepaid by customers	73	197
	9,148	23,372

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

	2020 RMB'000	2019 RMB'000
Balance at 1 January	23,372	20,218
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	(23,372)	(20,218)
Increase in contract liabilities as a result of receiving services fees and payments of goods in advance as at the year end	9,148	23,372
Balance at 31 December	9,148	23,372

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

25 Bank loans and other borrowings

At 31 December 2020, the bank loans and other borrowings were secured as follows:

	2020 RMB'000	2019 RMB'000
Secured bank loans	1,226,497	903,705
Secured other borrowings	22,500	–
	1,248,997	903,705

At 31 December 2020, the bank loans and other borrowings were repayable as follows:

	2020 RMB'000	2019 RMB'000
Within 1 year or on demand	384,680	253,558
After 1 year but within 2 years	214,261	233,281
After 2 years but within 5 years	518,098	370,492
After 5 years	131,958	46,374
Sub-total	864,317	650,147
Total	1,248,997	903,705

- (i) Other borrowings represent loans received from a financial institution in the PRC.
- (ii) As at 31 December 2020, bank loans amounted to RMB1,082,810,000 (2019: RMB903,705,000) were floating-interest rate loans with interest rates ranged from 5.85% to 6.86% (2019: 5.70% to 6.86%). Bank loans and other borrowings amounted to RMB166,187,000 (2019: nil) were fixed-interested rate borrowings with interest rates ranged from 5.22% to 6.65% (2019: nil).
- (iii) Secured bank loans and other borrowings as at 31 December 2020 and 2019 were secured by certain of the Group's charge rights of income, property, plant and equipment (note 12), investment property (note 13), land-use rights (note 15) and loan deposits (note 20).
- (iv) As at 31 December 2020, bank loans amounted to RMB65,000,000 (2019: RMB75,000,000) were guaranteed by Mr. Zhang Lianghong and Tianjin Wanhesun Technology Co., Group Ltd., which holds 49% of equity interest of Tianjin Bingang.
- (v) As at 31 December 2020, bank loans amounted to RMB1,044,110,000 (2019: RMB772,517,000) were guaranteed by Mr. Zhang Lianghong, Mr. Zhang Haiming, Mr. Huang Shaobo and Mr. Lee Yuk Kong.
- (vi) As at 31 December 2020, bank loans and other borrowings amounted to RMB1,248,997,000 (2019: RMB903,705,000) 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 2020, none of the covenants relating to drawn down facilities had been breached (2019: nil).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

26 Lease liabilities

The following table shows the remaining contractual maturities of the Group's lease liabilities as at 31 December of 2020:

	2020		2019	
	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	695	749	728	766
After 1 year but within 2 years	436	471	295	315
After 2 years but within 5 years	154	167	98	113
	590	638	393	428
	1,285	1,387	1,121	1,194
Less: Total future interest expenses		(102)		(73)
Present value of lease liabilities		1,285		1,121

27 Deferred income

	2020 RMB'000	2019 RMB'000
At the beginning of the year	67,203	53,857
Additions	4,778	20,000
Credited to profit or loss (note 4)	(6,693)	(6,654)
At the end of the year	65,288	67,203

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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

28 Income tax in the consolidated statements of financial position

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

	2020 RMB'000	2019 RMB'000
At the beginning of the year	12,341	11,624
Provision for PRC income tax for the year (note 7(a))	32,182	18,120
PRC income tax paid	(28,603)	(17,403)
At the end of the year	15,920	12,341

(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 2019	(21,739)	(10,480)	72	(381)	-	(83)	(32,611)
(Credited)/charged to profit or loss (note 7(a))	(3,624)	(1,804)	(53)	242	-	(42)	(5,281)
At 31 December 2019	(25,363)	(12,284)	19	(139)	-	(125)	(37,892)
(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)

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

	2020 RMB'000	2019 RMB'000
Net deferred tax assets recognised in the consolidated statements of financial position	(39,565)	(37,911)
Net deferred tax liabilities recognised in the consolidated statements of financial position	4,637	19
	(34,928)	(37,892)

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

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

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(r), the Group has not recognised deferred tax assets in respect of cumulative tax losses as at 31 December 2020 of RMB5,356,000 (2019: RMB3,040,000), as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entities. The tax losses of subsidiaries located in Hong Kong do not expire under current tax legislation.

(d) Deferred tax liabilities not recognised

Dividend withholding tax

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

As at 31 December 2020, 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 2020, 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:

	2020 RMB'000	2019 RMB'000
Distributable profits earned by PRC subsidiaries on or after 1 January 2008	146,551	118,860

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

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	Accumulated losses RMB'000	Total RMB'000
At 1 January 2019		69	–	(141)	(3,983)	(4,055)
Changes in equity for 2019:						
Loss for the year		–	–	–	(21,439)	(21,439)
Other comprehensive income		–	–	12,168	–	12,168
Total comprehensive income		–	–	12,168	(21,439)	(9,271)
Cancellation of shares	29(c)	(69)	–	–	–	(69)
Share issued	29(c)	73,739	301,022	–	–	374,761
Share issued upon IPO	29(c)	24,638	294,102	–	–	318,740
At 31 December 2019 and 1 January 2020	35	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)
As at 31 December 2020	35	98,377	595,124	(28,656)	(33,851)	630,994

(b) Dividends

No dividends have been declared or paid by the Company during the year (2019: nil). The board of directors of the Company has resolved not to recommend payment of any final dividend for the year.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

29 Capital, reserves and dividends *(Continued)*

(c) Share capital

Authorised share capital of the Company

	Number of shares	USD	HK\$
At 1 January 2019 (i)	50,000	50,000	–
Cancellation of shares (ii)	(50,000)	(50,000)	–
Creation of shares on 7 January 2019 at HK\$0.1 each (ii)	1,680,000,000	–	168,000,000
At 31 December 2019, 1 January 2020 and 31 December 2020	1,680,000,000	–	168,000,000

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

(ii) Pursuant to the written resolutions of the directors and shareholders of the Company dated 7 January 2019, the authorised share capital of the Company was changed to HK\$168,000,000 by the creation of an additional 1,680,000,000 shares with a par value of HK\$0.1 each and the cancellation of 50,000 shares with a par value of US\$1.0 each.

Issued share capital of the Company

	Number of shares	USD	HK\$	RMB equivalent
Ordinary shares, issued and fully paid				
At 1 January 2019	10,000	10,000	–	69,157
Cancellation of shares (i)	(10,000)	(10,000)	–	(69,157)
Shares issued on 7 January 2019 at HK\$0.1 each (i)	336,000,000	–	33,600,000	29,386,560
Shares issued on 21 June 2019 at HK\$0.1 each (ii)	504,000,000	–	50,400,000	44,352,000
Shares issued upon IPO (iii)	280,000,000	–	28,000,000	24,638,880
At 31 December 2019 and 1 January 2020 and 31 December 2020	1,120,000,000	–	112,000,000	98,377,440

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

29 Capital, reserves and dividends *(Continued)*

(c) Share capital *(Continued)*

Issued share capital of the Company *(Continued)*

- (i) At 31 December 2018, 10,000 shares of the Company of US\$10,000, equivalent to RMB69,000, have been issued and paid. Pursuant to the written resolutions of the director and shareholders dated 7 January 2019, the above 10,000 shares were cancelled by the Company and 336,000,000 shares in the Company, with a par value of HK\$0.1 each, were issued. In 2019, the above issued share capital of HK\$33,600,000, equivalent to RMB29,387,000, and share premium of RMB15,728,000 have been fully paid by capitalisation of the amounts due to the shareholders of the Company.
- (ii) Pursuant to the written resolutions of the directors and shareholders of the Company dated 21 June 2019, 504,000,000 shares in the Company, with a par value of HK\$0.1 each, were issued. In 2019, the above issued shares capital of HK\$50,400,000, equivalent to RMB44,352,000, and share premium of RMB285,294,000 have been paid by capitalisation of the amounts due to the Shareholders.
- (iii) On 16 July 2019, shares of the Company were listed on the Stock Exchange with a total number of 1,120,000,000 shares, among which 280,000,000 shares (25% of the total shares of the Company) were issued to the public. The net proceeds received by the Company from the share offering were approximately HK\$362,196,000, equivalent to RMB318,740,000, of which HK\$28,000,000 (equivalent to RMB24,639,000) was recognised as share capital while HK\$334,196,000 (equivalent to RMB294,102,000) was recognised as share premium.
- (iv) 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.

(d) Nature and purposes of reserves

(i) Share premium

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

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

(ii) Capital reserve

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

29 Capital, reserves and dividends *(Continued)*

(d) Nature and purposes of reserves *(Continued)*

(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 2020, the aggregate amounts of reserves available for distribution to equity shareholders of the Company was HK\$637,756,000 (equivalent to RMB532,617,000) (2019: HK\$647,234,000 (equivalent to RMB581,729,000)), which comprises of share premium and offset by accumulated losses of the Company.

(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 level 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

29 Capital, reserves and dividends *(Continued)*

(f) Capital management *(Continued)*

The Group's adjusted net debt-to-equity ratio as at 31 December 2020 was as follows:

	Note	2020 RMB'000	2019 RMB'000
Current liabilities:			
Bank loans and other borrowings	25	384,680	253,558
Lease liabilities	26	695	728
		385,375	254,286
Non-current liabilities:			
Bank loans and other borrowings	25	864,317	650,147
Lease liabilities	26	590	393
		1,250,282	904,826
Less: Cash and cash equivalents	22	(72,773)	(103,297)
Adjusted net debt		1,177,509	801,529
Total equity		1,165,285	1,079,909
Adjusted net debt-to-equity ratio		1.01	0.74

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

Except for the financial guarantees given by the Group as set out in note 32(b), the Group does not provide any other guarantees which would expose the Group to credit risk.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

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

(a) Credit risk *(Continued)*

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 2020 and 2019, 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 2020 and 2019.

(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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

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 2020 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:

	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

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

NOTES TO THE FINANCIAL STATEMENTS

(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 and fixed rates that expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. 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:

	2020		2019	
	Effective interest rate %	RMB'000	Effective interest rate %	RMB'000
Fixed rate borrowings:				
Lease liabilities	4.75	1,285	4.75	1,121
Bank loans and other borrowings	5.22–6.65	166,187	–	–
		167,472		1,121
Variable rate borrowings:				
Bank loans	5.85–6.86	1,082,810	5.70–6.86	903,705

(ii) Sensitivity analysis

At 31 December 2020, 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 RMB8,708,000 (2019: RMB6,777,000). 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 2019.

(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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

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	Fair value measurements as at		
	31 December	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	–

	Fair value at	Fair value measurements as at		
	31 December	31 December 2019 categorised into		
	2019	Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000

Recurring fair value measurement

Other financial assets:				
Unlisted equity securities	8,165	–	8,165	–

As at 31 December 2020, 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.

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

NOTES TO THE FINANCIAL STATEMENTS

(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 2020 and 2019.

31 Capital commitments

Capital commitments outstanding as at 31 December 2020 not provided for in the financial statements were as follows:

	2020 RMB'000	2019 RMB'000
Contracted for	172,671	498,348
Authorised but not contracted for:		
— Sichuan Qingshen Project	2,000,000	2,000,000
	2,172,671	2,498,348

32 Material related party transactions

In addition to the related party information disclosed elsewhere in the financial statements, the Group entered into the following material related party transactions. During the years ended 31 December 2020, 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. Zhang Haiming	Key management personnel
Mr. Lee Yuk Kong	Director of the Company
Mr. Li Jiazhi	A close family member of Mr. Lee Yuk Kong
Tianjin Wanheshun Technology Co., Group Ltd. (i)	Non-controlling interests
Boluo Jinchang Trading Company Limited (i)	Effectively owned by Mr. Zhang Lianghong
Wing Ka Shing Limited (i)	Effectively owned by Mr. Lee Yuk Kong
Huizhou Jinshang Real Estate Development Company Limited (i)	Mr. Zhang Lianghong has significant influence over the entity
Huizhou Yongjiasheng Industrial Co., Ltd. (i)	Effectively owned by Mr. Lee Yuk Kong
Flourish Investment International Limited	Owned by Mr. Zhang Lianghong

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

32 Material related party transactions *(Continued)*

(a) Key management personnel remuneration

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

	2020 RMB'000	2019 RMB'000
Salaries and other benefits	6,056	5,781
Retirement scheme contributions	21	219
	6,077	6,000

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

(b) Related parties transactions

During the years ended 31 December 2020, the Group entered into the following material related party transactions:

	2020 RMB'000	2019 RMB'000
Provision of ancillary business from Wing Ka Shing Limited	162	–
Provision of guarantee on bank loans to Boluo Jinchang Trading Company Limited (i)	–	102,000

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

32 Material related party transactions *(Continued)*

(b) Related parties transactions *(Continued)*

	2020 RMB'000	2019 RMB'000
Advances to:		
— Mr. Zhang Lianghong	-	27,982
— Mr. Li Jiazhi	100	-
— Mr. Zhang Haiming	-	66
— Huizhou Yongjiasheng Industrial Co., Ltd.	-	21,618
	100	49,666
Advances from:		
— Huizhou Jinshang Real Estate Development Company Limited	-	26,000
— Flourish Investment International Limited	-	35,354
	-	61,354

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

(c) Balance with related parties

Amounts due to related parties (note 23)

	2020 RMB'000	2019 RMB'000
Other payables to:		
— Wing Ka Shing Limited	97	-
Total	97	-

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

33 Impacts of COVID-19 pandemic

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

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

- The temporary economic slowdown resulting from the outbreak may lead to a reduction in the operating performance of part of the Group's customers which might indirectly affect the Group's financial performance.
- The Group might have to experience longer turnover time for recovering its trade receivables which may increase the associated credit risks.
- Completion progress of the certain construction projects of the Group may be delayed resulting from the outbreak.

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

34 Non-adjusting events after the reporting period

The Group is in preliminary discussion with an independent third party with respect to a possible disposal of a certain interest in one of the Group's electroplating industrial parks ("Possible Disposal"). As at the date of this report, certain due diligence work regarding the Possible Disposal has been commenced by the potential purchaser, but no legally binding agreement as regards to the Possible Disposal has been entered into by the parties nor have the parties agreed upon any concrete terms and conditions in respect of the Possible Disposal.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

35 Company-Level Statement of Financial Position

	Note	2020 RMB'000	2019 RMB'000
Non-current assets			
Investments in subsidiaries	17	—*	—*
Current assets			
Cash and cash equivalents		379	5,442
Other receivables		643,453	685,305
		643,832	690,747
Current liability			
Other payables		12,838	10,641
		630,994	680,106
Net assets			
CAPITAL AND RESERVES			
Share capital	29(a)	98,377	98,377
Reserves		532,617	581,729
Total equity		630,994	680,106

* The balance represents amount less than RMB1,000.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

36 Immediate and ultimate controlling parties

At 31 December 2020, 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 2020 to be Mr. Zhang Lianghong.

37 Possible impact of amendments, new standards and interpretations issued but not yet effective for the accounting year ended 31 December 2020

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, <i>Reference to the Conceptual Framework</i>	1 January 2022
Amendments to HKAS 16, <i>Property, Plant and Equipment: Proceeds before Intended Use</i>	1 January 2022
Amendments to HKAS 37, <i>Onerous Contracts — Cost of Fulfilling a Contract</i>	1 January 2022
Annual Improvement to HKFRSs 2018–2020 Cycle	1 January 2022

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

	For the year ended 31 December				
	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000
Revenue	724,724	640,040	479,678	301,921	197,643
Depreciation	(168,438)	(152,241)	(126,031)	(95,230)	(65,501)
Cost of inventories	(190,363)	(163,827)	(101,454)	(49,389)	(22,648)
Staff costs	(69,260)	(60,849)	(45,677)	(35,366)	(22,575)
Utility costs	(18,180)	(20,092)	(16,514)	(14,698)	(10,126)
Other expenses	(113,007)	(134,670)	(92,820)	(56,225)	(39,443)
Other revenue	10,306	12,924	11,023	7,324	5,020
Other net income/(loss)	(2,448)	521	(2,123)	(107)	433
Profit from operations	173,334	121,806	106,082	58,230	42,803
Finance costs	(52,936)	(67,112)	(60,969)	(48,027)	(36,727)
Profit before taxation	120,398	54,694	45,113	10,203	6,076
Income tax	(35,146)	(12,839)	(8,702)	(1,156)	1,405
Profit for the year	85,252	41,855	36,411	9,047	7,481
Attributable to:					
Equity shareholders	102,609	55,146	47,936	20,195	16,367
Non-controlling interests	(17,357)	(13,291)	(11,525)	(11,148)	(8,886)
Profit for the year	85,252	41,855	36,411	9,047	7,481

ASSETS AND LIABILITIES

	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000
Total assets	2,993,669	2,640,564	2,257,144	2,013,175	1,861,570
Total liabilities	1,828,384	1,560,655	1,924,049	1,656,428	1,695,101
Total assets less current liabilities	2,100,117	1,797,671	1,153,236	1,168,215	642,320
Total equity attributable to the equity shareholders of the Company	982,665	879,932	333,095	356,747	166,469

SCHEDULE OF INVESTMENT PROPERTIES

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%