



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



2024 Interim Report

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CORPORATE INFORMATION

PLACE OF LISTING

The Stock Exchange of Hong Kong Limited

STOCK CODE

6805

BOARD OF DIRECTORS

Executive Directors

Mr. Zhang Lianghong (*Chairman*)

Mr. Zhu Heping

(*Chief Executive Officer, resigned with effect from 1 January 2024*)

Mr. Huang Qiyang (*Chief Executive Officer,*
appointed with effect from 1 January 2024)

Mr. Lee Kin Ming

Mr. Huang Shaobo

Mr. Cheung Ka Tsun (*appointed with effect from 23 August 2024*)

Independent Non-Executive Directors

Mr. Kan Chung Nin, Tony *SBS, JP*

Mr. Li Xiaoyan

Mr. Liu Da

AUDIT COMMITTEE

Mr. Liu Da (*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. Chung Ming Fai

AUTHORISED REPRESENTATIVES

Mr. Zhang Lianghong

Mr. Lee Kin Ming

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

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Cheung Sha Wan, Kowloon

Hong Kong

CORPORATE INFORMATION

LEGAL ADVISORS AS TO HONG KONG LAWS

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Suite 3304–3309, 33/F
Jardine House
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AUDITOR

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
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Wanchai, Hong Kong

COMPANY WEBSITE

www.kimou.com.cn

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Kimou Environmental Holding Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) develops and operates large-scale Surface Treatment Recycling Eco-industrial Parks in the PRC which are specifically designed for the electroplating industry. For the six months ended 30 June 2024 (the “**Period under Review**”), the Group’s revenue was approximately RMB657.6 million (six months ended 30 June 2023: approximately RMB554.3 million), representing an increase of approximately RMB103.3 million from that of the corresponding period in 2023, the profit attributable to the equity shareholders of the Company was approximately RMB49.7 million (six months ended 30 June 2023: approximately RMB41.1 million), representing an increase of approximately RMB8.6 million from that of the corresponding period in 2023. During the Period under Review, the profit attributable to the equity shareholders of the Company increased mainly due to the increase in the Group’s revenue.

OUR SURFACE TREATMENT RECYCLING ECO-INDUSTRIAL PARKS

The Group currently operates five Surface Treatment Recycling Eco-industrial Parks which are strategically located in Huizhou, Guangdong Province (“**Guangdong Huizhou Park**”), Tianjin (“**Tianjin Bingang Park**”), Jingzhou, Hubei Province (“**Huazhong Park**”), Qingshen, Sichuan Province (“**Qingshen Park**”) and Taixing, Jiangsu Province (“**Huadong Park**”) in order to enjoy convenient transportation network and be in close proximity to our 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 five Surface Treatment Recycling Eco-industrial Parks:

	As at 30 June										
	2024					Total	2023 (Restated)				
	Guangdong Huizhou Park	Tianjin Bingang Park	Huazhong Park	Qingshen Park	Huadong Park		Guangdong Huizhou Park	Tianjin Bingang Park	Huazhong Park	Qingshen Park	Total
Total leasable area (sq.m.) ^(note)	501,000	316,000	142,000	100,000	125,000	1,184,000	501,000	329,000	143,000	105,000	1,078,000
Total leased area (sq.m.) ^(note)	470,000	275,000	82,000	49,000	119,000	995,000	476,000	291,000	59,000	37,000	863,000
Occupancy Rate	93.8%	87.0%	57.7%	49.0%	95.2%	84.0%	95.0%	88.5%	41.3%	35.2%	80.1%

Note: Rounded to the nearest thousand. The total leased area includes the area for which a formal lease agreement has been signed and the area for which a reservation agreement has been made. For the total leased area and occupancy rate of Guangdong Huizhou Park, Huazhong Park and Qingshen Park, they were restated so as to reflect the reservation agreements that were made as at 30 June 2023.

The Group offers factory premises in standard floor areas in which the tenants can choose to lease or buy single or multiple floors according to their operational needs. The Group also leases land to tenants to construct their own plants according to the requirements of the Group. As at 30 June 2024, the total leasable area of Guangdong Huizhou Park, Tianjin Bingang Park, Huazhong Park, Qingshen Park and Huadong Park were approximately 501,000 sq.m., 316,000 sq.m., 142,000 sq.m., 100,000 sq.m. and 125,000 sq.m., respectively while their occupancy rates were 93.8%, 87.0%, 57.7%, 49.0% and 95.2%, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Wastewater treatment capabilities

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

2024	Six months ended 30 June					Total
	Guangdong Huizhou Park	Tianjin Bingang Park	Huazhong Park	Qingshen Park	Huadong Park	
Fresh water used (tonnes) ^(note)	1,339,000	343,000	113,000	22,000	80,000	1,897,000
Daily wastewater treatment capacity (tonnes) ^(note)	10,000	6,000	2,500	5,000	4,000	27,500
Annual average daily wastewater treatment handling volume (tonnes)	7,398	1,895	624	122	442	10,481
Annual average utilisation rate of daily wastewater treatment capacity	74.0%	31.6%	25.0%	2.4%	11.0%	38.1%

2023	Six months ended 30 June			Total
	Guangdong Huizhou Park	Tianjin Bingang Park	Huazhong Park	
Fresh water used (tonnes) ^(note)	1,222,000	359,000	28,000	1,609,000
Daily wastewater treatment capacity (tonnes) ^(note)	10,000	6,000	2,500	18,500
Annual average daily wastewater treatment handling volume (tonnes)	6,791	1,992	156	8,939
Annual average utilisation rate of daily wastewater treatment capacity	67.9%	33.2%	6.2%	48.3%

Note: Rounded to the nearest thousand.

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

Qingshen Park and Huadong Park began trial operation in the fourth quarter of 2022 and the third quarter of 2023, respectively, so little fresh water was used in Qingshen Park and Huadong Park during the Period under Review.

RESEARCH AND DEVELOPMENT

To keep enhancing the effectiveness of wastewater treatment process and reuse rate of treated wastewater is the long term objective and the social responsibility of the Group. With our experienced and knowledgeable research and development team and in cooperation with Tsinghua Shenzhen International Graduate School, the Group has been gradually transforming itself into an integrated wastewater treatment service provider. The Group had obtained 158 patents and 50 patent applications were in the progress of registration as at 30 June 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

SALES AND MARKETING

The Group conducts marketing and promotion activities and builds customer relationship through participation in domestic exhibitions and seminars. During the Period under Review, the Group did not participate in any exhibitions or seminars.

OUTLOOK

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

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

Increase ground floor area available for leasing

The Group has acquired the land use rights of certain parcels of land in Taixing City, Jiangsu Province, China to further develop the plant located in Huadong Park. Upon completion, the leasable area of the Group will increase by approximately 340,000 sq.m.. For details of the acquisition, please refer to the Company's announcement dated 11 March 2024.

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

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

RESULTS OF OPERATION

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

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

For the Period under Review, the Group's revenue amounted to approximately RMB657.6 million, representing an increase of approximately 18.7% over that of the corresponding period in 2023, primarily due to the increase in revenue from the segments of sales of goods and ancillary business.

Revenue by segment	Six months ended 30 June										
	2024						2023				
	Guangdong	Tianjin					Guangdong	Tianjin			
	Huizhou Park	Bingang Park	Huazhong Park	Qingshen Park	Huadong Park	Total	Huizhou Park	Bingang Park	Huazhong Park	Qingshen Park	Total
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Rental and facilities usage											
Rental of factory premises	41,313	16,132	4,006	2,076	5,954	69,481	42,135	18,004	3,315	1,103	64,557
Property management fee	8,053	3,449	905	632	1,427	14,466	8,520	3,601	754	349	13,224
Environmental protection technical service fee	89,504	40,728	6,288	3,854	5,639	146,013	90,954	44,775	4,937	391	141,057
Sub-total	138,870	60,309	11,199	6,562	13,020	229,960	141,609	66,380	9,006	1,843	218,838
Wastewater treatment and utilities											
Wastewater treatment fee	91,379	23,328	9,813	1,300	4,879	130,699	82,803	24,152	2,331	347	109,633
Steam charge	35,408	19,441	3,731	830	2,616	62,026	35,339	20,461	1,934	190	57,924
Utility systems maintenance fee	27,846	13,101	1,876	338	1,550	44,711	25,261	13,128	876	90	39,355
Sub-total	154,633	55,870	15,420	2,468	9,045	237,436	143,403	57,741	5,141	627	206,912
Sales of goods and ancillary business											
Sales of raw materials and consumables	165,484	4,515	1,514	655	23	172,191	107,014	5,212	1,519	–	113,745
Other income	12,320	4,897	737	30	54	18,038	10,033	3,931	791	1	14,756
Sub-total	177,804	9,412	2,251	685	77	190,229	117,047	9,143	2,310	1	128,501
Total	471,307	125,591	28,870	9,715	22,142	657,625	402,059	133,264	16,457	2,471	554,251

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue from rental and facilities usage service

The revenue from rental and facilities usage service increased by approximately RMB11.2 million or 5.1% from approximately RMB218.8 million for the six months ended 30 June 2023 to approximately RMB230.0 million for the Period under Review. The increase was primarily attributable to the increase in total average daily leased area.

Revenue from wastewater treatment and utilities

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

(i) Wastewater treatment fee

Wastewater treatment fee increased by approximately RMB21.1 million or 19.3% from approximately RMB109.6 million for the six months ended 30 June 2023 to approximately RMB130.7 million for the Period under Review. The increase was primarily attributable to the effect of the increase in fresh water consumption resulting from the increase in leased areas for the Period under Review.

(ii) Steam charge

Steam charge increased by approximately RMB4.1 million or 7.1% from approximately RMB57.9 million for the six months ended 30 June 2023 to approximately RMB62.0 million for the Period under Review. The increase was primarily attributable to the effect of the increase in steam consumption resulting from the increase in leased areas for the Period under Review.

(iii) Utility systems maintenance fee

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

The utility systems maintenance fee increased by approximately RMB5.3 million or 13.5% from approximately RMB39.4 million for the six months ended 30 June 2023 to approximately RMB44.7 million for the Period under Review. The increase was primarily attributable to the combined effects of the increase in volume of electricity consumed and water used due to the increase in leased areas during the Period under Review.

Revenue from sales of goods and ancillary business

Sales of goods and ancillary business mainly comprised sales of materials and consumables which accounted for 90.5% (six months ended 30 June 2023: 88.5%) of this business segment.

Sales of raw materials and goods increased by approximately RMB58.5 million or 51.5% from approximately RMB113.7 million for the six months ended 30 June 2023 to approximately RMB172.2 million for the Period under Review. The increase was primarily attributable to the combined effects of the adjustment in sales strategy and the increase in demand of tenants during the Period under Review.

MANAGEMENT DISCUSSION AND ANALYSIS

Operating costs

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

Operating costs increased by approximately RMB100.0 million or 22.6% from approximately RMB441.8 million for the six months ended 30 June 2023 to approximately RMB541.8 million for the Period under Review. The increase in operating costs was primarily attributable to the increase in the depreciation and amortisation and cost of inventories of the Group.

Depreciation and amortisation

The Group's depreciation and amortisation increased by approximately RMB19.9 million or 15.6% from approximately RMB127.4 million for the six months ended 30 June 2023 to approximately RMB147.3 million for the Period under Review. The increase was mainly attributable to the commencement of depreciation and amortisation provision of the Huadong Park as a result of official operation in September 2023.

Cost of inventories

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

Cost of inventories increased by approximately RMB53.8 million or 32.0% from approximately RMB168.0 million for the six months ended 30 June 2023 to approximately RMB221.8 million for the Period under Review, primarily attributable to the combined effects of the increase in materials used due to the increase in wastewater treatment and the increase of costs due to the increase in goods sold.

Staff costs

Staff costs comprised staff's salaries, bonuses and other benefits as well as Directors' remuneration. For the Period under Review, the staff costs amounted to approximately RMB78.1 million, representing an increase of 15.4% as compared with approximately RMB67.6 million for the six months ended 30 June 2023. The increase was mainly due to the effect of the increase in number of employees due to business development needs during the Period under Review.

Utility costs

Utility costs mainly comprised the costs of electricity and water consumed throughout the wastewater treatment processes, production of steam and for other activities such as lighting and gardening inside the Surface Treatment Recycling Eco-industrial Parks. Utility costs increased by approximately RMB2.1 million or 12.5%, from approximately RMB17.3 million for the six months ended 30 June 2023 to approximately RMB19.4 million for the Period under Review. The increase was mainly attributable to the increase in electricity and water consumption resulting from the increase in wastewater treatment.

MANAGEMENT DISCUSSION AND ANALYSIS

Other expenses

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

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Professional service fees	11,118	5,954
Waste treatment expenses	7,887	7,839
Other taxes and surcharges	21,577	18,361
Security charges	3,706	3,301
Maintenance and consumables expenses	5,143	5,720
Research and development fees	7,560	6,134
Consultancy service fee	1,289	933
Business entertainment fees	5,492	4,556
Cleaning expenses	2,771	2,055
Travelling expenses	1,793	2,202
Others	6,901	4,455
Total	75,237	61,510

Other expenses increased by approximately RMB13.7 million or 22.3%, from approximately RMB61.5 million for the six months ended 30 June 2023 to approximately RMB75.2 million for the Period under Review, primarily attributable to the combined effects of (i) the increase in professional and consultancy service fees due to the needs of business development; (ii) the increase in other taxes and surcharges resulting from the addition of revenue and investment properties; and (iii) the increase in research and development expenses for technical improvement during the Period under Review.

Other revenue

Other revenue primarily consisted of bank interest income, government grants, and others. Other revenue decreased by approximately RMB1.3 million or 11.7%, from approximately RMB10.8 million for the six months ended 30 June 2023 to approximately RMB9.5 million for the Period under Review. Such decrease was mainly due to the decrease in government grants.

Finance costs

Finance costs primarily comprised interest on bank loans and other borrowings. Finance costs increased by approximately RMB5.1 million or 7.8%, from approximately RMB65.6 million for the six months ended 30 June 2023 to approximately RMB70.7 million for the Period under Review. The increase in finance costs was attributable to the increase in the average balance of bank loans and other borrowings during the Period under Review.

MANAGEMENT DISCUSSION AND ANALYSIS

Income tax

Income tax increased by approximately RMB7.2 million from approximately RMB18.2 million for the six months ended 30 June 2023 to approximately RMB25.4 million for the Period under Review, which was primarily attributable to the combined effects of the increase in the Group's taxable income and the increase in withholding tax arising from the distribution of dividends by a PRC subsidiary to a Hong Kong subsidiary during the Period under Review.

Profit attributable to the equity shareholders of the Company

Profit attributable to the equity shareholders of the Company increased by approximately RMB8.6 million from approximately RMB41.1 million for the six months ended 30 June 2023 to approximately RMB49.7 million for the Period under Review, the increase was mainly attributable to the factors as described above.

Bank loans and other borrowings and gearing ratio

As at 30 June 2024, the total amount of bank loans and other borrowings of the Group was approximately RMB2,922.8 million (31 December 2023: RMB2,750.7 million), in which 98.3% (31 December 2023: 98.2%) were denominated in RMB. As at 30 June 2024, the Group's gearing ratio is approximately 232.5% (31 December 2023: 221.4%). 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%.

Net current liabilities and sufficiency of working capital

The table below sets out our current assets, current liabilities and net current liabilities as at 30 June 2024.

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Current assets	914,726	822,750
Current liabilities	(1,819,837)	(1,760,055)
Net current liabilities	(905,111)	(937,305)

As at 30 June 2024 and 31 December 2023, the total net current liabilities of the Group amounted to approximately RMB905.1 million and RMB937.3 million, respectively. In light of the Group's current liquidity position, the unutilised banking facilities available to the Group and our projected cash inflows to be generated from operations, the Directors believe that the Group has adequate resources to meet its present capital requirements and for the next 12 months.

MANAGEMENT DISCUSSION AND ANALYSIS

Capital management

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

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher level of borrowings and the advantages and security offered by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-equity ratio (net debt divided by total equity). For this purpose, net debt is defined as the remaining balance of bank loans, other borrowings and lease liabilities less cash and cash equivalents, deposits with a bank with original maturity date over three months and restricted deposits with banks.

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

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Current liabilities:		
Bank loans and other borrowings	984,593	938,923
Lease liabilities	1,821	1,762
	986,414	940,685
Non-current liabilities:		
Bank loans and other borrowings	1,938,190	1,811,757
Lease liabilities	12,520	13,446
	2,937,124	2,765,888
Less: Cash and cash equivalents	(223,972)	(276,752)
Deposits with a bank with original maturity date over three months	(30,000)	–
Restricted deposits with banks	(47,054)	(49,907)
Net debt	2,636,098	2,439,229
Total equity	1,257,130	1,242,575
Adjusted net debt-to-equity ratio	2.10	1.96

MANAGEMENT DISCUSSION AND ANALYSIS

Capital Expenditure

During the Period under Review, the Group funded its capital expenditure with cash generated from operating activities and bank loans and other borrowings. For the Period under Review, the Group's capital expenditure amounted to approximately RMB305.6 million (for the six months ended 30 June 2023: RMB286.2 million), mainly attributable to acquisition of investment property, property, plant and equipment, and other intangible assets.

Pledged assets

As at 30 June 2024, the Group had certain property, plant and equipment and investment property with carrying value of approximately RMB777.4 million and approximately RMB955.8 million, respectively (31 December 2023: approximately RMB854.4 million and approximately RMB1,054.1 million, respectively), land-use rights with net book value of approximately RMB166.2 million (31 December 2023: approximately RMB177.8 million), deposits for other borrowings with carrying value of RMB6.6 million (31 December 2023: RMB8.6 million), and restricted bank deposits with carrying value of RMB47.1 million (31 December 2023: RMB46.8 million) were pledged as security for the bank loans and other borrowings with carrying value of approximately RMB2,921.4 million (31 December 2023: approximately RMB2,749.5 million).

Please refer to note 17(iv) of the Notes to the Unaudited Interim Financial Report of this interim report for particulars of guarantees made by the connected persons of the Company in favour of the Group for securing the Group's liabilities. Such guarantees are conducted on normal commercial terms or better and are not secured by the assets of the Group.

Capital commitments

As at 30 June 2024, the Group's total capital expenditure which has been contracted for but not incurred were approximately RMB399.0 million (31 December 2023: RMB186.6 million) for the development of the utility tunnel and ancillary facilities of Guangdong Huizhou Park, the development of wastewater treatment and ancillary facilities of the Tianjin Bingang Park and Qingshen Park and the development of the factory premises of Huazhong Park and Huadong Park and other equipment. These capital expenditures were mainly financed by internal resources and bank loans and other borrowings.

Contingent liabilities

The Group did not have any material contingent liabilities as at 30 June 2024.

FOREIGN EXCHANGE RISK

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

INTEREST RATE RISK

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

CREDIT RISK

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

LIQUIDITY RISK

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

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

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL AND OTHER MATERIAL TRANSACTION

Discloseable Transaction relating to Purchase of and Sales of Mobile Phones

On 5 March 2024, Huizhou Jinzefeng Trading Co., Ltd.* ("**Huizhou Jinzefeng**"), an indirect wholly-owned subsidiary of the Company, entered into the purchase agreement with Shenzhen Nanqi Technology Co., Ltd.* ("**Vendor**"), pursuant to which the Vendor agreed to sell and Huizhou Jinzefeng agreed to purchase refurbished mobile phones at a total consideration of RMB20,058,000. Huizhou Jinzefeng also entered into the sales agreement with Yifeng Trading (Guangdong) Co., Ltd.* ("**Purchaser**") on 5 March 2024, pursuant to which Huizhou Jinzefeng agreed to sell and the Purchaser agreed to purchase refurbished mobile phones at a total consideration of RMB20,178,000. In addition, within a 12-month period prior to and inclusive of the date of entering into of the abovementioned purchase agreement and sales agreement, the Group had also entered into several purchase agreements and sales agreements with certain vendors and purchasers, in order to purchase and sale of refurbished mobile phones. For further details, please refer to the announcements of the Company dated 5 March 2024 and 3 April 2024 in relation to the discloseable transaction in respect of the purchase and sale of mobile phones.

* For identification purposes only

MANAGEMENT DISCUSSION AND ANALYSIS

Acquisitions of Land Use Rights in Jiangsu Province, the PRC

On 11 March 2024, the Group successfully bid and won the public tender for the land use right of a parcel of land situated at the side of the high-grade highway along the river in the Circular Economy Industrial Park (循環經濟產業園西江路南側、長江北路西側), Taixing City, Jiangsu Province, the PRC, with a total site area of approximately 175,321 square metres ("**Taixing Land 3**"), and signed the confirmation letter confirming the winning of the tender of the land use right of Taixing Land 3. The acquisition of the land use right of Taixing Land 3 together with the acquisitions of the land use rights of a parcel of land situated at the side of the high-grade highway along the river in the Circular Economy Industrial Park (循環經濟產業園沿江高等級公路側), Taixing City, Jiangsu Province, the PRC, with a total site area of approximately 2,284 square metres ("**Taixing Land 1**") and a parcel of land situated at the side of the high-grade highway along the river in the Circular Economy Industrial Park (循環經濟產業園沿江高等級公路側), Taixing City, Jiangsu Province, the PRC, with a total site area of approximately 44,608 square metres ("**Taixing Land 2**") are to be used for the development of a surface treatment recycling eco-industrial park in Jiangsu Province for the expansion of the Group's principal business. For further details, please refer to the announcement of the Company dated 11 March 2024 in relation to the discloseable transaction in respect of the acquisitions of land use rights.

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

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES

On 22 April 2024, the Company cancelled the remaining 1,426,000 repurchased shares of the Company that were repurchased in 2023.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (including treasury shares) during the Period under Review.

As at 30 June 2024, the Company did not hold any treasury shares.

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2024, the Group had 985 full-time employees (30 June 2023: 867 full-time employees) responsible for management, operation, property management, procurement, testing, maintenance, customer services, research and development, finance and administrative matters. The employee costs (including the Directors' remuneration) were approximately RMB78.1 million for the Period under Review, which was an increase of approximately 15.4% as compared with approximately RMB67.6 million for the six months ended 30 June 2023. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group puts great emphasis on staff training. The Group arranges orientation programs for newly hired staff to familiarize them with the Company's working environment and culture. The Group also regularly provides employees with on-the-job trainings so as to ensure their work performances will meet the Group's strategic goals, operating standards, customers and regulatory requirements.

The Company adopted a share option scheme on 18 June 2019 for the purpose of providing incentives and rewards to eligible directors and employees of the Group. During the period from the date of adoption of the share option scheme and up to the date of this report, no share option under the share option scheme was granted. The outstanding number of share options available for grant under the share option scheme at the beginning and at the end of the Period under Review is 112,000,000, representing 10.1% of the issued share capital of the Company as at 30 June 2024.

The total number of shares that may be issued under the share option scheme during the Period under Review was nil as there was no option granted during the Period under Review.

EVENTS AFTER THE REPORTING PERIOD

With effect from 23 August 2024, Mr. Cheung Ka Tsun has been appointed as an executive Director. For details, please refer to the Company's announcement dated 23 August 2024 in relation to the appointment of executive Director.

Save as disclosed in this 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 30 June 2024 and up to the date of this report.

INTERIM DIVIDEND

The Board does not recommend any payment of interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 June 2024, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "**SFO**"), which had been notified to the Company and The Stock Exchange of Hong Kong Limited (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 C3 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), were as follows:

Name of Director/Chief Executive	Capacity/Nature of interest	Number of shares or underlying shares of the Company held ⁽¹⁾	Approximate percentage of shareholding interest in the Company ⁽¹⁾
Mr. Zhang Lianghong (" Mr. Zhang ")	Interest in a controlled corporation ⁽²⁾	510,528,000	46.09%
Mr. Huang Shaobo (" Mr. Huang ")	Interest in a controlled corporation ⁽³⁾	27,530,000	2.49%
Mr. Huang Qiyang	Beneficial owner	468,000	0.04%
	Interest of spouse ⁽⁴⁾	5,628,000	0.51%

(1) All interests stated above are long positions. The approximate percentage of shareholding interest in the Company is calculated based on the total number of 1,107,750,000 shares in issue as at 30 June 2024.

(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 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.

(4) Such shares were held by Ms. WANG Meiqi, the spouse of Mr. Huang Qiyang, By virtue of Part XV of the SFO, Mr. Huang Qiyang is deemed to be interested in all the shares held by Ms. WANG Meiqi.

Save as disclosed above, as at 30 June 2024, 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 Period under Review 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 June 2024, 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 of the Company held ⁽¹⁾	Approximate percentage of shareholding interest in the Company ⁽¹⁾
Flourish Investment International Limited ⁽²⁾	Beneficial Owner	510,528,000	46.09%
Premier Investment Worldwide Company Limited ⁽³⁾	Beneficial Owner	239,400,000	21.61%
Mr. Lee Yuk Kong ⁽³⁾	Beneficial Owner	12,520,000	1.13%
	Interest in a controlled corporation	239,400,000	21.61%

(1) All interests stated above are long positions. The approximate percentage of shareholding interest in the Company is calculated based on the total number of 1,107,750,000 shares in issue as at 30 June 2024.

(2) Flourish Investment International Limited is a company wholly owned by Mr. Zhang, an executive Director of the Company and the chairman of the Board. 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) Premier Investment Worldwide Company Limited is a company wholly owned by Mr. Lee Yuk Kong, a former executive Director who resigned on 26 July 2022 and is the father of Mr. Lee Kin Ming, an executive Director. 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, together with the 12,520,000 shares directly held by Mr. Lee Yuk Kong. Mr. Lee Yuk Kong holds a total of 251,920,000 shares of the Company.

Save as disclosed above, as at 30 June 2024, the Directors and the senior management of the Company are not aware of any other person who had or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would require to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

SHARE OPTION SCHEME

The Company adopted 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 had or may have made to our Group. Further details of the rules of the Share Option Scheme are set out in the section headed "Statutory and General Information — D. Other Information — 2. Share Option Scheme" in Appendix V to the prospectus of the Company dated 29 June 2019.

No share option was granted, exercised, expired, cancelled or lapsed since the adoption of the Share Option Scheme and there is no outstanding share option under the Share Option Scheme as at 30 June 2024.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES

The Company recognises the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of its shareholders as a whole. The Company has adopted and committed to a code of corporate governance, containing the code provisions set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix C1 to the Listing Rules. The Company has complied, to the extent applicable and permissible, with the code provisions as set out in the CG Code (“**Code Provisions**”) during the Period under Review.

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

COMPLIANCE WITH THE MODEL CODE BY DIRECTORS

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

UPDATE ON DIRECTORS’ INFORMATION AND CHANGE IN DIRECTORS

Since 1 January 2024 and up to the date of this report, changes to the Directors’ information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

With effect from 1 January 2024, Mr. Zhu Heping has resigned as an executive Director of the Company and also ceased to be the chief executive officer (the “**Chief Executive Officer**”) of the Company. With effect from the same day, Mr. Huang Qiyang has been appointed as an executive Director and the Chief Executive Officer. For details, please refer to the Company’s announcement dated 1 January 2024 in relation to, among other things, the change of executive Director and Chief Executive Officer.

With effect from 23 August 2024, Mr. Cheung Ka Tsun has been appointed as an executive Director. For details, please refer to the Company’s announcement dated 23 August 2024 in relation to the appointment of executive Director.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The Board established the Audit Committee on 18 June 2019. As at the date of this report, the Audit Committee comprises three independent non-executive Directors, namely Mr. Liu Da, Mr. Kan Chung Nin, Tony *SBS, JP* and Mr. Li Xiaoyan. Mr. Liu Da is the chairman of the Audit Committee. None of them is a member of the former or existing auditors of the Company. Details of the terms of reference of the Audit Committee are set out on the Company’s website and the website of the Stock Exchange.

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float during the Period under Review as required under the Listing Rules.

APPRECIATION

The Company would like to take this opportunity to thank all of its valued shareholders and various stakeholders for their continuous support. Also, the Company would like to express its appreciation to all the staff for their efforts and commitments to the Group.

On behalf of the Board

Zhang Lianghong

Chairman

23 August 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2024 — unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2024 RMB'000	2023 RMB'000
Revenue	3	657,625	554,251
Other revenue	5	9,503	10,764
Depreciation and amortisation	6(c)	(147,268)	(127,362)
Cost of inventories	6(c)	(221,802)	(168,042)
Staff costs	6(b)	(78,053)	(67,634)
Utility costs	6(c)	(19,442)	(17,275)
Other expenses		(75,237)	(61,510)
Other net income/(loss)		15,336	(42)
Impairment losses on trade receivables		(3,957)	(944)
Profit from operations		136,705	122,206
Finance costs	6(a)	(70,737)	(65,590)
Profit before taxation	6	65,968	56,616
Income tax	7	(25,387)	(18,173)
Profit for the period		40,581	38,443
Attributable to:			
Equity shareholders of the Company		49,706	41,061
Non-controlling interests		(9,125)	(2,618)
Profit for the period		40,581	38,443
Earnings per share (RMB)			
Basic and diluted	8	0.04	0.04

The notes on pages 29 to 47 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 18(a).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2024 — unaudited
(Expressed in Renminbi)

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Profit for the period	40,581	38,443
Other comprehensive income for the period		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of entities not using Renminbi ("RMB") as functional currency	(1,912)	(2,571)
Total comprehensive income for the period	38,669	35,872
Attributable to:		
Equity shareholders of the Company	47,794	38,490
Non-controlling interests	(9,125)	(2,618)
Total comprehensive income for the period	38,669	35,872

The notes on pages 29 to 47 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2024 — unaudited
(Expressed in Renminbi)

	Note	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Non-current assets			
Property, plant and equipment	9	1,997,051	1,976,986
Investment property	10	1,492,046	1,533,286
Construction in progress	11	159,255	109,522
Right-of-use assets	12	476,753	362,523
Intangible assets		5,575	4,483
Interest in associates		3,515	2,974
Other financial assets		3,122	3,914
Other receivables	13	38,643	69,682
Deferred tax assets		43,926	47,982
Total non-current assets		4,219,886	4,111,352
Current assets			
Inventories		59,625	29,254
Trade and other receivables	13	410,760	313,152
Non-current assets held for sale		143,315	153,685
Deposits with a bank with original maturity date over three months		30,000	–
Restricted deposits with banks	14	47,054	49,907
Cash and cash equivalents	15	223,972	276,752
Total current assets		914,726	822,750
Current liabilities			
Trade and other payables	16	802,286	793,076
Contract liabilities		11,116	8,583
Bank loans and other borrowings	17	984,593	938,923
Lease liabilities		1,821	1,762
Current taxation		20,021	17,711
Total current liabilities		1,819,837	1,760,055
Net current liabilities		(905,111)	(937,305)
Total assets less current liabilities		3,314,775	3,174,047

The notes on pages 29 to 47 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2024 — unaudited
(Expressed in Renminbi)

	<i>Note</i>	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Non-current liabilities			
Bank loans and other borrowings	17	1,938,190	1,811,757
Lease liabilities		12,520	13,446
Deferred income		104,787	100,419
Deferred tax liabilities		2,148	5,850
Total non-current liabilities		2,057,645	1,931,472
Net assets			
		1,257,130	1,242,575
CAPITAL AND RESERVES			
Share capital		97,283	97,412
Reserves		982,987	1,035,578
Total equity attributable to equity shareholders		1,080,270	1,132,990
Non-controlling interests		176,860	109,585
Total equity		1,257,130	1,242,575

Approved and authorised for issue by the board of directors on 23 August 2024.

Zhang Lianghong
Chairman

Huang Qiyang
Executive Director and Chief Executive Officer

The notes on pages 29 to 47 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2024 — unaudited
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company										
	Note	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Shares repurchased for cancellation RMB'000	Statutory reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2023		97,751	589,491	19,809	(1,738)	105,574	4,814	325,703	1,141,404	224,049	1,365,453
Changes in equity for the six months ended 30 June 2023:											
Profit/(loss) for the period		-	-	-	-	-	-	41,061	41,061	(2,618)	38,443
Other comprehensive income		-	-	-	-	-	(2,571)	-	(2,571)	-	(2,571)
Total comprehensive income		-	-	-	-	-	(2,571)	41,061	38,490	(2,618)	35,872
Dividends approved in respect of the previous year	18(a)	-	(49,289)	-	-	-	-	-	(49,289)	-	(49,289)
Purchase of own shares	18(b)	-	-	-	(1,712)	-	-	-	(1,712)	-	(1,712)
Cancellation of shares	18(b)	(339)	(3,111)	-	3,450	-	-	-	-	-	-
Acquisition of non-controlling interests	18(c)	-	-	(19,809)	-	-	-	(25,821)	(45,630)	(142,616)	(188,246)
Contributions from non-controlling interests		-	-	-	-	-	-	-	-	23,240	23,240
Balance at 30 June 2023 and 1 July 2023		97,412	537,091	-	-	105,574	2,243	340,943	1,083,263	102,055	1,185,318
Changes in equity for the six months ended 31 December 2023:											
Profit/(loss) for the period		-	-	-	-	-	-	50,106	50,106	(6,457)	43,649
Other comprehensive income		-	-	-	-	-	976	-	976	-	976
Total comprehensive income		-	-	-	-	-	976	50,106	51,082	(6,457)	44,625
Purchase of own shares		-	-	-	(1,355)	-	-	-	(1,355)	-	(1,355)
Contributions from non-controlling interests		-	-	-	-	-	-	-	-	13,987	13,987
Transfer to statutory reserve		-	-	-	-	59,072	-	(59,072)	-	-	-
Balance at 31 December 2023		97,412	537,091	-	(1,355)	164,646	3,219	331,977	1,132,990	109,585	1,242,575

The notes on pages 29 to 47 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2024 — unaudited
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company								
	Share capital	Share premium	Shares repurchased	Statutory reserve	Exchange reserve	Retained profits	Sub-total	Non-controlling interests	Total equity
			for cancellation						
Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2024	97,412	537,091	(1,355)	164,646	3,219	331,977	1,132,990	109,585	1,242,575
Changes in equity for the six months ended 30 June 2024:									
Profit/(loss) for the period	-	-	-	-	-	49,706	49,706	(9,125)	40,581
Other comprehensive income	-	-	-	-	(1,912)	-	(1,912)	-	(1,912)
Total comprehensive income	-	-	-	-	(1,912)	49,706	47,794	(9,125)	38,669
Dividends approved in respect of the previous year	18(a)	(100,514)	-	-	-	-	(100,514)	-	(100,514)
Cancellation of shares	18(b)	(129)	(1,226)	1,355	-	-	-	-	-
Contributions from non-controlling interests		-	-	-	-	-	-	76,400	76,400
Balance at 30 June 2024	97,283	435,351	-	164,646	1,307	381,683	1,080,270	176,860	1,257,130

The notes on pages 29 to 47 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2024 — unaudited
(Expressed in Renminbi)

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Operating activities		
Cash generated from operations	169,119	174,589
Income tax paid	(23,816)	(21,340)
Net cash generated from operating activities	145,303	153,249
Investing activities		
Payment for purchase of property, plant and equipment, construction in progress, investment property and lease prepayments	(379,911)	(319,280)
Payment for purchase of intangible assets	(1,657)	(764)
Proceeds from disposal of property, plant and equipment	18	301
Proceeds from disposal of non-current assets held for sale	35,809	13,523
Payment for investment in an associate	(400)	–
Payment for deposits with a bank with original maturity date over three months	(30,000)	–
Withdrawal/(payment) for pledged deposits with banks	2,853	(602)
Net cash used in investing activities	(373,288)	(306,822)

The notes on pages 29 to 47 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2024 — unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2024 RMB'000	2023 RMB'000
Financing activities			
Proceeds from bank loans and other borrowings		801,865	798,026
Repayment of bank loans and other borrowings		(629,762)	(433,164)
Interest paid		(73,669)	(74,479)
Proceeds from loan deposits		–	3,000
Withdrawal/(payment) of deposits of other borrowings		2,000	(5,000)
Payments for deferred consideration for acquisition of non-controlling interests		–	(14,961)
Capital injection from non-controlling interests		76,400	23,240
Lease payments		(1,321)	(127)
Payment for purchase of own shares	18(b)	–	(1,712)
Dividends paid to equity shareholders of the Company	18(a)	–	(10,564)
Restricted cash placed in a bank designated for dividend distribution	18(a)	–	(38,725)
Net cash generated from financing activities		175,513	245,534
Net (decrease)/increase in cash and cash equivalents		(52,472)	91,961
Cash and cash equivalents at the beginning of the period		276,752	190,305
Effect of foreign exchange rate changes		(308)	(183)
Cash and cash equivalents at the end of the period	15	223,972	282,083

The notes on pages 29 to 47 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“**HKAS**”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). It was authorised for issue on 23 August 2024.

The interim financial report comprises the Kimou Environmental Holding Limited (the “**Company**”) and its subsidiaries (together referred to as the “**Group**”) and the Group’s interest in associates.

At 30 June 2024, the Group’s current liabilities exceeded its current assets by RMB905,111,000 (31 December 2023: RMB937,305,000). 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 interim financial report, the Group has adequate resources to continue to operate as a going concern throughout the next twelve months and that there are no material uncertainties related to events or conditions which, individually or collectively, may cast significant doubt on the Group’s ability to continue as a going concern.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2023 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2024 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2023 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG’s independent review report to the Board of Directors is included on pages 48.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

2 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to HKFRSs issued by the HKICPA to this interim financial report for the current accounting period:

- Amendments to HKAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current* (“**2020 amendments**”)
- Amendments to HKAS 1, *Presentation of financial statements: Non-current liabilities with covenants* (“**2022 amendments**”)
- Amendments to HKFRS 16, *Leases: Lease liability in a sale and leaseback*
- Amendments to HKAS 7, *Statement of cash flows* and HKFRS 7, *Financial instruments: Disclosures — Supplier finance arrangements*

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

3 REVENUE AND SEGMENT REPORTING

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

- Rental and facilities usage: this segment conducts industrial park property development and management business.
- Wastewater treatment and utilities: this segment operates electroplating wastewater treatment plants and provides services of utilities.
- Sales of goods and ancillary business: this segment includes sales of materials and consumables and provision of other related environmental services to customers.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING *(Continued)*

(a) Disaggregation of revenue

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

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major business lines		
— Facilities usage and management service	160,479	154,281
— Wastewater treatment and utilities	237,436	206,912
— Sales of goods and ancillary business	190,229	128,501
	588,144	489,694
Revenue from other sources		
Gross rentals from investment properties	69,481	64,557
	657,625	554,251

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets is disclosed in notes 3(b) and 3(d).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING *(Continued)*

(b) Information about profit or loss

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

For the six months ended 30 June	Rental and facilities usage		Wastewater treatment and utilities		Sales of goods and ancillary business		Total	
	2024	2023	2024	2023	2024	2023	2024	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Disaggregated by timing of revenue recognition								
Point in time	–	–	237,436	206,912	190,229	128,501	427,665	335,413
Over time	229,960	218,838	–	–	–	–	229,960	218,838
Revenue from external customers	229,960	218,838	237,436	206,912	190,229	128,501	657,625	554,251
Inter-segment revenue	9,147	9,342	–	–	13,698	24,711	22,845	34,053
Reportable segment revenue	239,107	228,180	237,436	206,912	203,927	153,212	680,470	588,304
Reportable segment profit (adjusted EBITDA)	217,973	201,441	65,652	48,535	16,463	11,468	300,088	261,444
Depreciation and amortisation for the period	(129,043)	(115,684)	(17,206)	(10,839)	(1,019)	(839)	(147,268)	(127,362)

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING *(Continued)*

(c) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Reportable segment profit derived from the Group's external customers	300,088	261,444
Depreciation and amortisation	(147,268)	(127,362)
Finance costs	(70,737)	(65,590)
Interest income	1,273	1,110
Unallocated head office and corporate expenses	(17,388)	(12,986)
Consolidated profit before taxation	65,968	56,616

(d) Geographic information

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

4 SEASONALITY OF OPERATIONS

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

For the twelve months ended 30 June 2024, the Group reported revenue of RMB1,281,788,000 (twelve months ended 30 June 2023: RMB1,115,089,000).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

5 OTHER REVENUE

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Interest income	1,273	1,110
Government grants		
— Unconditional subsidies	2,159	3,084
— Conditional subsidies	5,058	5,118
Other income	1,013	1,452
	9,503	10,764

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

6 PROFIT BEFORE TAXATION

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

(a) Finance costs

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Interest on bank loans and other borrowings	70,283	73,546
Interest on lease liabilities	454	265
Interest expense on deferred consideration payable	—	3,271
Less: interest expenses capitalised into properties and plant under development	—	(11,492)
	70,737	65,590

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

6 PROFIT BEFORE TAXATION *(Continued)*

(b) Staff costs (including directors' emoluments)

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Salaries, wages and other benefits	71,524	61,858
Retirement scheme contributions	6,529	5,776
	78,053	67,634

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

(c) Other items

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Depreciation and amortisation		
— Property, plant and equipment	93,992	82,499
— Investment property	47,560	39,897
— Right-of-use assets	5,152	4,579
— Intangible assets	564	387
	147,268	127,362
Cost of inventories (i)		
— Cost of inventories — sold	161,066	107,221
— Cost of inventories — consumption	60,736	60,821
	221,802	168,042
Share of profits/(losses) of associates	141	(100)
Net loss arising from disposal of property, plant and equipment	69	365
Net gain arising from disposal of non-current assets held for sale	(11,066)	(1,171)
Utility costs	19,442	17,275
Research and development expenses	7,560	6,134

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

7 INCOME TAX

Taxation in the consolidated statement of profit or loss represents:

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Current tax — PRC income tax		
Provision for the period	25,033	19,958
Deferred tax		
Origination and reversal of temporary differences	354	(1,785)
	25,387	18,173

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (“BVI”), the Group is not subject to any income tax in the Cayman Islands and the BVI.
- (ii) No provision was made for Hong Kong Profits Tax as the Group did not earn income subject to Hong Kong Profits Tax for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).
- (iii) Taxable income for the subsidiaries of the Company in the PRC is subject to PRC income tax rate of 25%, unless otherwise specified below. Huizhou Jinmaoyuan Environmental Technology Co., Ltd. (“**Huizhou Jinmaoyuan**”), Tianjin Bingang Electroplating Enterprises Management Co., Ltd. (“**Tianjin Bingang**”) and Jinyuan (Jingzhou) Environmental Technology Co., Ltd. (“**Jingzhou Jinyuan**”) were qualified as “High and New Technology Enterprises” and entitled to the preferential income tax rate of 15% from 2021 to 2023, 2022 to 2024 and 2022 to 2024, respectively. Huizhou Jinmaoyuan was expected to pass the review and obtain qualification by the end of December 2024, with a temporary enterprise income tax rate of 15% in 2024.

Huizhou Jinmaoyuan was engaged in the operation of environmental protection, energy and water conservation, related taxable income was qualified for income tax exemption for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).
- (iv) Pursuant to the relevant law in the PRC, from 1 January 2008, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business in the PRC but whose relevant income is not effectively connected with the establishment or a place of business in the PRC, will be subject to withholding tax at the rate of 10% (unless reduced by tax treaty) on various types of passive income such as dividends derived from sources within the PRC. Pursuant to the Sino-Hong Kong Double Tax Arrangement and the related regulations, a qualified Hong Kong tax resident will be liable to a reduced withholding tax rate of 5% on dividends from a PRC enterprise if the Hong Kong tax resident is the “beneficial owner” and holds 25% or more of the equity interest of the PRC enterprise. As at 30 June 2024, the Group’s subsidiary in Hong Kong had obtained the Certificate of Resident Status of the Hong Kong Special Administrative Region and therefore had adopted the withholding tax rate at 5% (six months ended 30 June 2023: 10%) for PRC withholding tax.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

8 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB49,706,000 (six months ended 30 June 2023: RMB41,061,000) and the weighted average number of 1,107,750,000 ordinary shares (six months ended 30 June 2023: 1,110,138,000 ordinary shares) in issue during the interim period, calculated as follows:

	2024 '000	2023 '000
Issued ordinary shares at 1 January	1,107,750	1,113,014
Effect of shares repurchased	–	(2,876)
Weighted average number of ordinary shares at 30 June	1,107,750	1,110,138

(b) Diluted earnings per share

During the six months ended 30 June 2024 and 2023, there were no dilutive potential ordinary shares issued.

9 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2024, additions to property, plant and equipment of RMB114,142,000 (six months ended 30 June 2023: RMB216,503,000) mainly represented properties for own use and wastewater treatment equipment in industrial parks.

As at 30 June 2024, certain property, plant and equipment with carrying value of RMB777,373,000 (31 December 2023: RMB854,445,000) were pledged to secure the Group's bank loans and other borrowings (note 17(iv)).

10 INVESTMENT PROPERTY

During the six months ended 30 June 2024, additions to investment property of RMB15,920,000 (six months ended 30 June 2023: RMB20,587,000) mainly represented properties in industrial parks and leased apartments to earn rental income.

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

As at 30 June 2024, the fair value of the Group's investment property, excluding leased properties to earn rental income, was approximately RMB2,643,160,000 (31 December 2023: RMB2,660,690,000). The fair value is determined by the directors of the Company with reference to mainly the valuation performed, using the income capitalisation approach with reference to the term value and the reversionary value calculated by discounting the contracted annual rent at the capitalisation rate over the existing lease period, and the sum of average unit market rent at the capitalisation rate after the existing lease period, by an independent qualified professional valuer.

As at 30 June 2024, certain investment property with carrying value of RMB955,839,000 (31 December 2023: RMB1,054,064,000) were pledged to secure the Group's bank loans and other borrowings (note 17(iv)).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

11 CONSTRUCTION IN PROGRESS

During the six months ended 30 June 2024, additions to construction in progress of RMB153,090,000 (six months ended 30 June 2023: RMB279,302,000) mainly represented properties and facilities under construction in industrial parks.

12 RIGHT-OF-USE ASSETS

During the six months ended 30 June 2024, additions to right-of-use assets of RMB125,688,000 mainly represented land-use rights in industrial parks (six months ended 30 June 2023: leased apartments for own use of RMB2,148,000).

As at 30 June 2024, certain land-use rights with carrying value of RMB166,212,000 (31 December 2023: RMB177,754,000) were pledged to secure the Group's bank loans and other borrowings (note 17(iv)).

13 TRADE AND OTHER RECEIVABLES

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

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Current		
Within 1 month	212,989	143,138
1 to 3 months	27,159	20,503
4 to 6 months	8,554	5,833
Over 6 months	5,558	2,240
Trade receivables and bills receivables	254,260	171,714
Deductible input value-added tax ("VAT")	128,319	122,954
Prepayments and other receivables	20,303	13,762
Deposits for other borrowings (note 17(iv))	6,550	–
Amounts due from related parties (note 22(c))	1,328	4,722
	410,760	313,152
Non-current		
Prepayments for purchase of property, plant and equipment	36,643	7,132
Deposits for other borrowings (note 17(iv))	–	8,550
Deposits for constructions and acquisition of land-use rights	2,000	54,000
	38,643	69,682
Total	449,403	382,834

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

13 TRADE AND OTHER RECEIVABLES *(Continued)*

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

Trade receivables and bills receivables are due within 15 to 90 days from the date of billing or bills receivable issuance.

14 RESTRICTED DEPOSITS WITH BANKS

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Deposits for litigation dispute (note 21)	–	3,140
Pledged deposits (i)	47,054	46,767
	47,054	49,907

(i) As at 30 June 2024, the deposits with banks have been pledged as securities for bank loans (note 17(iv)).

15 CASH AND CASH EQUIVALENTS

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Cash on hand	125	75
Cash at bank	222,418	275,255
Other cash and cash equivalents	1,429	1,422
	223,972	276,752

As of the end of the reporting period, cash and cash equivalents situated in Mainland China amounted to RMB159,037,000 (31 December 2023: RMB273,677,000). Remittance of funds out of Mainland China is subject to the relevant rules and regulations of foreign exchange control.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

16 TRADE AND OTHER PAYABLES

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

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Within 1 month	61,853	64,605
1 to 3 months	12,150	10,483
4 to 6 months	2,333	3,102
Over 6 months	1,148	1,299
Trade payables	77,484	79,489
Deposits due to customers	223,362	214,386
Payables for equipment and construction	195,823	260,562
Interest payables	3,318	6,704
Payroll payables	19,844	29,866
Amounts due to related parties (note 22(c))	2,856	1,170
Receipts in advance for properties prepaid by third parties	151,486	175,449
Consideration for acquisition of non-controlling interests	655	655
Dividend payables (note 18(a))	100,514	–
Others	26,944	24,795
Total	802,286	793,076

Deposits due to customers represented the rental and facilities usage deposits, which might be repayable to customers after more than one year. All of the other trade payables, other payables, accruals and amounts due to related parties are expected to be settled within one year or are repayable on demand.

The credit period granted by the suppliers is 30 to 90 days.

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17 BANK LOANS AND OTHER BORROWINGS

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Secured and guaranteed bank loans (iii)(iv)(v)	2,614,755	2,679,963
Secured other borrowings (i)(iii)(iv)(v)	306,884	69,573
Unsecured and unguaranteed other borrowings (ii)(iii)	1,144	1,144
Total	2,922,783	2,750,680

As at 30 June 2024, the bank loans and other borrowings were repayable as follows:

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Within 1 year or on demand	984,593	938,923
After 1 year but within 2 years	457,234	356,004
After 2 years but within 5 years	1,164,023	1,026,750
After 5 years	316,933	429,003
Sub-total	1,938,190	1,811,757
Total	2,922,783	2,750,680

- (i) Secured other borrowings represent loans received from financial institutions other than banks in the PRC.
- (ii) As at 30 June 2024, unsecured and unguaranteed other borrowings represented loan from a non-controlling shareholder of a subsidiary with a fixed-interest rate at 6% per annum, and are repayable in December 2028.
- (iii) As at 30 June 2024, bank loans amounted to RMB2,419,081,000 (31 December 2023: RMB2,106,540,000) were floating-interest rate loans with interest rates ranged from 3.45% to 7.26% (31 December 2023: 3.45% to 7.26%). Bank loans and other borrowings amounted to RMB503,702,000 (31 December 2023: RMB644,140,000) were fixed-interest rate borrowings with interest rates ranged from 3.60% to 8.76% (31 December 2023: 3.70% to 8.67%).

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(Expressed in Renminbi unless otherwise indicated)

17 BANK LOANS AND OTHER BORROWINGS *(Continued)*

- (iv) Secured bank loans and other borrowings as at 30 June 2024 and 31 December 2023 were secured by certain of the Group's charge rights of rental income, equity interests of certain subsidiaries of the Group in the PRC, property, plant and equipment (note 9), investment property (note 10), land-use rights (note 12), deposits for other borrowings (note 13), and pledged deposits (note 14). As at 30 June 2024, bank loans and other borrowings amounted to RMB2,921,409,000 (31 December 2023: RMB2,746,889,000) were guaranteed by certain directors of the Company, close family members of directors, non-controlling shareholders of the Company or non-controlling shareholders of certain subsidiaries of the Group in the PRC.
- (v) Bank loans and other borrowings amounted to RMB2,922,553,000 as at 30 June 2024 (31 December 2023: RMB2,749,486,000) are subject to the fulfillment of covenants, which are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. In addition, pursuant to the terms of the bank loan agreements, certain subsidiaries are not allowed to distribute profit and/or to obtain other external financing prior to the lenders' approval. As at 30 June 2024, none of the covenants relating to drawn down facilities had been breached (31 December 2023: Nil).

18 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

- (i) No interim dividends were proposed to equity shareholders of the Company attributable to the interim period after the end of the reporting period (six months ended 30 June 2023: Nil).
- (ii) Dividend payables to equity shareholders attributable to the previous financial year, approved during the interim period

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Final dividend in respect of the previous financial year, approved during the following interim period, of HKD0.10 per ordinary share (six months ended 30 June 2023: HKD0.05 per ordinary share)	100,514	49,289

As at 30 June 2024, the final dividend in respect of the previous financial year has not been paid, the remaining RMB100,514,000 has been recognised as "dividend payables" (note 16).

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

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18 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(b) Purchase and cancellation of own shares

During six months ended 30 June 2024, the Company did not repurchase its own shares on the Stock Exchange of Hong Kong Limited. As at 30 June 2024, the Company has cancelled all shares purchased.

During six months ended 30 June 2023, the Company repurchased 1,960,000 shares in total on the Stock Exchange of Hong Kong Limited for an aggregate price of HKD1,964,000 (equivalent to RMB1,712,000). As at 30 June 2023, the Company has cancelled all shares purchased.

19 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Financial assets and liabilities measured at fair value

Fair value hierarchy

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

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

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(Expressed in Renminbi unless otherwise indicated)

19 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS *(Continued)*

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

Fair value hierarchy *(Continued)*

	Fair value at 30 June 2024 RMB'000	Fair value measurements as at 30 June 2024 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement				
Other financial assets:				
Unlisted equity securities	3,122	–	3,122	–

	Fair value at 31 December 2023 RMB'000	Fair value measurements as at 31 December 2023 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement				
Other financial assets:				
Unlisted equity securities	3,914	–	3,914	–

Recurring fair value measurement

Other financial assets:

Unlisted equity securities	3,914	–	3,914	–
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As at 30 June 2024 and 31 December 2023, 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.

20 COMMITMENTS

Commitments outstanding at 30 June 2024 not provided for in the interim financial report

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Contracted for		
— Construction of industrial parks	398,959	186,629
Authorised but not contracted for		
— Construction of industrial parks	1,331,538	1,332,849
	1,730,497	1,519,478

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21 CONTINGENT LIABILITY

Contingent liability in respect of legal claim

In 2021, an external third party (the “**Plaintiff**”) launched a lawsuit against a subsidiary of the Company (the “**Defendant**”) in respect of a dispute of trademark. The Plaintiff claimed a compensation in a total sum up to RMB10 million in connection with the damages and therefrom from the Defendant. On 16 August 2021, pursuant to an order from the court, a bank deposit of RMB3,140,000 was frozen. On 28 September 2022, the Beijing Haidian People’s Court ordered that the Defendant should pay approximately RMB350,000 to the Plaintiff. The Plaintiff and the Defendant both appealed against the judgment. On 30 October 2023, the Beijing Intermediate People’s Court made a final decision on the appeal that the Defendant would be subject to compensation payment by RMB395,000. As the compensation payment had been paid, the bank deposit of RMB3,140,000 was unfrozen in January 2024.

As at 30 June 2024 the Group did not have material contingent liability (31 December 2023: Nil).

22 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group is as follows.

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Salaries and other benefits	2,425	2,494
Retirement scheme contributions	86	68
	2,511	2,562

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

(b) Related parties transactions

During the six months ended 30 June 2024, the Group entered into the following material related party transactions:

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Provision of rental service to fellow subsidiaries (i)	736	3,390
Provision of environmental service to a fellow subsidiary (i)	786	1,571
Provision of wastewater treatment and utilities service to a fellow subsidiary (i)	1,636	4,024
Renovation cost paid to fellow subsidiaries	1,155	14,266
Payment for rental deposits to a fellow subsidiary	–	696
Provision of consulting service to associates	362	177
Purchase of photovoltaic power from associates	2,961	2,124
Sale of property, plant and equipment to a fellow subsidiary	20	–

- (i) The executive director of the Group resigned his position as the executive director of one fellow subsidiary on 22 March 2024 and that entity was no longer related party of the Group.

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(Expressed in Renminbi unless otherwise indicated)

22 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(c) Balance with related parties

(i) Amounts due from related parties

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Trade receivables from:		
— Fellow subsidiaries	446	3,844
— Associates	136	76
	582	3,920
Other receivables from:		
— Fellow subsidiaries	746	802

(ii) Amounts due to related parties

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Trade payables to:		
— Associates	938	429
Other payables to:		
— Fellow subsidiaries	1,918	741

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

22 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(d) Leasing arrangement

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Purchase of short-term lease service from a fellow subsidiary	27	–
Purchase of rental service from fellow subsidiaries (i)	1,455	–
	At	At
	30 June	31 December
	2024	2023
	RMB'000	RMB'000
Lease liabilities due to fellow subsidiaries (i):		
— Related interest payable	454	727
— Amounts owed by the Group	14,342	15,208

- (i) During the six months ended 30 June 2024, the Group entered into three lease agreements with two related parties (six months ended 30 June 2023: one lease agreement with a related party) for use of buildings and warehouses. The amounts of rent payable (excluding taxes) by the Group under the lease are RMB639,000 per quarter, RMB3,000 per month and RMB4,000 per month, respectively, which were determined with reference to amounts charged by the fellow subsidiaries to third parties.

REVIEW REPORT TO THE BOARD OF DIRECTORS



Review report to the board of directors of Kimou Environmental Holding Limited

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 21 to 47 which comprises the consolidated statement of financial position of Kimou Environmental Holding Limited (the “**Company**”) as of 30 June 2024 and the related consolidated statement of profit or loss, statement of profit or loss and other comprehensive income and statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2024 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants

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

23 August 2024