CONCH VENTURE

2019 ANNUAL REPORT

China Conch Venture Holdings Limited

中國海螺創業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 586

This Annual Report, in both Chinese and English versions, is available on the Company's website at http://www.conchventure.com (the "Company Website"). Shareholders who have chosen or have been deemed consented to receive the corporate communications of the Company (the "Corporate Communications") via the Company Website and who for any reason have difficulty in receiving or gaining access to the Corporate Communications posted on the Company Website will promptly upon request be sent the Corporate Communications in printed form free of charge.

Shareholders may at any time change their choice of the means of receipt of the Corporate Communications (either in printed form or via the Company Website).

Shareholders may send their requests at any time to receive the Annual Report and/or to change their choice of the means of receipt of the Corporate Communications by notice in writing to the share registrar of the Company, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

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DEFINITIONS

In this report, unless the context otherwise requires, the following expressions shall have the following meanings:

Articles of Association:	the articles of association of the Company
Associated corporation(s):	has the meaning ascribed thereto under the SFO
Audit Committee:	the audit committee of the Board
Board:	the board of Directors of the Company
BOT:	build-operate-transfer, a type of business arrangement used in the construction of a facility
Bozhou Conch Venture Green:	亳州海創新型節能建築材料有限責任公司 (Bozhou Conch Venture New Energy-saving Building Material Co., Ltd.*)
Conch Venture Green:	安徽海創新型節能建築材料有限責任公司 (Anhui Conch Venture New Energy-saving Building Material Co., Ltd.*)
China or the PRC:	the People's Republic of China
CK Engineering:	安徽海螺川崎工程有限公司 (Anhui Conch Kawasaki Engineering Co., Ltd.*)
CK Equipment:	安徽海螺川崎節能設備製造有限公司 (Anhui Conch Kawasaki Energy Conservation Equipment Manufacturing Co., Ltd.*)
CKEM:	安徽海螺川崎裝備製造有限公司 (Anhui Conch Kawasaki Equipment Manufacturing Co., Ltd.*)
CNBM:	中國建材股份有限公司 (China National Building Material Company Limited)
Company/Conch Venture/We:	China Conch Venture Holdings Limited (中國海螺創業控股有限公司)
Conch Cement:	安徽海螺水泥股份有限公司 (Anhui Conch Cement Co., Ltd.*)
Conch Design Institute:	安徽海螺建材設計研究院有限責任公司 (Anhui Conch Construction Materials Design Institute Co., Ltd.*)

DEFINITIONS

Conch Group:	Conch Holdings and its affiliates (primarily Conch Cement and 蕪湖海螺型材科技股份有限公司 (Wuhu Conch Profiles and Science Co., Ltd.*)
Conch Holdings:	安徽海螺集團有限責任公司 (Anhui Conch Holdings Co., Ltd.*)
Conch IT Engineering:	安徽海螺信息技術工程有限責任公司 (Anhui Conch IT Engineering Co., Ltd.*)
Conch Profiles:	蕪湖海螺型材科技股份有限公司 (Wuhu Conch Profiles and Science Co., Ltd.*)
Conch Venture BVI:	China Conch Venture Holdings International Limited (中國海創控股國際有限公司)
Connected person(s):	has the meaning ascribed thereto under the Listing Rules
CV Investment:	安徽海螺創業投資有限責任公司 (Anhui Conch Venture Investment Co., Ltd.*)
Director(s):	the director(s) of the Company
Group:	the Company and its subsidiaries
Haizhong Environmental:	Anhui Haizhong Environmental Company Limited (安徽海中環保有限責任公司)
HKD:	Hong Kong dollar, the lawful currency of Hong Kong
Hong Kong:	the Hong Kong Special Administrative Region of the PRC
Jinyuan Environmental Protection:	三明南方金圓環保科技有限公司 (Sanming Nanfang Jinyuan Environmental Protection Technology Co., Ltd.*)
Kawasaki HI:	Kawasaki Heavy Industries Ltd. (川崎重工業株式會社)
Listing Rules:	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
Management:	the operating management of the Company
Mengxi Cement:	Inner Mongolia Mengxi Cement Co., Ltd. (內蒙古蒙西水泥股份有限公司)

DEFINITIONS

Haimeng Technology:	內蒙古海創蒙西科技發展有限公司 (Inner Mongolia Mengxi Technology Development Limited*)
Remuneration and Nomination Committee:	the Remuneration and Nomination Committee of the Board
Reporting Period:	from 1 January 2019 to 31 December 2019
RMB:	the lawful currency of the PRC
SA Conch:	安徽海螺集團有限責任公司工會委員會 (The Staff Association of Anhui Conch Holdings Co., Ltd.)
SFO:	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (as amended from time to time)
Shanshui Cement:	China Shanshui Cement Group Limited (中國山水水泥集團有限公司)
Shareholders:	the shareholders of the Company
Splendor Court:	Splendor Court Holdings Limited (華廷控股有限公司)
Stock Exchange:	The Stock Exchange of Hong Kong Limited
WH Environmental Protection:	蕪湖海創環保科技有限責任公司 (Wuhu Conch Venture Environmental Protection Technology Co., Ltd.*)
Yaobai Environmental Protection:	西安堯柏環保科技工程有限公司 (Xi'an Yaobai Environmental Protection Technology Engineering Co., Ltd.*)
Yaobai Special Cement:	堯柏特種水泥集團有限公司 (Shanxi Yaobai Special Cement Co., Ltd.*)

* For identification purpose only

1. CORPORATE INFORMATION

(I)	**REGISTERED CHINESE NAME OF THE COMPANY:**	中國海螺創業控股有限公司
	CHINESE ABBREVIATION:	海螺創業
	REGISTERED ENGLISH NAME OF THE COMPANY:	CHINA CONCH VENTURE HOLDINGS LIMITED
	ENGLISH ABBREVIATION:	CONCH VENTURE
(II)	**EXECUTIVE DIRECTORS:**	Mr. Guo Jingbin *(Chairman)* Mr. Ji Qinying *(Chief Executive Officer)* Mr. Li Jian Mr. Li Daming
(III)	**NON-EXECUTIVE DIRECTOR**	Mr. Chang Zhangli
(IV)	**INDEPENDENT NON-EXECUTIVE DIRECTORS:**	Mr. Chan Chi On (alias Derek Chan) Mr. Chan Kai Wing Mr. Lau Chi Wah, Alex
(V)	**AUDIT COMMITTEE:**	Mr. Chan Chi On (alias Derek Chan) *(Chairman)* Mr. Chan Kai Wing Mr. Lau Chi Wah, Alex
(VI)	**REMUNERATION AND NOMINATION COMMITTEE:**	Mr. Lau Chi Wah, Alex *(Chairman)* Mr. Chan Chi On (alias Derek Chan) Mr. Chan Kai Wing Mr. Ji Qinying
(VII)	**COMPANY SECRETARY:**	Mr. Shu Mao

1. CORPORATE INFORMATION

(VIII)	**AUTHORISED REPRESENTATIVES:**	Mr. Guo Jingbin Mr. Ji Qinying
(IX)	**REGISTERED OFFICE OF THE COMPANY:**	Cricket Square, Hutchins Drive P. O. Box 2681, Grand Cayman KY1-1111 Cayman Islands
(X)	**ADDRESS OF THE HEAD OFFICE IN THE PRC:**	1011 Jiuhua South Road Wuhu City, Anhui Province, China
(XI)	**POSTAL CODE:**	241070
(XII)	**EMAIL ADDRESS OF THE COMPANY:**	hlcy@conchventure.com
(XIII)	**WEBSITE OF THE COMPANY:**	http://www.conchventure.com
(XIV)	**PRINCIPAL PLACE OF BUSINESS IN HONG KONG:**	Suite 4018, 40/F Jardine House 1 Connaught Place, Central Hong Kong
(XV)	**HONG KONG LEGAL ADVISOR:**	Chiu & Partners
(XVI)	**INTERNATIONAL AUDITOR:**	KPMG
(XVII)	**CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT:**	Conyers Trust Company (Cayman) Limited Cricket Square, Hutchins Drive P. O. Box 2681, Grand Cayman KY1-1111 Cayman Islands
(XVIII)	**HONG KONG BRANCH SHARE REGISTRAR:**	Computershare Hong Kong Investor Services Limited Shops 1712–1716 17/F, Hopewell Centre 183 Queen's Road East Wanchai, Hong Kong
(XIX)	**STOCK CODE:**	00586

2. FINANCIAL HIGHLIGHTS

FINANCIAL OVERVIEW (FOR THE YEAR ENDED 31 DECEMBER 2019)

1. Operation results

Unit: RMB'000

Item	2019	2018	2017	2016	2015
Revenue	**5,120,281**	2,889,592	2,064,951	2,032,213	2,057,494
Profit before taxation	**7,413,779**	6,251,536	3,631,109	2,281,837	2,226,710
Share of profit of associates	**6,008,155**	5,275,171	2,955,569	1,535,505	1,539,856
Net profit attributable to the equity shareholders of the Company	**6,995,831**	5,947,269	3,403,002	1,980,612	1,944,340

2. Assets and liabilities

Unit: RMB'000

Item	2019	2018	2017	2016	2015
Total assets	**42,171,561**	33,216,302	23,176,217	20,213,073	18,499,709
Total liabilities	**9,409,165**	6,750,441	1,964,902	1,866,483	1,750,315
Equity attributable to the equity shareholders of the Company	**31,852,952**	25,752,817	20,577,751	17,747,317	16,258,446

04.09

Conch Venture entered into a strategic cooperation agreement with Mengxi Cement.

04.12

Conch Venture won the second "New Fortune Best IR of Hongkong Listed Company" award.

04.26

Conch Venture issued the ESG report separately for the first time.

07.09

the half-year ranking of Chinese companies by market capitalization was confirmed. Conch Venture was shortlisted in the China's Top 500 Listed Companies with a total market capitalization of RMB43.8 billion, ranking the 254th.

08.08

Conch Venture entered into a strategic cooperation agreement with the People's Government of Wuhu City in Wuhu. Both parties will actively promote the establishment of "waste-free city" in Wuhu under the guidance of innovative and green new development concept.

08.16

Conch Venture was included as a constituent member of the Hang Seng Corporate Sustainability Index Series.

10.30

Conch Venture successfully hosted the first Reverse Road show in Yiyang, Jiangxi Province, which nearly 30 domestic and overseas securities dealers and institutional investors were invited to attend.

12.13

Conch Venture participated in the 2019 (the 6th) Solid Waste Industry Forum, and was honored "China's New Strategic Environmental Protection Industry Leader in 2019" award.

12.31

Conch Venture hit a peak with closing price being HKD34 and its total market capitalisation exceeding HKD60 billion as the time of discarding the old and welcoming the new.

CONCH VENTURE

Milestones of Conch Venture

CHRONICLE OF EVENTS

2019

01.08

Conch Venture was honored as one of the group members of China Association of Urban Environmental Sanitation


证　书

编号：202001008

中国海螺创业控股有限公司：

经批准，你单位为中国城市环境卫生协会团体会员单位。

中国城市环境卫生协会

2020年1月

（有效期：2020年1月至2020年12月）

03.14

Haizhong Environmental was jointly established by Conch Venture and CNBM.

03.22

Conch Venture obtained the first Waste Incineration Power Generation Project in Gansu Province — Jiuquan Project. The project has a planned treatment capacity of 2×500 tonnes per day.

05.31

Conch Venture entered into a strategic cooperation agreement with Shanshui Cement.

06.26

The 2019 Annual General Meeting of Conch Venture was successfully convened in Hong Kong.

08.16

Conch Venture obtained another kiloton waste incineration power generation project. The Company entered into the Concession Arrangement on Municipal Waste Incineration Power Generation Project of Shahe City with the People's Government of Shahe City. The project has a planned treatment capacity of 4×500 tonnes per day.

09.19

Conch Venture entered into the Investment Agreement on Municipal Waste Comprehensive Treatment Project of Hejin City with the People's Government of Hejin City, which was the first waste treatment project of the Group in Shanxi Province and has a planned treatment capacity of 500 tonnes per day.

4. BUSINESS REVIEW AND OUTLOOK

(I) MACRO ENVIRONMENT

In 2019, amidst the complex political and economic situations at home and abroad, the Chinese economy turned out to be positive and was strengthened with steady progress, China's GDP grew by approximately 6.1% compared with that over the same period of last year, and the quality of development in China was steadily improved. In terms of environmental protection, as the State has been prioritising the pollution control targetedly, scientifically and by operation of law, maximising efforts to address environment concerns and promoting the high-quality economic development; and the environmental protection industry was also embraced by a new dawn for development.

During the Reporting Period, under the strong leadership of the Board, the Group implemented a wide spectrum of solid and hazardous waste treatment projects nationwide, vigorously expanded municipal waste projects, continuously strengthened internal management by closely following the national policy for the environmental protection industry, and the principal businesses exhibited a steady upward growth momentum.

(II) BUSINESS REVIEW

Environmental Protection Business

The year of 2019 was the first year of the five-year plan (2019–2023) of the Group and thus was of significance to the future development of the Group. During the Reporting Period, all the leaders and staff of the Group worked industriously together and over-fulfilled the planned objectives for development tasks for the year than expected.

As at the date of this report, the Group had newly added 54 environment protection projects including 32 solid waste treatment projects with a production capacity of approximately 3.50 million tonnes/year and 22 waste treatment projects with a production capacity of approximately 5.16 million tonnes/year (14,700 tonnes/day).

As at the date of this report, the Group had promoted 118 environment protection projects in 21 provinces, cities and autonomous regions nationwide, including 54 solid waste projects, 45 grate furnace power generation projects, 17 waste treatment by cement kilns projects and 2 black and odorous water treatment projects, with a treatment capacity of 6.29 million tonnes of solid and hazardous waste/year and 11.60 million tonnes (33,500 tonnes/day) of municipal waste/year.

4. BUSINESS REVIEW AND OUTLOOK

Solid Waste Treatment

(1) Project expansion

Since 2019, the Group has made remarkable achievements in the expansion of the solid waste treatment projects. As at the date of this report, the Group had newly added a total of 32 solid waste treatment projects with a treatment capacity of approximately 3.50 million tonnes per annum. In particular, by leveraging on the advantageous resources of Conch Cement, we had successfully obtained 9 solid waste treatment projects in Yangchun, Guangdong Province, Yiyang, Hunan Province, Dazhou, Sichuan Province, Fanchang, Anhui Province, Longan, Guangxi Province, Chizhou, Anhui Province, Xinhua, Hunan Province, Quanjiao, Anhui Province, and Zongyang, Anhui Province, with a treatment capacity of approximately 1.28 million tonnes/year.

Meanwhile, the Group has expedited the cooperation with cement companies such as CNBM. During the Reporting Period, the Group established joint ventures with each of CNBM and Mengxi Cement and entered into a strategic cooperation agreement with Shanshui Cement. As at the date of this report, Haizhong Environmental, a company cooperated with CNBM has successfully obtained 14 solid waste projects, with a production capacity of approximately 1.58 million tonnes/year, while achieving a strategic deployment of projects covering Guangdong, Jiangsu, Shandong, Henan and other provinces. Moreover, Haimeng Technology, a joint venture cooperated with Mengxi Cement, has also obtained 2 projects in Erdos and Hulun Buir, with a treatment capacity of approximately 150,000 tonnes/year.

In addition, the Group has also proactively explored the diversified development of solid waste treatment and intensified the research and development of technologies such as anaerobic decomposition treatment of organic and hazardous waste and municipal waste, fly ash treatment with water and comprehensive utilisation of resources of solid waste and hazardous waste. As at the date of this report, the Group has successfully ensured 4 fly ash treatment with water projects in Wuhu, Anhui Province, Yiyang, Jiangxi Province, Xianyang, Shaanxi Province, and Yiyang, Hunan Province, with a treatment capacity of approximately 350,000 tonnes/year, 1 comprehensive utilization of resources project in Ninghai, Zhejiang Province, with a treatment capacity of approximately 40,000 tonnes/year, 1 oil-bearing sludge treatment project in Qingyang, Gansu Province, with a treatment capacity of approximately 80,000 tonnes/year, and 1 dry distillation project in Wuhu, Anhui Province, with a treatment capacity of approximately 15,000 tonnes/year.

4. BUSINESS REVIEW AND OUTLOOK

(2) Project operation

The Group continued to explore and broaden new concepts for development of the solid waste treatment industry, energetically implemented market expansion, deeply identified potential customers, increased volume, stabilised prices, improved efficiency, and expanded customer base, so as to guarantee the effective utilisation of the production capacity of projects. During the Reporting Period, Yaobai Environmental Protection, Xingye, Wenshan, Guiyang and other projects of the Group achieved the inter-provincial transfer of hazardous waste in Jiangsu, Guangdong, Zhejiang and other regions, and increased the hazardous waste input volume. Chongqing project proactively expanded market and made planning for market penetration in advance, thus achieving immediate effect and steady increases in both volume and price upon operation.

During the Reporting Period, our solid waste treatment segment received a total of 666,600 tonnes of solid waste and hazardous waste, including 306,900 tonnes of hazardous waste and 359,700 tonnes of general solid waste. Details of other hazardous waste treatment projects are set out in the following table:

No.	Status of Construction	Project Location	Capacity	Hazardous Waste Qualification	Actual/Expected Completion Date	Cooperation Methods	Remarks
1	In operation	Fuping, Shaanxi Province	100,000 tonnes/year	100,000 tonnes/year	April 2016	Yaobai Environmental Protection holding 100%	
2		Qian County, Shaanxi Province	70,000 tonnes/year	63,600 tonnes/year	April 2017		
3		Qianyang, Shaanxi Province	100,000 tonnes/year	100,000 tonnes/year	October 2018		
4		Tongchuan, Shaanxi Province	100,000 tonnes/year	81,500 tonnes/year	August 2019		
5		Wuhu, Anhui Province	2×100,000 tonnes/year	130,000 tonnes/year (two phases)	December 2017	Wholly-owned projects	
6		Yiyang, Jiangxi Province	2×100,000 tonnes/year	170,000 tonnes/year (two phases)	May 2018		
7		Xingye, Guangxi Province	2×100,000 tonnes/year	Phase 1: 95,000 tonnes/year Phase 2: 66,500 tonnes/year	August 2018		
8		Suzhou, Anhui Province (Phase 1)	100,000 tonnes/year	50,000 tonnes/year	August 2018		
9		Wenshan, Yunnan Province (Phase 1)	100,000 tonnes/year	60,000 tonnes/year	August 2019		
10		Sishui, Shandong Province	100,000 tonnes/year	Evidence to be obtained	January 2020		
11		Qiyang, Hunan Province	100,000 tonnes/year	Evidence to be obtained	January 2020		
12		Zhong County, Chongqing City	2×100,000 tonnes/year	40,000 tonnes/year	June 2019	The Group holding 65%	
13		Qingzhen, Guizhou Province	100,000 tonnes/year	100,000 tonnes/year	September 2019	The Group holding 85%	
Subtotal			**1,670,000 tonnes/year**	**1,056,600 tonnes/year**			

4. BUSINESS REVIEW AND OUTLOOK

No.	Status of Construction	Project Location	Capacity	Hazardous Waste Qualification	Actual/Expected Completion Date	Cooperation Methods	Remarks
14	Under construction	Yangchun, Guangdong Province	100,000 tonnes/ year	/	June 2020	Wholly-owned projects	
15		Suzhou, Anhui Province (Phase 2)	100,000 tonnes/ year		September 2020		
16		Linxiang, Hunan Province	100,000 tonnes/ year		January 2021		
Subtotal			**300,000 tonnes/ year**				
17	Under approval and planning	Wenshan, Yunan Province (Phase 2)	100,000 tonnes/ year	/	/	Wholly-owned projects	
18		Longan, Guangxi Province	100,000 tonnes/ year				
19		Quanjiao, Anhui Province	200,000 tonnes/ year				
20		Baoshan, Yunnan Province	100,000 tonnes/ year				Cement Kiln treatment changed to solid waste treatment
Subtotal			**500,000 tonnes/ year**				
Total			**2,470,000 tonnes/ year**	**1,056,600 tonnes/ year**			

Details of other solid waste treatment projects are set out in the following table:

No.	Status of Construction	Project Location	Capacity	Actual/Expected Completion Date	Cooperation Methods
1	In operation	Lantian, Shaanxi Province	90,000 tonnes/year	January 2015	Yaobai Environmental Protection holding 100%
2		Mian County, Shaanxi Province	45,000 tonnes/year	October 2017	
3		Huaining, Anhui Province	70,000 tonnes/year	September 2017	Wholly-owned projects
4		Huaibei, Anhui Province	70,000 tonnes/year	December 2017	
5		Xianyang, Shaanxi Province	300,000 tonnes/year	August 2019	
6		Liangping, Chongqing City	75,000 tonnes/year	September 2019	
7		Guangyuan, Sichuan Province	70,000 tonnes/year	January 2020	
Subtotal			**720,000 tonnes/year**		
8	Under construction	Fanchang, Anhui Province	210,000 tonnes/year	July 2020	Wholly-owned projects
9		Chizhou, Anhui Province	100,000 tonnes/year	November 2020	
10		Yiyang, Hunan Province	70,000 tonnes/year	January 2021	
11	Under approval and planning	Xinhua, Hunan Province	100,000 tonnes/year	/	
12		Zongyang, Anhui Province	200,000 tonnes/year		
13		Dazhou, Sichuan Province	200,000 tonnes/year		The Group holding 80%
Subtotal			**880,000 tonnes/year**		
Total			**1,600,000 tonnes/year**		

4. BUSINESS REVIEW AND OUTLOOK

Details of the solid waste treatment projects cooperated with CNBM and Mengxi Cement are set out in the following table:

No	Status of Construction	Cooperative entity	Project Location	Capacity	Hazardous Waste Qualification	Actual/Expected Completion Date	Cooperation Methods	Remarks
1	In operation	South Cement	Sanming, Fujian Province	100,000 tonnes/year	37,500 tonnes/year	August 2019	Haizhong Environmental holding 35%	
2			Yixing, Jiangsu Province	100,000 tonnes/year	100,000 tonnes/year	December 2019		
Subtotal				**200,000 tonnes/year**	**137,500 tonnes/year**			
3	Under construction	China United Cement	Dezhou, Shandong Province	100,000 tonnes/year	/	September 2020	Haizhong Environmental holding 50%	
4			Luoyang, Henan Province	100,000 tonnes/year		January 2021	Haizhong Environmental holding 100%	
5			Jiyuan, Henan Province	100,000 tonnes/year		January 2021		
Subtotal				**300,000 tonnes/year**				
6	Under approval and planning	China United Cement	Dengfeng, Henan Province	100,000 tonnes/year	/	/	Haizhong Environmental holding 100%	
7			Taian, Shandong Province	100,000 tonnes/year			Haizhong Environmental holding 51%	
8			Baoding, Hebei Province	100,000 tonnes/year				Polluted soil project
9		Sinoma Cement	Luoding, Guangdong Province	80,000 tonnes/year			Haizhong Environmental holding 40%	
10		Qilianshan Cement	Jiayuguan, Gansu Province	200,000 tonnes/year			Haizhong Environmental holding 100%	
11		South Cement	Fuyang, Zhejiang Province	200,000 tonnes/year			Haizhong Environmental holding 65%	
12			Quzhou, Zhejiang Province	100,000 tonnes/year			Haizhong Environmental holding 100%	General solid waste
13			Chongzuo, Guangxi Province	100,000 tonnes/year				
14			Guilin, Guangxi Province	100,000 tonnes/year				
15		Mengxi Cement	Erdos, Inner Mongolia	100,000 tonnes/year			Haimeng Technology holding 100%	
16			Hulun Buir, Inner Mongolia	50,000 tonnes/year				
Subtotal				**1,230,000 tonnes/year**				
Total				**1,730,000 tonnes/year**	**137,500 tonnes/year**			

4. BUSINESS REVIEW AND OUTLOOK

Details of the fly ash treatment with water and oil-bearing sludge treatment projects are set out in the following table:

No.	Status of Construction	Project Type	Project Location	Capacity	Expected Completion Date	Remarks
1	Under construction	Fly ash treatment with water	Wuhu, Anhui Province	100,000 tonnes/year	October 2020	
2	Under approval and planning		Yiyang, Hunan Province	50,000 tonnes/year	/	
3			Yiyang, Jiangxi Province	100,000 tonnes/year		
4			Xianyang, Shaanxi Province	100,000 tonnes/year		
Subtotal				**350,000 tonnes/year**		
5	Under construction	Comprehensive utilization of resources	Xinyuantai, Ninghai, Zhejiang Province	40,000 tonnes/year	January 2021	The Group holding 70%
6	Under approval and planning	Oil-bearing sludge treatment	Qingyang, Gansu Province	80,000 tonnes/year	/	The Group holding 80%
7		Dry distillation	Wuhu, Anhui Province	15,000 tonnes/year		
Subtotal				**135,000 tonnes/year**		
Total				**485,000 tonnes/year**		

As at the date of this report, the Group has formed a scale of 6.29 million tonnes solid hazardous waste/year, the details of which are set out in the following table:

Unit: 10,000 tonnes/year

Category	Hazardous Waste									Solid Waste	
	Collaborative treatment by cement kilns						Fly Ash (under construction)	Integrated Utilization of Dry Distillation Resources (under construction)	Oil-bearing sludge (under construction)	In Operation	Under Construction
	Conch Project			Cooperation Project							
	In Operation	Hazardous Waste Qualification	Under Construction	In Operation	Hazardous Waste Qualification	Under Construction					
	130	71.15	80	70.5	48.26	153	35	5.5	8	58.5	88

Grate Furnace Power Generation

(1) Project expansion

The Group sped up to capture strategic opportunities and accelerated steps to promote the expansion of waste power generation projects. As at the date of this report, the Group had newly obtained 22 projects in Ningguo, Zongyang, Wuwei, Mangshi, Tengchong, Luxi, Luoping, Hanshou, Shuangfeng, Shimen, Dexing, Panshi, Suiyang, Tongzi, Pingliang, Jiuquan, Longan, Hejin, Shahe, Jinning, Pingguo and Binzhou, with a production capacity of 5.16 million tonnes/year (14,700 tonnes/day).

4. BUSINESS REVIEW AND OUTLOOK

(2) Project operation

The Group carried out technological transformation through various measures and implemented professional benchmarking management, resulting in a significant growth in both the electricity generated by each tonne of waste and the on-grid electricity generated by each tonne of waste. During the Reporting Period, the Group received a total of 1,286,200 tonnes of municipal waste, treated 1,032,900 tonnes of municipal waste and achieved 329 million kwh of on-grid electricity, which representing a year-on-year increase of 40 kwh, based on 319 kwh of average on-grid electricity calculated at the volume processed in furnace and the input volume.

No.	Status of Construction	Project Location	Capacity	Actual/Expected Completion Date	Cooperation methods
1	In operation	Jinzhai, Anhui Province	100,000 tonnes/year (300 tonnes/day)	January 2016	Wholly-owned projects
2		Tongren, Guizhou Province	2×100,000 tonnes/year (2×300 tonnes/day)	July 2017	
3		Yanshan, Yunnan Province	70,000 tonnes/year (200 tonnes/day)	August 2017	
4		Huoqiu, Anhui Province	2×140,000 tonnes/year (2×400 tonnes/day)	January 2018	
5		Li County, Hunan Province	240,000 tonnes/year (700 tonnes/day)	April 2018	
6		Songming,Yunnan Province	100,000 tonnes/year (300 tonnes/day)	January 2019	
7		Shanggao, Jiangxi Province	140,000 tonnes/year (400 tonnes/day)	February 2019	
8		Yiyang, Jiangxi Province	2×100,000 tonnes/year (2×300 tonnes/day)	June 2019	
9		Shache, Xinjiang	2×100,000 tonnes/year (2×300 tonnes/day)	June 2019	
10		Sishui, Shandong Province	140,000 tonnes/year (400 tonnes/day)	June 2019	
11		Bole, Xinjiang	100,000 tonnes/year (300 tonnes/day)	July 2019	
12		Yang County, Shaanxi Province	100,000 tonnes/year (300 tonnes/day)	October 2019	
13		Baoshan, Yunnan Province	2×140,000 tonnes/year (2×400 tonnes/day)	January 2020	
14		Fuquan, Guizhou Province	100,000 tonnes/year (300 tonnes/day)	January 2020	
15		Lujiang, Anhui Province (Phase 1)	180,000 tonnes/year (500 tonnes/day)	January 2020	
Subtotal			**2.43 million tonnes/year (7,100 tonnes/day)**		

4. BUSINESS REVIEW AND OUTLOOK

No.	Status of Construction	Project Location	Capacity	Actual/Expected Completion Date	Cooperation methods
16	Under construction	Xianyang, Shaanxi Province (Phase 1)	2×250,000 tonnes/year (2×750 tonnes/day)	April 2020	Wholly-owned projects
17		Huoshan, Anhui Province	140,000 tonnes/year (400 tonnes/day)	July 2020	
18		Shizhu, Chongqing City	100,000 tonnes/year (300 tonnes/day)	July 2020	
19		Xishui, Guizhou Province (Phase 1)	140,000 tonnes/year (400 tonnes/day)	August 2020	
20		Jinzhai, Anhui Province (Phase 2)	100,000 tonnes/year (300 tonnes/day)	August 2020	
21		Tengchong, Yunnan Province (Phase 1)	100,000 tonnes/year (300 tonnes/day)	November 2020	
22		Manzhouli, Inner Mongolia	140,000 tonnes/year (400 tonnes/day)	November 2020	
23		Dexing, Jiangxi Province	140,000 tonnes/year (400 tonnes/day)	November 2020	The Group holding 90%
24		Ningguo, Anhui Province	140,000 tonnes/year (400 tonnes/day)	December 2020	Wholly-owned projects
25		Luxi, Yunnan Province (Phase 1)	100,000 tonnes/year (300 tonnes/day)	March 2021	
26		Mangshi, Yunnan Province (Phase 1)	100,000 tonnes/year (300 tonnes/day)	March 2021	
27		Luoping, Yunnan Province (Phase 1)	100,000 tonnes/year (300 tonnes/day)	March 2021	
28		Zongyang, Anhui Province (Phase 1)	140,000 tonnes/year (400 tonnes/day)	May 2021	
29		Shimen, Hunan Province	180,000 tonnes/year (500 tonnes/day)	May 2021	
30		Zhenxiong, Yunnan Province (Phase 1)	180,000 tonnes/year (500 tonnes/day)	July 2021	
Subtotal			**2.30 million tonnes/year (6,700 tonnes/day)**		

4. BUSINESS REVIEW AND OUTLOOK

No.	Status of Construction	Project Location	Capacity	Actual/Expected Completion Date	Cooperation methods
31	Under approval and planning	Xianyang, Shaanxi Province (Phase 2)	2×250,000 tonnes/year (2×750 tonnes/day)	/	Wholly-owned projects
32		Xishui, Guizhou Province (Phase 2)	140,000 tonnes/year (400 tonnes/day)		
33		Zhenxiong, Yunnan Province (Phase 2)	180,000 tonnes/year (500 tonnes/day)		
34		Tongchuan, Shaanxi Province	180,000 tonnes/year (500 tonnes/day)		
35		Lujiang, Anhui Province (Phase 2)	180,000 tonnes/year (500 tonnes/day)		
36		Mangshi, Yunnan Province (Phase 2)	100,000 tonnes/year (300 tonnes/day)		
37		Wuwei, Anhui Province	2×180,000 tonnes/year (2×500 tonnes/day)		
38		Hanshou, Hunan Province	140,000 tonnes/year (400 tonnes/day)		
39		Tengchong, Yunnan Province (Phase 2)	100,000 tonnes/year (300 tonnes/day)		
40		Luxi, Yunnan Province (Phase 2)	100,000 tonnes/year (300 tonnes/day)		
41		Jiuquan, Gansu Province	2×180,000 tonnes/year (2×500 tonnes/day)		
42		Luoping, Yunnan Province (Phase 2)	100,000 tonnes/year (300 tonnes/day)		
43		Longan, Guangxi Province	100,000 tonnes/year (300 tonnes/day)		
44		Panshi, Jilin Province	2×140,000 tonnes/year (2×400 tonnes/day)		
45		Shuanfeng, Hunan Province	2×180,000 tonnes/year (2×500 tonnes/day)		
46		Zongyang, Anhui Province (Phase 2)	140,000 tonnes/year (400 tonnes/day)		
47		Hejin, Shanxi Province	180,000 tonnes/year (500 tonnes/day)		
48		Pingliang, Gansu Province	2×180,000 tonnes/year (2×500 tonnes/day)		
49		Jinning, Yunnan Province	140,000 tonnes/year (400 tonnes/day)		
50		Pingguo, Guangxi Province	140,000 tonnes/year (400 tonnes/day)		
51		Binzhou, Shaanxi Province	2×100,000 tonnes/year (2×300 tonnes/day)		
52		Thai Nguyen, Vietnam	180,000 tonnes/year (500 tonnes/day)		The Group holding 51%
53		Suiyang, Guizhou Province	140,000 tonnes/year (400 tonnes/day)		The Group holding 70%
54		Tongzi, Guizhou Province	140,000 tonnes/year (400 tonnes/day)		
55		Shahe, Hebei Province	4×180,000 tonnes/year (4×500 tonnes/day)		The Group holding 66%
Subtotal			**5.52 million tonnes/year (15,700 tonnes/day)**		
Total			**10.25 million tonnes/year (29,500 tonnes/day)**		

4. BUSINESS REVIEW AND OUTLOOK

Waste Treatment by Cement Kilns

During the Reporting Period, 17 projects waste treatment by cement kilns were completed, with a treatment capacity of 1.35 million tonnes/year (4,000 tonnes/day), and an actual municipal waste treatment volume of 889,000 tonnes/year.

Details of waste treatment by cement kilns projects are set out in the following table:

No.	Status of Construction	Project Location	Business Model	Capacity	Cooperation methods
1	Completed	Pingliang, Gansu Province	BOT	100,000 tonnes/year (300 tonnes/day)	Wholly-owned projects
2		Qingzhen, Guizhou Province		100,000 tonnes/year (300 tonnes/day)	
3		Yangchun, Guangdong Province		70,000 tonnes/year (200 tonnes/day)	
4		Yuping, Guizhou Province		30,000 tonnes/year (100 tonnes/day)	The Group holding 70%
5		Xishui, Guizhou Province		100,000 tonnes/year (300 tonnes/day)	
6		Qiyang, Hunan Province		100,000 tonnes/year (300 tonnes/day)	Wholly-owned projects
7		Shimen, Hunan Province		70,000 tonnes/year (200 tonnes/day)	
8		Shuicheng, Guizhou Province		70,000 tonnes/year (200 tonnes/day)	
9		Fusui, Guangxi Province		70,000 tonnes/year (200 tonnes/day)	
10		Shuanfeng, Hunan Province		70,000 tonnes/year (200 tonnes/day)	
11		Nanjiang, Sichuan Province		70,000 tonnes/year (200 tonnes/day)	
12		Lingyun, Guangxi Province		30,000 tonnes/year (100 tonnes/day)	
13		Ningguo, Anhui Province		100,000 tonnes/year (300 tonnes/day)	
14		Linxia, Gansu Province		100,000 tonnes/year (300 tonnes/day)	
15		Xingan, Guangxi Province		100,000 tonnes/year (300 tonnes/day)	
16		Yingjiang, Yunnan Province		70,000 tonnes/year (200 tonnes/day)	
17		Baoshan, Yunnan Province		100,000 tonnes/year (300 tonnes/day)	
Total				**1.35 million tonnes/year (4,000 tonnes/day)**	

As at the date of this report, the Group has a municipal waste treatment capacity of 11.60 million tonnes/year (33,500 tonnes/day), including 3.78 million tonnes/year (11,100 tonnes/day) completed and 7.82 million tonnes/year (22,400 tonnes/day) under construction and approved and under planning.

4. BUSINESS REVIEW AND OUTLOOK

New Building Materials

The Group closely focused on the core market and strived to properly raise the selling prices of its products while proactively promoting the product research and development technology reserve, expanding product application fields and further enhancing its confidence towards the development of the industry. During the Reporting Period, the Group recorded new building materials product sales of 7.65 million square metres and achieved an operating income of RMB104.20 million.

Port Logistics

The Group deeply promoted the comprehensive governance of port technical transformation and maximised efforts to build itself into an ecological benchmarking enterprise. Furthermore, it also proactively optimised and adjusted the structure of source of goods, strengthened customer relationship, expanded external markets and stabilised throughput. During the Reporting Period, the Group achieved a throughput of 33.35 million tonnes and an operating income of RMB217.74 million, representing a growth of 10% compared with that for the same period of last year.

(III) FUTURE PLAN AND OUTLOOK

The year of 2019 was an extraordinary year, international situation kept changing, the competition between major powers was intensified, the trade of anti-globalisation became increasingly severe, and the global economy remained in the doldrums. Confronted with the complex environment in China and abroad where risks and challenges were increasing sharply, the Group focused on the environmental protection businesses, over-fulfilled the development targets, implemented benchmarking management, further improved the operation quality of projects, and maintained a rapid growth in the net profit from its main businesses.

The pneumonia epidemic caused by the Novel Coronavirus (COVID-19) has been spreading worldwide since January 2020, the Group has formulated a multi-tier epidemic prevention and control system comprising the head office, domestic and overseas strictly in compliance with the national overall deployment, fully adhered to the requirements of "have strong confidence, work together diligently, adopt preventive and control measures in a scientifical approach and execute policies with precision", and adopted precise, accurate and effective measures, so as to win the battle against the epidemic.

Confronted with the severity of the epidemic, the Group reasonably arranged the diversified working manners of the majority of cadres and staff under the established prevention and control system, and conducted the production and operation orderly while ensuring the health and safety of staff. Meanwhile, the Group coordinated with the local governments where the relevant projects located and proactively applied for the resumption of projects under construction. The Group also proactively implemented the social responsibilities of environmental protection enterprises, and provided medical waste treatment such as protective suits and masks for many project localities in emergency to solve the urgent need of the local governments.

The epidemic has impacts on the Group's project operations and engineering construction on different extent. The Group will continue to closely monitor the development of the epidemic, push forward various tasks with greater strength and faster pace, strive to regain the delayed time, minimize the impact of the epidemic and disclose major matters related to the epidemic which have a material impact on the Group on a timely basis.

4. BUSINESS REVIEW AND OUTLOOK

The year of 2020 is the final year of the "Thirteen Five-Year" Plan, the State adheres to the principal of steady development and unswervingly implements the new development philosophy. For environmental management, the State keeps the direction and strengths unchanged, keeps the water clean, keeps the sky blue and keeps the land pure, and promotes the continuous and positive development of eco-environmental quality. Thus, the environmental protection industry has been gradually becoming a new highlight and a new pillar in the new economic normality.

The year of 2020 is also the second year of the five-year development plan of the Group. We will agglomerate our cohesiveness, continue to promote the rapid development of environment protection industry driven by the dual engines of "solid waste treatment plus grate furnace power generation", and make every efforts to promote the continuous rapid and high-quality development of the Company in the spirit of persistent perseverance and indomitable resilience. The Group will focus on the following aspects:

Strengthen the research and development of new environmental protection technologies and improve the core competitiveness of the Company

We will further play the positive role of environmental protection research institute, and gradually realise the independent design or research of new environmental protection technologies, so as to ensure the sustainable and high-quality development of the Group. On the one hand, after introducing the technologies such as fly ash treatment with water, anaerobic decomposition treatment and comprehensive utilisation of resources, we will carefully analyze the advantages and disadvantages of new technologies and gradually form the new phase of the synchronous development of collaborative solid waste treatment by cement kilns and the solid waste treatment without kilns. On the other hand, we will introduce the anaerobic decomposition treatment technology to supplement our grate furnace power generation technology.

Capture the market opportunities for the solid waste treatment business and strive to exploit a new pattern of development

For project development, firstly, we will promote the cooperation with CNBM, Mengxi Cement and Shanshui Cement to expand the coverage of Conch Cement's projects and expedite the implementation of intent projects as soon as possible. Secondly, we will accelerate the implementation of more projects on anaerobic decomposition treatment of organic hazardous waste and projects on solid waste treatment transformed from municipal waste treatment by cement kiln. Thirdly, we will leverage on the advantages of fly ash treatment with water and fly ash treatment by cement kilns to make an overall plan on the fly ash treatment projects.

For project operation, we will proactively respond to the competition pressure from the solid waste treatment business market, proactively identify new customers, establish a long-term cooperation mechanism in key areas with advanced economy and concentrated wastes from production, promote the inter-regional and inter-provincial transfer pattern, deeply explore market space, continuously enhance the communication with enterprises in respect of collaborative treatment by cement kilns, fully leverage synergies effect, and strive to improve the equipment operation efficiency and achieve an efficient and stable operation.

4. BUSINESS REVIEW AND OUTLOOK

Waste power generation will closely adhere to growth planning and continuously improve the operation quality

For project development, firstly, we will fully leverage on the effects of regional demonstration projects and strive to promote the signing of large projects by drawing upon the past experience gained on key points. Secondly, we will targetedly, focusedly and confidently carry out our oversea project expansion work. Thirdly, we will research on feed-in tariff policies and develop necessary reactive measures to lower the investment risks.

For operational management, with a focus on improving the quality of wastes and enhancing the treatment effectiveness, the Group will continuously promote the standardised project management and enhance the economic benefits of the projects in operation.

For engineering construction, the Group will accelerate the application for approval and construction, and speed up the progress of titles process. Meanwhile, the Group will formulate a mechanism for assessment of construction schedule so that the construction of projects can be commenced on time and put in production against schedule.

Other business segments will strive for further enhancement with great confidence

The new building materials segment will be market demand-oriented, while the Group will identify new customers, make efforts to improve the quality of its products and services and enhance the overall comprehensive competitiveness of its businesses.

The port logistics segment will enlarge the market share of its clients, increase the port transit volume of high-quality clients, build its new image as an ecological and green port, and maintain the stable and long-term economic benefits.

5. MANAGEMENT DISCUSSION AND ANALYSIS

PROFITS

Item	2019 Amount (RMB'000)	2018 Amount (RMB'000)	Changes between the Reporting Period and the corresponding period of the previous year (%)
Revenue	**5,120,281**	2,889,592	77.20
Profit before taxation	**7,413,779**	6,251,536	18.59
Share of profits of associates	**6,008,155**	5,275,171	13.89
Profit before taxation from principal businesses	**1,405,624**	976,365	43.97
Net profit attributable to equity shareholders of the Company	**6,995,831**	5,947,269	17.63
Net profit from principal businesses attributable to equity shareholders of the Company	**987,676**	672,098	46.95

During the Reporting Period, the Group recorded a total revenue of RMB5,120.28 million, representing a year-on-year increase of 77.20%. Profit before taxation amounted to RMB7,413.78 million, representing a year-on-year increase of 18.59%. Share of profits of associates amounted to RMB6,008.16 million, representing a year-on-year increase of 13.89%. Profit before taxation from principal businesses amounted to RMB1,405.62 million, representing a year-on-year increase of 43.97%. Net profit attributable to equity shareholders of the Company amounted to RMB6,995.83 million, representing a year-on-year increase of 17.63%, the net profit from principal businesses attributable to equity shareholders of the Company was RMB987.68 million, representing a year-on-year increase of 46.95%. Basic earnings per share amounted to RMB3.88 and diluted earnings per share amounted to RMB3.73.

5. MANAGEMENT DISCUSSION AND ANALYSIS

Revenue by business segments

Item	2019 Amount (RMB'000)	2019 Percentage (%)	2018 Amount (RMB'000)	2018 Percentage (%)	Change in amount (%)	Change in percentage (percentage points)
Solid waste solutions	**738,141**	**14.42**	394,958	13.67	86.89	0.75
Waste incineration solutions	**3,698,481**	**72.23**	1,723,623	59.65	114.58	12.58
Energy saving equipment	**361,714**	**7.06**	461,260	15.96	–21.58	–8.90
New building materials	**104,201**	**2.04**	112,099	3.88	–7.05	–1.84
Port logistics	**217,744**	**4.25**	197,652	6.84	10.17	–2.59
Total	**5,120,281**	**100.00**	2,889,592	100.00	77.20	–

During the Reporting Period, the revenue from solid waste solutions and waste incineration solutions maintained a rapid growth year-on-year, and the revenue from energy saving equipment and new building materials recorded a decrease year-on-year. With a breakdown by segments:

(i) The revenue from solid waste solutions amounted to RMB738.14 million, representing a year-on-year increase of 86.89%, which was mainly due to the year-on-year growth of revenue from the projects in Suzhou, Xingye and Yiyang whose operation was commenced in the last year and the commencement of operation of new projects in Chongqing, Wuhu (Phase II) and Guiyang, leading to a rapid increase in revenue.

(ii) The revenue from waste incineration solutions amounted to RMB3,698.48 million, representing a year-on-year increase of 114.58%, which was mainly due to the increase in the number of orders of waste incineration solutions and the commencement of operation of new projects in Kunming, Shanggao, Huoqiu (Phase II), Sishui and Yiyang, leading to an increase in revenue.

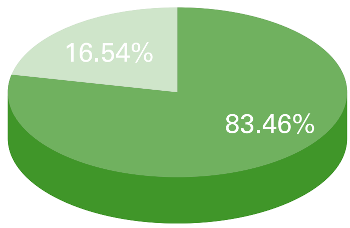
(iii) The revenue from energy saving equipment amounted to RMB361.71 million, representing a year-on-year decrease of 21.58%, which was mainly due to the decline of market demand, leading to the decrease of purchase orders for energy saving equipment, resulting in a decrease in revenue.

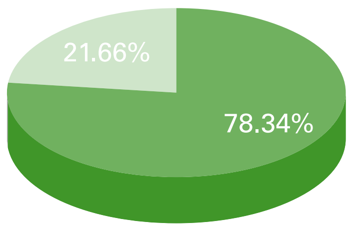
(iv) The revenue from new building materials recorded a year-on-year decrease of 7.05%, which was mainly due to the insufficient market demand, resulting in a decrease in revenue.

(v) The revenue from port logistics recorded a year-on-year increase of 10.17%, which was mainly due to the fact that the Group captured the opportunity from the Yangtze River Environmental Protection Action to optimise the composition of source of goods, resulting in a year-on-year increase in handling prices.

5. MANAGEMENT DISCUSSION AND ANALYSIS

Breakdown of revenue from solid waste solutions





During the Reporting Period, the revenue from hazardous waste solutions amounted to RMB616.07 million, representing a year-on-year increase of 99.12%. The revenue from general solid waste amounted to RMB122.07 million, representing a year-on-year increase of 42.68%.

Breakdown of revenue from waste incineration solutions

Revenue breakdown	2019 Amount (RMB'000)	2019 Percentage (%)	2018 Amount (RMB'000)	2018 Percentage (%)	Change in amount (%)	Change in percentage (percentage points)
Construction revenue	**3,321,940**	**89.82**	1,486,735	86.26	123.44	3.56
Waste treatment by cement kilns	**25,190**	**0.68**	82,492	4.79	–69.46	–4.11
Grate furnace power generation	**3,296,750**	**89.14**	1,404,243	81.47	134.77	7.67
Operation revenue	**259,051**	**7.00**	143,220	8.31	80.88	–1.31
Waste treatment by cement kilns	**49,427**	**1.33**	40,235	2.33	22.85	–1.00
Grate furnace power generation	**209,624**	**5.67**	102,985	5.98	103.55	–0.31
Interest revenue	**117,490**	**3.18**	93,668	5.43	25.43	–2.25
Waste treatment by cement kilns	**64,880**	**1.76**	61,236	3.55	5.95	–1.79
Grate furnace power generation	**52,610**	**1.42**	32,432	1.88	62.22	–0.46
Total	**3,698,481**	**100.00**	1,723,623	100.00	114.58	–

5. MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the revenue from waste incineration solutions segment during the construction period amounted to RMB3,321.94 million, representing a year-on-year increase of 123.44%, which was mainly due to the increase in the number of the Group's grate furnace power generation projects and acceleration of construction progress. The operation revenue from waste incineration solutions segment amounted to RMB259.05 million, representing a year-on-year increase of 80.88%, which was mainly due to the commencement of operation of new generation projects in Kunming, Shanggao, Sishui, Huoqiu (Phase II) and Yiyang.

Revenue by geographical locations

Item	2019 Amount (RMB'000)	2019 Percentage (%)	2018 Amount (RMB'000)	2018 Percentage (%)	Change in amount (%)	Change in Percentage (percentage points)
Mainland China	**4,985,598**	**97.37**	2,585,651	89.48	92.82	7.89
Asia-Pacific (except Mainland China)	**134,502**	**2.63**	299,000	10.35	–55.02	–7.72
North America	**18**	**–**	4,941	0.17	–99.64	–0.17
Africa	**163**	**–**	–	–	–	–
Total	**5,120,281**	**100.00**	2,889,592	100.00	77.20	–

During the Reporting Period, the Group's revenue derived from Mainland China market recorded a year-on-year increase of 92.82%, with its proportion in total revenue increased by 7.89 percentage points year-on-year, which was mainly due to the Group's acceleration of construction progress of grate furnace power generation projects as well as solid waste treatment projects and the successive commencement of operation of projects. The revenue derived from the Asia-Pacific (except Mainland China) market amounted to RMB134.50 million, representing a year-on-year decrease of 55.02%, with its proportion in total revenue decreased by 7.72 percentage points year-on-year, which was mainly due to the year-on-year decrease in number of overseas energy saving equipment orders which led to the decrease of the revenue.

5. MANAGEMENT DISCUSSION AND ANALYSIS

Gross profit and gross profit margin

Item	2019 Gross profit (RMB'000)	2019 Gross profit margin (%)	2018 Gross profit (RMB'000)	2018 Gross profit margin (%)	Change in amount (%)	Change in gross profit margin (percentage points)
Solid waste solutions	**541,521**	**73.36**	306,340	77.56	76.77	–4.20
Waste incineration solutions	**963,135**	**26.04**	556,542	32.29	73.06	–6.25
Energy saving equipment	**96,360**	**26.64**	132,260	28.67	–27.14	–2.03
New building materials	**17,802**	**17.08**	18,233	16.27	–2.36	0.81
Port logistics	**132,813**	**61.00**	112,893	57.12	17.65	3.88
Total	**1,751,631**	**34.21**	1,126,268	38.98	55.53	–4.77

During the Reporting Period, the consolidated gross profit margin of the Group's products was 34.21%, representing a year-on-year decrease of 4.77 percentage points. With a breakdown by segments:

(i) The gross profit margin for solid waste solutions was 73.36%, representing a year-on-year decrease of 4.20 percentage points, which was mainly caused by the decrease of sale price while the operation cost was increasing in some regions. Among which, the gross profit margin for hazardous waste was 76.68%, representing a year-on-year decrease of 4.10 percentage point. The gross profit margin for general solid waste was 57.82%, representing a year-on-year decrease of 8.10 percentage point.

(ii) The gross profit margin for waste incineration solutions was 26.04%, representing a year-on-year decrease of 6.25 percentage points, which was mainly due to the rising construction costs of the Group which led to the year-on-year decrease of gross profit margin in construction period.

(iii) The gross profit margin for energy saving equipment was 26.64%, representing a year-on-year decrease of 2.03 percentage points; the gross profit margin for new building materials was 17.08%, representing a year-on-year increase of 0.81 percentage points.

(iv) The gross profit margin for port logistics was 61.00%, representing a year-on-year increase of 3.88 percentage points, which was mainly due to the fact that the Group actively identified high-quality customers and increased the coal transfer price.

5. MANAGEMENT DISCUSSION AND ANALYSIS

Other income

During the Reporting Period, the Group's other income amounted to RMB199.19 million, representing a year-on-year increase of RMB36.33 million, or 22.31%, which was mainly due to the year-on-year increase in government grants and interest income received by the Group.

Distribution costs

During the Reporting Period, the Group's distribution costs amounted to RMB89.62 million, representing a year-on-year increase of RMB32.38 million, or 56.57%, which was mainly due to the increased distribution costs caused by active exploration of the market by the Group.

Administrative expenses

During the Reporting Period, the Group's administrative expenses amounted to RMB277.89 million, representing a year-on-year increase of RMB97.42 million, or 53.98%, which was mainly due to the increase in the operating companies and the increase in employees' remuneration.

Finance costs

During the Reporting Period, the Group's finance costs amounted to RMB177.68 million, representing a year-on-year increase of RMB102.64 million, or 136.78%, which was mainly due to the accrued interest of the convertible bonds and new bank loans raised by the Group.

Profit before taxation

During the Reporting Period, the Group's profit before taxation amounted to RMB7,413.78 million, representing a year-on-year increase of RMB1,162.24 million, or 18.59%, which was mainly due to joint influence from the increase in net profit from Conch Holdings, an associate of the Group and the rapid increase in net profits from principal businesses. Share of profit of an associate amounted to RMB6,008.16 million, representing a year-on-year increase of 13.89%, and profit before taxation from principal businesses amounted to RMB1,405.62 million, representing a year-on-year increase of 43.97%.

5. MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL POSITION

As at 31 December 2019, the Group's total assets amounted to RMB42,171.16 million, representing an increase of RMB8,955.26 million as compared to the end of the previous year. The equity attributable to equity shareholders of the Company amounted to RMB31,852.95 million, representing an increase of RMB6,100.14 million as compared to the end of the previous year. Gearing ratio of the Group (total liabilities/total assets) was 22.31%, representing an increase of 1.99 percentage point as compared to the end of the previous year. The balance sheet items of the Group are as follows:

Item	**As at 31 December 2019 (RMB'000)**	As at 31 December 2018 (RMB'000)	Change between the end of the Reporting Period and the end of the previous year (%)
Property, plant and equipment	**2,443,912**	1,725,038	41.67
Non-current assets	**36,706,956**	27,145,806	35.22
Current assets	**5,464,605**	6,070,496	–9.98
Current liabilities	**3,878,313**	2,171,309	78.62
Non-current liabilities	**5,530,852**	4,579,132	20.78
Net current assets	**1,586,292**	3,899,187	–59.32
Equity attributable to equity shareholders of the Company	**31,852,952**	25,752,817	23.69
Total assets	**42,171,561**	33,216,302	26.96
Total liabilities	**9,409,165**	6,750,441	39.39

Non-current assets and current assets

As at 31 December 2019, non-current assets of the Group amounted to RMB36,706.96 million, representing an increase of 35.22% as compared to the end of the previous year, which was mainly due to the increase in interests in associates, property, plant and equipment and intangible assets.

Current assets of the Group amounted to RMB5,464.61 million, representing a decrease of 9.98% as compared to the end of the previous year.

Non-current liabilities and current liabilities

As at 31 December 2019, non-current liabilities of the Group amounted to RMB5,530.85 million, representing an increase of 20.78% as compared to the end of the previous year, which was mainly due to increase in the new long-term bank loans raised by the Group during the Reporting Period.

Current liabilities of the Group amounted to RMB3,878.31 million, representing an increase of 78.62% as compared to the end of the previous year, which was mainly due to the year-on-year increase in accounts payable and bills payables as the Group increased investments in construction projects.

5. MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2019, current ratio (calculated by dividing total amount of current assets by current liabilities) and debt to equity ratio (calculated by dividing total amount of loans by total equity) of the Group were 1.41 and 0.08 respectively, as compared to 2.80 and 0.05 respectively, as at the end of the previous year.

Net current assets

As at 31 December 2019, net current assets of the Group amounted to RMB1,586.29 million, representing a decrease of RMB2,312.90 million as compared to the end of the previous year, which was mainly due to the rapid increase of trade and other payables of the Group.

Equity attributable to equity shareholders of the Company

As at 31 December 2019, the Group's equity attributable to equity shareholders of the Company amounted to RMB31,852.95 million, representing an increase of 23.69% as compared to the end of the previous year, which was mainly due to the increases in net profit from principal businesses and the interests in associates attributable to the equity shareholders of the Group.

LIQUIDITY AND CAPITAL SOURCES

During the Reporting Period, the Group took full advantage of the capital size, enhanced returns of the stock funds through enhancing capital planning and management and reasonable allocation of project loans, so as to fully satisfy the Company's capital needs. As at 31 December 2019, the Group's cash and cash equivalents amounted to RMB2,962.20 million, which were mainly denominated in RMB, Hong Kong dollars and US dollars.

Bank loans

Item	**As at 31 December 2019 (RMB'000)**	As at 31 December 2018 (RMB'000)
Due within one year	**664,700**	71,800
Due after one year but within two years	**816,737**	102,800
Due after two years but within five years	**732,090**	1,002,900
Due after five years	**369,710**	90,000
Total	**2,583,237**	1,267,500

As at 31 December 2019, the balance of bank loans of the Group amounted to RMB2,583.24 million, representing an increase of RMB1,315.74 million as compared to the end of the previous year, which was mainly due to the increase in new bank loans raised by the Group during the Reporting Period. As at 31 December 2019, the Group's bank loans were denominated in RMB, and most of the loan interests were subject to variable interest rate.

5. MANAGEMENT DISCUSSION AND ANALYSIS

Cash flows

Item	2019 (RMB'000)	2018 (RMB'000)
Net cash generated from operating activities	**365,359**	397,130
Net cash used in investing activities	**–514,118**	–2,469,956
Net cash generated from financing activities	**385,648**	3,266,374
Net increase in cash and cash equivalents	**236,889**	1,193,548
Effect of foreign exchange rate changes	**51,446**	22,552
Cash and cash equivalents at beginning of the year	**2,673,845**	1,457,745
Cash and cash equivalents at end of the year	**2,962,200**	2,673,845

Net cash generated from operating activities

During the Reporting Period, net cash generated from operating activities of the Group amounted to RMB365.36 million, representing a year-on-year decrease of RMB31.77 million, which was mainly due to the impacts of the increase of the trade and other receivable and income tax expense of the Group.

Net cash used in investing activities

During the Reporting Period, net cash used in investing activities of the Group amounted to RMB514.12 million, representing a year-on-year decrease of RMB1,955.84 million, which was mainly due to the receipt of the Group's bank deposits with original maturity over three months which was handled last year during the Reporting Period.

Net cash generated from financing activities

During the Reporting Period, net cash generated from financing activities of the Group amounted to RMB385.65 million, representing a year-on-year decrease of RMB2,880.73 million, which was mainly due to the impacts of the issuance of the convertible bonds last year.

COMMITMENTS

As at 31 December 2019, the Group had outstanding purchase commitments related to BOT construction contracts and capital commitments not provided for in the consolidated financial statements were as follows:

Item	As at 31 December 2019 (RMB'000)	As at 31 December 2018 (RMB'000)
Contracted for	**1,976,373**	1,327,312
Authorised but not contracted for	**2,345,775**	2,196,735
Total	**4,322,148**	3,524,047

5. MANAGEMENT DISCUSSION AND ANALYSIS

FOREIGN EXCHANGE RISK

The Group's functional currency is RMB. Foreign exchange risks faced by the Group were mainly derived from accounts receivable and accounts payable arising from sales and procurement which were mainly denominated in foreign currencies including US dollars and Hong Kong dollars. Other than that, most of the assets and transactions of the Group were denominated in RMB, and the capital expenditure of the Group's domestic business were generally funded with the revenue in RMB. As a result, the Group is not exposed to significant foreign exchange risk.

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

CONTINGENT LIABILITIES

As at 31 December 2019, the Group did not have any material contingent liabilities.

PLEDGE OF ASSETS

As at 31 December 2019, the Group did not have any pledged assets.

MATERIAL INVESTMENTS, ACQUISITIONS OR DISPOSALS

The Group did not have any material investments, acquisitions or disposals during the Reporting Period.

HUMAN RESOURCES

The Group highly values the management of human resources by providing its employees with competitive remuneration packages and various training programs according to the strategical development demand of the Group. During the Reporting Period, the Group established a multi-level and systematic training system and organized abundant training programs in accordance with vertical division of company-level, expertise-level and subsidiary-level, meanwhile based on horizontal division of technology R&D, production and operation, and professional function management. During the Reporting Period, the Group implemented reform in remuneration system, established new positions and roles system, fully played the incentive and constraint roles, promoted and motivated the enthusiasm of the management and staff. The Group also organized safety knowledge training, law-related knowledge training, trainings relating to basic knowledge and policy analysis of treatment technologies of industrial solid and hazardous waste and grate furnace technology, lectures on internal control and risk management and personnel administration training, with a view to assist the management and staff in learning and mastering various production and operation management techniques and knowledge. The Group also continued to strengthen talents team building through means such as in-house training, social recruitment and campus recruitment.

As at 31 December 2019, the Group had 3,941 employees. The remuneration of employees is determined by qualifications, experience, work performance and market conditions. As required by the PRC regulations on social insurance, the Group participated in the social insurance schemes operated by local government authorities which include pension insurance, medical insurance, unemployment insurance, industrial injuries insurance and maternity insurance. For the year ended 31 December 2019, the total remuneration of employees (including the remuneration of the directors) was approximately RMB306.58 million (2018: RMB199.38 million).

6. CORPORATE GOVERNANCE REPORT

The Board is hereby pleased to present the corporate governance report of the Group for the year.

(I) CORPORATE GOVERNANCE CODE

The Company is committed to achieving high standard of corporate governance in order to protect the interests of the Shareholders and improve corporate value and accountability. The Company acknowledges the importance of the Board in effectively leading and managing the business of the Company and ensuring the transparency and accountability of the Company's operation.

The Company has adopted the Corporate Governance Code ("**CG Code**") set out in Appendix 14 to the Listing Rules as the corporate governance code of the Company. The Board has confirmed that during the Reporting Period, the Company has complied with the principles and code provisions of the CG Code to formulate its operation and the Company has further refined the corporate governance structure and enhanced its corporate governance under the guidance of the regulatory documents including the Listing Rules and the Articles of Association.

The Company will regularly review and improve its corporate governance practices in order to be continuously in compliance with the CG Code.

(II) MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding the transactions of securities of the Company by the Directors and the relevant employees (who likely possess inside information of the Company) ("**Securities Dealing Code**") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules ("**Model Code**"). Having made specific enquiries by the Company, all the Directors of the Company confirmed that they complied with the Model Code and the Securities Dealing Code during the Reporting Period.

The Company has also issued an insider dealing warning ("**Insider Dealing Warning**") for securities transactions by employees.

During the Reporting Period, the Company was not aware of any incident of non-compliance with the Model Code, the Securities Dealing Code and the Insider Dealing Warning by the relevant employees.

6. CORPORATE GOVERNANCE REPORT

(III) THE BOARD

The composition of the Board during the Reporting Period is as follows:

Name	Position
Mr. Guo Jingbin	Executive Director and Chairman of the Board
Mr. Ji Qinying	Executive Director and Chief Executive Officer
Mr. Li Jian	Executive Director and Deputy General Manager
Mr. Li Daming	Executive Director and Deputy General Manager
Mr. Chang Zhangli	Non-executive Director
Mr. Chan Chi On (alias Derek Chan)	Independent Non-executive Director
Mr. Chan Kai Wing	Independent Non-executive Director
Mr. Lau Chi Wah, Alex	Independent Non-executive Director

Detailed biographies of the current Directors are set out in the section headed "Biographies of Directors and Senior Management" of this report.

There is no financial, business, family or other material/relevant relationship among all members of the Board.

Independence of Independent Non-executive Directors

During the Reporting Period, the Board had complied with the requirements under Rules 3.10 and 3.10A of the Listing Rules, having at least three independent non-executive Directors (representing at least one-third of the Board) with at least one of whom possessing appropriate professional qualifications, or accounting and related financial management expertise. The Company has received written annual confirmations from the independent non-executive Directors, namely Mr. Chan Chi On (alias Derek Chan), Mr. Chan Kai Wing and Mr. Lau Chi Wah, Alex, on their independence pursuant to Rule 3.13 and the Company considers all independent non-executive Directors are independent. The three independent non-executive Directors have duly performed their duties, protected shareholders' interests independently and objectively, and provided checks and balances in the decision-making of the Board in accordance with relevant laws and regulations.

According to Code Provision A.1.1 of the CG Code, the board of directors of any listed company should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. During the Reporting Period, the Board had held four meetings (one for each quarter), two of which were routine meetings to approve the final results for the year ended 31 December 2018 and the interim results for the period ended 30 June 2019. The Board was of the view that each Director was given sufficient time to supervise the matters of the Company at the meetings held during the year. In 2020, the Company will continue to comply with Code Provision A.1.1 of the CG Code in holding one regular board meeting for each quarter to discuss or approve matters in relation to, among other things, operating strategies, external expansion, financial planning.

6. CORPORATE GOVERNANCE REPORT

The attendance records of each Director at the meetings of the Board, the Audit Committee, the Remuneration and Nomination committee and the annual general meeting during the reporting period are set forth as below:

	Number of attendance/ Number of meetings during term of office			
Name of Director	**Board Meeting**	**Audit Committee**	**Remuneration and Nomination Committee**	**Annual General Meeting**
Mr. Guo Jingbin	4/4	N/A	N/A	1/1
Mr. Ji Qinying	4/4	N/A	2/2	1/1
Mr. Li Jian	4/4	N/A	N/A	0/1
Mr. Li Daming	4/4	N/A	N/A	1/1
Mr. Chang Zhangli	3/4(Note1)	N/A	N/A	1/1
Mr. Chan Chi On (alias Derek Chan)	4/4	2/2	2/2	1/1
Mr. Chan Kai Wing	4/4	2/2	2/2	0/1
Mr. Lau Chi Wah, Alex	4/4	2/2	2/2	1/1

During the year, the Chairman also held meeting with the independent non-executive Directors without the presence of other Directors.

Note:

1. Mr. Chang Zhangli was appointed as non-executive Director at the meeting of the Board held on 21 March 2019.

(IV) FUNCTIONS AND OPERATION OF THE BOARD AND MANAGEMENT

The Board is responsible for the leadership, control and management of the Company. Its primary role is to provide strategic guidance for the Company and effectively supervise the administrative staff of the Company. Each Director shall perform their duties objectively and prudently in the interest of the Company and shall be accountable to Shareholders.

The Board reserves its right to make decisions on all major matters of the Company, including to approve and supervise the policies, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those which may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters.

The management of the Company is responsible for the daily management of the business operation of the Company, the implementation of strategies, plans and business targets of the Company, and the formulation of business plans and budgets and making recommendation on such issues to the Board.

6. CORPORATE GOVERNANCE REPORT

All Directors have full and timely access to all relevant information as well as the advice and services from the company secretaries, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. Besides, each Director may seek independent professional advice in appropriate circumstances at the Company's expenses, upon making request to the Board.

(V) CONTINUOUS TRAINING AND DEVELOPMENT OF DIRECTORS

The Company continuously updates Directors on the latest developments of the Listing Rules and other applicable regulatory requirements and provides training to improve and update the Directors' knowledge and skills.

Certain senior management of the Company attended the "50th Session of the Enhanced Continuing Professional Development Seminar for Affiliated Members" held by the Hong Kong Institute of Chartered Secretaries in Lanzhou City, Gansu Province from 18 to 20 September 2019, and circulated relevant information to our Directors. Our Directors also participated in the online training courses for "ESG Governance and Reporting" launched by the Stock Exchange. In addition, the Company regularly circulates the weekly news of the environmental protection industry to update the Directors on the industrial development during the year.

A summary of training received by the Directors during the year ended 31 December 2019 according to the records provided by the Directors is as follows:

Name of Director	Attending courses/ seminars/conferences	Reading books/ journals/articles
Mr. Guo Jingbin	✓	✓
Mr. Ji Qinying	✓	✓
Mr. Li Jian	✓	✓
Mr. Li Daming	✓	✓
Mr. Chang Zhangli	✓	✓
Mr. Chan Chi On (alias Derek Chan)	✓	✓
Mr. Chan Kai Wing	✓	✓
Mr. Lau Chi Wah, Alex	✓	✓

During the Reporting Period, all the Directors were in compliance with the Code Provision A.6.5 of the CG Code. All the Directors were consistently provided with the latest information regarding legal and regulatory developments as well as business and market environment for their performance of duties.

6. CORPORATE GOVERNANCE REPORT

(VI) CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under Code Provision A.2.1 of the CG Code, the duties and responsibilities of the Chairman to manage the Board should be clearly separated from those of the Chief Executive Officer to manage the business operation of the Company and should not be performed by the same individual.

The Chairman of the Board and the Chief Executive Officer of the Company (i.e. general manager) are served by Mr. Guo Jingbin and Mr. Ji Qinying respectively so as to ensure a clear division of the duties between them. Mr. Guo Jingbin is mainly responsible for formulating the overall strategic development of the Group, leading the Board and ensuring the effectiveness of the Board when performing his duties as the Chairman of the Board. Mr. Ji Qinying is mainly responsible for the daily operation and management of the Company and the implementation of the Board's decisions, strategies, plans and business targets of the Company.

(VII) APPOINTMENT AND RE-ELECTION OF DIRECTORS

The procedures of appointment, re-election and removal of Directors are stipulated in the Articles of Association.

During the Reporting Period, the Company renewed the service agreements with its executive Directors, namely, Mr. Guo Jingbin, Mr. Ji Qinying, Mr. Li Jian and Mr. Li Daming, for a term up to 29 November 2022. During the term of service, Mr. Guo Jingbin, Mr. Ji Qinying, Mr. Li Jian and Mr. Li Daming are entitled to a basic annual salary of RMB1,040,000, RMB1,030,000, RMB860,000 and RMB980,000, respectively, plus discretionary management bonus provided that the aggregate amount of the bonuses payable to all the executive Directors for any financial year of the Company may not exceed 10% of the audited combined net profit of the Group (after taxation, minority interests and payment of such bonuses but before extraordinary items) in respect of that financial year of the Company.

During the Reporting Period, the Company entered into appointment letter with its non-executive Director, namely, Mr. Chang Zhangli, for a term up to 21 March 2022. During the term of appointment, Mr. Chang Zhangli will not be entitled to any emolument from the Company.

During the Reporting Period, the Company renewed the appointment letters with its independent non-executive Directors, namely, Mr. Chan Chi On (alias Derek Chan), Mr. Chan Kai Wing and Mr. Lau Chi Wah, Alex, each for a term up to 29 November 2022. During the term of appointment, each of Mr. Chan Chi On (alias Derek Chan), Mr. Chan Kai Wing and Mr. Lau Chi Wah, Alex is entitled to a basic director's fee of HKD150,000 per annum.

As at the date of this report, the Company has entered into service agreements with all executive Directors and appointment letters with the non-executive Director and all independent non-executive Directors respectively, all for a term of not more than three years. Such appointment may be terminated by not less than three months' written notice from either party.

6. CORPORATE GOVERNANCE REPORT

Pursuant to article 105(A) of the Articles of Association, at each annual general meeting, one third of the Directors for the time being (or if their number is not three or a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. Retiring Directors are eligible to offer themselves for re-election. The Directors to retire in every year shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless otherwise agreed among themselves) be determined by lot. Any Director appointed by the Board to fill up temporary positions or to be new members of the Board shall hold office only until the next following general meeting and shall then be eligible for re-election at the meeting.

Hence, after discussion among the Directors, Mr. Li Jian, Mr. Chan Chi On (alias Derek Chan) and Mr. Lau Chi Wah, Alex will retire at the 2020 annual general meeting of the Company and all of them, being eligible for nomination and re-election pursuant to the Articles of Association, the Company's board diversity policy and director nomination policy, will offer themselves for re-election thereat.

(VIII) COMMITTEES OF THE BOARD

The Board has established two committees, namely the Audit Committee and the Remuneration and Nomination Committee and formulated the relevant written terms of references for overseeing particular aspects of the Company's affairs. Each committee of the Board is established with defined written terms of reference. The terms of reference of the committees of the Board are posted on the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the website of the Company (www.conchventure.com) and are available to Shareholders.

1. Audit Committee

(1) Members

The three independent non-executive Directors of the Company are members of the Audit Committee and their positions are as follows:

Name	Position
Mr. Chan Chi On (alias Derek Chan)	Chairman
Mr. Chan Kai Wing	Member
Mr. Lau Chi Wah, Alex	Member

None of the members of the Audit Committee is a former partner of the current external auditors of the Company.

The Terms of Reference of the Audit Committee of the Board clearly defines the duties and rules of the committee. In accordance with the Terms of Reference of the Audit Committee of the Board, the chairman of the committee shall be acted by an independent non-executive Director.

6. CORPORATE GOVERNANCE REPORT

(2) Summary of Functions and Work

The primary duties of the Audit Committee of the Company are mainly to make recommendations to the Board on the appointment and dismissal of the external auditor, review the financial statements and information, provide advice in respect of financial reporting and oversee the risk management system and internal control system of the Company and consider any significant or unusual matters and report to the Board for consideration.

For the year ended 31 December 2019, the work done by the Audit Committee was set forth below:

a. reviewed the audited consolidated annual results as at 31 December 2018 and the interim results as at 30 June 2019, together with the announcements and reports related to the results, and other matters or issues as proposed by the external auditor;

b. reviewed the audit results as submitted by the external auditor;

c. reviewed the independence of the external auditor and consider the appointment of an external auditor for the annual audit services;

d. reviewed the effectiveness of the risk management system and internal control system of the Group, including all material controls in particular financial, operational, and compliance controls and risk management functions;

e. reviewed and approved the continuing connected transactions of the Group; and

f. supervised, improved, reviewed and regulated the risk management system of the Group.

2. Remuneration and Nomination Committee

(1) Members

The Chief Executive Officer and the three independent non-executive Directors of the Company are the current members of the Remuneration and Nomination Committee and their positions are as follows:

Name	Position
Mr. Lau Chi Wah, Alex	Chairman
Mr. Ji Qinying	Member
Mr. Chan Chi On (alias Derek Chan)	Member
Mr. Chan Kai Wing	Member

The Terms of Reference of the Remuneration and Nomination Committee of the Board clearly defines the duties and rules of the committee. In accordance with the Terms of Reference of the Remuneration and Nomination Committee of the Board, the chairman of the committee shall be acted by an independent non-executive Director.

6. CORPORATE GOVERNANCE REPORT

(2) Summary of Functions and Work

The primary functions of the Remuneration and Nomination Committee of the Company are to make recommendation to the Board on the overall remuneration policy and the structure relating to all Directors and senior management of the Group; make recommendation to the Board on the remuneration packages for each of the executive Directors and senior management; and review performance based remuneration and ensure none of the Directors participate in deciding their own remuneration; to review the structure, size and composition (including the skills, knowledge and experiences) of the Board at least annually; to make recommendation to the Board on any proposed changes to the Board to complement the Company's corporate strategy; to identify and select individuals suitably qualified as potential Board members or make recommendations to the Board on the selection of individuals nominated for directorships; to assess the independence of independent non-executive Directors; and to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning of Directors, in particular that of the chairman/chief executive officer/general manager.

For the year ended 31 December 2019, the work done by the Remuneration and Nomination Committee was set forth below:

a. reviewed the remuneration policies and structure of the Directors and senior management of the Company;

b. reviewed and evaluated the independence of the independent non-executive Directors;

c. reviewed the structure, size, and composition of the Board (including the skills, knowledge, and experience);

d. discussed the composition of the Board from the aspect of diversity, and implemented the measurable objectives for Board diversity;

e. reviewed and approved the resolutions on the re-election and appointment of Directors; and

f. reviewed the renewal of certain Directors' service agreements and appointment letters upon expiry for consideration by the Board.

6. CORPORATE GOVERNANCE REPORT

(3) Director Nomination Policy

On 13 December 2018, the Company adopted a director nomination policy which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors. When assessing and selecting candidates of Directors, the Remuneration and Nomination Committee and the Board will consider the integrity, qualification (including professional qualification, skills, knowledge and experience related to the business and strategy of the Company) of the candidates and the diversity element as described in the Board Diversity Policy. For appointment of independent non-executive Directors, we will also consider the independence of the candidates in accordance with the Listing Rules and the commitment of sufficient time in order to discharge the duties as the member of the Board and the Board Committees.

For appointment of Directors, the Remuneration and Nomination Committee should recommend to the Board to appoint suitable candidates for directorship. For person nominated by shareholders for election as a Director at the general meeting of the Company, the Remuneration and Nomination Committee and/or the Board should assess such candidate based on the above selection criteria to determine the eligibility of such candidate to be appointed as a Director, and thus make recommendation to the shareholders on the proposal of election of Director at the general meeting.

For re-election of director at the general meeting, the Remuneration and Nomination Committee and/or the Board should review the overall contribution and services made by the retired Director to the Company, and consider whether their level of engagement and performance in the Board meet the above standards, and make recommendation to the shareholders on the proposed re-election of Director at the general meeting.

(4) Board Diversity Policy

The Company has adopted a Board diversity policy since 3 December 2013, and made amendment to such policy on 13 December 2018.

As the Company recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance, the Board adopted a Board diversity policy, whereby setting forth principles adopted to realize the Board diversity. In determining the composition of the Board, the Company takes into consideration the skills, industry experience, background, race, expertise, culture, independence, age and gender of the members of the Board, in order to establish and maintain a diverse Board. The Company strives to maintain diversified opinions in every aspect in the Board, especially the opinions that are consistent with the strategy and objectives of the Company, and conduct regular assessment on the Board diversity and progress in achieving the objective of diversity.

6. CORPORATE GOVERNANCE REPORT

The Company has formulated the following measurable objectives for the Board diversity policy:

(a) at least 80% of Board members have college education background;

(b) at least 60% of Board members have acquired accounting or other professional qualifications;

(c) at least 80% of Board members have relevant working experiences in China; and

(d) at least one third of the Board members are independent non-executive directors.

As at the date of this report, the Company had achieved the above targets. The Remuneration and Nomination Committee will regularly review the relevant policies and the measurable objectives to ensure the diversity of the Board.

The Company considers that the compositions of the current Board are consistent with the diversity principles under the Board diversity policy, taking into account the skills, regions, genders, and other qualities of the existing Directors. The composition of the Board could accommodate the operation and development needs of the Company. To cope with the future development, the Company will consider the aforesaid differences when considering changes to the composition and the portfolio of the Board. The appointment of a Board member is dependent on merit, and the diversity is also taken into consideration.

(IX) CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in code provision D.3.1 of the CG Code.

The Board has reviewed the corporate governance policies and practices of the Company, the training and continuous professional development of the Directors and senior management, the policies and practices of the Company on compliance with legal and regulatory requirements, the compliance by the Directors and employees of the code of the Group's securities dealing conduct, and the compliance of the Company with the CG Code and the disclosures in this corporate governance report.

6. CORPORATE GOVERNANCE REPORT

(X) AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about its reporting responsibilities on the consolidated financial statements for the year ended 31 December 2019 of the Group is set out in the section headed "Independent Auditor's Report" on pages 77 to 88.

The fee paid/payable to KPMG, the auditor, by the Company for the year ended 31 December 2019 is set out below:

Services	**Fee paid/payable** (RMB'000)
Audit Services — audit fee for 2019	2,226
Non-audit Services (tax advisory services and consultation services on the preparation of the Environmental, Social and Governance Report)	460
Total	2,686

(XI) DIRECTORS' RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for each financial year. The financial statements have truly and fairly reflected the financial position of the Group and the Company and the results of operation and cash flows of the Group in the year. During the preparation of the financial statements for the year ended 31 December 2019, the Board had adopted suitable accounting policies and ensured consistent application of such accounting policies, made prudent, fair and reasonable judgments and estimates, and prepared the accounts on a going concern basis. The Directors believe after making reasonable inquiries that the Group has sufficient fund to meet the constant operations in the foreseeable future, therefore the ongoing basis is suitable for the preparation of the financial statements.

(XII) RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is fully responsible for, and assesses the risk management and internal control systems of the Group so as to protect the investments of the Shareholders of the Company and the assets of the Group. During the Reporting Period, the Board had complied with the code provisions regarding risk management and internal control systems as set out in the CG Code.

6. CORPORATE GOVERNANCE REPORT

The Group has formulated internal audit functions and established appropriate risk management and internal control systems to record accounting, risk management and management information in a comprehensive, accurate and timely manner and to review the effectiveness of such system through the Audit Committee on annual basis. The management is responsible for the design, implementation and supervision of the Group's risk management and internal control systems and shall confirm the effectiveness of the system to the Board. These systems are designed to manage the risk of failure to achieve business objectives, and only provide reasonable but not absolute assurance against material misstatement or loss.

The Company has established an audit department to evaluate the effectiveness of the risk management and internal control systems, and the independent organization will examine the risk management and internal control systems of the Company and its subsidiaries and will report to the Audit Committee and the Board of Directors directly and take reasonable measures and make rectifications in a timely manner in case that serious internal control defaults are found.

During the Reporting Period, considering the changes in the macroeconomic policy environment and the internal needs of the Group for rapid development, the Group emphasised the important function of financial control in the internal risk control system, and optimised the internal control of risk management in project development, organisation, human resource, production safety, construction projects and other major aspects of business operation. To adapt to the new situation of the development of environmental protection business, the Company further refined the critical implementation path of the environmental protection project development, as well as the responsibilities of relevant internal units, so as to prevent the risk of losing development opportunities due to inadequate implementation of the development plan. For organisational structure, the Company formulated the fix work posts and defined personnel quota, which has unified and standardized the organisation and post settings of its subsidiaries, and detailed the responsibilities of key posts in terms of authorisation, approval, execution, and supervision to ensure the separation of duties and responsibilities for decision approval from execution, execution from supervision and inspection. The Company has formulated and implemented the Measures for the Management of Salary Assessment (《薪酬考核管理辦法》) in the management of human resource, which has optimised the salary assessment mechanism and mobilized the motivation of employees, to prevent the risk of brain drain. The Company has comprehensively promoted and applied the danger source early-warning management system in safety and environmental protection management, and made amendments to the Production Safety Accountability System (《安全生產責任追究制度》), which has improved the safety supervision capability of "civil air defence + technical defence" during on-site production and operation, and specified the major scope and handling standards of safety accountability, so as to ensure the effective control of production safety and the treatment of safety accidents. In terms of construction project management, the Group has newly established the construction management department to enrich the construction management staff and amended the review process of project bidding, visa, and price recognition to ensure project cost, duration and quality control. During the year ended 31 December 2019, based on the actual situation, the Group has provided quarterly special risk management training to the internal control personnel of its subsidiaries, shared internal risk control experience of similar businesses, which has improved the practical skills of risk management of relevant personnel. During the Reporting Period, the Group implemented a self-evaluation plan in terms of risk and internal control and conducted two rounds of self-evaluation work in risk management and internal control in June and December 2019 respectively. We are not aware of any major risks or internal control deficiencies. The risk management and internal control systems of the Company and its subsidiaries were proved to be effective and adequate.

6. CORPORATE GOVERNANCE REPORT

The Board will continue to supervise the risk management and internal control systems of the Company, and review the effectiveness of the risk management and internal control systems of the Company and its subsidiaries annually. The Board has received the confirmation from the management in respect of the effectiveness of the risk management and internal control systems of the Company and its subsidiaries, and considered that such systems were effective and sufficient. At the meeting of the Audit Committee held on 23 March 2020, the management had confirmed that the risk management and internal control systems of the Group were effective, and the Board had also, through the Audit Committee, examined the effectiveness of the risk management and internal control systems of the Group, including controls of all important aspects especially financial control, operation control and compliance control, and considered the adequacy of resources, staff qualifications and experience, training programmes in respect of the Company's accounting, internal audit and financial reporting function, so as to ensure the effectiveness of the risk management and internal control systems and risks identification and prevention, thereby providing reasonable protection to the effective operation of the Group.

The Company has formulated the Measures for the Administration of Information Disclosure, which provided relevant requirements on the processing and disclosure procedures of corporate information (including inside information) such as confidentiality measures for inside information and management of insiders, and will update the statistics of insiders from time to time and provide explanation to them on relevant rules in a timely manner, so as to monitor and handle the inside information effectively.

(XIII) COMPANY SECRETARY

Mr. Shu Mao has met the qualification requirements of a company secretary under Rule 3.28 of the Listing Rules and is presently the sole company secretary of the Company.

For the year ended 31 December 2019, Mr. Shu Mao had taken no less than 15 hours of relevant professional training in accordance with Rule 3.29 of the Listing Rules.

6. CORPORATE GOVERNANCE REPORT

(XIV) SHAREHOLDERS' RIGHTS

Procedures for Shareholders to convene an extraordinary general meeting

The following procedures for Shareholders to convene an extraordinary general meeting of the Company are prepared in accordance with article 64 of the Articles of Association.

1. One or more Shareholders ("**Requisitionist(s)**") holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings shall have the right, by written notice, to require an extraordinary general meeting to be called by the Directors for the transaction of any business specified in such requisition.

2. Such requisition shall be made in writing to the Board or the company secretary of the Company at the following:

Address:	No. 1011 Jiuhua South Road, Wuhu City, Anhui Province the People's Republic of China
Email:	shumao@conchventure.com
Attention:	The Board of Directors/Company Secretary

3. The extraordinary general meeting shall be held within two months after the deposit of such requisition.

4. If the Directors fail to proceed to convene such meeting within twenty-one (21) days upon such deposit, the Requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the Requisitionist(s) as a result of the failure of convening such meeting by the Directors shall be reimbursed to the Requisitionist(s) by the Company.

Procedures for raising enquiries

1. Shareholders should direct their questions about their shareholdings, share transfer and registration, and payment of dividend to the Company's branch share registrar in Hong Kong, details of which are as follows:

Computershare Hong Kong Investor Services Limited

Address:	Shops 1712–1716, 17th Floor, Hopewell Centre 183 Queen's Road East, Wanchai, Hong Kong
Email:	hkinfo@computershare.com.hk
Tel:	(852) 2862 8555
Fax:	(852) 2865 0990/2529 6087

6. CORPORATE GOVERNANCE REPORT

2. Shareholders may at any time make any enquiry to the Company at the following designated contacts, correspondence address, email address and enquiry hotlines of the Company:

Address:	No. 1011 Jiuhua South Road, Wuhu City, Anhui Province the People's Republic of China
Email:	shumao@conchventure.com
Tel:	86–553–8399461/8399135
Fax:	86–553–8399065
Attention:	The Board of Directors/Company Secretary

3. Shareholders of the Company are encouraged to make enquires via the online enquiry form available on the Company's website at www.conchventure.com.

4. Shareholders are reminded to lodge their questions together with their detailed contact information for the prompt response from the Company at the appropriate time.

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

1. To put forward proposals at a general meeting of the Company, a Shareholder should lodge a written notice of his/her/its proposal ("**Proposal**") with his/her/its detailed contact information at the Company's principal place of business at Suite 4018, 40/F, Jardine House, 1 Connaught Place, Central, Hong Kong.

2. The request will be verified with the Company's branch share registrar in Hong Kong and upon their confirmation that the request is proper and effective, the Board will include the Proposal in the agenda for the general meeting.

3. The notice period to be given to all the Shareholders for consideration of the Proposal raised by the Shareholder concerned at the general meeting varies according to the nature of the Proposal as follows:

   (1) Notice of not less than 21 clear days and not less than 20 clear business days in writing if the Proposal requires an ordinary resolution or a special resolution of the Company at an annual general meeting of the Company;

   (2) Notice of not less than 21 clear days and not less than 10 clear business days in writing if the Proposal requires to be passed as of a special resolution at an extraordinary general meeting of the Company;

   (3) Notice of not less than 14 clear days and not less than 10 clear business days in writing if the Proposal requires to be passed as an ordinary resolution at an extraordinary general meeting of the Company.

6. CORPORATE GOVERNANCE REPORT

At the annual general meeting held by the Company on 26 June 2019, all resolutions were approved by the Shareholders by way of poll. The resolutions in relation to the payment of final dividends, re-election of retiring Directors, and re-appointment of auditors were approved at the 2019 annual general meeting of the Company.

(XV) CONSTITUTIONAL DOCUMENTS

During the Reporting Period, no change has been made to the Articles of Association. The latest version of the Articles of Association is available on the websites of the Company (www.conchventure.com) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk).

(XVI) COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company recognizes its timely disclosure of corporate information, which enables Shareholders and investors to make investment decisions in their best interests. The Company believes that effective communication with Shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies.

The Company maintains a website at www.conchventure.com as a communication platform with Shareholders and investors, where the financial information and other relevant information of the Company are available for public access. Shareholders and investors may send written enquiries or requests to the Company through the following channels:

Address:	**Office and Correspondence Address:** No. 1011 Jiuhua South Road, Yijiang District, Wuhu City, Anhui Province, China **Representative Office in Hong Kong:** Suite 4018, 40/F, Jardine House, 1 Connaught Place, Central, Hong Kong
Tel:	86–553–8399461/8399135
Fax:	86–553–8399065
Email:	hlcy@conchventure.com

In order to be valid, Shareholder(s) shall deposit and send the duly signed original written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification. Information of Shareholders may be disclosed as required by law.

7. REPORT OF THE DIRECTORS

Directors of the Company hereby present the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2019.

(1) PRINCIPAL ACTIVITIES

The Company is an investment holding company engaged in the provision of the "package" solutions on energy-saving and environmental-protection. Details of the activities of the subsidiaries of the Company are set out in notes 3 and 14 to the financial statements.

The annual business review and the discussion of future business development of the Group, as well as the analysis of the performance of the Group during the year based on the key financial performance indicators are set out on pages 10 to 22 of the "Business Review and Outlook" section and pages 23 to 32 of the "Management Discussion and Analysis" section in this report respectively. These information forms part of the Report of the Directors.

(2) BUSINESS MODELS AND STRATEGIES

The Group's principal activities consist of three major segments, namely environmental protection, new building materials and port logistics. The Group focuses on the environmental protection industry development driven by the dual wheel of "collaborative treatment of solid and hazardous waste by cement kilns + grate furnace power generation". The Group has set up two production bases in Wuhu and Bozhou, Anhui Province for the production and sale of new energy-saving wall materials such as fiber cement boards. The port logistics business represents the Jiangdu Haichang sea-to-river transshipment port owned by the Group in Yangzhou City, Jiangsu Province.

To consolidate its position as a leading integrated supplier of and environmental protection solutions, the Group has implemented the following strategies, including: (i) further developing the project promotion for solid waste treatment and R&D of new technology; (ii) further promoting the project of grate furnace power generation, deepening project benchmarking management and improving operation quality; (iii) establishing a comprehensive and standardized construction management system, and developing unique architectural style for main structure of environmental protection projects; and (iv) making selective yet prudent acquisitions to complement the business composition.

7. REPORT OF THE DIRECTORS

(3) RELATIONS WITH THE SUBSTANTIAL STAKEHOLDERS

The Group fully understands that staff, customers and suppliers are key to the sustainability and stability of the Group's development. The Group is committed to working closely with the staff, cooperating with the suppliers and providing the customers with products and services of high quality, so as to achieve a sustainable corporate development.

The Group values the experience and development of the staff, and provides good working environment, competitive compensation system and warm supporting benefits to them. At the same time, the Group has also actively built a fair and balanced strategy platform full of opportunities for the development of diversified talents, so as to stimulate the initiative and enthusiasm of staff.

In terms of customer relationship, the Group continues to explore potential customers while maintaining the relationship with our existing customers. The principle of customer relationship management is a truthful marketing and active communication. We conduct regular customer satisfaction surveys and after-sales visits, adjust marketing strategy at any time, and continuously promote product and service quality.

The Group's main service providers include system and equipment suppliers, engineering construction entities, external consultants providing professional services and other business partners providing value-added services for the Group. The Group hopes to establish common cooperation values with suppliers, and is committed to building a responsible supply chain to achieve long-term cooperation and responsible cooperation.

(4) RESULTS

The results of the Group during the Reporting Period are set out in the consolidated statement of comprehensive income on page 90 of this report.

7. REPORT OF THE DIRECTORS

(5) RESERVES AND DIVIDEND

Details of other changes in reserves are set out in note 25 to the financial statements and the consolidated statement of changes in equity on page 93 of this report.

As at 31 December 2019, the Company's reserves available for distribution to its shareholders amounted to approximately RMB14.0 million (31 December 2018: RMB443.8 million). The Directors recommend the distribution of final dividend of HKD0.65 per share for the year ended 31 December 2019 (2018: HKD0.55 per share) to the Shareholders.

Subject to the approval of shareholders at the 2020 annual general meeting of the Company to be held on 29 June 2020, the above proposed final dividend will be paid to the shareholders whose names appear on the register of members of the Company at the close of business on 13 July 2020. The proposed final dividend is expected to be paid on 23 July 2020.

On 13 December 2018, the Board adopted a dividend policy which sets out the principles and guidelines of the Group. The Company intends to declare and pay the dividend to its shareholders on an annual basis. The declaration, payment and amount of dividends shall be determined at the absolute sole discretion of the Board subject to the Company's financial results, cash flow position, business condition and strategy, future operation and income, capital need and expenditure plan, interest of the shareholders, any restriction on dividend payment and any other factors deemed relevant by the Board. The dividend amount in each financial year shall represent approximately 20% of the net profit available for distribution attributable to the Group. The Board may recommend and/or declare interim dividend, annual special dividend and any net profit distribution deemed fit by the Board for or during the financial year.

7. REPORT OF THE DIRECTORS

(6) CONVERTIBLE BONDS

On 5 September 2018, Conch Venture BVI (a wholly-owned subsidiary of the Company) issued HKD3,925,000,000 zero coupon guaranteed convertible bonds (the "**Bonds**") with net proceeds of approximately RMB3,376.40 million ("**Net Proceeds**") received. As at 31 December 2019, out of the net proceeds, the Company had accumulatively used approximately RMB2,741.10 million, and the remaining net proceeds amounted to RMB635.30 million. During the Reporting Period, the Company had further utilised the net proceeds of approximately RMB2,541.10 million in the manners set out in the table below:

Intended use of Net Proceeds as disclosed in the Supplemental Announcement ("Supplemental Announcement") dated 14 November 2019 issued by the Company previously	Actual use of Net Proceeds for the year ended 31 December 2018	Actual use of Net Proceeds for the year ended 31 December 2019	Intended use of unutilized proceeds	Note
(i) — For the year ended 31 December 2019: approximately RMB 564.3 million is intended to be utilized for the purpose of development of solid waste treatment projects — For the year ended 31 December 2020: approximately RMB 111.0 million is intended to be utilized for the purpose of development of solid waste treatment projects — For the year ended 31 December 2021: approximately RMB 111.0 million is intended to be utilized for the purpose of development of solid waste treatment projects	No Net Proceeds was utilized for the purpose of development of solid waste treatment projects for such year	Approximately RMB672.30 million was utilized for the purpose of development of solid waste treatment projects in Anhui Province, Jiangxi Province, Hunan Province, etc. in the PRC during the year, which used RMB108 million more than the amount originally allocated to the proposed purpose in 2019 as previously disclosed in the Supplemental Announcement, the reason of which is that the increased number and the speed of development of solid waste treatment projects are beyond expectations.	Approximately RMB222.00 million is intended to be utilized for investing in two to three solid waste treatment projects in the PRC during the year ending 31 December 2020, so as to coordinate with the actual development and progress of solid waste treatment projects in the same year	There were no material change or delay in the intended use of the proceeds previously disclosed

7. REPORT OF THE DIRECTORS

	Intended use of Net Proceeds as disclosed in the Supplemental Announcement ("Supplemental Announcement") dated 14 November 2019 issued by the Company previously	Actual use of Net Proceeds for the year ended 31 December 2018	Actual use of Net Proceeds for the year ended 31 December 2019	Intended use of unutilized proceeds	Note
(ii)	— For the year ended 31 December 2019: approximately RMB1,672.9 million is intended to be utilized for the purpose of development of grate furnace power generation projects. — For the year ended 31 December 2020: approximately RMB258.6 million is intended to be utilized for the purpose of development of grate furnace power generation projects. — For the year ended 31 December 2021: approximately RMB258.6 million is intended to be utilized for the purpose of development of grate furnace power generation projects.	No Net Proceeds was utilized for the purpose of development of grate furnace power generation projects for such year	Approximately RMB1,868.80 million was utilized for development of grate furnace power generation projects in Shaanxi Province, Jiangxi Province, Yunnan Province, etc. in the PRC during the year, which used RMB195.9 million more than the amount originally allocated to the proposed purpose in 2019 as previously disclosed in the Supplemental Announcement, the reason of which is that the increased number and the speed of development of grate furnace power generation projects are beyond expectations.	Approximately RMB413.30 million is intended to be utilized for investing in one to two grate furnace power generation projects in the PRC during the year ended 31 December 2020, so as to coordinate with the actual development and progress of grate furnace power generation projects.	There were no material change or delay in the intended use of the proceeds previously disclosed

7. REPORT OF THE DIRECTORS

Intended use of Net Proceeds as disclosed in the Supplemental Announcement ("Supplemental Announcement") dated 14 November 2019 issued by the Company previously	Actual use of Net Proceeds for the year ended 31 December 2018	Actual use of Net Proceeds for the year ended 31 December 2019	Intended use of unutilized proceeds	Note
(iii) — For the year ended 31 December 2019: Nil — For the year ended 31 December 2020: approximately RMB100.0 million is intended to be utilized for general corporate purpose. — For the year ended 31 December 2021: approximately RMB100.0 million was utilized for general corporate purpose.	Approximately RMB200.0million (Approximately HK $230.0 million) was used to repay loans previously borrowed to facilitate dividend payments to Hong Kong shareholders	No Net Proceeds was utilized for general corporate purpose for such year	N/A	As the development of solid waste treatment projects and grate furnace power generation projects aforementioned is faster than expected, approximately RMB200.0 million of the proceed originally allocated for general corporate purpose in 2020 and 2021 as disclosed in the Supplemental Announcement is intended to be used for the development of solid waste treatment projects and grate furnace power generation projects now.

For the year ended 31 December 2019, the holders of the Bonds did not exercise any conversion rights, and no redemption of any amounts of the Bonds has been made by Conch Venture BVI.

(7) PROPERTY, PLANT AND EQUIPMENT

As at 31 December 2019, the property, plant and equipment of the Group amounted to approximately RMB2,443.91 million. Details of the changes in property, plant and equipment of the Group during the Reporting Period are set out in note 11 to the financial statements.

(8) SUBSIDIARIES AND ASSOCIATED COMPANIES

Details of the major subsidiaries and associated companies of the Company are set out in notes 14 and 15 to the financial statements.

(9) SHARE CAPITAL

Details of the Company's capital structure are set out in note 25(c) to the financial statements. As at 31 December 2019, the Company had a total of 1,804,750,000 shares in issue.

7. REPORT OF THE DIRECTORS

(10) DISCLOSURE OF INTERESTS

1. Substantial Shareholders' Interests or Short Positions

As at 31 December 2019, as far as the Directors were aware, the interests or short positions of the persons other than the Directors and chief executive of the Company in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of part XV of the SFO as recorded in the register of substantial shareholders required to be kept by the Company under section 336 of the SFO were as follows:

Name of Shareholders	Nature of interests	Number of shares	Approximate percentage of shareholdings (%)
SA Conch	Interest of controlled corporation	106,217,000 (L) (note 1)	5.89
CV Investment	Beneficial owner	39,438,500 (L)	2.19
	Interest of controlled corporation	66,778,500 (L) (note 2)	3.70
	Sub-total	**106,217,000 (L)**	**5.89**

Notes:

1. Among the aforesaid shares, 39,438,500 shares are directly owned by CV Investment and the remaining 39,525,500 shares and 27,253,000 shares are owned by Conch Ventures Holdings (Zhuhai) Co., Ltd.* (海螺創投控股(珠海)有限公司) ("**CV Holdings (Zhuhai)**") and Anhui Conch Venture Medical Investment Management Co., Ltd.* (安徽海螺創業醫療投資管理有限責任公司) ("**CV Medical**") respectively, which are wholly-owned by CV Investment. CV Investment is deemed to be interested in the shares in which CV Holdings (Zhuhai) and CV Medical are interested by virtue of the SFO. As 82.93% of CV Investment's registered capital is held by SA Conch, SA Conch is deemed to be interested in the shares in which CV Investment is interested by virtue of the SFO.

2. Among these shares, 39,525,500 shares and 27,253,000 shares are owned by CV Holdings (Zhuhai) and CV Medical respectively, which are wholly-owned by CV Investment. CV Investment is deemed to be interested in the shares in which CV Holdings (Zhuhai) and CV Medical are interested by virtue of the SFO.

3. The letter "L" denotes a long position "L" in the shares.

* For identification purpose only

Save as disclosed above, as at 31 December 2019, the Directors were not aware of any other persons, other than the Directors and chief executive of the Company, who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register of substantial shareholders required to be kept under section 336 of the SFO.

7. REPORT OF THE DIRECTORS

2. Directors' and Chief Executive's Interests and Short Positions

As at 31 December 2019, 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 its associated corporations (within the meaning of Part XV of the SFO) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken, or are deemed to have taken , under such provisions of the SFO), or recorded in the register required to be kept by the Company under section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules were set out below:

The Company

Name of Directors	Nature of interests	Number of shares (long positions)	Approximate percentage of shareholdings (%)
Mr. Guo Jingbin	Interest of controlled corporation (note 1)	62,680,000	3.47
Mr. Ji Qinying	Interest of spouse (note 2)	35,033,752	1.94
Mr. Li Jian	Beneficial owner	7,396,370	0.41
	Interest of spouse (note 3)	105,346	0.01
	Sub-total	**7,501,716**	**0.42**
Mr. Li Daming	Beneficial owner	6,112,563	0.34

Notes:

1. These shares are owned by Splendor Court which is wholly owned by Mr. Guo Jingbin. Mr. Guo Jingbin is deemed to be interested in the shares held by Splendor Court by virtue of the SFO.

2. These shares are owned by Ms. Yan Zi. Mr. Ji Qinying is deemed to be interested in the shares held by his spouse, Ms. Yan Zi by virtue of the SFO.

3. These shares are owned by Ms. Wang Zhenying. Mr. Li Jian is deemed to be interested in the shares held by his spouse, Ms. Wang Zhenying by virtue of the SFO.

7. REPORT OF THE DIRECTORS

3. Interests and Short Positions of Senior Management

As at 31 December 2019, interests of the senior management of the Company were as follows:

Name of senior management	Nature of interests	Number of shares (long positions)	Approximate percentage of shareholdings (%)
Mr. Wang Xuesen	Beneficial owner	3,516,418	0.19
Mr. Shu Mao	Beneficial owner	143,000	0.01
Mr. Zhang Keke	Beneficial owner	3,000,000	0.17

Save as disclosed above, as at 31 December 2019, none of the Directors and chief executive of the Company had interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) 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 they have taken, or are deemed to have taken, under such provisions of the SFO), or recorded in the register required to be kept by the Company under section 352 of the SFO, or otherwise required to be notified to the Company and the Stock Exchange, pursuant to the Model Code.

(11) MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, the sales to the largest customer of the Group and the sales to the five largest customers of the Group in aggregate accounted for 11.15% and 29.88% of the total sales of the Group respectively.

During the Reporting Period, the procurement from the largest supplier of the Group and the procurement from the five largest suppliers of the Group in aggregate accounted for 12.49% and 23.95% of the total procurement of the Group respectively.

To the best knowledge of the Directors, none of the Directors and their close associates or shareholders who held more than 5% of the Company's issued share capital as at 31 December 2019 has any interest in any of the five largest customers and suppliers mentioned above.

7. REPORT OF THE DIRECTORS

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

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

(13) MINIMUM PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Directors confirmed that during the year under review and as at the date of this report, the Company has maintained the level of public float as required by the Listing Rules.

(14) EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2019, the Group had approximately 3,941 employees. The following table shows a breakdown of the employees by function and educational background as at 31 December 2019:

Function	**Number of individuals in 2019**	Number of individuals in 2018
Production and Operation	**3,050**	2,060
Management	**429**	360
Finance and Administration	**181**	90
Others	**281**	156
Total	**3,941**	2,666

Educational background	**Number of individuals in 2019**	Number of individuals in 2018
Master degree	**56**	38
Bachelor degree	**1,004**	634
Associate degree	**1,724**	1,129
Below associate degree	**1,157**	865
Total	**3,941**	2,666

7. REPORT OF THE DIRECTORS

The remuneration of employees of the Group is based on qualifications, experience, work performance and market conditions. As required by the PRC regulations on social insurance, the Group participated in the social insurance schemes operated by local government authorities which include pension insurance, medical insurance, unemployment insurance, industrial injuries insurance and maternity insurance. For the year ended 31 December 2019, the total remuneration of employees (including the remuneration of the Directors) was approximately RMB306.58 million (2018: RMB199.38 million).

The Company has adopted a share option scheme, details of which are set out in the section headed "(24) Share Option Scheme" in this section, so that the Group may grant options to selected participants as incentives or rewards for their contributions to the Group.

(15) DIRECTORS (FOR THIS FINANCIAL YEAR AND UP TO THE DATE OF THIS REPORT)

Name	Position	Date of appointment
Mr. Guo Jingbin	Executive Director, Chairman (Note 1)	Appointed on 24 June 2013
Mr. Ji Qinying	Executive Director, Chief executive officer	Appointed on 18 July 2013
Mr. Li Jian	Executive Director, Deputy general manager	Appointed on 18 July 2013
Mr. Li Daming	Executive Director, Deputy general manager (Note 1)	Appointed on 18 July 2013
Mr. Chang Zhangli	Non-executive Director (Note 2)	Appointed on 21 March 2019
Mr. Chan Chi On (alias Derek Chan)	Independent non-executive Director	Appointed on 3 December 2013
Mr. Chan Kai Wing	Independent non-executive Director (Note 1)	Appointed on 3 December 2013
Mr. Lau Chi Wah, Alex	Independent non-executive Director	Appointed on 3 December 2013

Notes:

1. Mr. Guo Jingbin and Mr. Li Daming were re-elected as executive Directors, and Mr. Chan Kai Wing was re-elected as independent non-executive Director at the 2019 annual general meeting of the Company.

2. Mr. Chang Zhangli was appointed as non-executive Director at the Board Meeting convened on 21 March 2019 and was re-elected as non-executive Director at the 2019 annual general meeting of the Company.

As at the date of this report, the Company had entered into services contracts with all executive Directors and had signed appointment letters with the non-executive Director and all independent non-executive Directors for a term of not exceeding three years. Such appointment may be terminated by either party by written notice of not less than three months.

Pursuant to the Articles of Association, Mr. Li Jian, Mr. Chan Chi On (alias Derek Chan) and Mr. Lau Chi Wah, Alex shall retire at the 2020 annual general meeting of the Company. All of the retiring Directors, being eligible, will offer themselves for re-election thereat.

7. REPORT OF THE DIRECTORS

(16) DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Saved as disclosed in this report, during the Reporting Period, none of the Directors had any interests, directly or indirectly, in any transactions, arrangements or contracts entered into by the Company, its holding company or any of its subsidiaries or fellow subsidiaries which was significant to the business of the Group.

None of the Directors proposed to be re-elected at the forthcoming annual general meeting had entered into any service contract with the Company or any of its subsidiaries which was not determinable within one year without payment of compensation (other than statutory compensation).

(17) INTERESTS OF DIRECTORS IN COMPETING BUSINESS

As at the date of this report, to the best knowledge of the Directors, none of the Directors or their respective close associates had any interests in any business which compete or is likely to compete (either directly or indirectly) with the business of the Group.

(18) DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

The remunerations of the Company's Directors are determined by the Board based on the recommendation of the Remuneration and Nomination Committee with reference to the salaries paid by comparable companies, their time commitment and responsibilities and the performance of the Group. The Directors and senior management receive compensation in the form of salaries, benefits in kind and/or discretionary bonuses relating to the performance of the Group. The Company also reimburses them for expenses which are reasonably and necessarily incurred for providing services to the Company or performing their duties in relation to the operation of the Company. The Company regularly reviews and determines the remuneration packages of the Directors and senior management.

Details of the Directors' remuneration and the five highest paid individuals of the Company during the Reporting Period are set out in notes 8 and 9 to the financial statements.

During the Reporting Period, individual remuneration of the senior management of the Company was within the following bands:

Band (RMB)	Number of individuals
0–1,000,000	4
1,000,000–2,000,000	0

7. REPORT OF THE DIRECTORS

(19) THE BOARD AND BOARD COMMITTEES

As at 31 December 2019, the Board comprised eight Directors. The biographies of the Directors are set out in the section headed "Biographies of Directors and Senior Management" in this report.

The Board has two committees, namely the Audit Committee and the Remuneration and Nomination Committee. Details of the committees are set out in the section headed "Corporate Governance Report".

(20) CHANGES IN DIRECTORS AND SENIOR MANAGEMENT

During the Reporting Period, details of changes in the Directors and senior management of the Company were as follows:

1. The Board passed a resolution at the meeting convened on 21 March 2019 agreeing to appoint Mr. Chang Zhangli as a non-executive Director of the Company and he was re-elected as non-executive Director at the 2019 annual general meeting of the Company.

2. The Board passed a written resolution on 25 September 2019, pursuant to which, Mr. Wang Junxian ceased to act as the assistant general manager of the Company.

(21) MANAGEMENT CONTRACT

Save for the service contracts of the Directors and senior management of the Company, during the Reporting Period, the Company had not entered into any contract with any individual, company or corporation for management and administration of the whole or any substantial part of the business of the Company.

7. REPORT OF THE DIRECTORS

(22) CONNECTED TRANSACTIONS

1. Connected Persons

Kawasaki HI holds 49% equity interests in each of CK Engineering and CK Equipment, both being the indirect non-wholly owned subsidiaries of the Company. As Kawasaki HI holds more than 30% equity interests in each of CK Engineering and CK Equipment, it is a connected person of the Company under Chapter 14A of the Listing Rules.

CKEM is an entity jointly controlled by Kawasaki HI (which is, as mentioned above, a substantial shareholder of non-wholly-owned subsidiaries of the Company) and Conch Cement, and each of them holding 50% equity interests. As CKEM is an associate of Kawasaki HI and more than 30% of its equity is held by Kawasaki HI, it is a connected person of the Company under Chapter 14A of the Listing Rules.

The respective dates of establishment and principal businesses of Kawasaki HI and CKEM are as follows:

Name of Connected Person	Date of Establishment	Principal Business
Kawasaki HI	9 October 1896	Manufacture of a wide range of technological products, including industrial plants, environmental protection facilities, industrial equipment, construction machinery and steel structures
CKEM	21 May 1997	Design, purchase, manufacture, sales and provision of maintenance and after-sale services of cement equipment

Pursuant to the Listing Rules, details of the major connected transactions of the Group during the Reporting Period are as follows:

7. REPORT OF THE DIRECTORS

2. Continuing Connected Transactions

(1) Transactions with Kawasaki HI

On 27 December 2017, the Group (through CK Engineering and CK Equipment, collectively, the "**CK Subsidiaries**") entered into an agreement (the "**Kawasaki Master Agreement**") with Kawasaki HI, whereby the CK Subsidiaries and Kawasaki HI agreed to (i) provide to the other party certain design services and technical assistance; and (ii)supply to the other party equipment, parts and products related to, among other things, residual heat power generation. The total amount under such contracts under the Kawasaki Master Agreement for the year ended 31 December 2019 is RMB77.90 million.

According to the Kawasaki Master Agreement, the price of the goods and/or services concerned will be determined by the parties (on arm's length basis and in good faith) with reference to the then prevailing market prices of identical and/or similar goods or services which may be supplied to or sourced from other Independent Third Parties. The price shall be no less favorable than the prices of identical and/or similar goods or services available to or from other Independent Third Parties.

During the Reporting Period, the amount of the above transactions under the Kawasaki Master Agreement was RMB8.48 million, which did not exceed the annual cap of RMB77.90 million for this year.

(2) Transactions with CKEM

On 27 December 2017, the Group (through the CK Subsidiaries) entered into an agreement (the "**CKEM Master Agreement**") with CKEM, whereby the CK Subsidiaries have agreed to supply waste parts, processing services and leasing of certain equipment to CKEM, while CKEM have agreed to supply certain equipment and products, processing services and leasing of certain equipment to the CK Subsidiaries. The total amount under such contracts under the CKEM Master Agreement for the year ended 31 December 2019 is RMB14.60 million.

On 26 September 2019, the Group (through the CK Subsidiaries) entered into a supplemental agreement (the "**CKEM Supplement Master Agreement**") with CKEM to amend the CKEM Master Agreement by revising the annual caps for the transactions contemplated under the CKEM Master Agreement and all other terms and conditions under the CKEM Master Agreement remain unchanged. Pursuant to the CKEM Supplemental Master Agreement, the total amount under such contracts for the year ended 31 December 2019 will not exceed RMB33.00 million.

7. REPORT OF THE DIRECTORS

According to the CKEM Master Agreement, the price of the goods and/or services concerned will be determined by the parties (on arm's length basis and in good faith) with reference to the then prevailing market prices of identical and/or similar goods or services which may be supplied to or sourced from other Independent Third Parties. The price shall be no less favorable than the prices of identical and/or similar goods or services available to or from other Independent Third Parties.

During the Reporting Period, the actual amount of the above transaction under the CKEM Master Agreement (as amended by the CKEM Supplemental Master Agreement) was RMB22.47 million, which did not exceed the annual cap of RMB33.00 million for this year.

3. Connected Transactions Exempted from Reporting, Announcement and Independent Shareholders' Approval Requirements

(1) Kawasaki RH Licensing Agreement

On 8 February 2007, CK Engineering and Kawasaki Partner entered into a technical licensing agreement (as supplemented by supplementary agreements dated 27 September 2010, 25 September 2008 and 7 August 2013) (collectively, the "**Kawasaki RH Licensing Agreement**"), whereby Kawasaki Partner granted CK Engineering an exclusive license to use the technology knowhow in respect of residual heat power generation systems and the use of technical information such as drawings and technical data calculation software in China. The initial licensing fee was RMB22.00 million of which RMB6.00 million was paid to Kawasaki Partner before the track record period. To reduce the labour cost incurred by Kawasaki Partner in relation to the technical personnel arrangements between the parties in 2010, they agreed to reduce the licensing fee to RMB13.20 million. Having taken into account the RMB6.00 million paid, and the then outstanding licensing fee was RMB7.20 million. In another project carried out by Kawasaki Partner and CK Engineering together, RMB3.60 million was payable by Kawasaki Partner to CK Engineering in 2010. The parties agreed that RMB3.60 million payable by Kawasaki Partner to CK Engineering was settled through the reduction of the outstanding consideration under the Kawasaki RH Licensing Agreement from RMB7.20 million to RMB3.60 million.

Subsequently, licensing fees of RMB1.20 million were paid by CK Engineering to Kawasaki Partner during each of the three years ended 31 December 2012. Since then there was no outstanding licensing fees in respect of the Kawasaki RH Licensing Agreement. The license is valid until 15 October 2026.

Since all licensing fees in respect of the Kawasaki RH Licensing Agreement were fully paid by CK Engineering to Kawasaki HI (a Connected Person) by 31 December 2012, no licensing fees are payable on or after 1 January 2013 until the expiry of such agreement. The transactions contemplated under the agreement is a continuing connected transaction and is exempt from the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

7. REPORT OF THE DIRECTORS

(2) Kawasaki VM Licensing Agreement

On 7 April 2008, CK Equipment and Kawasaki Partner entered into a technical licensing agreement (the "**Kawasaki VM Licensing Agreement**"), whereby Kawasaki Partner granted CK Equipment an exclusive license to use the technology knowhow in respect of vertical mill and the use of technical information such as drawings and technical data calculation software in China. Such license is without licensing fee and is valid until 21 September 2027.

Since no licensing fees is payable by CK Equipment to Kawasaki HI (a Connected Person) in respect of the license during the term of the Kawasaki VM Licensing Agreement, such continuing connected transaction is exempt from the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

For disclosure of connected persons, please refer to note 28 to the financial statements.

Pursuant to Rule 14A.56 of the Listing Rules, the Company has engaged its independent external auditor, KPMG, to perform the engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules", that was, to perform assurance engagement regarding the continuing connected transactions of the Group for the year ended 31 December 2019, and KPMG has issued a letter to the Board to confirm that, no following matters were identified regarding the continuing connected transactions: (1) the transactions were not approved by the Board; (2) for transactions involving the provision of goods or services by the Group, the transactions were not conducted, in all material respects, in accordance with the pricing policies of the Group; (3) the transactions were not entered into, in all material respects, in accordance with the agreements related to such transactions; and (4) the transactions exceeded the annual caps.

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive directors of the Company have reviewed the above mentioned continuing connected transactions and the report from KPMG, and recognised that the transactions have been entered into:

a. in the ordinary course of business of the Group;

b. on normal commercial terms or better; and

c. according to the agreements governing them on terms that were fair and reasonable and in the interests of the Shareholders as a whole.

7. REPORT OF THE DIRECTORS

(23) RELATED PARTY TRANSACTIONS

Save as disclosed in the section headed "Connected Transactions" of this report and in note 28 to the financial statements, no related party transactions were conducted by the Group during the year under review.

In connection with the major related party transactions set out in note 28 to the financial statements, save for the transactions with each of Conch Cement, Conch IT Engineering, Conch Design Institute, Conch Holdings, Conch Profiles, Jinyuan Environmental Protection, and Yaobai Special Cement, these related party transactions constituted continuing connected transactions within the meaning of Chapter 14A of Listing Rules. For the year ended 31 December 2019, the Company has complied with the disclosure requirements of Chapter 14A of Listing Rules.

(24) SHARE OPTION SCHEME

Save as the Share Option Scheme set out below, during the year ended 31 December 2019, the Company did not have newly entered or existing equity-linked agreements.

The Company has conditionally adopted a share option scheme ("**Share Option Scheme**") pursuant to a resolution in writing passed by all Shareholders on 3 December 2013 for the purpose of granting options to selected participants as incentives or rewards for their contribution to the Group.

The Directors consider the Share Option Scheme, with its broadened basis of participation, will enable the Group to reward the employees, the Directors and other selected participants for their contributions to the Group. Given that the Directors are entitled to determine any performance targets to be achieved as well as the minimum period that an option must be held before an option can be exercised on a case by case basis, and that the exercise price of an option cannot in any event fall below the price stipulated in the Listing Rules or such higher price as may be fixed by the Directors, it is expected that grantees of an option will make an effort to contribute to the development of the Group so as to bring about an increased market price of the Shares in order to capitalise on the benefits of the options granted.

Eligible participants of the Share Option Scheme include:

(1) any employee (whether full-time or part-time and including any executive Director but excluding non-executive Director) of the Company, any of its subsidiaries or any entity ("**Invested Entity**") in which any member of the Group holds an equity interest;

(2) any non-executive Directors (including INEDs) of the Company, any of its subsidiaries or any Invested Entity;

(3) any supplier of goods or services to any member of the Group or any Invested Entity;

(4) any customer of any member of the Group or any Invested Entity;

7. REPORT OF THE DIRECTORS

(5) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;

(6) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;

(7) any advisor (professional or otherwise) or consultant to any area of business or business, development of any member of the Group or any Invested Entity;

(8) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group;

and, for the purposes of the Share Option Scheme, the offer for the grant of option may be made to any company wholly owned by one or more persons belonging to any of the above classes of participants.

As at the date of this report, the aggregate number of shares of the Company available for issue under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the shares in issue on the day on which trading of the shares of the Company commenced on the Stock Exchange, i.e. 176,500,000 shares, representing 9.78% of the issued share capital of the Company as at the date of this report.

The total number of shares issued and which may fall to be issued upon the exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being ("**Individual Limit**"). Any further grantor options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant must be separately approved by the Shareholders in general meeting of the Company with such grantee and his close associates abstaining from voting.

Any grant of options under the Share Option Scheme to a Director, chief executive or substantial shareholder of the Company or any of their respective close associates must be approved by INEDs (excluding INED(s) who or whose close associates is/are the proposed grantee(s) of the options). Where any grant of options to a substantial shareholder or an INED or any of their irrespective close associates would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant: (i) representing in aggregate over 0.1% of the Shares in issue; and (ii) having an aggregate value, based on the closing price of the Shares at the date of each offer for the grant, in excess of HKD5 million; such further grant of options must be approved by Shareholders in general meeting.

7. REPORT OF THE DIRECTORS

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option. A nominal consideration of HKD1 is payable by the grantee on acceptance of the grant of an option. The exercise periods of options shall be determined by the Board, which may commence from the date of the offer for the grant of options is made, but shall end in any event not later than 10 years from the date of grant of the options subject to the provisions for early termination of the Share Option Scheme.

The subscription price under the Share Option Scheme shall be determined by the Directors, but shall not be less than the highest of (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of the offer for the grant; (ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet for the five trading days immediately preceding the date of the offer for the grant; and (iii) the nominal value of a share of the Company.

Unless there is an early termination of the Share Option Scheme pursuant to the rules of the Share Option Scheme, the Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted, i.e., expiring on 2 December 2023.

Since the listing, the Group has not granted any share option under the Share Option Scheme.

(25) PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the applicable laws of the Cayman Islands (place of incorporation of the Company) which would oblige the Company to offer new shares on a pro-rata basis to the current Shareholders.

(26) AUDITOR

In 2019, the Company appointed KPMG as its international auditor for the year ended 31 December 2019. The consolidated financial statements have been audited by KPMG.

The term of office of KPMG will expire at the forthcoming annual general meeting (the "**AGM**") and KPMG will retire and offer themselves for re-appointment thereat. A resolution for the reappointment of KPMG as the auditor of the Company is to be proposed at the AGM.

The Board and the Audit Committee had mutual consent on the re-appointment of external auditor of the Company.

7. REPORT OF THE DIRECTORS

(27) ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as the Share Option Scheme disclosed in this report, at no time during the Reporting Period was the Company or any of its subsidiaries or holding companies a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

(28) MAJOR RISKS AND UNCERTAINTIES

The Group's principal activities include provision of energy-saving and environmental-protection "package" solutions, manufacturing of new building materials and engaging in port logistics business, which face a variety of major risks and uncertainties, including: (1) macroeconomic downturn pressure continues to increase; the shrinkage of residual heat power generation, vertical mills and other markets; intensified competitions in waste treatment project market resulted in increase of uncertainty in obtaining projects; the investment and environmental protection safety supervision in the operation of solid waste treatment projects continue to increase; the waste treatment projects outside China have a long investment cycle and are subject to the changes in politics, economy and law in these countries where it invest, and thus may not be able to commence operation on time and generate revenue; (2) the Group's operating results are considerably affected by the business performance of the associated company of which the Group only has minority interests, and the operations of the associated company is beyond the control of the Group; (3) the residual heat power generation and waste incineration solutions of the Group relied on the proprietary technologies jointly designed and co-developed by the Group and Kawasaki HI, therefore the Group has to maintain good relationship with Kawasaki HI; (4) the operational quality or effectiveness problem of the Group's waste incineration power generation systems may result in a decrease in turnover and a relatively small-sized single waste treatment system may result in an increase in management and operating costs; and (5) the expansion of the Group's operating scale outside China involves risk, including difficulties in transnational operation, currency exchange rate fluctuations, etc.

(29) COMPLIANCE WITH LAWS AND REGULATIONS

The Group recognises the importance of compliance with regulatory requirements. The risk of non-compliance of such requirements may result in termination of operation license. The Group has assigned systems and human resources to ensure continued compliance with rules and regulations, and maintain good working relationships with the regulatory authorities through effective communication.

7. REPORT OF THE DIRECTORS

During the year under review, to the best knowledge of the Group, the Group has: (1) for environmental protection, complied with the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), the Laws of the People's Republic of China on the Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》), the Law of the People's Republic of China on Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》), the Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》), the Law of the People's Republic of China on Prevention and Control of Soil Pollution (《中華人民共和國土壤污染防治法》), the Law of the People's Republic of China on Prevention and Control of Noise Pollution (《中華人民共和國環境噪聲污染防治法》) and the Marine Environment Protection Law of the People's Republic of China (《中華人民共和國海洋環境保護法》); (2) for cement production, complied with the Product Quality Law of the People's Republic of China (《中華人民共和國產品質量法》), the Regulation of the People's Republic of China on the Administration of Production License for Industrial Products (《中華人民共和國工業產品生產許可證管理條例》), the Catalog of Products Subject to the System of Production License for Industrial Products (《實行生產許可證制度管理的產品目錄》) and Measures for Administration of Bulk Cement (《散裝水泥管理辦法》); (3) for port operation, complied with the Port Law of the People's Republic of China 《(中華人民共和國港口法》) and the Regulations on the Administration of Port Operation 《(港口經營管理規定》); (4) for manufacturing of special equipment, complied with the Regulations on Safety Supervision of Special Equipment (《特種設備安全監察條例》) and the Supervision and Administration Measures for the Manufacturing of Boilers and Compressed Containers (《鍋爐壓力容器製造監督管理辦法》); (5) for import and export of goods, complied with the Customs Law of the People's Republic of China (《中華人民共和國海關法》), the Provisions of the Customs of the People's Republic of China for the Administration of Registration of Declaration Entities (《中華人民共和國海關對報關單位註冊登記管理規定》) and the Law of the People's Republic of China on Imported and Exported Commodity Inspection (《中華人民共和國進出口商品檢驗法》) and its implementation rules; (6) for contracting foreign projects, complied with the Foreign Trade Law of the People's Republic of China (《中華人民共和國對外貿易法》), the Administrative Regulation on Contracting Foreign Projects (《對外承包工程管理條例》) and the Administrative Measures on the Qualification for Contracting Foreign Projects (《對外承包工程資格管理辦法》); and (7) for labour and production safety, complied with the Production Safety Law of the People's Republic of China (《中華人民共和國安全生產法》), the Fire Law of the People's Republic of China (《中華人民共和國消防法》), the Prevention and Control of Occupational Diseases Law of the People's Republic of China (《中華人民共和國職業病防治法》), the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), the Electric Power Law of the People's Republic of China (《中華人民共和國電力法》) and other related rules and regulations.

(30) ENVIRONMENT POLICIES AND PERFORMANCES

The Group has realized the importance of environmental protection, and has taken stringent environmental measures to ensure that the Group complies with existing environmental laws and regulations. For details of the environmental policies and performance of the Group, please refer to our Environmental, Social and Governance Report to be published separately.

7. REPORT OF THE DIRECTORS

(31) DONATION

During the year, the Group did not make any charitable or any other kind of donations (2018: nil).

(32) PERMITTED INDEMNITY PROVISIONS

Pursuant to the Articles of Association, the Directors (including other persons) can be indemnified when any act, costs, expenses, damages, compensation and expenditure are caused or suffered by actions of approval or omission made by their respective jobs or trusts or assumed duties, except that by their own deceit or fraud. The Company has maintained Directors' liability insurance throughout the year to provide proper insurance cover in case of certain legal actions against the Directors.

(33) SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

No significant subsequent events occured in the Group after 31 December 2019 and up to the date of this report except as disclosed in note 30 to the financial statements.

By Order of the Board
Guo Jingbin
Chairman of the Board

Wuhu, China
23 March 2020

8. BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

(I) DIRECTORS

1. Executive Directors

Mr. Guo Jingbin (郭景彬), aged 62, was appointed as a Director of the Company with effect from 24 June 2013. He is currently an executive Director and the chairman of the Company. He is primarily responsible for overall strategic development of the Group. Mr. Guo graduated from Shanghai Construction Materials College and joined the predecessor of Conch Group in 1980. In July 1998, Mr. Guo received a Master of Business Administration degree from the Post-graduate College of the Social Science Institute of China (中國社會科學院). Mr. Guo held various mid to senior managerial positions including head of automatic measurement department, head of personnel department and deputy plant manager of the former Ningguo Cement Plant and the secretary to the Board of and deputy general manager of Conch Cement. He has over 30 years' experience in the building materials industry and rich experience in capital markets, particularly specializing in corporate strategic planning, marketing planning and general administrative management. He has been a Director and chairman of the Board of Directors of CV Investment since February 2011 and May 2013 respectively until end of April 2015. Mr. Guo has been an executive Director of Conch Cement from October 1997 to 19 June 2014 and a non-executive Director of Conch Cement from 20 June 2014 to 2 June 2016. Mr. Guo has been a Director of Conch Holdings since January 1997. He is currently an independent non-executive Director of China Logistics Property Holdings Co., Ltd (a company listed on the Main Board of the Stock Exchange, stock code: 01589) and China Tian Yuan Healthcare Group Limited (previously known as City e-Solutions Limited) (a company listed on the Main Board of the Stock Exchange, stock code: 00557).

Mr. Ji Qinying (紀勤應), aged 63, was appointed as a Director of the Company with effect from 18 July 2013. He is currently an executive Director and the chief executive officer of the Company who is primarily responsible for day-to-day management of the Group's business operations. He is also a member of the Remuneration and Nomination Committee. Mr. Ji joined the predecessor of Conch Cement Group after he graduated from Shanghai Construction Materials College in 1980. He held various leading positions including deputy plant operating Director of the Ningguo Cement Plant, general manager and executive director of Conch Cement, and general manager and chairman of Conch Profiles. Mr. Ji served as a Director of CV Investment from November 2002 to February 2016. He also served as the general manager of CV Investment from May 2013 to April 2015 and the chairman of CV Investment from May 2015 to February 2016. Mr. Ji has over 30 years' experience in the building materials industry specializing in project investment, construction management, market development, production, general operation and industrial management.

8. BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Li Jian (李劍), aged 58, was appointed as a Director of the Company with effect from 18 July 2013. He is currently an executive Director and a deputy general manager of the Company. He joined the Group in March 2011 and is primarily responsible for strategic development of the Group and general operation of Conch Venture Green and Bozhou Conch Venture Green. He is also Directors of Conch Venture Green and Bozhou Conch Venture Green and acted as the chairmen of both companies since July 2015. He graduated from Anhui Broadcast and Television University (安徽廣播電視大學) in July 1994, majoring in electrical engineering. Mr. Li joined the Anhui Conch Group in 1995, and joined the Group in 2011 and was a Director of CK Equipment from March 2011 to March 2012. During the period from February 2011 to March 2012, Mr. Li was an assistant to general manager of CV Investment. He has also been a Director and deputy general manager of CV Investment from May 2013 to the end of April 2015. Mr. Li has nearly 20 years' experience in the building materials industry specializing in market development, sales network development and management, building materials production and corporate management. He also has extensive experience in the production and operation management in the new building materials industry.

Mr. Li Daming (李大明), aged 54, was appointed as a Director of the Company with effect from 18 July 2013. He is currently an executive Director and a deputy general manager of the Company. He is also a Director of CK Equipment and CK Engineering and is primarily responsible for energy preservation and environmental protection businesses including residual heat power generation and waste incineration projects, general operation of CK Engineering and CK Equipment. He graduated from Anhui Mechanical and Electrical College (安徽機電學院) in July 1986, majoring in manufacture of electrical equipment. Mr. Li joined the Group in December 2006 and has been a Director of CK Equipment since September 2007, a Director of CK Engineering since November 2006 and deputy general manager of CK Engineering since December 2006. Mr. Li has nearly 20 years' experience in the building materials industry. He also has extensive experience in residual heat power generation and waste management and has established good cooperation relationship with Kawasaki HI in developing the residual heat power generation business.

8. BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

2. Non-executive Director

Mr. Chang Zhangli (常張利), aged 49, was appointed as a non-executive Director of the Company on 21 March 2019. Mr. Chang has accumulated approximately 30 years of experience in handling affairs of listed companies. Mr. Chang has been the deputy general manager of China National Building Material Group Co., Ltd. since July 2018, and a non-executive Director of CNBM, whose H shares are listed on the Main Board of the Stock Exchange (stock code: 03323), since June 2018. Mr. Chang has been a Director of China Jushi Co., Ltd (中國巨石股份有限公司), a company listed on the main board of the Shanghai Stock Exchange (stock code: 600176) since July 2005, and the chairman of the Board and an executive Director of Shanshui Cement, whose shares are listed on the Main Board of the Stock Exchange (stock code: 00691), since May 2018. From November 2011 to June 2018, Mr. Chang has served as an executive Director of CNBM and from August 2006 to June 2018, as the vice-President and from March 2005 to June 2018 as the secretary of the Board of CNBM, and from July 2008 to April 2019, as a Director of Beijing New Building Material Public Limited (北新集團建材股份有限公司), a company listed on the main board of the Shenzhen Stock Exchange (stock code: 000786). Mr. Chang is an engineer and he obtained a bachelor's degree in engineering from Wuhan Polytechnic University (武漢工業大學) (now known as Wuhan University of Technology (武漢理工大學) in July 1994 and obtained a master of business administration degree from Tsinghua University in July 2005. Mr. Chang currently is the vice president of the Listed Companies Association of Beijing (北京上市公司協會副理事長), the vice president of China Association for Public Companies (中國上市公司協會副會長) and the vice president of China Association for Work Safety (中國安全生產協會副會長). Mr. Chang was awarded the first prize of National Corporate Management Modernization and Innovation Achievements (國家級企業管理現代化創新成果).

3. Independent non-executive Directors

Mr. Chan Chi On (陳志安) (alias Derek CHAN), aged 56, was appointed as an independent non-executive Director of the Company with effect from 3 December 2013. He is also the chairman of the Audit Committee and a member of the Remuneration and Nomination Committee. Mr. Chan is currently engaging in corporate finance and securities businesses and serving as the chairman of Halcyon Capital Limited and Halcyon Securities Limited respectively. Mr. Chan graduated from the University of Hong Kong with a Bachelor degree in Social Sciences (majoring in Economics) and from the Hong Kong University of Science & Technology with a Master degree in Business Administration. Mr. Chan worked for the Stock Exchange for seven years, and subsequently served as an executive Director in Haitong International Securities Group Limited (previously known as Taifook Securities Group Limited) and head of its corporate finance division for 16 years and was responsible for businesses in listing of enterprises, financing and mergers and acquisition. Mr. Chan is currently an independent non-executive Director of Yuexiu REIT Asset Management Ltd. (manager of Yuexiu Real Estate Investment Trust which is listed on the Main Board of the Stock Exchange, stock code: 00405) and Longfor Group Holdings Limited (formerly known as Longfor Properties Co. Ltd.) (a company listed on the Main Board of the Stock Exchange, stock code: 00960). He served as an independent non-executive Director of Tianli Holdings Group Limited (a company listed on the Main Board of the Stock Exchange, stock code: 00117) from 14 July 2016 to 6 April 2018. Mr. Chan has more than 30 years of experience in financial services industry.

8. BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Chan Kai Wing (陳繼榮), aged 59, was appointed as an independent non-executive director of the Company with effect from 3 December 2013. He is also a member of the Audit Committee and the Remuneration and Nomination Committee of the Company. Mr. Chan is currently the managing Director of Mandarin Capital Enterprise Limited, a company Mr. Chan founded in 2004, and is specialized in providing financial advisory services to companies in the area of accounting services, merger and acquisition, corporate restructuring, and other corporate finance matters. Mr. Chan obtained a bachelor degree in economics from Macquarie University in Sydney, Australia in April 1986 and is a fellow member of CPA Australia. From 1988 to 1991, Mr. Chan worked in the audit department of Ernst & Young in Hong Kong. Mr. Chan is currently an independent non-executive Director of China Assurance Finance Group Limited (a company listed on the Growth Enterprise Market of the Stock Exchange, stock code: 08090) and Nanfang Communication Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 01617). He was an independent non-executive Director of Sino Golf Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 00361) from 24 August 2015 to 9 November 2018, and an independent non-executive Director of Bisu Technology Group International Limited (formerly known as Excel Development (Holdings) Limited) (a company listed on the Main Board of the Stock Exchange, stock code: 01372) from 20 July 2015 to 28 February 2019.

Mr. Lau Chi Wah, Alex (劉志華), aged 56, was appointed as an independent non-executive Director of the Company with effect from 3 December 2013. He is also the chairman of the Remuneration and Nomination Committee and a member of the Audit Committee. Mr. Lau has over 25 years of experience in the field of corporate finance and accounting in managing initial public offerings and fund-raising exercises and advising listed companies on mergers and acquisitions, takeovers, buyouts and other corporate transactions. He has been the managing Director of Ballas Capital Limited since February 2017. Mr. Lau has been an associate of the Institute of Chartered Accountants in England and Wales since June 1988 and an associate of Hong Kong Institute of Certified Public Accountants since 1990. He graduated from the University of East Anglia in the United Kingdom in July 1984 with a bachelor degree in Science. He also obtained Corporate Finance Qualification from the Institute of Chartered Accountants in England and Wales in 2006. He is currently an independent non-executive Director of One Media Group Limited (a company listed on the Main Board of the Stock Exchange, stock code: 00426). He also served as an independent non-executive Director of Man Sang International Limited (a company listed on the Main Board of the Stock Exchange, stock code: 00938) from 1 September 2004 to 14 July 2016.

8. BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

(II) SENIOR MANAGEMENT

1. Senior Management

Mr. Wang Xuesen (汪學森), aged 55, is the chairman of board of directors of Haichang Port and a deputy general manager of the Company. He is primarily responsible for general operation of Haichang Port. He graduated from Anhui Finance and Trade College (安徽財貿學院) in May 1988, majoring in statistical science. He also obtained a Master of Business Administration from Shanghai Shipping College (上海海運學院) in September 2003. Mr. Wang joined the Group in 2006 and has since then been the general manager of Haichang Port.

Mr. Han Jiwu (韓繼武), aged 57, is an assistant to general manager and the head of Strategic Planning Department of the Company. He is mainly responsible for formulating and implementing strategic planning for the Company's development. He obtained a Master of Business Administration from Anhui Institute of Business Administration in 2001. Mr. Han joined the Company in 2015. Prior to this, Mr. Han held leading positions in Anhui Provincial Building Materials Bureau (建材局) and Quality and Technical Supervision Bureau (質量技術監督局). He has extensive experiences in building materials industry and management.

Mr. Zhang Keke (張可可), aged 57, is an assistant to general manager of the Company. He graduated from the Correspondence School of Party School of the Central Committee of CPC in 1992, majoring in economic management. Mr. Zhang joined the Company in 2016, and is mainly responsible for the operational management of solid waste treatment business of the Company. Before joining the Company, he held various leadership roles in Ningguo Cement Plant, Conch Cement and Conch Profiles and gained more than 30 years of extensive experiences in construction material industry and management. Mr. Zhang has served as the chairman of board of directors and general manager of WH Environmental Protection since May 2016.

2. Company Secretary

Mr. Shu Mao (疏茂), aged 34, was appointed as the joint company secretary on 3 December 2013 and has served as the sole company secretary since 13 April 2017. He graduated from Anhui Engineering Science College (安徽工程科技學院) in 2008, majoring in business administration. Mr. Shu joined Auhui Conch Group in February 2008 and has served as the assistant to manager of the Board of Directors' Office of Auhui Conch Group and the assistant manager of the office of general manager of CV Investment. Mr. Shu has also served as the head of the General Management Department of the Company since August 2013.

INDEPENDENT AUDITOR'S REPORT

To the shareholders of China Conch Venture Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Conch Venture Holdings Limited ("the Company") and its subsidiaries ("the Group") set out on pages 89 to 202, which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

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

Accounting for construction revenue in service concession arrangements

Refer to notes 3 and 17 and the accounting policies set out in notes 1 (v) and 1(m) to the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
The Group has entered into service concession arrangements with local governments of different locations in Mainland China in respect of its waste incineration projects on a Build-Operate-Transfer ("BOT") basis. Under the service concession arrangements, the Group constructs waste incineration plants (construction services) and operates these plants (operation services) for concession periods ranging from 20 to 30 years. The Group is paid for its services over the operation period of these arrangements. Although no cash is received during the construction phase of BOT projects, the Group recognises construction service revenue when project construction commences pursuant to the requirements of the prevailing accounting standards. The Group recognises construction service revenue at fair value based on construction costs plus a mark-up margin for the project.	Our audit procedures to assess the accounting for construction revenue in service concession arrangements included the following: • evaluating the Group's process for applying the requirements of the prevailing accounting standards and inspecting the associated contracts for projects which commenced construction in the current year to assess whether these fell within the scope of the prevailing accounting standards; • assessing the impact of any changes to the terms of arrangements entered into in previous years which could affect the accounting for BOT projects in the current year; • assessing the design, implementation and operating effectiveness of key internal controls relating to management contract reviews, assessing the percentage of completion of construction services and reviewing updates and changes to total budgeted contract costs;

INDEPENDENT AUDITOR'S REPORT

Accounting for construction revenue in service concession arrangements *(Continued)*

Refer to notes 3 and 17 and the accounting policies set out in notes 1 (v) and 1(m) to the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
Where construction services are not completed at the end of a reporting period, construction service revenue is recognised using the percentage of completion method, measured by reference to the percentage of actual costs incurred to date to estimated budgeted costs of the entire construction project. The total budgeted costs are estimated based principally on management's assessment of market conditions, the cost of raw materials and equipment and other operating costs. Accounting for BOT arrangements pursuant to the requirements of the prevailing accounting standards can be complex in their implementation which requires the exercise of significant management judgement, particularly in respect of the determination of total budgeted construction costs for each project, determining the stage of completion of each project at the reporting date and assessing the fair value of construction services of each BOT project. We identified accounting for construction revenue in service concession arrangements as a key audit matter because the application of the requirements of the prevailing accounting standards can be complex and involves the exercise of significant management judgement which could give rise to errors in the recognition of construction revenue or could be subject to manipulation to meet targets and expectations.	• engaging our internal valuation specialists to assists us in evaluating the assumptions and judgements adopted by management in determining the fair value of construction services delivered, including the mark-up margins for construction services by benchmarking against mark-up margins for comparable companies with similar projects; • comparing the most significant inputs used by management in determining the fair value of construction services delivered, including forecast construction costs, with management's budgets and supplier contracts; • inspecting underlying documents, on a sample basis, for actual costs incurred during the construction phase of contracts and assessing management's judgements applied in the total contract costs estimation by performing a retrospective review of the historical accuracy of contract costs estimation for similar contracts; and • re-calculating the percentage of completion of incomplete construction contracts at the end of the reporting period by comparing the actual costs incurred to date with total estimated costs on completion.

INDEPENDENT AUDITOR'S REPORT

Loss allowance for trade receivables

Refer to note 18 and the accounting policy set out in note 1(j)(i) to the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
At 31 December 2019, the Group's gross trade receivables totalled RMB774 million against which a loss allowance of RMB45 million was recorded. Management measured loss allowance at an amount equal to lifetime expected credit loss, using a provision matrix based on past due status, for the receivables existed at 31 December 2019 in accordance with IFRS 9, *Financial Instruments*. As the historical credit loss experience of the Group does not indicate significantly different loss patterns for different customers in different segments, the loss allowance based on past due status are not further distinguished between the Group's different customer bases. We identified loss allowance for trade receivables as a key audit matter because estimation of expected credit losses which is inherently subjective and requires the exercise of significant management judgement.	Our audit procedures to assess the loss allowance of trade receivables included the following: • obtaining an understanding of and assessing the design, implementation and operating effectiveness of management's key internal controls relating to credit control, debt collection, estimate of expected credit losses and recording related loss allowances in the financial statements; • obtaining an understanding of the expected credit loss model adopted by management, including the basis of the segmentation of the trade receivables based on credit risk characteristics, the historical default data, and management's assumptions in estimating loss rates; • assessing the reasonableness of management's estimation of loss allowance by examining the information used by management to form such judgements, including testing the completeness and accuracy of the historical default data, evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information, and performing a retrospective review of the historical accuracy of these estimates;

INDEPENDENT AUDITOR'S REPORT

Loss allowance for trade receivables *(Continued)*

Refer to note 18 and the accounting policy set out in note 1(j)(i) to the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
	• assessing whether the items were appropriately categorised in the trade receivables past due report by comparison with sales invoices, credit terms as agreed with customers and other relevant underlying documentation, on a sample basis, and recalculating the Group's loss allowance with reference to the past due report and expected loss rates; and • inspecting cash receipts from customers subsequent to the financial year end relating to trade receivables balances at 31 December 2019.

INDEPENDENT AUDITOR'S REPORT

Accounting for the interests in associates

Refer to note 15 and the accounting policy set out in note 1(e) to the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
The Group's 49% interest in Anhui Conch Holdings Co., Ltd. ("Conch Holdings") is accounted for in the consolidated financial statements under the equity method. The Group's share of the profit of Conch Holdings for the year ended 31 December 2019 was RMB6,004 million and the carrying value of the Group's interest in Conch Holdings was RMB25,750 million, which accounted for 86% of the Group's net profit attributable to equity shareholders and 61% of the Group's total assets as at 31 December 2019. Anhui Conch Cement Co., Ltd. ("Conch Cement") is a significant associate of Conch Holdings and contributed substantially all of the Group's share of profit of Conch Holdings for the year ended 31 December 2019. Conch Cement is a public company listed on The Stock Exchange of Hong Kong Limited.	Our audit procedures to assess the accounting for the interest in Conch Holdings included the following: • evaluating the design, implementation and operating effectiveness of key group-wide internal controls and the consolidation process for equity accounting for the interest in Conch Holdings; • comparing consolidation and reclassification journal adjustments in respect of the interest in Conch Holdings with relevant underlying documentation; • recalculating the Group's share of net assets and the Group's share of profit for the year with reference to the financial information of Conch Holdings;

INDEPENDENT AUDITOR'S REPORT

Accounting for the interests in associates *(Continued)*

Refer to note 15 and the accounting policy set out in note 1(e) to the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
We identified the accounting for the interest in Conch Holdings as a key audit matter because of its material impact on the Group's consolidated financial statements, particularly in respect of Conch Holding's investment in Conch Cement, and because of the significant judgements required to be exercised by management of Conch Cement in the preparation of Conch Cement's consolidated financial statements, in particular in relation to revenue recognition.	• sending detailed group audit instructions to the auditors of Conch Cement ("the component auditors") requesting them to perform a full scope audit of the financial information of Conch Cement; • participating in the component auditors' risk assessment process to identify significant risks of material misstatement of the financial information of Conch Cement and discussing with the component auditors their responses to address such risks; and • discussing with the component auditors their findings and conclusions with regard to their audit and evaluating the sufficiency and appropriateness of the audit evidence for purpose of our audit of the consolidated financial statements by reviewing the component auditors' working papers.

INDEPENDENT AUDITOR'S REPORT

Assessing potential impairment of non-current assets in the new building materials segment

Refer to note 11 and the accounting policy set out in note 1(j)(ii) to the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
The Group's new building materials segment commenced operations in 2015 and sustained operating losses in the past four years primarily due to low utilisation of its production capacity. There is a risk that the carrying value of the non-current assets, which solely comprise of property, plant and equipment ("PP&E") and right-of-use assets, in this segment may not be recoverable in full through the future cash flows to be generated from operations or disposal of these assets. Management determined that there was an indicator of impairment of the PP&E and right-of-use assets allocated to one of the cash-generating units ("CGU") within this segment at the reporting date and, therefore, assessed the recoverable amounts of the relevant assets with reference to the higher of value-in-use ("VIU") and fair value less costs of disposal ("FVLCD"). Management determined FVLCD based on a valuation performed by an independent external valuer. Based on the assessment, management concluded that no provision for impairment was necessary for the relevant assets as at 31 December 2019.	Our audit procedures to assess potential impairment of non-current assets in the new building materials segment included the following: • engaging our internal valuation specialists to assist us in evaluating the methodology used by management in the preparation of the discounted cash flow forecast supporting the VIU with reference to the requirements of the prevailing accounting standards; • challenging management's assumptions adopted in the discounted cash flow forecast and evaluating the discount rate adopted by benchmarking against other comparable companies in the same industry; • comparing the most significant inputs used in the discounted cash flow forecast, including growth rates for future revenue and future gross profit margins and operating expenses, with the historical performance of this segment, management's budgets and industry reports; • performing sensitivity analyses of key assumptions, including the discount rate and the gross profit margins, and considering the resulting impact on the impairment testing and whether there were any indicators of management bias in the process;

INDEPENDENT AUDITOR'S REPORT

Assessing potential impairment of non-current assets in the new building materials segment *(Continued)*

Refer to note 11 and the accounting policy set out in note 1(j)(ii) to the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
We identified assessing potential impairment of non-current assets as a key audit matter because determining the amount of impairment, if any, involves significant management judgement, particularly in forecasting future cash flows, determining the discount rate and estimating the recoverable amounts of these assets, all of which are inherently uncertain and because the selection of these assumptions could be subject to management bias.	• performing a retrospective review of the forecast prepared as at 31 December 2018 by comparing the forecast results with the current year's actual results, discussing material variances with management and considering the impact of these variances on the current year's forecast; • evaluating the independence, competence and objectivity of the independent external valuer engaged by management; and • engaging our internal valuation specialists to assist us in evaluating the valuation model adopted by the independent external valuer, assessing the key estimates and assumptions applied, including comparable market transactions, remaining economic useful lives and price volatility of the relevant assets and future costs of disposal.

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Frankie C.Y. Lai.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

23 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019
(Expressed in Renminbi Yuan)

	Note	**2019** **RMB'000**	2018 RMB'000 (Note)
Revenue	3	**5,120,281**	2,889,592
Cost of sales		**(3,368,650)**	(1,763,324)
Gross profit		**1,751,631**	1,126,268
Other income	4	**199,186**	162,854
Distribution costs		**(89,619)**	(57,240)
Administrative expenses		**(277,890)**	(180,476)
Profit from operations		**1,583,308**	1,051,406
Finance costs	5(a)	**(177,684)**	(75,041)
Share of profits of associates	15	**6,008,155**	5,275,171
Profit before taxation	5	**7,413,779**	6,251,536
Income tax	6(a)	**(267,256)**	(189,391)
Profit for the year		**7,146,523**	6,062,145
Attributable to:			
Equity shareholders of the Company		**6,995,831**	5,947,269
Non-controlling interests		**150,692**	114,876
Profit for the year		**7,146,523**	6,062,145
Earnings per share	10		
Basic (RMB)		**3.88**	3.30
Diluted (RMB)		**3.73**	3.26

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 1(c).

The notes on pages 95 to 202 form part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019
(Expressed in Renminbi Yuan)

	Note	**2019** **RMB'000**	2018 RMB'000 (Note)
Profit for the year		**7,146,523**	6,062,145
Other comprehensive income for the year (after tax and reclassification adjustments)	7		
Items that will not be reclassified to profit or loss:			
Share of other comprehensive income of associates, net of tax		**(583)**	(27,119)
Items that may be reclassified subsequently to profit or loss:			
Share of other comprehensive income of associates, net of tax		**4,729**	(26,123)
Exchange differences on translation of financial statements of overseas subsidiaries		**(26,144)**	(1,851)
		(21,998)	(55,093)
Total comprehensive income for the year		**7,124,525**	6,007,052
Attributable to:			
Equity shareholders of the Company		**6,973,833**	5,892,176
Non-controlling interests		**150,692**	114,876
Total comprehensive income for the year		**7,124,525**	6,007,052

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 1(c).

The notes on pages 95 to 202 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019
(Expressed in Renminbi Yuan)

	Note	**2019 RMB'000**	2018 RMB'000 (Note)
Non-current assets			
Property, plant and equipment	11	**2,443,912**	1,725,038
Right-of-use assets	12	**403,559**	–
Lease prepayments	1(c)	**–**	271,354
Intangible assets	13	**3,917,798**	1,604,173
Interests in associates	15	**25,920,942**	20,782,760
Non-current portion of service concession assets	17	**3,353,103**	2,374,146
Non-current portion of trade and other receivables	18	**613,562**	334,334
Deferred tax assets	22(b)	**54,080**	54,001
		36,706,956	27,145,806
Current assets			
Inventories	16	**233,883**	162,721
Service concession assets	17	**102,126**	15,940
Trade and other receivables	18	**1,295,171**	1,101,069
Restricted bank deposits		**28,253**	12,613
Bank deposits with original maturity over three months		**842,972**	2,104,308
Cash and cash equivalents	19(a)	**2,962,200**	2,673,845
		5,464,605	6,070,496
Current liabilities			
Bank loans	20	**664,700**	71,800
Trade and other payables	21	**3,071,108**	1,974,026
Contract liabilities		**27,515**	14,177
Lease liabilities	24	**2,968**	–
Income tax payables	22(a)	**112,022**	111,306
		3,878,313	2,171,309
Net current assets		**1,586,292**	3,899,187
Total assets less current liabilities		**38,293,248**	31,044,993

The notes on pages 95 to 202 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

At 31 December 2019
(Expressed in Renminbi Yuan)

	Note	2019 RMB'000	2018 RMB'000 (Note)
Non-current liabilities			
Bank loans	20	**1,918,537**	1,195,700
Convertible bonds	23	**3,574,266**	3,383,432
Lease liabilities	24	**3,049**	–
Deferred tax liabilities	22(b)	**35,000**	–
		5,530,852	4,579,132
Net assets		**32,762,396**	26,465,861
Capital and reserves	25		
Share capital		**14,347**	14,347
Reserves		**31,838,605**	25,738,470
Equity attributable to equity shareholders of the Company		**31,852,952**	25,752,817
Non-controlling interests		**909,444**	713,044
Total equity		**32,762,396**	26,465,861

Approved and authorised for issue by the board of directors on 23 March 2020.

Guo Jinbin
Director

Ji Qingying
Director

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 1(c).

The notes on pages 95 to 202 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019
(Expressed in Renminbi Yuan)

	Note	Attributable to equity shareholders of the Company								
		Share Capital RMB'000 (Note 25(c))	Share premium RMB'000 (Note 25(d)(i))	Capital reserve RMB'000 (Note 25(d)(ii))	PRC statutory reserves RMB'000 (Note 25(d)(iii))	Exchange Reserve RMB'000 (Note 25(d)(iv))	Retained earnings RMB'000 (Note)	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2018		14,347	1,274,109	1,935,350	507,181	–	16,846,764	20,577,751	633,564	21,211,315
Profit for the year		–	–	–	–	–	5,947,269	5,947,269	114,876	6,062,145
Other comprehensive income	7	–	–	(53,242)	–	(1,851)	–	(55,093)	–	(55,093)
Total comprehensive income		–	–	(53,242)	–	(1,851)	5,947,269	5,892,176	114,876	6,007,052
Equity component of convertible bonds	23	–	–	54,466	–	–	–	54,466	–	54,466
Non-controlling interest arising from establishment of subsidiaries		–	–	–	–	–	–	–	5,865	5,865
Appropriation to reserves	25(d)(iii)	–	–	–	72,939	–	(72,939)	–	–	–
Profit distribution to non-controlling interests		–	–	–	–	–	–	–	(41,261)	(41,261)
Dividends approved in respect of the previous year	25(b)	–	(771,576)	–	–	–	–	(771,576)	–	(771,576)
Balance at 31 December 2018		14,347	502,533	1,936,574	580,120	(1,851)	22,721,094	25,752,817	713,044	26,465,861

	Note	**Attributable to equity shareholders of the Company**								
		Share Capital RMB'000 (Note 25(c))	**Share premium RMB'000 (Note 25(d)(i))**	**Capital reserve RMB'000 (Note 25(d)(ii))**	**PRC statutory reserves RMB'000 (Note 25(d)(iii))**	**Exchange Reserve RMB'000 (Note 25(d)(iv))**	**Retained earnings RMB'000 (Note)**	**Sub-total RMB'000**	**Non-controlling interests RMB'000**	**Total equity RMB'000**
Balance at 1 January 2019		**14,347**	**502,533**	**1,936,574**	**580,120**	**(1,851)**	**22,721,094**	**25,752,817**	**713,044**	**26,465,861**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**6,995,831**	**6,995,831**	**150,692**	**7,146,523**
Other comprehensive income	7	**–**	**–**	**4,146**	**–**	**(26,144)**	**–**	**(21,998)**	**–**	**(21,998)**
Total comprehensive income		**–**	**–**	**4,146**	**–**	**(26,144)**	**6,995,831**	**6,973,833**	**150,692**	**7,124,525**
Non-controlling interest arising from establishment of subsidiaries		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**119,135**	**119,135**
Acquisition of a subsidiary with non-controlling interests		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**25,677**	**25,677**
Appropriation to reserves	25(d)(iii)	**–**	**–**	**–**	**84,833**	**–**	**(84,833)**	**–**	**–**	**–**
Profit distribution to non-controlling interests		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(99,104)**	**(99,104)**
Dividends approved in respect of the previous year	25(b)	**–**	**(502,533)**	**–**	**–**	**–**	**(371,165)**	**(873,698)**	**–**	**(873,698)**
Balance at 31 December 2019		**14,347**	**–**	**1,940,720**	**664,953**	**(27,995)**	**29,260,927**	**31,852,952**	**909,444**	**32,762,396**

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 1(c).

The notes on pages 95 to 202 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2019
(Expressed in Renminbi Yuan)

	Note	**2019 RMB'000**	2018 RMB'000 (Note)
Operating activities:			
Cash generated from operations	19(b)	**596,978**	504,710
Income tax paid	22(a)	**(231,619)**	(107,580)
Net cash generated from operating activities		**365,359**	397,130
Investing activities:			
Payment for purchase of property, plant and equipment, construction in progress and intangible assets		**(2,670,048)**	(1,063,631)
Proceeds from disposal of property, plant and equipment and right-of-use assets		**1,969**	18
Payment for purchase of right-of-use assets		**(112,949)**	–
Payment for lease prepayments		**–**	(69,534)
Payment for investments in associates		**(166,000)**	–
Proceeds from maturity of bank deposits over three months		**2,104,308**	25,000
Payment for bank deposits with maturity over three months		**(842,972)**	(2,104,308)
Dividends received from associates		**1,055,950**	686,000
Interest received		**115,624**	56,499
Net cash used in investing activities		**(514,118)**	(2,469,956)
Financing activities:			
Proceeds from bank loans	19(c)	**2,132,537**	1,424,661
Net proceeds from issuance of convertible bonds	23	**–**	3,376,369
Repayment of bank loans	19(c)	**(816,800)**	(683,961)
Profit distribution to non-controlling interests		**(99,104)**	(41,261)
Dividends paid to equity shareholders of the Company	25(b)	**(873,698)**	(771,576)
Interest paid	19(c)	**(73,168)**	(43,723)
Capital contribution from non-controlling shareholders		**119,135**	5,865
Capital element of lease rentals paid	19(c)	**(2,834)**	–
Interest element of lease rentals paid	19(c)	**(420)**	–
Net cash generated from financing activities		**385,648**	3,266,374
Net increase in cash and cash equivalents		**236,889**	1,193,548
Effect of foreign exchange rate changes		**51,466**	22,552
Cash and cash equivalents at beginning of the year		**2,673,845**	1,457,745
Cash and cash equivalents at end of the year	19(a)	**2,962,200**	2,673,845

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 1(c).

The notes on pages 95 to 202 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IAS") and related interpretations, promulgated by the International Accounting Standards Board ("IASB"), and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group is set out below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation and presentation

The consolidated financial statements for the year ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in associates.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except that equity investments are stated at their fair value (see note 1(f)).

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Changes in accounting policies

The IASB has issued a new IFRS, IFRS 16, *Leases*, and a number of amendments to IFRSs that are first effective for the current accounting period of the Group.

Except for IFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

IFRS 16, *Leases*

IFRS 16 replaces IAS 17, *Leases*, and the related interpretations, IFRIC 4, *Determining whether an arrangement contains a lease*, SIC 15, *Operating leases — incentives*, and SIC 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low-value assets. The lessor accounting requirements are brought forward from IAS 17 substantially unchanged.

IFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied IFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under IAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

a. *New definition of a lease*

The change in the definition of a lease mainly relates to the concept of control. IFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in IFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under IAS 17 continue to be accounted for as leases under IFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Changes in accounting policies *(Continued)*

IFRS 16, *Leases* *(Continued)*

b. Lessee accounting and transitional impact

The Group's leasing activities as a lessee primarily relate to leasing of land and offices for use.

IFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by IAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under IAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to right-of-use assets as disclosed in note 12. For an explanation of how the Group applies lessee accounting, see note 1(i)(i).

At the date of transition to IFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 4.75%.

To ease the transition to IFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of IFRS 16:

(i) the Group elected not to apply the requirements of IFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of IFRS 16, i.e. where the lease term ends on or before 31 December 2019; and

(ii) when measuring the lease liabilities at the date of initial application of IFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment).

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Changes in accounting policies *(Continued)*

IFRS 16, *Leases* *(Continued)*

b. *Lessee accounting and transitional impact (Continued)*

The following table reconciles the operating lease commitments as disclosed in the 2018 annual financial statements to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019 RMB'000
Operating lease commitments at 31 December 2018	14,474
Less: commitments relating to leases exempt from capitalisation:	
— short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(4,748)
	9,726
Less: total future interest expenses	(875)
Present value of remaining lease payments, discounted using the incremental borrowing rate and total lease liabilities recognised at 1 January 2019	8,851

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities. The lease prepayments which represent cost of land use rights in respect of land located in the PRC with lease period of 40–50 years and previously separately disclosed in the 2018 statement of financial position are included in the "Right-of-use assets", and separately presented in the consolidated statement of financial position upon adoption of IFRS 16.

So far as the impact of the adoption of IFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of IFRS 16 as the Group does not have finance leases.

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Changes in accounting policies *(Continued)*

IFRS 16, *Leases* *(Continued)*

b. *Lessee accounting and transitional impact (Continued)*

The following table summarises the impacts of the adoption of IFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018 RMB'000	Adjustment RMB'000	Carrying amount at 1 January 2019 RMB'000
Line items in the consolidated statement of financial position impacted by the adoption of IFRS 16:			
Right-of-use assets	–	280,205	280,205
Lease prepayments	271,354	(271,354)	–
Non-current assets	27,145,806	8,851	27,154,657
Lease liabilities (current)	–	3,107	3,107
Current liabilities	2,171,309	3,107	2,174,416
Net current assets	3,899,187	(3,107)	3,896,080
Total assets less current liabilities	31,044,993	5,744	31,050,737
Lease liabilities (non-current)	–	5,744	5,744
Non-current liabilities	4,579,132	5,744	4,584,876
Net assets	26,465,861	–	26,465,861

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Changes in accounting policies *(Continued)*

IFRS 16, *Leases* *(Continued)*

c. *Impact on the financial result, segment results and cash flows of the Group*

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liabilities, and the depreciation of the right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This does not result in a significant impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if IAS 17 had been applied during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element (see note 19(c)). These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under IAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under IAS 17. Although total cash flows are unaffected, the adoption of IFRS 16 therefore results in a change in presentation of cash flows within the cash flow statement (see note 19(d)).

(d) Subsidiaries and non-controlling interests

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 1(p), 1(q) or 1(r) depending on the nature of the liability.

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

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(f)) or, when appropriate, the cost on initial recognition of an investment in an associate (see note 1(e)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(j)(ii)).

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Associates

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 1(j)(ii)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with any other long-term interests that in substance form part of the Group's net investment in the associate after applying the ECL model to such other long-term interests where applicable (see note 1(j)(i)).

Unrealised profits and losses resulting from transactions between the Group and its associate is eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(f)).

In the Company's statement of financial position, investments in associates are stated at cost less impairment losses (see note 1(j)(ii)).

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Other investments in debt and equity securities

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

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

(i) Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

— amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 1(v)(v)).

— fair value through other comprehensive income (FVOCI) — recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

— fair value at profit or loss (FVPL) if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Other investments in debt and equity securities *(Continued)*

(ii) Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in note 1(v)(vi).

(g) Property, plant and equipment

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

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

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

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

— Plant and buildings	20–30 years
— Machinery and equipment	10–15 years
— Office and other equipment	5 years
— Motor vehicles	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Property, plant and equipment *(Continued)*

Construction in progress represents property, plant and equipment under construction, which is stated at cost less accumulated impairment losses (see note 1(j)(ii)).

Capitalisation of construction in progress costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all of the activities necessary to prepare the assets for their intended use are completed.

No depreciation is provided in respect of construction in progress until it is substantially completed and ready for its intended use.

(h) Intangible assets

The Group recognises an operating right arising from a service concession arrangement when it has a right to charge for use of the concession infrastructure. An operating right received as consideration for providing construction services in a service concession arrangement is measured at fair value on initial recognition with reference to the fair value of the services provided. Subsequent to initial recognition, the operating right is measured at cost, which includes capitalised borrowing costs (see note 1(x)), less accumulated amortisation and impairment losses (see note 1(j)(ii)).

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

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

— Software	2–10 years
— Waste incineration project operating rights	26–30 years

Both the period and method of amortisation are reviewed annually.

Expenditure on research and development activities is recognised as an expense in the period in which it is incurred.

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Leased assets

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

(i) As a lessee

(A) Policy applicable from 1 January 2019

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

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

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

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Leased assets *(Continued)*

(i) As a lessee *(Continued)*

(A) Policy applicable from 1 January 2019 (Continued)

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The following items of right-of-use asset are subsequently stated at cost less accumulated depreciation and impairment losses (see note 1 (j)(ii)).

— right-of-use assets arising from leasehold properties where the Group is not the registered owner of the property interest;

— prepaid costs of land use rights paid to the PRC government authorities or third parties.

Depreciation is charged to profit or loss using straight-line basis over the shorter of the unexpired lease term and the useful lives.

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

(B) Policy applicable prior to 1 January 2019

In the comparative period, as a lessee the Group classified leases as finance leases if the leases transferred substantially all the risks and rewards of ownership to the Group. Leases which did not transfer substantially all the risks and rewards of ownership to the Group were classified as operating leases.

Where the Group had the use of assets held under operating leases, payments made under the leases were charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis was more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received were recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals were charged to profit or loss in the accounting period in which they were incurred.

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Credit losses and impairment of assets

(i) Credit losses from financial instruments, contract assets and lease receivables

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

— financial assets measured at amortised cost (including cash and cash equivalents, bank deposits and trade receivables and other receivables); and

— service concession assets (see note 1(m));

Other financial assets measured at fair value, including units in bond funds, equity securities measured at FVPL, equity securities designated at FVOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(i) Credit losses from financial instruments, contract assets and lease receivables *(Continued)*

Measurement of ECLs (Continued)

ECLs are measured on either of the following bases:

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

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

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

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

Significant increases in credit risk

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

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(i) Credit losses from financial instruments, contract assets and lease receivables *(Continued)*

Significant increases in credit risk (Continued)

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(i) Credit losses from financial instruments, contract assets and lease receivables *(Continued)*

Basis of calculation of interest income

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

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

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

— Significant financial difficulties of the debtor;

— A breach of contract, such as a default or past due event;

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

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

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

Write-off policy

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

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

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(ii) Impairment of other non-current assets

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

— property, plant and equipment;

— right-of-use assets;

— intangible assets; and

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

If any such indication exists, the asset's recoverable amount is estimated. In addition, for intangible assets that are not yet available for use, the recoverable amount is estimated annually whether or not there is any indication of impairment.

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

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

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

— *Reversals of impairment losses*

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

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

(iii) Interim financial reporting and impairment

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

(k) Inventories and other contract costs

(i) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

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

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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

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

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Inventories and other contract costs *(Continued)*

(ii) Other contract costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventory (see note 1(k)(i)), property, plant and equipment (see note 1(g)) or intangible assets (see note 1(h)).

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract (for example, payments to sub-contractors). Other costs of fulfilling a contract, which are not capitalised as inventory, property, plant and equipment or intangible assets, are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set out in note 1(v).

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 1(v)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses (ECL) in accordance with the policy set out in note 1(j)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see note 1(n)).

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

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

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 1(v)(v)).

(m) Service concession assets

The Group recognises a asset arising from a service concession arrangement when it has an unconditional contractual right to receive cash or other financial asset from or at the direction of the grantor for the construction services provided. During the construction phase, the Group recognises a contract asset and accounts for the significant financing component in the arrangement in accordance with the accounting policy set out in notes 1(l) and 1(v). Once the construction is complete, the amounts due from the grantor are accounted for in accordance with IFRS 9 *Financial Instruments* as receivables. Such financial assets are measured at fair value on initial recognition. Subsequent to initial recognition, the financial assets are measured at amortised cost using the effective interest method.

The contractual right to receive cash from the grantor for the services and the right to charge users for the public services should be regarded as two separate assets. Therefore, in service concession arrangement, it is necessary to divide the Group's contract assets during the construction phase into two components — a financial asset component based on the guaranteed amount and an intangible asset (see note 1(h)) for the remainder. When the construction services are completed, the two components of the contract assets would be classified and measured as a financial asset and an intangible asset accordingly.

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 1(l)).

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

(o) Cash and cash equivalents

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

(p) Trade and other payables

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

(q) Interest-bearing borrowings

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

(r) Convertible bonds

Convertible bonds that can be converted into ordinary shares at the option of the holder, where the number of shares to be issued is fixed, are accounted for as compound financial instruments, i.e. they contain both a liability component and an equity component.

At initial recognition the liability component of the convertible bonds is measured at fair value based on the future interest and principal payments, discounted at the prevailing market rate of interest for similar non-convertible instruments. The equity component is the difference between the initial fair value of the convertible bonds as a whole and the initial fair value of the liability component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Convertible bonds *(Continued)*

The liability component is subsequently carried at amortised cost. Interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the capital reserve until either the bonds are converted or redeemed.

If the bonds are converted, the capital reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the bonds are redeemed, the capital reserve is released directly to retained profits.

(s) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

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

(ii) Defined contribution retirement plans

Contributions to PRC local retirement schemes pursuant to the relevant labour rules and regulations in the PRC are recognised as an expense in profit or loss as incurred.

(t) Income tax

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Income tax *(Continued)*

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

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

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

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Income tax *(Continued)*

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

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

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

  — the same taxable entity; or

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

(u) Provision and contingent liabilities

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

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

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Revenue and other income

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

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

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

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

(i) Sale of goods

Revenue is recognised when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

(ii) Revenue from construction contracts

A contract with a customer is classified by the Group as a construction contract when the contract relates to work on construction projects under the control of the customer and therefore the Group's construction activities create or enhance an asset under the customer's control.

When the outcome of a construction contract can be reasonably measured, revenue from the contract is recognised progressively over time using the percentage of completion method, i.e. based on the proportion of the actual costs incurred relative to the estimated total costs.

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(ii) Revenue from construction contracts *(Continued)*

The likelihood of the Group earning contractual bonuses for early completion or suffering contractual penalties for late completion are taken into account in making these estimates, such that revenue is only recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

When the outcome of the contract cannot be reasonably measured, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered.

(iii) Revenue from service concession arrangement

Revenue relating to construction services under a service concession arrangement is recognised based on the stage of completion of the work performed, consistent with the Group's accounting policy on recognising revenue from construction contracts. Revenue from operation services is recognised at a single point in time when control over the services is transferred to customers. When the Group provides more than one service in a service concession arrangement the consideration received is allocated by reference to the relative fair values of the services delivered when the amounts are separately identifiable.

(iv) Revenue from services

Revenue from solid waste solutions services and logistics services is recognised at a single point in time when control over the services is transferred to customers.

(v) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 1(j)(i)).

(vi) Dividends

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(vii) Government grants

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

(w) Translation of foreign currencies

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

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

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

Exchange differences arising on a monetary item that forms part of an entity's net investment in a foreign operation are recognised in profit or loss in the separate financial statements of the relevant entity or the individual financial statements of the foreign operation. In the consolidated financial statements that include the foreign operation and the relevant entity, such exchange differences are recognised in other comprehensive income.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Borrowing costs

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

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

(y) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(y) Related parties *(Continued)*

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

(z) Segment reporting

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

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

2 ACCOUNTING JUDGEMENT AND ESTIMATES

(a) Source of estimation uncertainty

Note 26(e) contains information about the assumptions and their risk factors relating to the fair value of financial instruments. Other key sources of estimation uncertainty are as follows:

(i) Construction contracts

As explained in accounting policy note 1(v)(ii), revenue recognition on an uncompleted project is dependent on estimating the total outcome of the construction contract, as well as the work done to date. Based on the Group's recent experience and the nature of the construction activity undertaken by the Group, the Group makes estimates of the point at which it considers the work is sufficiently advanced such that the costs to complete and revenue can be reliably estimated. As a result, until this point is reached contract assets will not include profit which the Group may eventually realise from the work done to date. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at each of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

NOTES TO THE FINANCIAL STATEMENTS

2 ACCOUNTING JUDGEMENT AND ESTIMATES *(Continued)*

(a) Source of estimation uncertainty *(Continued)*

(ii) Depreciation and amortisation

As described in note 1(g) and 1(i), property, plant and equipment and right-of-use assets are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. As described in note 1(h), intangible assets are amortised on a straight-line basis over the estimated useful lives. Management reviews annually the useful lives of the assets and residual values, if any, in order to determine the amount of depreciation and amortisation expenses to be recorded during any reporting period.

The useful lives and residual values are based on the Group's historical experience with similar assets and taking into account anticipated technological and other changes. The depreciation and amortisation expenses for future periods are adjusted if there are significant changes from previous estimates.

(iii) Net realisable value of inventories

As described in note 1(k), net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale. These estimates are based on the current market condition and historical experience of selling products of similar nature. It could change significantly as a result of changes in market conditions.

Management reassesses these estimations at the end of reporting period to ensure inventory is stated at the lower of cost and net realisable value.

(iv) Loss allowance of trade receivables

Management measures loss allowance for trade receivables at an amount equal to lifetime ECLs. Management estimates ECLs on these financial assets by using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and assesses both the current and forecast general economic conditions at the reporting date. Management reassesses the loss allowance of trade receivables at the end of reporting period.

NOTES TO THE FINANCIAL STATEMENTS

2 ACCOUNTING JUDGEMENT AND ESTIMATES *(Continued)*

(a) Source of estimation uncertainty *(Continued)*

(v) Impairment of other non-current assets

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

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are provisions of energy preservation and environmental protection solutions, port logistics services, the manufacturing and sales of new building materials and investments.

Disaggregation of revenue

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

	2019 RMB'000	2018 RMB'000
Energy preservation and environmental protection solutions		
Solid waste solutions	**738,141**	394,958
Waste incineration solutions (i)	**3,698,481**	1,723,623
Energy saving equipment	**361,714**	461,260
Subtotal	**4,798,336**	2,579,841
Port logistics services	**217,744**	197,652
Sale of new building materials	**104,201**	112,099
Total	**5,120,281**	2,889,592

NOTES TO THE FINANCIAL STATEMENTS

3 REVENUE AND SEGMENT REPORTING *(Continued)*

(a) Revenue *(Continued)*

Disaggregation of revenue *(Continued)*

(i) Revenue of waste incineration solutions under BOT arrangements mainly represents the revenue for construction services, revenue from waste incineration project operation services and finance income. The amount of each significant category of revenue during the year is as follows:

	2019 **RMB'000**	2018 RMB'000
Revenue from waste incineration project construction services	**3,321,940**	1,486,735
Revenue from waste incineration project operation services	**259,051**	143,220
Finance income	**117,490**	93,668
Total	**3,698,481**	1,723,623

The Group had transactions with certain PRC local government authorities which in aggregate exceeded 10% of the Group's revenue. Revenue from waste incineration solutions under BOT arrangement derived from these local government authorities in the PRC for the year ended 31 December 2019 amounting to RMB3,471,565,000 (2018: RMB1,573,974,000). Details of concentration of credit risk arising from these customers are set out in note 26(a).

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resources allocation and performance assessment, the Group has presented the following reportable segments.

(1) Energy preservation and environmental protection solutions: this segment includes solid waste solutions, waste incineration solutions, manufacturing and sales of residual heat power generation, vertical mill and related after-sales services.

(2) Port logistics services: this segment mainly engages in cargo handling, trans-shipment and warehousing services.

(3) New building materials: this segment mainly engages in alternative wall building materials, such as the cellulose fiber cement sheets, autoclaved boards and wood wool cement boards.

(4) Investments: this segment comprises investments in Anhui Conch Holdings Co., Ltd. ("Conch Holdings") and other associates. Details of the principal activities of Conch Holdings are set out in note 15.

NOTES TO THE FINANCIAL STATEMENTS

3 REVENUE AND SEGMENT REPORTING *(Continued)*

(b) Segment reporting *(Continued)*

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

Segment assets include all current assets and non-current assets. Segment liabilities include trade and other payables, income tax payable and bank loans managed directly for the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments.

The measure used by the Group's senior executive management to assess segment results is the profit before taxation. Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resources allocation and assessment of segment performance for the years ended 31 December 2019 and 2018 is set out below:

	Year ended 31 December 2019					
	Energy preservation and environmental protection solutions RMB'000	Port logistics services RMB'000	New building materials RMB'000	Investments RMB'000	Unallocated RMB'000	Total RMB'000
Disaggregated by timing of revenue recognition						
Point in time	1,447,422	217,744	104,201	–	–	1,769,367
Over time	3,350,914	–	–	–	–	3,350,914
Reportable segment revenue	4,798,336	217,744	104,201	–	–	5,120,281
Reportable segment profit/(loss) before taxation	1,391,218	115,005	(43,647)	6,008,155	(56,952)	7,413,779
Interest income	44,852	127	482	–	62,372	107,833
Interest expenses	67,900	–	–	–	109,784	177,684
Depreciation and amortisation	105,001	44,279	15,965	–	–	165,245
Reversal of loss allowance — trade and other receivables	(5,744)	–	–	–	–	(5,744)
Reportable segment assets	12,470,564	472,101	454,657	25,920,942	2,853,297	42,171,561
Reportable segment liabilities	5,631,160	107,624	30,556	–	3,639,825	9,409,165

NOTES TO THE FINANCIAL STATEMENTS

3 REVENUE AND SEGMENT REPORTING *(Continued)*

(b) Segment reporting *(Continued)*

(i) *(Continued)*

	Year ended 31 December 2018 (Note)					
	Energy preservation and environmental protection solutions RMB'000	Port logistics services RMB'000	New building materials RMB'000	Investments RMB'000	Unallocated RMB'000	Total RMB'000
Disaggregated by timing of revenue recognition						
Point in time	1,070,738	197,652	112,099	–	–	1,380,489
Over time	1,509,103	–	–	–	–	1,509,103
Reportable segment revenue	2,579,841	197,652	112,099	–	–	2,889,592
Reportable segment profit/(loss) before taxation	915,306	94,489	(12,626)	5,275,171	(20,804)	6,251,536
Interest income	44,546	123	461	–	26,405	71,535
Interest expenses	36,849	900	–	–	37,292	75,041
Depreciation and amortisation	52,041	43,553	15,088	–	–	110,682
Reversal of loss allowance — trade and other receivables	(27,798)	–	–	–	–	(27,798)
Reportable segment assets	8,128,128	479,236	497,773	20,782,760	3,328,405	33,216,302
Reportable segment liabilities	3,261,933	29,801	44,740	–	3,413,967	6,750,441

Note: The Group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 1(c).

NOTES TO THE FINANCIAL STATEMENTS

3 REVENUE AND SEGMENT REPORTING *(Continued)*

(b) Segment reporting *(Continued)*

(ii) Geographic information

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of customers is based on the location at which the services were provided or the goods were delivered.

	2019 **RMB'000**	2018 RMB'000
Revenue		
Mainland China	**4,985,598**	2,585,651
Asia-Pacific (except Mainland China)	**134,502**	299,000
North America	**18**	4,941
Africa	**163**	–
	5,120,281	2,889,592

The Group's property, plant and equipment, right-of-use assets, intangible assets, interests in associates and other non-current assets ("specified non-current assets") are all located in Mainland China. The geographical location of the specified non-current assets is based on the physical location of the assets, in the case of right-of-use assets, property, plant and equipment, the location of the operation to which they are allocated, in the case of intangible assets, and the location of operations, in the case of interests in associates.

4 OTHER INCOME

	2019 **RMB'000**	2018 RMB'000
Interest income on bank deposits and cash at bank	**107,833**	71,535
Government grants (i)	**104,669**	92,491
Net loss on disposal of right-of-use assets and property, plant and equipment	**(26,259)**	(61)
Exchange gain/(loss)	**7,919**	(1,111)
Others	**5,024**	–
	199,186	162,854

(i) Government grants mainly represented subsidies received from the local government authorities for encouraging the Group's development in the energy preservation and environmental protection segment and new building materials segment in the respective PRC cities.

NOTES TO THE FINANCIAL STATEMENTS

5 PROFIT BEFORE TAXATION

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

(a) Finance costs:

	2019 RMB'000	2018 RMB'000 (Note)
Interest on bank loans (Note 19(c))	**90,008**	44,538
Interest on lease liabilities (Note 19(c))	**420**	–
Interest on convertible bonds (Note 19(c))	**113,224**	37,126
Less: interest expense capitalised into construction in progress and intangible assets*	**(25,968)**	(6,623)
	177,684	75,041

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 1(c).

* The borrowing costs were capitalised at a rate of 3.30%–4.46% per annum for the year ended 31 December 2019 (2018: 3.30%–4.45%).

(b) Staff costs:

	2019 RMB'000	2018 RMB'000
Salaries, wages and other benefits	**273,086**	175,699
Contributions to defined contribution plans (i)	**33,498**	23,681
	306,584	199,380

(i) Employees of the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentages of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

The Group has no other material obligation for the payment of retirement benefits associated with the scheme beyond the annual contributions described above.

NOTES TO THE FINANCIAL STATEMENTS

5 PROFIT BEFORE TAXATION *(Continued)*

(c) Other items:

	2019 RMB'000	2018 RMB'000 (Note)
Cost of inventories#	**633,305**	596,243
Cost of construction services#	**2,735,345**	1,167,081
Depreciation of owned property, plant and equipment#	**121,724**	89,618
Depreciation of right-of-use assets#	**9,702**	–
Amortisation of lease prepayments#	**–**	5,434
Amortisation of intangible assets#	**33,819**	15,630
Research and development costs	**20,932**	23,172
Reversal of loss allowance for trade receivables	**(5,744)**	(27,798)
Total minimum lease payments for leases previously classified as operating leases under IAS 17	**–**	7,092
Short-term lease payments not included in the measurement of lease liabilities	**4,331**	–
Auditors' remuneration	**2,226**	2,226

Note: The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 1(c).

Cost of inventories and cost of construction services include RMB274,572,000 (2018: RMB174,471,000) relating to staff costs, depreciation, amortisation of right-of-use assets and intangible assets, which amount is also included in the respective total amounts disclosed separately above or in note 5(b) for each of these types of expenses.

NOTES TO THE FINANCIAL STATEMENTS

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT AND LOSS

(a) Current taxation in the consolidated statement of profit and loss represents:

	2019 RMB'000	2018 RMB'000
Current tax — Hong Kong Profits Tax		
Provision for the year	**334**	50
Current tax — PRC income tax		
Provision for the year	**235,888**	183,425
(Over)/under-provision in respect of prior years	**(3,887)**	1,282
	232,335	184,757
Deferred tax:		
Origination and reversal of temporary differences (Note 22(b))	**34,921**	4,634
	267,256	189,391

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

(2) The provision for Hong Kong Profits Tax for 2019 is calculated at 16.5% (2018: 16.5%) of the estimated assessable profits for the year. The payments of dividends by Hong Kong companies are not subject to any Hong Kong withholding tax.

(3) The PRC income tax law and its relevant regulations also impose a withholding tax at 10%, unless reduced by a tax treaty/arrangement, on dividend distributions made out of the PRC from earnings accumulated from 1 January 2008. Undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax.

Under the Arrangement between the Mainland of China and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to taxes on Income, a qualified Hong Kong tax resident which is the "beneficial owner" and holds 25% or more of the equity interest in a PRC-resident enterprise is entitled to a reduced withholding tax rate of 5% on dividends received.

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT AND LOSS

(Continued)

(a) Current taxation in the consolidated statement of profit and loss represents:

(Continued)

(3) *(Continued)*

The Group has provided withholding tax of RMB35,000,000 in relation to the dividend declared by certain of its PRC subsidiaries to outside of Mainland China for year 2019 (2018: RMB42,000,000).

Since the Group can control the quantum and timing of distribution of profits of the Group's PRC subsidiaries, deferred tax liabilities are only provided to the extent that such profits are expected to be distributed in the foreseeable future (see note 22(c)).

(4) The provision for PRC income tax is based on a statutory rate of 25% of the assessable income of the Company's mainland China subsidiaries as determined in accordance with the relevant income tax rules and regulations of the PRC, except for:

Name of companies (i)	**Preferential income tax rate**
Anhui Conch Kawasaki Energy Conservation Equipment Manufacturing Co., Ltd. ("CK Equipment") 安徽海螺川崎節能設備製造有限公司 (ii)	15%
Pingliang Conch Venture Environment Engineering Co., Ltd. ("Pingliang Environment") 平涼海創環境工程有限責任公司 (iii)	15%
Yuping Conch Venture Environment Engineering Co., Ltd. ("Yuping Environment") 玉屏海創環境科技有限責任公司 (iii)	15%
Xishui Conch Venture Environment Engineering Co., Ltd. ("Xishui Environment") 習水海創環境工程有限責任公司 (iii)	15%
Shuicheng Conch Venture Environment Engineering Co., Ltd. ("Shuicheng Environment") 水城海創環境工程有限責任公司 (iii)	15%

NOTES TO THE FINANCIAL STATEMENTS

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT AND LOSS

(Continued)

(a) Current taxation in the consolidated statement of profit and loss represents:

(Continued)

(4) *(Continued)*

Name of companies (i)	Preferential income tax rate
Baoshan Conch Venture Environment Engineering Co., Ltd. ("Baoshan Environment") 保山海創環境工程有限責任公司 (iii)	15%
Lingyun Conch Venture Environment Engineering Co., Ltd. ("Lingyun Environment") 淩雲海創環境工程有限責任公司 (iii)	15%
Guiyang Conch Venture Environment Engineering Co., Ltd. ("Guiyang Environment") 貴陽海創環境工程有限責任公司 (iii)	15%
Xi'an Yaobai Environmental Protection Technology Engineering Co., Ltd. ("Yaobai Environmental") 西安堯柏環保科技工程有限公司 (iii)	15%
Xianyang Conch Venture Environment Engineering Co., Ltd. ("Xianyang Environment") 咸陽海創環境工程有限責任公司 (iii)	15%
Tongren Conch Venture Environment Engineering Co., Ltd. ("Tongren Environment") 銅仁海創環境工程有限責任公司 (iii)	15%
Hanzhong Yaobai Environmental Protection Technology Engineering Co., Ltd. ("Hanzhong Environmental") 漢中堯柏環保科技工程有限公司 (iii)	15%
Nanjiang Conch Venture Environment Engineering Co., Ltd. ("Nanjiang Environment") 南江海創環境工程有限責任公司 (iii)	15%

NOTES TO THE FINANCIAL STATEMENTS

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT AND LOSS

(Continued)

(a) Current taxation in the consolidated statement of profit and loss represents:

(Continued)

(4) *(Continued)*

Name of companies (i)	**Preferential income tax rate**
Fusui Conch Venture Environment Engineering Co., Ltd. ("Fusui Environment") 扶綏海創環境工程有限責任公司 (iii)	15%
Yanshan Conch Venture Environment Engineering Co., Ltd. ("Yanshan Environment") 硯山海創環境工程有限責任公司 (iii)	15%
Kunming Conch Venture Environment Engineering Co., Ltd. ("Kunming Environment") 昆明海創環境工程有限責任公司 (iii)	15%
Qianyang Conch Venture Environmental Protection Technology Co., Ltd. ("Qianyang Environmental Protection") 千陽海創環保科技有限責任公司 (iii)	15%
Chongqing Conch Venture Environmental Protection Technology Co., Ltd. ("Chongqing Environmental Protection") 重慶海創環保科技有限責任公司 (iii)	15%
Tongchuan Conch Venture Environmental Protection Technology Co., Ltd. ("Tongchuan Environmental Protection") 銅川海創環保科技有限責任公司 (iii)	15%
Liangping Conch Venture Environmental Protection Technology Co., Ltd. ("Liangping Environmental Protection") 重慶市梁平海創環保科技有限責任公司 (iii)	15%
Shache Conch Venture Environment Engineering Co., Ltd. ("Shache Environment") 莎車海創環境工程有限責任公司 (iii)	15%

NOTES TO THE FINANCIAL STATEMENTS

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT AND LOSS

(Continued)

(a) Current taxation in the consolidated statement of profit and loss represents:

(Continued)

(4) *(Continued)*

Name of companies (i)	**Preferential income tax rate**
Bole Conch Venture Environment Engineering Co., Ltd. ("Bole Environment") 博樂市海創環境工程有限責任公司 (iii)	15%
Xing'an Conch Venture Environment Technology Co., Ltd. ("Xing'an Environment") 興安海創環境科技有限責任公司 (iii)	15%

(i) The English translation of the names is for reference only. The official names of these entities are in Chinese.

(ii) CK Equipment was accredited as a "High and New Technology Enterprise" and was entitled to a preferential income tax rate of 15% for a period of three years from 2017 to 2019.

(iii) Pursuant to Notice No.14 issued by the State Administration of Taxation on 10 March 2015 and relevant local tax authorities' notices, these companies are entitled to a preferential income tax rate of 15% as qualifying companies located in western areas in the PRC.

(5) Pursuant to the PRC Enterprise Income Tax Law Implementing Regulations issued by State Council of the PRC, certain subsidiaries engaged in waste incineration solutions and solid waste solutions are eligible for a preferential tax treatment of income tax exemption for the first three years starting from which revenue is generated and 50% income tax reduction for the next three years.

NOTES TO THE FINANCIAL STATEMENTS

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT AND LOSS

(Continued)

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

	2019 **RMB'000**	2018 RMB'000
Profit before taxation	**7,413,779**	6,251,536
Notional tax on profit before taxation, calculated at the rates applicable to profit in the tax jurisdictions concerned	**1,880,176**	1,583,820
PRC tax concessions	**(141,994)**	(118,918)
PRC dividend withholding tax	**35,000**	42,000
(Over)/under-provision in respect of prior years	**(3,887)**	1,282
Share of profit of associates	**(1,502,039)**	(1,318,793)
Income tax expense	**267,256**	189,391

7 OTHER COMPREHENSIVE INCOME

Components of other comprehensive income:

	2019 **RMB'000**	2018 RMB'000
Items that will not be reclassified to profit or loss:		
Share of other comprehensive income of associates, net of tax (i)	**(583)**	(27,119)
Items that may be reclassified subsequently to profit or loss:		
Share of other comprehensive income of associates, net of tax	**4,729**	(26,123)
Exchange differences on translation of financial statements of overseas subsidiaries	**(26,144)**	(1,851)
	(21,415)	(27,974)
	(21,998)	(55,093)

(i) Share of other comprehensive income of associates that will not be reclassified to profit or loss represented the share of net movement in the fair value reserve of equity investments of the associate measured at FVOCI (non-recycling).

NOTES TO THE FINANCIAL STATEMENTS

8 DIRECTORS' REMUNERATION

Directors' remuneration disclosed are as follows:

Year ended 31 December 2019

	Directors' fees RMB'000	Salaries allowance and benefits in kind RMB'000	Discretionary bonuses RMB'000	Contributions to retirement scheme RMB'000	Total RMB'000
Executive Directors:					
Mr. Guo Jingbin	–	520	1,209	–	1,729
Mr. Ji Qinying	–	449	1,209	–	1,658
Mr. Li Jian	–	412	835	31	1,278
Mr. Li Daming	–	418	912	30	1,360
Independent non-executive Directors:					
Mr. Chan Chi On	134	–	–	–	134
Mr. Chan Kai Wing	134	–	–	–	134
Mr. Lau Chi Wah	134	–	–	–	134
	402	1,799	4,165	61	6,427

Year ended 31 December 2018

	Directors' fees RMB'000	Salaries allowance and benefits in kind RMB'000	Discretionary bonuses RMB'000	Contributions to retirement scheme RMB'000	Total RMB'000
Executive Directors:					
Mr. Guo Jingbin	–	202	835	–	1,037
Mr. Ji Qinying	–	195	835	–	1,030
Mr. Li Jian	–	213	608	37	858
Mr. Li Daming	–	218	727	33	978
Independent non-executive Directors:					
Mr. Chan Chi On	131	–	–	–	131
Mr. Chan Kai Wing	131	–	–	–	131
Mr. Lau Chi Wah	131	–	–	–	131
	393	828	3,005	70	4,296

No directors of the Company waived or agreed to waive any remuneration during the year.

During the year, there were no amounts paid or payable by the Group to the directors or any of the five highest paid individuals set out in Note 9 below as an inducement to join or upon joining the Group or as compensation for loss of office.

NOTES TO THE FINANCIAL STATEMENTS

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five highest paid individuals of the Group during the year, four (2018: four) are directors of the Company whose emolument is disclosed in Note 8. The aggregate of the emoluments in respect of the remaining individual is as follows:

	2019 **RMB'000**	2018 RMB'000
Salaries, allowances and benefits in kind	**523**	560
Discretionary bonuses	**762**	817
Contributions to retirement benefit schemes	**40**	40
	1,325	1,417

The emoluments of the one (2018: one) individual with the highest emoluments are within the following bands:

	2019 **Number of individuals**	2018 Number of individuals
HKD 1,000,001–2,000,000	**1**	1

10 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 RMB6,995,831,000 (2018: RMB5,947,269,000) and 1,804,750,000 (2018: 1,804,750,000) ordinary shares in issue during the year.

NOTES TO THE FINANCIAL STATEMENTS

10 EARNINGS PER SHARE (CONTINUED)

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB7,105,767,000 (2018: RMB5,984,395,000) and the weighted average number of ordinary shares of 1,903,478,000 (2018: 1,837,312,000), calculated as below:

(i) Profit attributable to ordinary equity shareholders of the company (diluted)

	2019 RMB'000	2018 RMB'000
Profit attributable to ordinary equity shareholders	**6,995,831**	5,947,269
After tax effect of effective interest on the liability component of convertible bonds	**109,936**	37,126
Profit attributable to ordinary equity shareholders (diluted)	**7,105,767**	5,984,395

(ii) Weighted average number of ordinary shares (diluted)

	2019 '000	2018 '000
Weighted average number of ordinary shares at 31 December	**1,804,750**	1,804,750
Effect of conversion of convertible bonds (note 23)	**98,728**	32,562
Weighted average number of ordinary shares (diluted) at 31 December	**1,903,478**	1,837,312

NOTES TO THE FINANCIAL STATEMENTS

11 PROPERTY, PLANT AND EQUIPMENT

	Plant and buildings RMB'000	Machinery and equipment RMB'000	Office and other equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:						
At 1 January 2018	850,488	540,823	21,578	37,821	209,481	1,660,191
Additions	14,061	9,287	11,291	36,036	462,258	532,933
Transfer from construction in progress	139,784	223,481	–	–	(363,265)	–
Disposals	–	–	(607)	–	–	(607)
At 31 December 2018 and 1 January 2019	1,004,333	773,591	32,262	73,857	308,474	2,192,517
Additions	45,890	21,154	14,301	36,967	724,228	842,540
Transfer from construction in progress	341,530	293,427	45	–	(635,002)	–
Disposals	–	(2,426)	(307)	(1,663)	–	(4,396)
At 31 December 2019	1,391,753	1,085,746	46,301	109,161	397,700	3,030,661

NOTES TO THE FINANCIAL STATEMENTS

11 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Plant and buildings RMB'000	Machinery and equipment RMB'000	Office and other equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Accumulated depreciation:						
At 1 January 2018	(186,415)	(170,199)	(9,752)	(12,023)	–	(378,389)
Charge for the year	(34,108)	(42,815)	(3,948)	(8,747)	–	(89,618)
Written back on disposals	–	–	528	–	–	528
At 31 December 2018 and 1 January 2019	(220,523)	(213,014)	(13,172)	(20,770)	–	(467,479)
Charge for the year	(38,406)	(61,187)	(5,582)	(16,549)	–	(121,724)
Written back on disposals	–	878	32	1,544	–	2,454
At 31 December 2019	(258,929)	(273,323)	(18,722)	(35,775)	–	(586,749)
Net book value:						
At 31 December 2018	783,810	560,577	19,090	53,087	308,474	1,725,038
At 31 December 2019	1,132,824	812,423	27,579	73,386	397,700	2,443,912

Owing to the low utilisation of production capacity, one cash-generating unit ("CGU") of the Group, Bozhou Conch Venture New Energy-saving Building Material Co., Ltd., which is under the new building materials segment, sustained operating losses in 2019 and prior years. The Group identified impairment indicators of its property, plant and equipment ("PP&E") and right-of-use assets with total carrying amount of RMB194,293,000 as at 31 December 2019 (2018: RMB200,892,000), and performed an impairment assessment of the related assets based on their estimated recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

11 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The Group determined the recoverable amounts of the relevant assets with reference to the higher of value-in-use ("VIU") and fair value less costs of disposal ("FVLCD"). Management determined FVLCD based on a valuation performed by an independent external valuer, using the market approach with reference to comparable market transactions. The VIU is estimated using the present value of future cash flows based on the financial budget approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 3% (2018: 3%), which is consistent with the long-term growth rate of the business in which the CGU operates. The pre-tax discount rate used is 16.2% (2018: 15.8%) which reflects specific risks relating to the business activities of the new building materials industry.

As a result of the assessment, no impairment loss was recognised in respect of property, plant and equipment and right-of-use assets in this CGU as at 31 December 2019 (2018: Nil).

12 RIGHT-OF-USE ASSETS

The analysis of the net book value of the Group's right-of-use assets by class of underlying asset at the end of the reporting period and at the date of transition to IFRS 16 is as follows:

	Note	**At 31 December 2019 RMB'000**	At 1 January 2019 RMB'000
Properties leased for own use, carried at depreciated cost	(i)	**5,885**	8,851
Leasehold land for own use, carried at depreciated cost	(ii)	**397,674**	271,354
		403,559	280,205

NOTES TO THE FINANCIAL STATEMENTS

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

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

	2019 RMB'000	2018 (Note) RMB'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Properties leased for own use, carried at depreciated cost	2,966	–
Leasehold land for own use, carried at depreciated cost	6,736	–
	9,702	–
Interest on lease liabilities (note 5(a))	420	–
Expense relating to short-term leases and other leases with remaining lease term ending on or before 31 December 2019	4,331	–
Total minimum lease payments for leases previously classified as operating leases under IAS 17	–	7,092

Note: The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 1(c).

No new lease agreements qualified for capitalisation were entered into during the year.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 19 and 24.

(i) Properties leased for own use

The Group has obtained the right to use properties as its office buildings through tenancy agreements. The leases typically run for an initial period of 1 to 5 years.

Some leases include an option to renew the lease for an additional period after the end of the contract term. Where practicable, the Group seeks to include such extension options exercisable by the Group to provide operational flexibility. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. If the Group is not reasonably certain to exercise the extension options, the future lease payments during the extension periods are not included in the measurement of lease liabilities.

NOTES TO THE FINANCIAL STATEMENTS

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

(ii) Leasehold land for own use

	Leasehold land for own use RMB'000
Cost:	
At 1 January 2019	306,559
Additions	165,110
Disposals	(35,616)
At 31 December 2019	436,053
Accumulated depreciation:	
At 1 January 2019	(35,205)
Charge for the year	(6,736)
Written back on disposals	3,562
At 31 December 2019	(38,379)
Net book value:	
At 1 January 2019	271,354
At 31 December 2019	397,674

The Group has obtained land use rights in the PRC with lease period of 40–50 years when granted.

NOTES TO THE FINANCIAL STATEMENTS

13 INTANGIBLE ASSETS

	Software RMB'000	Waste incineration project operating rights RMB'000	Total RMB'000
Cost:			
At 1 January 2018	4,540	712,046	716,586
Additions	395	915,000	915,395
At 31 December 2018 and 1 January 2019	4,935	1,627,046	1,631,981
Additions	1,803	2,345,641	2,347,444
At 31 December 2019	6,738	3,972,687	3,979,425
Accumulated depreciation:			
At 1 January 2018	(3,611)	(8,567)	(12,178)
Charge for the year	(165)	(15,465)	(15,630)
At 31 December 2018 and 1 January 2019	(3,776)	(24,032)	(27,808)
Charge for the year	(237)	(33,582)	(33,819)
At 31 December 2019	(4,013)	(57,614)	(61,627)
Net book value:			
At 31 December 2018	1,159	1,603,014	1,604,173
At 31 December 2019	2,725	3,915,073	3,917,798

NOTES TO THE FINANCIAL STATEMENTS

13 INTANGIBLE ASSETS *(Continued)*

The cost of waste incineration project operating rights represented the fair value of operating rights acquired. The operating rights were deemed to be definite life intangible assets as the operation periods of the related BOT arrangements vary from 26 years to 30 years. They are expected to generate long-term net cash inflow to the Group.

For those waste incineration projects which have not yet commenced operation, the Group assessed the recoverable amount of each operating right at the end of each year. As at 31 December 2019, the recoverable amounts of the operating rights are estimated to be higher than their carrying amounts, therefore no provision for impairment loss was recognised (2018: nil).

14 INTERESTS IN SUBSIDIARIES

The following list contains the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

		Proportion of ownership interest			
Name of companies (i)	**Registered and paid up capital**	**Group's effective interest**	**Held by the Company**	**Held by a subsidiary**	**Principal activities**
China Conch Venture Holdings International Limited ("Conch Venture BVI") (中國海創控股國際有限公司)	USD10,000	100%	100%	–	Investment holding
China Conch Venture Holdings (HK) Limited ("Conch Venture HK") (中國海創控股(香港)有限公司)	HKD250,000,000	100%	–	100%	Investment holding
Conch Venture International Holdings (HK) Limited ("Conch Venture International") (海創國際控股(香港)有限公司)	Register capital: HKD10,000 Paid up capital: –	100%	–	100%	Investment holding
Anhui Conch Venture New Energy-saving Building Material Co., Ltd. ("Conch Venture Green") (安徽海創新型節能建築材料有限責任公司)	RMB200,000,000	100%	–	100%	Manufacturing and investment holding
Bozhou Conch Venture New Energy-saving Building Material Co., Ltd. ("Bozhou Conch Venture Green") (亳州海創新型節能建築材料有限責任公司)	RMB125,000,000	100%	–	100%	Manufacturing and sales of new energy-saving building materials

NOTES TO THE FINANCIAL STATEMENTS

14 INTERESTS IN SUBSIDIARIES *(Continued)*

Name of companies (i)	Registered and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Wuhu Conch Venture Enterprise Limited ("Conch Venture Wuhu") (蕪湖海創實業有限責任公司)	RMB100,000,000	100%	–	100%	Design and construction of energy preservation and environmental protection projects and investment holding
Pingliang Conch Venture Environment Engineering Co., Ltd. (iii) ("Pingliang Environment") (平涼海創環境工程有限責任公司)	RMB35,000,000	100%	–	100%	Garbage disposal and sludge residue operation management technical service
Anhui Conch Kawasaki Engineering Co., Ltd. ("CK Engineering") (安徽海螺川崎工程有限公司)	RMB100,000,000	51%	–	51%	Design, sales, installation of energy preservation and environmental protection equipment and after sales service
Anhui Conch Kawasaki Energy Conservation Equipment Manufacturing Co., Ltd. ("CK Equipment") (安徽海螺川崎節能設備製造有限公司)	RMB100,000,000	51%	–	51%	Design, sales installation of energy preservation and environmental protection equipment and after sales service
Yangzhou Haichang Port Industrial Co., Ltd.("Haichang Port") (揚州海昌港務實業有限責任公司)	RMB220,500,000	100%	–	100%	Cargo handling
Wuhu Conch Investment Ltd. ("Wuhu Investment") (蕪湖海螺投資有限公司)	RMB600,000,000	100%	–	100%	Investment holding
Jinzhai Conch Venture Environment Engineering Co., Ltd. (iii) ("Jinzhai Environment") (金寨海創環境工程有限責任公司)	RMB100,000,000	100%	–	100%	Waste disposal for energy and sludge treatment service

NOTES TO THE FINANCIAL STATEMENTS

14 INTERESTS IN SUBSIDIARIES *(Continued)*

Name of companies (i)	Registered and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Guangdong Yangchun Conch Venture Environment Engineering Co., Ltd. (iii) ("Yangchun Environment") (廣東陽春海創環境工程有限責任公司)	RMB32,000,000	100%	–	100%	Garbage disposal and sludge residue operation management technical service
Qiyang Conch Venture Environment Engineering Co., Ltd. (iii) ("Qiyang Environment") (祁陽海創環境工程有限責任公司)	RMB35,000,000	100%	–	100%	Garbage disposal and sludge residue operation management technical service
Shimen Conch Venture Environment Engineering Co., Ltd. (iii) ("Shimen Environment") (石門海創環境工程有限責任公司)	RMB32,000,000	100%	–	100%	Garbage disposal and sludge residue operation management technical service
Nanjiang Conch Venture Environment Engineering Co., Ltd. (iii) ("Nanjiang Environment") (南江海創環境工程有限責任公司)	RMB35,000,000	100%	–	100%	Garbage disposal and sludge residue operation management technical service
Xianyang Conch Venture Environment Engineering Co., Ltd. ("Xianyang Environment") (咸陽海創環境工程有限責任公司)	RMB15,000,000	60%	–	60%	Solid waste treatment and technical service
Shuangfeng Conch Venture Environment Engineering Co., Ltd. (iii) ("Shuangfeng Environment") (雙峰海創環境工程有限責任公司)	RMB32,000,000	100%	–	100%	Garbage disposal and sludge residue operation management technical service
Fusui Conch Venture Environment Engineering Co., Ltd. (iii) ("Fusui Environment") (扶綏海創環境工程有限責任公司)	RMB32,000,000	100%	–	100%	Garbage disposal and sludge residue operation management technical service

NOTES TO THE FINANCIAL STATEMENTS

14 INTERESTS IN SUBSIDIARIES *(Continued)*

Name of companies (i)	Registered and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Shuicheng Conch Venture Environment Engineering Co., Ltd. (iii) ("Shuicheng Environment") (水城海創環境工程有限責任公司)	RMB32,000,000	100%	–	100%	Garbage disposal and sludge residue operation management technical service
Baoshan Conch Venture Environment Engineering Co., Ltd. (iii) ("Baoshan Environment") (保山海創環境工程有限責任公司)	RMB10,000,000	100%	–	100%	Garbage disposal and sludge residue operation management technical service
Lingyun Conch Venture Environment Engineering Co., Ltd. (iii) ("Lingyun Environment") (淩雲海創環境工程有限責任公司)	RMB25,000,000	100%	–	100%	Garbage disposal and sludge residue operation management technical service
Xishui Conch Venture Environment Engineering Co., Ltd. (iii) ("Xishui Environment") (習水海創環境工程有限責任公司)	RMB31,000,000	70%	–	70%	Garbage disposal and sludge residue operation management technical service
Yuping Conch Venture Environment Engineering Co., Ltd. (iii) ("Yuping Environment") (玉屏海創環境科技有限責任公司)	RMB23,000,000	70%	–	70%	Garbage disposal and sludge residue operation management technical service
Yanshan Conch Venture Environment Engineering Co., Ltd. (iii) ("Yanshan Environment") (硯山海創環境工程有限責任公司)	RMB30,000,000	100%	–	100%	Waste disposal for energy and sludge treatment service
Guiyang Conch Venture Environment Engineering Co., Ltd. (iii) ("Guiyang Environment") (貴陽海創環境工程有限責任公司)	RMB33,000,000	100%	–	100%	Garbage disposal and sludge residue operation management technical service

NOTES TO THE FINANCIAL STATEMENTS

14 INTERESTS IN SUBSIDIARIES *(Continued)*

Name of companies (i)	Registered and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Linxia Conch Venture Environment Engineering Co., Ltd. (iii) ("Linxia Environment") (臨夏海創環境工程有限責任公司)	RMB35,000,000	100%	–	100%	Garbage disposal and sludge residue operation management technical service
Ningguo Conch Venture Environment Engineering Co., Ltd. (iii) ("Ningguo Environment") (寧國海創環境工程有限責任公司)	RMB40,000,000	100%	–	100%	Garbage disposal and sludge residue operation management technical service
Xi'an Yaobai Environmental Protection Technology Engineering Co., Ltd. ("Yaobai Environmental") (西安堯柏環保科技工程有限公司)	RMB150,000,000	60%	–	60%	Solid waste treatment and technical service
Shanghai Conch Kawasaki Engineering Co., Ltd. ("CK Shanghai") (上海海螺川崎節能環保工程有限公司)	RMB100,000,000	51%	–	51%	Design, sales, installation of energy preservation and environmental protection equipment and after sales service
Huoqiu Conch Venture Environment Engineering Co., Ltd. (iii) ("Huoqiu Environment") (霍邱海創環境工程有限責任公司)	RMB60,000,000	100%	–	100%	Waste disposal for energy and sludge treatment service
Susong Conch Venture Environment Engineering Co., Ltd. (iii) ("Susong Environment") (宿松海創環境工程有限責任公司)	RMB72,000,000	100%	–	100%	Waste disposal for energy and sludge treatment service
Shache Conch Venture Environment Engineering Co., Ltd. (iii) ("Shache Environment") (莎車海創環境工程有限責任公司)	RMB100,000,000	100%	–	100%	Waste disposal for energy and sludge treatment service

NOTES TO THE FINANCIAL STATEMENTS

14 INTERESTS IN SUBSIDIARIES *(Continued)*

Name of companies (i)	Registered and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Tongren Conch Venture Environment Engineering Co., Ltd. (iii) ("Tongren Environment") (銅仁海創環境工程有限責任公司)	RMB80,000,000	100%	–	100%	Waste disposal for energy and sludge treatment service
Bole Conch Venture Environment Engineering Co., Ltd. (iii) ("Bole Environment") (博樂市海創環境工程有限責任公司)	RMB50,000,000	100%	–	100%	Waste disposal for energy and sludge treatment service
Lixian Conch Venture Environmental Protection Technology Co., Ltd. (iii) ("Lixian Environmental Protection") (澧縣海創環保科技有限責任公司)	RMB50,000,000	100%	–	100%	Waste disposal for energy and sludge treatment service
Wuhu Conch Venture Environmental Protection Technology Co., Ltd. ("Wuhu Environmental Protection") (蕪湖海創環保科技有限責任公司)	RMB200,000,000	100%	–	100%	Solid waste treatment and technical service
Huaibei Conch Venture Environment Engineering Co., Ltd. ("Huaibei Environment") (淮北海創環境工程有限責任公司)	RMB10,000,000	100%	–	100%	Solid waste treatment and technical service
Suzhou Conch Venture Environmental Protection Technology Co., Ltd. ("Suzhou Environmental Protection") (宿州海創環保科技有限責任公司)	RMB15,000,000	100%	–	100%	Solid waste treatment and technical service
Huaining Conch Venture Environmental Protection Technology Co., Ltd. ("Huaining Environmental Protection") (懷寧海創環保科技有限責任公司)	RMB15,000,000	100%	–	100%	Solid waste treatment and technical service

NOTES TO THE FINANCIAL STATEMENTS

14 INTERESTS IN SUBSIDIARIES *(Continued)*

		Proportion of ownership interest			
Name of companies (i)	Registered and paid up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Yiyang Conch Venture Environmental Protection Technology Co., Ltd. ("Yiyang Environmental Protection") (弋陽海創環保科技有限責任公司)	RMB15,000,000	100%	–	100%	Solid waste treatment and technical service
Hanzhong Yaobai Environmental Protection Technology Engineering Co., Ltd. ("Hanzhong Environmental") (漢中堯柏環保科技工程有限公司)	RMB10,000,000	60%	–	60%	Solid waste treatment and technical service
Guangyuan Conch Venture Environmental Protection Technology Co., Ltd. ("Guangyuan Environmental Protection") (廣元海創環保科技有限責任公司)	RMB15,000,000	100%	–	100%	Solid waste treatment and technical service
Qianyang Conch Venture Environmental Protection Technology Co., Ltd. ("Qianyang Environmental Protection") (千陽海創環保科技有限責任公司)	RMB15,000,000	60%	–	60%	Solid waste treatment and technical service
Xingye Conch Venture Environmental Protection Technology Co., Ltd. ("Xingye Environmental Protection") (興業海創環保科技有限責任公司)	RMB15,000,000	100%	–	100%	Solid waste treatment and technical service
Xing'an Conch Venture Environment Technology Co., Ltd. (iii) ("Xing'an Environment") (興安海創環境科技有限責任公司)	RMB20,000,000	100%	–	100%	Garbage disposal and sludge residue operation management technical service
Wenshan Conch Venture Environmental Protection Technology Co., Ltd. ("Wenshan Environmental Protection") (文山海創環保科技有限責任公司)	RMB20,000,000	100%	–	100%	Solid waste treatment and technical service

NOTES TO THE FINANCIAL STATEMENTS

14 INTERESTS IN SUBSIDIARIES *(Continued)*

Name of companies (i)	Registered and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Kunming Conch Venture Environment Engineering Co., Ltd. (iii) ("Kunming Environment") (昆明海創環境工程有限責任公司)	RMB50,000,000	100%	–	100%	Waste disposal for energy and sludge treatment service
Jining Conch Venture Environment Technology Co., Ltd. ("Jining Environment") (濟寧海螺創業環境科技有限責任公司)	RMB50,000,000	100%	–	100%	Solid waste treatment and technical service
Wuhu Conch Venture Logistics Co., Ltd. ("Wuhu Logistics") (蕪湖海創物流有限責任公司)	Register capital: RMB50,000,000 Paid up capital: RMB30,000,000	100%	–	100%	Logistics service for ordinary and operational dangerous goods
Yiyang Conch Venture Environment Energy Co., Ltd. (iii) ("Yiyang Energy") (弋陽海創環境能源有限責任公司)	RMB50,000,000	100%	–	100%	Waste disposal for energy and sludge treatment service
Yingjiang Conch Venture Environmental Protection Technology Co., Ltd. (iii) ("Yingjiang Environmental Protection") (盈江海創環保科技有限責任公司)	RMB30,000,000	100%	–	100%	Garbage disposal and sludge residue operation management technical service
Chongqing Conch Venture Environmental Protection Technology Co., Ltd. ("Chongqing Environmental Protection") (重慶海創環保科技有限責任公司)	RMB20,000,000	65%	–	65%	Solid waste treatment and technical service
Shanggao Conch Venture Environmental Protection Technology Co., Ltd. (iii) ("Shanggao Environmental Protection") (上高海創環保科技有限責任公司)	RMB50,000,000	100%	–	100%	Waste disposal for energy and sludge treatment service

NOTES TO THE FINANCIAL STATEMENTS

14 INTERESTS IN SUBSIDIARIES *(Continued)*

		Proportion of ownership interest			
Name of companies (i)	Registered and paid up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Alaer Conch Venture Environmental Protection Technology Co., Ltd. (iii) ("Alaer Environmental Protection") (阿拉爾市海創環保科技有限責任公司)	Register capital: RMB50,000,000 Paid up capital: –	100%	–	100%	Waste disposal for energy and sludge treatment service
Yangxian Conch Venture Environmental Protection Technology Co., Ltd. (iii) ("Yangxian Environmental Protection") (洋縣海創環保科技有限責任公司)	RMB60,000,000	100%	–	100%	Waste disposal for energy and sludge treatment service
Huoshan Conch Venture Environmental Protection Technology Co., Ltd. (iii) ("Huoshan Environmental Protection") (霍山海創環保科技有限責任公司)	RMB50,000,000	100%	–	100%	Waste disposal for energy and sludge treatment service
Qiyang Conch Venture Environmental Protection Technology Co., Ltd. ("Qiyang Environmental Protection") (祁陽海創環保科技有限責任公司)	RMB15,000,000	100%	–	100%	Solid waste treatment and technical service
Shizhu Xian Conch Venture Environmental Protection Technology Co., Ltd. (iii) ("Shizhu Environmental Protection") (石柱縣海創環保科技有限責任公司)	RMB50,000,000	100%	–	100%	Waste disposal for energy and sludge treatment service
Shucheng Conch Venture Environmental Protection Technology Co., Ltd. (iii) ("Shucheng Environmental Protection") (舒城海創環保科技有限責任公司)	RMB50,000,000	100%	–	100%	Waste disposal for energy and sludge treatment service
Xishui Conch Venture Environmental Protection Technology Co., Ltd. (iii) ("Xishui Environmental Protection") (習水海創環保科技有限責任公司)	RMB50,000,000	100%	–	100%	Waste disposal for energy and sludge treatment service

NOTES TO THE FINANCIAL STATEMENTS

14 INTERESTS IN SUBSIDIARIES *(Continued)*

		Proportion of ownership interest			
Name of companies (i)	Registered and paid up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Tongchuan Conch Venture Environmental Protection Technology Co., Ltd. ("Tongchuan Environmental Protection") (銅川海創環保科技有限責任公司)	RMB15,000,000	60%	–	60%	Solid waste treatment and technical service
Sishui Conch Venture Environment Engineering Co., Ltd. (iii) ("Sishui Environment") (泗水海螺創業環境工程有限責任公司)	RMB50,000,000	100%	–	100%	Waste disposal for energy and sludge treatment service
Guiyang Conch Venture Environmental Protection Technology Co., Ltd. ("Guiyang Environmental Protection") (貴陽海創環保科技有限責任公司)	RMB30,000,000	85%	–	85%	Solid waste treatment and technical service
Chongqing Liangping Conch Venture Environmental Protection Technology Co., Ltd. ("Liangping Environmental Protection") (重慶市梁平海創環保科技有限責任公司)	RMB15,000,000	100%	–	100%	Solid waste treatment and technical service
Fuquan Conch Venture Environmental Protection Technology Co., Ltd. (iii) ("Fuquan Environmental Protection") (福泉海創環保科技有限責任公司)	RMB50,000,000	100%	–	100%	Waste disposal for energy and sludge treatment service
Tongchuan Conch Venture Environment Energy Co., Ltd. (iii) ("Tongchuan Environment") (銅川海創環境能源有限責任公司)	Register capital: RMB80,000,000 Paid up capital: –	100%	–	100%	Waste disposal for energy and sludge treatment service
XianYang Conch Venture Environment Energy Co., Ltd. (iii) ("XianYang Energy") (咸陽海創環境能源有限責任公司)	Register capital: RMB270,000,000 Paid up capital: 100,000,000	100%	–	100%	Waste disposal for energy and sludge treatment service

NOTES TO THE FINANCIAL STATEMENTS

14 INTERESTS IN SUBSIDIARIES *(Continued)*

Name of companies (i)	Registered and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Baoshan Conch Venture Environmental Protection Technology Co., Ltd. (iii) ("Baoshan Environmental Protection") (保山海創環保科技有限責任公司)	RMB80,000,000	100%	–	100%	Waste disposal for energy and sludge treatment service
Manzhouli Conch Venture Environmental Protection Technology Co., Ltd. (iii) ("Manzhouli Environmental Protection") (滿洲里海創環保科技有限責任公司)	RMB80,000,000	100%	–	100%	Waste disposal for energy and sludge treatment service
Yingde Conch Venture Environmental Protection Technology Co., Ltd. ("Yingde Environmental Protection") (英德海創環保科技有限責任公司)	Register capital: RMB10,000,000 Paid up capital: RMB1,000,000	100%	–	100%	Solid waste treatment and technical service
Zhengxiong Conch Venture Environmental Protection Technology Co., Ltd. (iii) ("Zhengxiong Environmental Protection") (鎮雄海創環保科技有限責任公司)	RMB80,000,000	100%	–	100%	Waste disposal for energy and sludge treatment service
Yangchun Conch Venture Environmental Protection Technology Co., Ltd. ("Yangchun Environmental Protection") (陽春海創環保科技有限責任公司)	RMB15,000,000	100%	–	100%	Solid waste treatment and technical service
Wuwei Xian Conch Venture Environmental Protection Technology Co., Ltd. (iii) ("Wuwei Environmental Protection") (無為縣海創環保科技有限責任公司)	Register capital: RMB60,000,000 Paid up capital: RMB300,000	100%	–	100%	Waste disposal for energy and sludge treatment service
Lujiang Conch Venture Environmental Protection Technology Co., Ltd. (iii) ("Lujiang Environmental Protection") (廬江海創環保科技有限責任公司)	RMB90,000,000	100%	–	100%	Waste disposal for energy and sludge treatment service

NOTES TO THE FINANCIAL STATEMENTS

14 INTERESTS IN SUBSIDIARIES *(Continued)*

		Proportion of ownership interest			
Name of companies (i)	**Registered and paid up capital**	**Group's effective interest**	**Held by the Company**	**Held by a subsidiary**	**Principal activities**
Linxiang Conch Venture Environmental Protection Technology Co., Ltd. ("Linxiang Environmental Protection") (臨湘海創環保科技有限責任公司)	Register capital: RMB30,000,000 Paid up capital: RMB7,000,000	100%	–	100%	Solid waste treatment and technical service
Dehong Conch Venture Environmental Protection Technology Co., Ltd. (iii) ("Dehong Environmental Protection") (德宏海創環保科技有限責任公司)	RMB50,000,000	100%	–	100%	Waste disposal for energy and sludge treatment service
Jiuquan Conch Venture Environmental Protection Energy Co., Ltd. (iii) ("Jiuquan Environmental Protection") (酒泉海創環保能源有限責任公司)	RMB85,000,000	100%	–	100%	Waste disposal for energy and sludge treatment service
Tengchong Conch Venture Energy Technology Co., Ltd. (iii) ("Techong Energy Technology") (騰沖海創能源科技有限責任公司)	RMB60,000,000	100%	–	100%	Waste disposal for energy and sludge treatment service
Anhui Haizhong Environmental Protection Co., Ltd. ("Anhui Environmental Protection") (安徽海中環保有限責任公司)	Register capital: RMB500,000,000 Paid up capital: RMB135,000,000	50%	–	50%	Solid waste treatment and technical service
Dazhou Conch Venture Environmental Protection Technology Co., Ltd. ("Dazhou Environmental Protection") (達州海創環保科技有限責任公司)	Register capital: RMB30,000,000 Paid up capital: RMB2,400,000	80%	–	80%	Solid waste treatment and technical service
Longan Conch Venture Environmental Protection Technology Co., Ltd. ("Longan Environmental Protection") (隆安海創環保科技有限責任公司)	RMB15,000,000	100%	–	100%	Solid waste treatment and technical service

NOTES TO THE FINANCIAL STATEMENTS

14 INTERESTS IN SUBSIDIARIES *(Continued)*

		Proportion of ownership interest			
Name of companies (i)	Registered and paid up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Yiyang Conch Venture Environmental Protection Technology Co., Ltd. ("Yiyang Environmental Protection") (益陽海創環保科技有限責任公司)	Register capital: RMB15,000,000 Paid up capital: RMB500,000	100%	–	100%	Solid waste treatment and technical service
Hanshou Conch Venture Environmental Protection Technology Co., Ltd. (iii) ("Hanshou Environmental Protection") (漢壽海創環保科技有限責任公司)	RMB50,000,000	100%	–	100%	Waste disposal for energy and sludge treatment service
Luxi Conch Venture Environmental Protection Technology Co., Ltd. (iii) ("Luxi Environmental Protection") (瀘西海創環保科技有限責任公司)	RMB50,000,000	100%	–	100%	Waste disposal for energy and sludge treatment service
Conch Venture CNBM Hong Kong Holdings Limited ("Conch Venture CNBM") (海建香港控股有限公司)	RMB500,000,000	50%	–	50%	Investment holding
Panshi Conch Venture Environmental Protection Technology Co., Ltd. ("Panshi Environmental Protection") (磐石海創環保科技有限責任公司)	RMB50,000,000	100%	–	100%	Waste disposal for energy and sludge treatment service
Luoping Conch Venture Environmental Protection Technology Co., Ltd. (iii) ("Luoping Environmental Protection") (羅平海創環保科技有限責任公司)	RMB50,000,000	100%	–	100%	Waste disposal for energy and sludge treatment service
Ningguo Conch Venture Environmental Protection Technology Co., Ltd. ("Ningguo Environmental Protection") (寧國海創環保科技有限責任公司)	RMB15,000,000	100%	–	100%	Solid waste treatment and technical service

NOTES TO THE FINANCIAL STATEMENTS

14 INTERESTS IN SUBSIDIARIES *(Continued)*

Name of companies (i)	Registered and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Ninghai Xingyuantai Environmental Protection Technology Co., Ltd. ("Ninghai Environmental Protection") (寧海馨源泰環保科技有限公司)	RMB66,666,700	70%	–	70%	Solid waste treatment and technical service
Luoyang Haizhong Environmental Protection Technology Co., Ltd. ("Luoyang Environmental Protection") (洛陽海中環保科技有限責任公司)	RMB15,000,000	50%	–	50%	Solid waste treatment and technical service
Jiyuan Haizhong Environmental Protection Technology Co., Ltd. ("Jiyuan Environmental Protection") (濟源海中環保科技有限責任公司)	Register capital: RMB15,000,000 Paid up capital: –	50%	–	50%	Solid waste treatment and technical service
Dexing Conch Venture Environmental Protection Technology Co., Ltd. (iii) ("Dexing Environmental Protection") (德興海創環保科技有限責任公司)	RMB50,000,000	90%	–	90%	Waste disposal for energy and sludge treatment service
Zongyang Conch Venture Environmental Protection Technology Co., Ltd. (iii) ("Zongyang Environmental Protection") (樅陽海創環保科技有限責任公司)	Register capital: RMB50,000,000 Paid up capital: –	100%	–	100%	Waste disposal for energy and sludge treatment service
Zongyang Conch Venture Environmental Protection Technology Co., Ltd. ("Zongyang Environmental Protection") (繁昌海創環保科技有限責任公司)	RMB15,000,000	100%	–	100%	Solid waste treatment and technical service
Shahe Conch Venture Environmental Protection Technology Co., Ltd. (iii) ("Shahe Environmental Protection") (沙河海創環保科技有限責任公司)	Register capital: RMB100,000,000 Paid up capital: RMB33,000,000	66%	–	66%	Waste disposal for energy and sludge treatment service

NOTES TO THE FINANCIAL STATEMENTS

14 INTERESTS IN SUBSIDIARIES *(Continued)*

Name of companies (i)	Registered and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Chizhou Conch Venture Environmental Protection Technology Co., Ltd. ("Chizhou Environmental Protection") (池州海創環保科技有限責任公司)	RMB15,000,000	100%	–	100%	Solid waste treatment and technical service
Shuangfeng Conch Venture Environmental Protection Technology Co., Ltd. ("Shuangfeng Environmental Protection") (雙峰海創環保科技有限責任公司)	Register capital: RMB15,000,000 Paid up capital: –	100%	–	100%	Waste disposal for energy and sludge treatment service
Suiyang Conch Venture Environmental Protection Technology Co., Ltd. (iii) ("Suiyang Environmental Protection") (綏陽海創環保科技有限責任公司)	Register capital: RMB60,000,000 Paid up capital: RMB18,000,000	70%	–	70%	Waste disposal for energy and sludge treatment service
Hejin Conch Venture Environmental Protection Technology Co., Ltd. (iii) ("Hejin Environmental Protection") (河津海創環保能源有限責任公司)	RMB80,000,000	100%	–	100%	Waste disposal for energy and sludge treatment service
Pingliang Conch Venture Energy Technology Co., Ltd. (iii) ("Pingliang Environmental Protection") (平涼海創能源科技有限責任公司)	Register capital: RMB85,000,000 Paid up capital: –	100%	–	100%	Waste disposal for energy and sludge treatment service
Dengfeng Haizhong Environmental Protection Technology Co., Ltd. ("Dengfeng Environmental Protection") (登封海中環保科技有限責任公司)	Register capital: RMB15,000,000 Paid up capital: –	50%	–	50%	Solid waste treatment and technical service
Hangzhou Fuyang Haizhong Environmental Protection Technology Co., Ltd. ("Fuyang Environmental Protection") (杭州富陽海中環保科技有限責任公司)	Register capital: RMB60,000,000 Paid up capital: RMB6,000,000	32.5%	–	32.5%	Solid waste treatment and technical service

NOTES TO THE FINANCIAL STATEMENTS

14 INTERESTS IN SUBSIDIARIES *(Continued)*

Name of companies (i)	Registered and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Chongzuo Haizhong Environmental Protection Technology Co., Ltd. ("Chongzuo Environmental Protection") (崇左海中環保科技有限責任公司)	Register capital: RMB20,000,000 Paid up capital: RMB10,000,000	50%	–	50%	Solid waste treatment and technical service
Guilin Nanfang Jinyuan Environmental Protection Technology Co., Ltd. ("Guilin Jinyuan Environmental Protection") (桂林南方金圓環保科技有限公司)	Register capital: RMB10,000,000 Paid up capital: RMB8,800,000	50%	–	50%	Solid waste treatment and technical service
Taian Dezheng Haizhong Environmental Protection Technology Co., Ltd. ("Dezheng Environmental Protection") (泰安德正海中環保科技有限責任公司)	Register capital: RMB30,000,000 Paid up capital: –	25.5%	–	25.5%	Solid waste treatment and technical service
Quzhou Haizhong Environmental Protection Technology Co., Ltd. ("Quzhou Environmental Protection") (衢州海中環保科技有限責任公司)	Register capital: RMB3,000,000 Paid up capital: –	50%	–	50%	Solid waste treatment and technical service
Neimenggu Conch Venture Mengxi Technology Development Co., Ltd. ("Mengxi Environmental Protection") (內蒙古海創蒙西科技發展有限公司)	Register capital: RMB80,000,000 Paid up capital: –	65%	–	65%	Solid waste treatment and technical service
Hulun Buir Haimeng Technology Development Co., Ltd. ("Haimeng Technology Development") (呼倫貝爾市海蒙科技發展有限責任公司)	Register capital: RMB23,000,000 Paid up capital: –	65%	–	65%	Solid waste treatment and technical service
Ruichang Jianglian Port Co., Ltd. ("Jianglian Port") (瑞昌江聯港務有限公司)	Register capital: RMB100,000,000 Paid up capital: –	70%	–	70%	Cargo handling

NOTES TO THE FINANCIAL STATEMENTS

14 INTERESTS IN SUBSIDIARIES *(Continued)*

(i) Except for the Company, Conch Venture BVI, Conch Venture HK, Conch Venture International and Conch Venture CNBM, the English translation of the companies' names is for reference only. The official names of the companies established in the PRC are in Chinese.

(ii) Except for Conch Venture BVI, which is incorporated in British Virgin Islands, and Conch Venture HK, Conch Venture International and Conch Venture CNBM, which are incorporated in Hong Kong, the above entities are incorporated as limited liability companies and operated in the PRC.

(iii) The subsidiaries of the Group entered into service concession arrangements with the local government authorities in the PRC (the "grantors"). Pursuant to the service concession arrangements, the Group has to design, construct, operate and maintain waste incineration plants in the PRC for periods ranging from 20 to 30 years. The Group has the obligation to maintain the waste incineration plants in good condition. The grantors guarantee the Group will receive minimum annual payments in connection with the arrangements.

The service concession arrangements do not contain renewal options. The standard rights of the grantors to terminate the agreements include failure of the Group to construct or operate the waste incineration plants and in the event of a material breach of the terms of the agreements. The standard rights of the Group to terminate the agreements include failure to receive payments for solid waste treatment service from the grantors and in the event of a material breach of the terms of the agreements.

Revenue relates to the construction services provided in constructing the waste incineration projects is recognised as "Service concession assets" and "Waste incineration project operating rights" in the consolidated financial statements according to accounting policies as set out in notes 1(m) and 1(h).

NOTES TO THE FINANCIAL STATEMENTS

14 INTERESTS IN SUBSIDIARIES *(Continued)*

The following table lists out the information relating to CK Engineering, CK Equipment and Yaobai Environmental as at 31 December 2018 and 2019, the subsidiaries of the Group which have material non-controlling interest ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

	2019	2018
	RMB'000	RMB'000
NCI percentage	**40%–49%**	40%–49%
Current assets	**2,966,270**	2,636,446
Non-current assets	**631,257**	435,324
Current liabilities	**(1,927,884)**	(1,420,553)
Net assets	**1,669,643**	1,651,217
Carrying amount of NCI	**782,154**	772,949
Revenue	**2,322,145**	1,765,328
Profit for the year	**295,004**	276,724
Total comprehensive income	**295,004**	276,724
Profit allocated to NCI	**134,227**	124,937
Dividend paid to NCI	**99,104**	41,261
Cash flows generated from operating activities	**183,921**	300,279
Cash flows used in investing activities	**(70,293)**	(49,499)
Cash flows used in financing activities	**(164,275)**	(85,432)

NOTES TO THE FINANCIAL STATEMENTS

15 INTERESTS IN ASSOCIATES

	2019 RMB'000	2018 RMB'000
Share of net assets	**25,920,942**	20,782,760

The particulars of the material associate are as follows:

Name of associate	Form of business structure	Place of incorporation and operation	Particulars of issued and paid up capital	Proportion of ownership interest Group's effective interest	Principal activities
Conch Holdings (安徽海螺集團有限責任公司)	Incorporated as limited liability company	The PRC	RMB800,000,000	49%	Investment holding

The particulars of Conch Holdings' investment holdings as at 31 December 2019 are as follows:

Name of associate	Form of business structure	Place of incorporation and operation	Particulars of issued and paid up capital	Ownership interest held by Conch Holdings	Principal activities
Anhui Conch Cement Co., Ltd. ("Conch Cement") (安徽海螺水泥股份有限公司)	Incorporated as joint stock limited company	The PRC	5,299,302,579 ordinary shares of RMB1 each	36.40%	Manufacture and sale of cement related products
Wuhu Conch Profiles and Science Co., Ltd. ("Conch Profiles") (蕪湖海螺型材科技股份有限公司)	Incorporated as joint stock limited company	The PRC	360,000,000 ordinary shares of RMB1 each	33.44%	Manufacture of new chemical and building materials
Anhui Conch Building Materials Design and Research Institute ("Conch Design Institute") (安徽海螺建材設計研究院有限責任公司)	Incorporated as limited liability company	The PRC	RMB150,000,000	100%	Design and contract cement/light steel construction
Yingde Conch International Hotel Co., Ltd. (英德海螺國際大酒店有限公司)	Incorporated as limited liability company	The PRC	RMB63,800,000	100%	Hotel service

NOTES TO THE FINANCIAL STATEMENTS

15 INTERESTS IN ASSOCIATES *(Continued)*

Name of associate	Form of business structure	Place of incorporation and operation	Particulars of issued and paid up capital	Ownership interest held by Conch Holdings	Principal activities
Wuhu Conch International Hotel Co., Ltd. (蕪湖海螺國際大酒店有限公司)	Incorporated as limited liability company	The PRC	RMB268,500,000	100%	Hotel service
Anhui Conch IT Engineering Co., Ltd. ("Conch IT Engineering") (安徽海螺信息技術工程有限責任公司)	Incorporated as limited liability company	The PRC	RMB50,000,000	100%	Computer system design and development
Anhui Conch Investment Co., Ltd. ("Conch Investment") (安徽海螺投資有限責任公司)	Incorporated as limited liability company	The PRC	RMB700,000,000	100%	Investment holding
Anhui Jingong Testing and Inspection Center Co., Ltd. (安徽精公檢測檢驗中心有限公司)	Incorporated as limited liability company	The PRC	RMB8,000,000	100%	Testing and Inspection
Wuhu Conch Trading Co., Ltd. (蕪湖海螺貿易有限公司)	Incorporated as limited liability company	The PRC	RMB300,000,000	100%	Trading
Anhui International Trade Group Holding Co.,Ltd. (安徽國貿集團控股有限公司)	Incorporated as limited liability company	The PRC	RMB661,111,111	55%	Investment holding and trading

NOTES TO THE FINANCIAL STATEMENTS

15 INTERESTS IN ASSOCIATES *(Continued)*

Summarised financial information of material associate, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	2019	2018
	RMB'000	RMB'000
		(Note)
Gross amounts of the associate		
Current assets	**32,211,884**	32,975,398
Non-current assets	**58,741,393**	48,913,557
Current liabilities	**(25,492,886)**	(27,286,540)
Non-current liabilities	**(12,908,676)**	(12,188,622)
Net assets	**52,551,715**	42,413,793
Revenue	**74,605,729**	14,571,869
Profit after tax for the year	**12,252,149**	10,765,656
Other comprehensive income	**8,462**	(108,657)
Total comprehensive income	**12,260,611**	10,656,999
Dividend received from the associate	**1,055,950**	686,000
Reconciled to the Group's interest in the associate		
Gross amounts of net assets of the associate	**52,551,715**	42,413,793
Group's effective interest	**49%**	49%
Group's share of net assets of the associate	**25,750,340**	20,782,760
Carrying amount in the consolidated financial statements	**25,750,340**	20,782,760

Note: The associates have initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise additional right-of-use assets and lease liabilities relating to leases which were previously classified as operating leases under IAS 17. Under this approach, the comparative information is not restated.

NOTES TO THE FINANCIAL STATEMENTS

15 INTERESTS IN ASSOCIATES *(Continued)*

Aggregate information of associates that are not individually material:

	2019 RMB'000	2018 RMB'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**170,602**	–
Aggregate amounts of the Group's share of those associates		
Profit from continuing operations	**4,602**	–
Total comprehensive income	**4,602**	–

16 INVENTORIES

(a) Inventories in the consolidated statements of financial position comprise:

	2019 RMB'000	2018 RMB'000
Raw materials	**70,549**	49,035
Work in progress	**61,581**	38,583
Finished goods	**101,753**	75,103
	233,883	162,721

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

	2019 RMB'000	2018 RMB'000
Carrying amount of inventories sold	**633,305**	596,243
Write-down of inventories	**–**	–
	633,305	596,243

NOTES TO THE FINANCIAL STATEMENTS

17 SERVICE CONCESSION ASSETS

	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
Current	**102,126**	15,940
Non-current	**3,353,103**	2,374,146
	3,455,229	2,390,086

The service concession assets bear interest at rates ranging from 6.01% to 9.41% (31 December 2018: 6.01% to 9.41%) per annum as at 31 December 2019 and relate to certain BOT arrangements of the Group. The amounts are not yet due for payment and will be settled during the operating periods of the arrangements. Among the total of RMB3,455,229,000 (31 December 2018: RMB2,390,086,000), RMB1,149,238,000 (31 December 2018: RMB959,065,000) relates to BOT arrangements which are in construction phase and should be deemed as contract assets as defined under IFRS 15.

Among the total of RMB3,455,229,000 (31 December 2018: RMB2,390,086,000), RMB79,750,000 (31 December 2018: RMB28,781,000) relates to the government on-grid tariff subsidy for certain projects which will be billed and settled upon the successful completion of government administrative procedures pursuant to notices jointly issued by the Ministry of Finance, the National Development and Reform Commission and the National Energy Administration.

NOTES TO THE FINANCIAL STATEMENTS

18 TRADE AND OTHER RECEIVABLES

	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
Trade receivables	**774,167**	632,601
Bills receivable	**57,618**	60,147
Less: allowance for doubtful debts (Note 18(b))	**(44,540)**	(50,284)
Trade and bills receivables	**787,245**	642,464
Deposits and prepayments	**112,272**	85,937
Other receivables	**318,290**	187,992
Interest receivables	**13,945**	21,730
Amounts due from third parties	**1,231,752**	938,123
Amounts due from related parties (Note 28(c))	**63,419**	162,946
Current portion of trade and other receivables	**1,295,171**	1,101,069
Other receivables to be recovered after one year	**613,562**	334,334
Non-current portion of trade and other receivables	**613,562**	334,334
Total current and non-current trade and other receivables	**1,908,733**	1,435,403

All of the current portion of trade and other receivables are expected to be recovered within one year.

NOTES TO THE FINANCIAL STATEMENTS

18 TRADE AND OTHER RECEIVABLES *(Continued)*

As at 31 December 2019, the Group endorsed undue bills receivable of RMB354,963,000 (2018: RMB361,702,000) to its suppliers to settle trade payables of the same amount and derecognised these bills receivable and payables to suppliers in their entirety as the Group's management considered that the risks and rewards of ownership of these undue bills have been substantially transferred. The Group's continuous involvement in these derecognised undue bills receivable is limited to when the issuance banks of these undue bills are unable to settle the amounts to the holders of these bills. As at 31 December 2019, the maximum exposure to loss from its continuous involvement represents the amount of bills receivable of RMB354,963,000 (2018: RMB361,702,000) which the Group endorsed to its suppliers. These undue bills receivable were due within 6 months.

The amounts due from related parties are unsecured, non-interest bearing and repayable on demand.

(a) Ageing analysis

As of the end of the reporting periods, the ageing analysis of trade receivables and bills receivable (which are included in trade and other receivables), based on the past due aging and net of loss allowance, is as follows:

	2019 **RMB'000**	2018 RMB'000
Current	**752,031**	590,253
Less than 1 year	**21,439**	27,560
1 to 2 years	**10,333**	22,926
2 to 3 years	**3,442**	1,725
	787,245	642,464

Details of the Group's credit policy and credit risk arising from trade receivable and bills receivables are set out in Note 26(a).

NOTES TO THE FINANCIAL STATEMENTS

18 TRADE AND OTHER RECEIVABLES *(Continued)*

(b) Loss allowance for trade receivables and bills receivable

Movement in the loss allowance account in respect of trade receivables and bills receivable during the year is as follows:

	2019	2018
	RMB'000	RMB'000
At the beginning of the year	**50,284**	80,673
Reversal of loss allowance (note)	**(5,744)**	(27,798)
Written off	**–**	(2,591)
At the end of the year	**44,540**	50,284

Note: Collection of past due receivables net of origination and new past due receivables resulted in a reversal of loss allowance during 2019 and 2018.

19 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	2019	2018
	RMB'000	RMB'000
Bank deposits with original maturity within three months	**2,097,250**	1,622,323
Cash at bank and on hand	**864,950**	1,051,522
	2,962,200	2,673,845

NOTES TO THE FINANCIAL STATEMENTS

19 CASH AND CASH EQUIVALENTS *(Continued)*

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

	Note	**2019 RMB'000**	2018 RMB'000 (Note)
Profit before taxation		**7,413,779**	6,251,536
Adjustments for:			
Depreciation of owned property, plant and equipment	5(c)	**121,724**	89,618
Depreciation of right-of-use assets	5(c)	**9,702**	–
Amortisation of lease prepayments	5(c)	**–**	5,434
Amortisation of intangible assets	5(c)	**33,819**	15,630
Reversal of loss allowance for trade receivables	5(c)	**(5,744)**	(27,798)
Net loss on disposal of right-of-use assets and property, plant and equipment	4	**26,259**	61
Finance costs	5(a)	**177,684**	75,041
Interest income	4	**(107,833)**	(71,535)
Share of profit of associates		**(6,027,902)**	(5,281,327)
Operating profit before changes in working capital		**1,641,488**	1,056,660
Increase in inventories		**(71,162)**	(34,528)
(Increase)/decrease in restricted bank deposits		**(15,640)**	7,462
Increase in trade and other receivables		**(472,980)**	(209,987)
Increase in service concession assets		**(1,065,143)**	(520,238)
Increase in trade and other payables		**567,077**	204,001
Increase in contract liabilities		**13,338**	1,340
Cash generated from operations		**596,978**	504,710

Note: The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets and lease liabilities relating to leases which were previously classified as operating leases under IAS 17. Previously, cash payments under operating leases made by the Group as a lessee of RMB7,092,000 were classified as operating activities in the consolidated cash flow statement. Under IFRS 16, except for short-term lease payments, payments for leases of low value assets and variable lease payments not included in the measurement of lease liabilities, all other rentals paid on leases are now split into capital element and interest element and classified as financing cash outflows. Under the modified retrospective approach, the comparative information is not restated. Further details on the impact of the transition to IFRS 16 are set out in note 1(c).

NOTES TO THE FINANCIAL STATEMENTS

19 CASH AND CASH EQUIVALENTS *(Continued)*

(c) Reconciliation of liabilities arising from financing activities:

	Bank loans RMB'000 (Note 20)	Interest payable RMB'000 (Note (i))	Convertible bonds RMB'000 (Note 23)	Lease liabilities RMB'000 (Note 24)	Total RMB'000
At 1 January 2018	526,800	687	–	–	527,487
Changes from financing cash flows:					
Proceeds from bank loans	1,424,661	–	–	–	1,424,661
Net proceeds from issuance of convertible bonds	–	–	3,321,903	–	3,321,903
Repayment of bank loans	(683,961)	–	–	–	(683,961)
Interest paid	–	(43,723)	–	–	(43,723)
Total changes from financing cash flows	740,700	(43,723)	3,321,903	–	4,018,880
Exchange adjustments:	–	–	24,403	–	24,403
Other changes:					
Interest expenses (note 5(a))	–	37,915	37,126	–	75,041
Capitalised borrowing costs (note 5(a))	–	6,623	–	–	6,623
Total other changes	–	44,538	37,126	–	81,664
At 31 December 2018	1,267,500	1,502	3,383,432	–	4,652,434

NOTES TO THE FINANCIAL STATEMENTS

19 CASH AND CASH EQUIVALENTS *(Continued)*

(c) Reconciliation of liabilities arising from financing activities: *(Continued)*

	Bank loans RMB'000 (Note 20)	Interest payable RMB'000 (Note (i))	Convertible bonds RMB'000 (Note 23)	Lease liabilities RMB'000 (Note 24)	Total RMB'000
Impact on initial application of IFRS 16 (Note (ii))	–	–	–	8,851	8,851
At 1 January 2019	**1,267,500**	**1,502**	**3,383,432**	**8,851**	**4,661,285**
Changes from financing cash flows:					
Proceeds from bank loans	2,132,537	–	–	–	2,132,537
Repayment of bank loans	(816,800)	–	–	–	(816,800)
Capital element of lease rentals paid	–	–	–	(2,834)	(2,834)
Interest element of lease rentals paid	–	–	–	(420)	(420)
Interest paid	–	(73,168)	–	–	(73,168)
Total changes from financing cash flows	1,315,737	(73,168)	–	(3,254)	1,239,315
Exchange adjustments:	–	–	77,610	–	77,610
Other changes:					
Interest expenses (note 5(a))	–	67,328	109,936	420	177,684
Capitalised borrowing costs (note 5(a))	–	22,680	3,288	–	25,968
Total other changes	–	90,008	113,224	420	203,652
At 31 December 2019	**2,583,237**	**18,342**	**3,574,266**	**6,017**	**6,181,862**

Note (i): Interest payable is included in trade and other payables as disclosed in Note 21.

Note (ii): The Group has initially applied IFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under IAS 17. See notes 1(c) and 19(b).

NOTES TO THE FINANCIAL STATEMENTS

19 CASH AND CASH EQUIVALENTS *(Continued)*

(d) Total cash outflow for leases

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

	2019 **RMB'000**	2018 RMB'000 (Note)
Within operating cash flows	**4,331**	7,392
Within financing cash flows	**3,254**	–
	7,585	7,392

Note: As explained in the note to note 19(b), the adoption of IFRS 16 introduces a change in classification of cash flows of certain rentals paid on leases. The comparative amounts have not been restated.

These amounts relate to the following:

	2019 **RMB'000**	2018 RMB'000
Lease rentals paid	**7,585**	7,392

20 BANK LOANS

	2019 **RMB'000**	2018 RMB'000
Current	**664,700**	71,800
Non-current	**1,918,537**	1,195,700
Total	**2,583,237**	1,267,500

NOTES TO THE FINANCIAL STATEMENTS

20 BANK LOANS *(Continued)*

(i) As at 31 December 2019, bank loans of RMB2,583,237,000 were denominated in RMB (2018: RMB1,267,500,000).

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

	2019 **RMB'000**	2018 RMB'000
Within one year	**664,700**	71,800
After one year but within two years	**816,737**	102,800
After two years but within five years	**732,090**	1,002,900
After five years	**369,710**	90,000
Total	**2,583,237**	1,267,500

(ii) As at 31 December 2019, the bank loans were secured as follows:

	2019 **RMB'000**	2018 RMB'000
Guaranteed	**870,737**	292,500
Unsecured	**1,712,500**	975,000
Total	**2,583,237**	1,267,500

As at 31 December 2019, bank loans of the Group amounting to RMB501,037,000 (31 December 2018: RMB100,000,000) was guaranteed by Conch Venture Wuhu, a subsidiary of the Group.

As at 31 December 2019, bank loans of the Group amounting to RMB369,700,000 (31 December 2018: RMB148,000,000) were guaranteed by WH Investment, a subsidiary of the Group.

As at 31 December 2019, bank loans of the Group amounting to RMB0 (31 December 2018: RMB44,500,000) were jointly guaranteed by Wuhu Investment, a subsidiary of the Group, and the non-controlling shareholders of Xishui Environment and Yuping Environment.

NOTES TO THE FINANCIAL STATEMENTS

21 TRADE AND OTHER PAYABLES

	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
Trade payables	**1,831,109**	1,131,307
Bills payable	**656,927**	403,095
	2,488,036	1,534,402
Other payables and accruals	**473,818**	359,255
Amounts due to third parties	**2,961,854**	1,893,657
Amounts due to related parties (Note 28(c))	**109,254**	80,369
Trade and other payables	**3,071,108**	1,974,026

An ageing analysis of trade and bills payables of the Group is as follows:

	2019 RMB'000	2018 RMB'000
Within 1 year	**2,443,367**	1,460,204
1 year to 2 years	**31,644**	64,391
2 years to 3 years	**7,304**	8,592
Over 3 years but within 5 years	**5,721**	1,215
	2,488,036	1,534,402

The amounts due to related parties are all aged within 1 year, and are unsecured, non-interest bearing and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

22 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Income tax payable in the consolidated statement of financial position represent:

	2019 **RMB'000**	2018 RMB'000
Balance at beginning of the year	**111,306**	34,129
Provision for current income tax for the year (Note 6(a))	**232,335**	184,757
Payments during the year	**(231,619)**	(107,580)
Balance at the end of the year	**112,022**	111,306

(b) Deferred tax assets and liabilities recognised:

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

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

	Unrealised profit upon elimination RMB'000	**Loss allowance on trade receivables and provision for inventory** RMB'000	**Undistributed profits expected to be distributed** RMB'000	**Total** RMB'000
Deferred tax assets arising from:				
At 1 January 2018	40,286	18,349	–	58,635
Credited/(charged) to profit or loss	4,435	(9,069)	–	(4,634)
At 31 December 2018 and 1 January 2019	44,721	9,280	–	54,001
Credited/(charged) to profit or loss	2,859	(2,780)	(35,000)	(34,921)
At 31 December 2019	47,580	6,500	(35,000)	19,080

NOTES TO THE FINANCIAL STATEMENTS

22 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

(b) Deferred tax assets and liabilities recognised: *(Continued)*

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

	31 December 2019 RMB'000	31 December 2018 RMB'000
Net deferred tax assets recognised on the consolidated statement of financial position	**54,080**	54,001
Net deferred tax liabilities recognised on the consolidated statement of financial position	**(35,000)**	–
	19,080	54,001

(c) Deferred tax liabilities not recognised:

The Group has not recognised deferred tax liabilities as at 31 December 2019 in respect of undistributed earnings of RMB28,405,787,000 of PRC subsidiaries (2018: RMB22,503,320,000) because the Group has no plans to distribute them outside the PRC in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

23 CONVERTIBLE BONDS

On 5 September 2018, Conch Venture BVI, a subsidiary of the Company, issued zero coupon guaranteed convertible bond ("the Bonds") with aggregate principal amount of HKD3,925,000,000 (equivalent to approximately RMB3,413,730,000) and received cash after deduction of transaction costs of HKD3,882,043,000 (equivalent to approximately RMB3,376,369,000).

Pursuant to the terms of the Bonds, the Bonds will be due in September 2023 and are guaranteed by the Company. The bond holders could convert part of or the entire outstanding bond balances at the holder's option into fully paid ordinary shares of the Company at an initial conversion price of HKD40.18 per share, subject to adjustments under certain terms and conditions of the Bonds.

The convertible bonds can be settled by exchange of a fixed amount of cash in HKD with a fixed number of the Company's equity instruments. In accordance with the Group's accounting policy set out in note 1(r), the convertible bonds are accounted for as compound financial instruments which contain both a liability component and an equity component.

The movements of the components of the convertible bonds during current period are set out below:

	Liability component (At amortised cost) RMB'000	**Equity component (Residual amount)** RMB'000	**Total** RMB'000
At the date of issuance	3,321,903	54,466	3,376,369
Interest charge (note 19(c))	37,126	–	37,126
Exchange adjustment	24,403	–	24,403
At 31 December 2018	3,383,432	54,466	3,437,898
Interest charge (note 19(c))	113,224	–	113,224
Exchange adjustment	77,610	–	77,610
At 31 December 2019	3,574,266	54,466	3,628,732

NOTES TO THE FINANCIAL STATEMENTS

24 LEASE LIABILITIES

	At 31 December 2019		At 1 January 2019 (Note)	
	Present value of the minimum lease payments RMB'000	**Total minimum lease payments RMB'000**	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year	**2,968**	**3,254**	3,107	3,254
After 1 year but within 2 years	**2,652**	**2,796**	2,966	3,254
After 2 years but within 5 years	**397**	**422**	2,778	3,218
	3,049	**3,218**	5,744	6,472
	6,017	**6,472**	8,851	9,726
Less: total future interest expenses		**(455)**		(875)
Present value of lease liabilities		**6,017**		8,851

Note: The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under IAS 17. Comparative information as at 31 December 2018 has not been restated. Further details on the impact of the transition to IFRS 16 are set out in note 1(c).

NOTES TO THE FINANCIAL STATEMENTS

25 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

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

	Note	Share capital RMB'000 Note 25(c)	Share premium RMB'000 Note 25(d)(i)	(Accumulated losses)/ retained profits RMB'000	Total equity RMB'000
Balance at 1 January 2018		14,347	1,274,109	(53,683)	1,234,773
Loss for the year		–	–	(5,065)	(5,065)
Dividends approved in respect of the previous year		–	(771,576)	–	(771,576)
Balance at 31 December 2018 and 1 January 2019	29	**14,347**	**502,533**	**(58,748)**	**458,132**
Profit for the year		**–**	**–**	**443,962**	**443,962**
Dividends approved in respect of the previous year		**–**	**(502,533)**	**(371,165)**	**(873,698)**
Balance at 31 December 2019	29	**14,347**	**–**	**14,049**	**28,396**

(b) Dividends

Pursuant to a resolution passed at the Directors' meeting on 23 March 2020, a final dividend of HKD0.65 (2018: HKD0.55) per ordinary share totalling HKD1,173,088,000, equivalent to approximately RMB1,073,997,000, (2018: HKD992,613,000, equivalent to approximately RMB847,989,000) was proposed for shareholders' approval. The dividend has not been provided for in the consolidated financial statements for the year ended 31 December 2019.

(i) Dividends payable to equity shareholders of the Company attributable to the year

	2019 RMB'000	2018 RMB'000
Final dividend proposed after the end of the reporting period of HKD0.65 per ordinary share (2018: HKD0.55 per ordinary share)	**1,073,997**	847,989

NOTES TO THE FINANCIAL STATEMENTS

25 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(b) Dividends *(Continued)*

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

	2019 RMB'000	2018 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HKD0.55 per ordinary share (2018: HKD0.50 per ordinary share)	**873,698**	771,576

(c) Share capital

Authorised and issued share capital

	No. of shares ('000)	**Amount** HKD'000
Authorised:		
Ordinary shares of HKD0.01 each at 31 December 2019 and 2018	15,000,000	150,000

		Amount	
	No. of shares ('000)	HKD'000	**Equivalent to** RMB'000
Issued and fully paid:			
At 31 December 2019 and 2018	1,804,750	18,048	14,347

(d) Nature and purpose of reserves

(i) Share premium and distributability of reserves

Under the Companies Law of the Cayman Islands, the share premium account of the Company may be applied for payment of distributions or dividends to shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

The aggregated amount of distributable reserves, including share premium but after offsetting the accumulated losses, of the Company as at 31 December 2019 was RMB14,049,000 (2018: RMB443,785,000).

NOTES TO THE FINANCIAL STATEMENTS

25 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

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

(ii) Capital reserve

Capital reserve comprises the following:

— share of non-distributable reserves of an associate at the respective dates; and

— the equity component of convertible bonds issued by Conch Venture BVI, a subsidiary of the Group, recognised in accordance with the accounting policy as set out in note 1(r).

(iii) PRC statutory reserves

PRC statutory reserves were established in accordance with the relevant PRC rules and regulations and the articles of association of the companies comprising the Group which are incorporated in the PRC. Appropriations to the reserves were approved by the respective boards of directors' meeting.

For the entity concerned, PRC statutory reserves can be used to make good previous years' losses, if any, and may be converted into capital in proportion to the existing equity interests of investors, provided that the balance of the reserve after such conversion is not less than 25% of the entity's registered capital.

(iv) Exchange reserve

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

(v) Capital risk management

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

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

NOTES TO THE FINANCIAL STATEMENTS

25 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

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

(v) Capital risk management *(Continued)*

The Group monitors its capital structure on the basis of gearing ratio. The Group defines gearing ratio as total liabilities divided by total assets.

The Group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, the Group recognizes right-of-use assets and corresponding lease liabilities for almost all leases previously accounted for as operating leases as from 1 January 2019. This caused an increase in the Group's total debt and hence the Group's adjusted gearing ratio rose from 20.32% to 20.34% on 1 January 2019 when compared to its position as at 31 December 2018.

The Group's strategy was to maintain the gearing ratio at a reasonable level. The Group's gearing ratio at the end of the current and previous reporting periods and at the date of transition to IFRS 16 was as follow:

	31 December 2019	1 January 2019 (Note)	31 December 2018 (Note)
	RMB'000	RMB'000	RMB'000
Total liabilities	**9,409,165**	6,759,292	6,750,441
Total assets	**42,171,561**	33,225,153	33,216,302
Gearing ratio	**22.31%**	20.34%	20.32%

Note: The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under IAS 17. Under this approach, the comparative information is not restated. See note 1(c).

Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

NOTES TO THE FINANCIAL STATEMENTS

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's bank deposits are held with banks located in the Mainland of the PRC and Hong Kong which management believes are of high credit quality. Accordingly, the Group's credit risk is primarily attributable to trade and other receivables and service concession assets. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 3% (2018: 5%) and 7% (2018: 13%) of the total trade and other receivables and service concession assets were due from the Group's largest customer and the five largest customers respectively. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statements of financial position.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Debtors with balances that are more than 30 days past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

Service concession assets are mainly due from local government authorities in the PRC with no history of default, the Group considers the credit risk for service concession assets to be insignificant.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The Group does not provide any other guarantees to third parties which would expose the Group to credit risk.

NOTES TO THE FINANCIAL STATEMENTS

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

(a) Credit risk *(Continued)*

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables and bills receivables:

	2019		
	Expected loss rate %	**Gross carrying amount RMB'000**	**Loss allowance RMB'000**
Current (not past due)	**0%**	**752,031**	**–**
Less than 1 year past due	**5%**	**22,567**	**(1,128)**
1 to 2 years past due	**40%**	**17,222**	**(6,889)**
2 to 3 years past due	**80%**	**17,210**	**(13,768)**
More than 3 years past due	**100%**	**22,755**	**(22,755)**
		831,785	**(44,540)**

	2018		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	0%	590,253	–
Less than 1 year past due	5%	29,011	(1,451)
1 to 2 years past due	40%	38,209	(15,283)
2 to 3 years past due	80%	8,625	(6,900)
More than 3 years past due	100%	26,650	(26,650)
		692,748	(50,284)

Expected loss rates are based on actual loss experience over the past 5 years. These rates are adjusted based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

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

(b) Liquidity risk

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

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

	At 31 December 2019					
	Contractual undiscounted cash outflow					
	Within one year or on demand RMB'000	More than one year but less than two years RMB'000	More than two years but less than five years RMB'000	More than five years RMB'000	Total RMB'000	Carrying amount RMB'000
Bank loans	**774,344**	**878,604**	**806,136**	**410,720**	**2,869,804**	**2,583,237**
Trade and other payables	**3,071,108**	**–**	**–**	**–**	**3,071,108**	**3,071,108**
Convertible bonds	**–**	**–**	**4,030,504**	**–**	**4,030,504**	**3,574,266**
Lease liabilities	**3,254**	**2,796**	**422**	**–**	**6,472**	**6,017**
	3,848,706	**881,400**	**4,837,062**	**410,720**	**9,977,888**	**9,234,628**

NOTES TO THE FINANCIAL STATEMENTS

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

(b) Liquidity risk *(Continued)*

	At 31 December 2018					
	Contractual undiscounted cash outflow					
	Within one year or on demand RMB'000	More than one year but less than two years RMB'000	More than two years but less than five years RMB'000	More than five years RMB'000	Total RMB'000	Carrying amount RMB'000
Bank loans	126,636	152,642	1,040,966	97,270	1,417,514	1,267,500
Trade and other payables	1,974,026	–	–	–	1,974,026	1,974,026
Convertible bonds	–	–	3,942,317	–	3,942,317	3,383,432
	2,100,662	152,642	4,983,283	97,270	7,333,857	6,624,958

Note: The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under IAS 17. Lease liabilities include amounts recognised at the date of transition to IFRS 16 in respect of leases previously classified as operating leases under IAS 17 and amounts relating to new leases entered into during the year. Under this approach, the comparative information is not restated. See note 1(c).

NOTES TO THE FINANCIAL STATEMENTS

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

(c) Interest rate risk

(i) Interest rate profile

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from bank loans. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate profile as monitored by management is set out below.

The Group's cash at bank and interest-bearing borrowings, and their interest rates as at 31 December 2019 and 2018 are set out as follows:

	2019		2018	
	Interest rate %	**RMB'000**	Interest rate %	RMB'000
Fixed rate:				
Bank deposits with original maturity within three months	**2.29%–3.85%**	**2,097,250**	0.20%–4.20%	1,622,323
Bank deposits with original maturity over three months	**2.50%–4.18%**	**842,972**	2.45%–2.92%	2,104,308
Bank loans	**3.78%–3.92%**	**(520,000)**	4.13%	(30,000)
Convertible bonds	**0.00%**	**(3,516,015)**	0.00%	(3,439,085)
Lease liabilities (Note)	**4.75%**	**(6,017)**		–
		(1,101,810)		257,546
Variable rate:				
Cash at bank and on hand	**0.3%–1.61%**	**864,950**	0.30%–1.85%	1,051,522
Restricted bank deposits	**0.3%–2.25%**	**28,253**	1.75%–2.25%	12,613
Bank loans	**4.275%–4.456%**	**(2,063,237)**	4.28%–4.51%	(1,237,500)
		(1,170,034)		(173,365)

Note: The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under IAS 17. Under this approach, the comparative information is not restated. See note 1(c).

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

(c) Interest rate risk *(Continued)*

(ii) Sensitivity analysis

At 31 December 2019, it is estimated that a general increase/decrease of 25 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately RMB1,826,000 (2018: decreased/increased the Group's profit after tax and retained profits by approximately RMB323,000).

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after tax (and retained profits) and other components of consolidated equity is estimated as an annualised impact on interest expenses or income of such changes in interest rates. The analysis is performed on the same basis for 2018.

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currency giving rise to this risk is primarily United States dollars ("USD"), and Hong Kong dollars ("HKD"). The Group manages this risk as follows:

(i) Recognised assets and liabilities

In respect of trade receivables and payables denominated in foreign currencies, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

NOTES TO THE FINANCIAL STATEMENTS

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

(d) Currency risk *(Continued)*

(ii) Exposure to currency risk

The following table details the Group's exposure at the end of each of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the year end date.

	At 31 December 2019		
	USD RMB'000	**HKD RMB'000**	**Total RMB'000**
Trade and other receivables	**10,218**	**–**	**10,218**
Cash and cash equivalents	**22,974**	**93,819**	**116,793**
Net exposure arising from recognised assets and liabilities	**33,192**	**93,819**	**127,011**

	At 31 December 2018		
	USD RMB'000	HKD RMB'000	Total RMB'000
Trade and other receivables	265	–	265
Cash and cash equivalents	63,846	760,292	824,138
Net exposure arising from recognised assets and liabilities	64,111	760,292	824,403

NOTES TO THE FINANCIAL STATEMENTS

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

(d) Currency risk *(Continued)*

(iii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax and retained profits and other components of consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure as at 31 December 2018 and 2019 have changed at those dates, assuming all other risk variables remained constant.

	2019		2018	
	Increase in foreign exchange rate	**Increase in profit after tax and retained earnings RMB'000**	Increase in foreign exchange rate	Increase in profit after tax and retained earnings RMB'000
USD	**1%**	**249**	1%	481
HKD	**1%**	**742**	1%	6,579
		991		7,060

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translating into RMB at the exchange rate ruling at the end of the reporting period for presentation purpose.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting periods. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2018.

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

(e) Fair values

The carrying amounts of service concession assets and liability component of convertible bonds approximate their fair values which are determined based on the discounted cash flow approach. The estimated cash flows are based on the management's best estimates and the discount rate is market-related rate for a similar instrument at the balance sheet date.

All other financial assets and liabilities carried at cost or amortised cost are not materially different from their fair values as at 31 December 2019 and 2018.

27 COMMITMENTS

(a) Purchase and capital commitments

At 31 December 2019, the Group had outstanding purchase commitments related to BOT construction contracts and capital commitments not provided for in the consolidated financial statements were as follows:

	2019	2018
	RMB'000	RMB'000
Contracted for	**1,976,373**	1,327,312
Authorised but not contracted for	**2,345,775**	2,196,735
	4,322,148	3,524,047

NOTES TO THE FINANCIAL STATEMENTS

28 MATERIAL RELATED PARTY TRANSACTIONS

During the year, transactions with the following parties are considered as related party transactions.

Name of party (i)	Relationship
Kawasaki Heavy Industry Ltd. ("Kawasaki HI") 川崎重工業株式會社	Investor of CK Engineering and CK Equipment
Conch Holdings 安徽海螺集團有限責任公司	Associate of the Group
Conch Cement 安徽海螺水泥股份有限公司	Associate of Conch Holdings
Conch Profiles 蕪湖海螺型材科技股份有限公司	Associate of Conch Holdings
Conch Design Institute 安徽海螺建材設計研究院	Subsidiary of Conch Holdings
Conch IT Engineering 安徽海螺信息技術工程有限責任公司	Subsidiary of Conch Investment
Anhui Conch Kawasaki Equipment Manufacturing Co., Ltd. ("CKEM") 安徽海螺川崎裝備製造有限公司	Joint venture of Conch Cement and Kawasaki HI
Sanming Nanfang Jinyuan Environmental Protection Technology Co., Ltd. ("Jinyuan Environmental Protection") 三明南方金圓環保科技有限公司	Associate of the Group
Shanxi Yaobai Special Cement Co.,Ltd. ("Yaobai Special Cement") 堯柏特種水泥集團有限公司	Investor of Yaobai Environmental

(i) The English translation of the names is for reference only. The official names of these entities are in Chinese.

NOTES TO THE FINANCIAL STATEMENTS

28 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's executive directors as disclosed in Note 8 is as follows:

	2019 RMB'000	2018 RMB'000
Short-term employee benefits	**4,804**	3,833
Post-employment benefits	**61**	70
	4,865	3,903

(b) Significant related party transactions

Particulars of significant transactions between the Group and the above related parties during the year are as follows:

	2019 RMB'000	2018 RMB'000
Sales of goods to:		
Conch Cement	**178,882**	321,867
Kawasaki HI	**6,633**	21,667
CKEM	**2,784**	3,449
Conch Design Institute	**9,365**	22,318
Conch Profiles	**11**	–
Conch IT Engineering	**–**	13
	197,675	369,314

	2019 RMB'000	2018 RMB'000
Service rendered to:		
Conch Cement	**86,383**	124,618
Conch Design Institute	**264**	1,104
Conch Holdings	**1,024**	–
Conch Profiles	**24**	–
	87,695	125,722

NOTES TO THE FINANCIAL STATEMENTS

28 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Significant related party transactions *(Continued)*

	2019	2018
	RMB'000	RMB'000
Purchase of goods from:		
Conch Cement	**38,763**	13,522
Conch IT Engineering	**11,187**	5,953
Kawasaki HI	**1,846**	2,222
CKEM	**19,686**	18,087
Conch Profiles	**1,369**	467
Conch Design Institute	**836**	–
Conch Holdings	**107**	–
Yaobai Special Cement	**150**	315
	73,944	40,566

	2019	2018
	RMB'000	RMB'000
Services received from:		
Conch Cement	**49,385**	33,291
Conch Design Institute	**25,865**	15,593
Conch IT Engineering	**2,091**	15,573
Kawasaki HI	**–**	153
Conch Holdings	**73**	60
Conch Profiles	**–**	229
Yaobai Special Cement	**844**	630
	78,258	65,529

The directors of the Company are of the opinion that the above related party transactions were conducted on normal commercial terms and were priced with reference to prevailing market prices, and in the ordinary course of business.

NOTES TO THE FINANCIAL STATEMENTS

28 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(c) Balances with related parties

Balances with related parties at the end of each reporting period are as follows:

	2019 RMB'000	2018 RMB'000
Amounts due from		
Conch Cement	**56,807**	152,301
CKEM	**–**	15
Kawasaki HI	**2,165**	6,254
Conch Design Institute	**2,899**	4,343
Conch IT Engineering	**1,480**	15
Conch Profiles	**12**	18
Jinyuan Environmental Protection	**56**	–
	63,419	162,946

	2019 RMB'000	2018 RMB'000
Amounts due to		
Conch Cement	**64,781**	58,914
Kawasaki HI	**6,083**	1,163
Conch IT Engineering	**4,544**	11,854
CKEM	**945**	1,389
Conch Design Institute	**29,849**	4,014
Conch Profiles	**17**	69
Conch Holdings	**2,984**	2,966
Yaobai Special Cement	**51**	–
	109,254	80,369

Amounts due from/to related parties are unsecured, non-interest bearing, and are repayable on demand or in accordance with contractual terms which are similar to those terms offered to/by third parties.

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

The related party transactions in respect of Kawasaki HI and CKEM above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in section "Connected transactions" of the Report of the Directors.

NOTES TO THE FINANCIAL STATEMENTS

29 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2019 RMB'000	2018 RMB'000
Non-current assets			
Interest in a subsidiary		**678,880**	678,880
Current assets			
Cash and cash equivalents		**51,710**	12,311
		51,710	12,311
Current liabilities			
Trade and other payables		**702,194**	233,059
Net current liabilities		**(650,484)**	(220,748)
Net assets		**28,396**	458,132
Capital and reserves	25(a)		
Share capital		**14,347**	14,347
Reserves		**14,049**	443,785
Total equity		**28,396**	458,132

30 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(i) Subsequent to the end of reporting period, the directors proposed a final dividend for the year ended 31 December 2019. Further details are disclosed in Note 25(b).

(ii) The outbreak of the coronavirus in China which started in January 2020 has had a short-term negative impact on the Group's project operation and construction.

Management of the Group will closely monitor the situation and continue to assess the impact of the coronavirus outbreak on the Group's operations, financial position and financial performance accordingly.

NOTES TO THE FINANCIAL STATEMENTS

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

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

	Effective for accounting periods beginning on or after
Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, Interest Rate Benchmark Reform	1 January 2020
Amendments to IFRS 3, Definition of a business	1 January 2020
Amendments to IAS 1 and IAS 8, Definition of material	1 January 2020
IFRS 17, Insurance contracts	1 January 2021
Amendments to IAS 1, Classification of Liabilities as Current or Non-current	1 January 2022

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