CONCH VENTURE

2018 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.

CONTENTS

DEFINITIONS

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

Associated corporation(s):	has the meaning ascribed thereto under the SFO
Articles of Association:	the articles of association of the Company
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.*)
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.*)
China or the PRC:	the People's Republic of China
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 (Anhui Conch Building Materials Design and Research Institute*)
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.*)

DEFINITIONS

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.*)
Connected person(s):	has the meaning ascribed thereto under the Listing Rules
CNBM:	中國建材股份有限公司 (China National Building Material Company Limited)
CV Investment:	安徽海螺創業投資有限責任公司 (Anhui Conch Venture Investment Co., Ltd.*)
Conch Venture BVI:	China Conch Venture Holdings International Limited (中國海創控股國際有限公司)
Director(s):	the director(s) of the Company
Group:	the Company and its subsidiaries
Haichang Port:	揚州海昌港務實業有限責任公司 (Yangzhou Haichang Port Industrial Co., Ltd.*)
HKD:	Hong Kong dollar, the lawful currency of Hong Kong
Hong Kong:	the Hong Kong Special Administrative Region of the PRC
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 members of the senior management of the Company
Remuneration and Nomination Committee:	the Remuneration and Nomination Committee of the Board
Reporting Period:	the year from 1 January 2018 to 31 December 2018
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.)

DEFINITIONS

SFO:	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (as amended from time to time)
Shareholders:	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:	西安堯柏環保科技工程有限公司 (Xi'an Yaobai Environmental Protection Technology Engineering 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 (appointed on 21 March 2019)
(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 2018)

1. Operation results

Unit: RMB'000

Item	**2018**	2017	2016	2015	2014	2013	2012
Revenue	**2,889,592**	2,064,951	2,032,213	2,057,494	1,747,892	1,591,382	1,250,435
Profit before taxation	**6,251,536**	3,631,109	2,281,837	2,226,710	2,479,758	2,051,201	1,482,742
Share of profit of an associate	**5,275,171**	2,955,569	1,535,505	1,539,856	1,980,330	1,722,804	1,176,249
Net profit attributable to the equity shareholders of the Company	**5,947,269**	3,403,002	1,980,612	1,944,340	2,238,504	1,836,786	1,299,091

2. Assets and liabilities

Unit: RMB'000

Item	**2018**	2017	2016	2015	2014	2013	2012
Total assets	**33,216,302**	23,176,217	20,213,073	18,499,709	17,206,867	15,976,669	10,804,688
Total liabilities	**6,750,441**	1,964,902	1,866,483	1,750,315	1,906,416	2,699,547	1,325,932
Equity attributable to the equity shareholders of the Company	**25,752,817**	20,577,751	17,747,317	16,258,446	14,853,647	12,801,011	9,060,993

CHRONICLE OF EVENTS

05/11 TongChuan

On 11 May 2018, the Company successfully secured the municipal waste incineration power generation project in Tongchuan. The project has an annual treatment capacity of 180,000 tonnes.

05/22 Li County

On 22 May 2018, the municipal waste incineration power generation project in Li County, Hunan Province successfully commenced on-grid operation.

06/20 FuQuan

On 20 June 2018, Conch Venture entered into the Investment Agreement on Municipal Waste Incineration Power Generation Project of Fuquan City with the People's Government of Fuquan City in Guizhou Province. The project has an annual treatment capacity of 100,000 tonnes.

06/22 LinXiang

On 22 June 2018, the Company entered into the Framework Agreement on Project of Collaborative Treatment of Solid Waste by Cement Kiln with the People's Government of Linxiang City in Hunan Province. The project of collaborative treatment of solid waste by cement kiln has a designed annual capacity of 100,000 tonnes.

06/27 Annual General Meeting

On 27 June 2018, the 2018 Annual General Meeting of Conch Venture was held in Shanghai. The shareholder representatives, Directors and certain senior management members of the Company attended the meeting, and the representatives from nearly 30 domestic and overseas investment institutions (both buyers and vendors) also attended the meeting on invitation.

07/01 Vietnam

On 1 July 2018, the Company signed a Memorandum of Cooperation with the government of Thai Nguyen Province in Vietnam in respect of the waste incineration power generation project in Thai Nguyen. The project has a designed annual treatment capacity of 180,000 tonnes.

07/26 BaoShan

On 26 July 2018, Conch Venture and the People's Government of Longyang District of Baoshan City in Yunnan Province entered into the Cooperation Agreement on Project of Collaborative Treatment of Solid Waste by Cement Kiln and the Investment Agreement on Municipal Waste Incineration Power Generation Project in Core Area of Baoshan. In particular, the waste incineration power generation project has an annual treatment capacity of 280,000 tonnes and will be constructed in two phases; and the project of collaborative treatment of solid waste by cement kiln has an annual treatment capacity of 100,000 tonnes.

08/22 ManZhouli

On 22 August 2018, the Company entered into the Concession Contract on Municipal Waste Incineration Power Generation Project in Manzhouli City with the People's Government of Manzhouli City in Inner Mongolia Autonomous Region. The project has a planned and treatment capacity of 140,000 tonnes per year.

08/30 Convertible Bonds

On 30 August 2018, the Group captured the favourable market opportunity and successfully issued the zero coupon guaranteed convertible bonds due in 5-year in an amount of HK$3,925,000,000, which will be mainly used for development of environmental projects of collaborative treatment of industrial solid and hazardous waste by cement kilns and grate furnace power generation projects in order to lay a solid foundation for the Group to achieve the dual growth drivers in both industry and capital sectors.

09/11 XingAn

On 11 September 2018, the Company's project of collaborative treatment of municipal waste by cement kiln in Xing'an County of Guangxi Province was completed and commenced operation.

10/25 ZhenXiong

On 25 October 2018, the Company entered into the Concession Agreement on the Municipal Waste Incineration Power Generation Project in Zhenxiong County with the People's Government of Zhenxiong County in Yunnan Province. The project has a total annual treatment capacity of 360,000 tonnes (in two phases).

12/24 New Year Concert

On 24 December 2018, to celebrate the 40th anniversary of reform and opening up of China and the 5th anniversary of the listing of Conch Venture, the Group held the "Night of Conch Venture" 2019 new year music concert, over 600 guests attended and enjoyed this magnificent audiovisual feast.

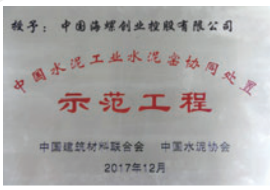
2018 Milestones of Conch Venture

01/01 Prize winning

On 1 January 2018, Conch Venture attended the National Innovational and Development Conference of Collaborative Treatment of Waste by Cement Kilns and was honored the "Demonstration Project" award.

01/22 ShiZhu

On 22 January 2018, the Company entered into the Investment Agreement on Municipal Waste Incineration Power Generation Project of Shizhu County with the People's Government of Shizhu County. The project has a total annual treatment capacity of 100,000 tonnes.



01/24 ShuCheng

On 24 January 2018, the Company entered into the Investment Agreement on Municipal Waste Incineration Power Generation Project of Shucheng County with the People's Government of Shucheng County. The project has an annual treatment capacity of 140,000 tonnes

02/27 DongJiahe

On 27 February 2018, Conch Venture entered into the Cooperation Agreement on Project of Collaborative Treatment of Solid Waste by Cement Kiln in Tongchuan with the Management Committee of Tongchuan Dongjiahe Circular Economy Industrial Park and Shaanxi Tongchuan Fenghuang Construction Material Company Limited.

02/28 XiShui

On 28 February 2018, the Company entered into the Investment Agreement on Municipal Waste Incineration Power Generation Project of Xishui County with the People's Government of Xishui County in Guizhou Province. The project has an annual treatment capacity of 140,000 tonnes.

03/09 ChengDu

On 9 March 2018, the Company entered into a strategic Cooperation Agreement with Chengdu Environment Group.

03/28 QingZhen

On 28 March 2018, the Company entered into the Cooperation Agreement on Project of Collaborative Treatment of Solid and Hazardous Waste by Cement Kiln in Qingzhen with the People's Government of Qingzhen City in Guizhou Province. The project has a designed annual treatment capacity of 100,000 tonnes.

04/18 ChongQing

On 18 April 2018, the Company entered into the Cooperation Agreement on Project of Solid Waste Treatment in Liangping District with the People's Government of Liangping District in Chongqing City. The project has a designed annual treatment capacity of 100,000 tonnes.

05/10 XianYang

On 10 May 2018, the Company entered into an Investment Agreement with the People's Government of Liquan County of Xianyang City in Shaanxi Province in respect of the waste incineration power generation project and the project of collaborative treatment of solid waste by cement kilns. In particular, the waste incineration power generation project has a designed annual treatment capacity of 1,000,000 tonnes (in two phases); and the project of collaborative treatment of solid waste by cement kilns has a designed annual treatment capacity of 300,000 tonnes.

4. BUSINESS REVIEW AND OUTLOOK

(I) MACRO ENVIRONMENT

In 2018, China's economy demonstrated a relatively stable development trend. The annual GDP recorded a year-on-year increase of 6.6%, basically having achieved the expected target. However, the current global economic situation is undergoing profound and complex changes. Reforms in certain key areas in China are gradually deepening. The economy in China is shifting from high-speed development to high-quality development. Uncertainties in the economy has created difficulties for the development of entity enterprises.

From the perspective of industry development, the environmental protection industry is still attracting focus and support in China. This is largely in line with the development direction of the Company. In the next three to five years, the company is at the strategic position to break through challenges and welcome brighter future.

(II) BUSINESS REVIEW

In 2018, under the leadership of the Board of the Company, the Group took the initiative to adapt to the new trend of economic development, firmly grasped the strategic opportunities in China to promote green development and ecological civilization construction by closely adhered to the two key topics of rapid development and quality and efficiency enhancement. The development of environmental protection business achieved remarkable results and new building materials and port logistics businesses steadily improved. The Company as a whole presented a steady upward trend of development.

Achieving Remarkable Results in the Development of Environmental Protection Business

During the Reporting Period, the Group secured 18 new environmental protection projects, which include 6 solid waste treatment projects in Liangping, Chongqing City, Tongchuan, Shaanxi Province, Qingzhen, Guizhou Province, Xianyang, Shaanxi Province, Linxiang, Hunan Province, and Baoshan, Yunnan Province; 10 grate furnace power generation projects in Shizhu, Chongqing City, Shucheng, Anhui Province, Xishui, Guizhou Province, Tongchuan, Shaanxi Province, Liquan, Shaanxi Province, Fuquan, Guizhou Province, Baoshan, Yunnan Province, Zhenxiong, Yunnan Province, Manzhouli, Inner Mongolia Region and Lujiang, Anhui Province, and 1 black odor water treatment project in Sanshan District, Wuhu. In addition, a Memorandum of Understanding of the grate furnace power generation project in Thai Nguyen, Vietnam was duly signed. The Group's international environmental protection business achieved a new breakthrough.

4. BUSINESS REVIEW AND OUTLOOK

1. **Solid waste treatment**

   During the Reporting Period, the Group established the solid and hazardous waste management committee. After nearly a year of exploration and operation, the committee has achieved remarkable results in business development, market expansion and project construction management. Due to the innovative management structure of the Group, which contributed to the improvement of operating efficiency of the Group, thus the profits of the solid waste treatment segment increased significantly. Moreover, Yaobai Environmental commenced inter-provincial transfer business and accumulated experience for the future development of hazardous waste market outside the province. At the same time, the Group paid attention to the standardized management of construction and confirmed the key tone of Huizhou style architecture appearance of solid waste treatment project, and built its group image and demonstrated its corporate culture with unique visual experience.

4. BUSINESS REVIEW AND OUTLOOK

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

No.	Status of Construction	Project Location	Capacity	Hazardous Waste Qualification	Expected Completion Date	Remarks
1	Completed	Lantian County, Shaanxi Province	90,000 tonnes per year		Completed in January 2015	General solid waste
2		Fuping County, Shaanxi Province	100,000 tonnes per year	100,000 tonnes per year	Completed in April 2016	
3		Qian County, Shaanxi Province	70,000 tonnes per year	63,600 tonnes per year	Completed in April 2017	
4		Mian County, Shaanxi Province	45,000 tonnes per year		Completed in October 2017	General solid waste
5		Qianyang County, Shaanxi Province	100,000 tonnes per year	100,000 tonnes per year	Completed in October 2018	
6		Huaining County, Anhui Province	70,000 tonnes per year		Completed in September 2017	General solid waste
7		Huaibei City, Anhui Province	70,000 tonnes per year		Completed in December 2017	General solid waste
8		Wuhu City, Anhui Province	2x100,000 tonnes per year	Phase 1: 68,000 tonnes per year Phase 2: 55,000 tonnes per year	Phase 1: completed in December 2017 Phase 2: completed in November 2018	
9		Yiyang County, Jiangxi Province (Phase 1)	100,000 tonnes per year	85,000 tonnes per year	Completed in May 2018	
10		Xingye County, Guangxi Province (Phase 1)	100,000 tonnes per year	95,000 tonnes per year	Completed in August 2018	
11		Suzhou City, Anhui Province (Phase 1)	100,000 tonnes per year	45,000 tonnes per year	Completed in August 2018	
Subtotal			**1,045.000 tonnes per year**	**611,600 tonnes per year**		

4. BUSINESS REVIEW AND OUTLOOK

No.	Status of Construction	Project Location	Capacity	Hazardous Waste Qualification	Expected Completion Date	Remarks
12	Under construction	Zhong County, Chongqing City	2x100,000 tonnes per year		April 2019	
13		Yiyang County, Jiangxi Province (Phase 2)	100,000 tonnes per year		June 2019	
14		Wenshan City. Yunnan Province (Phase 1)	100,000 tomes per year		July 2019	
15		Xianyang City, Shaanxi Province	300,000 tonnes per year		August 2019	General solid waste
16		Liangping District, Chongqing Ciiy	100,000 tonnes per year		October 2019	General solid waste
17		Xingye County, Guangxi Province (Phase 2)	100,000 tonnes per year		October 2019	
18		Qingzhen City, Guizhou Province	100,000 tonnes per year		October 2019	
19		Tongchuan City, Shaanxi Province	100,000 tonnes per year		October 2019	
20		Sishui County, Shandong Province	100,000 tonnes per year		November 2019	
21		Guangyuan City, Sichuan Province	100,000 tonnes per year		December 2019	General solid waste
22		Qiyang County, Hunan Province	100,000 tonnes per year		December 2019	
Subtotal			**1,400,000 tonnes per year**			
23	Approved and under planning	Suzhou City, Anhui Province (Phase 2)	100,000 tonnes per year		/	
24		Wenshan City, Yunnan Province (Phase 2)	100,000 tonnes per year			
25		Linxiang City, Hunan Province	100,000 tonnes per year			
26		Baoshan City, Yunnan Province	100,000 tonnes per year			Cement kiln treatment changed to solid waste treatment
Subtotal			**400,000 tonnes per year**			
Total			**2,845,000 tonnes per year**			

4. BUSINESS REVIEW AND OUTLOOK

As of the end of the Reporting Period, 11 solid waste treatment projects of the Group were completed, representing an annual capacity of 1,045,000 tonnes. A total of 22 solid waste treatment projects were secured and/or completed, representing a treatment capacity of approximately 2,845,000 tonnes per year.

During the Reporting Period, a total of 403,400 tonnes of solid and hazardous waste were received, among which 137,200 tonnes were hazardous waste and 266,200 tonnes were general solid waste.

2. Grate Furnace Power Generation

During the Reporting Period, the Group entered into a contract for the project in Thai Nguyen, Vietnam, which represented a breakthrough in our first overseas project and further improvement of the international business of the Group. In addition, the Group won a large-scale project with annual treatment capacity of 1 million tonnes in Xianyang City, Shaanxi Province, which demonstrated its remarkable comprehensive strength.

In 2018, the Group innovated its management model, established a benchmarking management system for grate furnace power generation, and analyzed quantitatively improvement room of the power generation capacity of its subsidiaries. At the same time, supervision and guidance of production operation organization were strengthened to further improve the quality of production operation.

4. BUSINESS REVIEW AND OUTLOOK

Details of grate furnace power generation projects are set out in the following table:

No.	Status of Construction	Project Location	Capacity	Expected Completion Date	Remarks
1	Completed	Jinzhai County, Anhui Province	100,000 tonnes per year	Completed in January 2016	
2		Tongren City, Guizhou Province	2x100,000 tonnes per year	Completed in July 2017	
3		Yanshan County, Yunnan Province	70,000 tonnes per year	Completed in August 2017	
4		Huoqiu County. Anhui Province (Phase 1)	140,000 tonnes per year	Completed in January 2018	
5		Li County, Hunan Province (Phase 1)	100,000 tonnes per year	Completed in April 2018	
6		Songming County, Yunnan Province	100,000 tonnes per year	Completed in January 2019	
7		Shanggao County Jiangxi Province	140,000 tonnes per year	February 2019	
Subtotal			**850,000 tonnes per year**		
8	Under construction	Huoqiu County, Anhui Province (Phase 2)	140,000 tonnes per year	March 2019	
9		Shache County, Xinjiang Region	2x100,000 tonnes per year	June 2019	
10		Bole City, Xinjiang Region	100,000 tonnes per year	June 2019	
11		Yiyang County, Jiangxi Province	2x100,000 tonnes per year	Phase 1: May 2019 Phase 2: July 2019	To be constructed in two phases
12		Sishui County, Shandong Province	140,000 tonnes per year	June 2019	
13		Yang County. Shaanxi Province	100,000 tonnes per year	September 2019	
14		Li County, Hunan Province (Phase 2)	140,000 tonnes per year	October 2019	
15		Baoshan City, Yunnan Province	2x140,000 tonnes per year	December 2019	To be constructed in two phases
16		Fuquan City, Guizhou Province	100,000 tonnes per year	December 2019	
17		Lujiang County, Anhui Province (Phase 1)	180,000 tonnes per year	December 2019	
18		Shizhu County, Chongqing City	100,000 tonnes per year	January 2020	
19		Xianyang City, Shaanxi Province	2x500,000 tonnes per year	June 2020	
Subtotal			**2,680,000 tonnes per year**		

4. BUSINESS REVIEW AND OUTLOOK

No.	Status of Construction	Project Location	Capacity	Expected Completion Date	Remarks
20	Approved and under planning	Huoshan County, Anhui Province	140,000 tonnes per year	/	
21		Shucheng County, Anhui Province	140,000 tonnes per year		
22		Tongchuan City, Shaanxi Province	180,000 tonnes per year		
23		Xishui County, Cuizhou Province	2x140,000 tonnes per year		To be constructed in two phases
24		Thai Nguyen, Vietnam	180,000 tonnes per year		
25		Manzhoujiao City, Inner Mongolia Region	140,000 tonnes per year		
26		Zhenxiong County, Yunnan Province	2x180,000 tonnes per year		To be constructed in two phases
27		Lujiang County, Anhui Province (Phase 2)	180,000 tonnes per year		
Subtotal			**1,600,000 tonnes per year**		
Total			**5,130,000 tonnes per year**		

As of the end of the Reporting Period, 5 grate furnace power generation projects were completed and put into operation, with an annual capacity of 610,000 tonnes. A total of 24 grate furnace power generation projects were secured and/or completed, representing a treatment capacity of approximately 5,130,000 tonnes per year.

During the Reporting Period, a total of 580,000 tonnes of waste were treated and 197 million kWh of electricity were generated.

3. **Waste Treatment by Cement Kilns**

During the Reporting Period, 16 projects waste treatment by cement kilns were completed, with a treatment capacity of 1,350,000 tonnes per year. As of the end of the Reporting Period, the annual capacity of waste treatment by cement kilns reached 1,280,000 tonnes and the actual treatment volume was 737,800 tonnes.

4. BUSINESS REVIEW AND OUTLOOK

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

No.	Status of Construction	Project Location	Business Model	Capacity	Remarks
1	Completed	Pingliang City, Gansu Province	BOT	100,000 tonnes per year	
2		Qingzhen City, Guizhou Province		100,000 tonnes per year	
3		Yangchun City, Guangdong Province		70,000 tonnes per year	
4		Yuping County, Guizhou Province		30,000 tonnes per year	A joint venture with China National Building Material Company Limited
5		Xishui County, Guizhou Province		100,000 tonnes per year	
6		Qiyang County, Hunan Province		100,000 tonnes per year	
7		Shimen County, Hunan Province		70,000 tonnes per year	
8		Shuicheng County, Guizhou Province		70,000 tonnes per year	
9		Fusui County, Guangxi Region		70,000 tonnes per year	
10		Shuangfeng County, Hunan Province		70,000 tonnes per year	
11		Baoshan City, Yunnan Province		100,000 tonnes per year	
12		Nanjiang County, Sichuan Province		70,000 tonnes per year	
13		Lingyun County, Guangxi Region		30,000 tonnes per year	
14		Ningguo City, Anhui Province		100,000 tonnes per year	
15		Linxia Prefecture, Gansu Province		100,000 tonnes per year	
16		Xing'an County, Guangxi Region		100,000 tonnes per year	
Subtotal				**1,280,000 tonnes per year**	
17	Under construction	Yingjiang County, Yunnan Province	BOT	70,000 tonnes per year	Expected to be put into operation in March 2019
Subtotal				**70,000 tonnes per year**	
Total				**1,350,000 tonnes per year**	

4. BUSINESS REVIEW AND OUTLOOK

Achieving Sound Development in New Building Materials Business

During the Reporting Period, the operating efficiency of new building materials business continued to improve and the Group's confidence in its development was further strengthened. The Group actively explored new markets, deepened the integration of internal resources, improved coordinated production and sales and provided a complementary offering. Both sales volume and selling price have been significantly improved compared with last year. At the same time, the Group actively explored overseas markets and leveraged on e-commerce, exhibition and other platforms through a variety of channels with a view to increase the sales of foreign trade products.

As at the end of the Reporting Period, product sales of new building materials business segment amounted to 8,040,000 sq.m., representing a year-on-year growth of 13%. In particular, Anhui Conch Venture New Building Material Company maintained monthly sales of above 400,000 sq.m., and its annual selling prices increased by RMB1.91/sq.m. year-on-year.

Port throughput reaching a new high

With the increasingly stringent environmental protection regulations for the operation of bulk cargo terminals along the Yangtze River, the Group has stepped up technological renovation of environmental governance to reduce the impact of production capacity constraints, continuously optimized handling technology, improved operational efficiency, seized the strategic opportunity period of "terminal renovation" in the Yangtze River Economic Zone, adjusted the supply structure, secured a number of new end customers, and achieved a new record high throughput.

As at the end of the Reporting Period, port throughput reached 33,400,000 tonnes and the revenue amounted to RMB198 million, representing an increase of 27.61%.

(III) FUTURE PLANS AND OUTLOOK

Looking back at the previous year, under the background of frequent international trade frictions and increasing pressure of domestic economic downturn, the Group actively explored new business development ideas and achieved good results by sorting new business breakthroughs and overseas business development. During the year, net profit of the principal businesses of the Group reached a compound annual growth rate of 50%, demonstrating the comprehensive power of the Group. In the future, with the continuous growth of new environmental protection projects, expansion of capacity scale and enhancement of operation quality, the Group will maintain high-speed development, and its prospects are worth looking forward to.

4. BUSINESS REVIEW AND OUTLOOK

Going forward, our country will continue to adhere to the basic principle of making progress while maintaining stability. The focus on green development and ecological civilization construction is in line with the new concept of development. As the environmental protection industry is still attracting focus and gaining support in our country, the Group is facing an important strategic opportunity period. As such, the Group has formulated the development plan for 2019–2023, and will strive to achieve the development goal of "1133" by 2023, which means the signing annual disposal capacity of solid waste treatment reaching 10 million tonnes, the signing annual disposal capacity of grate furnace power generation reaching 18 million tonnes, the volume of production and sales of new building materials "ACA" (Anhui Conch Cellulose Fiber Cement Boards, Autoclaved) boards reaching 31 million sq.m., and port throughput reaching 36 million tonnes.

The Group's development direction, development goals and implementation path in the next five years have been very clear. 2019 is the beginning year of the implementation of the Group's next five-year plan. The Group is actively propelling the optimization of business structure, the planning of new projects, the research and development of new technologies and the innovation of internal reforms. The Group is gradually glowing with new vitality. The Group will always maintain its strategic strength, strengthen its confidence in development, further reinforce its mission, responsibilities and commitments with a focus on the determined goals, unswervingly accelerate its development, firmly make advancement step by step, and create a new development situation in an all-round way.

The Group will continue to focus on the principal business of environmental protection, integrate the superior resources in the industry, increase technological innovation and investment, improve the scientific research capacity of the Company, carry forward the internationalization process of environmental protection projects, and realize the "dual engines" of environmental protection business. At the same time, we will continue to promote the development of the new building materials business and make profit contribution from it, and maintain stable development of port logistics business.

Focusing on Environmental Protection Business

The Group will strive for the development of the environmental protection business based on the previous experience and the actual development in the industry.

First of all, the Group will go all out to complete its annual development target and maintain high quality development of the environmental protection business. Firstly, the Group will formulate long-term plans, increase research on the newly introduced industry development policies of our country, further explore new business cooperation models, innovate project development incentive mechanism, actively secure external resources available, which will accelerate the arrangement of the environmental protection business of the Group. The Group will explore diversified development of solid waste treatment in China and abroad, and speed up grate furnace power generation with an aim to exceed the annual target of contracted projects. Secondly, the Group will cooperate with tertiary education institutions and relevant social institutions in China and leveraging on the advantages of their technical resources, introduce industry experts and technical consultants to form a pool of experts for establishing research institute of environmental protection to cultivate new competitive advantages and enhance the overall competitiveness of the Company.

4. BUSINESS REVIEW AND OUTLOOK

Next, the Group will carry forward the standardization of management of environmental protection business to further improve the operation quality. In particular, the solid waste treatment segment shall adhere to the principle of "market-oriented and efficiency-oriented", with an aim to accelerate market arrangement and development efforts, and improve operation quality to ensure the realization of the annual profit target. The focus of grate furnace power generation segment shall be increasing waste volume and power generation volume and pushing forward the benchmarking management system in depth.

At last, the Group will establish a sound construction management standardization system, to speed up the progress of the warrants and project construction to ensure that the production will be put into operation on schedule and create the main architectural style of its environmental protection projects.

New Building Materials Business Entering into a New Stage of Development

The Group will continue to focus on market development and put the boost of panel sales and market share in the first place. Taking the market demand as the starting point, we will optimize economic indicators by increasing domestic trade and foreign trade to enhance our market power. Meanwhile, we will continue to intensify the benchmark management, give full play to the production capacity and post-production efficiency, and comprehensively improve the production control and market supply capability. In addition, the product category will be further expanded to enhance the overall competitiveness of the new building materials business.

Port Logistic Business Showing Ongoing and Stable Development

The Group will actively participate in the general environment of strategic development in Yangtze River Economic Zone and focus on promoting environmental protection technology transformation projects to optimize its production site and build an image of ecological port. The Group will continue to tap the potential of freight transport, stabilize core customer groups, strengthen expansion of potential markets in the upper and middle reaches of the Yangtze River, and strive to achieve another breakthrough in throughput.

5. MANAGEMENT DISCUSSION AND ANALYSIS

(I) PROFITS

Item	2018 Amount (RMB'000)	2017 Amount (RMB'000)	Changes between the Reporting Period and the corresponding period of the previous year (%)
Revenue	**2,889,592**	2,064,951	39.94
Profit before taxation	**6,251,536**	3,631,109	72.17
Share of profit of an associate	**5,275,171**	2,955,569	78.48
Profit before taxation from principal businesses	**976,365**	675,540	44.53
Net profit attributable to equity shareholders of the Company	**5,947,269**	3,403,002	74.77
Net profit from principal businesses attributable to equity shareholders of the Company	**672,098**	447,433	50.21

During the Reporting Period, the Group recorded a total revenue of RMB2,889.59 million, representing a year-on-year increase of 39.94%. Profit before taxation amounted to RMB6,251.54 million, representing a year-on-year increase of 72.17%. Share of profit of an associate amounted to RMB5,275.17 million, representing a year-on-year increase of 78.48%, which was mainly due to the increase in profits from Conch Holdings, an associate. Profit before taxation from principal businesses amounted to RMB976.37 million, representing a year-on-year increase of 44.53%, which was mainly due to enhanced efficiency of the environmental protection segment of the Group. Net profit attributable to equity shareholders of the Company amounted to RMB5,947.27 million, representing a significant year-on-year increase of 74.77%, among which, net profit from principal businesses attributable to equity shareholders of the Company amounted to RMB672.10 million, representing a significant year-on-year increase of 50.21%. Excluding the impacts of net interest expenses of the convertible bonds and the withholding tax on the dividends distributed by the PRC subsidiaries, the net profit attributable to equity shareholders of the Company was RMB729.04 million, representing a significant year-on-year increase of 62.94%. Basic earnings per share amounted to RMB3.30, diluted earnings per share amounted to RMB3.26.

5. MANAGEMENT DISCUSSION AND ANALYSIS

1. Revenue by business segments

Item	2018 Amount (RMB'000)	2018 Percentage (%)	2017 Amount (RMB'000)	2017 Percentage (%)	Change in amount (%)	Change in percentage (percentage points)
Solid waste solutions	**394,958**	**13.67**	113,636	5.50	247.56	8.17
Waste incineration solutions	**1,723,623**	**59.65**	1,173,299	56.82	46.90	2.83
Energy saving equipment	**461,260**	**15.96**	536,721	25.99	–14.06	–10.03
New building materials	**112,099**	**3.88**	86,410	4.19	29.73	–0.31
Port logistics	**197,652**	**6.84**	154,885	7.50	27.61	–0.66
Total	**2,889,592**	**100.00**	2,064,951	100.00	39.94	–

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

(i) The revenue from solid waste solutions amounted to RMB394.96 million, representing a year-on-year increase of 247.56%, which was mainly due to the commencement of operation of new projects in Wuhu, Yiyang, Suzhou, leading to the rapid increase in revenue.

(ii) The revenue from waste incineration solutions amounted to RMB1,723.62 million, representing a year-on-year increase of 46.90%, which was mainly due to the Group's active promotion of its grate furnace power generation business, the increase in the number of projects under construction and put into operation, leading to the increase in revenue.

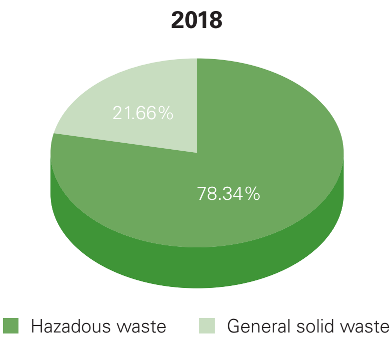
(iii) The revenue from energy saving equipment amounted to RMB461.26 million, representing a year-on-year decrease of 14.06%, which was mainly due to decrease in market demand, resulting in the reduction of number of energy saving equipment orders and delay in construction progress of certain projects and thus a decrease in revenue.

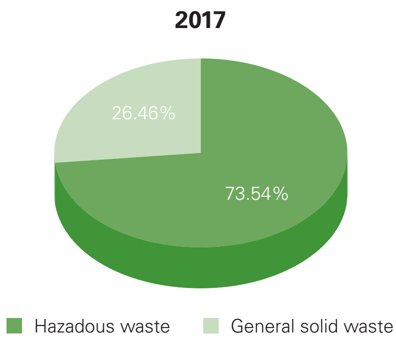
(iv) The revenue from new building materials recorded a year-on-year increase of 29.73%,which was mainly due to the fact that the Group enhanced expansion of domestic and overseas markets, leading to increases in both volume and prices and thus a rapid growth in revenue.

5. MANAGEMENT DISCUSSION AND ANALYSIS

(v) The revenue from port logistics recorded a year-on-year increase of 27.61%, which was mainly due to the fact that the Group actively developed logistics market, resulting in a year-on-year increase in throughput and handling prices.

(1) Breakdown of revenue from solid waste solutions





During the Reporting Period, the revenue from hazardous waste solutions amounted to RMB309.41 million, representing a year-on-year increase of 270.24%. The revenue from general solid waste amounted to RMB85.55 million, representing a year-on-year increase of 184.50%.

(2) Breakdown of revenue from waste incineration solutions

Revenue breakdown	2018 Amount (RMB'000)	2018 Percentage (%)	2017 Amount (RMB'000)	2017 Percentage (%)	Change in amount (%)	Change in percentage (percentage points)
Construction revenue	**1,486,735**	**86.26**	1,036,475	88.34	43.44	–2.08
Waste treatment by cement kilns	**82,492**	**4.79**	213,494	18.20	–61.36	–13.41
Grate furnace power generation	**1,404,243**	**81.47**	822,981	70.14	70.63	11.33
Operation revenue	**143,220**	**8.31**	65,100	5.55	120.00	2.76
Waste treatment by cement kilns	**40.235**	**2.33**	35,499	3.03	13.34	–0.70
Grate furnace power generation	**102,985**	**5.98**	29,601	2.52	247.91	3.46
Interest revenue	**93,668**	**5.43**	71,724	6.11	30.60	–0.68
Waste treatment by cement kilns	**61,236**	**3.55**	61,668	5.26	–0.70	–1.71
Grate furnace power generation	**32,432**	**1.88**	10,056	0.85	222.51	1.03
Total	**1,723,623**	**100.00**	1,173,299	100.00	46.90	–

5. MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the revenue from waste incineration solutions segment during the construction period amounted to RMB1,486.74 million, representing a year-on-year increase of 43.44%, which was mainly due to the increase in the number of the Group's grate furnace power generation project and acceleration of construction progress, leading to an increase in construction revenue. The operation revenue from waste incineration solutions segment amounted to RMB143.22 million, representing a year-on-year increase of 120%, which was mainly due to the commencement of operation of new projects in Huoqiu, Li County and Xing'an.

2. Revenue by geographical locations

Item	2018		2017		Change in amount	Change in percentage (percentage points)
	Amount (RMB'000)	**Percentage (%)**	Amount (RMB'000)	Percentage (%)	(%)	
Mainland China	**2,585,651**	**89.48**	1,744,072	84.46	48.25	5.02
Asia (excluding Mainland China)	**298,913**	**10.34**	319,785	15.49	–6.53	–5.15
North America	**4,941**	**0.17**	–	–	–	0.17
South America	**–**	**–**	227	0.01	–	–0.01
Africa	**–**	**–**	867	0.04	–	–0.04
Oceania	**87**	**0.01**	–	–	–	0.01
Total	**2,889,592**	**100.00**	2,064,951	100.00	39.94	–

During the Reporting Period, the Group's revenue derived from Mainland China market amounted to RMB2,585.65 million, representing a year-on-year increase of 48.25%, with its proportion in total revenue increased by 5.02 percentage points year-on-year, which was mainly due to the Group's rapid development of domestic environmental protection business. The revenue derived from the Asia (excluding Mainland China) market amounted to RMB298.91 million, representing a year-on-year decrease of 6.53%, with its proportion in total revenue decreased by 5.15 percentage points year-on-year, which was mainly due to the decrease in number of overseas energy saving equipment orders and the delay in construction progress of certain projects which affected the revenue recognition.

5. MANAGEMENT DISCUSSION AND ANALYSIS

3. Gross profit and gross profit margin

Item	2018 Gross profit (RMB'000)	2018 Gross profit margin (%)	2017 Gross profit (RMB'000)	2017 Gross profit margin (%)	Change in amount (%)	Change in gross profit margin (percentage points)
Solid waste solutions	**306,340**	**77.56**	85,289	75.05	259.18	2.51
Waste incineration solutions	**556,542**	**32.29**	401,072	34.18	38.76	–1.89
Energy saving equipment	**132,260**	**28.67**	151,061	28.15	–12.45	0.52
New building materials	**18,233**	**16.27**	10,997	12.73	65.80	3.54
Port logistics	**112,893**	**57.12**	74,905	48.36	50.71	8.76
Total	**1,126,268**	**38.98**	723,324	35.03	55.71	3.95

During the Reporting Period, the consolidated gross profit margin of the Group's products was 38.98%, representing a year-on-year increase of 3.95 percentage points. With a breakdown by segments:

(i) The gross profit margin for solid waste solutions was 77.56%, representing a year-on-year increase of 2.51 percentage points, which was mainly due to the fact that the Group optimized its sales structure and raised the treatment prices.

(ii) The gross profit margin for waste incineration solutions was 32.29%, representing a year-on-year decrease of 1.89 percentage points, which was mainly due to the decreases in both proportion in total revenue and gross profit of construction revenue from waste treatment by cement kilns.

(iii) The gross profit margin for new building materials was 16.27%, representing a year-on-year increase of 3.54 percentage points, which was mainly due to the fact that the Group actively expanded the sheet materials market, leading to an increase of sales volume and unit selling prices.

(iv) The gross profit margin for port logistics was 57.12%, representing a year-on-year increase of 8.76 percentage points, which was mainly due to the fact that the Group actively expanded its market, enhanced its port throughput with a year-on-year increase of 21% and lowered its fixed cost.

5. MANAGEMENT DISCUSSION AND ANALYSIS

4. Revenue and share of profit

Item	2018 Amount (RMB'000)	2018 Percentage (%)	2017 Amount (RMB'000)	2017 Percentage (%)	Change in amount (%)	Change in percentage (percentage points)
Revenue	**2,889,592**	**100.00**	2,064,951	100.00	39.94	–
Other customers	**2,443,107**	**84.55**	1,640,414	79.44	48.93	5.11
Conch Cement	**446,485**	**15.45**	424,537	20.56	5.17	–5.11
Profit for the year	**6,062,145**	**100.00**	3,505,040	100.00	72.96	–
Share of profit of an associate	**5,275,171**	**87.02**	2,955,569	84.32	78.48	2.69
Profit attributable to operations	**786,974**	**12.98**	549,471	15.68	43.22	–2.69

During the Reporting Period, the Group's revenue from Conch Cement amounted to RMB446.49 million, accounted for 15.45% of total revenue, representing a year-on-year decrease of 5.11 percentage points. Share of profit of an associate amounted to RMB5,275.17 million, accounted for 87.02% of total revenue, representing a year-on-year increase of 2.69 percentage points, which was mainly due to the growth in profit in Conch Holdings, an associate.

5. Other income

During the Reporting Period, the Group's other income amounted to RMB162.85 million, representing a year-on-year decrease of RMB31.07 million, or 16.02%, which was mainly due to the year-on-year decrease in government grants received by the Group.

6. Distribution costs

During the Reporting Period, the Group's distribution costs amounted to RMB57.24 million, representing a year-on-year increase of RMB11.01 million, or 23.83%, which was mainly due to the active market development of the Group's newly operating companies resulting in increase in distribution costs.

7. Administrative expenses

During the Reporting Period, the Group's administrative expenses amounted to RMB180.48 million, representing a year-on-year increase of RMB9.07 million, or 5.29%, which was mainly due to the increase in the number of employees of operating companies resulting in an increase in employees' remuneration.

5. MANAGEMENT DISCUSSION AND ANALYSIS

8. Finance costs

During the Reporting Period, the Group's finance costs amounted to RMB75.04 million, representing a year-on-year increase of RMB50.97 million, or 211.71%, which was mainly due to the interest of liability component of the convertible bonds and new bank loans raised by the Group.

9. Profit before taxation

During the Reporting Period, the Group's profit before taxation amounted to RMB6,251.54 million, representing a year-on-year increase of RMB2,620.43 million, or 72.17%, which was mainly due to the increase in net profits from Conch Holdings, an associate of the Group. Share of profit of an associate amounted to RMB5,275.17 million, representing a year-on-year increase of 78.48%, and profit before taxation from principal businesses amounted to RMB976.37 million, representing a year-on-year increase of 44.53%.

(II) FINANCIAL POSITION

As at 31 December 2018, the Group's total assets amounted to RMB33,216.30 million, representing an increase of RMB10,040.09 million as compared to the end of the previous year. The equity attributable to equity shareholders of the Company amounted to RMB25,752.82 million, representing an increase of RMB5,175.07 million as compared to the end of the previous year. Gearing ratio of the Group (total liabilities/total assets) was 20.32%, representing an increase of 11.84 percentage point as compared to the end of the previous year, the main reason is due to the issuance of convertible bonds by the Group. The balance sheet items of the Group are as follows:

Item	**As at 31 December 2018 (RMB'000)**	As at 31 December 2017 (RMB'000)	Change between the end of the Reporting Period and the end of the previous year (%)
Property, plant and equipment	**1,725,038**	1,281,802	34.58
Non-current assets	**27,145,806**	20,551,861	32.08
Current assets	**6,070,496**	2,624,356	131.31
Current liabilities	**2,171,309**	1,920,402	13.07
Non-current liabilities	**4,579,132**	44,500	10,190.18
Net current assets	**3,899,187**	703,954	453.90
Equity attributable to equity shareholders of the Company	**25,752,817**	20,577,751	25.15
Total assets	**33,216,302**	23,176,217	43.32
Total liabilities	**6,750,441**	1,964,902	243.55

5. MANAGEMENT DISCUSSION AND ANALYSIS

1. Non-current assets and current assets

As at 31 December 2018, non-current assets of the Group amounted to RMB27,145.81 million, representing an increase of 32.08% as compared to the end of the previous year, which was mainly due to the increase in interests in an associate, non-current portion of services concession assets, intangible assets, property, plant and equipment.

Current assets of the Group amounted to RMB6,070.50 million, representing an increase of 131.31% as compared to the end of the previous year, which was mainly due to the convertible bonds issued by the Group to raise funds during the Reporting Period.

2. Non-current liabilities and current liabilities

As at 31 December 2018, non-current liabilities of the Group amounted to RMB4,579.13 million, representing an increase of 10,190.18% as compared to the end of the previous year, which was mainly due to the issuance of five-year convertible bonds and increase in the balance of long-term bank loans raised by the Group during the Reporting Period.

Current liabilities of the Group amounted to RMB2,171.31 million, representing an increase of 13.07%, which was mainly due to the year-on-year increase in trade and bills payables as the Group increased project investment.

As at 31 December 2018, current ratio and debt to equity ratio (calculated by dividing total amount of loans by total equity) of the Group were 2.80 and 0.05 respectively, as compared to 1.37 and 0.02 respectively, as at the end of the previous year.

3. Net current assets

As at 31 December 2018, net current assets of the Group amounted to RMB3,899.19 million, representing an increase of RMB3,195.23 million as compared to the end of the previous year, which was mainly due to the issuance of the convertible bonds and the addition of bank loans, which led to an increase in the balance of cash and cash equivalents.

4. Equity attributable to equity shareholders of the Company

As at 31 December 2018, the Group's equity attributable to equity shareholders of the Company amounted to RMB25,752.82 million, representing an increase of 25.15% as compared to the end of the previous year, which was mainly due to the increases in the Group's interests in associates and net profit from principal businesses attributable to the equity shareholders.

5. MANAGEMENT DISCUSSION AND ANALYSIS

(III) LIQUIDITY AND CAPITAL RESOURCES

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 funds, so as to fully satisfy the Company's capital needs. As of 31 December 2018, the Group's cash and cash equivalents amounted to RMB2,673.85 million, which were mainly denominated in RMB, Hong Kong dollars and US dollars.

Bank loans

Item	**As at 31 December 2018 (RMB'000)**	As at 31 December 2017 (RMB'000)
Due within one year	**71,800**	482,300
Due after one year but within two years	**102,800**	6,300
Due after two years but within five years	**1,002,900**	16,400
Due after five years	**90,000**	21,800
Total	**1,267,500**	526,800

As at 31 December 2018, the balance of bank loans of the Group amounted to RMB1,267.50 million, representing an increase of RMB740.70 million as compared to the end of the previous year, which was mainly due to new bank loans raised by the Group during the Reporting Period. As at 31 December 2018, the Group's bank loans were denominated in RMB, and most of the loan interests were subject to variable interest rate.

Cash flows

Item	**2018 (RMB'000)**	2017 (RMB'000)
Net cash generated from operating activities	**397,130**	67,401
Net cash used in investing activities	**–2,469,956**	–144,325
Net cash generated from/(used in) financing activities	**3,266,374**	–630,971
Net increase/(decrease) in cash and cash equivalents	**1,193,548**	–707,895
Effect of foreign exchange rate changes	**22,552**	–
Cash and cash equivalents at the beginning of the year	**1,457,745**	2,165,640
Cash and cash equivalents at the end of the year	**2,673,845**	1,457,745

5. MANAGEMENT DISCUSSION AND ANALYSIS

Net cash generated from operating activities

During the Reporting Period, net cash generated from operating activities of the Group amounted to RMB397.13 million, representing a year-on-year increase of RMB329.73 million, which was mainly due to increase in inflows of operational cash from solid waste solutions, port logistics and energy-saving equipment businesses.

Net cash used in investment activities

During the Reporting Period, net cash used in investing activities of the Group amounted to RMB2,469.96 million, representing a year-on-year increase of RMB2,325.63 million, which was mainly due to increase in the Group's investments in property, plant and equipment, construction in progress and intangible assets as well as the payment for bank deposits with maturity over three months.

Net cash generated from financing activities

During the Reporting Period, net cash generated from financing activities of the Group amounted to RMB3,266.37 million, representing a year-on-year increase of RMB3,897.35 million, which was mainly due to the convertible bonds issued and new banks loans raised by the Group.

Issuance of convertible bonds

On 5 September 2018, the company captured favorable market opportunities and the Company, as guarantor, and the Issuer, Conch Venture BVI (a wholly-owned subsidiary of the Company) entered into the Subscription Agreement with Credit Suisse (Hong Kong) Limited and J.P. Morgan Securities plc to issue HK$3,925,000,000 zero coupon guaranteed convertible bonds (the "**Bonds**") (at an initial conversion price of HK$40.18 per share, subject to adjustments under certain terms and conditions of the Bonds), due in 2023, which will mainly be used for the expansion of environmental projects in the industrial solid hazardous waste by cement kilns and grate furnace power generation and be used as general working capital of the Group, thus laying a solid foundation for the Company to achieve dual engines of industry and capital. For the year ended 31 December 2018, the Group applied approximately HK$230,000,000 of the proceeds from the bonds for the above purposes. For further details, please refer to the Company's announcement dated 30 August 2018.

(IV) COMMITMENTS

As at 31 December 2018, the Group's capital commitments for purchases in connection with construction contracts were as follows:

Item	**As at 31 December 2018 (RMB'000)**	As at 31 December 2017 (RMB'000)
Contracted for	**1,327,312**	2,411,975
Authorized but not contracted for	**2,196,735**	253,389
Total	**3,524,047**	2,665,364

5. MANAGEMENT DISCUSSION AND ANALYSIS

(V) FOREIGN EXCHANGE RISK

The Group's functional currency is RMB. Foreign exchange risks faced by the Group were mainly derived from account receivables and account payables arising from sales and procurement which were mainly denominated in 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 risks.

The Group did not use any financial derivatives to hedge against any foreign exchange risks.

(VI) CONTINGENT LIABILITIES

As at 31 December 2018, the Group did not have any material contingent liabilities.

(VII) PLEDGE OF ASSETS

As at 31 December 2018, the Group did not have any pledged assets.

(VIII) MATERIAL INVESTMENTS, ACQUISITIONS OR DISPOSALS

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

(IX) IMPORTANT EVENT AFTER THE REPORTING PERIOD

On 12 February 2019, a joint venture company ("**Joint Venture Company**") was incorporated in Hong Kong, which is jointly set up by Conch Venture BVI and China Building Material Holdings Company Limited (a wholly-owned subsidiary of CNBM). In this connection, on 18 March 2019, the Company entered into a joint venture agreement with CNBM in relation to the management and governance of the affairs of the Joint Venture Company and the scope of cooperation between the Company and CNBM. For further details, please refer to the announcement of the Company dated 18 March 2019.

(X) HUMAN RESOURCES

The Group highly values the management of human resources by providing its employees with competitive remuneration packages and various training programs. 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. During the Reporting Period, the Group organized safety knowledge training, professional and technical seminars and trainings relating to collaborative treatment of industrial solid and hazardous waste by cement kilns and municipal waste treatment technology, basic knowledge of grate furnace technology, policy analysing, lectures on internal control and risk management and personnel administration training, with a view to assist the management and staff in learning, understanding and mastering various production and operation management techniques and knowledge. The Group also continued to strengthen team building through means such as in-house training, social recruitment and campus recruitment.

As at 31 December 2018, the Group had approximately 2,666 employees. The remuneration of employees 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 2018, the total remuneration of employees (including the remuneration of the directors) was approximately RMB199.38 million (2017: RMB154.06 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 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 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 is 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

During the Reporting Period and up to the date of this report, the composition of the Board 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. 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
Mr. Chang Zhangli (Note 1)	Non-executive Director

Detailed biographies of the current Directors are set out in the section headed "Biographies of Directors and Senior Management" of this annual 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 2017 and the interim results for the period ended 30 June 2018. 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 2019, 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.

Note:

1. Appointed on 21 March 2019

6. CORPORATE GOVERNANCE REPORT

The attendance records of each Director at the meetings of the Board, the audit committee and 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	1/1	1/1
Mr. Li Jian	4/4	N/A	N/A	1/1
Mr. Li Daming	4/4	N/A	N/A	1/1
Mr. Chan Chi On (alias Derek Chan)	4/4	2/2	1/1	1/1
Mr. Chan Kai Wing	4/4	2/2	1/1	1/1
Mr. Lau Chi Wah, Alex	4/4	2/2	1/1	0/1

During the year, the Chairman also met with the independent non-executive Directors without the presence of the executive Directors (Note 1).

(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 and plans, achieving business targets of the Company, and the formulation of business plans and budgets and making recommendation on such issues to the Board.

Note:

1. No non-executive Director was appointed during the Reporting Period.

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

In February 2018, certain Directors and senior management of the Company attended the Seminar on Analysis of the Industry of Waste Power Generation and Treatment of Industrial Solid and Hazardous Waste by Cement Kilns organized by the Company, thereby having a more comprehensive and profound understanding of the domestic and overseas environmental protection industry. In addition, in November 2018, KPMG, the external auditor of the Group, held the seminar of "Respond to the Global Trend of Sustainable Development, Quantify the Real Value of Corporate Development" in Shanghai, the Company designated relevant personnel to attend such seminar and communicated the main content of the seminar to the Directors of the Company. Certain senior management members of the Company also attended the "47th Session of the Enhanced Continuing Professional Development Seminar for Affiliated Members" held by the Hong Kong Institute of Chartered Secretaries in Hohhot, Inner Mongolia Autonomous Region from 12 to 14 September 2018, and circulated relevant information to the Directors of the Company.

In addition, the Directors of the Company also studied the Consultation Conclusions on Review of the Corporate Governance Code and Related Listing Rules on their own and participated in online training held for directors in respect of the newly revised Listing Rules effective from 1 January 2019, and studied the Guidance for Boards and Directors published by the Stock Exchange in July 2018, so as to continuously enhance the corporate governance standard of the Company.

A summary of trainings received by the Directors during the year ended 31 December 2018 according to the records provided by the Directors is as follows:

Name of Director	Attending courses/ seminars/conferences
Mr. GUO Jingbin	✓
Mr. JI Qinying	✓
Mr. LI Jian	✓
Mr. LI Daming	✓
Mr. CHAN Chi On (alias Derek CHAN)	✓
Mr. CHAN Kai Wing	✓
Mr. LAU Chi Wah, Alex	✓

6. CORPORATE GOVERNANCE REPORT

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

(VI) CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under Code Provision A.2.1 of the CG Code, the roles of Chairman and Chief Executive Officer should be separated 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 held 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 were stipulated in the Articles of Association.

As at the date of this report, the Company has entered into service contracts 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.

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 between the Directors, Mr. Guo Jingbin, Mr. Li Daming and Mr. Chan Kai Wing will retire at the 2019 annual general meeting of the Company and all of them, being eligible for nomination and re-election pursuant to the Articles of Association and the Company's board diversity policy and director nomination policy, will offer themselves for re-election thereat.

6. CORPORATE GOVERNANCE REPORT

Pursuant to article 109 of the Articles of Association, Mr. Chang Zhangli was appointed as a Director by the Board to fill the casual vacancy and will hold office until the next annual general meeting. As such, Mr. Chang Zhangli will retire at the forthcoming annual general meeting and be eligible for nomination and re-election pursuant to the Articles of Association and the Company's board diversity policy and director nomination policy.

(VIII) COMMITTEES OF THE BOARD

The Board of the Company 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.

(2) Summary of Functions and Works

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.

6. CORPORATE GOVERNANCE REPORT

For the year ended 31 December 2018, the works done by the Audit Committee were set forth as below:

a. reviewed the audited consolidated annual results as of 31 December 2017 and the interim results as of 30 June 2018, together with the announcement and report 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 of 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 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 individuals suitably qualified as potential board members and select 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 2018, the works done by the Remuneration and Nomination Committee were set forth as 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, number, 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 of directors; and

f. the resolution on nomination of assistants to the general manager of the Company.

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 annual 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

For the year ended 31 December 2018, the statement of the external auditor of the Company about its reporting responsibilities on the consolidated financial statements of the Group is set out in the section headed "Independent Auditor's Report" on pages 71 to 82.

The remuneration paid or payable to KPMG, the auditor, by the Company for the year ended 31 December 2018 is set out below:

Services	**Fee paid/payable** (RMB'000)
Audit Services — audit fee for 2018	2,226
Non-audit Services (tax advisory services, consultation services on the preparation of the Environmental, Social and Governance Report and convertible bonds)	630
Total	2,856

(XI) DIRECTORS' RESPONSIBILITY IN RESPECT OF 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 flow of the Group in the year. During the preparation of the financial statements for the year ended 31 December 2018, the Board has adopted suitable accounting policies and ensured consistent application of such accounting policies, made prudent, fair and reasonable judgements 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 in charge of, 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 an 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. The systems are designed to manage the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material mis-statement 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, based on the changes in internal and external operating environment, the Company further strengthened the risk management and control in strategic management, financial management, safety management, environmental protection management, construction management, production management of the major aspects of business operation. The Company discussed and formulated the new five-year (2019 to 2023) development plan, which specified the new development objective and direction and implementation measures of the Company to prevent the risk of losing development opportunities and momentum due to unclear development strategy. To emphasize the important function of financial control in the internal risk control system, the finance department coordinated the establishment of special management teams for 4 major business segments including waste power generation, solid waste treatment, energy-saving equipment and new material port, and formulated specific internal control measures for major business risks such as improving the monthly inspection mechanism for amount overdue, implementing target management of amount overdue and preventing bad debt risk. To strengthen the major responsibility in safety and environmental protection management, the Company and its subsidiaries established the production safety management committee, developed the environmental management and occupational health and safety management system and carried out relevant certification and verification to create a dual prevention mechanism of potential threat inspection and risk prevention and control and improve the management of safety and environmental protection risks in production operation. The Company explored and made innovation in the risk management and control model of environmental protection business segment and established the solid waste segment management committee for solid waste treatment business to enhance the efficiency of risk management and control in solid waste treatment business operation. The Company also established a production operation benchmarking management system for waste power generation business to improve the quality of production operation and maintain the risk at controllable level. During the year, based on actual situation, the Company provided internal risk management training to the internal control personnel of its subsidiaries, which improved the practical skills of risk management of relevant personnel. During the reporting period, the Company formulated and 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 July and December respectively. It was not aware of any significant or major risks or deficiencies. The risk management and internal control systems of the Company and its subsidiaries were 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 21 March 2019, the management has confirmed that the risk management and internal control systems of the Group were effective, and the Board has 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 2018, 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 ("EGM") 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 EGM 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 EGM 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 of 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 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 raise any enquiry in respect of 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 in order, 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 approval by way of a special resolution of the Company 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 approval by way of an ordinary resolution of the Company at an extraordinary general meeting of the Company.

6. CORPORATE GOVERNANCE REPORT

At the annual general meeting held by the Company on 27 June 2018, 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 2018 annual general meeting of the Company.

(XV) CONSTITUTIONAL DOCUMENTS

During the Reporting Period, no change has been made to the Articles of Association of the Company. 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 the importance of transparent and 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 No.:	86–553–8399461/8399135
Fax No.:	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

The Board of the Company hereby presents the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2018.

(1) PRINCIPAL ACTIVITIES

The Company is an investment holding company providing "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 business review and the discussion of future business development of the Group, as well as the analysis of the performance of the Group based on the key financial performance indicators have been set out on pages 10 to 20 of the "Business Review and Outlook" section and pages 21 to 32 of the "Management Discussion and Analysis" section in this annual 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. Environmental protection business mainly includes (i) collaborative treatment of solid and hazardous waste by cement kilns; (ii) grate furnace power generation; and (iii) collaborative treatment of municipal waste by cement kilns. New building materials business mainly involves setting 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 energy-saving and environmental protection solutions, the Group has implemented the following strategies including: (i) further developing the project promotion for solid and hazardous waste treatment and waste incineration solutions; (ii) explore the opportunity of diversified development of solid waste treatment and waste incineration, consolidated the domestic market and expand to overseas market; (iii) establish a comprehensive and standardized construction management system, and develop unique architectural style for main structure of environmental protection projects; and (iv) making selective 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 keys to the sustainability and stability of the Group's development. The Group is committed to working closely with the staff, to working together with the suppliers and to providing the customers with products and services of high quality, so as to achieve corporate sustainable development.

The Group has always valued the development of human resources, and provides its employees with a fair workplace environment, competitive remuneration as well as a variety of training programmes including internal trainings and refresher courses provided by professional organizations, so that the staff have more understanding of the market, industry and the latest developments in each of our businesses. The Group recruits graduates from vocational schools, colleges and universities across the country through a variety of channels.

The Group has established different ways to strengthen its communication with the customers so as to provide high-quality customer services, increase the market penetration and expand its businesses. The Group attaches great importance to the opinions of the customers and thus, would find out their thoughts through daily communication, after-sales visits and customer satisfaction surveys. The Group also has staff specially assigned for maintaining the customer relationships and dealing with customer feedback and complaints.

Maintaining good relationship with the major service providers is essential to the Group in the supply chain and during the time when facing the challenges and regulatory requirements. It could generate cost effectiveness and boost long-term commercial interests. The Group's main service providers include systems and equipment suppliers, engineering construction units, external consultants providing professional services and other business partners providing value-added services for the Group.

(4) RESULTS

The results of the Group during the Reporting Period are set out in the consolidated statement of profit or loss and other comprehensive income on page 85 of this annual report.

7. REPORT OF THE DIRECTORS

(5) RESERVES AND DIVIDEND

Details of other changes in reserves are set out in note 24 to the financial statements and the consolidated statement of changes in equity on page 88 of this report.

As at 31 December 2018, the Company's reserves available for distribution to its shareholders amounted to approximately RMB443.8 million (31 December 2017: RMB1,220.4 million). The Directors recommend the distribution of final dividend of HK$0.55 per share for the year ended 31 December 2018 (2017: HK$0.50 per share) to the Shareholders.

Subject to the approval of shareholders at the 2019 annual general meeting of the Company to be held on 26 June 2019, 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 11 July 2019. The proposed final dividend is expected to be paid on 18 July 2019.

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 sole and absolute 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 profit distribution deemed fit by the Board for or during the financial year.

(6) USE OF PROCEEDS FROM LISTING

The shares of the Company were listed for the first time on the Main Board of the Stock Exchange on 19 December 2013. The net proceeds from the global offering amounted to approximately HK$3,968.3 million (approximately RMB3,118.9 million).

As of 31 December 2017, the Company has used an aggregate of RMB3,118.9 million of the net proceeds. The proceeds raised has been fully utilized according to the intended use of proceeds. For details, please refer to the 2017 annual report published by the Company on 20 April 2018.

(7) PROPERTY, PLANT AND EQUIPMENT

As at 31 December 2018, the property, plant and equipment of the Group amounted to approximately RMB1,725.04 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.

7. REPORT OF THE DIRECTORS

(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 24(c) to the financial statements. As of 31 December 2018, the Company had a total of 1,804,750,000 ordinary shares in issue.

(10) DISCLOSURE OF INTERESTS

1. Substantial Shareholders' Interests or Short Positions

As at 31 December 2018, so far as the Directors were aware, the interests or short positions of 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	135,810,500 (L) (note 1)	7.53
CV Investment	Beneficial owner	87,795,500 (L)	4.87
	Interest of controlled corporation	48,015,000 (L) (note 2)	2.66
	Sub-total	**135,810,500 (L)**	**7.53**
JP Morgan Chase & Co.	Interest of controlled corporation	8,781,888 (L)	0.49
	Investment manager	35,821,894 (L)	1.98
	Person having a security interest in shares	70,376 (L)	0.01
	Approved Pending agent	46,900,313 (L)	2.59
	Sub-total	**91,574,471 (L)**	**5.07**
	Interest of controlled corporation	2,098,563 (S)	0.11

7. REPORT OF THE DIRECTORS

Notes:

1. Among the aforesaid shares, 87,795,500 shares are directly owned by CV Investment and the remaining 10,301,500 shares and 37,713,500 shares are owned by 上海弋江投資有限公司 (Shanghai Yijiang Investment Co., Ltd.*) ("**Shanghai Yijiang**") and 安徽海螺創業醫療投資管理有限責任公司 (Anhui Conch Venture Medical Investment Management Co., Ltd.*) ("**CV Medical**") respectively, which are wholly-owned by CV Investment. CV Investment is deemed to be interested in the shares in which Shanghai Yijiang 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, 10,301,500 shares and 37,713,500 shares are owned by Shanghai Yijiang and CV Medical, which are wholly owned by CV Investment. CV Investment is deemed to be interested in the shares in which Shanghai Yijiang and CV Medical are interested by virtue of the SFO.

3. The letters "L" and "S" denote a long position ("L") and short position ("S") in the shares respectively.

Save as disclosed above, as at 31 December 2018, 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.

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

As at 31 December 2018, the interests of the Directors and chief executive of the Company in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 to the Listing Rules were set out below:

Name of Directors	Capacity/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

7. REPORT OF THE DIRECTORS

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.

3. Interests and Short Positions of Senior Management

As at 31 December 2018, interests of the senior management of the Company were as follows:

Name of senior management	Capacity	Number of shares (long positions)	Approximate percentage of shareholdings (%)
Mr. Wang Xuesen	Beneficial owner	3,516,418	0.19
Mr. Shu Mao	Beneficial owner	58,500	0.01
Mr. Zhang Keke	Beneficial owner	3,020,000	0.17
Mr. Wang Junxian	Beneficial owner	183,000	0.01

Save as disclosed above, as at 31 December 2018, 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) which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to in that section, or which will be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

(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 15.45% and 38.75% 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 6.42% and 22.19% of the total procurement of the Group respectively.

So far as the Directors are aware, none of the Directors and their close associates or shareholders who held 5% or more of the Company's issued share capital as at 31 December 2018 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 within the knowledge of the Directors, the Directors confirmed that during the year under review and as at the date of this annual 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 2018, the Group had approximately 2,666 employees. The following table shows a breakdown of the employees by functions as at 31 December 2018.

Functions	**Number**
Production and Operation	2,060
Management	360
Finance and Administration	90
Others	156
Total	2,666

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 2018, the total remuneration of employees (including the remuneration of the directors) was approximately RMB199.38 million (2017: RMB154.06 million).

The Company 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.

7. REPORT OF THE DIRECTORS

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

Note:

1. Mr. Ji Qinying, Mr. Li Jian and Mr. Lau Chi Wah, Alex were re-elected as Directors at the 2018 annual general meeting.

2. Mr. Chang Zhangli was appointed as director in a Board Meeting convened on 21 March 2019

As at the date of this report, the Company had entered into services agreements 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. Guo Jingbin, Mr. Li Daming and Mr. Chan Kai Wing shall retire at the 2019 annual general meeting of the Company. All of the retiring Directors, being eligible, will offer themselves for re-election thereat.

According to article 109 of the Articles of Association, Mr. Chang Zhangli was appointed as a Director by the Board to fill the casual vacancy and will hold office until the next annual general meeting. As such, Mr. Chang Zhangli will retire at the forthcoming annual general meeting and be eligible for re-election.

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

Saved as disclosed in this annual report, during the Reporting Period, none of the directors had any interests, direct or indirect, 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).

7. REPORT OF THE DIRECTORS

(17) INTERESTS OF DIRECTORS IN COMPETING BUSINESS

As at the date of issue of this annual report, as far as the Directors are concerned, 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 emoluments of the Directors are determined by the Board with the recommendation of the Remuneration and Nomination Committee by reference to 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 are within the following bands:

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

(19) THE BOARD AND BOARD COMMITTEES

As at 31 December 2018, the Board comprised seven Directors. As at the date of issue of this annual report, the Board has increased to eight Directors. The biographies of the Directors are set out in the section headed "Biographies of Directors and Senior Management" in this annual 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".

7. REPORT OF THE DIRECTORS

(20) CHANGES IN DIRECTORS AND SENIOR MANAGEMENT

During the Reporting Period and up to the date of issue of this annual report, details of changes in the Directors and senior management of the Company were as follows:

1. The Board of the Company passed a resolution at the meeting convened on 23 March 2018 agreeing to appoint Mr. Zhang Keke and Mr. Wang Junxian as the Assistant General Manager of the Company.

2. The Board of the Company passed a resolution at the meeting convened on 21 March 2019 agreeing to appoint Mr. Chang Zhangli as the non-executive Director of the Company.

(21) MANAGEMENT CONTRACT

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

(22) CONNECTED TRANSACTIONS

1. Connected Persons

Kawasaki HI holds 49% equity interests in each of CK Engineering and CK Equipment, both are 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, 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 wider 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 ("**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 annual cap for the transactions contemplated under the Kawasaki Master Agreement for the year ended 31 December 2018 is RMB68.70 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 favourable 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 transaction amount of the above transactions contemplated under the Kawasaki Master Agreement was RMB24.04 million, which did not exceed the annual cap of RMB68.70 million for this year.

(2) Transactions with CKEM

On 27 December 2017, the Group (through CK Engineering and CK Equipment, collectively, the CK Subsidiaries) entered into an agreement ("**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 annual cap for the transactions contemplated under the CKEM Master Agreement for the year ended 31 December 2018 is RMB29.00 million.

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 favourable 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 was RMB21.48 million, which did not exceed the annual cap of RMB29.00 million for this year.

7. REPORT OF THE DIRECTORS

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 licence 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 million of which RMB6.0 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 RMB13.2 million. Having taken into account the RMB6 million paid, the then outstanding licensing fee was RMB7.2 million. In another project carried out by Kawasaki Partner and CK Engineering together, RMB3.6 million was payable by Kawasaki Partner to CK Engineering in 2010. The parties agreed that RMB3.6 million payable by Kawasaki Partner to CK Engineering was settled through the reduction of the outstanding consideration under the Kawasaki RH Licensing Agreement from RMB7.2 million to RMB3.6 million.

Subsequently, licensing fees of RMB1.2 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.

(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 licence 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.

7. REPORT OF THE DIRECTORS

For disclosure of connected persons, please refer to note 27 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 2018, and KPMG has issued a letter to the Board of the Company 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.

(23) RELATED PARTY TRANSACTIONS

Save as disclosed in the section headed "Connected Transactions" of this report and in note 27 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 27 to the financial statements, save for the transactions with each of Conch Cement, Conch IT Engineering, Conch Design Institute, Conch Holdings, and Conch Profiles, these related party transactions constituted continuing connected transactions within the meaning of Chapter 14A of Listing Rules. For the year ended 31 December 2018, the Company has complied with the disclosure requirements of Chapter 14A of Listing Rules.

7. REPORT OF THE DIRECTORS

(24) SHARE OPTION SCHEME

Save as the Share Option Scheme set out below, during the year ended 31 December 2018, 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;

(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.

7. REPORT OF THE DIRECTORS

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 grant of 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 respective 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 HK$5 million; such further grant of options must be approved by Shareholders in general meeting.

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 HK$1 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.

7. REPORT OF THE DIRECTORS

(25) PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the articles of association of the Company 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 2018, the Company appointed KPMG as its international auditor for the year ended 31 December 2018. 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.

(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.

7. REPORT OF THE DIRECTORS

(29) COMPLIANCE OF LAWS AND REGULATIONS

The Group recognizes 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 through effective communication with the regulatory authorities.

During the year under review, to the best knowledge of the Group, the Group has: (1) for cement production, complied with 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》); (2) 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》); (3) 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》); (4) 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; (5) 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》); (6) 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 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》); and (7) for labour and production safety, complied with the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), 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》) and the Production Safety Law of the People's Republic of China (《中華人民共和國安全生產法》) and other relevant rules and regulations.

7. REPORT OF THE DIRECTORS

(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.

(31) DONATION

During the year, the Group did not make any charitable or any other kind of donations (2017: nil).

(32) PERMITTED INDEMNITY PROVISIONS

Pursuant to the articles of association of the Company, 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) EVENTS AFTER THE REPORTING PERIOD

Details of significant subsequent event of the Group are set out in the section headed Management Discussion and Analysis of this annual report.

By Order of the Board
Guo Jingbin
Chairman

Wuhu, China
21 March 2019

* For identification purpose only

8. BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

(I) DIRECTORS

1. Executive Directors

Mr. GUO Jingbin (郭景彬), aged 61, 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 Cement 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 and administration 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 62, 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 57, 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 53, 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. Independent non-executive Directors

Mr. CHAN Chi On (陳志安) **(alias Derek CHAN)**, aged 55, 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 Global International Credit Group Limited (a company listed on the Main Board of the Stock Exchange, stock code: 01669) from 22 November 2014 to 1 January 2016. 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 25 years of experience in financial services industry.

Mr. CHAN Kai Wing (陳繼榮), aged 58, 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 has been appointed as 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) since 1 December 2011 and Nanfang Communication Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 01617) since 24 November 2016. 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.

8. BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. LAU Chi Wah, Alex (劉志華), aged 55, 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.

3. Non-executive Director

Mr. CHANG Zhangli, aged 48, 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, in particular in global offerings and listing on the Stock Exchange, issue of new shares, mergers and acquisitions, and reorganisations. Mr. Chang has served as a non-executive director of CNBM, whose H shares are listed on the Main Board of the Stock Exchange (stock code: 3323) since June 2018. He was previously an executive director, a vice president and the secretary of the board of directors of CNBM from November 2011, August 2006 and March 2005, respectively until his re-designation in June 2018. Mr. Chang has been a director of China Jushi Co., Ltd (中國巨石股份有限公司) (formerly known as China Fiberglass Co., Ltd), whose shares are listed on the Shanghai Stock Exchange (stock code: 600176) and is an associate of CNBM, since July 2005, and a director of Beijing New Building Material Public Limited (北新集團建材股份有限公司) whose shares are listed on the Shenzhen Stock Exchange (stock code: 786) and is a subsidiary of CNBM, since July 2008. He also served as a member of the senior management or director for subsidiaries of the CNBM Group. Mr. Chang has also served as the chairman of the board of directors and an executive director of China Shanshui Cement Group Limited, whose shares are listed on the Main Board of the Stock Exchange (stock code: 691), since May 2018. 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. He is also 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).

8. BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

(II) SENIOR MANAGEMENT

1. Senior Management Staff

Mr. WANG Xuesen (汪學森), aged 54, is a director 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. Wang has been the general manager of Shanghai Conch Logistics Limited since January 2004.

Mr. HAN Jiwu (韓繼武), aged 56, is the Assistant 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 56, 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.

Mr. WANG Junxian (汪俊賢), aged 46, is an assistant to general manager of the Company. He graduated from Anhui Agricultural University in 1998, majoring in mechatronics. Mr. Wang joined the Company in 2014, and is mainly responsible for the operational management of environmental protection projects of the Company. Before joining the Company, he had been holding leadership role in Conch Cement and gained extensive experiences in construction material industry and management. Mr. Wang has served as the head of operational management department of the Company since January 2016.

2. Company Secretary

Mr. SHU Mao (疏茂), aged 33, 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 83 to 184, which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018 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 assist 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 2018, the Group's gross trade receivables totalled RMB633 million against which a loss allowance of RMB50 million was recorded. Management measured the 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 1 January 2018 and 31 December 2018 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 is 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 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 receivable 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 receivable balances at 31 December 2018.

INDEPENDENT AUDITOR'S REPORT

Accounting for the interest in an associate

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 2018 was RMB5,275 million and the carrying value of the Group's interest in Conch Holdings was RMB20,783 million, which accounted for 89% of the Group's net profit attributable to equity shareholders and 63% of the Group's total assets as at 31 December 2018. 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 2018. 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 interest in an associate *(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 three years primarily due to low utilisation of its production capacity. There is a risk that the carrying value of the non-current assets, which comprise property, plant and equipment ("PP&E") and lease prepayments, 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 lease prepayments allocated to one cash-generating unit ("CGU") within this segment at the reporting date and, therefore, assessed the recoverable amounts of the relevant assets based on value-in-use calculations using a discounted cash flow forecast, and concluded that no provision for impairment was necessary for the CGU as at 31 December 2018.	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 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; and

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 2017 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.

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.

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

21 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018
(Expressed in Renminbi Yuan)

	Note	**2018 RMB'000**	2017 RMB'000
Revenue	3	**2,889,592**	2,064,951
Cost of sales		**(1,763,324)**	(1,341,627)
Gross profit		**1,126,268**	723,324
Other income	4	**162,854**	193,921
Distribution costs		**(57,240)**	(46,226)
Administrative expenses		**(180,476)**	(171,405)
Profit from operations		**1,051,406**	699,614
Finance costs	5(a)	**(75,041)**	(24,074)
Share of profit of an associate	15	**5,275,171**	2,955,569
Profit before taxation	5	**6,251,536**	3,631,109
Income tax	6(a)	**(189,391)**	(126,069)
Profit for the year		**6,062,145**	3,505,040
Attributable to:			
Equity shareholders of the Company		**5,947,269**	3,403,002
Non-controlling interests		**114,876**	102,038
Profit for the year		**6,062,145**	3,505,040
Earnings per share	10		
Basic (RMB)		**3.30**	1.89
Diluted (RMB)		**3.26**	1.89

The notes on pages 89 to 184 form part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018
(Expressed in Renminbi Yuan)

	Note	2018 RMB'000	2017 RMB'000 (Note)
Profit for the year		**6,062,145**	3,505,040
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 an associate, net of tax		**(27,119)**	–
Items that may be reclassified subsequently to profit or loss:			
Share of other comprehensive income of an associate, net of tax		**(26,123)**	(101,801)
Exchange differences on translation of financial statements of overseas subsidiaries		**(1,851)**	–
		(55,093)	(101,801)
Total comprehensive income for the year		**6,007,052**	3,403,239
Attributable to:			
Equity shareholders of the Company		**5,892,176**	3,301,201
Non-controlling interests		**114,876**	102,038
Total comprehensive income for the year		**6,007,052**	3,403,239

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 1(c).

The notes on pages 89 to 184 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018
(Expressed in Renminbi Yuan)

	Note	2018 RMB'000	2017 RMB'000 (Note)
Non-current assets			
Property, plant and equipment	11	**1,725,038**	1,281,802
Lease prepayments	12	**271,354**	207,254
Intangible assets	13	**1,604,173**	704,408
Interest in an associate	15	**20,782,760**	16,240,675
Non-current portion of service concession assets	17	**2,374,146**	–
Non-current portion of trade and other receivables	18	**334,334**	2,059,087
Deferred tax assets	22(b)	**54,001**	58,635
		27,145,806	20,551,861
Current assets			
Inventories	16	**162,721**	128,193
Service concession assets	17	**15,940**	–
Trade and other receivables	18	**1,101,069**	993,343
Restricted bank deposits		**12,613**	20,075
Bank deposits with maturity over three months		**2,104,308**	25,000
Cash and cash equivalents	19(a)	**2,673,845**	1,457,745
		6,070,496	2,624,356
Current liabilities			
Bank loans	20	**71,800**	482,300
Trade and other payables	21	**1,974,026**	1,403,973
Contract liabilities		**14,177**	–
Income tax payables	22(a)	**111,306**	34,129
		2,171,309	1,920,402
Net current assets		**3,899,187**	703,954
Total assets less current liabilities		**31,044,993**	21,255,815

The notes on pages 89 to 184 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

At 31 December 2018
(Expressed in Renminbi Yuan)

	Note	2018 RMB'000	2017 RMB'000 (Note)
Non-current liabilities			
Bank loans	20	**1,195,700**	44,500
Convertible bonds	23	**3,383,432**	–
		4,579,132	44,500
Net assets		**26,465,861**	21,211,315
Capital and reserves	24		
Share capital		**14,347**	14,347
Reserves		**25,738,470**	20,563,404
Equity attributable to equity shareholders of the Company		**25,752,817**	20,577,751
Non-controlling interests		**713,044**	633,564
Total equity		**26,465,861**	21,211,315

Approved and authorised for issue by the board of directors on 21 March 2019.

Guo Jingbin
Director

Ji Qingying
Director

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 1(c).

The notes on pages 89 to 184 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018
(Expressed in Renminbi Yuan)

	Note	Attributable to equity shareholders of the Company							Non-controlling interests RMB'000	Total equity RMB'000
		Share Capital RMB'000 (Note 24(c))	Share premium RMB'000 (Note 24(d)(i))	Capital reserve RMB'000 (Note 24(d)(ii))	PRC statutory reserves RMB'000 (Note 24(d)(iii))	Exchange Reserve RMB'000 (Note 24(d)(iv))	Retained earnings RMB'000	Sub-total RMB'000		
Balance at 1 January 2017		14,347	1,745,481	2,036,546	459,108	–	13,491,835	17,747,317	599,273	18,346,590
Profit for the year		–	–	–	–	–	3,403,002	3,403,002	102,038	3,505,040
Other comprehensive income	7	–	–	(101,801)	–	–	–	(101,801)	–	(101,801)
Total comprehensive income		–	–	(101,801)	–	–	3,403,002	3,301,201	102,038	3,403,239
Non-controlling interest arising from establishment of a subsidiary		–	–	–	–	–	–	–	1,400	1,400
Dilution of investment in a subsidiary without losing control		–	–	605	–	–	–	605	(605)	–
Appropriation to reserves	24(d)(iii)	–	–	–	48,073	–	(48,073)	–	–	–
Profit distribution to non-controlling interests		–	–	–	–	–	–	–	(68,542)	(68,542)
Dividends approved in respect of the previous year	24(b)	–	(471,372)	–	–	–	–	(471,372)	–	(471,372)
Balance at 31 December 2017		14,347	1,274,109	1,935,350	507,181	–	16,846,764	20,577,751	633,564	21,211,315

	Note	**Attributable to equity shareholders of the Company**							**Non-controlling interests RMB'000**	**Total equity RMB'000**
		Share Capital RMB'000 (Note 24(c))	**Share premium RMB'000 (Note 24(d)(i))**	**Capital reserve RMB'000 (Note 24(d)(ii))**	**PRC statutory reserves RMB'000 (Note 24(d)(iii))**	**Exchange Reserve RMB'000 (Note 24(d)(iv))**	**Retained earnings RMB'000**	**Sub-total 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	24(d)(iii)	**–**	**–**	**–**	**72,939**	**–**	**(72,939)**	**–**	**–**	**–**
Profit distribution to non-controlling interests		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(41,261)**	**(41,261)**
Dividends approved in respect of the previous year	24(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**

The notes on pages 89 to 184 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2018
(Expressed in Renminbi Yuan)

	Note	**2018 RMB'000**	2017 RMB'000
Operating activities:			
Cash generated from operations	19(b)	**504,710**	208,196
Income tax paid	22(a)	**(107,580)**	(140,795)
Net cash generated from operating activities		**397,130**	67,401
Investing activities:			
Payment for purchase of property, plant and equipment, construction in progress and intangible assets		**(1,063,631)**	(562,947)
Proceeds from disposal of property, plant and equipment		**18**	1,073
Payment for lease prepayments		**(69,534)**	(8,480)
Proceeds from maturity of bank deposits over three months		**25,000**	–
Payment for bank deposits with maturity over three months		**(2,104,308)**	(25,000)
Dividends received from an associate		**686,000**	392,000
Interest received		**56,499**	59,029
Net cash used in investing activities		**(2,469,956)**	(144,325)
Financing activities:			
Proceeds from bank loans	19(c)	**1,424,661**	30,000
Net proceeds from issuance of convertible bonds	23	**3,376,369**	–
Repayment of bank loans	19(c)	**(683,961)**	(98,300)
Profit distribution to non-controlling interests		**(41,261)**	(68,542)
Dividends paid to equity shareholders of the Company	24(b)	**(771,576)**	(471,372)
Interest paid	19(c)	**(43,723)**	(24,157)
Capital contribution from non-controlling shareholders		**5,865**	1,400
Net cash generated from/(used in) financing activities		**3,266,374**	(630,971)
Net increase/(decrease) in cash and cash equivalents		**1,193,548**	(707,895)
Effect of foreign exchange rate changes		**22,552**	–
Cash and cash equivalents at beginning of the year		**1,457,745**	2,165,640
Cash and cash equivalents at end of the year	19(a)	**2,673,845**	1,457,745

The notes on pages 89 to 184 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 2018 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in an associate.

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

(i) Overview

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

- IFRS 9, *Financial instruments*
- IFRS 15, *Revenue from contracts with customers*
- IFRIC 22, *Foreign currency transactions and advance consideration*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The adoption of IFRIC 22 does not have any material impact on the financial position and the financial result of the Group.

(ii) IFRS 9, *Financial instruments*

IFRS 9 replaces IAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has elected to use the cumulative effect transition method and has applied IFRS 9 retrospectively to items that existed at 1 January 2018. Comparative information is not restated.

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

a. *Classification of financial assets and financial liabilities*

IFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVPL"). These supersede IAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under IFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(ii) IFRS 9, *Financial instruments* (Continued)

a. *Classification of financial assets and financial liabilities (Continued)*

For an explanation of how the Group classifies and measures financial assets and recognises related gains and losses under IFRS 9, see the respective accounting policy notes in notes 1(f), (j)(i), (m), (n) and (o).

The measurement categories for all financial assets and financial liabilities of the Group remain the same under IFRS 9. The carrying amounts for all financial assets and financial liabilities as at 1 January 2018 have not been impacted by the initial application of IFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 January 2018.

b. *Credit losses*

IFRS 9 replaces the "incurred loss" model in IAS 39 with the "expected credit loss" ("ECL") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in IAS 39.

The Group applies the new ECL model to the following items:

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

- service concession assets (see note 17).

For further details on the Group's accounting policy for accounting for credit losses, see note1(j)(i).

As a result of this change in accounting policy, there are no additional ECLs recognised at 1 January 2018 due to an immaterial impact.

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(iii) IFRS 15, *Revenue from contracts with customers*

IFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. IFRS 15 replaces IAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services, and IAS 11, Construction contracts, which specified the accounting for construction contracts.

IFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Group has elected to use the cumulative effect transition method. Comparative information has not been restated and continues to be reported under IAS 11 and IAS 18. As allowed by IFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

a. Timing of revenue recognition

Previously, revenue from sale of goods was recognised at a point in time when risks and rewards of ownership of the goods had passed to the customers, revenue from construction contracts are recognised over time, and revenue arising from provision of services was recognised when the relevant service is rendered without further performance obligations.

Under IFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. IFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(iii) IFRS 15, *Revenue from contracts with customers* (Continued)

a. *Timing of revenue recognition (Continued)*

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under IFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of IFRS 15 does not have a significant impact on when and how the Group recognises revenue (see note 1(v)).

b. *Presentation of service concession assets and contract liabilities*

Under IFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue (see note 1(v)) before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. 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 (see note 1(l)).

Upon the adoption of IFRS 15, the Group's "service concession assets', representing contract assets under IFRS 15 and included in "gross amounts due from customers for construction contract work" and certain other receivables related to service concession arrangements included in "trade and other receivables" in previously issued financial statements of the Group for the year ended 31 December 2017, have been separately disclosed in the consolidated statement of financial position as at 1 January 2018.

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(iii) IFRS 15, *Revenue from contracts with customers* (Continued)

b. *Presentation of service concession assets and contract liabilities* (Continued)

To reflect these changes in presentation, the Group has made the following reclassification adjustments at 1 January 2018, as a result of the adoption of IFRS 15:

- "Gross amounts due from customers for construction contract work" amounting to RMB 1,855,822,000, which were previously included in "non-current portion of trade and other receivables" (note 18) are now reclassified to "non-current portion of service concession assets" (note 17), which includes both contract assets as defined under IFRS 15 and receivables related with service concession arrangements.

- "Gross amounts due from customers for construction contract work" amounting to RMB 14,026,000, which were previously included in "trade and other receivables" (note 18) are now included under "service concession assets" (note 17).

- "Receipts in advance" amounting to RMB 12,837,000, which were previously included in "trade and other payables" (note 21) are now included under "contract liabilities".

c. *Other impacts*

The Group's assessment is that the impact of IFRS 15 in other areas including customer rights of return, principle vs agent arrangements, customer financing, warranty and incremental costs for contracts is not significant as either the respective volume of transactions are not material or the new standard has not led to a change in accounting treatment.

(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.

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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

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.

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, an investment in an associate is 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 associate, 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:

(A) Policy applicable from 1 January 2018

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)*

(A) Policy applicable from 1 January 2018 *(Continued)*

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).

(B) Policy applicable prior to 1 January 2018

Investments in securities held for trading were classified as financial assets measured at FVPL. Any attributable transaction costs were recognised in profit or loss as incurred. At the end of each reporting period the fair value was remeasured, with any resultant gain or loss being recognised in profit or loss.

Dated debt securities that the Group had the positive ability and intention to hold to maturity were classified as held-to-maturity securities. Held-to-maturity securities were stated at amortised cost (for impairment see note 1(j)(i) — policy applicable prior to 1 January 2018).

Investments which did not fall into any of the above categories were classified as available-for-sale financial assets. At the end of each reporting period the fair value was remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve (recycling). Dividend income from equity investments and interest income from debt securities calculated using the effective interest method were recognised in profit or loss in accordance with the policies set out in notes 1(v)(vi) and 1(v)(v), respectively. Foreign exchange gains and losses arising from debt securities were also recognised in profit or loss. When the investments were derecognised or impaired (see note 1(j)(i) — policy applicable prior to 1 January 2018), the cumulative gain or loss recognised in equity was reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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.

(i) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Lease prepayments

Lease prepayments represent cost of land use right paid to the PRC governmental authorities or third parties.

Lease prepayments are stated at cost less accumulated amortisation and impairment losses (see note 1(j)(ii)). Amortisation is charged to profit or loss on a straight-line basis over the respective periods of the rights.

(ii) Operating lease charges

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

(j) Credit losses and impairment of assets

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

(A) Policy applicable from 1 January 2018

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 and other receivables); and

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

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.

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.

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)*

(A) Policy applicable from 1 January 2018 (Continued)

Measurement of ECLs *(Continued)*

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

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

Significant increases in credit risk

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

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

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

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

— 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.

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)*

(A) Policy applicable from 1 January 2018 (Continued)

Significant increases in credit risk *(Continued)*

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).

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.

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)*

(A) Policy applicable from 1 January 2018 (Continued)

Basis of calculation of interest income *(Continued)*

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

— Significant financial difficulties of the debtor;

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

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

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

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

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)*

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

(B) Policy applicable prior to 1 January 2018

Prior to 1 January 2018, an "incurred loss" model was used to measure impairment losses on financial assets not classified as at FVPL (e.g. trade and other receivables, and available-for-sale investments). Under the "incurred loss" model, an impairment loss was recognised only when there was objective evidence of impairment. Objective evidence of impairment included:

— significant financial difficulties of the debtor;

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

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

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

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence existed, an impairment loss was determined and recognised as follows:

— For trade and other receivables and other financial assets carried at amortised cost, impairment loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, where the effect of discounting was material. This assessment was made collectively where these financial assets shared similar risk characteristics, such as similar past due status, and had not been individually assessed as impaired. Future cash flows for financial assets which were assessed for impairment collectively were based on historical loss experience for assets with credit risk characteristics similar to the collective group.

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)*

(B) Policy applicable prior to 1 January 2018 (Continued)

If in a subsequent period the amount of an impairment loss decreased and the decrease could be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss was reversed through profit or loss. A reversal of an impairment loss was only recognised to the extent that it did not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

When the recovery of a trade debtor or other financial assets carried at amortised cost was considered doubtful but not remote, associated impairment losses were recorded using an allowance account. When the Group was satisfied that recovery was remote, the amount considered irrecoverable was written off against the gross carrying amount of those assets directly. Subsequent recoveries of amounts previously charged to the allowance account were reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly were recognised in profit or loss.

(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;

— lease prepayments;

— intangible assets; and

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

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)*

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).

— 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 (ii)).

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(ii) Other contract costs *(Continued)*

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).

(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 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 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)).

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Contract assets and contract liabilities *(Continued)*

Policy prior to 1 January 2018

In the comparative period, contract balances were recorded for construction contracts at the net amount of costs incurred plus recognised profit less recognised losses and progress billings. These net balances were presented as the "gross amount due from customers for contract work" (as an asset) or the "gross amount due to customers for contract work" (as a liability), as applicable, under "trade and other receivables" or "trade and other payables" respectively on a contract-by-contract basis. Progress billings not yet paid by the customer were included under "trade debtors and bills receivable". Amounts received before the related work was performed were presented as "receipts in advance" under "trade and other payables". These balances have been reclassified on 1 January 2018 as shown in note 17, 18 and 21.

(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.

(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)).

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Income tax *(Continued)*

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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.

In the comparative period, revenue from sales of goods was recognised upon the acceptance of goods by customers when the risks and rewards of ownership of the goods have been passed to the customer. There are no adjustments made to opening balances as at 1 January 2018 as a result of the change in accounting policy.

(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.

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.

Revenue from construction contracts was recognised on a similar basis in the comparative period under IAS 11.

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(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.

Revenue from service concession arrangement was recognised on a similar basis in the comparative period.

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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.

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(y) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(z) Segment reporting

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

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

2 ACCOUNTING JUDGEMENT AND ESTIMATES

(a) Critical accounting judgements in applying the Group's accounting policies

In the progress of applying the Group's accounting policies, management had made the following accounting judgements:

Service concession arrangements

The Group entered into Build-Operate-Transfer ("BOT") arrangements in respect of its waste incineration projects.

The Group concluded that all the BOT arrangements are service concession arrangements under International Financial Reporting Interpretations Committee 12 because the local governments control and regulate the services that the Group must provide with the infrastructure at a pre-determined service charge. In respect of BOT arrangements upon expiry of concession right agreement, the infrastructure for BOT arrangements is used in the service concession arrangements for its entire or substantial useful life.

(b) Source of estimation uncertainty

Note 25(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)*

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

(ii) Depreciation and amortisation

As described in note 1(g), property, plant and equipment 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.

(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, lease prepayments, 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.

NOTES TO THE FINANCIAL STATEMENTS

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:

	2018 RMB'000	2017 RMB'000
Energy preservation and environmental protection solutions		
Solid waste solutions	**394,958**	113,636
Waste incineration solutions (i)	**1,723,623**	1,173,299
Energy saving equipment	**461,260**	536,721
Subtotal	**2,579,841**	1,823,656
Port logistics services	**197,652**	154,885
Sale of new building materials	**112,099**	86,410
Total	**2,889,592**	2,064,951

(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:

	2018 RMB'000	2017 RMB'000
Revenue from waste incineration project construction services	**1,486,735**	1,036,475
Revenue from waste incineration project operation services	**143,220**	65,100
Finance income	**93,668**	71,724
Total	**1,723,623**	1,173,299

NOTES TO THE FINANCIAL STATEMENTS

3 REVENUE AND SEGMENT REPORTING *(Continued)*

(a) Revenue *(Continued)*

Disaggregation of revenue *(Continued)*

(i) *(Continued)*

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 2018 amounting to RMB1,573,974,000 (2017: RMB1,051,596,000). Furthermore, the Group had transactions with one corporate customer the aggregate amount of which had exceeded 10% of the Group's revenue in 2018 (2017: one). Revenue from this customer in 2018 amounted to RMB446,485,000 (2017: RMB424,537,000). Details of concentration of credit risk arising from these customers are set out in note 25(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 manufacturing and sales of residual heat power generation, vertical mill, waste incineration solutions, solid waste solutions, 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 and currently in initial expansion stage.

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

(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.

NOTES TO THE FINANCIAL STATEMENTS

3 REVENUE AND SEGMENT REPORTING *(Continued)*

(b) Segment reporting *(Continued)*

(i) *(Continued)*

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 2018 and 2017 is set out below:

	Year ended 31 December 2018					
	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

NOTES TO THE FINANCIAL STATEMENTS

3 REVENUE AND SEGMENT REPORTING *(Continued)*

(b) Segment reporting *(Continued)*

(i) *(Continued)*

	Year ended 31 December 2017					
	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
Reportable segment revenue	1,823,656	154,885	86,410	–	–	2,064,951
Reportable segment profit/ (loss) before taxation	638,975	49,760	(11,776)	2,955,569	(1,419)	3,631,109
Interest income	56,492	277	3,932	–	723	61,424
Interest expenses	21,255	2,819	–	–	–	24,074
Depreciation and amortisation	27,584	42,894	15,401	–	–	85,879
Reversal for impairment losses						
— trade and other receivables	(5,659)	–	–	–	–	(5,659)
— inventories	–	–	(661)	–	–	(661)
Reportable segment assets	5,868,958	510,957	518,364	16,240,675	37,263	23,176,217
Reportable segment liabilities	1,830,694	81,083	53,039	–	86	1,964,902

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.

	2018 RMB'000	2017 RMB'000
Revenue		
Mainland China	**2,585,651**	1,744,072
Asia (except Mainland China)	**298,913**	319,785
North America	**4,941**	–
South America	**–**	227
Africa	**–**	867
Oceanica	**87**	–
	2,889,592	2,064,951

The Group's property, plant and equipment, lease prepayments, intangible assets, interest in an associate 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 lease prepayments, 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 interest in an associate.

4 OTHER INCOME

	2018 RMB'000	2017 RMB'000
Interest income on bank deposits and cash at bank	**71,535**	61,424
Government grants (i)	**92,491**	132,137
Net loss on disposal of property, plant and equipment	**(61)**	(155)
Exchange (loss)/gain	**(1,111)**	515
	162,854	193,921

(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:

	2018 RMB'000	2017 RMB'000
Interest on bank loans	**44,538**	24,074
Interest on convertible bonds	**37,126**	–
Less: interest expense capitalised into construction in progress and intangible assets	**(6,623)**	–
	75,041	24,074

The borrowing costs were capitalised at a rate of 3.30%–4.45% per annum for the year ended 31 December 2018 (2017: not applicable).

(b) Staff costs:

	2018 RMB'000	2017 RMB'000
Salaries, wages and other benefits	**175,699**	138,537
Contributions to defined contribution plans (i)	**23,681**	15,525
	199,380	154,062

(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:

	2018 RMB'000	2017 RMB'000
Cost of inventories#	**596,243**	569,400
Cost of construction services#	**1,167,081**	772,227
Depreciation#	**89,618**	75,267
Amortisation of lease prepayments#	**5,434**	4,750
Amortisation of intangible assets#	**15,630**	5,862
Research and development costs	**23,172**	18,425
Reversal of loss allowance for trade receivables	**(27,798)**	(5,659)
Operating lease charges	**7,092**	6,336
Auditors' remuneration	**2,226**	1,943

Cost of inventories and cost of construction services include RMB174,471,000 (2017: RMB129,398,000) relating to staff costs, depreciation, amortisation of lease prepayments 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.

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT AND LOSS

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

	2018 RMB'000	2017 RMB'000
Current tax — Hong Kong Profits Tax		
Provision for the year	**50**	–
Current tax — PRC income tax		
Provision for the year	**183,425**	117,993
Under-provision in respect of prior years	**1,282**	78
	184,757	118,071
Deferred tax:		
Origination and reversal of temporary differences (Note 22(b))	**4,634**	7,998
	189,391	126,069

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)

(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 2018 is calculated at 16.5% (2017: 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.

The Group has provided withholding tax of RMB42,000,000 in relation to the dividend declared by certain of its PRC subsidiaries to outside of Mainland China for 2018 (2017: Nil).

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)).

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) 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") 平凉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%
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%

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
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%
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%
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%

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
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%

(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" ("HNTE") 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:

	2018 RMB'000	2017 RMB'000
Profit before taxation	**6,251,536**	3,631,109
Notional tax on profit before taxation, calculated at the rates applicable to profit in the tax jurisdictions concerned	**1,583,820**	911,273
PRC tax concessions	**(118,918)**	(46,390)
PRC dividend withholding tax	**42,000**	–
Under-provision in respect of prior years	**1,282**	78
Share of profit of an associate	**(1,318,793)**	(738,892)
Income tax expense	**189,391**	126,069

7 OTHER COMPREHENSIVE INCOME

Components of other comprehensive income:

	2018 RMB'000	2017 RMB'000
Items that will not be reclassified to profit or loss:		
Share of other comprehensive income of an associate, net of tax (i)	**(27,119)**	–
Items that may be reclassified subsequently to profit or loss:		
Share of other comprehensive income of an associate, net of tax	**(26,123)**	(101,801)
Exchange differences on translation of financial statements of overseas subsidiaries	**(1,851)**	–
	(27,974)	(101,801)
	(55,093)	(101,801)

(i) Share of other comprehensive income of an associate 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 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

Year ended 31 December 2017

	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	–	198	761	–	959
Mr. Ji Qinying	–	188	761	–	949
Mr. Li Jian	–	206	567	34	807
Mr. Li Daming	–	218	639	31	888
Independent non-executive Directors:					
Mr. Chan Chi On	122	–	–	–	122
Mr. Chan Kai Wing	122	–	–	–	122
Mr. Lau Chi Wah	122	–	–	–	122
	366	810	2,728	65	3,969

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 (2017: 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:

	2018 RMB'000	2017 RMB'000
Salaries, allowances and benefits in kind	**560**	543
Discretionary bonuses	**817**	761
Contributions to retirement benefit schemes	**40**	37
	1,417	1,341

The emoluments of the above individual with the highest emoluments are within the following bands:

	2018 Number of individuals	2017 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 RMB5,947,269,000 (2017: RMB3,403,002,000) and 1,804,750,000 (2017: 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 RMB5,984,395,000 (2017: RMB3,403,002,000) and the weighted average number of ordinary shares of 1,837,312,000 (2017: 1,804,750,000), calculated as below:

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

	2018 **RMB'000**	2017 RMB'000
Profit attributable to ordinary equity shareholders	**5,947,269**	3,403,002
After tax effect of effective interest on the liability component of convertible bonds	**37,126**	–
Profit attributable to ordinary equity shareholders (diluted)	**5,984,395**	3,403,002

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

	2018 **'000**	2017 '000
Weighted average number of ordinary shares at 31 December	**1,804,750**	1,804,750
Effect of conversion of convertible bonds (note 23)	**32,562**	–
Weighted average number of ordinary shares (diluted) at 31 December	**1,837,312**	1,804,750

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 2017	794,691	450,469	15,242	23,234	49,674	1,333,310
Additions	948	15,132	6,266	14,688	291,687	328,721
Transfer from construction in progress	54,849	76,022	1,009	–	(131,880)	–
Disposals	–	(800)	(939)	(101)	–	(1,840)
At 31 December 2017 and 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	1,004,333	773,591	32,262	73,857	308,474	2,192,517

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 2017	(154,614)	(133,699)	(7,669)	(7,752)	–	(303,734)
Charge for the year	(31,801)	(36,672)	(2,427)	(4,367)	–	(75,267)
Written back on disposals	–	172	344	96	–	612
At 31 December 2017 and 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	(220,523)	(213,014)	(13,172)	(20,770)	–	(467,479)
Net book value:						
At 31 December 2017	664,073	370,624	11,826	25,798	209,481	1,281,802
At 31 December 2018	783,810	560,577	19,090	53,087	308,474	1,725,038

As at the date of this report, the Group was in the process of applying for registration of the ownership certificates for certain plant and buildings. The aggregate carrying amount of such plant and buildings of the Group as at 31 December 2018 was approximately RMB132,088,000 (2017: RMB139,327,000). The directors are of the opinion that the Group is entitled to legally occupy or use these plant and buildings.

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 an operating loss in 2018. The Group identified impairment indicators of its property, plant and equipment and lease prepayments with total carrying amount of RMB200,892,000 as at 31 December 2018 (2017: RMB200,800,000), and performed an impairment assessment of the related assets based on their estimated recoverable amounts.

NOTES TO THE FINANCIAL STATEMENTS

11 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The recoverable amount of the CGU 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%, which is consistent with the long-term growth rate of the business in which the CGU operates. The pre-tax discount rate used is 15.8% (2017: 15%) 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 lease prepayments in this CGU as at 31 December 2018 (2017: Nil).

12 LEASE PREPAYMENTS

	2018 RMB'000	2017 RMB'000
Cost:		
At 1 January	**237,025**	228,545
Additions	**69,534**	8,480
At 31 December	**306,559**	237,025
Accumulated amortisation:		
At 1 January	**(29,771)**	(25,021)
Charge for the year	**(5,434)**	(4,750)
At 31 December	**(35,205)**	(29,771)
Net book value:		
At 31 December	**271,354**	207,254

Lease prepayments represent cost of land use rights in respect of land located in the PRC with lease period of 40–50 years when granted.

As at the date of this report, the Group was in the process of applying for registration of the ownership certificates for certain of its land use rights. The aggregate carrying value of such land use rights of the Group as at 31 December 2018 was approximately RMB66,791,000 (2017: RMB36,215,000). The directors are of the opinion that the Group is entitled to legally occupy or use these land.

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 2017	4,392	281,122	285,514
Additions	148	430,924	431,072
At 31 December 2017 and 1 January 2018	4,540	712,046	716,586
Additions	395	915,000	915,395
At 31 December 2018	4,935	1,627,046	1,631,981
Accumulated depreciation:			
At 1 January 2017	(3,356)	(2,960)	(6,316)
Charge for the year	(255)	(5,607)	(5,862)
At 31 December 2017 and 1 January 2018	(3,611)	(8,567)	(12,178)
Charge for the year	(165)	(15,465)	(15,630)
At 31 December 2018	(3,776)	(24,032)	(27,808)
Net book value:			
At 31 December 2017	929	703,479	704,408
At 31 December 2018	1,159	1,603,014	1,604,173

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 2018, the recoverable amounts of the operating rights are estimated to be higher than their carrying amounts, therefore no provision for impairment loss was recognised (2017: 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)*

		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**
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%	Manufacturing and 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)	RMB40,000,000	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	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: 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)*

		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**
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
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	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: 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)*

		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**
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. ("WH 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)*

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
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") (興安海創環保科技有限責任公司)	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. (iii) ("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)	RMB10,000,000	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
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

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**
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)	Register capital: RMB15,000,000 Paid up capital: –	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
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

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
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)	Register capital: RMB30,000,000 Paid up capital: RMB4,264,750	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)	Register capital: RMB15,000,000 Paid up capital: –	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: RMB100,000,000	100%	–	100%	Waste disposal for energy and sludge treatment service
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

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
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: –	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)	Register capital: RMB80,000,000 Paid up capital: RMB1,000,000	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)	Register capital: RMB15,000,000 Paid up capital: –	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: –	100%	–	100%	Waste disposal for energy and sludge treatment service
Lujiang Conch Venture Environmental Protection Technology Co., Ltd. (iii) ("Lujiang Environmental Protection") (盧江海創環保科技有限責任公司)	Register capital: RMB90,000,000 Paid up capital: –	100%	–	100%	Waste disposal for energy and sludge treatment service

NOTES TO THE FINANCIAL STATEMENTS

14 INTERESTS IN SUBSIDIARIES *(Continued)*

(i) Except for the Company, Conch Venture BVI, Conch Venture HK and Conch Venture International, 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 and Conch Venture International, which are incorporated in Hong Kong, the above entities are incorporated 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 2017 and 2018, 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.

	2018	2017
	RMB'000	RMB'000
NCI percentage	**40%–49%**	40%–49%
Current assets	**2,636,446**	2,182,676
Non-current assets	**435,324**	378,545
Current liabilities	**(1,420,553)**	(1,102,523)
Net assets	**1,651,217**	1,458,698
Carrying amount of NCI	**772,949**	689,272
Revenue	**1,765,328**	1,352,441
Profit for the year	**276,724**	212,844
Total comprehensive income	**276,724**	212,844
Profit allocated to NCI	**124,937**	97,084
Dividend paid to NCI	**41,261**	68,542
Cash flows generated from operating activities	**300,279**	40,910
Cash flows used in investing activities	**(49,499)**	(36,205)
Cash flows used in financing activities	**(85,432)**	(161,457)

NOTES TO THE FINANCIAL STATEMENTS

15 INTEREST IN AN ASSOCIATE

	2018 **RMB'000**	2017 RMB'000
Share of net assets	**20,782,760**	16,240,675

The particulars of the 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	The PRC	RMB800,000,000	49%	Investment holding

The particulars of Conch Holdings' investment holdings as at 31 December 2018 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	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	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)	Incorporated	The PRC	RMB60,000,000	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	The PRC	RMB63,800,000	100%	Hotel service

NOTES TO THE FINANCIAL STATEMENTS

15 INTEREST IN AN ASSOCIATE *(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	The PRC	RMB168,500,000	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	The PRC	RMB5,000,000	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	The PRC	RMB500,000,000	100%	Investment holding
State Power Investment and Anhui Conch Electricity Co., Ltd. (國家電投集團安徽海螺售電有限公司)	Incorporated	The PRC	RMB200,000,000	50%	Electricity development
Wuhu Conch Trading Co., Ltd. (蕪湖海螺貿易有限公司)	Incorporated	The PRC	RMB100,000,000	100%	Trading
Anhui International Trade Group Holding Co., Ltd. (安徽國貿集團控股有限公司)	Incorporated	The PRC	RMB661,111,111	55%	Investment holding and trading

NOTES TO THE FINANCIAL STATEMENTS

15 INTEREST IN AN ASSOCIATE *(Continued)*

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

	2018 **RMB'000**	2017 RMB'000
Gross amounts of the associate		
Current assets	**32,975,398**	1,686,525
Non-current assets	**48,913,557**	34,214,681
Current liabilities	**(27,286,540)**	(643,280)
Non-current liabilities	**(12,188,622)**	(2,113,692)
Net assets	**42,413,793**	33,144,234
Revenue	**14,571,869**	528,748
Profit after tax for the year	**10,765,656**	6,031,773
Other comprehensive income	**(108,657)**	(207,757)
Total comprehensive income	**10,656,999**	5,824,016
Dividend received from the associate	**686,000**	392,000
Reconciled to the Group's interest in the associate		
Gross amounts of net assets of the associate	**42,413,793**	33,144,234
Group's effective interest	**49%**	49%
Group's share of net assets of the associate	**20,782,760**	16,240,675
Carrying amount in the consolidated financial statements	**20,782,760**	16,240,675

NOTES TO THE FINANCIAL STATEMENTS

16 INVENTORIES

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

	2018 **RMB'000**	2017 RMB'000
Raw materials	**49,035**	55,618
Work in progress	**38,583**	27,648
Finished goods	**75,103**	44,927
	162,721	128,193

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

	2018 **RMB'000**	2017 RMB'000
Carrying amount of inventories sold	**596,243**	570,061
Reversal of write-down of inventories	**–**	(661)
	596,243	569,400

17 SERVICE CONCESSION ASSETS

	At 31 December 2018 RMB'000	At 1 January 2018 RMB'000	At 31 December 2017 RMB'000
Current	**15,940**	14,026	–
Non-current	**2,374,146**	1,855,822	–
	2,390,086	1,869,848	–

The service concession assets bear interest at rates ranging from 6.01% to 9.41% (31 December 2017: 6.01% to 9.41%) per annum as at 31 December 2018 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 RMB2,390,086,000 (2017: RMB1,869,848,000), RMB959,065,000 (2017: RMB663,439,000) relates to BOT arrangements which are in construction phase and should be deemed as contract assets as defined under IFRS 15.

NOTES TO THE FINANCIAL STATEMENTS

18 TRADE AND OTHER RECEIVABLES

	At 31 December 2018 RMB'000	At 1 January 2018 RMB'000	At 31 December 2017 RMB'000
Trade receivables	**632,601**	596,434	596,434
Bills receivable	**60,147**	106,373	106,373
Less: allowance for doubtful debts (Note 18(b))	**(50,284)**	(80,673)	(80,673)
Trade and bills receivables	**642,464**	622,134	622,134
Gross amounts due from customers for construction contract work (note)	**–**	–	38,032
Deposits and prepayments	**85,937**	79,680	79,680
Other receivables	**187,992**	125,942	125,942
Interest receivables	**21,730**	6,694	6,694
Amounts due from third parties	**938,123**	834,450	872,482
Amounts due from related parties (Note 27(c))	**162,946**	120,861	120,861
Current portion of trade and other receivables	**1,101,069**	955,311	993,343
Non-current portion of gross amounts due from customers for construction contract work (note)	**–**	–	1,857,463
Other receivables to be recovered after one year	**334,334**	201,624	201,624
Non-current portion of trade and other receivables	**334,334**	201,624	2,059,087
Total current and non-current trade and other receivables	**1,435,403**	1,156,935	3,052,430

Note: The Group has initially applied IFRS 15 using the cumulative effect transition method and adjusted the opening balance at 1 January 2018.

Upon the adoption of IFRS 15, gross amount due from customers for construction contract work is reclassified to service concession assets (see note 17) in relation to BOT arrangements (31 December 2017: RMB1,869,848,000). Gross amount due from customers for construction contract work other than BOT arrangements amounted to Nil as at 31 December 2018 (31 December 2017: RMB25,647,000).

NOTES TO THE FINANCIAL STATEMENTS

18 TRADE AND OTHER RECEIVABLES *(Continued)*

All of the current portion of trade and other receivables are expected to be recovered within one year.

As at 31 December 2018, the Group endorsed undue bills receivable of RMB361,702,000 (2017: RMB231,804,000) 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 2018, the maximum exposure to loss from its continuous involvement represents the amount of bills receivable of RMB361,702,000 (2017: RMB231,804,000) 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:

	2018 **RMB'000**	2017 RMB'000
Current	**590,253**	561,677
Less than 1 year	**27,560**	34,492
1 to 2 years	**22,926**	17,981
2 to 3 years	**1,725**	7,984
	642,464	622,134

Details of the Group's credit policy and credit risk arising from trade receivable and bills receivables are set out in Note 25(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:

	2018 **RMB'000**	2017 RMB'000
At the beginning of the year	**80,673**	113,357
Reversal of loss allowance (note)	**(27,798)**	(5,659)
Written off	**(2,591)**	(27,025)
At the end of the year	**50,284**	80,673

The Group has initially applied IFRS 9 using the cumulative effect transition method. Upon the adoption of IFRS 9, no additional ECLs were recognised at 1 January 2018 due to an immaterial impact.

Note: Collection of past due receivables net of origination and new past due receivables resulted in a reversal of loss allowance during 2018 and 2017.

19 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	2018 **RMB'000**	2017 RMB'000
Bank deposits with maturity within three months	**1,622,323**	1,039,289
Cash at bank and on hand	**1,051,522**	418,456
	2,673,845	1,457,745

NOTES TO THE FINANCIAL STATEMENTS

19 CASH AND CASH EQUIVALENTS *(Continued)*

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

	Note	**2018 RMB'000**	2017 RMB'000 (Note)
Profit before taxation		**6,251,536**	3,631,109
Adjustments for:			
Depreciation	5(c)	**89,618**	75,267
Amortisation of lease prepayments	5(c)	**5,434**	4,750
Amortisation of intangible assets	5(c)	**15,630**	5,862
Reversal of loss allowance for trade receivables	5(c)	**(27,798)**	(5,659)
Reversal of write-down of inventories	16(b)	**–**	(661)
Net loss on disposal of property, plant and equipment	4	**61**	155
Finance costs	5(a)	**75,041**	24,074
Interest income	4	**(71,535)**	(61,424)
Share of profit of an associate		**(5,281,327)**	(2,961,141)
Operating profit before changes in working capital		**1,056,660**	712,332
(Increase)/decrease in inventories		**(34,528)**	36,532
Decrease/(increase) in restricted bank deposits		**7,462**	(1,900)
Increase in trade and other receivables		**(209,987)**	(531,448)
Increase in service concession assets		**(520,238)**	–
Increase/(decrease) in trade and other payables		**204,001**	(7,320)
Increase in contract liabilities		**1,340**	–
Cash generated from operations		**504,710**	208,196

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See 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)	Convertible bonds RMB'000 (Note 23)	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

Note: Interest payable is included in trade and other payables as disclosed in Note 21.

NOTES TO THE FINANCIAL STATEMENTS

20 BANK LOANS

	2018 **RMB'000**	2017 RMB'000
Current	**71,800**	482,300
Non-current	**1,195,700**	44,500
Total	**1,267,500**	526,800

(i) As at 31 December 2018, bank loans of RMB1,267,500,000 were denominated in RMB (2017: RMB526,800,000).

As at 31 December 2018, the bank loans were repayable as follows:

	2018 **RMB'000**	2017 RMB'000
Within one year	**71,800**	482,300
After one year but within two years	**102,800**	6,300
After two years but within five years	**1,002,900**	16,400
After five years	**90,000**	21,800
Total	**1,267,500**	526,800

(ii) As at 31 December 2018, the bank loans were secured as follows:

	2018 **RMB'000**	2017 RMB'000
Guaranteed	**292,500**	50,800
Unsecured	**975,000**	476,000
Total	**1,267,500**	526,800

As at 31 December 2018, bank loans of the Group amounting to RMB100,000,000 (31 December 2017: Nil) was guaranteed by Conch Venture Wuhu, a subsidiary of the Group.

As at 31 December 2018, bank loans of the Group amounting to RMB148,000,000 (31 December 2017: Nil) were guaranteed by WH Investment, a subsidiary of the Group.

As at 31 December 2018, bank loans of the Group amounting to RMB44,500,000 (31 December 2017: RMB50,800,000) 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 2018 RMB'000	At 1 January 2018 RMB'000	At 31 December 2017 RMB'000
Trade payables	**1,131,307**	821,070	821,070
Bills payable	**403,095**	189,963	189,963
	1,534,402	1,011,033	1,011,033
Receipts in advance (note)	**–**	–	12,837
Other payables and accruals	**359,255**	315,037	315,037
Amounts due to third parties	**1,893,657**	1,326,070	1,338,907
Amounts due to related parties (Note 27(c))	**80,369**	65,066	65,066
Trade and other payables	**1,974,026**	1,391,136	1,403,973

Note: As a result of the adoption of IFRS15, receipts in advance are reclassified to contract liabilities as at 1 January 2018 (see note 1(c)(iii)).

An ageing analysis of trade and bills payables of the Group is as follows:

	2018 RMB'000	2017 RMB'000
Within 1 year	**1,460,204**	942,235
1 year to 2 years	**64,391**	48,580
2 years to 3 years	**8,592**	16,350
Over 3 years but within 5 years	**1,215**	3,868
	1,534,402	1,011,033

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:

	2018 RMB'000	2017 RMB'000
Balance at beginning of the year	**34,129**	56,853
Provision for current income tax for the year (Note 6(a))	**184,757**	118,071
Payments during the year	**(107,580)**	(140,795)
Balance at the end of the year	**111,306**	34,129

(b) Deferred tax assets recognised:

(i) Deferred tax assets recognised:

The components of deferred tax assets 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	Total RMB'000
Deferred tax assets arising from:			
At 1 January 2017	37,690	28,943	66,633
Credited/(charged) to profit or loss	2,596	(10,594)	(7,998)
At 31 December 2017 and 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	44,721	9,280	54,001

(c) Deferred tax liabilities not recognised:

The Group has not recognised deferred tax liabilities as at 31 December 2018 in respect of undistributed earnings of RMB22,503,320,000 of PRC subsidiaries (2017: RMB16,951,725,000) 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 5(a))	37,126	–	37,126
Exchange adjustment	24,403	–	24,403
At 31 December 2018	3,383,432	54,466	3,437,898

NOTES TO THE FINANCIAL STATEMENTS

24 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 Note24(c)	Share premium RMB'000 Note24(d)(i)	Accumulated losses RMB'000	Total equity RMB'000
Balance at 1 January 2017		14,347	1,745,481	(52,264)	1,707,564
Loss for the year		–	–	(1,419)	(1,419)
Dividends approved in respect of the previous year		–	(471,372)	–	(471,372)
Balance at 31 December 2017 and 1 January 2018	28	**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	28	**14,347**	**502,533**	**(58,748)**	**458,132**

NOTES TO THE FINANCIAL STATEMENTS

24 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(b) Dividends

Pursuant to a resolution passed at the Directors' meeting on 21 March 2019, a final dividend of HKD0.55 (2017: HKD0.50) per ordinary share totalling HKD992,613,000, equivalent to approximately RMB847,989,000, (2017: HKD902,375,000, equivalent to approximately RMB771,576,000) was proposed for shareholders' approval. The dividend has not been provided for in the consolidated financial statements for the year ended 31 December 2018.

(i) Dividends payable to equity shareholders of the company attributable to the year

	2018 **RMB'000**	2017 RMB'000
Final dividend proposed after the end of the reporting period of HKD0.55 per ordinary share (2017: HKD0.50 per ordinary share)	**847,989**	771,576

(ii) Dividends payable to equity shareholders of the company attributable to the previous financial year, approved and paid during the year

	2018 **RMB'000**	2017 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HKD0.50 per ordinary share (2017: HKD0.30 per ordinary share)	**771,576**	471,372

NOTES TO THE FINANCIAL STATEMENTS

24 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(c) Share capital

Authorised and issued share capital

	No. of shares ('000)	Amount HKD'000
Authorised:		
Ordinary shares of HKD 0.01 each at 31 December 2018 and 2017	15,000,000	150,000

	No. of shares	Amount	
			Equivalent to
	('000)	HKD'000	RMB'000
Issued and fully paid:			
At 31 December 2018 and 2017	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 2018 was RMB443,785,000 (2017: RMB1,220,426,000).

NOTES TO THE FINANCIAL STATEMENTS

24 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 notes 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.

The Group monitors its capital structure on the basis of gearing ratio. The Group defines gearing ratio as total liabilities divided by total assets.

NOTES TO THE FINANCIAL STATEMENTS

24 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

The Group's strategy was to maintain the gearing ratio at a reasonable level. The Group's gearing ratio as at 31 December 2018 and 2017 was 20.3% and 8.5%.

	2018 **RMB'000**	2017 RMB'000
Total liabilities	**6,750,441**	1,964,902
Total assets	**33,216,302**	23,176,217
Gearing ratio	**20.3%**	8.5%

Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

25 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, 5% (2017: 4%) and 13% (2017: 15%) 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.

NOTES TO THE FINANCIAL STATEMENTS

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

(a) Credit risk *(Continued)*

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.

The Group measures loss allowances for trade receivables and contract assets 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.

(b) Liquidity risk

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

NOTES TO THE FINANCIAL STATEMENTS

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

(b) Liquidity risk *(Continued)*

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 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	**–**	**–**	**3,439,085**	**–**	**3,439,085**	**3,383,432**
	2,100,662	**152,642**	**4,480,051**	**97,270**	**6,830,625**	**6,624,958**

	At 31 December 2017					
	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	496,236	8,122	20,376	23,402	548,136	526,800
Trade and other payables	1,403,973	–	–	–	1,403,973	1,403,973
	1,900,209	8,122	20,376	23,402	1,952,109	1,930,773

NOTES TO THE FINANCIAL STATEMENTS

25 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 2018 and 2017 are set out as follows:

	2018		2017	
	Interest rate %	**RMB'000**	Interest rate %	RMB'000
Fixed rate:				
Bank deposits with maturity within three months	**0.20%–4.20%**	**1,622,323**	1.55%–4.30%	1,039,289
Bank deposits with maturity over three months	**2.45%–2.92%**	**2,104,308**	4.30%	25,000
Bank loans	**4.13%**	**(30,000)**	3.92%	(30,000)
Convertible bonds	**0.00%**	**(3,439,085)**	–	–
		257,546		1,034,289
Variable rate:				
Cash at bank and on hand	**0.30%–1.85%**	**1,051,522**	0.30%–1.76%	418,456
Restricted bank deposits	**1.75%–2.25%**	**12,613**	1.35%–1.76%	20,075
Bank loans	**4.28%–4.51%**	**(1,237,500)**	4.28%–4.41%	(496,800)
		(173,365)		(58,269)

NOTES TO THE FINANCIAL STATEMENTS

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

(c) Interest rate risk *(Continued)*

(ii) Sensitivity analysis

At 31 December 2018, 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 RMB323,000 (2017: decreased/increased the Group's profit after tax and retained profits by approximately RMB78,000).

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 2017.

(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 Hongkong 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

25 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 2018		
	USD	**HKD**	**Total**
	RMB'000	**RMB'000**	**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**

	At 31 December 2017		
	USD	HKD	Total
	RMB'000	RMB'000	RMB'000
Trade and other receivables	154	791	945
Trade and other payables	(3,499)	(32)	(3,531)
Cash and cash equivalents	70,175	967	71,142
Net exposure arising from recognised assets and liabilities	66,830	1,726	68,556

NOTES TO THE FINANCIAL STATEMENTS

25 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 2017 and 2018 have changed at those dates, assuming all other risk variables remained constant.

	2018		2017	
	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%**	**481**	1%	513
HKD	**1%**	**6,579**	1%	15
		7,060		528

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 2017.

(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 2018 and 2017.

NOTES TO THE FINANCIAL STATEMENTS

26 COMMITMENTS

(a) Purchase and capital commitments

At 31 December 2018, 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:

	2018 RMB'000	2017 RMB'000
Contracted for	**1,327,312**	2,411,975
Authorised but not contracted for	**2,196,735**	253,389
	3,524,047	2,665,364

(b) Operating lease commitments

As at 31 December 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2018 RMB'000	2017 RMB'000
Within one year	**8,002**	7,188
After 1 year but within 2 years	**3,254**	3,000
After 2 years but within 3 years	**2,797**	–
After 3 years but within 5 years	**421**	–
	14,474	10,188

The Group leases a number of properties under operating leases in respect of offices. The leases typically run for a period of one to three years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

NOTES TO THE FINANCIAL STATEMENTS

27 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 Company
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

(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

27 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:

	2018 **RMB'000**	2017 RMB'000
Short-term employee benefits	**3,833**	3,538
Post-employment benefits	**70**	65
	3,903	3,603

(b) Significant related party transactions

Particulars of significant transactions between the Group and the above related parties during the year are as follows:

	2018 **RMB'000**	2017 RMB'000
Sales of goods to:		
Conch Cement	**321,867**	313,843
Kawasaki HI	**21,667**	24,205
CKEM	**3,449**	911
Conch Design Institute	**22,318**	30,653
Conch Profiles	**–**	18
Conch IT Engineering	**13**	–
	369,314	369,630

	2018 **RMB'000**	2017 RMB'000
Service rendered to:		
Conch Cement	**124,618**	110,694
CKEM	**–**	183
Conch Design Institute	**1,104**	755
	125,722	111,632

NOTES TO THE FINANCIAL STATEMENTS

27 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Significant related party transactions *(Continued)*

	2018 **RMB'000**	2017 RMB'000
Purchase of goods from:		
Conch Cement	**13,522**	11,967
Conch IT Engineering	**5,953**	7,331
Kawasaki HI	**2,222**	2,250
CKEM	**18,087**	7,240
Conch Profiles	**467**	1,362
Conch Design Institute	**–**	2,582
	40,251	32,732

	2018 **RMB'000**	2017 RMB'000
Services received from:		
Conch Cement	**33,291**	23,669
Conch Design Institute	**15,593**	19,315
Conch IT Engineering	**15,573**	7,413
Kawasaki HI	**153**	2,572
Conch Holdings	**60**	–
Conch Profiles	**229**	54
	64,899	53,023

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

27 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(c) Balances with related parties

Balances with related parties at the end of each reporting period are as follows:

	2018 RMB'000	2017 RMB'000
Amounts due from:		
Conch Cement	**152,301**	107,883
CKEM	**15**	20
Kawasaki HI	**6,254**	27
Conch Design Institute	**4,343**	12,507
Conch IT Engineering	**15**	424
Conch Profiles	**18**	–
	162,946	120,861

	2018 RMB'000	2017 RMB'000
Amounts due to:		
Conch Cement	**58,914**	37,430
Kawasaki HI	**1,163**	8,840
Conch IT Engineering	**11,854**	5,293
CKEM	**1,389**	11,130
Conch Design Institute	**4,014**	1,098
Conch Profiles	**69**	410
Conch Holdings	**2,966**	865
	80,369	65,066

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

28 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2018 RMB'000	2017 RMB'000
Non-current assets			
Interests in a subsidiary		**678,880**	678,880
Current assets			
Trade and other receivables		**–**	518,716
Cash and cash equivalents		**12,311**	37,263
		12,311	555,979
Current liabilities			
Trade and other payables		**233,059**	86
Net current assets		**(220,748)**	555,893
Net assets		**458,132**	1,234,773
Capital and reserves	24(a)		
Share capital		**14,347**	14,347
Reserves		**443,785**	1,220,426
Total equity		**458,132**	1,234,773

29 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of reporting period, the directors proposed a final dividend for the year ended 31 December 2018. Further details are disclosed in Note 24(b).

NOTES TO THE FINANCIAL STATEMENTS

30 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2018

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 2018 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
IFRS 16, Leases	1 January 2019
IFRIC 23, Uncertainty over income tax treatments	1 January 2019
Annual Improvements to IFRSs 2015–2017 Cycle	1 January 2019
Amendments to IAS 28, Long-term interest in associates and joint ventures	1 January 2019
Amendments to IAS 19, Plan amendment, curtailment or settlement	1 January 2019
Amendments to IFRS 9, Prepayment features with negative compensation	1 January 2019
Revised Conceptual Framework for Financial Reporting 2018	1 January 2020
IFRS 17, Insurance contracts	1 January 2021

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 identified some aspects of IFRS 16 which may have an impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for IFRS 16, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ending 30 June 2019. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that financial report.

30 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2018 *(Continued)*

IFRS 16, Leases

As disclosed in note 1(i), currently the Group enters into certain leases arrangements as the lessee and classifies leases into operating leases.

IFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once IFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

IFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. As allowed by IFRS 16, the Group plans to use the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. The Group will therefore apply the new definition of a lease in IFRS 16 only to contracts that are entered into on or after the date of initial application. In addition, the Group plans to elect the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets.

The Group plans to elect to use the modified retrospective approach for the adoption of IFRS 16 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019 and will not restate the comparative information. As disclosed in note 26(b), at 31 December 2018, the Group's future minimum lease payments under non-cancellable operating leases for properties amounted to RMB14,474,000, of which RMB6,472,000 is payable after 1 year but within 5 years after the reporting date. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once IFRS 16 is adopted.

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of IFRS 16 will not be material.