CONCH VENTURE

2017
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		2
1.	Corporate Information	5
2.	Financial Highlights	7
3.	2017 Milestones of Conch Venture	8
4.	Business Review and Outlook	10
5.	Management Discussion and Analysis	20
6.	Corporate Governance Report	31
7.	Report of the Directors	46
8.	Environmental, Social and Governance Report	65
9.	Biographies of Directors and Senior Management	95
10.	Independent Auditor's Report	99
11.	Consolidated Statement of Profit or Loss	111
12.	Consolidated Statement of Profit or Loss and Other Comprehensive Income	112
13.	Consolidated Statement of Financial Position	113
14.	Consolidated Statement of Changes in Equity	115
15.	Consolidated Cash Flow Statement	117
16.	Notes to the Financial Statements	118

DEFINITIONS

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

Anhui Conch Venture New Building Material Company:	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*)
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
BOT:	build-operate-transfer, a type of business arrangement used in the construction of a facility
Bozhou Conch Venture New Building Material Company:	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*)
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.*)
CK Shanghai:	上海海螺川崎節能環保工程有限公司 (Shanghai Conch Kawasaki Engineering 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 Profiles:	蕪湖海螺型材科技股份有限公司 (Wuhu Conch Profiles and Science Co., Ltd.*)

DEFINITIONS

Conch Group:	Conch Holdings and its affiliates (primarily Conch Cement and 蕪湖海螺型材科技股份有限公司 (Wuhu Conch Profiles and Science Co., Ltd.*))
Conch Holdings:	安徽海螺集團有限責任公司 (Anhui Conch Holdings Co., Ltd.*)
Conch IT Engineering:	安徽海螺信息技術工程有限責任公司 (Anhui Conch IT Engineering Co., Ltd.*)
Connected person(s):	has the meaning ascribed thereto under the Listing Rules
CV Investment:	安徽海螺創業投資有限責任公司 (Anhui Conch Venture Investment Co., Ltd.*)
Dongjiang Environmental	Dongjiang Environmental Company Limited (東江環保股份有限公司)
EPC:	engineering, procurement and construction, a type of business arrangement used in the design and construction of a facility
Director(s):	the director(s) of the Company
Group:	the Company and its subsidiaries
HC 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
Jinzhai Conch Venture:	金寨海創環境工程有限責任公司 (Jinzhai Conch Venture Environment Engineering Co., Ltd.*)
Kawasaki HI:	Kawasaki Heavy Industries Ltd. (川崎重工業株式會社)
Listing Rules:	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
Management:	the members of the senior management of the Company

DEFINITIONS

Remuneration and Nomination Committee:	the remuneration and nomination committee of the Board
Reporting Period:	the year from 1 January 2017 to 31 December 2017
RMB:	the lawful currency of the PRC
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.*)

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:**	Ms. ZHANG Mingjing *(retired on 28 June 2017)*
(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 Ms. ZHANG Mingjing *(retired on 28 June 2017)*
(VII)	**COMPANY SECRETARY:**	Mr. SHU Mao Ms. NG Sin Yee, Clare *(resigned on 13 April 2017)*

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 2017)

1. Operation results

Unit: RMB'000

Item	2017	2016	2015	2014	2013	2012
Revenue	**2,064,951**	2,032,213	2,057,494	1,747,892	1,591,382	1,250,435
Profit before taxation	**3,631,109**	2,281,837	2,226,710	2,479,758	2,051,201	1,482,742
Share of profit of an associate	**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	**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	2017	2016	2015	2014	2013	2012
Total assets	**23,176,217**	20,213,073	18,499,709	17,206,867	15,976,669	10,804,688
Total liabilities	**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	**20,577,751**	17,747,317	16,258,446	14,853,647	12,801,011	9,060,993

27 December

At 11:18 a.m., the collaborative treatment of industrial solid and hazardous waste by cement kilns project in Wuhu City, Anhui Province (Phase 1) was officially put into operation. It was the first project of collaborative treatment of industrial solid and hazardous waste by cement kilns in Anhui Province as well as the first demonstration project of solid and hazardous waste treatment wholly invested by Conch Venture. The project adopted the most economic and environmental-friendly collaborative treatment and decomposition of industrial solid and hazardous waste by cement kilns technology, which reached domestic advanced level.

18 December

The Company and the people's government of Huoshan County, Anhui Province entered into an investment agreement about waste incineration power generation project.

13 December

The collaborative treatment of industrial solid waste by cement kilns project in Huaibei City, Anhui Province was officially put into operation.

6 December

The Company and Dongjiang Environmental Company Limited held a signing ceremony and press conference of strategic cooperation in Shenzhen. In the future, Conch Venture and Dongjiang Environmental Company Limited will establish in-depth cooperation through sharing of experience and information to achieve the target of strengthening the environmental protection businesses of both companies and also actively promote the healthy development of the solid waste treatment industry as a whole.

1 December

The Company and the people's government of Qiyang County, Hunan Province entered into an investment agreement about collaborative treatment of industrial solid and hazardous waste by cement kilns project, which will have a treatment capacity of 100,000 tonnes of solid waste per year in Qiyang County and its surrounding areas.

31 October

The Company and the people's government of Yang County, Shaanxi Province entered into an investment agreement about waste incineration power generation project.

7 October

The Conch Venture trademark completed domestic and foreign registration, which implied that the Group further overcame territorial restrictions in respect of trademark protection.

1 October

The collaborative treatment of industrial solid waste by cement kilns project in Mian County, Shaanxi Province was officially put into operation.

21 September

The collaborative treatment of industrial solid waste by cement kilns project in Huaining County, Anhui Province was officially put into operation.

9 September

The Company and people's government of Shanggao County, Jiangxi Province entered into an investment agreement about waste incineration power generation project, which had a planned daily treatment capacity of 400 tonnes of waste.

31 August

The waste incineration power generation project in Yanshan County, Yunnan Province commenced on-grid power generation. It was the first project of waste incineration power generation invested by Conch Venture in Yunnan Province and its commencement of operation marked that the Company took a solid step forward in the development in Southwestern China.

2017 Milestones of Conch Venture

4 January

The Company and the people's government of Xingye County, Guangxi Zhuang Autonomous Region entered into a cooperation agreement about collaborative treatment of industrial solid and hazardous waste by cement kilns project, which had a total daily treatment capacity of 600 tonnes. The project was constructed in two phases, with the first phase having a capacity of 300 tonnes. It was a strategic project of Conch Venture in Guangxi Region.

5 January

The Company and the people's government of Qianyang County, Shaanxi Province entered into a cooperation agreement about collaborative treatment of industrial solid and hazardous waste by cement kilns project, which had a treatment capacity of 300 tonnes per day.

10 January

The Company and the people's government of Xing'an County, Guangxi Zhuang Autonomous Region entered into a cooperation agreement about collaborative treatment of waste by cement kilns project, which had a treatment capacity of 300 tonnes per day.

16 January

The Company and the people's government of Songming County, Yunnan Province entered in an investment agreement about waste power generation project, which had a planned daily treatment capacity of 600 tonnes of waste. It was planned as a whole with phased implementation and the planned capacity of each phase was 300 tonnes per day.

22 February

The Company and the people's government of Yanshan County, Yunnan Province entered into a cooperation agreement about collaborative treatment of industrial solid and hazardous waste by cement kilns project, which had a total daily treatment capacity of 600. The project was constructed in two phases, with the first phase having a capacity of 300 tonnes. It was a strategic project of Conch Venture in Yunnan Province.

12-17 March

The Company was invited by BMCE Bank and Chinese-Moroccan Chamber of Commerce. Mr. Guo Jingbin, the Chairman of the Board of the Company and delegates visited municipal waste incineration power generation project in Morocco and came to an initial cooperation intention with relevant authority, which laid a foundation for the expansion of municipal waste incineration power generation and other projects in Morocco.

8 April

The collaborative treatment of industrial solid waste by cement kilns project in Qian County, Shaanxi Province was officially put into operation.

11 May

The 200t/d project of collarborative treatment of municipal waste by cement kilns in Yangchun City, Guangdong Province was officially put into operation, which effectively addressed the difficulties in waste treatment in Yangchun City.

12 May

The Company and the people's government of Yiyang County, Jiangxi Province entered into an investment agreement about municipal waste incineration power generation project. The project had a planned daily treatment capacity of 600 tonnes of waste. It was planned as a whole with phased implementation and the planned capacity of each phase was 300 tonnes per day.

13 May

The Company and the people's government of Sishui County, Jining City, Shandong Province entered into an investment agreement about waste incineration power generation project and collaborative treatment of industrial solid and hazardous waste by cement kilns project. Among which, daily treatment capacity of waste power generation was 600 tonnes and the project was constructed in two phases with each phase having a planned capacity of 300 tonnes per day; planned capacity of the project of collaborative treatment of industrial solid and hazardous waste by cement kilns was 300 tonnes per day.

2 June

The Company and the people's government of Yingjiang County, Yunnan Province entered into a cooperation agreement about collaborative treatment of municipal waste by cement kilns project. It was planned to construct a treatment system with a capacity of 200 tonnes of waste and relevant ancillary facilities.

6 July

The Company and First Division Alar, Xinjiang entered into an investment agreement about waste incineration power generation project.

31 July

The waste incineration power generation project in Tongren City, Guizhou Province commenced on-grid power generation.

4. BUSINESS REVIEW AND OUTLOOK

(I) MACRO ENVIRONMENT

In 2017, China's economy has demonstrated a stronger momentum of steady growth. The development of new industries, new business landscapes and new service models has added new vitality to the economic growth. The implementation of major reform measures has enhanced the resilience of economic development. The annual GDP recorded a year-on-year increase of 6.9%.

However, under the influence of both global and domestic economic environments, the complexity of China's macroeconomic situation continued to deepen in 2017. Imbalanced and insufficient economic development remains an acute problem.

During the Reporting Period, under the strong leadership of the Board, management and staff of the Group leveraged on the favorable opportunities arising from the speeding up of ecological civilization construction, the vigorous promotion of green development, the advocation of expansion of energy saving and environmental protection industries as well as the enhancement of disposal of solid waste and waste treatment in the PRC, adhered to the original mission, focused all their efforts towards developing the principal businesses of energy saving, environmental protection and new building materials, fostered the growth of environmental protection business, accelerated the transformation and upgrading of energy-saving business into energy-saving equipment business, stabilized the confidence in developing new building materials business and strived to achieve the goal of stable development of principal businesses.

(II) BUSINESS REVIEW

Rapidly Growing Environmental Protection Business

At present, the Group's major technologies in environmental protection business include: treatment of industrial solid and hazardous waste by cement kilns, grate furnace power generation and collaborative treatment of municipal waste by cement kilns, etc.

During the Reporting Period, the Group secured a total of 15 new environmental protection projects, which include 2 projects of collaborative treatment of municipal waste by cement kilns in Xing'an, Guangxi Region and Yingjiang, Yunan Province; 5 projects of treatment of solid and hazardous waste by cement kilns in Qianyang, Shaanxi Province, Xingye, Guangxi Region, Wenshan, Yunnan Province, Sishui, Shandong Province and Qiyang, Hunan Province; 7 projects of grate furnace power generation in Songming, Yunnan Province, Yiyang, Jiangxi Province, Sishui, Shandong Province, Alar, Xinjiang Region, Shanggao, Jiangxi Province, Yang County, Shaanxi Province and Huoshan, Anhui Province; 1 project of watercourse management of Yueqiao River in Sanshan District, Wuhu City, Anhui Province, and reserved certain project entities.

4. BUSINESS REVIEW AND OUTLOOK

As the country is placing greater emphasis on environmental protection, there have been more and more central enterprises, local state-owned enterprises, private enterprises entering into the environmental protection industry, resulting in more intense competition, which also provided more development opportunities to the Group. During the Reporting Period, the Group showed great foresight and with its strategic vision, had made ongoing efforts to strengthen cooperation with various parties. In December 2017, the Group entered into a strategic cooperation agreement with Dongjiang Environmental, aiming to complement each other in respect of the techniques and market orientation in disposal of industrial solid and hazardous waste and further promote market and business expansions and operational efficiency of both parties. Such cooperation has further strengthened the Company's ability to develop in the environmental protection industry and enhanced its position in the industry.

(1) Treatment of Industrial Solid and Hazardous Waste by Cement Kilns

During the Reporting Period, the Group secured 5 new projects of treatment of industrial solid and hazardous waste by cement kilns. Meanwhile, the Group speeded up the construction progress and a total of 5 projects were put into operation accordingly. WH Environmental Protection, being the Company's first wholly-owned demonstration project for disposal of solid and hazardous waste, was also put into operation smoothly during the Reporting Period. The Group also carried out in-depth market research, explored and established business models such as direct management and intermediary consultation services and regional agents, constantly expanded market coverage and laid a solid foundation for the production capacity of projects in operation.

Solid waste treatment project in Wuhu was put into operation

4. BUSINESS REVIEW AND OUTLOOK

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

No.	Status of Construction	Project Location	Corporation Type	Annual capacity	Expected Completion Date	Remarks
1	Completed	Lantian County, Shaanxi Province	Joint Venture	90,000 tonnes	Completed in January 2015	Solid waste
2		Fuping County, Shaanxi Province		100,000 tonnes	Completed in April 2016	Solid waste
3		Qian County, Shaanxi Province		70,000 tonnes	Completed in April 2017	63,600 tonnes for hazardous waste
4		Mian County, Shaanxi		45,000 tonnes	Completed in October 2017	Solid waste
5		Huaining City, Anhui Province	Wholly-owned	70,000 tonnes	Completed in September 2017	Solid waste
6		Huaibei City, Anhui Province		70,000 tonnes	Completed in December 2017	Solid waste
7		Wuhu City, Anhui Province (Phase: 1)		100,000 tonnes	Completed in December 2017	55,000 tonnes for hazardous waste
Subtotal				**545,000 tonnes**		
8	Under construction	Yiyang County, Anhui Province	Wholly-owned	2×100,000 tonnes	Phase 1: April 2018	To be constructed in two phases
9		Wuhu City, Anhui Province (Phase: 2)		100,000 tonnes	September 2018	
10		Suzhou City, Anhui Province		2×100,000 tonnes	Phase 1: June 2018	To be constructed in two phases
11		Guangyuan City, Sichuan Province		100,000 tonnes	July 2018	
12		Xingye County, Guangxi Region		2×100,000 tones	Phase 1: July 2018	To be constructed in two phases
13		Qianyang County, Shaanxi Province	Joint Venture	100,000 tonnes	September 2018	
Subtotal				**900,000 tonnes**		
14	Approved and under planning	Wenshan City, Yunnan Province	Wholly-owned	2×100,000 tonnes	Phase 1: October 2018	To be constructed in two phases
15		Shimen County, Hunan Province		100,000 tonnes	October 2018	
16		Zhong County, Chongqing City	Joint Venture	2×100,000 tonnes	Phase 1: November 2018	To be constructed in two phases
17		Sishui County, Shandong Province	Wholly-owned	100,000 tonnes	December 2018	
18		Qiyang County, Hunan Province		100,000 tonnes	/	
Subtotal				**700,000 tonnes**		
Total				**2,145,000 tonnes**		

4. BUSINESS REVIEW AND OUTLOOK

During the Reporting Period, 6 projects of treatment of industrial solid and hazardous waste by cement kilns were under construction, and 7 projects had been completed and put into operation. As at the end of the Reporting Period, the annual treatment capacity of completed projects of treatment of industrial solid and hazardous waste by cement kilns was approximately 545,000 tonnes.

During the Reporting Period, a total of 109,000 tonnes of industrial solid and hazardous waste were treated, among which 51,700 tonnes were hazardous waste and 57,300 tonnes were solid waste.

(2) Grate Furnace Power Generation

During the Reporting Period, the Group secured 7 new grate furnace power generation projects and a total of 3 projects were put into operation. The Group also strengthened its expansion in overseas markets, among which the Group has entered into a cooperation agreement with its partner for the project in Thai Nguyen, Vietnam, and was in the process of applying for investment license for the project in Bac Lieu. Meanwhile, in order to improve the operational quality of waste power generation projects, the Group has progressively established a standardized configuration plan for project operations. Jinzhai Project and Tongren Project, which were already put into operation, have reached their expected waste treatment volume and amount of electricity generation and hence, further strengthened the Company's confidence in the development of grate furnace projects.

Grate furnace projects in Tongren and Yanshan were put into operation

4. BUSINESS REVIEW AND OUTLOOK

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

No.	Status of Construction	Project Location	Business Model	Annual capacity	Expected Completion Date	Remarks
1	Completed	Jinzhai County, Anhui Province	BOT	100,000 tonnes	Completed in January 2016	
2		Tongren City, Guizhou Province		2×100,000 tonnes	Completed in July 2017	
3		Yanshan County, Yunnan Province		70,000 tonnes	Completed in August 2017	
Subtotal				**370,000 tonnes**		
4	Under construction	Huoqiu County, Anhui Province	BOT	2×140,000 tonnes	Phase 1: January 2018 Phase 2: October 2018	
5		Shache County, Xinjiang Region		2×100,000 tonnes	Phase 1: May 2018 Phase 2: August 2018	
6		Li County, Hunan Province		2×100,000 tonnes	Phase 1: April 2018	To be constructed in two phases
7		Bole County, Xinjiang Region		100,000 tonnes	October 2018	
8		Songming County, Yunan Province		100,000 tonnes	October 2018	
9		Yiyang County, Jiangxi Province		2×100,000 tonnes	Phase 1: December 2018	To be constructed in two phases
10		Shanggao County, Jiangxi		140,000 tonnes	December 2018	
Subtotal				**1,220,000 tonnes**		
11	Approved and under planning	Susong County, Anhui Province	BOT	2×140,000 tonnes	/	
12		Sishui County, Shandong Province		140,000 tonnes	/	
13		Alar City, Xinjiang		140,000 tonnes	/	
14		Yang County, Shaanxi Province		100,000 tonnes	/	
15		Huoshan County, Anhui Province		100,000 tonnes	/	
Subtotal				**760,000 tonnes**		
Total				**2,350,000 tonnes**		

During the Reporting Period, 7 projects of grate furnace power generation were under construction, and 3 projects had been completed and put into operation. As at the end of the Reporting Period, the annual treatment capacity of the completed grate furnace power generation projects was approximately 370,000 tonnes.

During the Reporting Period, a total of 190,000 tonnes of waste were processed.

4. BUSINESS REVIEW AND OUTLOOK

(3) Collaborative Treatment of Municipal Waste by Cement Kilns

During the Reporting Period, 2 new projects of collaborative treatment of municipal waste by cement kilns were secured, and 15 projects (excluding EPC) had been completed and put into operation, with a cumulative waste treatment capacity of 610,100 tonnes. As at the end of the Reporting Period, the annual treatment capacity of the completed collaborative treatment of municipal waste by cement kilns projects was approximately 1,180,000 tonnes (excluding EPC).

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

No.	Status of Construction	Project Location	Business Model	Annual capacity	Remarks
1	Completed	Pingliang City, Gansu Province	BOT	100,000 tonnes	
2		Qingzhen City, Guizhou Province		100,000 tonnes	
3		Yangchun City, Guangdong Province		70,000 tonnes	
4		Yuping County, Guizhou Province		30,000 tonnes	A joint venture with China National Building Material Company Limited
5		Xishui County, Guizhou Province		100,000 tonnes	
6		Qiyang County, Hunan Province		100,000 tonnes	
7		Shimen County, Hunan Province		70,000 tonnes	
8		Shuicheng County, Guizhou Province		70,000 tonnes	
9		Fusui County, Guangxi Province		70,000 tonnes	
10		Shuangfeng County, Hunan Province		70,000 tonnes	
11		Baoshan City, Yunnan Province		100,000 tonnes	
12		Nanjiang County, Sichuan Province		70,000 tonnes	
13		Lingyun County, Guangxi Province		30,000 tonnes	
14		Ningguo City, Anhui Province		100,000 tonnes	
15		Linxia Prefecture, Gansu Province		100,000 tonnes	
Subtotal				**1,180,000 tonnes**	
16	Under construction	Longyan City, Fujian Province	EPC	/	
17		Xing'an County Guangxi Region	BOT	100,000 tonnes	Expected to be put into operation in May 2018
18		Yinjiang County, Yunnan Province	BOT	70,000 tonnes	Expected to be put into operation in October 2018
Subtotal				**170,000 tonnes**	
Total				**1,350,000 tonnes**	

4. BUSINESS REVIEW AND OUTLOOK

Transforming Energy Saving Industry into Energy Saving Equipment Business

During the Reporting Period, subject to the objective factors, the operational performance of the original businesses of energy saving industry including residual heat power generation and vertical mills had recorded an obvious decline compared to the previous period. During the Reporting Period, the Group achieved initial results in exploring the transformation of energy saving industry. First, the focus of energy-saving business was shifted from the traditional business to the provision of technology services of engineering design, equipment manufacturing and construction installation for the Group's environmental protection business. Given the classification of business types, the revenue was mainly attributed to the Group's environmental protection business. Second, the Group took full use of the advantages of its experience, technologies, and management in relation to the manufacturing of energy saving equipments, increased its effort in expanding the external market of equipment manufacturing industry, broadened its business scope and strived to build a energy saving and environmental protection equipment manufacturing base. Third, the Group further enhanced its existing technological scheme to achieve cost reduction and efficiency enhancement and increase its core competitiveness. Fourth, the Group continued to strengthen cooperation with renowned domestic enterprises and Kawasaki Heavy Industries Ltd, Japan, and made efforts to explore the application of new technologies. The traditional energy saving industry has been gradually transformed into energy saving equipment business.

Gaining Confidence in New Building Materials Business

During the Reporting Period, Anhui Conch Venture New Building Material Company. and Bozhou Conch Venture New Building Material Company, through sharing internal resources, carrying out in-depth benchmarking management and adopting multiple measures to expand market, recorded marked increases in sales and price. Meanwhile, both companies emphasized on the stability of product quality and obtained national trademark registration certificate for "ACA" (Anhui Conch Cellulose Fiber Cement Boards, Autoclaved) in March 2017, which enhanced market competitiveness of their products. Furthermore, the Company is seeking cooperation opportunities to expand its product range and foster the construction of post-processing projects, thus gaining more confidence in industrial development.

4. BUSINESS REVIEW AND OUTLOOK

Monthly sales of Anhui Conch Venture Building Material Company. had been maintained at above 400,000 sq.m. since the second half of 2017. During the Reporting Period, the new building materials business sold an aggregate of 7.11 million sq.m. of ACA panels, representing a year-on-year increase of 44%, and recorded a revenue of RMB86.41 million, representing a year-on-year increase of 70%.

Reaching a Record High of Port Logistic Business

During the Reporting Period, the Group kept abreast of the updates in government policies and grasped the market trends so as to increase its market share, the throughput has hit a record high of 27.5 million tonnes since the commencement of operation of the port, the revenue generated from port logistic business amounted to RMB154.89 million, reaching an increase of 10%.

(III) FUTURE PLANS AND OUTLOOK

In the context of complicated domestic and international economic situations, the above results were indeed strenuous achievement and had laid a solid foundation for the Group to achieve its development goals. Despite the long construction period of the Group's new projects and the saturated domestic market of residual heat power generation which slow down the growth, the Group's principal businesses will inevitably grow explosively in the coming three years and the Group will enter into an entirely new period of development as the Group has continually secured new environmental protection projects and the projects under construction have been put into operation, and in particular, the outstanding performance of the industrial solid and hazardous waste business.

At the 19th National Congress of the Communist Party of China, Xi Jinping delivered an important report on "speeding up the ecological civilization systems and building a beautiful China", which implanted the green concept deeply in people's minds and specified the development direction of environmental protection in China. It raised awareness across all sectors of society on energy saving and environmental protection, which strengthened the Group's confidence. At present, the entire energy saving and environmental protection industry is facing problems like technology upgrading equipment, replacement and management transition. The entire industry has entered into a period in history when brand new development opportunities are being provided, along with new opportunities and challenges.

Looking forward, the Group will further open its mind take a long-term view to innovate its operation model, strengthen system control and expedite the development of internationalization process in order to strive for explosive growth in environmental protection business, transformation of energy saving business into energy saving equipment business and stable development of new building materials business, so as to create greater value for all shareholders.

4. BUSINESS REVIEW AND OUTLOOK

Realizing the Magnificent Blueprint of Environmental Protection Business

The Group, on one hand, will formulate a scientific medium to long term development plan and implement such plan in an effective manner with an aim to achieve the annual target of project development. Thorough research on solid and hazardous waste treatment, grate furnace power generation and other industries in the country will be done in order to make a better forecast about future market size. The Group will further refine the strategic cooperation with renowned enterprises in the industry, try to seek opportunities for large-scale project reserves and environmental protection project acquisition, secure projects and successful cooperation as soon as practicable so as to provide strong support for the Company's business development. The Group will continue to make use of nationwide cooperation in relation to treatment of industrial solid and hazardous waste by cement kilns and strive to secure projects in strategically important provinces, with its annual capacity reaching 5 million tonnes by the end of the 13th Five-Year Plan. On the other hand, the Group will continuously focus on the development of overseas grate furnace business, striving to carry out preparation work for projects in Vietnam, Morocco, Indonesia etc. and make efforts to secure overseas projects in 2018. Furthermore, the Group will continue to strengthen its ties with government authorities and national industry development alliance, keep abreast of policy development, conduct thorough studies on future development of the industry, go with the tide in promoting new technologies, conduct research and demonstration on technology for medical waste treatment, food waste treatment, sludge dry distillation and so on, and secure projects in a proactive manner. Moreover, the Group will look for cooperation partners in respect of domestic garbage cleaning and transshipment, spend efforts in developing relevant businesses and facilitate vertical expansion of environmental protection business, so as to constantly enhance the Company's overall competitiveness.

Promoting the Development of Energy Saving Equipment Business

The Group will, in accordance with the needs of rapid development of environmental protection business, do its best in carrying out research and development and production of equipment and auxiliary facilities for waste incineration and solid and hazardous waste, and enhance its ability such as design, develop, manufacture environmental protection equipments etc. It will further develop new types of vertical mill and furnace products, improve product coverage, continuously optimize product process design, and gradually standardize the production process. We will continue to strengthen cooperation with external environmental protection enterprises and actively participate in bidding all sorts of grate furnace power generation business. In the meantime, it will continue to strengthen the expansion of overseas market for traditional businesses including residual heat power generation, vertical mills businesses.

Opening up a New Phase for New Building Materials Business

In 2018, the Group will continue to conduct in-depth benchmarking management, optimize major economic and technical indicators, explore possibilities of cost reduction, expand export sales channels and open up new markets. In the meantime, the Group will set quality standard based on market demand, improve product performance and promote refined quality management. Furthermore, it will endeavor to expand product coverage of new building materials business and actively promote post-processing product projects cooperation or construction, thereby adding value to products. It is hoped that through the above measures, the Group could open a new phase for the steady development of its new building materials business.

4. BUSINESS REVIEW AND OUTLOOK

Realizing Breakthrough in Port Logistic Business

With more demands in heightening environmental protection requirements and imposing stringent control, the Group will carry out cleaning production seriously, implement environmental protection technological innovation, ensure effective operation of environmental protection facilities and meet industry standards. We will continue to improve the informationization of terminal, enhance efficiency in cargo handling, and extend market development to achieve customer diversification, increase the Company's ability to resist risk and strive for a breakthrough in terms of throughput in 2018.

A review of the past is a preparation for the future. For 2018, the Group will continue to forge ahead and write a new chapter. Under the proper leadership of the Board and with the concern and support from every sector of the community, we have reasons to believe that the Group will maintain a high level of ambition for the environmental protection business and with the full dedication and effort of the management and staff, the energy-saving and environmental protection businesses will achieve further development. In the meantime, the Group will assume its corporate responsibility to protect the environment, maintain harmonious development between human and the nature and make a significant contribution to the environmental protection industry in the entire society.

5. MANAGEMENT DISCUSSION AND ANALYSIS

(I) PROFITS

Item	**2017 Amount (RMB'000)**	2016 Amount (RMB'000)	Changes between the Reporting Period and the corresponding period of the previous year (%)
Revenue	**2,064,951**	2,032,213	1.61
Profit before taxation	**3,631,109**	2,281,837	59.13
Share of profit of an associate	**2,955,569**	1,535,505	92.48
Profit before taxation from principal businesses	**675,540**	746,332	–9.49
Net profit attributable to equity shareholders of the Company	**3,403,002**	1,980,612	71.82
Net profit from principal businesses attributable to equity shareholders of the Company	**447,433**	445,107	0.52

During the Reporting Period, the Group recorded a total revenue of RMB2,064.95 million, representing a year-on-year increase of 1.61%. Profit before taxation amounted to RMB3,631.11 million, representing a year-on-year increase of 59.13%. Share of profit of an associate amounted to RMB2,955.57 million, representing a year-on-year increase of 92.48%, which was mainly due to the increase in net profits from Conch Holdings, an associate. Profit before taxation from principal businesses amounted to RMB675.54 million, representing a year-on-year decrease of 9.49%, which was mainly due to the decline in energy saving equipment business. Net profit attributable to equity shareholders of the Company amounted to RMB3,403.00 million, representing a year-on-year increase of 71.82%, among which, net profit from principal businesses attributable to equity shareholders amounted to RMB447.43 million, representing a year-on-year increase of 0.52%. Basic earnings per share amounted to RMB1.89.

5. MANAGEMENT DISCUSSION AND ANALYSIS

1. Revenue by business

Item	2017		2016		Change in	Change in percentage
	Amount (RMB' 000)	Percentage (%)	Amount (RMB' 000)	Percentage (%)	amount (%)	(percentage points)
Solid waste solutions	113,636	5.50	61,975	3.05	83.36	2.45
Waste incineration solutions	1,173,299	56.82	974,343	47.94	20.42	8.88
Energy saving equipment	536,721	25.99	803,916	39.56	–33.24	–13.57
New building materials	86,410	4.19	50,797	2.50	70.11	1.69
Port logistics	154,885	7.50	141,182	6.95	9.71	0.55
Total	**2,064,951**	**100.00**	2,032,213	100.00	1.61	–

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

(i) The revenue from solid waste solutions amounted to RMB113.64 million, representing a year-on-year increase of 83.36%, which was mainly due to the fact that the newly added capacity of the Group came on stream and the Group took active measures for customers resource expansion and raised the price of treatment, which led to the rapid increase in revenue.

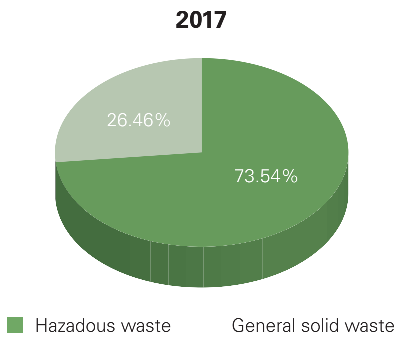
(ii) The revenue from waste incineration solutions amounted to RMB1,173.30 million, representing a year-on-year increase of 20.42%, which was mainly due to the fact that the Group actively promoted waste treatment projects, made efforts in improvement of process level and enhancement of industry cooperation, which led to the increase in revenue.

(iii) The revenue from new building materials recorded a year-on-year increase of 70.11%, which was mainly due to an obvious increase in sales and prices resulted from the Group's increased efforts in brand building and product promotion.

5. MANAGEMENT DISCUSSION AND ANALYSIS

(iv) The revenue from energy saving equipment recorded a year-on-year decrease of 33.24%, which was mainly due to the decrease in number of new projects from cement industry, and such decrease in demand resulted in a decrease in revenue.

(1) Breakdown of revenue from solid waste solutions



During the Reporting Period, the revenue from hazardous waste solutions amounted to RMB 83.57 million, representing a year-on-year increase of 117.02%. The revenue from treatment of general solid waste amounted to RMB 30.07 million, representing a year-on-year increase of 28.13%.

(2) Breakdown of revenue from waste incineration solutions

	2017		2016			
Revenue breakdown	**Amount (RMB' 000)**	**Percentage (%)**	Amount (RMB' 000)	Percentage (%)	Change in amount (%)	Change in percentage (percentage points)
Construction revenue	**1,036,475**	**88.34**	887,390	91.08	16.80	–2.74
Waste treatment by cement kilns	**213,494**	**18.20**	423,171	43.43	–49.55	–25.23
Grate furnace power generation	**822,981**	**70.14**	464,219	47.65	77.28	22.49
Operation revenue	**65,100**	**5.55**	35,203	3.61	84.93	1.94
Waste treatment by cement kilns	**35,499**	**3.03**	23,109	2.37	53.62	0.66
Grate furnace power generation	**29,601**	**2.52**	12,094	1.24	144.76	1.28
Finance income	**71,724**	**6.11**	51,750	5.31	38.60	0.80
Waste treatment by cement kilns	**61,668**	**5.26**	45,730	4.69	34.85	0.57
Grate furnace power generation	**10,056**	**0.85**	6,020	0.62	67.04	0.23
Total	**1,173,299**	**100.00**	974,343	100	20.42	–

5. MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the revenue from waste incineration solutions segment during the construction period amounted to RMB1,036.48 million, representing a year-on-year increase of 16.80%, which was mainly due to an increase in project construction revenue resulted from the Group's acceleration of project construction. The operation revenue from waste incineration solutions segment amounted to RMB65.10 million, representing a year-on-year increase of 84.93%, which was mainly due to the fact that during the Reporting Period, projects in Tongren, Yanshan, Yangchun and Ningguo were put into operation one after the other.

2. Revenue by geographical locations

Item	2017 Amount (RMB'000)	2017 Percentage (%)	2016 Amount (RMB'000)	2016 Percentage (%)	Change in amount (%)	Change in percentage (percentage points)
China	**1,744,072**	**84.46**	1,621,095	79.77	7.59	4.69
Asia (excluding China)	**319,785**	**15.49**	410,141	20.18	–22.03	–4.69
Africa	**867**	**0.04**	201	0.01	331.34	0.03
South America	**227**	**0.01**	776	0.04	–70.75	–0.03
Total	**2,064,951**	**100.00**	2,032,213	100	1.61	–

During the Reporting Period, the Group's revenue derived from the China market amounted to RMB1,744.07 million, representing a year-on-year increase of 7.59%, with its proportion in total revenue increased by 4.69 percentage points year-on-year, which was mainly due to the fact that the Group actively expanded domestic environmental protection market. The revenue derived from Asia (excluding China) market amounted to RMB319.79 million, representing a year-on-year decrease of 22.03%, with its proportion in total revenue decreased by 4.69 percentage points year-on-year, which was mainly due to the decrease in number of energy saving equipment orders from overseas market and the delay in construction progress of certain projects which affected the revenue recognition.

3. Gross profit and gross profit margin

Item	2017 Gross profit (RMB' 000)	2017 Gross profit margin (%)	2016 Gross profit (RMB' 000)	2016 Gross profit margin (%)	Change in amount (%)	Change in percentage (percentage points)
Solid waste solutions	**85,289**	**75.05**	48,348	78.01	76.41	–2.96
Waste incineration solutions	**401,072**	**34.18**	389,475	39.97	2.98	–5.79
Energy saving equipment	**151,061**	**28.15**	304,849	37.92	–50.45	–9.77
New building materials	**10,997**	**12.73**	–13,900	–27.36	N/A	40.09
Port logistics	**74,905**	**48.36**	68,606	48.59	9.18	–0.23
Total	**723,324**	**35.03**	797,378	39.24	–9.29	–4.21

5. MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the consolidated gross profit margin of the Group's products was 35.03%, representing a year-on-year decrease of 4.21 percentage points. With a breakdown by segments, (i) the gross profit margin for solid waste solutions was 75.05%, representing a year-on-year decrease of 2.96 percentage points, which was mainly due to an increase in transportation cost resulted from the Group's continuous expansion of its market in Shaanxi Region; (ii) the gross profit margin for waste incineration solutions was 34.18%, representing a year-on-year decrease of 5.79 percentage points, which was mainly due to the increase in proportion in revenue and low gross profit of the construction of grate furnace power generation business; (iii) the gross profit margin for energy saving equipment decreased by 9.77 percentage points, which was mainly due to the decrease in demand from cement projects and intensified price competition; and (iv) the gross profit margin for new building materials was 12.73%, representing a year-on-year increase of 40.09 percentage points, which was mainly due to the fact that the Group actively expanded its markets, resulting in increase of sales and sales price and dilution of fixed costs.

4. Revenue and share of profit

Item	**2017** Amount (RMB'000)	Percentage (%)	2016 Amount (RMB'000)	Percentage (%)	Change in amount (%)	Change in percentage (percentage points)
Revenue	**2,064,951**	**100.00**	2,032,213	100.00	1.61	–
Other customers	**1,640,414**	**79.44**	1,598,384	78.65	2.63	0.79
Conch Cement	**424,537**	**20.56**	433,829	21.35	–2.14	–0.79
Profit for the year	**3,505,040**	**100.00**	2,127,435	100.00	69.28	–
Share of profit of an associate	**2,955,569**	**84.32**	1,535,505	72.18	92.48	12.14
Profit attributable to operations	**549,471**	**15.68**	591,930	27.82	–7.17	–12.14

During the Reporting Period, the Group's revenue from Conch Cement amounted to RMB424.54 million, accounting for 20.56% of total revenue, representing a year-on-year decrease of 0.79 percentage points. Profit attributable to operations amounted to RMB549.47 million, with its proportion decreased by 12.14 percentage points year-on-year, which was mainly due to the increase in profits from Conch Holdings, an associate.

5. MANAGEMENT DISCUSSION AND ANALYSIS

5. Other income

During the Reporting Period, the Group's other income amounted to RMB193.92 million, representing a year-on-year increase of RMB46.31 million, or 31.37%, which was mainly due to the year-on-year increase in government grants received by the Group.

6. Distribution costs

During the Reporting Period, the Group's distribution costs amounted to RMB46.23 million, representing a year-on-year increase of RMB20.30 million, or 78.27%, which was mainly due to the increase in the Group's transportation costs and staff remuneration.

7. Administrative expenses

During the Reporting Period, the Group's administrative expenses amounted to RMB171.41 million, representing a year-on-year increase in RMB23.91 million, or 16.21%, which was mainly due to the increase in staff remuneration.

8. Finance costs

During the Reporting Period, the Group's finance costs amounted to RMB24.07 million, representing a year-on-year decrease of RMB1.15 million, or 4.56%, which was mainly due to the repayment of certain bank loans by the Group.

9. Profit before taxation

During the Reporting Period, the Group's profit before taxation amounted to RMB3,631.11 million, representing a year-on-year increase of RMB1,349.27 million, or 59.13%, which was mainly due to the increase in net profits from Conch Holdings, an associate. Share of profit of an associate amounted to RMB2,955.57 million, representing a year-on-year increase of 92.48%, and profit before taxation from principal businesses amounted to RMB675.54 million, representing a year-on-year decrease of 9.49%.

5. MANAGEMENT DISCUSSION AND ANALYSIS

(II) FINANCIAL POSITION

As at 31 December 2017, the Group's total assets amounted to RMB23,176.22 million, representing an increase of 14.66% as compared to the end of the previous year. The equity attributable to equity shareholders of the Company amounted to RMB20,577.75 million, representing an increase of 15.95% as compared to the end of the previous year. Gearing ratio of the Group was 8.48%, representing a decrease of 0.75 percentage point as compared to the end of the previous year. The balance sheet items of the Group are as follows:

Item	As at 31 December 2017 (RMB'000)	As at 31 December 2016 (RMB'000)	Change between the end of the Reporting Period and the end of the previous year (%)
Property, plant and equipment	**1,281,802**	1,029,576	24.50
Non-current assets	**20,551,861**	16,871,960	21.81
Current assets	**2,624,356**	3,341,113	–21.45
Current liabilities	**1,920,402**	1,331,216	44.26
Non-current liabilities	**44,500**	535,267	–91.69
Net current assets	**703,954**	2,009,897	–64.98
Equity attributable to equity shareholders of the Company	**20,577,751**	17,747,317	15.95
Total assets	**23,176,217**	20,213,073	14.66
Total liabilities	**1,964,902**	1,866,483	5.27

1. Non-current assets and current assets

As at 31 December 2017, non-current assets of the Group amounted to RMB20,551.86 million, representing an increase of 21.81% as compared to the end of the previous year, which was mainly due to the increase in interests in an associate and gross amount due from customers for construction contract work.

Current assets of the Group amounted to RMB2,624.36 million, representing a decrease of 21.45% as compared to the end of the previous year, which was mainly due to the increase in the Group's investments in construction resulting in decrease in the balance of cash and cash equivalents.

5. MANAGEMENT DISCUSSION AND ANALYSIS

2. Non-current liabilities and current liabilities

As at 31 December 2017, non-current liabilities of the Group amounted to RMB44.50 million, representing a decrease of 91.69% as compared to the end of the previous year. Current liabilities amounted to RMB1,920.40 million, representing an increase of 44.26% as compared to the end of the previous year, which was mainly due to the transfer of long-term loans into current liabilities due within one year.

As at 31 December 2017, current ratio and debt to equity ratio (calculated by dividing total amount of loans by total equity) were 1.37 and 0.02, as compared with 2.51 and 0.03 of the previous year respectively.

3. Net current assets

As at 31 December 2017, net current assets of the Group amounted to RMB703.95 million, representing a decrease of 64.98% as compared to the end of the previous year, which was mainly due to the decrease in cash and cash equivalents resulted from the increase in the Group's investments in construction as well as the transfer of long-term loans into current liabilities due within one year, which led to the decrease in net current assets.

4. Equity attributable to equity shareholders of the Company

As at 31 December 2017, the Group's equity attributable to equity shareholders of the Company amounted to RMB20,577.75 million, representing an increase of 15.95% as compared to the end of the previous year, which was mainly due to the increase in the Group's interests in associates and net profit from principal businesses attributable to the equity shareholders.

(III) LIQUIDITY AND CAPITAL RESOURCES

During the Reporting Period, through proper allocation of capital, the Group took full advantage of the capital size, enhanced returns of the stock funds and lowered the capital costs to satisfy the Company's capital needs. As at 31 December 2017, the Group's cash and cash equivalents amounted to RMB1,457.75 million, with main currencies being RMB, Hong Kong dollars and US dollars.

1. Bank loans and other loans

Item	**As at 31 December 2017 (RMB'000)**	As at 31 December 2016 (RMB'000)
Due within one year	**482,300**	59,833
Due after one year but within two years	**6,300**	485,833
Due after two years but within five years	**16,400**	31,499
Due after five years	**21,800**	17,935
Total	**526,800**	595,100

5. MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2017, the balance of bank loans of the Group amounted to RMB526.80 million, representing a decrease of RMB68.30 million as compared to the end of the previous year, which was mainly due to the repayment of matured bank loans by the Group during the Reporting Period. As at 31 December 2017, the Group's bank loans were denominated in RMB, and most of the loan interests were subject to variable interest rates.

2. Cash flows

Item	2017 (RMB'000)	2016 (RMB'000)
Net cash generated from operating activities	67,401	46,331
Net cash (used in)/generated from investing activities	–144,325	285,787
Net cash used in financing activities	–630,971	–498,746
Net decrease in cash and cash equivalents	–707,895	–166,628
Cash and cash equivalents at the beginning of the year	2,165,640	2,332,268
Cash and cash equivalents at the end of the year	1,457,745	2,165,640

3. Net cash generated from operating activities

During the Reporting Period, net cash generated from operating activities of the Group amounted to RMB67.40 million, representing a year-on-year increase of RMB21.07 million, which was mainly due to the year-on-year increase in the revenue of the Group.

4. Net cash used in investing activities

During the Reporting Period, net cash used in investing activities of the Group amounted to RMB144.33 million, representing a year-on-year increase of RMB430.11 million, which was mainly due to the increase in the Group's investments in solid waste treatment projects and waste power generation constructions.

5. Net cash used in financing activities

During the Reporting Period, net cash used in financing activities of the Group amounted to RMB630.97 million, representing a year-on-year increase of RMB132.23 million, which was mainly due to the year-on-year decrease in net borrowings raised and repaid by the Group.

5. MANAGEMENT DISCUSSION AND ANALYSIS

(IV) COMMITMENTS

As at 31 December 2017, the Group's commitments for purchases in connection with construction contracts were as follows:

Item	As at 31 December 2017 (RMB'000)	As at 31 December 2016 (RMB'000)
Contracted for	**2,411,975**	566,772
Authorized but not contracted for	**253,389**	980,140
Total	**2,665,364**	1,546,912

(V) FOREIGN EXCHANGE RISK

The Group's functional currency is RMB. Foreign exchange risks faced by the Group was mainly derived from account receivables and account payables arising from sales and procurement which were denominated in foreign currencies, mainly 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 expenditures 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 adopted no financial derivatives to hedge against any foreign exchange risks.

(VI) CONTINGENT LIABILITIES

As at 31 December 2017, the Group did not have any material contingent liabilities.

(VII) PLEDGE OF ASSETS

As at 31 December 2017, the Group did not have any pledged assets.

(VIII) MATERIAL INVESTMENTS, ACQUISITIONS OR DISPOSALS

For the year ended 31 December 2017, the Group did not have any material acquisitions or disposals.

(IX) 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 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, marketing and promotion of new building materials, special types of work, occupational health and safety, analysis on environmental protection industry and personnel and administration management, 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 encouraged the management to consult and learn from advanced peers enterprises and their administrators so as to improve the overall quality of the management and maintain a healthy and sustainable development of the Company. The Group also continued to strengthen team building through means such as in-house training, social recruitment and campus recruitment.

As at 31 December 2017, the Group had 1,725 employees. The remuneration of employees is determined 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 2017, the total remuneration of employees (including the remuneration of the directors) was approximately RMB154.06 million (2016: RMB106.49 million).

The Company 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 contributions to the Group. Since the listing of the Group, no share option had been granted under the Share Option Scheme.

6. CORPORATE GOVERNANCE REPORT

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

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.

(I) 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 warning ("**Insider Dealing Warning**") to employees about insider dealing 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.

(II) THE BOARD

During the Reporting Period, 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
Ms. Zhang Mingjing (Note 1)	Non-executive Director

Note:

1. Retired on 28 June 2017.

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.

6. CORPORATE GOVERNANCE REPORT

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 2016 and the interim results for the six months ended 30 June 2017. 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 2018, 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.

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 are set forth as below:

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

Note:

1. Retired on 28 June 2017.

During the year, the Chairman also met with the non-executive Director and the independent non-executive Directors without the presence of the executive Directors.

(III) 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.

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.

(IV) 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 early 2017, the Stock Exchange launched a training programme for directors, which provides practical guidelines to enhance the quality of directors, thereby improving the efficiency of operation of the Board. The training programme covered a range of topics, including the responsibilities of directors and the roles and function of board committees, risk management and internal control, corporate governance and the roles of company secretaries. The Company notified all directors of the above training programme launched by the Stock Exchange and timely reminded them to watch training videos. In May and July 2017, the management of the Company participated in the training conference organized by KPMG and Ernst & Young respectively in relation to the Environmental, Social and Governance Report, which enabled them to understand the specific requirements of the Stock Exchange about disclosure in the Environmental, Social and Governance Report as well as the importance of maintaining corporate sustainability and the roles and responsibilities of the board of directors. From 24 to 27 May 2017, certain senior management of the Company participated in a series of seminar organized by The Hong Kong Institute of Chartered Secretaries about information disclosure, risk management and corporate governance duties, after which, the management also delivered relevant information of the conference to all directors so as to enhance the professional development of directors.

During the Reporting Period, in compliance with the requirement of 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.

6. CORPORATE GOVERNANCE REPORT

(V) CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of the Chairman and Chief Executive Officer of the Company should be divided. In other words, the duties and responsibilities of the Chairman to manage the Board should be clearly separated from those of the Chief Executive Officer to manage the business operation of the Company.

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.

(VI) APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

During the Reporting Period, the Company has renewed the service agreement with Mr. Guo Jingbin, an executive Director, for a term up to 29 November 2019. During the service period, Mr. Guo Jingbin is entitled to a basic salary of RMB825,000 per annum, plus discretionary management bonus provided that the aggregate amount of the bonuses payable to all the executive Directors for any financial year of the Company may not exceed 10% of the audited combined net profit of the Group (after taxation, minority interests and payment of such bonuses but before extraordinary items) in respect of that financial year of the Company (which is covered by the service contract).

As at the date of this report, the Company has entered into service contracts with all executive Directors and appointment letters with 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 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. Ji Qinying, Mr. Li Jian and Mr. Lau Chi Wah, Alex will retire at the forthcoming 2018 annual general meeting and all of them, being eligible, will offer themselves for re-election thereat.

(VII) 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.

6. CORPORATE GOVERNANCE REPORT

(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.

For the year ended 31 December 2017, the works done by the Audit Committee were set forth as below:

a. reviewed the audited consolidated annual results for the year ended 31 December 2016 and the interim results for the period ended 30 June 2017, 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. Ms. Zhang Mingjing (retired non-executive Director) ceased to act as a member of the Remuneration and Nomination Committee on 28 June 2017.

(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.

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 optimal composition of the Board, the Company takes into consideration differences in the skills, regional and industry experience, background, race, gender, and other qualities. The Remuneration and Nomination Committee annually discusses and approves of the measurable objectives that promote the board diversity, and recommends the Board to adopt such measurable objectives.

6. CORPORATE GOVERNANCE REPORT

The Company has formulated 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 obtained 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 compositions of skills, regions, genders, and other qualities of the current Board of the Company are consistent with the diversity principles under the Board Diversity Policy. Its number and composition 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.

For the year ended 31 December 2017, 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. reviewed the renewal of a director's service agreement upon expiry for consideration by the Board.

(VIII) 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.

(IX) AUDITOR'S REMUNERATION

For the year ended 31 December 2017, 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 99 to 110.

The remuneration paid or payable to KPMG, the auditor, by the Company for the year ended 31 December 2017 is set out below:

Services	**Fee paid/payable** (RMB'000)
Audit Services — audit fee for 2017	1,943
Non-audit Services (consultation services on the preparation of the Environmental, Social and Governance Report)	200
Total	2,143

(X) 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 and for ensuring that 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 2017, 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.

6. CORPORATE GOVERNANCE REPORT

(XI) 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.

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 year, the Company made amendments to the risk management and internal control manual in accordance with the changes in internal and external operating environment, focus of governmental supervision, business expansion and amendments of rules and regulations. In particular, a unified risk control standard for basic operations in finance, assets, production, environmental protection, safety, construction, contracts, human resources is established, which emphasized risk management and internal control in strategies, finance, environmental protection, safety, markets, operation and compliance. Based on the business segments of each subsidiary of the Group, investigations were carried out to identify major risks and deficiencies in the businesses of environmental protection, equipment manufacturing, new building materials and port logistics, and specific internal control measures were formulated to enhance operational efficiency while achieve risk control results. In the meantime, the Company improved the safety, environmental protection and construction management functions of its existing three-level risk management and internal control systems. It established the Safety Management Committee and the Safety and Environmental Protection Department, increased manpower in construction and auditing, clearly defined the scope of responsibilities of the profession departments of environmental protection management, safety management, project management and risk and internal control, continuously improved risk management and internal control mechanism and provided relevant trainings for management staff and technicians at all levels of the Company and its subsidiaries. During the year, 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 June 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 23 March 2018, 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.

(XII) 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. Ms. Ng Sin Yee, Clare has resigned as the joint company secretary of the Company with effect from 13 April 2017.

During the year ended 31 December 2017, 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

(XIII) 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

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 28 June 2017, 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 2017 annual general meeting of the Company.

(XIV) 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).

(XV) 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 2017.

(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 19 of the "Business Review and Outlook" section and pages 20 to 30 of the "Management Discussion and Analysis" section in this annual report respectively. These information forms part of the Report of the Directors.

The Company or the Group does not have any material subsequent events occurring after 31 December 2017.

(2) BUSINESS MODELS AND STRATEGIES

The Group's principal activities consist of three major segments, namely environmental-protection, equipment manufacturing and new building materials. Environmental protection business mainly includes (i) collaborative treatment of municipal waste by cement kilns; (ii) collaborative treatment of solid and hazardous waste by cement kilns; and (iii) grate furnace power generation. Equipment manufacturing business mainly includes design of environmental protection projects, equipment assembly, construction and installation and other services as well as traditional residual heat power generation, construction of self-owned coal-fired power plants and mills equipment for large-scale industrial mining enterprises. With the advanced technologies introduced from Europe, the Group has set up two production bases in Wuhu and Bozhou, Anhui Province for the production and sale of new energy-saving wall materials such as fiber cement boards. In addition, the Group owned the Jiangdu Haichang sea-to-river transshipment port in Yangzhou City, Jiangsu Province.

7. REPORT OF THE DIRECTORS

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) expanding and further developing the project promotion for solid and hazardous waste treatment and waste incineration solutions; (ii) striving to develop services of integrating the energy saving and environmental protection equipment installation as well as the international and domestic markets of residual heat power generation and vertical mills in various industries; (iii) accelerating the development of new building materials business; and (iv) making selective prudent acquisitions to complement the business composition.

(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.

(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 112 of this annual report.

(5) RESERVES AND DIVIDEND

Details of other changes in reserves are set out in note 22 to the financial statements and the consolidated statement of changes in equity on page 115 of this report.

As at 31 December 2017, the Company's reserves available for distribution to its shareholders amounted to approximately RMB1,220.4 million (31 December 2016: RMB1,693.2 million).

The Directors recommend the distribution of final dividend of HK$0.50 per share for the year ended 31 December 2017 (2016: HK$0.30 per share) to the Shareholders.

Subject to the approval of shareholders at the 2018 annual general meeting of the Company to be held on 27 June 2018, the above proposed final dividend will be paid to the shareholders whose names appear on the register of members of the Company as at 9 July 2018. The proposed final dividend will be paid on 20 July 2018.

(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).

7. REPORT OF THE DIRECTORS

Out of the net proceeds, for the year ended 31 December 2016, the Group had utilized an aggregate amount of approximately RMB2,996.3 million of the net proceeds and the remaining balance of the net proceeds amounted to RMB122.6 million. During the Reporting Period, the Company further utilized RMB122.6 million in the manner set out in the table below:

Usage	Utilized amount during the Reporting Period (RMB million)	Balance as at 31 December 2017 (RMB million)	Actual business progress as at 31 December 2017
To be used for the establishment of production facilities of cellulose cement autoclaved boards in Wuhu, Anhui Province	68.2	–	Establishment of production facilities of new building materials industry, procurement of raw materials and establishment of sales markets
To be used for the establishment of production facilities of cellulose cement autoclaved boards in Bozhou, Anhui Province	21.6	–	Establishment of production facilities of new building materials industry, procurement of raw materials and establishment of sales markets
General corporate purposes	32.8	–	
Subtotal	122.6	–	

For the year ended 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.

(7) PROPERTY, PLANT AND EQUIPMENT

As at 31 December 2017, the property, plant and equipment of the Group amounted to approximately RMB1,281.80 million. Details of the changes in property, plant and equipment of the Group during the Reporting Period are set out in note 11 to the financial statements.

(8) SUBSIDIARIES AND ASSOCIATED COMPANIES

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

(9) SHARE CAPITAL

Details of the Company's capital structure are set out in note 22(c) to the financial statements. As at 31 December 2017, the Company had a total of 1,804,750,000 ordinary shares in issue.

(10) DISCLOSURE OF INTERESTS

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

As at 31 December 2017, 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 were set out below:

A. The Company

Name of Directors	Capacity/nature of interests	Number of shares (long positions)	Percentage 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	0.006
	Total	**7,501,716**	**0.416**
Mr. Li Daming	Beneficial owner	6,112,563	0.34

Notes:

1. These shares are owned by Splendor Court which is solely owned by Mr. Guo Jingbin.
2. Mr. Ji Qinying is taken to be interested in the shares held by his spouse, Ms. Yan Zi.
3. Mr. Li Jian is taken to be interested in the shares held by his spouse, Ms. Wang Zhenying.

2. Substantial Shareholders' Interests or Short Positions

As at 31 December 2017, there were no other persons other than the Directors and chief executive of the Company who had interests or short positions in the shares or underlying shares of the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register of substantial shareholders required to be kept under section 336 of the SFO.

7. REPORT OF THE DIRECTORS

3. Interests and Short Positions of Senior Management

As at 31 December 2017, interests of the senior management of the Company were as follows:

Name of senior management	Capacity	Number of shares (long positions)	Percentage shareholdings (%)
Mr. Wang Xuesen	Beneficial owner	3,516,418	0.19
Mr. Shu Mao	Beneficial owner	156,500	0.01

Save as disclosed above, as at 31 December 2017, 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 19.60% and 46.02% 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 7.62% and 26.78% 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 2017 has any interest in any of the five largest customers and suppliers mentioned above.

(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 2017, the Group had approximately 1,725 employees. The following table shows a breakdown of the employees by functions as at 31 December 2017.

Functions	Number
Production and Operation	1,248
Management	201
Finance and Administration	87
Others	189
Total	1,725

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 2017, the total remuneration of employees (including the remuneration of the directors) was approximately RMB154.06 million (2016: RMB106.49 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.

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

Name	Position	Date of appointment
Mr. Guo Jingbin	Executive Director, Chairman (note 1)	Appointed on 24 June 2013
Mr. Ji Qinying	Executive Director, Chief executive officer	Appointed on 18 July 2013
Ms. Zhang Mingjing	Non-executive Director (note 2)	Elected on 21 May 2014
Mr. Li Jian	Executive Director, Deputy general manager	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 (note 1)	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	Appointed on 3 December 2013

7. REPORT OF THE DIRECTORS

Note:

1. Mr. Guo Jingbin and Mr. Chan Chi On (alias Derek Chan) were re-elected as Directors at the 2017 annual general meeting.

2. Ms. Zhang Mingjing retired at the 2017 annual general meeting.

As at the date of this report, the Company had entered into services agreements with all executive Directors and had signed appointment letters with 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. Ji Qinying, Mr. Li Jian and Mr. Lau Chi Wah, Alex shall retire at the forthcoming 2018 annual general meeting. All of the retiring Directors, being eligible, will offer themselves for re-election thereat.

(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).

(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 competes 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	2
1,000,000–2,000,000	0

(19) THE BOARD AND BOARD COMMITTEES

As at 31 December 2017, the Board comprised seven 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, details of changes in the Directors and senior management of the Company were as follows:

1. Ms. Zhang Mingjing ceased to be the non-executive Director and member of the Remuneration and Nomination Committee of the Company with effect from 28 June 2017.

2. Mr. Shu Mao met the qualification requirements of a company secretary under Rule 3.28 of the Listing Rules and acted as the sole company secretary of the Company with effect from 13 April 2017. Ms. Ng Sin Yee, Clare resigned as the joint company secretary of the Company on the same day.

3. The Board of the Company passed a resolution at the meeting convened on 24 March 2017 agreeing to appoint Mr. Han Jiwu as the Assistant General Manager 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:

2. Continuing connected transactions

(1) Transactions with Kawasaki HI

On 30 March 2015, 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 2017 is RMB29.20 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 RMB29.03 million, which did not exceed the annual cap of RMB29.20 million for this year.

On 27 December 2017, the Group (through the CK Subsidiaries) entered into an agreement with Kawasaki HI ("**Extended Kawasaki Master Agreement**"), pursuant to which, the Group will continue to carry out similar transactions with Kawasaki HI between 2018 and 2020. For details of the Extended Kawasaki Master Agreement, please refer to the announcement of the Company dated 27 December 2017.

7. REPORT OF THE DIRECTORS

(2) Transactions with CKEM

On 30 March 2015, 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 2017 is RMB29.20 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 RMB7.61 million, which did not exceed the annual cap of RMB29.20 million for this year.

On 27 December 2017, the Group (through the CK Subsidiaries) entered into an agreement with CKEM ("**Extended CKEM Master Agreement**") pursuant to which, the Group will continue to carry out similar transactions with CKEM between 2018 and 2020. For details of the Extended CKEM Master Agreement, please refer to the announcement of the Company dated 27 December 2017.

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.

For disclosure of connected persons, please refer to note 25 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 2017, 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.

7. REPORT OF THE DIRECTORS

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 25 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 25 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 2017, the Company has complied with the disclosure requirements of Chapter 14A of Listing Rules.

(24) SHARE OPTION SCHEME

Save as the Share Option Scheme set out below, during the year ended 31 December 2017, 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.

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.

7. REPORT OF THE DIRECTORS

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.

(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 2017, the Company appointed KPMG as its international auditor for the year ended 31 December 2017. 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 re-appointment 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 the section headed "Environmental, Social and Governance Report" set out in this annual report.

(31) DONATION

During the year, the Group did not made any charitable or any other kind of donations (2016: 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.

By Order of the Board
Guo Jingbin
Chairman

Wuhu, China
23 March 2018

8. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT ESG REPORT

Statement by the Board of Directors

The Board and all the Directors of the Company guarantee that the report does not contain any false representation, misleading statement, or major omission, and bear individual and joint liabilities for the truthfulness, accuracy and completeness of the content hereof.

Basis of preparation

The environmental, social and governance report ("**ESG Report**") was prepared in accordance with the Appendix 27 "Environmental, Social and Governance Reporting Guide" of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The Reporting Period is from 1 January 2017 to 31 December 2017, while part of the content covers a brief review of the relevant activities in the past. Having regard to the fact that its principal place of business is in mainland China, the Group had made selective reference to the recently issued Guidelines on Preparation of China Corporate Social Responsibility Report (中國企業社會責任報告編寫指南)(CASS-CSR 4.0).

Business of the Group

Conch Venture is a large enterprise group providing "package" solutions for energy saving and environmental protection, and possesses the world's leading technologies in waste treatment, residual heat utilisation and equipment manufacturing. Scope of business engaged by the Group includes disposal of municipal waste and industrial solid and hazardous waste, energy-saving equipment, new building materials, and port logistics. At the end of the reporting period, the Group has a total of 58 subsidiaries and 1,725 employees with total assets of RMB23.18 billion.

Publication Cycle

The ESG Report is an annual report. This is the second ESG report released by the Group since April 2017 when the first ESG report was released. The ESG report for the next reporting period (2018) is expected to be released in April 2019.

Scope of the Report

The main scope of the ESG Report is Conch Venture and its subsidiaries. In particular, information in relation to the policy and social aspects involves all businesses. For information in relation to the environment, in terms of business segment, it does not include the port logistics segment which only accounts for 7.5% of the revenue of the Group as a whole. In consideration of the materiality, information in relation to the environment covers principal business activities and principal place of business.

Sources of Information

The information in this report came from internal documents and relevant statistical information from Conch Venture and its subsidiaries.

8. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

STATEMENT OF SENIOR MANAGEMENT

There is a saying in the business world that "the ultimate goal of enterprises is to make profit, which also means to maximize the interests". In the past, the saying used to be interpreted from a micro perspective as maximizing returns on investments for the interests of shareholders. Nowadays, with the introduction of corporate social responsibility, there has been more comprehensive understanding and awareness about the external responsibilities of enterprises. So does this mean that the saying is no longer meaningful?

My answer is no. The saying is still meaningful and worth mentioning in contemporary society, only that the definition of interests has to be expanded and interpreted from a macro perspective. It is well understood that corporate production and operation involves externalities and influences some parties other than the enterprise itself, such as suppliers, customers and the community. Areas under influence include not only the economy, but also the environment and society. Corporate operation in the past did not attach any importance to externalities but, with enhanced self-understanding and due to rising conflicts with external parties, we as an enterprise entrepreneur need to revisit the meaning of interests. Here comes the term "stakeholder". Corporate development is no longer only about maximizing the interests of shareholders, but also about maximizing the interests of all stakeholders.

As for how to maximize the interests of stakeholders, it has been the consideration of the Group since its incorporation. There is always a need for us to consider ways to leverage the advantages of the industry in which we operate and to promote environmental improvement and social harmony through economic development, and in turn ways to advance our economic development by capitalizing on the favourable environment and stable society.

Therefore, when conducting stakeholder materiality assessment for the Reporting Period, we invited external stakeholders including customers, suppliers, governments and community members to participate in discussion, with a view to listening to external parties' voices and understanding their needs and opinions, in order to achieve better planning for directions and focuses of the environmental and social aspects of our work. Taking this opportunity, we reported to them the results we achieved in the environmental and social aspects of our work, thus facilitating better understanding of the Company.

Adhering to the concept of green development, we have achieved sustainable economic, social and environmental development and gained wide public recognition. With our industry-leading technology of collaborative treatment by cement kilns, we were given the "Award of Outstanding Technology Innovation" and the title of "Demonstration Project for the Collaborative Treatment by Cement Kilns of the Cement Industry in the PRC" at the National Innovation and Development Conference of Collaborative Treatment by Cement Kilns. Our craftsman's spirit and continuous improvement were recognized with the title of "Demonstration Project of Construction Industry Modernization of Anhui Province" and the award of the "Best Honorary Customer" by the International Certification Network (IQNet). In the future, while upholding the concept of "bringing in and reaching out", the Group will actively introduce better environmental technology and environmental ideas, encourage more external stakeholders to take part in its environmental and social governance, and meanwhile consider corporate operation and development in a more comprehensive manner, rather than only from an internal perspective. I hope that everyone who has been supporting the development of Conch Venture will continue to support and monitor the Company's growth and development, so as to allow the Company to make more contribution towards environmental protection and social development.

On behalf of the Board
GUO Jingbin
Chairman

Wuhu, China
23 March 2018

8. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SUMMARY ON ENVIRONMENT, SOCIETY AND GOVERNANCE

1.1 ESG Strategy of the Group

The Group is committed to protecting the environment and developing a low-carbon economy, and pays close attention to the demands of stakeholders. It has incorporated environmental and social responsibilities into its corporate strategy and decision making to become more environmentally friendly and realise social harmony as the Group continues to develop and grow.

1.2 ESG Governance Structure of the Group

The Group established the ESG Report Working Committee led by senior management and participated by middle management. Such working committee is led and organized by Li Daming, an executive Director and Deputy General Manager, and composed of representatives of relevant departments and major subsidiaries which have significant influence on the Group's environmental and social governance. The working committee is responsible for delivering and communicating strategies and measures which may have critical influence on environment, society and governance and gathering information and feedbacks, which is a significant component of our efforts to promote sustainable development.

1.3 Stakeholders' Engagement

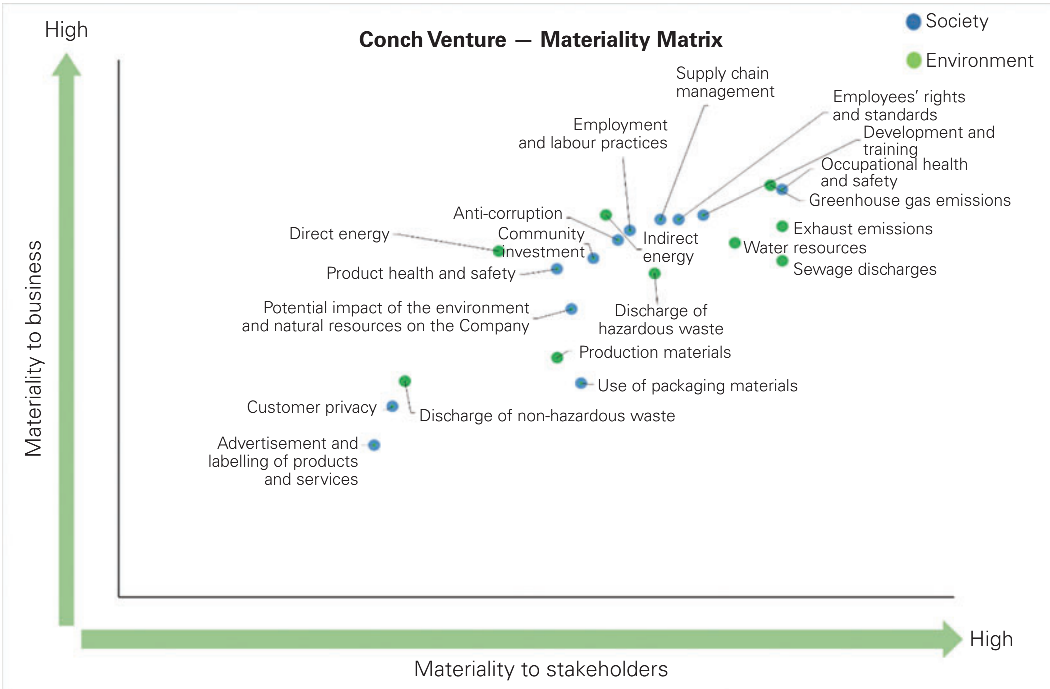
The Group's environmental, social and governance stakeholders mainly include internal personnel, suppliers, customers, shareholders and investors, governments, and the communities of the places where we operate. Apart from those in charge of the decision making and formulation of the Group's strategies, such as members of the Board and senior executives, who were part of the stakeholder engagement during the Reporting Period, those internal stakeholders who jointly participated in materiality assessment with external stakeholders like customers, suppliers, and government departments and community members of the places where we operate also included middle management and front-line staff.

Through interviews and surveys, we gained a more comprehensive understanding of each stakeholder's major concerns, present views and future expectations about business operation and environmental, social and governance issues. Through this opportunity, stakeholders were also provided with more in-depth insight into the Group's commitment to pushing forward sustainable development as well as its measures in force and those to be taken. Comprehensive stakeholder engagement facilitated the identification of the major or priority areas in preparation of the ESG Report, and, more importantly, served as a platform for interaction between the Group and each stakeholder, thus reinforcing the existing communication mechanism. In the future, we will continue to increase the number of representatives of each stakeholder group, as well as review and update materiality assessment, so as to ensure that the report fully reflects the Group's latest progress towards sustainable development.

8. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1.4 Assessment of Materiality

The following materiality matrix was produced based on analysis and combination of results from the assessment of materiality of each stakeholder:



We consider the following indicators, which are higher than the average in terms of materiality to business and stakeholders, as the factors having material impacts on the Group's sustainable development. The Group will focus attention on the following aspects in fulfilling its environmental and social responsibilities.

Greenhouse gas emissions

Exhaust emissions

Sewage discharges

Water resources

Indirect resources

Health and safety

Employee development and training

Employee rights and standards

Supply chain management

Employment and labour practices

8. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENT PROTECTION

Environmental Policy

We strive to bring a more positive impact on the environment though our business activities by making use of cutting-edge technologies, investing in research and development and encouraging technological innovation, with the ultimate goal of building a beautiful China. By promoting the Group's environmental protection and energy saving technologies as well as eco-friendly new materials, we help raise public awareness of environmental protection, so as to jointly promote sustainable development, make a concerted effort to build a beautiful China, and usher in a new era of socialist ecological civilization.

The Group complies with the relevant environmental laws and regulations in all business locations, contributes to firmly establishing socialistic ecological civilization, and puts into practice consciously the concept of green development. We have always adhered to environmental management for reducing emissions and improving the efficiency of resource utilization in the following ways:

- increasing resource utilisation efficiency in business activities;
- adopting energy-saving equipment in production and office sites;
- encouraging employees to conserve resources in daily work;
- reducing non-renewable energy consumption through technology innovation.

Emissions

The Group's production and business operation are built upon environmental protection, with the aim of achieving green development. It is our requirement and obligation to continuously enhance emission standards and reduce emissions from production units, which is also the driving force of our development.

Equipped with the world's leading technologies in waste treatment and residual heat utilization, the Group is capable of handling emissions and reducing their impact on the environment, as well as minimizing the use of resources that may generate exhaust gas, wastewater or waste materials as an indirect way of reducing emissions.

Despite being an environmentally friendly enterprise, we may inevitably generate certain emissions in our production process. However, we will implement stringent controls in this regard to ensure that emissions are in compliance with laws and regulations and facilitate efficient and clean production.

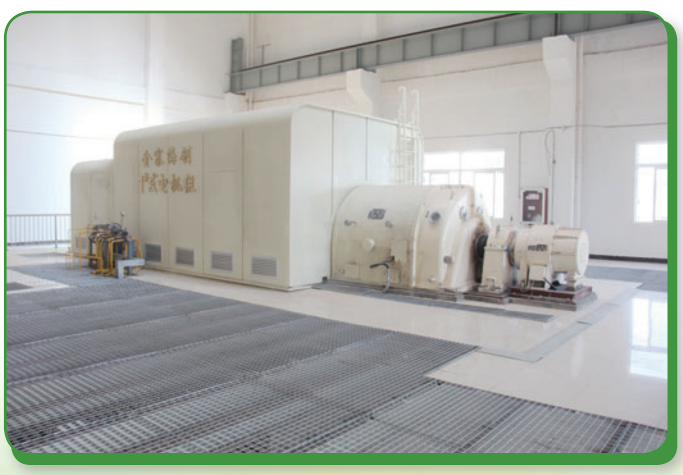
8. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Compliance

Emission compliance is the bottom line in building ecological civilization. The Group strictly complies with laws relating to emissions, such as Air Pollution Prevention Law of the People's Republic of China, Clean Production Promotion Law of the People's Republic of China and Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste, as well as relevant regulations, such as the Standard for Pollution Control on Municipal Solid Waste Incineration (GB18485-2014), the Emission Standard of Air Pollutants for the Cement Industry (GB4915-2013) and the Control Standard for Collaborative Disposal of Solid Wastes of Cement Kiln (GB30485-2013). We strictly implement emission standards and continuously improve the monitoring and emission control systems to ensure up-to-standard emissions and clean production, and that production activities comply with national laws and regulations, serve local economies and benefit the public. During the year, no penalty had been imposed on the Group due to non-compliance with emission standards.

Exhaust emissions

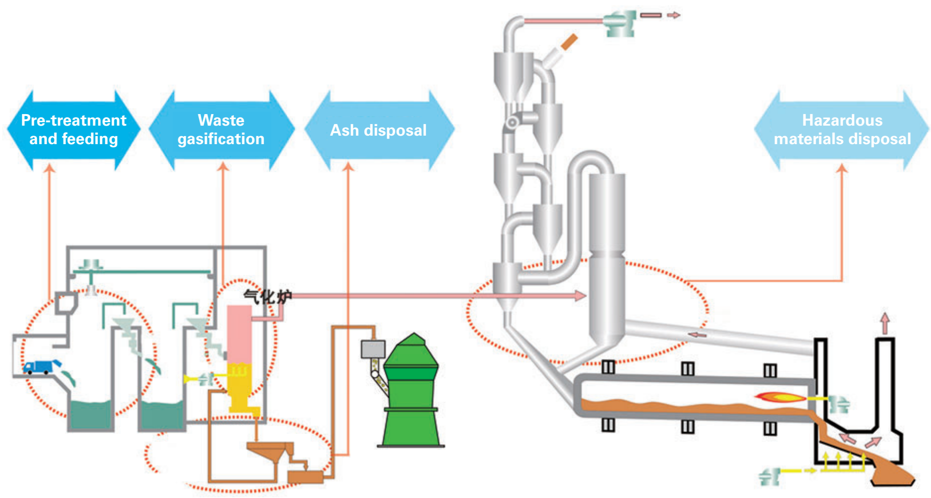
With years of theoretical study and practical experience in residual heat power generation and waste treatment by cement kilns, the Group has developed increasingly mature technologies and these two business segments have been the main contributors to reducing exhaust emissions. Through relevant technologies of residual heat power generation by cement kilns, we are able to reduce exhaust emissions and turn waste into treasure to a certain extent:



8. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

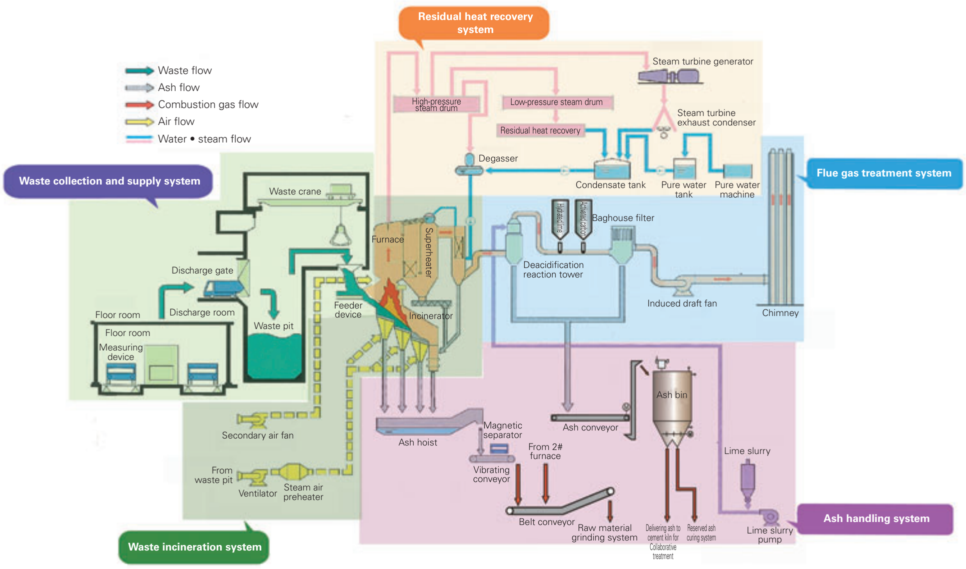
The Group applies the technology of flash distillation system, which enables the full recovery of low quality heat from exhaust gas as well as thermal efficiency improvement by supplying saturated steam to turbines. The residual heat power system is connected seamlessly to the production line of cement clinker. Without affecting the normal operation of the production line of cement clinker, an air intake is installed in its cooler to upgrade the heat source entering the kiln residual boiler. Based on theoretical analysis, experiments have shown that the optimal inlet temperature of the kiln residual boiler is around 360℃ at which residual heat in exhaust gas can be fully utilised for power generation without affecting the heat recovery efficiency of the cooler. The Company’s technology and equipment for flash distillation system generate higher power output compared with other technologies under the same exhaust gas conditions.

The Group's exhaust emissions mainly came from the use of diesel oil and gasoline. During the Reporting Period, the Group consumed a total of 1,413,800 litre of diesel oil (mainly for production combustion process, in-plant loader and mechanical vehicles) and a total of 115.800 litre of gasoline (unit usage: 0.12 litre/km). Measured emission include: 8.68 tonnes of SO2, 49.91 tonnes of NOx, 1.82 tonnes of particulate matters, 0.01 tonnes of HF, 6.15 tonnes of HCL, 3.55 tonnes of CO, and meanwhile its cement kiln waste treatment and grate furnace waste incineration technologies also saw outstanding performance in reducing exhaust emissions.



8. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Leveraging years of study and experience of cement production technology, and through study of the features of municipal waste in China, the Group has developed the world's first technology combining new dry-type kiln and gasifier (the CKK System) for municipal waste treatment. The technology enables the replacement of part of the fuel of cement kilns with the heat energy generated from waste incineration to reduce carbon dioxide emissions from fuel combustion. Compared with landfill disposal, the technology addresses the problem of emissions of methane and carbon dioxide. Having regard to the status quo about municipal waste in China, applying gasifier technology can result in less air consumption and smaller amounts of exhaust gas produced from gasification, hence little impact on cement production and high energy use efficiency.



As for grate furnace waste incineration, flue gas emissions met and outperformed the EU 2010 standard or the Municipal Solid Waste Incineration Pollution Control Standards (GB18485-2014), whichever is more stringent. It is capable of degrading dioxin completely by controlling combustion conditions (e.g. the temperature of furnace chamber is above 850℃ and flue gas residence time is greater than 2 seconds, to maintain turbulent flow of flue gas and a moderate amount of oxygen) which ensure complete decomposition of organic compounds such as dioxin. We have installed effective exhaust gas treatment equipment, such as bag filter and activated carbon for adsorption of harmful substances, such that dioxin emissions will be maintained at below 0.1ngTEQ/m^3.

8. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group applies the technology of collaborative treatment by new dry-type cement kilns, which incinerate and dispose of hazardous waste during cement clinker calcination in cement rotary kiln. It is a new kind of environmental technology in line with our strategy for sustainable development. The technology inherits the advantages of traditional furnace and meanwhile gives play to the advantages of cement kiln, such as its high temperature and alkaline environment. Apart from making full use of calorific value of organic compounds in wastes to realize energy conservation as well as full exploitation of inorganic compounds in wastes to replace part of the conventional materials for cement clinker production, it is also capable of completely destroying hazardous and harmful organic compounds in wastes under the high temperature conditions of new dry-type cement kiln and solidifying the hazardous and harmful heavy metals in waste in clinker. By using the technology of collaborative treatment by cement kiln, it is possible to dispose of 38 of the 46 classes of waste set out in the National List of Hazardous Waste (2016 edition) (mainly include waste organic solvents, waste mineral oil, waste acids, distillation residues, waste containing heavy metals (other than mercury), contaminated soil and incinerator ash from automotive, electronic, electroplating, printing, chemical and other industries). The technology of collaborative treatment by new dry-type cement kiln enables safe disposal of hazardous waste without affecting the quality of cement products, thus fulfilling comprehensive exploitation and integrated application.

Greenhouse Gas (GHG) Emissions

The CO2 equivalent of 2017 was 35,556.06 tonnes, mainly from uses of electricity, diesel oil and petrol.

8. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In respect of municipal waste treatment, compared to traditional disposal method of landfilling, grate furnace waste incineration power generation reduces greenhouse gases produced in landfills on the one hand and saves standard coal consumption on the other hand by making full use of the caloric value of waste in power generation, thereby also reducing the generation of carbon dioxide. As shown in the table below, when one tonne of waste is incinerated, 0.27 tonnes of carbon dioxide emissions can be reduced.

	Unit	**Value**	**Remarks**
Average on-grid power generation of waste incineration	KWh/tonne of waste	249.15	Based on the difference between power generation and power consumption
Amount of standard coal saved	kg/tonne of waste	89.69	360g standard coal/kWh
Reduction in CO_2 emissions from lower standard coal consumption of waste incineration	kg/tonne of waste	205.40	2.29kgCO_2/t standard coal
Reduction in CO_2 emissions by replacing landfill disposals with waste incineration	kg/tonne of waste	875.00	Amount of CO_2 corresponding to methane produced from landfills
Average CO_2 emissions from waste incineration	kg/tonne of waste	806.67	Average carbon content of waste being 22%
Total reduction in CO_2 emissions from waste incineration	t/tonne of waste	0.27	

During the Reporting Period, the Group's grate furnace waste incineration power generation business treated 190,000 tonnes of municipal waste, representing a reduction of 51,300 tonnes of GHG emissions, and treated 109,000 tonnes of industrial waste.

8. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

With the technology of residual heat power generation through new dry-type cement clinker line, GHG emissions were effectively reduced. The following are examples of indicators and energy-saving and environmental efficiency:

Capacity of clinker line	Unit	5,000 t/d (actually 5,500 t/d)	2,500 t/d (actually 2,800 t/d)	Remarks
Designed power generation capacity	MW	9	4.5	
Operation rate relative to kiln	%	≥95	≥95	
Power consumption of the plant	%	≤7	≤7	
Annual power generation	10,000 KWh	6,840	3,420	Based on an annual operation rate of 7,600 hours
Annual economic profit	RMB10,000	3,180	1,590	RMB0.5/KWh
Annual amount of standard coal saved	10,000 tonnes	2.46	1.23	360g standard coal/KWh
Annual amount of CO_2 reduced	10,000 tonnes	6.29	3.15	

At present, residual heat power generation is listed as one of the standards for construction of cement plants in the PRC and has become an integral part of cement plants. As at 31 December 2017, the Company has promoted a total of 228 cement residual heat power generation sets (including 23 sets of overseas contracts), 5 steel residual heat power generation sets, 1 wind power generation set and 7 coal-fired power generation sets. The products were exported even to Thailand, Pakistan, Myanmar, Turkey and other countries. Among them, the total installed capacity of residual heat power generation has amounted to 2,558 MW. Compared with the same standard of thermal power generation, it has saved 6.99 million tonnes of standard coal and reduced 17.94 million tonnes of carbon dioxide emissions per year; and the installed capacities of wind, steel and coal-fired power generation have reached 1.5MW, 96.3 MW and 284 MW respectively.

As a kind of high-quality clean and green energy source, natural gas is safe, reliable, environmentally friendly and an economical option, thanks to which it has been attracting more attention in daily life and production.

The Group attaches great importance to substituting natural gas for conventional energy, and strives to accelerate the transition from the use of conventional energy, such as coal, to the use of natural gas, and to expand the scope of application of natural gas. In the meantime, continuous improvement in research and development and the introduction of natural gas technology, such as gas turbine, enables more effective use of natural gas, thereby maximizing the production capacity of every unit of natural gas. For the construction of new projects, locally available natural gas resources will be used as far as possible.

We closely monitor the procurement of forklift trucks and other transportation equipment. Only those types of equipment that meet national and industry standards will be purchased and high-quality energy such as diesel oil and gasoline will be used for the equipment. By doing so, not only can the service life of equipment be extended and condemnation rate lowered, hazardous gas emissions can also be reduced.

8. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

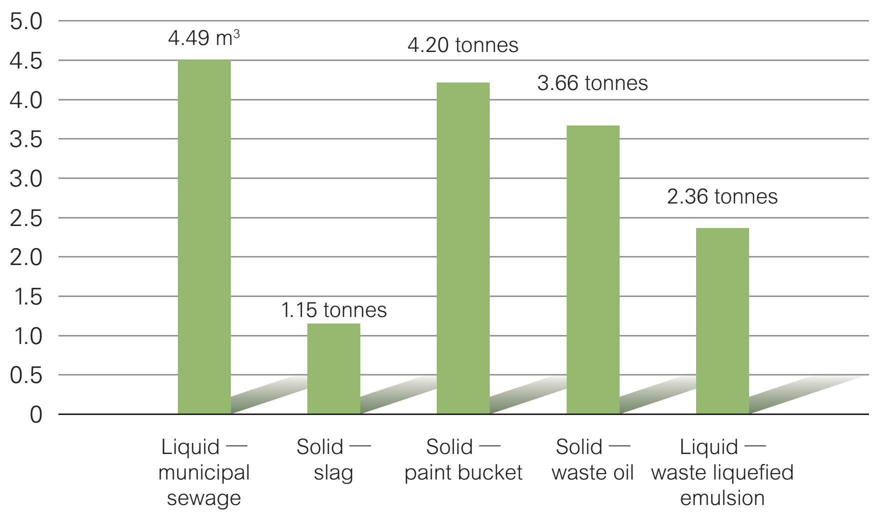
Sewage discharge

Sewage was produced mainly from grate furnace power generation, collaborative treatment of municipal waste by cement kilns, collaborative treatment of industrial solid and hazardous waste by cement kilns, and new building materials production.

For projects of grate furnace power generation, collaborative treatment of municipal waste by cement kilns and collaborative treatment of industrial solid and hazardous waste by cement kilns, leachate is generated during storage of municipal waste and hazardous waste. For projects of grate furnace power generation, sewage is converted into reclaimed water and thereafter will be used in cooling generators. After processing, leachate concentrates will be incinerated in grate furnace. Other sewage will be recycled for integrated treatment. Through these steps, we are able to achieve zero sewage discharge. For projects of collaborative treatment of municipal waste by cement kilns and collaborative treatment of industrial solid and hazardous waste by cement kilns, less sewage is generated and hence it will be fed into the cement kiln incinerating system, which enables zero sewage discharge. For production of new building materials, sewage generated therefrom is of high alkalinity and is recycled through our improved in-plant water recycling system.

Hazardous waste

Certain subsidiaries of the Group have paint coating in their production process. During the Reporting Period, the following types of hazardous waste are generated:



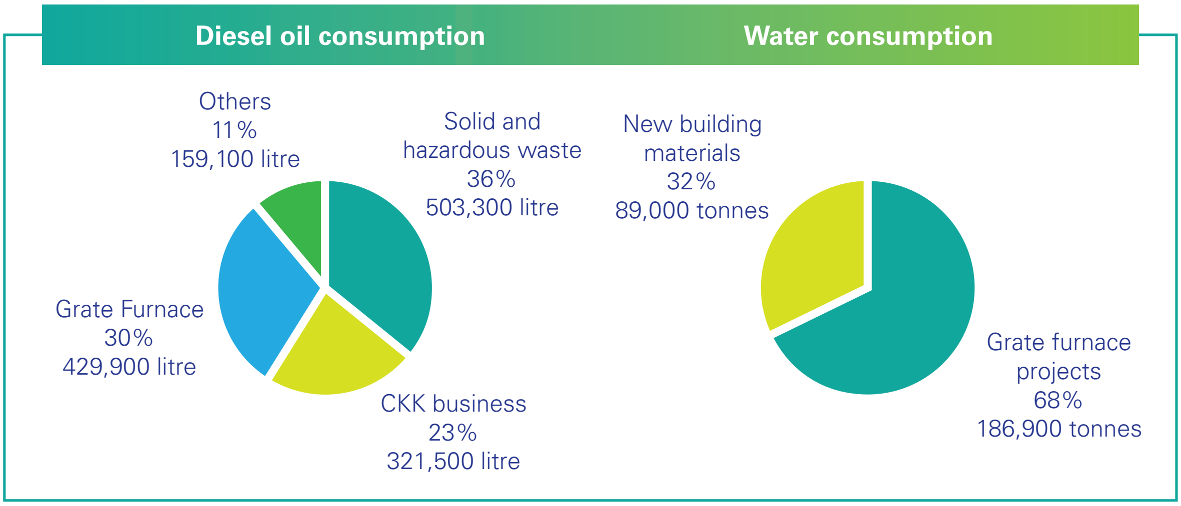
Resource Utilization

Conch Venture, being an environmentally friendly enterprise, serves as both a consumer of energy and a producer of energy. The Group aims to maximize power generation with minimal unit consumption of energy. On the one hand, increasing efforts have been made in research and development with the introduction of talent and technology to enhance production efficiency. On the other hand, emphasis has been placed on recycling and turning waste into resources and improving utilization of various energy sources. For example, Conch Venture Green, a subsidiary of the Group, has been reducing its unit consumption of electricity, water and natural gas over the years since its commencement of operation in 2015. In terms of natural gas consumption per square meter, an average decrease of nearly 20% was recorded in January-November 2017 compared with the same period in 2016.

8. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In 2017, major types of resources used by the Group and the level of consumption are set out as follows:

Type of resources	Total consumption	Unit consumption and remarks
Natural gas	1,880,600 m^3	0.24 m^3/sq. m. of new materials produced
Diesel oil	1,413,800 litre	Used in production combustion and in-plant machinery vehicles; difficult to find a common denominator
Gasoline	115,800 litre	0.12 litre/km
Water	275,900 tonnes	New building materials: 11.2 litre/ten thousand sq. m. of new materials produced; Grate furnace projects: 0.98 tonnes/tonnes of municipal waste processed
Electricity	63,008,400 KWh	Details set out in the table below



Business segment	Production volume/ Treatment volume/Area	Electricity consumption	Unit consumption
CKK business	610,100 tonnes	25,532,900 KWh	41.85 KWh/tonne
Grate furnace projects	190,000 tonnes	12,507,000 KWh	65.83 KWh/tonne
Industrial solid and hazardous waste	109,000 tonnes	1,409,400 KWh	12.93 KWh/tonne
New building materials	7,948,600 sq. m.	16,964,900 tonnes	2.13 KWh/sq. m.
Equipment manufacturing	70,400 sq. m.	6,594,300 KWh	93.67 KWh/sq. m.

In particular, resource utilization is mainly of electricity and water. In this regard, we actively encourage employee engagement and implement internal measures for conservation of energy such as light, water and electricity.

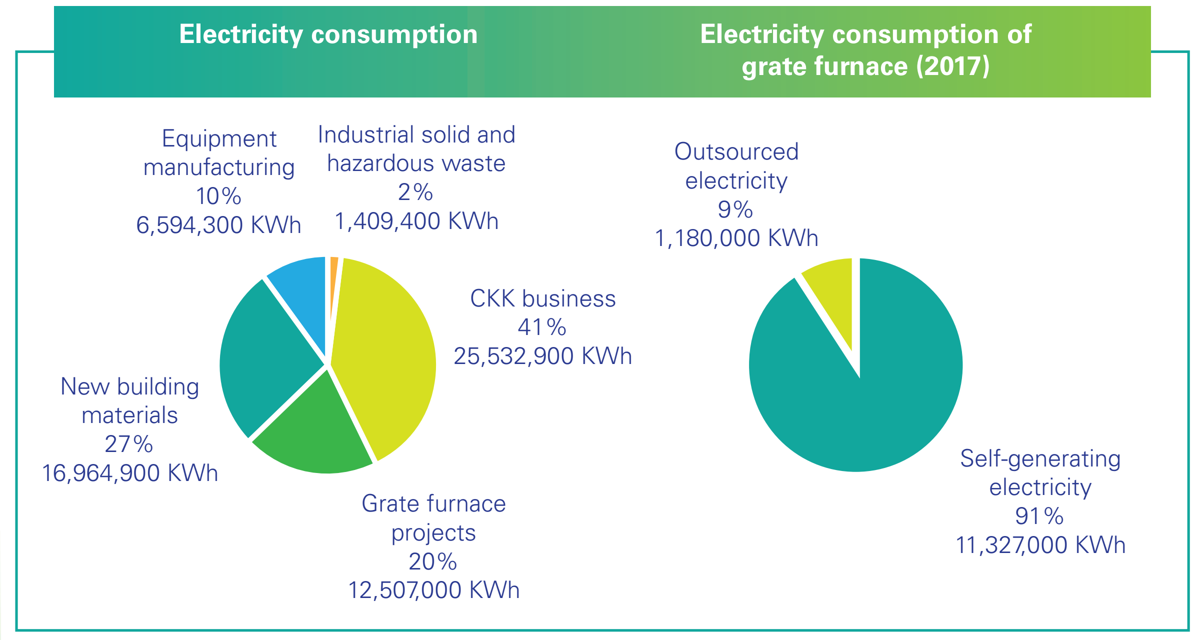
8. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

For Shache Project, solar-powered lighting was installed to reduce electricity consumption.

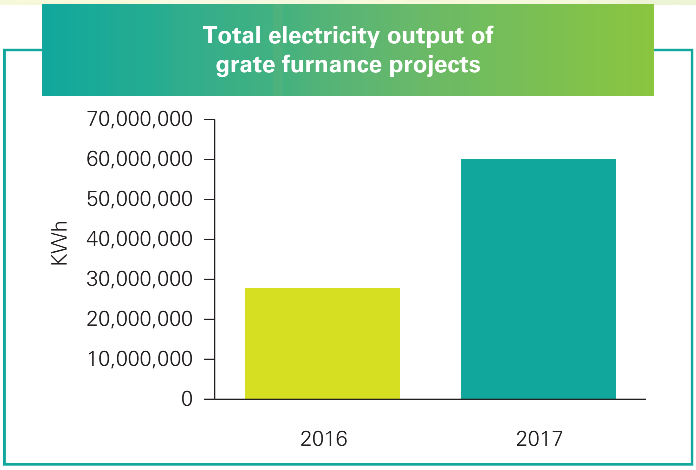
Indirect energy

Electricity is the major type of energy used by the Group as well as the key product of the Group. The Group comprises a number of power generation enterprises, the annual output of which is far more than their corresponding power consumption. The Group always adheres to the electricity policy of "tapping new resources and reducing consumption". On the one hand, it improves production technology and broadens the source of energy for power generation to increase total output. On the other hand, it reduces electricity consumption, increases energy efficiency and lowers energy loss in power supply system. In terms of electricity supply, the Group integrates outsourced electricity with its own power generation, and coordinates with regional power grids and other departments so as to supply surplus self-generating electricity to the grids. During the Year, the Group's electricity usage and total output are disclosed as follows.

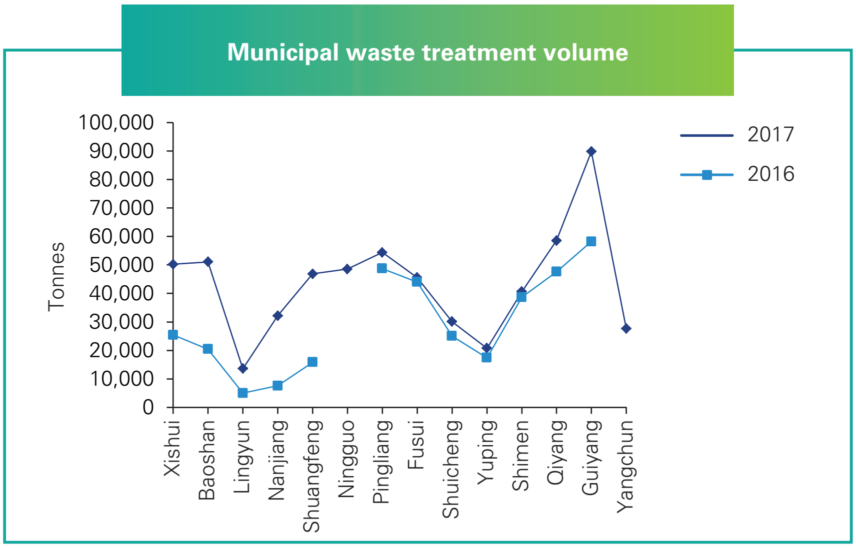
Grate furnace projects:



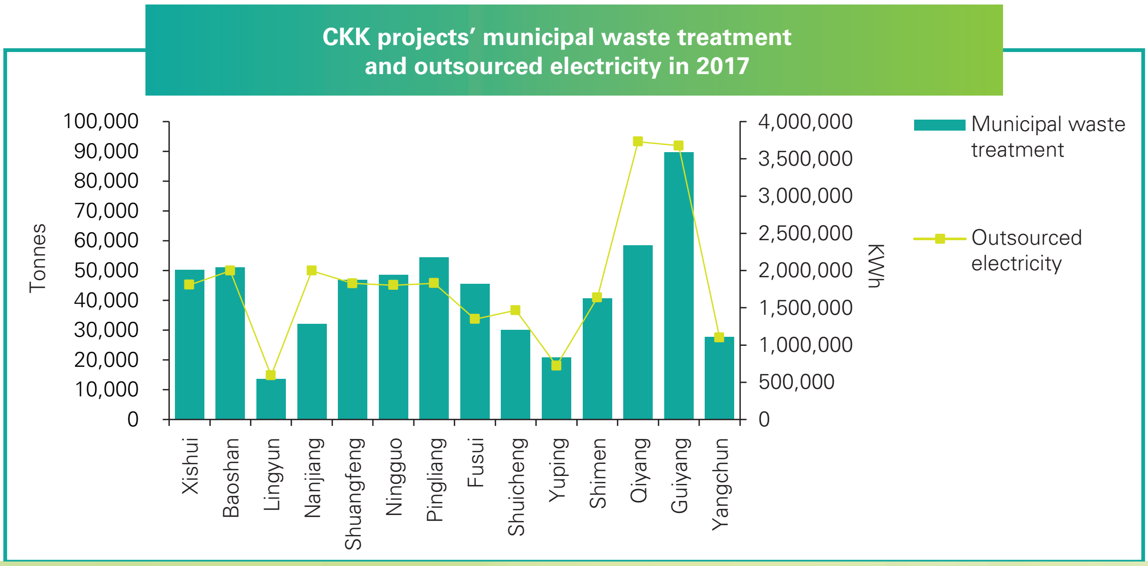
8. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



The chart below shows the municipal waste treatment volume of CKK projects in 2016 and 2017



CKK projects' municipal waste treatment and outsourced electricity in 2016 and 2017



Municipal waste treated in 2017: 610,121 tonnes

8. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Water resources

The Group has a wide range of water sources, including tap water, well water, and reusable water in sewage treatment plants. Water meters are installed for water consumers to monitor the use of water resources in a timely manner. During the Reporting Period, the Group used a total of 26,558,000 m^3 of fresh water. The Group also emphasises the use of recycled water resources such as reclaimed water. Following negotiation between Jinzhai Conch Venture, a subsidiary of the Group, and a sewage treatment plant in the Jinzhai County at the inception stage, a direct pipeline was constructed to provide the Company with reclaimed water that has undergone preliminary treatment by the sewage treatment plant.

Jinzhai Conch Venture applied reclaimed water system

We also emphasise water conservation and friendly coexistence with surrounding environment and communities. In the vicinity of some factories, tap water is not available and villagers are still using well water (underground water). Taking this into consideration, after assessment, the Company concluded that using well water would cause shortage of water for the villagers, so it would not use underground well water in those areas.

ENVIRONMENT AND NATURAL RESOURCES

Conservation of the environment and natural resources is the obligation of every enterprise and citizen. To Conch Venture this is especially meaningful because it was what the Company was founded for and remains our development goal and foundation. The Group is dedicated to addressing environmental problems through its operating activities, and will step up efforts for ecological conservation to facilitate green development and the construction of a beautiful China.

The Group's several lines of business, including residual heat power generation, waste incineration, industrial solid and hazardous waste treatment, and new building materials, go hand in hand to play a positive role in conservation of the environment and natural resources.

8. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Residual heat power generation is widely applied in industries such as building material, metallurgical and chemical. For example, in the cement industry, low-temperature exhaust gases emitted from coolers at kiln head and tail of new dry-type cement production lines are recycled for power generation. In the iron and steel industry, low-temperature exhaust gases emitted from coolers at the back of sintering machine are recycled for power generation. Apart from enabling energy recycling, it has reduced the consumption of natural resources and the side effects of combustion on the environment.

On waste incineration and industrial solid and hazardous waste treatment, emissions of harmful substances have been minimized and valuable land resources are conserved while energy generated from municipal waste treatment can be further converted into electricity, hence turning waste into treasure.

On new building materials, the Group's self-developed fibre cement panel has shown outstanding functional performance and is environmentally friendly. It does not contain hazardous substances such as asbestos, benzene and formaldehyde, nor does it produce toxic gases or radiation when in use. Besides, the material can be used for heat-insulation. Temperature can be adjusted to create a comfortable environment while energy consumption can also be reduced.

Social Responsibility

The development of an enterprise is inherently dependent on society, which provides the foundation for it to thrive. Therefore, the development of an enterprise is not only the process of pursuing growth in its own economic value, but also the process of continuously satisfying the expectations of the public. For this reason, we persist with social responsibility as part of our corporate strategy:

- provide care and competitive compensation for our employees;
- provide quality services and products for our customers;
- optimise processes and develop together with our supply chain partners;
- engage local communities and contribute to the well-being of people in places where we operate.

Employment

As employees are the backbone of our presence, development and expansion, the Group attaches importance to protecting employees' rights and enhancing employees' benefits. Recruitment and training are identified as two key aspects in human resources management.

8. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Recruitment is to absorb excellent talent. The Group offers competitive remuneration packages taking into consideration employees' capabilities, duties and performance. By putting itself into employees' position, the Group strives to provide employees with comprehensive supporting services catering to their needs in terms of food, accommodation, transport, healthcare, family, etc., so they can focus on work without worry. For instance, to help employees with difficulty relating to housing and commute to work, free-of-charge staff quarters have been constructed by the Group in safety zones or in the vicinity of its factory areas. For another example, Jinzhai Conch Venture, which is located in remote areas, has taken proactive steps to create a better environment for employees with the construction of basketball courts, table tennis rooms and other facilities in its factory area. During the Reporting Period, the Group recruited 269 new employees, 120 of whom were fresh graduates.

Training is to create conditions for employees to do their best. During the Reporting Period, the Group established 14 new subsidiaries and had 10 subsidiaries officially put into operation. Continuous expansion of business scale has provided employees with opportunities for personal growth. During this course, the Group has offered promotion prospects, selected talents in an open and fair manner, and provided diversified career paths for competent employees.

The Group and its subsidiaries protect the legal rights and interests of employees in strict compliance with relevant laws and regulations, such as the Labour Law, the Labour Contract Law, and the Social Insurance Law, and pay them on time and in full amount, including social insurance and housing provident funds. Furthermore, we have established a mutual assistance mechanism for in-house staff through labour unions to provide help for employees with difficulties. During the year, there was no violation of labour laws.

8. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The principle of equal opportunities applies to all aspects of employment, including recruitment, training, career development and staff promotion. The Group promotes fair competition and does not discriminate against any employee by sex, age, marital status, religion, race, nationality or health status. As at the end of the Reporting Period, the Group had 1,725 employees. Among them, 1,474 were full-time male employees and 251 were full-time female employees. There were 11 women holding middle or senior managerial positions. A total of 1,004 employees were from Anhui Province and 721 were from places outside Anhui Province, with the local employment rate maintained at above 70%.

The Group places emphasis on employees' satisfaction, happiness and participation, and encourages employees to give feedbacks and contribute ideas. Employees' comments or suggestions can be submitted to the human resources department, labour unions and managers at all levels and are then handled in accordance with the established procedures, so as to ensure fair treatment of all employees and their reasonable requests.

Health and Safety

People's health is an important indicator of national prosperity and wealth. Employees' health is also an important indicator of the prosperity of Conch Venture. Employees are members of the big family of Conch Venture. The health and safety of our family members is always our priority. No work arrangement can be made at the expense of or to pose any threat to the safety and health of staff within the Group.

The Group strictly complies with relevant laws and regulations including the Safety Production Law of the People's Republic of China, the Prevention of Occupational Diseases of the People's Republic of China and the Provisions on the Supervision and Administration of Labour Protection Articles. Providing employees with a healthy and safe working environment has always been an important part of our daily management and strategic decision-making and safety violation is resolutely prevented.

Safe production involves both hardware and software. Hardware refers to our capital investment and daily use of safety facilities. During the Reporting Period, the Group incurred a total expenditure of RMB2,945,300 in respect of maintenance and operation of safety facilities. In particular, in order to enhance the safety management of confined space operation, the Company spent RMB887,700 to equip 14 projects of waste incineration by cement kilns with fixed gas detectors, positive pressure ventilators and other emergency kits. Projects under construction have set up special funds for investment in safety facilities in accordance with the Measures for Supervision and Administration of the "Three Simultaneities" for Safety Facilities at Construction Projects. Software refers to safety-conscious and skilled staff. During the Reporting Period, 100% of the Group's employees involved in special types of work held the necessary certificates and received relevant continued education regularly.

It is important to provide employees with well-functioning safety facilities. However, if safety awareness and safety skills are not enhanced, investments in safety facilities will be worthless. As such, we attach great importance to safety education with guidelines for safe operation displayed prominently at each equipment. We organized various activities, including the "Safety Month" and talks on safety, and invited suppliers of safety facilities to hold seminars.

8. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

We conduct safety check and operation check on an ad hoc basis, record potential safety risk, develop rectification measures and undertake review within a reasonable period. Meanwhile, the Group, with the support from Conch Hospital, provides annual body check for free for all employees to establish health records.

The Group has strictly followed the work requirements of health and safety. During the Reporting Period, no event that has adverse impacts on employees' health and safety occurred due to the failure to meet working environment standards, and no material safety incident occurred. As at the end of the Reporting Period, a total of 4 subsidiaries of the Group obtained the Occupational Health and Safety Management Systems Certificate. In addition, 3 subsidiaries of the Group, namely WH Environmental Protection, NG Environment and Jinzhai Conch Venture, are currently working on the "two-system integration" between environmental management system and occupational health and safety management system. Certification of the environment and occupational health and safety systems is expected to be completed in May 2018.

Development and Training

Training is required in order to develop employees' potential and maintain their competitiveness, as well as for the Group to adapt to the evolving market and improve its technologies. As such, the Group always pays close attention to employee training by establishing the Regulations on Staff Training, formulating annual training plans, and supervising and inspecting the subsidiaries' implementation from time to time, covering attendance records, training content, examination results and trainers' feedbacks. Trainers include mangers and key technical personnel at all levels as well as external college teachers and consulting agencies. During the Reporting Period, the Group spent a total of RMB273,400 on internal and external training, including 91 internal technical training sessions (310 hours) and 26 internal non-technical training sessions (140 hours).

8. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the first training program for safety management staff in non-high-risk fields, external experts conducted safety training for a period of three days.

Regular training were provided for sales personnel, with an emphasis on pertinence, practicality and comprehensiveness, to enhance cohesion and boost morale.

Experts were invited to conduct knowledge training in relation to leachate treatment system by integrating theory and practice.

The Group is aware that employee training is not limited to knowledge and skills and not confined to classrooms. As such, we look for role models within the Group for employees. In 2017, Mr. Ling Zhiwen from Conch Venture Green was awarded the title of "Labor Model" of Anhui Province. We have organized a number of "learning from the Labor Model" activities within the Group so as to enable employees to identify their shortcomings through benchmarking and to seek improvement to show their professionalism, excellence, diligence, innovation, commitment and dedication.

The Group makes efforts to enable every employee to realize their self-worth along with corporate development, and has established comprehensive career development path and promotion systems for employees. In the meantime, Conch Venture attaches great importance to the career development and prospect of young employees and recognizes alternate young cadres with a keen eye. With an emphasis on cultivation and strenuous training of young cadres at the front line, we constantly select and promote outstanding young cadres who passed their practical test. We have provided more chances for job rotation and exchanges to facilitate training at various positions. It is hoped that young cadres are not only provided with a job opportunity, but also able to achieve growth, progress and development together with the Group.

Labour Standards

In accordance with national laws and regulations such as Law on the Protection of Minors and Provisions on the Prohibition of Using Child Labour, the Group explicitly prohibits the use of child labour in the recruitment system and conducts a rigorous review of the recruitment process to avoid misuse of child labour. We understand that men shall "take care of one's own children first and then extend the same care to the others' children". Adolescents and children are in a critical period of physical growth and receiving education, which should be protected according to the laws. Therefore, we are strongly against the use of child labour and has included this in the standards for supplier selection.

We adhere to the philosophy of "do not do to others what you would not have them do to you" and fully respect the employment freedom of employees. During the employment period, there is no detaining of employees' valid documents, deposit charging, forced labour or arrears of labour remuneration and other acts.

8. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In order to facilitate sustainable workplace for employees in the Group, we have made thoughtful arrangements for production plan to avoid unnecessary overtime work ensure work-life balance of employees. Given the nature of work, we arrange necessary overtime work or night shift employees on a voluntary basis and provide employees with alternative leave or overtime pay in accordance with relevant laws and regulations including the Labour Law and the Tentative Provisions on Payment of Wages (《工資支付暫行規定》).

During the Reporting Period, no incident of use of child labour or forced labour occurred.

Supply Chain Management

The Group believes that supply chain is an integral part to performing contracts and fulfilling social responsibilities. Suppliers are not only commercial counterparties, but also our partners. The Group has implemented adequate risk controls on procurement and built a sound relationship with suppliers to achieve a win-win situation and foster mutual support.

In terms of risk controls, by formulating and implementing the Measures for Purchasing Management (《採購管理辦法》), the Tentative Measures for the Administration of Material Supply (《物資供應管理暫行辦法》) and the Tentative Regulations on Contract Management (《合同管理暫行辦法》) etc., the Group has standardised the entire process from supplier exploration and selection to supplier control and evaluation. In addition to those stringent supplier selection criteria and open tender procurement process, the Group will ensure the quality and efficiency of supply, and by entering into environmental agreements and jointly upholding safety commitments with suppliers, we also hope to instil the concept of environmental and social responsibilities in suppliers and harness the power of supply chain to promote sustainable development.

As a responsible enterprise, the Group attaches great importance to the sense of responsibility demonstrated by our suppliers. While ensuring product quality is certainly an important responsibility of suppliers, environmental and social responsibilities are equally important because they are relevant to the sustainable development of suppliers as well as the stability and reliability of the Group's procurement. As such, apart from making sure that suppliers perform their contracts, we also carry out on-site inspection to assess their manufacturing capability and evaluate their performance in environmental protection and occupational health and safety. In this regard, we capitalise on our own expertise in environmental protection to provide impartial recommendations on improvement. Moreover, we frequently invite suppliers to visit our subsidiaries and share our experience in environmental protection and occupational health and safety with them, thereby facilitating mutual learning, development and growth.

8. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Product Responsibility

1. Products and service quality

Provision of quality products and services is what customers primarily expect of an enterprise and is also the fundamental obligation of a responsible enterprise. Guided by the craftsman's spirit, we pursue quality and excellence in both our traditional energy saving equipment and our newly developed fibre cement panels in response to the national call for "enhancing supply quality to build a powerful nation of quality".

We strictly abide by the Product Quality Law of the People's Republic of China (《中華人民共和國產品品質法》), the Regulations on the Liability for Industrial Product Quality (《工業產品品質責任條例》) and relevant laws and regulations, and set our mind to delivering "top quality and dedicated service". On the one hand, by procuring well-functioning manufacturing equipment, providing employees with regular professional training and establishing rigorous quality control standards, we ensure production efficiency and output quality. On the other hand, we are eager to listen to our customers, keep tabs on market demands and insist on both introduction and innovation to improve product design for higher energy efficiency and more stable performance in order to meet the quality, performance and delivery requirements of our customers.

With our continued emphasis on building quality control systems, the Group has formulated the Quality Manual, the Product Inspection Management System and the Quality Record Management, and encourage its subsidiaries to undergo ISO9001 certification. As at the end of the Reporting Period, a total of 4 subsidiaries of the Group, namely CK Equipment, CK Engineering, CK Shanghai, and Conch Venture Green, obtained ISO9001 certification. During the Reporting Period, no product of the Group had to be recalled due to safety and health concerns.

8. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2. **Intellectual property rights**

   Advanced technology is the foundation of the Group's development. Therefore, we encourage innovation and emphasise the protection of intellectual property rights. At the same time, we fully respect the intellectual property rights of other parties and prohibit any unauthorised use of technology owned by others.

   The Group dedicates its efforts to promoting the research and development of green products with high technology, and has set up a technical centre to support research and development activities and build our research and development capacity. During the Reporting Period, the Group invested a total of RMB11,774,700 in research and development. As at the end of the Reporting Period, the Group acquired a total of 180 patented technologies. The legal department of the Group is responsible for protecting intellectual property rights and providing legal training for technicial personnel to enhance their knowledge and cultivate their awareness of rights protection.

3. **Customer relationship management**

   When it comes to customer relations, we stick to the principle of truthful information and active communication. While continuous innovation has increasingly improved the performance of our energy saving and building material products, we always remain truthful in our advertising so as not to mislead our customers, and strive to make our products a torch bearer for the Group.

   Working towards satisfying customers' needs, the Group values customers' feedback. Bearing this in mind, we regularly conduct customer satisfaction surveys, as well as soliciting opinions through other communications channels like customers' general meetings, in order to identify the problems in our products and services for timely rectification and improvement.

Anti-corruption

Any act of corruption would weaken the foundation of sustainable and healthy corporate development, and is therefore strictly prohibited and punished by the Group. In this regard, we are firm in our determination, and have taken precautionary measures, to intervene and prevent any possible occurrence with no exception, full coverage and zero tolerance.

With our prevention-oriented approach to tackling fraud in high-risk areas such as procurement, we have formulated the Administrative Measures for Complaints and Whistleblowing (《投訴舉報管理辦法》), the Management Procedures for Procurement (《採購管理程序》), the Tentative Measures for the Administration of Material Supply (《物資供應管理暫行辦法》) and the Tentative Regulations on Contract Management (《合同管理暫行辦法》) etc., with reference to relevant national laws and regulations and based on practical experience. While stringent management is in place, we also provide additional education for employees holding relevant positions to enhance their integrity awareness. During the Reporting Period, the Group held a total of 5 sessions of compliance training and 200 employees participated.

8. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Well-designed and effectively-implemented internal controls serve as the protective barrier to corruption. In respect of institutional design, we has implemented a check-and-balance mechanism governing the division of labour and authority of each secondary department to lower or even eliminate the chances of any misconduct; in respect of team formation, we have adopted a two-way exchange or rotation system for key positions, and we focus on professional ethics education in daily work to ensure the effective operation and continuous improvement of the punishment and prevention system; in respect of supervision and management, the Group's audit department is tasked with work supervision and regular inspection. All staff have the right to report any violation of laws and regulations and any damage to the Group's interests to the management or relevant departments of the Group.

Corporate culture and remuneration packages have long been employed as means to boost the sense of belonging of management and employees towards the Group. Everyone takes ownership of their work, exercises strict self-discipline and resists all kinds of activities that may be harmful to the interests and reputation of the Group.

Through the above anti-corruption measures based on laws, systems and incentives, the Group has promoted integrity in the workplace where management and employees do not dare to corrupt, are not able to corrupt, and are not willing to corrupt. During the Reporting Period, the Group conducted internal audit in 8 of its subsidiaries/projects and did not find any corruption incident.

Community Investment

Community investment means spending money on charitable work and involves responsibility.

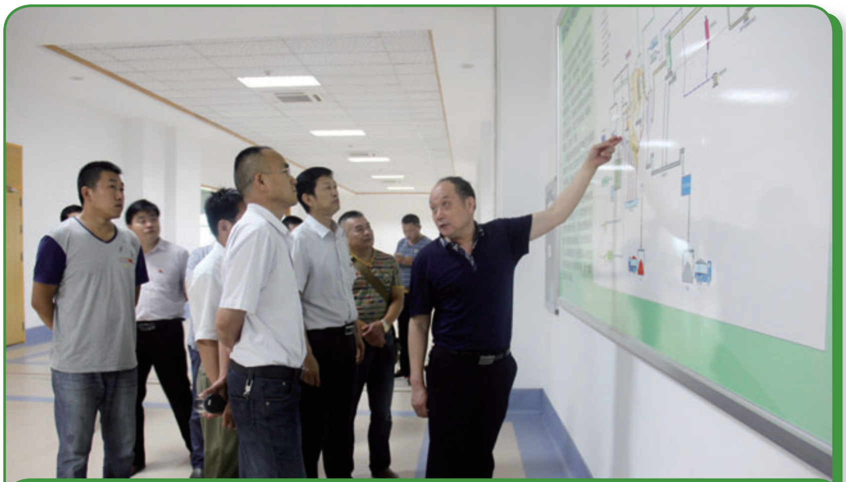
In terms of spending money on charitable work, the Group takes the initiative to provide support for the government's precision poverty alleviation based on society's needs so as to bring lasting improvements to the living conditions and standards of the disadvantaged. In addition to providing direct financial assistance, such as donation of money or goods, and as the Chinese proverb suggests — give a man a fish and you feed him for a day; teach a man to fish and you feed him for a lifetime, we offer suitable job positions to the disadvantaged so as to ignite their passion and empower them to get rid of poverty through employment. This can help them transition from "dependence" to "self-reliance" while preserving their dignity.

In terms of responsibility, the Group has capitalised on its technologies of collaborative treatment of municipal waste by cement kilns and grate furnace waste incineration power generation. Based on the needs of local governments for municipal waste treatment, we have established cooperative relations with local governments to provide centralised and harmless treatment of municipal waste collected and sent by relevant government departments. This helps solve local problems with municipal waste landfilling, extensive land occupation and environmental pollution. In the meantime, we continue to educate local residents on popular science and invite them to visit our environmental education bases with the aim of enhancing their awareness of environmental protection and encouraging them to engage in green practices as well as increasing their understanding of the Group's advanced technologies and allaying their concern over the impact of waste treatment facilities on their communities. All this has created a favourable atmosphere for promoting environmental projects that benefit both the country and the people.

8. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Example: Listening to public opinion and building harmonious neighbourhoods

Prior to the establishment of Jinzhai Conch Venture in 2014, local residents only had limited knowledge about grate furnace power generation and were worried about the impacts that might be brought about by the factory on their ecological environment and their living quality. As such, we invited a number of village representatives to visit the factories in Tonnegling CKK and Japan which had similar equipment. Their first-hand experience instead of learning from regular promotions dispelled the worries of local residents. After the establishment of Jinzhai Conch Venture, we invited villagers for several site visits. They were relieved to see the beautiful green environment of our waste treatment plant and that, instead of underground water, reclaimed water generated from sewage treatment plants was used for cooling towers consuming 700 tonnes of water per day and that sewage after internal purification could be used for fish farming.



Inviting village representatives to visit the Company to eliminate their worries

Since then, with the support of local education departments, we received various visits from local secondary and primary students for environmental protection education. Students were young but inspirational. By delivering knowledge of environmental protection and raising awareness of energy conservation, we have influenced a large number of families and this is of far-reaching significance.

8. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Visiting impoverished households

To date, Jinzhai Conch Venture has treated 180,000 tonnes of municipal waste and transmitted 49,876,300 KWh of electricity to national grid after deducting 13,584,200 KWh of self-consumed electricity (during the Reporting Period, 115,700 tonnes of municipal waste was treated and 28,578,600 KWh of electricity transmitted to national grid, after deducting 7,166,200 KWh of self-consumed electricity) and received zero complaint since its commencement of operation.

After operation went on the track, we implemented a staff localization strategy. Nearly 30 locals joined Jinzhai Conch Venture and became members of the big family of Conch Venture. The Company has become indeed a good neighbour of the locals. For the next step, we plan to open the sports facilities in the factory to the communities and benefit local residents.

Over the course of the establishment and operation of Jinzhai Conch Venture, we have put into practice the idea that "a truly great project does not only benefit the government and enterprises, but is also beneficial to the general public".

Corporate development would not be possible without the support from society. Therefore, it is our unshirkable responsibility to give back to society. In the future, we will pay constant attention to the needs of the communities where our businesses are located, and contribute to the sustainable development of these communities and society as a whole.

8. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

DEFINITIONS

Terms	Definitions
Dioxin	A colourless, odourless and highly toxic fat soluble substance which has a high melting point and is stable and difficult to dissolve in water but soluble in most organic solvents. Thus, dioxins tend to accumulate in living organisms and are harmful to human body.
Fibre cement panel	Fibre cement panel refers to panel made of cement, being the basic material, and adhesive, reinforced with mineral fibre cement and other fibres, through pulping, moulding, curing etc. It is widely used as fire — retardant materials for cable work in power plants, chemical enterprises and other power-intensive activities as well as indoor decoration of shopping malls, hotels, guesthouses, halls, canopied garment market, light engineering market, theatres and other public premises.
Collaborative treatment of municipal waste by cement kilns	A technology innovated and developed by the Company for the purpose of municipal waste treatment. It is an ideal alternative to traditional landfill treatment method that takes up large area of lands and results in environment pollution. This technology is the first of its kind in the world, which, without classification of wastes, enables degradation of dioxins without producing any undesirable odours and allows solidification of heavy metals and purification of sewage at the same time
Nitrogen Oxides (NOX)	Includes a number of compounds such as nitrous oxide (N2O), nitric oxide (NO), nitrogen dioxide (NO2), dinitrogen trioxide (N2O3), nitrogen tetroxide (N2O4) and dinitrogen pentoxide (N2O5), etc. Except for NO2, all other NOX variants are extremely unstable and, when exposed to light, moisture or heat, are liable to converting into NO2 and NO, and then from NO into NO2. Therefore, the gas to which workers are exposed to in the working environment is usually a mixture of several types of gas, which is called smoke (gas) and is mainly comprised of nitric oxide and nitrogen dioxide, with nitrogen dioxide being the main component. Nitrogen Oxides are all toxic to a varying degree.
Vertical mills	An ideal large-scale grinding equipment, widely used in cement, power, metallurgy, chemical, non-metallic minerals and other industries. It integrates crushing, drying, grinding, grading and conveying in one, and has high production efficiency. It can grind bulk, granular and powdered raw materials into the inquired powdery materials.

8. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Greenhouse Gases	Includes carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulphur hexafluoride (SF6).
Residual Heat Power Generation	A technology converting residual heat in production process into electricity. It facilitates energy conservation and environmental protection. Key equipment for the technology is residual boiler, which produces steam for power generation through the use of heat source or inflammable substances such as waste gases and waste liquor.
Grate furnace	A kind of waste incineration technology. There are various forms of rate-type incinerators. The greatest advantages of this type of furnace are technologically mature, stable, reliable and widely applicable. Most solid wastes can be directly incinerated in furnace without any pre-treatment.
Reusable water	Reusable water, also known as recycled water, the water quality of which is higher than sewage but lower than running water. It is non-drinkable water which has been purified and achieved national standard and can be used within a certain range such as cityscape and living.

8. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG GENERAL DISCLOSURE REFERENCE LIST

ESG index	Key performance	Description	Page	Note
Environment				
A1	Emissions	Policies on waste gas and greenhouse gas emissions, discharge into water and land, generation of hazardous and non-hazardous wastes, etc.; and compliance with the relevant laws and regulations that have an important impact on the issuer.		2.2
A2	Utilisation of resources	Policies on efficient use of resources (including energy, water and other raw materials).		2.3
A3	Environment and natural resources	Policies on minimising impact on the environment and natural resources made by the issuer.		2.4
Society				
B1	Employment	Policies on remuneration and dismissal, recruitment and promotion, working hours, holidays, equal opportunity, diversity, anti-discrimination as well as other benefits and welfare; and compliance with the relevant laws and regulations that have an important impact on the issuer.		3.1
B2	Health and safety	Policies on providing a safe working environment and protecting employees from occupational hazards; and compliance with the relevant laws and regulations that have an important impact on the issuer.		3.2
B3	Supply chain management	Policies on managing environmental and social risks of supply chain.		3.3
B4	Labour standards	Policies on preventing child labour and forced labour; and compliance with the relevant laws and regulations.		3.4
B5	Supply chain management	Policies on managing environmental and social risks of supply chain.		3.5
B6	Product liability	Policies on health and safety, advertising, labelling and privacy relating to products and services provided as well as remedial measures; and compliance with the relevant laws and regulations.		3.6
B7	Anti-corruption	Policies on preventing bribery, extortion, fraud and money laundering; and compliance with the relevant laws and regulations.		3.7
B8	Community investment	Policies on community engagement to understand needs of the communities where the issuer operates and to ensure its business activities take into consideration the communities' interests.		3.8

9. BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

(I) DIRECTORS

1. Executive Directors

Mr. GUO Jingbin (郭景彬), aged 60, 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 61, 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.

9. BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. LI Jian (李劍), aged 56, 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 CV Green. He is also directors of Conch Venture Green and Bozhou CV 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) majoring in electrical engineering in July 1994. 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 52, 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) majoring in manufacture of electrical equipment in July 1986. 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.

9. BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

2. Independent non-executive Directors

Mr. CHAN Chi On (陳志安) **(alias Derek CHAN)**, aged 54, 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), Longfor Properties Co. Ltd. (a company listed on the Main Board of the Stock Exchange, stock code: 00960) and Tianli Holdings Group Limited (a company listed on the Main Board of the Stock Exchange, stock code: 00117). 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 is currently an adjunct professor at the School of Accounting and Finance at the Hong Kong Polytechnic University. Mr. Chan has more than 25 years of experience in financial services industry.

Mr. CHAN Kai Wing (陳繼榮), aged 57, was appointed as an independent non-executive director of the Company with effect from 3 December 2013. He is also a member of the Audit Committee and the Remuneration and Nomination Committee of the Company. Mr. Chan is currently the managing director of Mandarin Capital Enterprise Limited, a company Mr. Chan founded in 2004, and is specialized in providing financial advisory services to companies in the area of accounting services, merger and acquisition, corporate restructuring, and other corporate finance matters. Mr. Chan obtained a bachelor degree in economics from Macquarie University in Sydney, Australia in April 1986 and is a fellow member of CPA Australia. From 1988 to 1991, Mr. Chan worked in the audit department of Ernst & Young in Hong Kong. Mr. Chan is currently an independent non-executive director of China Assurance Finance Group Limited (a company listed on the Growth Enterprise Market of the Stock Exchange, stock code: 08090), 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) and Sino Golf Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 00361) and Nanfang Communication Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 01617).

9. BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. LAU Chi Wah, Alex (劉志華), aged 54, 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.

(II) SENIOR MANAGEMENT

1. Senior Management Staff

Mr. WANG Xuesen (汪學森), aged 53, is a director of HC Port and a deputy general manager of the Company. He is primarily responsible for general operation of HC Port. He graduated from Anhui Finance and Trade College (安徽財貿學院), majoring in statistical science in May 1988. 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 HC Port. Mr. Wang has been the general manager of Shanghai Conch Logistics Limited since January 2004.

Mr. HAN Jiwu (韓繼武), aged 55, 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.

2. Company Secretary

Mr. SHU Mao (疏茂), aged 32, 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 111 to 192, which comprise the consolidated statement of financial position as at 31 December 2017, 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 2017 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.

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 to the consolidated financial statements and the accounting policies on pages 127 and 131.

The Key Audit Matter	How the matter was addressed in our audit
The Group has entered into service concession arrangements with local governments 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 to the consolidated financial statements and the accounting policies on pages 127 and 131.

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

Recoverability of trade receivables

Refer to note 17 to the consolidated financial statements and the accounting policies on pages 124 and 126.

The Key Audit Matter	How the matter was addressed in our audit
At 31 December 2017, the Group's gross trade receivables totalled RMB596 million against which an allowance for doubtful debts of RMB81 million was recorded. The Group's allowance for doubtful debts is based on management's estimate of the expected credit losses to be incurred, which is estimated by taking into account the credit history of the Group's customers and current market and customer-specific conditions all of which involve a significant degree of management judgement. The Group's allowance for doubtful debts includes a specific element based on individual debtors and a collective element based on historical experience adjusted for certain current factors. We identified the recoverability of trade receivables as a key audit matter because determining the level of allowances for doubtful debts requires the exercise of significant management judgement which is inherently subjective.	Our audit procedures to assess the recoverability 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 and making allowances for doubtful debts; • evaluating the Group's policy for making allowances for doubtful debts with reference to the requirements of the prevailing accounting standards; • assessing the classification of trade receivables in the trade receivable ageing report by comparison with sales invoices and other relevant underlying documentation, on a sample basis; • obtaining an understanding of the basis of management's judgements about the recoverability of individual material trade receivable balances and evaluating the allowances for doubtful debts made by management for these individual balances with reference to the debtors' financial condition, the industry in which the debtors are operating, the ageing of overdue balances and historical and post year end payment records;

INDEPENDENT AUDITOR'S REPORT

Recoverability of trade receivables *(Continued)*

Refer to note 17 to the consolidated financial statements and the accounting policies on pages 124 and 126.

The Key Audit Matter	How the matter was addressed in our audit
	• assessing the assumptions and estimates made by the management for the allowance for doubtful debts calculated based on a collective assessment by performing a retrospective review of the historical accuracy of these estimates and recalculating the Group's allowance with reference to the Group's policy for collective assessment; and • inspecting cash receipts from customers subsequent to the financial year end relating to trade receivable balances at 31 December 2017.

Accounting for the interest in an associate

Refer to note 15 to the consolidated financial statements and the accounting policies on page 120.

The Key Audit Matter

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 2017 was RMB2,956 million and the carrying value of the Group's interest in Conch Holdings was RMB16,241 million, which accounted for 87% of the Group's net profit attributable to equity shareholders and 70% of the Group's total assets as at 31 December 2017.

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 2017. Conch Cement is a public company listed on The Stock Exchange of Hong Kong Limited.

How the matter was addressed in our audit

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 to the consolidated financial statements and the accounting policies on page 120.

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.

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

Refer to note 11 to the consolidated financial statements and the accounting policies on pages 126 and 127.

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 recent two 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 2017.	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 to the consolidated financial statements and the accounting policies on pages 126 and 127.

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 2016 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.

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.

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.

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

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

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

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

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

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

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

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

23 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017
(Expressed in Renminbi Yuan)

	Note	**2017** **RMB'000**	2016 RMB'000
Revenue	3	**2,064,951**	2,032,213
Cost of sales		**(1,341,627)**	(1,234,835)
Gross profit		**723,324**	797,378
Other income	4	**193,921**	147,610
Distribution costs		**(46,226)**	(25,931)
Administrative expenses		**(171,405)**	(147,500)
Profit from operations		**699,614**	771,557
Finance costs	5(a)	**(24,074)**	(25,225)
Share of profit of an associate	15	**2,955,569**	1,535,505
Profit before taxation	5	**3,631,109**	2,281,837
Income tax	6(a)	**(126,069)**	(154,402)
Profit for the year		**3,505,040**	2,127,435
Attributable to:			
Equity shareholders of the Company		**3,403,002**	1,980,612
Non-controlling interests		**102,038**	146,823
Profit for the year		**3,505,040**	2,127,435
Earnings per share			
Basic and diluted (RMB)	10	**1.89**	1.10

The notes on pages 118 to 192 form part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017
(Expressed in Renminbi Yuan)

	Note	2017 RMB'000	2016 RMB'000
Profit for the year		**3,505,040**	2,127,435
Other comprehensive income for the year (after tax and reclassification adjustments)	7		
Items that may be reclassified subsequently to profit or loss:			
Share of changes of reserves of an associate, net of tax		**(101,801)**	(24,367)
		(101,801)	(24,367)
Total comprehensive income for the year:		**3,403,239**	2,103,068
Attributable to:			
Equity shareholders of the Company		**3,301,201**	1,956,245
Non-controlling interests		**102,038**	146,823
Total comprehensive income for the year		**3,403,239**	2,103,068

The notes on pages 118 to 192 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017
(Expressed in Renminbi Yuan)

	Note	2017 RMB'000	2016 RMB'000
Non-current assets			
Property, plant and equipment	11	**1,281,802**	1,029,576
Lease prepayments	12	**207,254**	203,524
Intangible assets	13	**704,408**	279,198
Interest in an associate	15	**16,240,675**	13,773,335
Non-current portion of trade and other receivables	17	**2,059,087**	1,519,694
Deferred tax assets	21(b)	**58,635**	66,633
		20,551,861	16,871,960
Current assets			
Inventories	16	**128,193**	164,064
Trade and other receivables	17	**993,343**	993,234
Restricted bank deposits		**20,075**	18,175
Bank deposits with maturity over three months		**25,000**	–
Cash and cash equivalents	18(a)	**1,457,745**	2,165,640
		2,624,356	3,341,113
Current liabilities			
Loans and borrowings	19	**482,300**	59,833
Trade and other payables	20	**1,403,973**	1,214,530
Income tax payable	21(a)	**34,129**	56,853
		1,920,402	1,331,216
Net current assets		**703,954**	2,009,897
Total assets less current liabilities		**21,255,815**	18,881,857

The notes on pages 118 to 192 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017
(Expressed in Renminbi Yuan)

	Note	2017 RMB'000	2016 RMB'000
Non-current liabilities			
Loans and borrowings	19	**44,500**	535,267
Net assets		**21,211,315**	18,346,590
Capital and reserves	22		
Share capital		**14,347**	14,347
Reserves		**20,563,404**	17,732,970
Equity attributable to equity shareholders of the Company		**20,577,751**	17,747,317
Non-controlling interests		**633,564**	599,273
Total equity		**21,211,315**	18,346,590

Approved and authorised for issue by the board of directors on 23 March 2018.

Guo Jingbin
Director

Ji Qingying
Director

The notes on pages 118 to 192 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017
(Expressed in Renminbi Yuan)

		Attributable to equity shareholders of the Company							
	Note	Share capital RMB'000 (Note 22(c))	Share premium RMB'000 (Note 22(d)(i))	Capital reserve RMB'000 (Note 22(d)(ii))	PRC statutory reserves RMB'000 (Note 22(d)(iii))	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance 1 January 2016		14,347	2,212,855	2,060,913	396,887	11,573,444	16,258,446	490,948	16,749,394
Profit for the year		–	–	–	–	1,980,612	1,980,612	146,823	2,127,435
Other comprehensive income	7	–	–	(24,367)	–	–	(24,367)	–	(24,367)
Total comprehensive income		–	–	(24,367)	–	1,980,612	1,956,245	146,823	2,103,068
Acquisition of non-controlling interests		–	–	–	–	–	–	62,666	62,666
Appropriation to reserves	22(d)(iii)	–	–	–	62,221	(62,221)	–	–	–
Profit distribution to non-controlling interests		–	–	–	–	–	–	(101,164)	(101,164)
Dividends approved in respect of the previous year	22(b)	–	(467,374)	–	–	–	(467,374)	–	(467,374)
Balance at 31 December 2016		14,347	1,745,481	2,036,546	459,108	13,491,835	17,747,317	599,273	18,346,590

The notes on pages 118 to 192 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017
(Expressed in Renminbi Yuan)

		Attributable to equity shareholders of the Company							
	Note	Share capital RMB'000 (Note 22(c))	Share premium RMB'000 (Note 22(d)(i))	Capital reserve RMB'000 (Note 22(d)(ii))	PRC statutory reserves RMB'000 (Note 22(d)(iii))	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 31 December 2016 and 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	22(d)(iii)	–	–	–	48,073	(48,073)	–	–	–
Profit distribution to non-controlling interests		–	–	–	–	–	–	(68,542)	(68,542)
Dividends approved in respect of the previous year	22(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

The notes on pages 118 to 192 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2017
(Expressed in Renminbi Yuan)

	Note	**2017** **RMB'000**	2016 RMB'000
Operating activities:			
Cash generated from operations	18(b)	**208,196**	193,313
Income tax paid	21(a)	**(140,795)**	(146,982)
Net cash generated from operating activities		**67,401**	46,331
Investing activities:			
Payment for purchase of property, plant and equipment, construction in progress and intangible assets		**(562,947)**	(226,422)
Proceeds from disposal of property, plant and equipment		**1,073**	572
Payment for lease prepayments		**(8,480)**	(4,054)
Net cash received from acquisition of a subsidiary		**–**	40,097
Proceeds from maturity of bank deposits over three months		**–**	450,000
Payment for bank deposits with maturity over three months		**(25,000)**	(450,000)
Dividends received from associate		**392,000**	392,000
Interest received		**59,029**	83,594
Net cash (used in)/generated from investing activities		**(144,325)**	285,787
Financing activities:			
Proceeds from loans and borrowings	18(c)	**30,000**	117,100
Repayment of loans and borrowings	18(c)	**(98,300)**	(52,000)
Profit distribution to non-controlling interests		**(68,542)**	(101,164)
Dividends paid to equity shareholders of the Company	22(b)	**(471,372)**	(467,374)
Interest paid	18(c)	**(24,157)**	(25,308)
Capital contribution from non-controlling shareholders		**1,400**	30,000
Net cash used in financing activities		**(630,971)**	(498,746)
Net decrease in cash and cash equivalents		**(707,895)**	(166,628)
Cash and cash equivalents at beginning of the year		**2,165,640**	2,332,268
Cash and cash equivalents at end of the year	18(a)	**1,457,745**	2,165,640

The notes on pages 118 to 192 form part of these 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 and the Company. 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 2017 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 financial instruments classified as available-for-sale are stated at their fair value (see Note 1(f)).

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Changes in accounting policies

The IASB has issued a number of amendments to IFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group. However, additional disclosure has been included in note 18(c) to satisfy the new disclosure requirements introduced by the amendments to IAS 7, Statement of cash flows: Disclosure initiative, which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

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

(d) Subsidiaries and non-controlling interests

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

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

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

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(o) or 1(p) depending on the nature of the liability.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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)).

(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). 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)). 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 the Group's long-term interests that in substance form part of the Group's net investment in the associate.

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Associate *(Continued)*

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)).

(f) Other investments in debt and equity securities

The Group's and the Company's policies for investments in debt and equity securities, other than investments in subsidiaries and associates, are as follows:

Investments in debt and equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in Notes 1(u)(v) and (vi).

Dated debt securities that the Group and/or the Company have the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated at amortised cost less impairment losses (see Note 1(j)).

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated in equity in capital reserve. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (see Note 1(j)). Dividend income from equity securities and interest income from debt securities calculated using the effective interest method are recognised in profit or loss in accordance with the policies set out in Notes 1(u)(v) and (vi). Foreign exchange gain and losses resulting from changes in the amortised cost of debt securities are also recognised in profit or loss.

When the investments are derecognised or impaired (see Note 1(j)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(g) Property, plant and equipment

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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)).

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

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

(h) Intangible assets

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

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)).

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.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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)). 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.

(j) Impairment of assets

(i) Impairment of investments in equity securities and receivables

Investments in equity securities (other than investments in subsidiaries: see Note 1(j)(ii)) and current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty 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.

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Impairment of assets *(Continued)*

(i) Impairment of investments in equity securities and receivables *(Continued)*

If any such evidence exists, any impairment loss is determined and recognised as follows:

— For investments in an associate accounted for under the equity method in the consolidated financial statements (see Note 1(e)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with Note 1(j)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with Note 1(j)(ii).

— For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is 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 (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective Group.

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

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Impairment of assets *(Continued)*

(ii) Impairment of other 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

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

— Calculation of recoverable amount

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

— Recognition of impairment losses

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

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Impairment of assets *(Continued)*

(ii) Impairment of other assets *(Continued)*

— Reversals of impairment losses

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

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

(k) Inventories

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

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, 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.

(l) Construction contracts

Construction contracts are contracts specifically negotiated with a customer for the construction of an asset or a Group of assets, where the customer is able to specify the major structural elements of the design. The accounting policy for contract revenue is set out in Note 1(u)(ii). When the outcome of a construction contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Construction contracts in progress at the end of the reporting period are recorded at the net amount of costs incurred plus recognised profit less recognised losses and progress billings, and are presented in the statement of financial position 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. Progress billings not yet paid by the customer are included under "Trade and other receivables". Amounts received before the related work is performed are presented as "Receipts in advance" under "Trade and other payables".

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Gross amounts due from customers for contract work

The Group recognises a financial 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. Such financial assets are measured at fair value on initial recognition and classified as gross amounts due from customers for contract work. Subsequent to initial recognition, the financial assets are measured at amortised cost using the effective interest method.

If the Group is paid for the construction services partly by a financial asset and partly by an intangible asset (see Note 1(h)), then each component of the consideration is accounted for separately and is initially recognised at the fair value of the consideration.

(n) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see Note 1(j)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(o) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(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) 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.

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) 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.

(s) 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.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) 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.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Provision and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company 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.

(u) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Revenue from construction contract

When the outcome of a contract can be estimated reliably, revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to estimated total contract costs, surveys of work performed or completion of a physical proportion of the contract work for the contract.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

(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 contract. Operation or service revenue is recognised in the period in which services are provided by the Group. 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.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Revenue recognition *(Continued)*

(iv) Revenue from services

Revenue arising from services is recognised when the relevant service is rendered without further performance obligations.

(v) Finance income

Finance income is recognised as it accrues using the effective interest method.

(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.

(v) 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, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised in other comprehensive income.

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. 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.

(w) Borrowing costs

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

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Borrowing costs *(Continued)*

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.

(x) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(y) Segment reporting

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

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

2 ACCOUNTING 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 23(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 policy Notes 1(l) and 1(u)(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 the amounts due from customers for contract work 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) Impairment of trade and other receivables

Management determines the impairment of trade and other receivables on a regular basis. This estimate is based on the credit history of its customers and current market conditions. If the financial conditions of the customers were to deteriorate, actual write-off would be higher than estimated. Management reassesses the impairment of trade and other receivables at the end of reporting period.

(v) Impairment of other 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.

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.

The amount of each significant category of revenue is as follows:

	2017	2016
	RMB'000	RMB'000
Energy preservation and environmental protection solutions		
Energy saving equipment	**536,721**	803,916
Waste incineration solutions (i)	**1,173,299**	974,343
Solid waste solutions	**113,636**	61,975
Subtotal	**1,823,656**	1,840,234
Port logistics services	**154,885**	141,182
Sale of new building materials	**86,410**	50,797
Total	**2,064,951**	2,032,213

(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:

	2017	2016
	RMB'000	RMB'000
Revenue from waste incineration project construction services	**1,036,475**	887,390
Revenue from waste incineration project operation services	**65,100**	35,203
Finance income	**71,724**	51,750
Total	**1,173,299**	974,343

3 REVENUE AND SEGMENT REPORTING *(continued)*

(a) Revenue *(continued)*

(i) *(continued)*

The Group has transactions with the PRC local government authorities which in aggregate exceeded 10% of the Group's revenue. Revenue from waste incineration solutions under BOT arrangement derived from local government authorities in the PRC for the year ended 31 December 2017 amounting to RMB1,051,596,000 (2016: RMB920,497,000). Furthermore, the Group had transactions with one corporate customer the aggregate amount of which had exceeded 10% of the Group's revenues in 2017 (2016: one). Revenue from this customer in 2017 amounted to RMB424,537,000 (2016: RMB 433,829,000). Details of concentration of credit risk arising from these customers are set out in Note 23(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 loans and borrowings 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.

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 2017 and 2016 is set out below:

	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	5,718,958	510,957	668,364	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)*

(i) *(Continued)*

	Year ended 31 December 2016					
	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	1,840,234	141,182	50,797	–	–	2,032,213
Reportable segment profit/ (loss) before taxation	736,375	45,212	(34,684)	1,535,505	(571)	2,281,837
Interest income	45,865	94	24,997	–	1,957	72,913
Interest expenses	21,748	3,477	–	–	–	25,225
Depreciation and amortisation	20,512	42,703	14,583	–	–	77,798
Provision for impairment losses						
— trade and other receivables	4,648	–	–	–	–	4,648
— inventories	–	–	6,266	–	–	6,266
Reportable segment assets	4,701,052	574,638	1,146,242	13,773,335	17,806	20,213,073
Reportable segment liabilities	1,668,383	107,374	90,580	–	146	1,866,483

(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.

	2017 RMB'000	2016 RMB'000
Revenue		
Mainland China	**1,744,072**	1,621,095
Asia (except Mainland China)	**319,785**	410,141
Africa	**867**	201
South America	**227**	776
	2,064,951	2,032,213

3 REVENUE AND SEGMENT REPORTING *(continued)*

(b) Segment reporting *(Continued)*

(ii) Geographic information *(Continued)*

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 asset, 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

	2017 **RMB'000**	2016 RMB'000
Interest income	**61,424**	72,913
Government grants (i)	**132,137**	70,228
Net (loss)/gain on disposal of property, plant and equipment	**(155)**	148
Net gain on acquisition of a subsidiary	**–**	3,999
Exchange gain	**515**	322
	193,921	147,610

(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:

	2017 RMB'000	2016 RMB'000
Interest on loans and borrowings	24,074	25,225
Less: interest expense capitalised into construction in progress	–	–
	24,074	25,225

(b) Staff costs:

	2017 RMB'000	2016 RMB'000
Salaries, wages and other benefits	138,537	94,459
Contributions to defined contribution plans (i)	15,525	12,034
	154,062	106,493

(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.

5 PROFIT BEFORE TAXATION *(Continued)*

(c) Other items:

	2017	2016
	RMB'000	RMB'000
Cost of inventories	**569,400**	636,349
Cost of construction services	**772,227**	598,486
Depreciation	**75,267**	69,779
Amortisation of lease prepayments	**4,750**	4,621
Amortisation of intangible assets	**5,862**	3,398
Research and development costs	**11,775**	12,780
(Reversal of)/impairment losses on trade receivables	**(5,659)**	4,648
Operating lease charges	**6,336**	5,521
Auditors' remuneration	**1,943**	1,943

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT AND LOSS

(a) Income tax in the consolidated statement of profit and loss represents:

	2017	2016
	RMB'000	RMB'000
Current tax:		
Provision for PRC income tax for the year	**117,993**	156,588
Under/(over)-provision in respect of prior years	**78**	(902)
Current income tax (Note 21(a))	**118,071**	155,686
Deferred tax:		
Origination and reversal of temporary differences (Note 21(b))	**7,998**	(1,284)
	126,069	154,402

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT AND LOSS

(Continued)

(a) Income tax in the consolidated statement of profit and loss represents:

(Continued)

(a) 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.

(b) No provision for Hong Kong Profits Tax was made for the subsidiary located in Hong Kong as this subsidiary did not have assessable profits subject to Hong Kong Profits Tax during the reporting periods. The payments of dividends by Hong Kong companies are not subject to any Hong Kong withholding tax.

(c) 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. 平涼海創環境工程有限責任公司 (iii)	15%
Yuping Conch Venture Environment Engineering Co., Ltd. ("YP Environment") 玉屏海創環境科技有限責任公司 (iii)	15%
Xishui Conch Venture Environment Engineering Co., Ltd. ("XS Environment") 習水海創環境工程有限責任公司 (iii)	15%
Shuicheng Conch Venture Environment Engineering Co., Ltd. 水城海創環境工程有限責任公司 (iii)	15%
Baoshan Conch Venture Environment Engineering Co., Ltd. 保山海創環境工程有限責任公司 (iii)	15%

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT AND LOSS

(Continued)

(a) Income tax in the consolidated statement of profit and loss represents:

(Continued)

(c) *(Continued)*

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

(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.4 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. These companies have obtained approval from local tax authorities and are entitled to a preferential income tax rate of 15% in 2017.

NOTES TO THE FINANCIAL STATEMENTS

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT AND LOSS

(Continued)

(a) Income tax in the consolidated statement of profit and loss represents:

(Continued)

(d) Pursuant to the PRC Enterprise Income Tax Law Implementing Regulations issued by State Council of the People's Republic of China, 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.

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

	2017	2016
	RMB'000	RMB'000
Profit before taxation	**3,631,109**	2,281,837
Notional tax on profit before taxation, calculated at the rates applicable to profit in the tax jurisdictions concerned	**911,273**	572,470
PRC tax concessions	**(46,390)**	(32,839)
Additional deduction for research and development costs	**–**	(762)
Tax effect of non-deductible expenses	**–**	311
Under/(over)-provision in respect of prior years	**78**	(902)
Share of profit of an associate	**(738,892)**	(383,876)
Income tax expense	**126,069**	154,402

7 OTHER COMPREHENSIVE INCOME

Components of other comprehensive income:

	2017 RMB'000	2016 RMB'000
Share of changes of reserves of an associate, net of tax (i)	**(101,801)**	(24,367)

(i) Share of changes of reserves of an associate represented the share of changes in fair value of available-for-sale equity securities of the associate.

8 DIRECTORS' REMUNERATION

Directors' remuneration disclosed are as follows:

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**
Non-executive Director:					
Ms. Zhang Mingjing (i)	**–**	**–**	**–**	**–**	**–**
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**

NOTES TO THE FINANCIAL STATEMENTS

8 DIRECTORS' REMUNERATION *(continued)*

Year ended 31 December 2016

	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	–	177	496	–	673
Mr. Ji Qinying	–	164	482	–	646
Mr. Li Jian	–	186	553	32	771
Mr. Li Daming	–	194	567	27	788
Non-executive Director:					
Ms. Zhang Mingjing	–	–	–	–	–
Independent non-executive Directors:					
Mr. Chan Chi On	133	–	–	–	133
Mr. Chan Kai Wing	133	–	–	–	133
Mr. Lau Chi Wah	133	–	–	–	133
	399	721	2,098	59	3,277

(i) Ms. Zhang Mingjing retired from the Group at the 2017 annual general meeting held on 28 June 2017.

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.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five highest paid individuals of the Group during the year, four (2016: 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:

	2017 **RMB'000**	2016 RMB'000
Salaries, allowances and benefits in kind	**543**	499
Discretionary bonuses	**761**	761
Contributions to retirement benefit schemes	**37**	34
	1,341	1,294

The emoluments of the one (2016: one) individual with the highest emoluments are within the following bands:

	2017 **Number of individuals**	2016 Number of individuals
HKD		
Nil–1,000,000	**–**	–
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 RMB3,403,002,000 (2016: RMB1,980,612,000) and 1,804,750,000 (2016: 1,804,750,000) ordinary shares in issue during the year.

(b) Diluted earnings per share

There were no dilutive potential ordinary shares outstanding during the years ended 31 December 2017 and 2016.

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 2016	745,028	417,861	11,548	10,999	48,043	1,233,479
Acquisition of subsidiary	2,348	4,030	40	2,953	30,236	39,607
Additions	186	4,839	3,374	10,682	42,940	62,021
Transfer from construction in progress	47,129	24,079	337	–	(71,545)	–
Disposals	–	(340)	(57)	(1,400)	–	(1,797)
At 31 December 2016 and 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	850,488	540,823	21,578	37,821	209,481	1,660,191

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 2016	(124,074)	(99,251)	(5,828)	(6,175)	–	(235,328)
Charge for the year	(30,540)	(34,510)	(1,892)	(2,837)	–	(69,779)
Written back on disposals	–	62	51	1,260	–	1,373
At 31 December 2016 and 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	(186,415)	(170,199)	(9,752)	(12,023)	–	(378,389)
Net book value:						
At 31 December 2016	640,077	316,770	7,573	15,482	49,674	1,029,576
At 31 December 2017	664,073	370,624	11,826	25,798	209,481	1,281,802

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 2017 was approximately RMB 139,327,000 (2016: RMB98,835,000). 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 2017. The Group identified impairment indicators of its property, plant and equipment and lease prepayments with total carrying amount of RMB200,800,000 as at 31 December 2017, and performed an impairment assessment of the related assets based on their estimated recoverable amounts.

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 respective CGU operates. The pre-tax discount rate used is 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 2017 (2016: Nil).

NOTES TO THE FINANCIAL STATEMENTS

12 LEASE PREPAYMENTS

	2017	2016
	RMB'000	RMB'000
Cost:		
At 1 January	**228,545**	224,491
Additions	**8,480**	4,054
At 31 December	**237,025**	228,545
Accumulated amortisation:		
At 1 January	**(25,021)**	(20,400)
Charge for the year	**(4,750)**	(4,621)
At 31 December	**(29,771)**	(25,021)
Net book value:		
At 31 December	**207,254**	203,524

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 2017 was approximately RMB36,215,000 (2016: RMB32,379,000). The directors are of the opinion that the Group is entitled to legally occupy or use these land.

13 INTANGIBLE ASSETS

	Software RMB'000	Waste incineration project operating rights RMB'000	Total RMB'000
Cost:			
At 1 January 2016	3,559	83,382	86,941
Additions	833	197,740	198,573
At 31 December 2016 and 1 January 2017	4,392	281,122	285,514
Additions	148	430,924	431,072
At 31 December 2017	4,540	712,046	716,586
Accumulated depreciation:			
At 1 January 2016	(2,918)	–	(2,918)
Charge for the year	(438)	(2,960)	(3,398)
At 31 December 2016 and 1 January 2017	(3,356)	(2,960)	(6,316)
Charge for the year	(255)	(5,607)	(5,862)
At 31 December 2017	(3,611)	(8,567)	(12,178)
Net book value:			
At 31 December 2016	1,036	278,162	279,198
At 31 December 2017	929	703,479	704,408

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.

NOTES TO THE FINANCIAL STATEMENTS

13 INTANGIBLE ASSETS *(Continued)*

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 2017, the recoverable amounts of the operating rights are estimated to be higher than their carrying amounts, therefore no provision for impairment loss was recognised (2016: 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)	HKD10,000	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: HKD 10,000 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
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

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
Pingliang Conch Venture Environment Engineering Co., Ltd. (iii) ("PL 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. ("HC 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. ("WH 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) ("JZ Environment") (金寨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
Yangchun Conch Venture Environment Engineering Co., Ltd. (iii) ("YC Environment") (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) ("QY 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

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
Shimen Conch Venture Environment Engineering Co., Ltd. (iii) ("SM 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) ("NJ 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. ("XY Environment") (咸陽海創環境工程有限責任公司)	RMB15,000,000	100%	–	100%	Garbage disposal and sludge residue operation management technical service
Shuangfeng Conch Venture Environment Engineering Co., Ltd. (iii) ("SF 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) ("FS 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
Shuicheng Conch Venture Environment Engineering Co., Ltd. (iii) ("SC 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) ("BS 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) ("LY 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

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
Xishui Conch Venture Environment Engineering Co., Ltd. (iii) ("XS 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) ("YP 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) ("YS Environment") (硯山海創環境工程有限責任公司)	RMB30,000,000	100%	–	100%	Garbage disposal and sludge residue operation management technical service
Guiyang Conch Venture Environment Engineering Co., Ltd. (iii) ("GY 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
Linxia Conch Venture Environment Engineering Co., Ltd. (iii) ("LX 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) ("NG Environment") (甯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%	Garbage disposal and sludge residue operation management 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

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
Huoqiu Conch Venture Environment Engineering Co., Ltd. (iii) ("HQ Environment") (霍邱海創環境工程有限責任公司)	RMB60,000,000	100%	–	100%	Garbage disposal and sludge residue operation management technical service
Susong Conch Venture Environment Engineering Co., Ltd. (iii) ("SS Environment") (宿松海創環境工程有限責任公司)	RMB72,000,000	100%	–	100%	Garbage disposal and sludge residue operation management technical service
Shache Conch Venture Environment Engineering Co., Ltd. (iii) ("SC Environment") (莎車海創環境工程有限責任公司)	RMB100,000,000	100%	–	100%	Garbage disposal and sludge residue operation management technical service
Tongren Conch Venture Environment Engineering Co., Ltd. (iii) ("TR Environment") (銅仁海創環境工程有限責任公司)	RMB80,000,000	100%	–	100%	Garbage disposal and sludge residue operation management technical service
Bole Conch Venture Environment Engineering Co., Ltd. (iii) ("BL Environment") (博樂市海創環境工程有限責任公司)	RMB50,000,000	100%	–	100%	Garbage disposal and sludge residue operation management technical service
Lixian Conch Venture Environmental Protection Technology Co., Ltd. (iii) ("LX Environmental Protection") (澧縣海創環保科技有限責任公司)	RMB50,000,000	100%	–	100%	Garbage disposal and sludge residue operation management technical 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%	Garbage disposal and sludge residue operation management technical service
Huaibei Conch Venture Environment Engineering Co., Ltd. ("HB Environment") (淮北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

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
Suzhou Conch Venture Environmental Protection Technology Co., Ltd. ("SZ Environmental Protection") (宿州海創環保科技有限責任公司)	RMB15,000,000	100%	–	100%	Garbage disposal and sludge residue operation management technical service
Huaining Conch Venture Environmental Protection Technology Co., Ltd. ("HN Environmental Protection") (懷寧海創環保科技有限責任公司)	RMB15,000,000	100%	–	100%	Garbage disposal and sludge residue operation management technical service
Yiyang Conch Venture Environmental Protection Technology Co., Ltd. ("YY Environmental Protection") (弋陽海創環保科技有限責任公司)	RMB15,000,000	100%	–	100%	Garbage disposal and sludge residue operation management 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%	Garbage disposal and sludge residue operation management technical service
Guangyuan Conch Venture Environmental Protection Technology Co., Ltd. ("GY Environmental Protection") (廣元海創環保科技有限責任公司)	RMB15,000,000	100%	–	100%	Garbage disposal and sludge residue operation management technical service
Qianyang Conch Venture Environmental Protection Technology Co., Ltd. ("QY Environmental Protection") (千陽海創環保科技有限責任公司)	RMB15,000,000	60%	–	60%	Garbage disposal and sludge residue operation management technical service
Xingye Conch Venture Environmental Protection Technology Co., Ltd. ("XY Environmental Protection") (興業海創環保科技有限責任公司)	RMB15,000,000	100%	–	100%	Garbage disposal and sludge residue operation management technical service
Xing'an Conch Venture Environment Technology Co., Ltd. (iii) ("XA Environment") (興安海創環境科技有限責任公司)	RMB20,000,000	100%	–	100%	Garbage disposal and sludge residue operation management technical service

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
Wenshan Conch Venture Environmental Protection Technology Co., Ltd. ("WS Environmental Protection") (文山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
Kunming Conch Venture Environment Engineering Co., Ltd. (iii) ("KM Environment") (昆明海創環境工程有限責任公司)	RMB50,000,000	100%	–	100%	Garbage disposal and sludge residue operation management technical service
Jining Conch Venture Environment Technology Co., Ltd. (iii) ("JN Environment") (濟甯海螺創業環境科技有限責任公司)	RMB50,000,000	100%	–	100%	Garbage disposal and sludge residue operation management 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 garbage disposal and sludge residue
Yiyang Conch Venture Environment Energy Co., Ltd. (iii) ("YY Energy") (弋陽海創環境能源有限責任公司)	RMB50,000,000	100%	–	100%	Garbage disposal and sludge residue operation management technical service
Yingjiang Conch Venture Environmental Protection Technology Co., Ltd. (iii) ("YJ 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. ("CQ Environmental Protection") (重慶海創環保科技有限責任公司)	Register capital: RMB20,000,000 Paid up capital: RMB4,000,000	65%	–	65%	Garbage disposal and sludge residue operation management technical service
Shanggao Conch Venture Environmental Protection Technology Co., Ltd. (iii) ("SG Environmental Protection") (上高海創環保科技有限公司)	RMB50,000,000	100%	–	100%	Garbage disposal and sludge residue operation management technical service
Alaer Conch Venture Environmental Protection Technology Co., Ltd. (iii) ("ALE 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%	Garbage disposal and sludge residue operation management technical service

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
Yangxian Conch Venture Environmental Protection Technology Co., Ltd. (iii) ("YX Environmental Protection") (洋縣海創環保科技有限責任公司)	Register capital: RMB60,000,000 Paid up capital: –	100%	–	100%	Garbage disposal and sludge residue operation management technical service
Huoshan Conch Venture Environmental Protection Technology Co., Ltd. (iii) ("HS Environmental Protection") (霍山海創環保科技有限責任公司)	Register capital: RMB50,000,000 Paid up capital: –	100%	–	100%	Garbage disposal and sludge residue operation management technical service
Qiyang Conch Venture Environmental Protection Technology Co., Ltd. ("QY 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%	Garbage disposal and sludge residue operation management technical service

(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 "Gross amounts due from customers for contract work" 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 and CK Equipment as at 31 December 2016 and 2017, 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.

	2017	2016
	RMB'000	RMB'000
NCI percentage	**49%**	49%
Current assets	**1,997,416**	2,001,707
Non-current assets	**362,348**	407,630
Current liabilities	**(1,084,287)**	(1,126,715)
Net assets	**1,275,477**	1,282,622
Carrying amount of NCI	**624,984**	628,485
Revenue	**1,240,762**	1,381,515
Profit for the year	**165,110**	235,803
Total comprehensive income	**165,110**	235,803
Profit allocated to NCI	**80,904**	115,543
Dividend paid to NCI	**68,542**	101,164
Cash flows (used in)/generated from operating activities	**(15,346)**	122,674
Cash flows generated from investing activities	**6,565**	14,330
Cash flows used in financing activities	**(161,458)**	(199,888)

15 INTEREST IN AN ASSOCIATE

	2017 **RMB'000**	2016 RMB'000
Share of net assets	**16,240,675**	13,773,335

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 2017 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
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") (蕪湖湖海螺型材科技股份有限公司)	Incorporated	The PRC	360,000,000 ordinary shares of RMB1 each	32.62%	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
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

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
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. ("Conch Electricity") (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

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:

	2017 RMB'000	2016 RMB'000
Gross amounts of the associate		
Current assets	**1,686,525**	1,122,057
Non-current assets	**34,214,681**	29,998,617
Current liabilities	**(643,280)**	(458,528)
Non-current liabilities	**(2,113,692)**	(2,553,299)
Net assets	**33,144,234**	28,108,847
Revenue	**528,748**	833,019
Profit after tax for the year	**6,031,773**	3,131,363
Other comprehensive income	**(207,757)**	(49,729)
Total comprehensive income	**5,824,016**	3,081,634
Dividend received from the associate	**392,000**	392,000
Reconciled to the Group's interest in the associate		
Gross amounts of net assets of the associate	**33,144,234**	28,108,847
Group's effective interest	**49%**	49%
Group's share of net assets of the associate	**16,240,675**	13,773,335
Carrying amount in the consolidated financial statements	**16,240,675**	13,773,335

16 INVENTORIES

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

	2017	2016
	RMB'000	RMB'000
Raw materials	**55,618**	55,834
Work in progress	**27,648**	36,600
Finished goods	**44,927**	71,630
	128,193	164,064

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

	2017	2016
	RMB'000	RMB'000
Carrying amount of inventories sold	**570,061**	630,083
Write-down of inventories	**–**	6,266
Reversal of write-down of inventories	**(661)**	–
	569,400	636,349

17 TRADE AND OTHER RECEIVABLES

	2017 RMB'000	2016 RMB'000
Trade receivables	**596,434**	629,027
Bills receivable	**106,373**	117,527
Less: allowance for doubtful debts (Note 17(b))	**(80,673)**	(113,357)
Trade and bills receivables	**622,134**	633,197
Gross amounts due from customers for construction contract work (Note 17(c))	**38,032**	50,462
Deposits and prepayments	**79,680**	92,298
Other receivables	**125,942**	50,206
Interest receivables	**6,694**	4,299
Amounts due from third parties	**872,482**	830,462
Amounts due from related parties (Note 25(c))	**120,861**	162,772
Current portion of trade and other receivables	**993,343**	993,234
Non-current portion of gross amounts due from customers for construction contract work (Note 17(c))	**1,857,463**	1,378,572
Other receivables to be recovered after one year	**201,624**	141,122
Non-current portion of trade and other receivables	**2,059,087**	1,519,694
Total current and non-current trade and other receivables	**3,052,430**	2,512,928

Except for the non-current portion of gross amounts due from customers for construction contract work and other receivables to be recovered after one year, all of the trade and other receivables are expected to be recovered within one year.

As at 31 December 2017, the Group endorsed undue bills receivable of RMB231,804,000 (2016: RMB49,027,000) 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 2017, the maximum exposure to loss from its continuous involvement represents the amount of bills receivable of RMB231,804,000 (2016: RMB49,027,000) which the Group endorsed to its suppliers. These undue bills receivable were due within 6 months.

17 TRADE AND OTHER RECEIVABLES *(Continued)*

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 invoice date and net of allowance for doubtful debts, is as follows:

	2017	2016
	RMB'000	RMB'000
Within 1 year	**443,329**	419,817
1 year to 2 years	**111,203**	71,712
2 years to 3 years	**6,531**	101,001
Over 3 years but within 5 years	**61,071**	40,667
	622,134	633,197

Details of the Group's credit policy are set out in Note 23(a). The amounts due from related parties are all aged within 1 year.

(b) Impairment of trade receivables and bills receivable

Impairment losses in respect of trade receivables and bills receivable are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables and bills receivable directly (see Note 1(j)(i)).

The movement in the allowance for doubtful debts during the reporting periods, including both specific and collective loss components, is as follows:

	2017	2016
	RMB'000	RMB'000
At the beginning of the year	**113,357**	108,709
(Reversal of)/impairment losses	**(5,659)**	4,648
Written off	**(27,025)**	–
At the end of the year	**80,673**	113,357

The Group's trade and other receivables of RMB19,640,000 was individually determined to be impaired by the management at 31 December 2017 (2016: RMB25,021,000).

NOTES TO THE FINANCIAL STATEMENTS

17 TRADE AND OTHER RECEIVABLES *(Continued)*

(b) Impairment of trade receivables and bills receivable

The ageing analysis of trade receivables and bills receivable that are neither individually nor collectively considered to be impaired are as follows:

	2017 **RMB'000**	2016 RMB'000
Current	**561,677**	462,999
Less than 1 year past due	**34,492**	89,145
1 to 2 years past due	**17,981**	67,899
2 to 3 years past due	**7,984**	13,154
Total amount past due	**60,457**	170,198
	622,134	633,197

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

(c) Gross amounts due from customers for construction contract work

(i) Construction contracts

The aggregate amount of costs incurred plus recognised profits less recognised losses to date, included in the gross amount due from customers for contract work at 31 December 2017 is RMB113,330,000 (2016: RMB357,950,000). The gross amounts due from customers for contract work are expected to be recovered upon contract term.

	2017 **RMB'000**	2016 RMB'000
Contract costs incurred plus recognised profits less anticipated losses	**113,330**	357,950
Less: Progress billings	**(87,683)**	(292,364)
Net contract work	**25,647**	65,586
Representing:		
Gross amounts due from customers for contract work		
— Non-current	**1,641**	27,334
— Current	**24,006**	38,252
	25,647	65,586

17 TRADE AND OTHER RECEIVABLES *(Continued)*

(c) Gross amounts due from customers for construction contract work *(Continued)*

(ii) BOT arrangement

The aggregate amount of costs incurred plus recognised profits less recognised losses to date, included in the non-current gross amount due from customers for contract work in relation to BOT arrangements was RMB1,891,417,000 at 31 December 2017 (2016: RMB1,373,353,000). The amounts for BOT arrangements are settled by revenue to be generated during the operating periods of the arrangements.

	2017 RMB'000	2016 RMB'000
Contract costs incurred plus recognised profits less anticipated losses	**1,891,417**	1,373,353
Less: Progress billings	**(21,569)**	(9,905)
Net contract work in relation to BOT arrangements	**1,869,848**	1,363,448
Representing:		
Gross amounts due from customers for contract work in relation to BOT arrangements		
— Non-current	**1,855,822**	1,351,238
— Current	**14,026**	12,210
	1,869,848	1,363,448

"Gross amounts due from customers for contract work in relation to BOT arrangements" mainly represent part of the revenue from construction under BOT arrangements and bear interest at rates of ranging primarily from 6.01% to 9.41% per annum for the year ended 31 December 2017 (2016: 6.94% to 9.41%). Among the total of RMB1,869,848,000 (2016: RMB1,363,448,000), RMB1,206,409,000 (2016: RMB878,472,000) relates to BOT arrangements with operation already commenced. The amounts for BOT arrangements are not yet due for payment and will be settled by revenue to be generated during the operating periods of the BOT arrangements.

NOTES TO THE FINANCIAL STATEMENTS

18 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	2017 RMB'000	2016 RMB'000
Bank deposits with maturity within three months	**1,039,289**	1,692,001
Cash at bank and on hand	**418,456**	473,639
	1,457,745	2,165,640

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

	Note	2017 RMB'000	2016 RMB'000
Profit before taxation		**3,631,109**	2,281,837
Adjustments for:			
Depreciation	5(c)	**75,267**	69,779
Amortisation of lease prepayments	5(c)	**4,750**	4,621
Amortisation of intangible assets	5(c)	**5,862**	3,398
(Reversal of)/impairment losses on trade receivables	5(c)	**(5,659)**	4,648
(Reversal of)/write-down of inventories	16(b)	**(661)**	6,266
Net loss/(gain) on disposal of property, plant and equipment	4	**155**	(148)
Net gain on acquisition of a subsidiary	4	**–**	(3,999)
Finance costs	5(a)	**24,074**	25,225
Interest income	4	**(61,424)**	(72,913)
Share of profit of an associate		**(2,961,141)**	(1,533,927)
Operating profit before changes in working capital		**712,332**	784,787
Decrease in inventories		**36,532**	75,786
Increase in restricted bank deposits		**(1,900)**	(16,430)
Increase in trade and other receivables		**(531,448)**	(656,217)
(Decrease)/increase in trade and other payables		**(7,320)**	5,387
Cash generated from operations		**208,196**	193,313

18 CASH AND CASH EQUIVALENTS (CONTINUED)

(c) Reconciliation of liabilities arising from financing activities:

	Loans and borrowings RMB'000 (Note 19)	Interest payable RMB'000 (Note)	Total RMB'000
At 1 January 2017	**595,100**	**770**	**595,870**
Changes from financing cash flows:			
Proceeds from bank loans and borrowings	**30,000**	**–**	**30,000**
Repayment of bank loans and borrowings	**(98,300)**	**–**	**(98,300)**
Interest paid	**–**	**(24,157)**	**(24,157)**
Total changes from financing cash flows	**(68,300)**	**(24,157)**	**(92,457)**
Other changes:			
Interest expenses (note 5(a))	**–**	**24,074**	**24,074**
Total other changes	**–**	**24,074**	**24,074**
At 31 December 2017	**526,800**	**687**	**527,487**

Note: Interest payable is included in trade and other payables as disclosed in Note 20.

NOTES TO THE FINANCIAL STATEMENTS

19 LOANS AND BORROWINGS

	2017 RMB'000	2016 RMB'000
Current		
Bank loans	**482,300**	59,500
Other loans	**–**	333
	482,300	59,833
Non-current		
Bank loans	**44,500**	532,600
Other loans	**–**	2,667
	44,500	535,267
Total	**526,800**	595,100

(i) As at 31 December 2017, loans and borrowings of RMB526,800,000 were denominated in RMB (2016: RMB595,100,000).

As at 31 December 2017, the loans and borrowings were repayable as follows:

	2017 RMB'000	2016 RMB'000
Within one year	**482,300**	59,833
After one year but within two years	**6,300**	485,833
After two years but within five years	**16,400**	31,499
After five years	**21,800**	17,935
Total	**526,800**	595,100

(ii) As at 31 December 2017, the loans and borrowings were secured as follows:

	2017 RMB'000	2016 RMB'000
Guaranteed	**50,800**	64,100
Unsecured	**476,000**	531,000
Total	**526,800**	595,100

As at 31 December 2017, bank loans of the Group amounting to RMB50,800,000 (31 December 2016: RMB64,100,000) were jointly guaranteed by WH Investment, a subsidiary of the Group, and the non-controlling shareholders of XS Environment and YP Environment.

20 TRADE AND OTHER PAYABLES

	2017 **RMB'000**	2016 RMB'000
Trade payables	**821,070**	781,891
Bills payable	**189,963**	92,133
	1,011,033	874,024
Receipts in advance	**12,837**	32,401
Other payables and accruals	**315,037**	169,748
Amounts due to third parties	**1,338,907**	1,076,173
Amounts due to related parties (Note 25(c))	**65,066**	138,357
Trade and other payables	**1,403,973**	1,214,530

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

	2017 **RMB'000**	2016 RMB'000
Within 1 year	**942,235**	836,666
1 year to 2 years	**48,580**	31,602
2 years to 3 years	**16,350**	2,922
Over 3 years but within 5 years	**3,868**	2,834
	1,011,033	874,024

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

21 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Income tax payable in the consolidated statement of financial position represent:

	2017 **RMB'000**	2016 RMB'000
Balance at beginning of the year	**56,853**	48,149
Provision for current income tax for the year (Note 6(a))	**118,071**	155,686
Payments during the year	**(140,795)**	(146,982)
Balance at the end of the year	**34,129**	56,853

(b) Deferred tax assets and liabilities 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	**Impairment losses on trade receivables and inventory** RMB'000	**Total** RMB'000
Deferred tax assets arising from:			
At 1 January 2016	38,998	26,351	65,349
(Charged)/credited to profit or loss	(1,308)	2,592	1,284
At 31 December 2016 and 1 January 2017	37,690	28,943	66,633
(Charged)/credited to profit or loss	2,596	(10,594)	(7,998)
At 31 December 2017	40,286	18,349	58,635

21 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

(b) Deferred tax assets and liabilities recognised: *(Continued)*

(ii) Deferred tax liabilities not recognised:

The PRC income tax law and its relevant regulations impose a withholding tax at 10%, unless reduced by a tax treaty/arrangement, for dividend distributions out of earnings accumulated beginning on or after 1 January 2008. Undistributed earnings generated prior to 1 January 2008 are exempt from such withholding tax. The Group has not recognised deferred tax liabilities as at 31 December 2017 in respect of undistributed earnings of RMB16,951,725,000 of PRC subsidiaries (2016: RMB13,570,026,000) because it is probable that they will not be distributable to the holding company outside the PRC in the foreseeable future.

22 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Note	Share capital RMB'000 Note 22(c)	Share premium RMB'000 Note 22(d)(i)	Accumulated losses RMB'000	Total equity RMB'000
Balance at 1 January 2016		14,347	2,212,855	(51,693)	2,175,509
Loss for the year		–	–	(571)	(571)
Dividends approved in respect of the previous year		–	(467,374)	–	(467,374)
Balance at 31 December 2016 and 1 January 2017	26	**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	26	**14,347**	**1,274,109**	**(53,683)**	**1,234,773**

NOTES TO THE FINANCIAL STATEMENTS

22 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(b) Dividends

Pursuant to a resolution passed at the Directors' meeting on 23 March 2018, a final dividend of HKD0.50 (2016: HKD0.30) per ordinary share totalling HKD902,375,000, equivalent to approximately RMB728,487,000, (2016: HKD541,425,000, equivalent to approximately RMB471,372,000) was proposed for shareholders' approval. The dividend has not been provided for in the consolidated financial statements for the year ended 31 December 2017.

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

	2017 **RMB'000**	2016 RMB'000
Final dividend proposed after the end of the reporting period of HKD0.50 per ordinary share (2016: HKD0.30 per ordinary share)	**728,487**	471,372

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

	2017 **RMB'000**	2016 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HKD0.30 per ordinary share (2016: HKD0.30 per ordinary share)	**471,372**	467,374

(c) Share capital

Authorised and issued share capital

	No. of shares ('000)	**Amount** HKD'000
Authorised:		
Ordinary shares of HKD0.01 each at 31 December 2017 and 2016	15,000,000	150,000

		Amount	
	No. of shares ('000)	HKD'000	**Equivalent to** RMB'000
Issued and fully paid:			
At 31 December 2017 and 2016	1,804,750	18,048	14,347

22 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(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 2017 was RMB1,220,426,000 (2016: RMB1,693,217,000).

(ii) Capital reserve

Capital reserves as at 31 December 2016 and 2017 represent the share of non-distributable reserves of an associate at the respective dates.

(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) 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.

22 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

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

(iv) Capital risk management *(Continued)*

The Group's strategy was to maintain the gearing ratio at a reasonable level. The Group's gearing ratio as at 31 December 2017 and 2016 was 8.5% and 9.2%.

	2017	2016
	RMB'000	RMB'000
Total liabilities	**1,964,902**	1,866,483
Total assets	**23,176,217**	20,213,073
Gearing ratio	**8.5%**	9.2%

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

23 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

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, 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.

In addition, the Group has gross amounts due from customers for construction contracts work and BOT arrangements. The Group does not obtain collateral from customers. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables and gross amounts due from customers for construction contract work are set out in Note 17.

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

(a) Credit risk *(Continued)*

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, 4% (2016: 4%) and 15% (2016: 20%) of the total trade and other receivables 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.

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.

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:

NOTES TO THE FINANCIAL STATEMENTS

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

(b) Liquidity risk *(Continued)*

	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**
Loans and borrowings	**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**

	At 31 December 2016					
	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
Loans and borrowings	84,217	500,116	35,836	18,528	638,697	595,100
Trade and other payables	1,214,530	–	–	–	1,214,530	1,214,530
	1,298,747	500,116	35,836	18,528	1,853,227	1,809,630

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

(c) Interest rate risk

(i) Interest rate profile

The Group's interest rate risk arises primarily from loans and borrowings. 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 2017 and 2016 are set out as follows:

	2017		2016	
	Interest rate		Interest rate	
	%	**RMB'000**	%	RMB'000
Fixed rate:				
Bank deposits with maturity within three months	**1.55%–4.30%**	**1,039,289**	1.43%–4.00%	1,692,001
Bank deposits with maturity over three months	**4.30%**	**25,000**	–	–
Loans and borrowings	**3.92%**	**(30,000)**	1.20%	(3,000)
		1,034,289		1,689,001
Variable rate:				
Cash at bank and on hand	**0.30%–1.76%**	**418,456**	0.30%–1.61%	473,639
Restricted bank deposits	**1.35%–1.76%**	**20,075**	1.35%	18,175
Loans and borrowings	**4.28%–4.41%**	**(496,800)**	3.87%–4.41%	(592,100)
		(58,269)		(100,286)

(ii) Sensitivity analysis

At 31 December 2017, 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 RMB78,000 (2016: decreased/increased the Group's profit after tax and retained profits by approximately RMB190,000).

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

(c) Interest rate risk *(Continued)*

(ii) Sensitivity analysis *(Continued)*

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 2016.

(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, and Hongkong dollars. 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.

(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.

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

(d) Currency risk *(Continued)*

(ii) Exposure to currency risk *(Continued)*

	At 31 December 2017		
	USD RMB'000	**HKD RMB'000**	**Total 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**

	At 31 December 2016		
	USD RMB'000	HKD RMB'000	Total RMB'000
Trade and other receivables	35,159	1,003	36,162
Trade and other payables	(11,484)	–	(11,484)
Cash and cash equivalents	32,902	957	33,859
Net exposure arising from — recognised assets and liabilities	56,577	1,960	58,537

(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 2016 and 2017 has changed at those dates, assuming all other risk variables remained constant.

	2017		2016	
	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%**	**513**	1%	428
HKD	**1%**	**15**	1%	17
		528		445

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

(d) Currency risk *(Continued)*

(iii) Sensitivity analysis *(Continued)*

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 2016.

(e) Fair values

The carrying amounts of gross amounts due from customers for BOT arrangement 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 2017 and 2016.

24 COMMITMENTS

(a) Purchase commitments

At 31 December 2017, 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:

	2017	2016
	RMB'000	RMB'000
Contracted for	**2,411,975**	566,772
Authorised but not contracted for	**253,389**	980,140
	2,665,364	1,546,912

24 COMMITMENTS *(Continued)*

(b) Operating lease commitments

As at 31 December 2017, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2017 RMB'000	2016 RMB'000
Within one year	**7,188**	6,538
After 1 year but within 2 years	**3,000**	4,971
	10,188	11,509

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.

25 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

25 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 8 is as follows:

	2017 **RMB'000**	2016 RMB'000
Short-term employee benefits	**3,538**	2,820
Post-employment benefits	**65**	58
	3,603	2,878

(b) Significant related party transactions

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

	2017 **RMB'000**	2016 RMB'000
Sales of goods to:		
Conch Cement	**313,843**	386,243
Kawasaki HI	**24,205**	791
Conch Design Institute	**30,653**	16,190
CKEM	**911**	1,416
Conch Holdings	**–**	5
Conch Profiles	**18**	174
	369,630	404,819

	2017 **RMB'000**	2016 RMB'000
Service rendered to:		
Conch Cement	**110,694**	47,586
CKEM	**183**	600
Conch Design Institute	**755**	–
	111,632	48,186

25 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

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

	2017 RMB'000	2016 RMB'000
Purchase of goods from:		
Conch Cement	**11,967**	10,497
Conch IT Engineering	**7,331**	13,182
Kawasaki HI	**2,250**	223
CKEM	**7,240**	13,661
Conch Profiles	**1,362**	43
Conch Design Institute	**2,582**	–
	32,732	37,606

	2017 RMB'000	2016 RMB'000
Services received from:		
Conch Cement	**23,669**	18,766
Conch Design Institute	**19,315**	5,672
Conch IT Engineering	**7,413**	2,248
Kawasaki HI	**2,572**	2,922
CKEM	**–**	33
Conch Holdings	**–**	46
Conch Profiles	**54**	–
	53,023	29,687

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

25 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(c) Balances with related parties

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

	2017 RMB'000	2016 RMB'000
Amounts due from		
Conch Cement	**107,883**	111,820
CKEM	**20**	545
Kawasaki HI	**27**	24,096
Conch Design Institute	**12,507**	26,311
Conch IT Engineering	**424**	–
	120,861	162,772

	2017 RMB'000	2016 RMB'000
Amounts due to		
Conch Cement	**37,430**	101,027
Kawasaki HI	**8,840**	6,483
Conch IT Engineering	**5,293**	7,358
CKEM	**11,130**	5,093
Conch Design Institute	**1,098**	14,764
Conch Profiles	**410**	670
Conch Holdings	**865**	2,962
	65,066	138,357

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 "Continuing connected transactions" of the Report of the Directors.

26 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2017 RMB'000	2016 RMB'000
Non-current assets			
Interests in a subsidiary		**678,880**	678,880
Current assets			
Trade and other receivables		**518,716**	1,011,024
Cash and cash equivalents		**37,263**	17,806
		555,979	1,028,830
Current liabilities			
Trade and other payables		**86**	146
Net current assets		**555,893**	1,028,684
Net assets		**1,234,773**	1,707,564
Capital and reserves	22(a)		
Share capital		**14,347**	14,347
Reserves		**1,220,426**	1,693,217
Total equity		**1,234,773**	1,707,564

27 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(i) Subsequent to the end of reporting period, the directors proposed a final dividend. Further details are disclosed in Note 22(b).

28 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017

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 2017 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 9, Financial Instruments	1 January 2018
IFRS 15, Revenue from contracts with customers	1 January 2018
Amendments to IFRS 2, Share-based payment: Classification and measurement of share-based payment transactions	1 January 2018
Amendments to IAS 40, Investment property: Transfers of investment property	1 January 2018
IFRIC 22, Foreign currency transactions and advance consideration	1 January 2018
IFRS 16, Leases	1 January 2019
IFRIC 23, Uncertainty over income tax treatments	1 January 2019
Amendments to IAS 28, Long-term interests in associates and joint ventures	1 January 2019

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 the new standards 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 9 and IFRS 15, 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 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that financial report.

28 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 *(Continued)*

IFRS 9 Financial Instruments

IFRS 9 will replace the current standard on accounting for financial instruments, IAS39, Financial instruments: Recognition and measurement. IFRS 9 introduces new requirements for classification and measurement of financial assets, including the measurement of impairment for financial assets and hedge accounting. On the other hand, IFRS 9 incorporates without substantive changes the requirements of IAS 39 for recognition and derecognition of financial instruments and the classification and measurement of financial liabilities.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Group plans to use the exemption from restating comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018.

Expected impacts of the new requirements on the Group's financial statements are as follows:

(a) Classification and measurement

The Group expects that the adoption of IFRS 9 will not have a significant impact on the classification and measurement of its financial assets.

The Group has assessed that its financial assets currently measured at amortised cost will continue with its respective classification and measurements.

The classification and measurement requirements for financial liabilities under IFRS 9 are largely unchanged from IAS 39, except that IFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement will not have any impact on the Group on adoption of IFRS 9.

(b) Impairment

The new impairment model in IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12-month expected credit loss or a lifetime expected credit loss, depending on the asset and the facts and circumstances. The Group expects that the application of the expected credit loss model will result in earlier recognition of credit losses. Based on a preliminary assessment, the Group concluded that there would be no material impact for the application of the new impairment requirements.

NOTES TO THE FINANCIAL STATEMENTS

28 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 *(Continued)*

IFRS 15 Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. IFRS 15 will replace the existing revenue standards, IAS 18, Revenue, which covers revenue arising from sale of goods and rendering of services, and IAS 11, Construction contracts, which specifies the accounting for revenue from construction contracts.

Based on the assessment completed to date, the Group has identified the following areas which are expected to be affected:

— Timing of revenue recognition

The Group's revenue recognition policies are disclosed in note 1(u). Currently, revenue arising from construction contract and revenue relating to construction services under a service concession arrangement is recognised over time, whereas revenue from the sale of goods is generally recognised when the risks and rewards of ownership have passed to the customers.

Under IFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. IFRS 15 identifies 3 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.

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 will be considered in determining when the transfer of control occurs.

The Group has assessed that the new revenue standard is not likely to have significant impact on how it recognises revenue from construction contracts and revenue relating to construction services under a service concession arrangement.

28 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 *(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. As disclosed in note 24(b), at 31 December 2017 the Group's future minimum lease payments under non-cancellable operating leases amounted to RMB10,188,000 for properties, of which RMB3,000,000 is payable between 1 and 2 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. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of IFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of IFRS 16 and the effects of discounting.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group has decided not to early adopt IFRS 16 before this effective date.