CONCH VENTURE

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

Annual Report 2022

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

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

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

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DEFINITIONS

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

2023 AGM:	the annual general meeting by the Company to be convened on 20 June 2023, or any adjournment thereof
Agile Holdings:	雅居樂集團控股有限公司 (Agile Group Holdings Limited), a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 03383)
Anhui Conch Venture Green:	安徽海創新型節能建築材料有限責任公司 (Anhui Conch Venture New Energy-saving Building Material Co., Ltd.*)
Articles of Association:	the articles of association of the Company
associated corporation(s):	has the meaning ascribed thereto under the SFO
Audit Committee:	the audit committee of the Board
Board:	the board of Directors
BOT:	build-operate-transfer, a type of business arrangement used in the construction of a facility
Bozhou Conch Venture Green:	亳州海創新型節能建築材料有限責任公司 (Bozhou Conch Venture New Energy-saving Building Material Co., Ltd.*)
China/PRC:	the People's Republic of China
CK Engineering:	安徽海螺川崎工程有限公司 (Anhui Conch Kawasaki Engineering Co., Ltd.*)
CK Equipment:	安徽海螺川崎節能設備製造有限公司 (Anhui Conch Kawasaki Energy Conservation Equipment Manufacturing Co., Ltd.*)
CKEM:	安徽海螺川崎裝備製造有限公司 (Anhui Conch Kawasaki Equipment Manufacturing Co., Ltd.*)
CK Shanghai:	上海海螺川崎節能環保工程有限公司 (Shanghai Conch Kawasaki Engineering Co., Ltd.*)
CNBM:	中國建材股份有限公司 (China National Building Material Company Limited*), a company whose H shares are listed on the Main Board of the Stock Exchange (stock code: 03323)

DEFINITIONS

Company/Conch Venture:	中國海螺創業控股有限公司 (China Conch Venture Holdings Limited)
Conch Cement:	安徽海螺水泥股份有限公司 (Anhui Conch Cement Company Limited*), a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 00914) and the Shanghai Stock Exchange (stock code: 600585)
Conch Design Institute:	安徽海螺建材設計研究院有限責任公司 (Anhui Conch Construction Materials Design Institute Co., Ltd.*)
Conch Environment:	中國海螺環保控股有限公司 (China Conch Environment Protection Holdings Limited), a company whose shares are listed on the Main Board of the Stock Exchange on 30 March 2022 (stock code: 00587)
CG Code:	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
Conch Group:	Conch Holdings and its affiliates (primarily Conch Cement and 海螺(安徽)節能環保新材料股份有限公司 (Anhui Conch Energy-saving New Materials Co., Ltd.*))
Conch Holdings:	安徽海螺集團有限責任公司 (Anhui Conch Holdings Co., Ltd.*)
Conch IT Engineering:	安徽海螺資訊技術工程有限責任公司 (Anhui Conch IT Engineering Co., Ltd.*)
Conch New Materials:	海螺（安徽）節能環保新材料股份有限公司 (Anhui Conch Energy-saving New Materials Co., Ltd.*)
Conch Venture BVI:	中國海創控股國際有限公司 (China Conch Venture Holdings International Limited)
Conch Venture Wuhu:	蕪湖海創實業有限責任公司 (Wuhu Conch Venture Enterprise Limited*)
connected person(s):	has the meaning ascribed thereto under the Listing Rules
CV Group:	安徽海創集團股份有限公司 (Anhui Conch Venture Group Co., Ltd.*) (formerly known as 安徽海螺創業投資有限責任公司 (Anhui Conch Venture Investment Co., Ltd.*))
Director(s):	the director(s) of the Company

DEFINITIONS

Group:	the Company and its subsidiaries
Hangzhou Jinjiang Group:	杭州錦江集團有限公司 (Hangzhou Jinjiang Group Co., Ltd.*)
HKD:	the lawful currency of Hong Kong
Hong Kong:	the Hong Kong Special Administrative Region of the PRC
Kawasaki HI:	川崎重工業株式會社 (Kawasaki Heavy Industries Ltd.*)
Listing Rules:	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
Management:	the operating management of the Company
Model Code:	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
Remuneration and Nomination Committee:	the remuneration and nomination committee of the Board
Reporting Period:	from 1 January 2022 to 31 December 2022
RMB:	the lawful currency of the PRC
SA Conch:	安徽海螺集團有限責任公司工會委員會 (The Staff Association of Anhui Conch Holdings Co., Ltd.*)
SFO:	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (as amended from time to time)
Shareholders:	the shareholders of the Company
Share Option Scheme:	the share option scheme which was conditionally adopted by the Company pursuant to a resolution in writing passed by all Shareholders on 3 December 2013
Splendor Court:	華廷控股有限公司 (Splendor Court Holdings Limited)
Stock Exchange:	The Stock Exchange of Hong Kong Limited
Strategy, Sustainability and Risk Management Committee:	the strategy, sustainability and risk management committee of the Board

* For identification purpose only

1. CORPORATE INFORMATION

(I)	**REGISTERED CHINESE NAME OF THE COMPANY:**	中國海螺創業控股有限公司
	CHINESE ABBREVIATION:	海螺創業
	REGISTERED ENGLISH NAME OF THE COMPANY:	CHINA CONCH VENTURE HOLDINGS LIMITED
	ENGLISH ABBREVIATION:	CONCH VENTURE
(II)	**EXECUTIVE DIRECTORS:**	Mr. Ji Qinying *(Vice-Chairman & Chief Executive Officer)* *(appointed as Vice-Chairman on 10 October 2022)* Mr. Shu Mao *(re-designated on 10 October 2022)* Mr. Li Jian Mr. Li Daming
(III)	**NON-EXECUTIVE DIRECTORS:**	Mr. Guo Jingbin *(Chairman)* Mr. Yu Kaijun
(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. Yu Kaijun
(VII)	**STRATEGY, SUSTAINABILITY AND RISK MANAGEMENT COMMITTEE:**	Mr. Guo Jingbin *(Chairman)* Mr. Ji Qinying Mr. Yu Kaijun Mr. Chan Chi On (alias Derek Chan)
(VIII)	**JOINT COMPANY SECRETARIES:**	Mr. Chen Xingqiang Ms. Chan Wai Ling *(resigned on 29 August 2022)* Mr. Lee Leong Yin *(appointed on 29 August 2022)*
(IX)	**AUTHORISED REPRESENTATIVES:**	Mr. Guo Jingbin Mr. Ji Qinying

1. CORPORATE INFORMATION

(X)	**REGISTERED OFFICE OF THE COMPANY:**	Cricket Square, Hutchins Drive P.O. Box 2681, Grand Cayman KY1-1111 Cayman Islands
(XI)	**ADDRESS OF THE HEAD OFFICE IN THE PRC:**	1011 Jiuhua South Road Wuhu City, Anhui Province, China
(XII)	**POSTAL CODE:**	241070
(XIII)	**EMAIL ADDRESS OF THE COMPANY:**	hlcy@conchventure.com
(XIV)	**WEBSITE OF THE COMPANY:**	http://www.conchventure.com
(XV)	**PRINCIPAL PLACE OF BUSINESS IN HONG KONG:**	Suite 4018, 40/F Jardine House 1 Connaught Place, Central Hong Kong
(XVI)	**HONG KONG LEGAL ADVISOR:**	Chiu & Partners
(XVIII)	**INTERNATIONAL AUDITOR:**	KPMG Registered public interest entity auditor in accordance with the Accounting and Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong)
(XVIII)	**CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE:**	Conyers Trust Company (Cayman) Limited Cricket Square, Hutchins Drive P.O. Box 2681, Grand Cayman KY1-1111 Cayman Islands
(XIX)	**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
(XX)	**STOCK CODE:**	00586

2. FINANCIAL HIGHLIGHTS

FINANCIAL OVERVIEW (FOR THE YEAR ENDED 31 DECEMBER 2022)

1. Operation results

Unit: RMB'000

Item	2022*	2021*	2020	2019	2018
Revenue	**8,224,356**	8,350,485	6,604,573	5,120,281	2,889,592
Profit before taxation	**4,439,279**	7,933,461	8,052,715	7,413,779	6,251,536
Share of profit of associates	**2,939,049**	6,168,140	6,387,437	6,008,155	5,275,171
Net profit attributable to the equity shareholders of the Company	**3,909,927**	7,458,129	7,617,627	6,995,831	5,947,269

* Note: Included both continuing operations and discontinued operations. The discontinued operations in 2022 only included the results of Conch Environment from 1 January 2022 to 30 March 2022.

2. Assets and liabilities

Unit: RMB'000

Item	2022	2021	2020	2019	2018
Total assets	**75,379,877**	68,919,066	54,327,572	42,171,561	33,216,302
Total liabilities	**28,207,473**	22,261,630	14,350,393	9,409,165	6,750,441
Equity attributable to the equity shareholders of the Company	**44,862,013**	45,269,794	38,564,985	31,852,952	25,752,817

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05/12

Conch Venture signed the Agreement on Investment in the Domestic Waste Incineration Power Generation Project with Zhuanglang County Government, with a planned daily disposal capacity of 500 tonnes.

06/08

Conch Venture signed the Agreement for the Cooperation on the Resources-Oriented Lithium Battery Recycling Project with the People's Government of Huaibei City and Anhui Huaihai Industrial.

07/08

Conch Venture signed the Agreement on Investment in the Jingmai Industrial Park in Hunyuan County with the People's Government of Hunyuan County, with a planned daily disposal capacity of 1000 tonnes.

11/02

Conch Venture signed the Framework Agreement on the Strategic Cooperation for Recycling and Environmental Protection Industries with Chery Group, which will give full play to their respective industry advantages and jointly contribute to the development of the new energy industry.

12/08

Conch Venture signed the Investment Agreement on the Recycling Project of New Energy Materials with Wuhu City, which will plan the construction of a waste lithium battery recycling project with a disposal capacity of 15,000 tonnes/year.

12/21

CK Equipment was selected as the fourth batch of waste and energy-saving companies by the Ministry of Industry and Information Technology.

12/08

MSCI, a famous international rating agency, upgraded the comprehensive rating of Conch Venture 2021 ESG Report from "BBB" to "A".

CHINA CONCH VENTURE HOLDINGS LIMITED CHRONICLE OF EVENTS

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Conch Venture signed the Agreement on Investment in the New Energy Southwestern China Manufacturing Base Project with Sunway Co., Ltd., the People's Government of Leshan Municipality and the Administrative Committee of the High-Tech Industrial Development Zone of Leshan, to officially start the business of cathode materials for lithium batteries.

01/04

Conch Venture signed the Agreement on the Franchise Operation of the Domestic Waste Incineration Power Generation Project with the People's Government of Yongde County, according to which the project will have a daily disposal capacity of 500 tonnes per day.

02/13

Conch Environment (stock code: HK0587) was successfully listed on the Main Board of the Stock Exchange.

03/30

Conch Venture signed an agreement on the domestic waste incineration power generation project with the People's Government of Dongzhi County according to which the project will have a daily disposal capacity of 400 tonnes.

03/31

09/06

Conch Venture signed the Agreement on Investment in the Domestic Waste Incineration Power Generation Project with Youxi County with a planned daily disposal capacity of 400 tonnes.

09/26

Conch Venture officially signed the Cooperation Agreement on the Green Recycling Project of Lithium Battery in Dengfeng City with the People's Government of Dengfeng City, planning to construct the recycling project of waste lithium batteries with a capacity of 15,000 tonnes/year.

10/31

Conch Venture signed the Franchise Agreement of Yun County Household Waste Incineration Power Plant with Yun County Government with a planned daily disposal capacity of 500 tonnes.

4. BUSINESS REVIEW AND OUTLOOK

(1) MACRO ENVIRONMENT

In 2022, as the trade game among global economies continued to intensify, trade frictions between countries became more frequent, which further suppressed global consumption and investment demand. Amid such complex external environment, China efficiently implemented a number of macroeconomic stabilization policies, and achieved a GDP growth of approximately 3% compared to 2021, ranking among the leading economies in the world, with a stable and positive development trend.

Currently, China is in a critical period of transformation to a net-zero society, and the environmental protection industry is also in an important strategic position in the "14th Five-Year Plan" in China. The Group always insists on green development, focuses on the main business of environmental protection, continues to improve the quality of project operation, strives to build benchmark projects, insists on technological innovation to lead the future development of the enterprises, focuses on the development of two major business segments: municipal waste treatment and new energy materials, promotes the optimization of the Group's industrial structure, and consolidates the Group's advantageous position in the industry with new technologies, new processes and new industries.

During the Reporting Period, the continuing operations of the Group achieved operating revenue of RMB7.896 billion, which increased by approximately 18.20% as compared with the corresponding period of the previous year. Net profit (excluding share of profits of associates) of our principal activities attributable to equity shareholders of the Group from continuing operations for the year amounted to RMB0.915 billion, which increased by approximately 22.53% as compared with the corresponding period of the previous year.

(II) BUSINESS REVIEW

Under the strong leadership of the Board, the Group overcame negative external factors and focused on the expansion of the nationwide waste-to-energy sector, seizing the project construction, optimizing the projects technical transformation measures, and improving the digital management of the project to achieve the growth in both scale and efficiency. Meanwhile, the Group has vigorously developed new energy industry, strengthened market expansion, deepened business cooperation with upstream and downstream enterprises, broadened industrial development concepts, reserved high-quality technology for the Group's future development of new energy industry. During the Reporting Period, the first phase of the project on lithium iron phosphate cathode materials for the new energy industry was successfully put into operation and the construction of the project on anode materials has begun and steadily constructing a new energy industry layout.

During the Reporting Period, the Group signed new contracts for 26 waste treatment projects (including 11 mergers and acquisitions projects), 1 new energy materials project and 3 projects of lithium battery recycling and comprehensive utilization.

4. BUSINESS REVIEW AND OUTLOOK

In March 2022, the shares of Conch Environment (which, together with its subsidiaries, are principally engaged in solid waste treatment business) was spun-off by way of introduction through a distribution in specie to the shareholders of the Company and separately listed on the Main Board of the Stock Exchange (the "**Conch Environment Spin-off**"), taking the Group's environmental protection industry to a new stage. The solid waste solutions business is classified as discontinued operations of the Group. For further details in relation to the Conch Environment Spin-off, please refer to the announcements of the Company dated 28 September 2021, 4 March 2022, 7 March 2022 and 16 March 2022 respectively and the listing document in relation to the Conch Environment Spin-off issued by Conch Environment on 22 March 2022.

As at the end of the Reporting Period, the Group had promoted and signed contracts for 118 environment protection projects in 25 provinces, cities and autonomous regions nationwide and Vietnam, including 101 grate furnace power generation projects, 2 kitchen waste treatment projects, 10 waste treatment by cement kilns projects, 2 new energy materials projects and 3 projects of lithium battery recycling comprehensive utilization, with a treatment capacity of approximately 20,324,000 tonnes of municipal waste/year (approximately 56,670 tonnes/day).

Municipal waste treatment

1. Grate Furnace Power Generation

1) Project expansion

The Group has always placed a high priority on project expansion, fully utilizing the Group's resources to enrich its procurement of project and carried out mergers and acquisitions of high-quality projects. During the Reporting Period, the Group acquired 11 grate furnace power generation projects under Agile Holdings and Hangzhou Jinjiang Group and signed new contracts for 15 waste treatment projects in Danjiangkou, Hubei Province, Yongde, Yunnan Province, Dongzhi, Anhui Province, Pingguo, Guangxi Region Phase 2, Yanshan, Yunnan Province Phase 2, Songming, Yunnan Province Phase 2, Zhuanglang, Gansu Province and Jianshui, Yunnan Province, involving a production capacity of approximately 6,330,000 tonnes/year.

2) Project operation

On the one hand, the Group broadens the sources of high-quality waste externally to increase the waste input volume; on the other hand, the Group sums up the operational experience of high-quality projects, strengthens technical upgrades, enhances project operational efficiency through the implementation of professional management, and steadily optimizes operational indicators such as electricity generation in tonne and on-grid electricity generation in tonne and project turnover rate.

4. BUSINESS REVIEW AND OUTLOOK

During the Reporting Period, for the grate furnace power generation business, the Group received a total of approximately 12,140,000 tonnes of municipal waste, representing a year-on-year increase of 125%. Approximately 10,330,000 tonnes of municipal waste were treated, representing an increase of 127% year-on-year. On-grid electricity was approximately 3,470 million kWh, representing an increase of 109% year-on-year. The average on-grid electricity calculated according to the volume processed in furnace was approximately 336 kWh.

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

No.	Status of Construction	Project Location	Treatment Capacity	Completion Date
1	In operation	Jinzhai, Anhui Province	2×110,000 tonnes/year (2×300 tonnes/day)	January 2016
2		Tongren, Guizhou Province	2×110,000 tonnes/year (2×300 tonnes/day)	July 2017
3		Yanshan, Yunnan Province (Phase 1)	110,000 tonnes/year (300 tonnes/day)	August 2017
4		Huoqiu, Anhui Province	2×140,000 tonnes/year (2×400 tonnes/day)	January 2018
5		Li County, Hunan Province	2×140,000 tonnes/year (2×400 tonnes/day)	April 2018
6		Songming, Yunnan Province (Phase 1)	110,000 tonnes/year (300 tonnes/day)	January 2019
7		Shanggao, Jiangxi Province	140,000 tonnes/year (400 tonnes/day)	February 2019
8		Yiyang, Jiangxi Province	2×110,000 tonnes/year (2×300 tonnes/day)	June 2019
9		Shache, Xinjiang	2×110,000 tonnes/year (2×300 tonnes/day)	June 2019
10		Sishui, Shandong Province	140,000 tonnes/year (400 tonnes/day)	June 2019
11		Bole, Xinjiang	110,000 tonnes/year (300 tonnes/day)	July 2019
12		Yang County, Shaanxi Province	110,000 tonnes/year (300 tonnes/day)	October 2019
13		Baoshan, Yunnan Province	2×140,000 tonnes/year (2×400 tonnes/day)	January 2020
14		Fuquan, Guizhou Province	2×110,000 tonnes/year (2×300 tonnes/day)	January 2020
15		Lujiang, Anhui Province	2×180,000 tonnes/year (2×500 tonnes/day)	January 2020
16		Xianyang, Shaanxi Province	2×270,000 tonnes/year (2×750 tonnes/day)	July 2020
17		Xishui, Guizhou Province (Phase 1)	140,000 tonnes/year (400 tonnes/day)	July 2020
18		Shizhu, Chongqing City	110,000 tonnes/year (300 tonnes/day)	August 2020
19		Huoshan, Anhui Province	140,000 tonnes/year (400 tonnes/day)	August 2020

4. BUSINESS REVIEW AND OUTLOOK

No.	Status of Construction	Project Location	Treatment Capacity	Completion Date
20	In operation	Tengchong, Yunnan Province	110,000 tonnes/year (300 tonnes/day)	November 2020
21		Ningguo, Anhui Province	140,000 tonnes/year (400 tonnes/day)	November 2020
22		Luxi, Yunnan Province	2×110,000 tonnes/year (2×300 tonnes/day)	January 2021
23		Mangshi, Yunnan Province	110,000 tonnes/year (300 tonnes/day)	March 2021
24		Luoping, Yunnan Province	110,000 tonnes/year (300 tonnes/day)	March 2021
25		Dexing, Jiangxi Province	140,000 tonnes/year (400 tonnes/day)	November 2020
26		Zongyang, Anhui Province (Phase 1)	140,000 tonnes/year (400 tonnes/day)	April 2021
27		Shahe, Hebei Province (Phase 1)	2×180,000 tonnes/year (2×500 tonnes/day)	April 2021
28		Shimen, Hunan Province	180,000 tonnes/year (500 tonnes/day)	May 2021
29		Jiuquan, Gansu Province	180,000 tonnes/year (500 tonnes/day)	June 2021
30		Manzhouli, Inner Mongolia	140,000 tonnes/year (400 tonnes/day)	June 2021
31		Hanshou, Hunan Province	140,000 tonnes/year (400 tonnes/day)	June 2021
32		Suiyang, Guizhou Province	140,000 tonnes/year (400 tonnes/day)	June 2021
33		Panshi, Jilin Province	140,000 tonnes/year (400 tonnes/day)	July 2021
34		Pingguo, Guangxi Province (Phase 1)	140,000 tonnes/year (400 tonnes/day)	July 2021
35		Tongchuan, Shaanxi Province	180,000 tonnes/year (500 tonnes/day)	August 2021
36		Zhenxiong, Yunnan Province (Phase 1)	180,000 tonnes/year (500 tonnes/day)	September 2021
37		Shuangfeng, Hunan Province	180,000 tonnes/year (500 tonnes/day)	October 2021
38		Hejin, Shanxi Province	180,000 tonnes/year (500 tonnes/day)	October 2021
39		Pingliang, Gansu Province	180,000 tonnes/year (500 tonnes/day)	November 2021
40		Binzhou, Shaanxi Province	110,000 tonnes/year (300 tonnes/day)	November 2021
41		Tongzi, Guizhou Province	180,000 tonnes/year (500 tonnes/day)	November 2021
42		Wuwei, Anhui Province	180,000 tonnes/year (500 tonnes/day)	December 2021
43		Fugou, Henan Province	220,000 tonnes/year (600 tonnes/day)	April 2022

4. BUSINESS REVIEW AND OUTLOOK

No.	Status of Construction	Project Location	Treatment Capacity	Completion Date
44	In operation	Du'an, Guangxi Region	140,000 tonnes/year (400 tonnes/day)	June 2022
45		Luzhai, Guangxi Region	140,000 tonnes/year (400 tonnes/day)	June 2022
46		Suzhou, Anhui Province	180,000 tonnes/year (500 tonnes/day)	August 2022
47		Longkou, Shandong Province	220,000 tonnes/year (600 tonnes/day)	August 2022
48		Zhangjiakou, Hebei Province	180,000 tonnes/year (500 tonnes/day)	September 2022
49		Fengning, Hebei Province	110,000 tonnes/year (300 tonnes/day)	October 2022
50		He County, Anhui Province	220,000 tonnes/year (600 tonnes/day)	October 2022
51		Naiman Banner, Inner Mongolia	110,000 tonnes/year (300 tonnes/day)	November 2022
52	In operation (Project acquired)	Luanzhou, Hebei Province	180,000 tonnes/year (500 tonnes/day)	January 2021
53		Guantao, Hebei Province	180,000 tonnes/year (500 tonnes/day)	January 2021
54		Guan County, Shandong Province	220,000 tonnes/year (600 tonnes/day)	March 2020
55		Chiping, Shandong Province	220,000 tonnes/year (600 tonnes/day)	June 2018
56		Jinxiang, Shandong Province	290,000 tonnes/year (800 tonnes/day)	October 2019
57		Chenzhou, Hunan Province	450,000 tonnes/year (1,250 tonnes/day)	July 2015
58		Baotou, Inner Mongolia	490,000 tonnes/year (1,350 tonnes/day)	December 2012
59		Hohhot, Inner Mongolia (Phase 1)	360,000 tonnes/year (1,000 tonnes/day)	November 2017
60		Jilin, Jilin Province	540,000 tonnes/year (1,500 tonnes/day)	January 2009
61		Bijie, Guizhou Province	290,000 tonnes/year (800 tonnes/day)	April 2021
62		Jingdezhen, Jiangxi Province (Phase 1)	360,000 tonnes/year (1,000 tonnes/day)	November 2016
Sub-total			**12,810,000 tonnes/year (35,600 tonnes/day)**	

4. BUSINESS REVIEW AND OUTLOOK

No.	Status of Construction	Project Location	Treatment Capacity	Expected Completion Date
63	Under construction	Weichang, Hebei Province	110,000 tonnes/year (300 tonnes/day)	February 2023
64		Shucheng, Anhui Province	140,000 tonnes/year (400 tonnes/day)	April 2023
65		Shulan, Jilin Province	140,000 tonnes/year (400 tonnes/day)	April 2023
66		Bac Ninh, Vietnam	110,000 tonnes/year (300 tonnes/day)	May 2023
67		Hohhot, Inner Mongolia (Phase 2)	270,000 tonnes/year (750 tonnes/day)	May 2023
68		Jinning, Yunnan Province	140,000 tonnes/year (400 tonnes/day)	July 2023
69		Taonan, Jilin Province	140,000 tonnes/year (400 tonnes/day)	July 2023
70		Jingdezhen, Jiangxi Province (Phase 2)	180,000 tonnes/year (500 tonnes/day)	August 2023
71		Meitan, Guizhou Province	140,000 tonnes/year (400 tonnes/day)	August 2023
72		Xichou, Yunnan Province	180,000 tonnes/year (500 tonnes/day)	September 2023
73		Songming, Yunnan Province (Phase 2)	180,000 tonnes/year (500 tonnes/day)	October 2023
74		Liangping, Chongqing City	140,000 tonnes/year (400 tonnes/day)	October 2023
75		Danjiangkou, Hubei Province	110,000 tonnes/year (300 tonnes/day)	October 2023
76		Huayin, Shaanxi Province	140,000 tonnes/year (400 tonnes/day)	November 2023
77		Qingzhen, Guizhou Province	180,000 tonnes/year (500 tonnes/day)	November 2023
78		Pingguo, Guangxi Province (Phase 2)	140,000 tonnes/year (400 tonnes/day)	December 2023
79		Qiyang, Hunan Province	180,000 tonnes/year (500 tonnes/day)	December 2023
80		Dongzhi, Anhui Province	140,000 tonnes/year (400 tonnes/day)	January 2024
81		Gengma, Yunnan Province	110,000 tonnes/year (300 tonnes/day)	April 2024
82		Jianshui, Yunnan Province	180,000 tonnes/year (500 tonnes/day)	April 2024
83		Yongde, Yunnan Province	180,000 tonnes/year (500 tonnes/day)	May 2024
84		Wushan, Chongqing City	130,000 tonnes/year (350 tonnes/day)	May 2024
85		Zhuanglang, Gansu Province	180,000 tonnes/year (500 tonnes/day)	July 2024
86		Haidong, Qinghai Province	180,000 tonnes/year (500 tonnes/day)	August 2024
Sub-total:			**3,720,000 tonnes/year (10,400 tonnes/day)**	

4. BUSINESS REVIEW AND OUTLOOK

No.	Status of Construction	Project Location	Treatment Capacity	Expected Completion Date
87	Under approval and planning	Tai'an, Liaoning Province	110,000 tonnes/year (300 tonnes/day)	/
88		Yan Shan, Yunnan Province (Phase 2)	110,000 tonnes/year (300 tonnes/day)	/
89		Hunyuan, Shanxi Province	180,000 tonnes/year (500 tonnes/day)	/
90		Lufeng, Yunnan Province	110,000 tonnes/year (300 tonnes/day)	/
91		Youxi, Fujian Province	2×140,000 tonnes/year (2×400 tonnes/day)	/
92		Yun County, Yunnan Province	180,000 tonnes/year (500 tonnes/day)	/
Sub-total:			**970,000 tonnes/year (2,700 tonnes/day)**	
93	Reserve project	Zhenxiong, Yunnan Province (Phase 2)	180,000 tonnes/year (500 tonnes/day)	/
94		Xishui, Guizhou Province (Phase 2)	140,000 tonnes/year (400 tonnes/day)	/
95		Zongyang, Anhui Province (Phase 2)	140,000 tonnes/year (400 tonnes/day)	/
96		Nandan, Guangxi Province	110,000 tonnes/year (300 tonnes/day)	/
97		Yuanyang, Yunnan Province	110,000 tonnes/year (300 tonnes/day)	/
98		Shahe, Hebei Province (Phase 2)	2×180,000 tonnes/year (2×500 tonnes/day)	/
99		Taiyuan, Vietnam	180,000 tonnes/year (500 tonnes/day)	/
100		Xuan Son, Vietnam	2×180,000 tonnes/year (2×500 tonnes/day)	/
101		Gampaha District, Sri Lanka	180,000 tonnes/year (500 tonnes/day)	/
Sub-total:			**1,760,000 tonnes/year (4,900 tonnes/day)**	
Total:			**19,260,000 tonnes/year (53,600 tonnes/day)**	

As at the date of this report, a total of 29 of the Group's grate furnace power generation projects were included in the list of national subsidized renewable energy power generation projects.

4. BUSINESS REVIEW AND OUTLOOK

2. Kitchen Waste Treatment

The Group has actively expanded the kitchen waste treatment business. As at the end of Reporting Period, a total of 13 projects was contracted, with a treatment capacity of approximately 324,000 tonnes/year, of which the projects in Wuhu, Anhui Province and Lingbi, Anhui Province are independently operated project companies.

Details of the Group's kitchen waste treatment projects are set out in the following table:

No.	Status of Construction	Project Location	Treatment Capacity
1	In operation	Longkou, Shandong Province	10,000 tonnes/year (30 tonnes/day)
2		Fengning, Hebei Province	7,000 tonnes/year (20 tonnes/day)
3		Fugou, Henan Province	10,000 tonnes/year (30 tonnes/day)
4		Hejin, Shanxi Province	20,000 tonnes/year (45 tonnes/day)
5		Pingliang, Gansu Province	20,000 tonnes/year (50 tonnes/day)
6		Suzhou, Anhui Province	70,000 tonnes/year (200 tonnes/day)
Sub-total:		**137,000 tonnes/year (375 tonnes/day)**	
7	Under construction	Weichang, Hebei Province	7,000 tonnes/year (20 tonnes/day)
8		Jinzhai, Anhui Province	20,000 tonnes/year (45 tonnes/day)
9		Songming, Yunnan Province	20,000 tonnes/year (50 tonnes/day)
10		Jinning, Yunnan Province	10,000 tonnes/year (30 tonnes/day)
11		Liangping, Chongqing City	20,000 tonnes/year (50 tonnes/day)
12		Wuhu, Anhui Province	70,000 tonnes/year (200 tonnes/day)
13		Lingbi, Anhui Province	40,000 tonnes/year (100 tonnes/day)
Sub-total:		**187,000 tonnes/year (495 tonnes/day)**	
Total:		**324,000 tonnes/year (870 tonnes/day)**	

4. BUSINESS REVIEW AND OUTLOOK

3. **Waste Treatment by Cement Kiln**

As at the end of the Reporting Period, 10 projects of waste treatment by cement kilns were completed, with a treatment capacity of approximately 740,000 tonnes/year. A total of approximately 417,000 tonnes of municipal waste were received and actual municipal waste treatment volume was approximately 388,000 tonnes.

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

No.	Status of Construction	Project Location	Business Model	Treatment Capacity
1	In operation	Yuping, Guizhou Province	BOT	30,000 tonnes/year (100 tonnes/day)
2		Qingzhen, Guizhou Province		100,000 tonnes/year (300 tonnes/day)
3		Yangchun, Guangdong Province		70,000 tonnes/year (200 tonnes/day)
4		Qiyang, Hunan Province		100,000 tonnes/year (300 tonnes/day)
5		Fusui, Guangxi Province		70,000 tonnes/year (200 tonnes/day)
6		Nanjiang, Sichuan Province		70,000 tonnes/year (200 tonnes/day)
7		Lingyun, Guangxi Province		30,000 tonnes/year (100 tonnes/day)
8		Linxia, Gansu Province		100,000 tonnes/year (300 tonnes/day)
9		Xing'an, Guangxi Province		100,000 tonnes/year (300 tonnes/day)
10		Yingjiang, Yunnan Province		70,000 tonnes/year (200 tonnes/day)
Total:			**740,000 tonnes/year (2,200 tonnes/day)**	

As at the end of Reporting Period, the Group has a municipal waste treatment capacity of approximately 20,324,000 tonnes/year (approximately 56,670 tonnes/day), including approximately 13,687,000 tonnes/year (approximately 38,175 tonnes/day) completed and approximately 6,637,000 tonnes/year (approximately 18,495 tonnes/day) under construction and under approval and planning and reserve.

4. BUSINESS REVIEW AND OUTLOOK

New Energy Materials

The new energy vehicle industry of China is in the stage of rapid development, lithium battery with its high storage energy density, long lifetime, green and other advantages, become the first choice of new energy vehicle power battery. At present, China is the largest producer and the largest exporter of lithium batteries.

The Group has taken the initiative to develop the new energy industry and seized the project construction, promote the early commissioning of projects, increase market expansion, strive to increase its market share, take over the solid and hazardous waste treatment business, and create a new development paradigm of "environmental protection + new energy" dual engines with the grate furnace power generation business segment. During the Reporting Period, the first phase of the lithium iron phosphate cathode materials projects with a production capacity of 50,000 tonnes/year was completed and put into operation in September 2022 with product trial sales. The Group is actively conducting product trials with various power battery and energy storage battery companies in an effort to achieve the production and sales target as soon as possible. For the project on cathode materials for energy storage battery, the planned production capacity is 200,000 tonnes/year of cathode materials. The production capacity of the first phase of construction is expected to be 40,000 tonnes/year. At present, work including the construction of the projects are progressing in an orderly manner.

At the same time, the Group fully utilized its cement kiln resources to carry out research and development of lithium battery recycling and comprehensive utilization technology to build a closed loop of new energy industry. During the Reporting Period, the Group's self- developed recycling project with a treatment capacity of 5,000 tonnes/year was put into production and was successfully selected as a "White List" enterprise of the Ministry of Industry and Information Technology of the People's Republic of China for the comprehensive utilization of waste power batteries, the project will allow the Group to accumulate rich operational experience and promote the national lithium battery recycling project layout with high quality. During the Reporting Period, the Group has signed three lithium battery recycling projects in Huaibei, Anhui province, Wuhu, Anhui province and Dengfeng, Henan province, with a contracted treatment capacity of 45,000 tonnes/year. In the future, the Group will enhance the efficiency of lithium battery recycling by improving technological innovation, and leverage the core technology advantage to advance the development of the lithium battery recycling industry and reserve momentum for new round of environmental protection industry development of the Group.

New Building Materials and Port Logistics

The Group strives to enhance the competitiveness of its products through innovative sales strategies for new building materials, building a professional marketing team and focusing on market expansion in key regions, with market demand being the priority. At the same time, the Group is actively building a green ecological terminal, reducing energy consumption through technological transformation, optimizing the process and enriching the cargo sources to achieve steady development of the port logistics business.

During the Reporting Period, the Group recorded new building materials product sales of approximately 7.72 million square meters, with revenue of RMB127.35 million, and port logistics throughput of approximately 34,050,000 tonnes, with revenue of RMB234.41 million.

4. BUSINESS REVIEW AND OUTLOOK

(III) FUTURE PLAN AND OUTLOOK

At present, China is in the strategic opportunity period of upgrading the energy structure and transforming to a low carbon cycle society. With the official introduction of national goals of "carbon peak" and "carbon neutrality", it has become the main theme of the national economic development to carry out ecological environment management in all aspects, lead the high quality development of environmental protection enterprises, and promote the sustainable development of social economy. The environmental protection industry will usher in new opportunities for development. Through the process of development, the scale of the Group's environmental protection projects ranks among the top in the industry, the quality of project operations has steadily improved, the new energy industry is ready for development, the recycling industry is accelerating, and the environmental protection industry is flourishing. Under the leadership of the Board, the Group will focus on the development of the whole industry chain with the new development plan as the agenda and focus on the following tasks:

Carry out professional management, ensure high quality project development

The Group will steadily develop its waste-to-energy business, continue to benchmark with high-quality enterprises, strengthen the daily operation and management of projects, seek new ideas for industrial development, and consolidate its advantageous position in the industry.

First, the Group strives to improve the quality of project operations. The Group will carry out technical improvements to reduce unit energy consumption and improve project operating rates. At the same time, the Group will make use of the Group's regional synergy advantage, innovate the business development pattern, enrich the sources and types of wastes, and further optimize the operational indicators such as electricity generation in tonne and on-grid electricity generation in tonne, so as to build a benchmark enterprise in the industry. Secondly, the Group will strengthen the daily management of projects. The Group will implement a standardized management mechanism within the Group, strengthen cost control and reduce unit operating costs. Lastly, the Group will continue to strengthen project expansion, accelerate the deployment of projects in provinces where they are not yet located, and carry out mergers and acquisitions of companies in the same industry in an effort to enhance our position in the industry.

Seize industry opportunities, consolidate new momentum for development

The new energy industry is the sunrise industry for China's future development and the core of future industrial development of the Group. The Group will seize the opportunity of the development of new energy industry, deepen the business cooperation between upstream and downstream industries, support by technology innovation and market demand, accelerate the layout of the recycling industry, collaborate with high-quality resources from all parties to ensure the development of the new energy industry sector in all aspects, and focus on the following tasks:

4. BUSINESS REVIEW AND OUTLOOK

First is to expand market share and innovate sales ideas. The Group will focus on business cooperation with leading companies in the industry, strengthen business development with potential customers, continue to carry out external publicity, strive to expand product awareness, continue to improve the product sales structure, and increase the market share of products. Secondly, the Group will further improve the industrial chain. The Group will coordinate the centralized procurement of raw materials to reduce the cost per unit of production and conduct mergers and acquisitions between upstream and downstream enterprises in a timely manner to enhance the Group's overall competitiveness in the industry. Thirdly, the Group will accelerate the deployment of the recycling industry. The Group will coordinate the construction of a pipeline for the lithium battery recycling industry, strengthen cooperation with major cement enterprises and promote the nationwide deployment of the lithium battery recycling and comprehensive utilization projects. At the same time, relying on the Group's technological advantages, technical exchanges and discussions will be conducted to further optimize the Group's technology.

Strive to expand the market, enhance the profitability of the segment

The new building materials segment will continue to focus on the market, pay attention to the expansion of market share, and strive to realize the joint increase in production and sales volume. At the same time, the Group will strengthen professional management, control production costs and continue to expand the new building materials industry.

The port logistics segment will accelerate the technological transformation of terminals, establish a professional operation system and improve the efficiency of cargo transportation. At the same time, the Group will strengthen market expansion, enrich the types of cargoes to be transferred, and steadily improve the profitability of the segment.

5. MANAGEMENT DISCUSSION AND ANALYSIS

PROFITS FROM CONTINUING OPERATIONS

Item	2022 Amount (RMB'000)	2021 Amount (RMB'000)	Changes between the Reporting Period and the corresponding period of the previous year (%)
Revenue	**7,896,322**	6,680,738	18.20%
Profit before taxation	**4,372,229**	7,258,531	–39.76%
Share of profits of associates	**2,936,787**	6,158,328	–52.31%
Profit before taxation from principal businesses	**1,435,442**	1,100,203	30.47%
Net profit attributable to equity shareholders of the Company	**3,852,177**	6,905,394	–44.21%
Net profit from principal businesses attributable to equity shareholders of the Company	**915,390**	747,066	22.53%

During the Reporting Period, the Group achieved revenue from continuing operations of RMB7,896.32 million, representing a year-on-year increase of 18.20%. Profit before taxation from continuing operations amounted to RMB4,372.23 million, representing a year-on-year decrease of 39.76%, mainly due to the decrease in profits receivable from associates such as Conch Holdings. Share of profits of associates from continuing operations amounted to RMB2,936.79 million, representing a year-on-year decrease of 52.31%. Profit before taxation from principal businesses from continuing operations amounted to RMB1,435.44 million, representing a year-on-year increase of 30.47%. Net profit attributable to equity shareholders of the Company from continuing operations amounted to RMB3,852.18 million, representing a year-on-year decrease of 44.21%, among which, net profit from principal businesses attributable to equity shareholders from continuing operations amounted to RMB915.39 million, representing a year-on-year increase of 22.53%. Basic earnings per share and diluted earnings per share from continuing operations amounted to RMB2.12.

5. MANAGEMENT DISCUSSION AND ANALYSIS

Revenue by business stream

Item	2022 Amount (RMB'000)	2022 Percentage (%)	2021 Amount (RMB'000)	2021 Percentage (%)	Change in amount (%)	Change in percentage (percentage points)
Waste treatment	**6,561,015**	**83.09**	5,743,801	85.98	14.23	–2.89
Energy saving equipment	**967,810**	**12.26**	569,811	8.53	69.85	3.73
New building materials	**127,349**	**1.61**	142,850	2.14	–10.85	–0.53
New energy materials	**5,734**	**0.07**	–	–	–	0.07
Port logistics	**234,414**	**2.97**	224,276	3.36	4.52	–0.39
Total	**7,896,322**	**100.00**	6,680,738	100.00	18.20	–

During the Reporting Period, revenue from continuing operations of the Group maintained growth. Revenue from energy saving equipment and waste treatment showed more substantial year-on-year growth. With a breakdown by business:

(i) The revenue from waste treatment amounted to RMB6,561.02 million, representing a year-on-year increase of 14.23%, which was mainly due to the successive commencement of operation of 14 projects of the Group in Wuwei, Hejin, Zhoukou, Pingliang, Tongzi, Zhangjiakou, Maanshan and other locations, and merger and acquisition of 11 projects under Agile Holdings and Hangzhou Jinjiang Group during the Reporting Period, resulting in the growth in revenue.

(ii) The revenue from energy saving equipment amounted to RMB967.81 million, representing a year-on-year increase of 69.85%, which was mainly due to the increase in orders for residual heat power generation and vertical mill, resulting in the growth in revenue.

(iii) The revenue from new building materials amounted to RMB127.35 million, representing a year-on-year decrease of 10.85%, which was mainly due to the decreased sales volume resulting from intensified competition in the market.

(iv) The revenue from new energy materials amounted to RMB5.73 million, which was mainly due to the Group's expansion into new business segments.

(v) The revenue from port logistics amounted to RMB234.41 million, representing a year-on-year increase of 4.52%, mainly due to the Group's aggressive market development and the year-on-year increase in throughput, which led to the increase in revenue.

5. MANAGEMENT DISCUSSION AND ANALYSIS

Breakdown of revenue from waste treatment

Revenue Breakdown	2022 Amount (RMB'000)	2022 Percentage (%)	2021 Amount (RMB'000)	2021 Percentage (%)	Change in amount (%)	Change in percentage (percentage points)
Construction revenue	**3,884,903**	**59.21**	4,489,191	78.16	–13.46	–18.95
Grate furnace power generation	**3,834,396**	**58.44**	4,441,704	77.33	–13.67	–18.89
Waste treatment by cement kilns	**50,507**	**0.77**	47,487	0.83	6.36	–0.06
Operation revenue	**2,676,112**	**40.79**	1,254,610	21.84	113.30	18.95
Grate furnace power generation	**2,611,752**	**39.81**	1,201,941	20.93	117.29	18.89
Waste treatment by cement kilns	**64,360**	**0.98**	52,669	0.92	22.20	0.06
Total	**6,561,015**	**100.00**	5,743,801	100.00	14.23	–

During the Reporting Period, the revenue from waste treatment segment during the construction period amounted to RMB3,884.90 million, representing a period-on-period decrease of 13.46%, which was mainly due to the decrease in number and the delayed progress of projects under construction. The operation revenue from waste treatment segment amounted to RMB2,676.11 million, representing a year-on-year increase of 113.30%, which was mainly due to the commencement of operation of 14 new projects in Wuwei, Hejin, Zhoukou, Pingliang, Tongzi, Zhangjiakou, Maanshan and other locations and merger and acquisition of 11 projects under Agile Holdings and Hangzhou Jinjiang Group during the Reporting Period, leading to the growth in revenue.

5. MANAGEMENT DISCUSSION AND ANALYSIS

Revenue by geographical locations

Item	2022 Amount (RMB'000)	2022 Percentage %	2021 Amount (RMB'000)	2021 Percentage %	Change in amount (%)	Change in percentage (percentage points)
China	**7,787,839**	**98.63**	6,481,158	97.01	20.16	1.61
Asia-Pacific (except Mainland China)	**108,483**	**1.37**	197,917	2.96	–45.19	–1.59
South America	**–**	**–**	1,663	0.02	–100.00	–0.02
Total	**7,896,322**	**100.00**	6,680,738	100.00	18.20	–

During the Reporting Period, the Group's revenue of continuing operations derived from China recorded a year-on-year increase of 20.16%, which was mainly due to the increase in the number of the Group's waste-to-energy projects commencing operation in China. The revenue of continuing operations derived from Asia-Pacific (except Mainland China) amounted to RMB108.48 million, representing a year-on-year decrease of 45.19%, which was mainly due to the decrease in the number of orders in overseas.

Gross profit and gross profit margin

Item	2022 Gross profit (RMB'000)	2022 Gross profit margin (%)	2021 Gross Profit (RMB'000)	2021 Gross profit margin (%)	Change in amount (%)	Change in gross profit margin (percentage points)
Waste treatment	**1,803,312**	**27.49**	1,367,043	23.80	31.91	3.69
Energy saving equipment	**262,829**	**27.16**	118,283	20.76	122.20	6.40
New building materials	**17,976**	**14.12**	24,253	16.98	–25.88	–2.86
New energy materials	**488**	**8.51**	–	–	–	8.51
Port logistics	**144,148**	**61.49**	137,877	61.48	4.55	0.01
Total	**2,228,753**	**28.23**	1,647,456	24.66	35.28	3.57

5. MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the gross profit margin from continuing operations of the Group was 28.23%, representing a year-on-year increase of 3.57 percentage points, in terms of segments,

(i) The gross profit margin for waste treatment was 27.49%, representing a year-on-year increase of 3.69 percentage points. This was mainly due to the increase in the number of the Group's waste-to-energy projects and the increase in the proportion of gross profit in the operating period, resulting in an increase in the overall gross profit margin.

(ii) The gross profit margin for energy saving equipment was 27.16%, representing a year-on-year increase of 6.40 percentage points, which was mainly due to enhanced cost control of the Group, resulting in higher gross margin.

(iii) The gross profit margin for new building materials was 14.12%, representing a year-on-year decrease of 2.86 percentage points, mainly due to the increase in price of raw materials.

(iv) The gross profit margin for port logistics was 61.49%, representing a year-on-year increase of 0.01 percentage points.

Other net income

During the Reporting Period, the Group's other income from continuing operations amounted to RMB357.51 million, representing a year-on-year increase of RMB169.65 million, or 90.30%, which was mainly due to the year-on-year increase in government subsidies and interest income from bank deposits received by the Group.

Administrative expenses

During the Reporting Period, the Group's administrative expenses from continuing operations amounted to RMB531.58 million, representing a year-on-year increase of RMB127.65 million, or 31.60%, which was mainly due to the increase in employees' remuneration and research and development expenses as a result of the increase in number of operating companies.

Finance costs

During the Reporting Period, the Group's finance costs from continuing operations amounted to RMB599.44 million, representing a year-on-year increase of RMB288.48 million, or 92.77%, which was mainly due to the new bank loans raised by the Group, resulting in the increase in finance costs.

5. MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL POSITION

As at 31 December 2022, the Group's total assets amounted to RMB75,379.88 million, representing an increase of RMB6,460.81 million as compared to the end of the previous year. The equity attributable to equity shareholders of the Company amounted to RMB44,862.01 million, representing a decrease of RMB407.78 million as compared to the end of the previous year. Gearing ratio of the Group (total liabilities/total assets) was 37.42%, representing an increase of 5.12 percentage points as compared to the end of the previous year. The balance sheet items of the Group are as follows:

Item	As at 31 December 2022 (RMB'000)	As at 31 December 2021 (RMB'000)	Change between the end of the Reporting Period and the end of the previous year (%)
Property, plant and equipment	**4,077,828**	1,212,651	236.27
Non-current assets	**66,016,132**	55,684,506	18.55
Non-current liabilities	**17,853,809**	13,243,401	34.81
Current assets	**9,363,745**	13,234,560	–29.25
Current liabilities	**10,353,664**	9,018,229	14.81
Net current (liabilities)/assets	**–989,919**	4,216,331	–123.48
Equity attributable to equity shareholders of the Company	**44,862,013**	45,269,794	–0.90
Total assets	**75,379,877**	68,919,066	9.37
Total liabilities	**28,207,473**	22,261,630	26.71

Non-current assets and Non-current liabilities

As at 31 December 2022, non-current assets of the Group amounted to RMB66,016.13 million, representing an increase of 18.55% as compared to the end of the previous year, which was mainly due to the increase in investment in property, plant and equipment and intangible assets; non-current liabilities amounted to RMB17,853.81 million, representing an increase of 34.81% as compared to the end of the previous year, which was mainly due to the increase in bank loans during the Reporting Period.

Current assets and Current liabilities

As at 31 December 2022, current assets of the Group amounted to RMB9,363.75 million, current liabilities amounted to RMB10,353.66 million, and net current liabilities amounted to RMB989.92 million, representing a decrease of RMB5,206.25 million as compared with the balances of the end of the previous year, which was mainly due to the convertible bonds (as defined below) issued in September 2018 which will be due in September 2023 and Conch Environment is reclassified to assets and liabilities held for distribution and distribution in specie.

5. MANAGEMENT DISCUSSION AND ANALYSIS

Equity attributable to equity shareholders of the Company

As at 31 December 2022, the Group's equity attributable to equity shareholders of the Company amounted to RMB44,862.01 million, representing a decrease of 0.90% as compared to the end of the previous year, which was mainly due to the spin-off and separate listing of Conch Environment and distribution in specie.

LIQUIDITY AND CAPITAL SOURCES

During the Reporting Period, the Group took full advantage of the capital size and enhanced returns of the stock funds through enhancing capital planning and management and reasonable allocation of project loans, so as to fully satisfy the Company's capital needs. As at 31 December 2022, the Group's cash and cash equivalents amounted to RMB4,361.64 million, which were mainly denominated in RMB, Hong Kong dollars and US dollars.

The Company has received the approval of registration from National Association of Financial Market Institutional Investors (zhong shi xie zhu [2023] GN1) for issuing unsecured medium term notes in the aggregate amount of not more than RMB4 billion (the "**Panda Bonds**") with a validity period of two years from 18 January 2023, the completion of registration date. According to the Company's prospectus of the Panda Bonds, the Company will utilise the bond issuance proceeds of RMB3.5 billion to repay the convertible bonds due in September 2023. On 20 March 2023, the first batch of RMB1.2 billion of the Panda Bonds has been issued.

Bank loans

Item	**As at 31 December 2022 (RMB'000)**	As at 31 December 2021 (RMB'000)
Due within one year	**690,590**	602,528
Due after one year but within two years	**940,520**	832,071
Due after two years but within five years	**6,474,896**	2,972,312
Due after five years	**10,080,429**	5,850,919
Total	**18,186,435**	10,257,830

As at 31 December 2022, the balance of bank loans of the Group amounted to RMB18,186.44 million, representing an increase of RMB7,928.60 million as compared to the end of the previous year, which was mainly due to the new bank loans raised by the Group during the Reporting Period. As at 31 December 2022, the Group's bank loans were denominated in RMB and USD, and most of the loan interests were subject to variable interest rate.

5. MANAGEMENT DISCUSSION AND ANALYSIS

Cash flows

Item	**2022 (RMB'000)**	2021 (RMB'000)
Net cash generated from operating activities	**1,810,383**	1,307,889
Net cash used in investing activities	**–4,848,238**	–7,007,927
Net cash generated from financing activities	**4,779,923**	5,518,323
Net increase in cash and cash equivalents	**1,742,068**	–181,715
Effect of foreign exchange rate changes	**5,317**	–12,666
Cash and cash equivalents at the beginning of the year	**3,156,158**	3,350,539
Distribution in specie	**–541,906**	–
Cash and cash equivalents at the end of the year	**4,361,637**	2,560,045
Analysis of cash and cash equivalents		
Cash and cash equivalents	**4,361,637**	2,560,045
Reclassification to assets classified as held for distribution	**–**	596,113
	4,361,637	3,156,158

Net cash generated from operating activities

During the Reporting Period, net cash generated from operating activities of the Group amounted to RMB1,810.38 million, representing a year-on-year increase of RMB502.49 million, which was mainly due to an increase in the number of waste-to-energy projects in operation of the Group and the increase in the receipt of renewable energy power generation subsidies for certain power generation projects.

Net cash used in investing activities

During the Reporting Period, net cash used in investing activities of the Group amounted to RMB4,848.24 million, representing a year-on-year decrease of RMB2,159.69 million, which was mainly due to the Conch Environment Spin-off resulting in a decrease in payment for purchase of property, plant and equipment, construction in progress and investment expenses of intangible assets and increase in proceeds from maturity of bank deposits over three months.

Net cash generated from financing activities

During the Reporting Period, net cash generated from financing activities of the Group amounted to RMB4,779.92 million, representing a year-on-year decrease of RMB738.40 million, which was mainly due to the repayment of loans and effect of share repurchases by the Company.

5. MANAGEMENT DISCUSSION AND ANALYSIS

COMMITMENTS

As at 31 December 2022, the Group's procurement commitments contracted by continuing operations for construction contracts are as follows:

Item	As at 31 December 2022 (RMB'000)	As at 31 December 2021 (RMB'000)
Contracted for	**5,856,926**	2,485,364
Authorized but not contracted for	**2,484,854**	4,039,912
Total	**8,341,780**	6,525,276

FOREIGN EXCHANGE RISK

The Group's functional currency is RMB. Foreign exchange risks faced by the Group were mainly derived from account receivables and account payables arising from sales and procurement which were mainly denominated in currencies including US dollars and Hong Kong dollars. Other than that, most of the assets and transactions of the Group were denominated in RMB, and the capital 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.

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

CONTINGENT LIABILITIES

As at 31 December 2022, the Group did not have any material contingent liabilities.

PLEDGE OF ASSETS

As at 31 December 2022, the Group's right-of-use assets with carrying amount of RMB423.96 million, property, plant and equipment with carrying amount of RMB936.45 million and trade and other receivables with carrying amount of RMB298.07 million were pledged as collaterals for certain bank loans.

Save as disclosed above, the Group did not have any other pledge of assets as at 31 December 2022.

5. MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL INVESTMENTS, ACQUISITIONS OR DISPOSALS

During the Reporting Period, the Group acquired the equity interest of six subsidiaries directly or indirectly held by Agile Holdings that are principally engaged in waste incineration power generation projects, at a total consideration of RMB1,401.81 million.

During the Reporting Period, the Group acquired the equity interest of five subsidiaries directly or indirectly held by Hangzhou Jinjiang Group that are principally engaged in waste incineration solutions, at a total consideration of RMB673.97 million.

In March 2022, by way of introduction through a distribution in specie to the shareholders of the Company, the shares of Conch Environment were spun off and separately listed on the Main Board of the Stock Exchange. For further details of Conch Environment Spin-off, please refer to the announcements of the Company dated 28 September 2021, 4 March 2022, 7 March 2022 and 16 March 2022 and the listing document of Conch Environment dated 22 March 2022 in relation to Conch Environment Spin-off.

Save as disclosed above, during the Reporting Period, the Group did not have any other material investments, acquisitions or disposals.

CONVERTIBLE BONDS

On 5 September 2018, Conch Venture BVI, a wholly-owned subsidiary of the Company, issued zero coupon guaranteed convertible bonds ("**Convertible Bonds**") with an amount of HKD3.925 billion, the net proceeds amounted to approximately RMB3,376.40 million ("**Net Proceeds**"). All the Net Proceeds raised have been fully utilized according to the intended use as disclosed during the year ended 31 December 2020.

During the period from 14 November 2022 to 15 November 2022, Conch Venture BVI partially redeemed the Convertible Bonds in the principal amount of HKD52,000,000 (the "**Partial Redemption**"). None of the principal amount of the Convertible Bonds has been converted into conversion shares. Immediately after the completion of the Partial Redemption and as at 31 December 2022, the outstanding principal amount of the Convertible Bonds was HKD3,873,000,000. During the Reporting Period, the holders of the Convertible Bonds did not exercise any conversion rights.

5. MANAGEMENT DISCUSSION AND ANALYSIS

HUMAN RESOURCES

The Group attached great importance to the construction and development of human resources, explored and optimized its corporate management system, strived to create an atmosphere of talent development concept of "respecting labour, knowledge, talents and creation", and provided employees with competitive remuneration packages, safe and comfortable working environment and comprehensive welfare, and conducted various professional business training for employees from time to time, and encouraged employees to participate in training and exchange activities conducted by social and industrial organizations to enhance the comprehensive quality and professional skills of employees and stimulate their motivation and creativity. At the same time, the Group has also actively built a fair and balanced platform full of opportunities for the strategic development of diversified talents, and expanded recruitment channels through various means, recruited students with high academic qualifications, so as to further improve manpower and talent pool for corporate development.

As at 31 December 2022, the Group had 5,551 employees (excluding personnel in the solid waste treatment business segment). The remuneration of employees is based on qualifications, experience, work performance and market conditions. As required by the PRC regulations on social insurance, the Group participated in the social insurance schemes operated by local government authorities which include pension insurance, medical insurance, unemployment insurance, industrial injuries insurance and maternity insurance. During the Reporting Period, the total remuneration of employees (including the remuneration of the Directors) from continuing operations was approximately RMB585.26 million (2021: RMB374.33 million).

The Company has conditionally adopted the 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. Since the listing of the Company, no share option was granted pursuant to 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.

(I) CORPORATE GOVERNANCE CODE

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

The Company has adopted the Corporate Governance Code 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 all applicable code provisions stated in Part 2 of the CG Code to formulate its operation and the Company has further refined the corporate governance structure and enhanced its corporate governance under the guidance of the regulatory documents including the Listing Rules and the Articles of Association. The Company will regularly review and improve its corporate governance practices in order to be continuously in compliance with the CG Code.

(II) CORPORATE CULTURE AND STRATEGY

The Group is a large-scale environmental group that provides a comprehensive portfolio of energy-saving and environmental protection solutions. The Group recognises the importance of a healthy corporate culture in achieving the Group's future growth objectives. Under the guidance of the Board, the Group will cultivate a corporate culture based on core principles and ensure that the Group's vision, values and business strategies are aligned with the corporate culture.

The Group will advocate all staff to continuously improve their professional skills, to integrate personal development with corporate development, and to strengthen the sense of responsibility and mission of our staff so as to provide continuous momentum for the Group's development.

(III) 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 the inside information of the Company) ("**Securities Dealing Code**") on terms no less exacting than the required standard set out in the Model Code set out in Appendix 10 to the Listing Rules. Having made specific enquiries by the Company, all the Directors confirmed that they have complied with the Model Code and the Securities Dealing Code during the Reporting Period.

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

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

6. CORPORATE GOVERNANCE REPORT

(IV) THE BOARD

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

Name	Position
Mr. Guo Jingbin	Non-executive Director and Chairman of the Board
Mr. Ji Qinying (Note 1)	Executive Director, Vice-Chairman of the Board and Chief Executive Officer
Mr. Shu Mao (Note 2)	Executive Director and Executive Deputy General Manager
Mr. Li Jian	Executive Director and Deputy General Manager
Mr. Li Daming (Note 3)	Executive Director
Mr. Yu Kaijun	Non-executive Director
Mr. Chan Chi On (alias Derek Chan)	Independent Non-executive Director
Mr. Chan Kai Wing	Independent Non-executive Director
Mr. Lau Chi Wah, Alex	Independent Non-executive Director

Notes:

1. Mr. Ji Qinying was appointed as Vice-Chairman of the Board on 10 October 2022.

2. Mr. Shu Mao was re-designated from a non-executive Director to an executive Director and was appointed as executive deputy general manager of the Company on 10 October 2022.

3. Mr. Li Daming ceased to serve as deputy general manager of the Company from 28 March 2022.

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

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

Independence of Independent Non-executive Directors

During the Reporting Period, the Board had complied with the requirements under Rules 3.10 and 3.10A of the Listing Rules, having at least three independent non-executive Directors (representing at least one-third of the Board) with at least one of whom possessing appropriate professional qualifications, or accounting and related financial management expertise. The Company has received written annual confirmations from the independent non-executive Director, 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

Board Meetings, Board Committee Meetings and General Meetings

According to Code Provision C.5.1 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 seven meetings (approximately one for each quarter), of which two were regular meetings to approve the final results for the year ended 31 December 2021 and the interim results for the six months ended 30 June 2022. 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 order to ensure that the Board can obtain independent views and opinions, the Company has established an independent evaluation mechanism for the Board. In 2023, the Company will continue to comply with Code Provision C.5.1 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.

During the Reporting Period, the attendance records of each Director at the meetings of the Board, the Audit Committee, the Remuneration and Nomination Committee, the Strategy, Sustainability and Risk Management 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	Strategy, Sustainability and Risk Management Committee	Annual General Meeting
Mr. Guo Jingbin	7/7	N/A	N/A	1/1	1/1
Mr. Ji Qinying (Note 1)	7/7	N/A	N/A	1/1	1/1
Mr. Shu Mao (Note 2)	7/7	N/A	N/A	N/A	1/1
Mr. Li Jian	7/7	N/A	N/A	N/A	0/1
Mr. Li Daming	7/7	N/A	N/A	N/A	1/1
Mr. Yu Kaijun	7/7	N/A	1/1	1/1	0/1
Mr. Chan Chi On (alias Derek Chan)	7/7	2/2	1/1	1/1	1/1
Mr. Chan Kai Wing	7/7	2/2	1/1	N/A	1/1
Mr. Lau Chi Wah, Alex	7/7	2/2	1/1	N/A	0/1

Notes:

1. Mr. Ji Qinying was appointed as Vice-Chairman of the Board on 10 October 2022.

2. Mr. Shu Mao was re-designated from a non-executive Director to an executive Director and was appointed as executive deputy general manager of the Company on 10 October 2022.

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

6. CORPORATE GOVERNANCE REPORT

(V) 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 interest), financial information, appointment of Directors and other significant financial and operational matters.

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

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All Directors have full and timely access to all relevant information as well as the advice and services form the joint 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.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his responsibilities to the Company.

(VI) CONTINUOUS TRAINING AND DEVELOPMENT OF DIRECTORS

The Company continuously updates Directors on the latest developments of the Listing Rules and other applicable regulatory requirements and provides training to improve and update the Director's knowledge and skills. Certain senior management of the Company attended the '59th Session of the Enhanced Continuing Professional Development Seminar for Affiliated Members' online organized by The Hong Kong Chartered Governance Institute from 18 to 20 May 2022, and circulated relevant information to our Directors. As for the amendments to the CG Code and Listing Rules by the Stock Exchange, the Company outlined and explained the amendments to the Directors and senior management. In addition, the Company regularly circulates the weekly news of the environmental protection industry to update the Directors on the industry development during the year.

A summary of training received by the Directors during the Reporting Period according to the records provided by the Directors is as follows:

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

During the Reporting Period, all the Directors were in compliance with the Code Provision C.1.4 of the CG Code. All the Directors were consistently provided with the latest information regarding legal and regulatory developments as well as business and market environment for their performance of duties.

6. CORPORATE GOVERNANCE REPORT

(VII) CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

(VIII) APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

As at the date of this report, the Company has entered into service agreements with all executive Directors and appointment letters with all non-executive Directors and 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) and Article 105(B) 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 of a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. Retiring Directors are eligible to offer themselves for re-election. The Directors to retire in every year shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless otherwise agreed among themselves) be determined by lot. Pursuant to Article 109 of the Articles of Association, any Director appointed by the Board either to fill a casual vacancy or as an additional Director shall hold office only until the next following general meeting and shall then be eligible for re-election at the meeting.

Hence, after discussion among the Directors, Mr. Ji Qinying, Mr. Li Daming, Mr. Chan Chi On and Mr. Lau Chi Wah, Alex will retire at the 2023 AGM.

Pursuant to the Articles of Association and the Company's board diversity policy and director nomination policy, Mr. Ji Qinying, Mr. Li Daming and Mr. Chan Chi On, being eligible for nomination and re-election, will offer themselves for re-election thereat.

Mr. Lau Chi Wah, Alex was first appointed an independent non-executive Director in December 2013, after having served on the Board for over nine years, he has decided that he will not offer himself for re-election at the 2023 AGM due to his decision to devote more time to his personal endeavors and to make way for new independent non-executive Director(s) who would bring fresh ideas to the Board.

6. CORPORATE GOVERNANCE REPORT

Reference is made to the announcement of the Company dated 24 April 2023 in relation to, among other matters, the proposed election of independent non-executive Director. After considering the recommendation of the Remuneration and Nomination Committee, the Board has nominated Dr. Peng Suping ("**Dr. Peng**") as an independent non-executive Director for election by Shareholders at the 2023 AGM. Subject to the approval by Shareholders for the election of Dr. Peng as an independent non-executive Director, Dr. Peng will also be appointed as a member of each of the Remuneration and Nomination Committee and the Audit Committee with effect from the close of the 2023 AGM. With effect from the close of the 2023 AGM, Mr. Chan Kai Wing, an independent non-executive Director, will be re-designated from a member of the Remuneration and Nomination Committee to the chairman of the Remuneration and Nomination Committee.

(IX) COMMITTEES OF THE BOARD

As at the date of this report, the Board has established three committees, namely the Audit Committee, the Remuneration and Nomination Committee and the Strategy, Sustainability and Risk Management Committee, and formulated the relevant terms of references for overseeing particular aspects of affairs of the Company. 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 Company's website (www.conchventure.com), and are available to Shareholders.

1. Audit Committee

(1) Members

As at the date of this report, the Audit Committee comprised of the three independent non-executive Directors of the Company, whose positions are as follows:

Name	Position
Mr. Chan Chi On (alias Derek Chan) (Independent non-executive Director)	Chairman
Mr. Chan Kai Wing (Independent non-executive Director)	Member
Mr. Lau Chi Wah, Alex (Independent non-executive Director)	Member

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

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

6. CORPORATE GOVERNANCE REPORT

(2) Summary of Functions and Work

The Company adopted the latest revised Terms of Reference of the Audit Committee with effect from 29 March 2021 to remove its risk management function. The new Terms of Reference of the Audit Committee stipulates that the primary duties of the Audit Committee 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 internal control system of the Company, and consider any significant or unusual matters and report to the Board for consideration.

The work performed by the Audit Committee during the Reporting Period was set forth below:

a. reviewed the audited consolidated annual results as at 31 December 2021 and the interim results as at 30 June 2022, together with the announcements and reports related to the results, and other matters or issues as proposed by the external auditor;

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

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

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

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

2. Remuneration and Nomination Committee

(1) Members

As at the date of this report, the Remuneration and Nomination Committee comprised one non-executive Director and three independent non-executive Directors of the Company, of which their positions are as follows:

Name	Position
Mr. Lau Chi Wah, Alex (Independent non-executive Director)	Chairman
Mr. Chan Chi On (alias Derek Chan) (Independent non-executive Director)	Member
Mr. Chan Kai Wing (Independent non-executive Director)	Member
Mr. Yu Kaijun (Non-executive Director)	Member

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

6. CORPORATE GOVERNANCE REPORT

(2) Summary of Functions and Work

With effect from 28 December 2022, the Company adopted the newly amended Terms of Reference of the Remuneration and Nomination Committee of the Board, and added the responsibilities of reviewing and/or approving share plan matters as set out in Chapter 17 of the Listing Rules to the Remuneration and Nomination Committee of the Board. 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 suture relating to all Directors and senior management of the Group; make recommendation to the Board on the remuneration package 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 experience) of the Board at least annually; to make recommendation to the Board on any proposed changes to the Board to complement the Company's corporate strategy; to identify and select individuals suitably qualified as potential Board members or make recommendations to the Board on the selection of individuals nominated for directorships; to assess the independence of independent non-executive Directors; and to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning of Directors, in particular that of the chairman/chief executive officer/general manager.

During the Reporting Period, the work done by the Remuneration and Nomination Committee was set forth below:

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

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

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

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

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

6. CORPORATE GOVERNANCE REPORT

(3) Director Nomination Policy

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

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

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

During the Reporting Period, the Remuneration and Nomination Committee has nominated Directors (including re-election and transfer election) to the Board according to the Director nominating procedures and selection and recommendation criteria in the Director nomination policy of the Company.

6. CORPORATE GOVERNANCE REPORT

(4) Board Diversity Policy

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

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

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

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

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

c. at least 80% of Board members have relevant working experience in China; and

d. at least one third of Board members are independent non-executive Directors.

The Board has confirmed that the Board had achieved the above targets during the Reporting Period. The Remuneration and Nomination Committee will regularly review the relevant policies and the measurable objectives to ensure the diversity of the Board.

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

6. CORPORATE GOVERNANCE REPORT

As at the date of this report, there had been no female Directors in the Board. Pursuant to Rule 13.92 of the Listing Rules, the Company will appoint at least one female Director not later than 31 December 2024 to enhance the diversity of Board members. The Remuneration and Nomination Committee will strive to choose suitable female candidates for directorship through internal promotion, selection, appointment of job intermediary institutions or other reasonable means and will make recommendations to the Board for consideration.

(5) Gender Diversity of Employees

The Group has been well aware of the benefits of employee gender diversity in enhancing the performance of the Company. The Group will strive to realize the gender diversity of employees by combining the characteristics of the industry and considering the advantages of employees, and will regularly evaluate the status of employee gender diversity and the progress in realizing the diversity goal. As at 31 December 2022, the proportion of females to males in the Group (including senior management) was approximately 20% : 80%. As the Group is engaged in the environmental industry, the relevance of gender diversity in this line of business may be lower, therefore, it is considered that the current gender ratio of employees of the Group is appropriate for the Group. However, with the human resource management policies put in place, the Group aims to avoid any form of harassment and discrimination in the workplace on the basis of age, sex, race, nationality, religion, marital status or disability. All employees are given equal opportunities for employment, training and career development without discrimination. The above measures will help ensure that all employees are treated equally and fairly.

3. Strategy, Sustainability and Risk Management Committee

(1) Member

As at the date of this report, the Strategy, Sustainability and Risk Management Committee comprised one executive Director, two non-executive Directors and one independent non-executive Director of the Company, and their positions are as follows:

Name	Position
Mr. Guo Jingbin (Non-executive Director)	Chairman
Mr. Ji Qinying (Executive Director)	Member
Mr. Chan Chi On (alias Derek Chan) (Independent non-executive Director)	Member
Mr. Yu Kaijun (Non-executive Director)	Member

The Terms of Reference of the Strategy, Sustainability and Risk Management Committee of the Board clearly defines the duties and rules of the committee.

(2) Summary of Functions and Work

The Strategy, Sustainability and Risk Management Committee is mainly responsible for formulating the mid- and long-term planning of development strategies of the Group, considering and making recommendations on policies for sustainable development, monitoring and reviewing the implementation of strategic development plans and policies related to sustainable development, overseeing and reviewing the risk management system, and assisting the Board in fulfilling its management and supervision responsibilities related to the sustainable development of the Group.

For the year ended 31 December 2022, the work done by the Strategy, Sustainability and Risk Management Committee was set forth below:

a. reviewed the Company's 2021 Environmental, Social and Governance Report; and

b. reviewed the effectiveness of the Group's risk management system.

(X) CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in Code Provision A.2.1 of the CG Code.

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

6. CORPORATE GOVERNANCE REPORT

(XI) BOARD INDEPENDENCE

On 1 December 2022, the Company established the Board independence evaluation mechanism, which clearly sets out the processes and procedures to ensure that the Board has a strong element of independence, thereby enabling the Board to effectively exercise its independent judgment and better safeguard the interests of Shareholders.

The objective of the evaluation is to continue to improve and develop the processes and procedures of the Board and its committees through the Board independence evaluation mechanism, to further improve the efficiency of the Board, to maximize the advantages and identify areas to be improved. It provides a powerful and valuable feedback mechanism. The evaluation process also sets out the actions required to be taken by the Company to maintain and improve the performance of the Board, such as the individual training and development needs of each Director.

In compliance with the Board independence evaluation mechanism, the Board will conduct an annual review of its independence. The Board independence evaluation report will be submitted to the Board, the results will be collectively discussed and it will lead to an action plan for improvement.

During the Reporting Period, all Directors has individually completed the independence evaluation in the form of questionnaires. The Board reviewed the implementation and effectiveness of the Board independence evaluation mechanism, and the results were consistent with the requirements.

(XII) AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about its reporting responsibilities on the consolidated financial statements for the year ended 31 December 2022 of the Group is set out in the section headed "Independent Auditor's Report" on pages 85 to 95.

The fee paid/payable to KPMG, the auditor, by the Company for the year ended 31 December 2022 is set out below:

Services	**Fee paid/payable** (RMB'000)
Audit Services – audit fee for 2022	2,340
Non–audit services	145
Total	2,485

6. CORPORATE GOVERNANCE REPORT

(XIII) DIRECTORS' RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for each financial year. The financial statements have truly and fairly reflected the financial position of the Group and the Company and the results of operation and cash flows of the Group in the year. During the preparation of the financial statements for the year ended 31 December 2022, the Board had adopted suitable accounting policies and ensured consistent application of such accounting policies, made prudent, fair and reasonable judgments and estimates, and prepared the accounts on a going concern basis. The Directors believe after making reasonable inquiries that the Group has sufficient fund to meet the constant operations in the foreseeable future, therefore the ongoing basis is suitable for the preparation of the financial statements.

(XIV) RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is fully responsible for, and assesses the risk management and internal control systems of the Group so as to protect the investments of the Shareholders 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 Strategy, Sustainability and Risk Management Committee and the audit department established by the Company evaluate the effectiveness of the risk management and internal control systems respectively, and independent organization inspects the risk management and internal control systems of the Company and its subsidiaries. Serious internal control deficiencies in the systems will be reported directly to the Strategy, Sustainability and Risk Management Committee, the Audit Committee and the Board, and reasonable measures will be taken and improvements will be made in a timely manner.

6. CORPORATE GOVERNANCE REPORT

During the Reporting Period, the Company formulated and issued the "2022 Implementation Measures for Risk Management and Internal Control", which focused on promoting and safeguarding the achievement of the Company's annual budget, clarifying the overall objectives, main tasks and responsible subjects of risk management and internal control, focusing on the function of the front line of defence for risk management of each professional department and project company, and focusing on monitoring the material risks that may be encountered in both the development and operation of the Company. According to the classification of listed companies, business segments and project companies to enhance and improve the risk management system, and put forward specific work requirements for risk management and internal control of the Company's waste disposal, new energy materials, port logistics, new building materials and other business segments. We focused on the five categories of first-tier risks in each segment, including strategic, operational, financial, market and legal risks, and the continuous improvement of the project companies in five areas involving 18 categories of internal control matters, including internal environment, risk assessment, control activities, information and communication, and internal supervision. We also focused on monitoring the internal risk control of the Company's major businesses such as organizational structure, investment and acquisition, engineering projects, safety and environmental protection, asset management, approvals and warrants, sales and collection, procurement and payment, financial reporting and complaints and reporting. During the Reporting Period, the Company organized two risk management and internal control self-assessments and formulated a detailed list of rectification measures for the specific internal control deficiencies and risk issues identified in the self-assessments, revised its management system for internal control deficiencies and improved its internal control processes for risk issues. The internal control deficiencies and risk issues identified by the inspection were assessed in seven areas: strategy and operations, health and safety, environment, finance, reputation, employees and compliance. According to the results of the two internal control self-assessments, there were no material internal control deficiencies in financial reporting and non-financial reporting areas in the Company and its subsidiaries. There were no significant compliance, safety, environmental or litigation incidents during the Reporting Period, and no significant incidents of employee misconduct in relation to financial reporting, internal controls or other areas that were reported to us. As such, we confirm that the risk management and internal control systems of the Company and its subsidiaries operated effectively and adequately during the Reporting Period.

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. The management has confirmed that the risk management and internal control systems of the Group are effective. The Board had through the Strategy, Sustainability and Risk Management Committee and 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 programs in respect of the Company's accounting, internal audit and financial reporting function as well as the issuer's ESG performance and reporting, 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 Board confirms that it is responsible for the Group's risk management and internal control systems and regularly reviewing the effectiveness of these systems; acknowledges that such risk management and internal control systems are designed to manage the risks associated with achieving business objectives and not intended to eliminate the risk of failure to achieve business objectives; and can only give reasonable but not absolute guarantee that there will be no material misrepresentation or loss.

(XV) JOINT COMPANY SECRETARIES

Ms. Chan Wai Ling resigned as the joint company secretary of the Company on 29 August 2022. Mr. Lee Leong Yin was appointed as the joint company secretary of the Company on 29 August 2022. Mr. Chen Xingqiang and Mr. Lee Leong Yin are the joint company secretaries of the Company. Mr. Chen Xingqiang is the internal joint company secretary of the Company. Mr. Lee Leong Yin is a senior manager of Corporate Services of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services. All Directors have access to the advice and services of the joint company secretaries on corporate governance and board practices and matters. The principal contact person in the Company with Mr. Lee Leong Yin is Mr. Chen Xingqiang, a joint company secretary of the Company, who will collaborate and communicate with Mr. Lee Leong Yin on corporate governance and secretarial and administrative matters of the Company.

6. CORPORATE GOVERNANCE REPORT

Pursuant to Rule 8.17 of the Listing Rules, the Company shall appoint a company secretary who satisfies the requirements of Rule 3.28 of the Listing Rules. Rule 3.28 of the Listing Rules provides that the Company shall appoint as its company secretary an individual who, in the opinion of the Stock Exchange, is capable of discharging the functions of company secretary by virtue of his/her academic or professional qualifications or relevant experience.

As Mr. Chen Xingqiang currently does not possess the qualifications required under Note 1 to Rule 3.28 of the Listing Rules, the Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver (the "**Waiver**") from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules with respect to the appointment of Mr. Chen Xingqiang as a joint company secretary of the Company for a period of three years from the date of such appointment (i.e. 11 October 2021) (the "**Waiver Period**"). The Waiver is granted on the conditions that (i) Mr. Chen Xingqiang must be assisted by Ms. Chan Wai Ling throughout the Waiver Period; and (ii) the Waiver can be revoked if there are material breaches of the Listing Rules by the Company. Before the end of the Waiver Period, the Company must demonstrate and seek the Stock Exchange's confirmation that Mr. Chen Xingqiang, having had the benefit of Ms. Chan Wai Ling's assistance during the Waiver Period, has attained the relevant experience and is capable of discharging the functions of company secretary under Rule 3.28 of the Listing Rules, such that a further waiver will not be necessary. The Stock Exchange may withdraw or change the Waiver if the Company's situation changes.

In view of the resignation of Ms. Chan Wai Ling and Mr. Chen Xingqiang currently does not possess the qualifications required under Note 1 to Rule 3.28 of the Listing Rules, the Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a new waiver (the "**New Waiver**") from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules for a period from the date of the appointment of Mr. Lee Leong Yin (i.e. 29 August 2022) to 10 October 2024 (the "**New Waiver Period**"). The New Waiver is granted on the conditions that (i) Mr. Chen Xingqiang must be assisted by Mr. Lee Leong Yin throughout the New Waiver Period; and (ii) the New Waiver can be revoked if Mr. Lee Leong Yin is no longer the joint company secretary of the Company or there are material breaches of the Listing Rules by the Company. Before the end of the New Waiver Period, the Company must demonstrate and seek the Stock Exchange's confirmation that Mr. Chen Xingqiang, having had the benefit of Mr. Lee Leong Yin's assistance during the New Waiver Period, has attained the relevant experience and is capable of discharging the functions of company secretary under Rule 3.28 of the Listing Rules, such that a further waiver will not be necessary. The Company will disclose the details of the new wavier through an announcement, including the reasons, details and conditions of the new waiver.

For the year ended 31 December 2022, Mr. Chen Xingqiang and Mr. Lee Leong Yin had taken no less than 15 hours of relevant professional training in accordance with Rule 3.29 of the Listing Rules.

The biographical details of Mr. Chen Xingqiang and Mr. Lee Leong Yin are set out in the section headed "Biographies of Directors and Senior Management" of this report.

6. CORPORATE GOVERNANCE REPORT

(XVI) SHAREHOLDERS' RIGHTS

Procedures for Shareholders to convene an extraordinary general meeting

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

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

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

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

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

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

6. CORPORATE GOVERNANCE REPORT

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 make any enquiry to the Company at the following designated contacts, correspondence address, email address and enquiry hotlines of the Company:

Address:	No. 1011 Jiuhua South Road, Wuhu City, Anhui Province, the People's Republic of China
Email:	chenxq@conchventure.com
Tel:	86–553–8398095/8396329
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.

6. CORPORATE GOVERNANCE REPORT

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 Hong Kong principal place of business at Suite 4018, 40/F, Jardine House, 1 Connaught Place, Central, Hong Kong.

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

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

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

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

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

At the annual general meeting held by the Company on 24 June 2022, 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 2022 Annual General Meeting.

(XVII) CONSTITUTIONAL DOCUMENTS

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

6. CORPORATE GOVERNANCE REPORT

(XVIII) COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

(i) corporate communications, such as the publication of annual reports, interim reports and circulars in the form of printed copies, and available on the websites of Stock Exchange and the Company;

(ii) regular announcements are made on the websites of the Stock Exchange and the Company;

(iii) corporate information is available on the website of the Company; and

(iv) the annual general meetings and extraordinary general meetings provide a forum for Shareholders to participate in discussions, offer their views and exchange ideas with the Directors and senior management.

The Company is committed to maintaining an ongoing dialogue with Shareholders, particularly through the annual general meeting and other general meetings. The Chairman of the Board, all other Board members (including the independent non-executive Directors), and the chairmen of all Board committees (or their representatives), will make time to attend and interact with Shareholders at the annual general meeting.

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 in China:**
	No. 1011 Jiuhua South Road, Yijiang District, Wuhu City, Anhui Province, China
	Principal Place of Business in Hong Kong:
	Suite 4018, 40/F, Jardine House, 1 Connaught Place, Central, Hong Kong
Tel:	86–553–8398095/8396329
Fax:	86–553–8399065
Email:	hlcy@conchventure.com

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

During the Reporting Period, the Board has reviewed the implementation and effectiveness of the policy for communicating with Shareholders, including the measures taken at general meetings, the handling of inquires received (if any) and existing communication channels and engagement channels available, and the Board is satisfied with the review results.

7. REPORT OF THE DIRECTORS

Directors hereby present the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2022.

(I) PRINCIPAL BUSINESS

The Company is an investment holding company engaged in the provision of the "all-round" solutions on energy-saving and environmental-protection. Details of the activities of the subsidiaries of the Company are set out in notes 5 and 16 to the financial statements.

The annual business review and the discussion of future business development of the Group, as well as the analysis of the performance of the Group during the year based on the key financial performance indicators are set out on pages 10 to 21 of the "Business Review and Outlook" section and pages 22 to 32 of the "Management Discussion and Analysis" section in the report respectively. These information forms part of the Report of the Directors.

(II) BUSINESS MODELS AND STRATEGIES

The Group's principal activities consist of four major business, namely the environmental protection sector, new energy, new building materials and port logistics. The Group focuses on the development of the grate furnace power generation and new energy sectors. The Group has set up two production bases in Wuhu and Bozhou, Anhui Province for the production and sale of new energy-saving wall materials such as fiber cement boards. The port logistics business represents the Jiangdu Haichang sea-to-river transshipment port owned by the Group in Yangzhou City, Jiangsu Province. In addition, the Company commenced the project of resource utilization for lithium battery to nurture new growth drivers during the Reporting Period.

To consolidate its position as a leading integrated supplier of environmental protection solutions, the Group has implemented the following strategies, including: (i) further promoting the projects of grate furnace power generation, deepening project benchmarking management and improving operation quality; (ii) establishing a comprehensive and standardized construction management system, and developing unique architectural style for main structure of environmental protection projects; (iii) making selective yet prudent acquisitions to complement the business composition; (iv) actively engaging in cooperation with companies in the lithium battery industry; and (v) strengthening technology research and development, and promoting the projects of lithium battery recycling comprehensive utilization.

(III) RELATIONS WITH THE SUBSTANTIAL STAKEHOLDERS

The Group always places the maintenance of relationships with employees, customers and suppliers at the forefront of achieving sustainable business development. The Group has strengthened its ties with employees, cooperated with suppliers and provided customers with products and services of high quality, so as to achieve sustainable corporate development.

The Group attaches great importance to human resources management and development, and strengthens its talent team through internal training, social recruitment and the introduction of professional talents to establish a talent pool for corporate development. The group provides professional business training to employees in various positions to fully mobilize the enthusiasm of the employees for continuous learning. At the same time, the Group strives to build competitive promotion paths and a diversified talent development platform to improve the professional ability of employees at all positions.

In terms of customer relationship, while maintaining the relationship with its existing customers, the Group has actively expanded markets and customer service scopes. The Group conducts regular after-sales visits to customers and adjusts marketing strategy accordingly, striving to improve the quality of products and services.

As for relationships with suppliers, the Group's main service providers include engineering construction entities, external consultants providing professional services and other business partners providing value-added services for the Group. The Group places a high value on building common values with suppliers, promotes business benefits with product benefits, ultimately achieving win-win cooperation among all parties.

(IV) 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 98 of this report.

(V) RESERVES AND DIVIDEND

Details of other changes in reserves are set out in note 31 to the financial statements and the consolidated statement of changes in equity on pages 102 to 103.

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

As at 31 December 2022, the Company's reserves available for distribution to its Shareholders amounted to approximately RMB16.2 million (31 December 2021: RMB688.7million). The Directors recommend the distribution of final dividend of HKD0.40 per share for the year ended 31 December 2022 (2021: HKD0.70 per share) to the Shareholders.

Subject to the approval of Shareholders at the 2023 AGM to be held on 20 June 2023, the above proposed final dividend will be paid to the Shareholders whose names appear on the register of members of the Company at the close of business on 7 July 2023. The proposed final dividend is expected to be paid on 21 July 2023.

7. REPORT OF THE DIRECTORS

(VI) ANNUAL GENERAL MEETING

The 2023 AGM will be held on Tuesday, 20 June 2023. The notice of the 2023 AGM, which will be incorporated into the circular to the Shareholders, will be sent together with this annual report.

(VII) CLOSURE OF REGISTER OF MEMBERS

For determining the qualification of Shareholders to attend and vote at the 2023 AGM, the register of members of the Company will be closed from Tuesday, 13 June 2023 to Tuesday, 20 June 2023, both days inclusive, during which period no transfer of shares will be registered. In order to qualify as Shareholders to attend and vote at the 2023 AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 12 June 2023.

For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Monday, 3 July 2023 to Friday, 7 July 2023, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the entitlement to the proposed final dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 30 June 2023.

(VIII) PROPERTY, PLANT AND EQUIPMENT

As at 31 December 2022, the property, plant and equipment of the Group amounted to approximately RMB4,078 million. Details of the changes in property, plant and equipment of the Group during the Reporting Period are set out in note 13 to the financial statements.

(IX) SUBSIDIARIES AND ASSOCIATED COMPANIES

Details of the major subsidiaries and associated companies of the Company are set out in notes 16 and 18 to the financial statements.

(X) SHARE CAPITAL

During the Reporting Period, the Company allocated internal resources of the Group to repurchase a total of 13,780,000 shares of the Company on the Stock Exchange. For further details, please refer to the paragraph headed "Purchase, sale or redemption of the Company's listed securities" in this section.

Details of the Company's capital structure are set out in note 31(c) to the financial statements. As at 31 December 2022, the Company had a total of 1,812,985,059 Shares in issue.

7. REPORT OF THE DIRECTORS

(XI) DISCLOSURE OF INTERESTS

1. Substantial Shareholders' Interests or Short Positions

As at 31 December 2022, as far as the Directors were aware, the interests or short positions of the persons other than the Directors and chief executive of the Company in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register of substantial shareholders required to be kept by the Company under section 336 of the SFO were as follows:

Name of Shareholders	Nature of Interests	Number of shares	Approximate percentage of shareholdings (%)
SA Conch	Interest of controlled corporation	181,434,500 (L) (Note 1)	10.01
CV Group	Interest of controlled corporation	181,434,500 (L) (Note 2)	10.01
BlackRock, Inc	Interest of controlled corporation	145,897,587 (L) 4,697,000 (S)	8.05 0.26
Conch Venture	Interest of controlled corporation	109,810,500 (L) (Note 3)	6.06
Conch Venture Wuhu	Interest of controlled corporation	109,810,500(L) (Note 3)	6.06
Conch Holdings	Beneficial owner	20,300,000(L)	1.12
	Interest of controlled corporation	89,510,500(L) (Note 4)	4.94
	Sub-total	**109,810,500(L)**	**6.06**

Notes:

1. Among the aforesaid shares, 163,495,000, 6,344,000 and 11,595,500 Shares are owned respectively by (i) 海螺創投控股(珠海)有限公司 (Conch Venture Holdings (Zhuhai) Co., Ltd.*) ("**CV Holdings (Zhuhai)**"), (ii) 安徽海螺創業醫療投資管理有限責任公司 (Anhui Conch Venture Medical Investment Management Co., Ltd.*) ("**CV Medical**"), (iii) 海螺創業國際有限公司 (Conch Venture International Limited*) ("**CVI**"), all of which are wholly-owned by CV Group. CV Group is deemed to be interested in the shares in which CV Holdings (Zhuhai), CV Medical, CVI are interested by virtue of the SFO. As 82.93% of CV Group's registered capital is held by SA Conch, SA Conch is deemed to be interested in the shares in which CV Group is interested by virtue of the SFO.

2. Among the aforesaid shares, 163,495,000, 6,344,000 and 11,595,500 Shares are owned respectively by CV Holdings (Zhuhai), CV Medical and CVI, all of which are wholly-owned by CV Group. CV Group is deemed to be interested in the shares in which CV Holdings (Zhuhai), CV Medical, CVI are interested by virtue of the SFO.

7. REPORT OF THE DIRECTORS

3. Among the aforesaid shares, 20,300,000 Shares are directly owned by Conch Holdings, and the remaining 79,219,500 and 10,291,000 Shares are directly owned respectively by: (i) Conch Cement, and (ii) Conch International Holdings (HK) Limited ("**Conch International**"). Conch Venture indirectly owns the entire registered capital of Conch Venture Wuhu via several wholly-owned subsidiaries, while Conch Venture Wuhu owns 49% of the registered capital of Conch Holdings; Conch Holdings owns approximately 36.4% of Conch Cement's issued shares, while Conch International is the wholly-owned subsidiary of Conch Cement. Pursuant to the SFO, Conch Holdings is deemed to be interested in the shares in which Conch Cement and Conch International are interested; Conch Venture Wuhu is deemed to be interested in the shares in which Conch Holdings is interested; Conch Venture is deemed to be interested in the shares in which the aforesaid companies are interested.

4. Among the aforesaid shares, 79,219,500 and 10,291,000 Shares are owned respectively by Conch Cement and Conch International. Conch Holdings is deemed to be interested in shares in which Conch Cement and Conch International are interested by virtue of the SFO.

5. The letter "L" and "S" refer to long-position ("**L**") and short-position ("**S**") respectively.

Save as disclosed above, as at 31 December 2022, the Directors were not aware of any other persons, other than the Directors and chief executive of the Company, who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register of substantial shareholders required to be kept under section 336 of the SFO.

7. REPORT OF THE DIRECTORS

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

As at 31 December 2022, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken, or are deemed to have taken, under such provisions of the SFO), or recorded in the register required to be kept by the Company under section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code set out in Appendix 10 to the Listing Rules were set out below:

The Company

Name of Directors	Nature of Interests	Number of Shares (long position)	Approximate percentage of shareholdings (%)
Mr. Guo Jingbin	Interest of controlled corporation (note 1)	47,680,000	2.63
Mr. Ji Qinying	Interest of spouse (note 2)	35,033,752	1.93
Mr. Li Jian	Beneficial owner	7,396,370	0.41
	Interest of spouse (note 3)	105,346	0.01
	Sub-total	**7,501,716**	**0.41**
Mr. Li Daming	Beneficial owner	6,200,563	0.34
	Interest of spouse (note 4)	10,000	0.00
	Sub-total	**6,210,563**	**0.34**
Mr. Shu Mao	Beneficial owner	143,000	0.01

Note:

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

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

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

4. These Shares are owned by Ms. Zhang Qingmei. Mr. Li Daming is deemed to be interested in the Shares held by his spouse, Ms. Zhang Qingmei, by virtue of the SFO.

7. REPORT OF THE DIRECTORS

3. Interests and Short Positions of Senior Management

As at 31 December 2022, interests of the senior management of the Company were as follows:

Name of senior management	Nature of interests	Number of shares (long positions)	Approximate percentage of shareholdings (%)
Mr. Wang Xuesen	Beneficial owner	2,407,918	0.13
Mr. Chen Xingqiang	Beneficial owner	4,000	0.00
Mr. Zhang Bangzhi	Beneficial owner	50,000	0.00

Save as disclosed above, as at 31 December 2022, none of the Directors and chief executive of the Company had interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions they have taken, or are deemed to have taken, under such provisions of the SFO), or recorded in the register required to be kept by the Company under section 352 of the SFO, or otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(XII) 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 8.95% and 16.48% 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 7.79% and 19.10% of the total procurement of the Group respectively.

To the best knowledge of the Directors, none of the Directors and their close associates or Shareholders who held more than 5% of the Company's issued share capital as at 31 December 2022 has any interest in any of the five largest customers and suppliers mentioned above.

7. REPORT OF THE DIRECTORS

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

During the Reporting Period, the Company repurchased a total of 13,780,000 Shares of the Company at an aggregate consideration of HKD276,985,110 (excluding the expenditures) which was funded by internal resources of the Group on the Stock Exchange.

Particulars of the Shares repurchased during the Reporting Period are as follows:

Months in which Shares were repurchased in 2022	Date of cancellation	Number of Shares repurchased (shares)	Highest price paid per Share (HKD)	Lowest price paid per Share (HKD)	Total consideration paid (HKD)
April	15 June, 2022	7,149,500	22.50	19.98	154,538,385
May	15 June, 2022	1,154,000	20.05	19.82	22,968,045
June	15 June and 27 June, 2022	5,476,500	20.00	16.22	99,478,680
Total		13,780,000			276,985,110

The Directors considered the above Share repurchases were made with a view to place emphasis on Shareholders' interest.

Save as disclosed above, during the Reporting Period, neither the Company nor its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

(XIV) MINIMUM PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the knowledge of the Directors, the Directors confirmed that during the Reporting Period and up to the date of this report, the Company has maintained the level of public float as required by the Listing Rules.

7. REPORT OF THE DIRECTORS

(XV) EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2022, the Group had approximately 5,551 employees. The following table shows a breakdown of the employees by function and educational background as at 31 December 2022:

Function	**Number of individuals in 2022**	Number of individuals in 2021
Production and Operation	**3,812**	4,860
Management	**708**	867
Finance and Administration	**297**	383
Others	**734**	980
Total	**5,551**	7,090

Educational background	**Number of individuals in 2022**	Number of individuals in 2021
Master degree	**62**	120
Bachelor degree	**1,355**	1,753
Associate degree	**2,103**	2,380
Below associate degree	**2,031**	2,837
Total	**5,551**	7,090

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 2022, the total remuneration of employees (including the remuneration of the Directors) was approximately RMB585.26 million (2021: RMB374.33 million).

During the Reporting Period, China Conch Environment Protection Holdings Limited was separately listed after being spun off from the Group, which is the reason for the decline of number of employees as compared with the same period of the previous year.

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

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

Name	Position	Date of appointment as Director
Mr. Guo Jingbin	Non-executive Director, Chairman of the Board (Note 1)	Appointed on 24 June 2013
Mr. Ji Qinying	Executive Director, Vice-Chairman of the Board, Chief Executive Officer (Note 2)	Appointed on 18 July 2013
Mr. Shu Mao	Executive Director, Executive Deputy General Manager (Note 1 and Note 3)	Appointed on 27 September 2021
Mr. Li Jian	Executive Director, Deputy General Manager (Note 4)	Appointed on 18 July 2013
Mr. Li Daming	Executive Director	Appointed on 18 July 2013
Mr. Yu Kaijun	Non-executive Director (Note 1)	Appointed on 1 November 2021
Mr. Chan Chi On (alias Derek Chan)	Independent Non-executive Director	Appointed on 3 December 2013
Mr. Chan Kai Wing	Independent Non-executive Director (Note 5)	Appointed on 3 December 2013
Mr. Lau Chi Wah, Alex	Independent Non-executive Director	Appointed on 3 December 2013

Note:

1. At the 2022 Annual General Meeting of the Company, Mr. Guo Jingbin, Mr. Shu Mao and Mr. Yu Kaijun were re-elected as non-executive Directors.

2. Mr. Ji Qinying was appointed as the Vice-Chairman of the Board on 10 October 2022.

3. Mr. Shu Mao was re-designated from a non-executive Director to an executive Director and was appointed as executive deputy general manager of the Company on 10 October 2022.

4. At the 2022 Annual General Meeting of the Company, Mr. Li Jian was re-elected as an executive Director.

5. At the 2022 Annual General Meeting of the Company, Mr. Chan Kai Wing was re-elected as an independent non-executive Director.

As at the date of this report, the Company had entered into services contracts with all executive Directors and had signed appointment letters with all the non-executive Directors and 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.

The Company has received annual confirmation of independence from each of the existing independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Company considers that all the independent non-executive Directors are independent in accordance with the Listing Rules and believes that they are able to provide independent advice on the business strategy, operating results and management of the Company, therefore protecting the interest of the Company and its Shareholders.

7. REPORT OF THE DIRECTORS

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

Save as disclosed in this report, during the Reporting Period, none of the Directors has any indirect interests, directly or indirectly, in any transaction, arrangement or contract that was significant to the business of the Group entered into by the Company, its holding company or any of its subsidiaries or fellow subsidiaries.

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

(XVIII) DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

(XIX) REMUNERATIONS OF DIRECTORS AND SENIOR MANAGEMENT AND FIVE HIGHEST PAID INDIVIDUALS

The remunerations of the Directors are determined by the Board based on the recommendations made by the Remuneration and Nomination Committee with reference to the salaries paid by comparable companies, the time commitment and responsibilities and the performance of the Group. The Directors and senior management may receive compensation in the forms of salaries, benefits in kind and/or discretionary bonuses pegged to the performance of the Group. The Company will also reimburse them for the reasonable and necessary expenses incurred by providing services to the Company or performing their duties in relation to operation. The Company regularly reviews and determines the remuneration packages of the Directors and senior management.

Details of the remunerations of the Directors and the five highest paid individuals of the Company during the Reporting Period are set out in notes 10 and 11 to the Consolidated Financial Statements.

During the Reporting Period, individual remuneration of the senior management of the Company was within the following band.

Band (RMB)	Number of individuals
0–1,000,000	0
1,000,000–2,000,000	3

(XX) THE BOARD AND BOARD COMMITTEES

As at 31 December 2022, the Board of Directors was composed of nine Directors. The biographies of the Directors are set out in the section headed "Biographies of Directors and Senior Management" in this report.

The Board has three committees, namely the Audit Committee, the Remuneration and Nomination Committee and the Strategy, Sustainable Development and Risk Management Committee. Details of the committees are set out in the section headed "Corporate Governance Report".

(XXI) 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. Mr. Li Daming and Mr. Han Jiwu have no longer served as the deputy general manager of the Company with effect from 28 March 2022;

2. Mr. Ji Qinying has been appointed as the Vice-Chairman of the Board with effect from 10 October 2022;

3. Mr. Shu Mao has been re-designated from non-executive Director to executive Director and appointed as the executive deputy general manager of the Company with effect from 10 October 2022;

4. Ms. Chan Wai Ling has resigned as a joint company secretary of the Company with effect from 29 August 2022;

5. Mr. Lee Leong Yin has been appointed as a joint company secretary of the Company with effect from 29 August 2022; and

6. Mr. Zhang Bangzhi has served as the assistant to general manager of the Company with effect from 1 December 2022.

(XXII) MANAGEMENT CONTRACT

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

7. REPORT OF THE DIRECTORS

(XXIII) CONNECTED TRANSACTIONS

1. Connected Persons

Kawasaki HI holds 49% equity interests in CK Engineering, CK Equipment and CK Shanghai, all being the indirect non-wholly-owned subsidiaries of the Company. As Kawasaki HI holds more than 30% equity interests in CK Engineering, CK Equipment and CK Shanghai, 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 the non-wholly-owned subsidiaries of the Company) and Conch Cement, with 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 establishment dates and principal businesses of Kawasaki HI and CKEM are as follows:

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

2. Continuing Connected Transactions

(1) Transactions with Kawasaki HI

On 22 December 2020, the Group (through CK Engineering, CK Equipment and CK Shanghai, collectively referred to as "**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 the other party equipment, parts and products related to, among other things, residual heat power generation and waste treatment. According to the Kawasaki General Agreement, the total amount of such contracts under the Kawasaki Master Agreement for the year ended 31 December 2022 shall not exceed RMB62.40 million.

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

During the Reporting Period, the amount of the above transactions under the Kawasaki Master Agreement was RMB14.66 million, which did not exceed the annual cap of RMB62.40 million.

(2) Transactions with CKEM

On 22 December 2020, the Group (through the CK Subsidiaries) entered into an agreement ("**CKEM Master Agreement**") with CKEM, whereby the CK Subsidiaries have agreed to supply fragmentary material and processing services to CKEM, while CKEM has agreed to supply certain equipment and products to the CK Subsidiaries. The total amount under such contracts under the CKEM Master Agreement for the year ended 31 December 2022 shall not exceed RMB18.90 million.

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

During the Reporting Period, the actual amount of the above transactions under the CKEM Master Agreement was RMB7.64 million, which did not exceed the annual cap of RMB18.90 million.

7. REPORT OF THE DIRECTORS

3. Continuing Connected Transactions Exempted from Reporting, Announcement and by 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 on 27 September 2010, 25 September 2008 and 7 August 2013) (collectively, the "**Kawasaki RH Licensing Agreement**"), whereby Kawasaki Partner granted CK Engineering an exclusive license to use 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 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 taking into account the RMB6 million paid, and 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. Therefore, 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, a licensing fee of RMB1.2 million was paid by CK Engineering to Kawasaki Partner during each of the three years ended 31 December 2012. Since then, there was no outstanding licensing fee 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 transaction contemplated under the agreement is a continuing connected transaction and is exempted from the reporting, announcement and approval of independent Shareholders' approval requirements under the Listing Rules.

7. REPORT OF THE DIRECTORS

(2) Kawasaki VM Licensing Agreement

On 7 April 2008, CK Equipment and Kawasaki Partner entered into a technical licensing agreement (the "**Kawasaki VM Licensing Agreement**"), whereby Kawasaki Partner granted CK Equipment an exclusive license to use technology knowhow in respect of vertical mills and the use of technical information such as drawings and technical data calculation software in China. Such license is exempt from licensing fee and is valid until 21 September 2027.

Since no licensing fees are 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 approval of independent Shareholders' approval requirements under the Listing Rules.

For the disclosure of connected persons, please refer to the note 35 to the financial statements for details.

Pursuant to Article 14A.56 of the Listing Rules, the Company has engaged its independent external auditor, KPMG, to perform the engagement in accordance with the Hong Kong Standard on Assurance Engagement No. 3000 (Revised) "Assurance Engagement Other than the Review or Reviews of Historical Financial Information" and with reference to the Practice Note No. 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants, that was, to perform the assurance engagement regarding the continuing connected transactions of the Group for the year ended 31 December 2022, and KPMG has issued a letter to the Board to confirm that, no following matters 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, such transactions were not carried out, in all major aspects, in accordance with the pricing policy of the Group; (3) the transactions were not entered into, in all major aspects, in accordance with the agreement related to such transactions; and (4) the amount of the transactions exceeded the annual caps.

Pursuant to Article 14A.55 of the Listing Rules, the independent non-executive Directors have reviewed the above-mentioned continuing connected transactions and the report from KPMG, and recognized that the transactions carried out by the Group have been entered into:

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

b. on normal commercial terms or better terms; and

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

7. REPORT OF THE DIRECTORS

(XXIV) RELATED PARTY TRANSACTIONS

Save as disclosed in the section headed "Connected Transactions" of this report and the note 35 to the financial statements, no related party transactions were conducted by the Group during the Reporting Period.

With respect to the major related party transactions set out in the note 35 to the financial statements, save for the transactions with Conch Cement, Conch IT Engineering, Conch Design Institute, Conch Holdings, Conch New Material, and Conch Venture, these related party transactions constituted continuing connected transactions within the meaning of Chapter 14A of the Listing Rules. As at 31 December 2022, the Company has met the disclosure requirements of Chapter 14A of the Listing Rules.

(XXV) SHARE SCHEME

The Company has conditionally adopted a 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.

The Directors consider that 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 the 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 capitalize 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 any equity interest;

(2) any non-executive Directors (including independent non-executive Directors) of the Company, any of its subsidiaries or any invested entity;

(3) any supplier providing goods or services to any member of the Group or any invested entity;

(4) any customer of any member of the Group or any invested entity;

7. REPORT OF THE DIRECTORS

(5) any person or entity providing research, development or other technical 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 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 purpose 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 issued Shares on the date on which trading of the Company commenced on the Stock Exchange, i.e. 176,500,000 shares, accounting for approximately 9.74% 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 or any other share option scheme of the Group (including options exercised or not exercised) to each grantee in any 12-month period shall not exceed 1% of the issued share capital for the time being ("**Individual Limit**"). Any further grantor options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant must be separately approved by the Shareholders at the general meeting with such grantee and his/her close associates abstaining from voting.

Any grant of options the Share Option Scheme to the Directors, chief executive or substantial Shareholders of the Company or any of their respective close associates must be approved by the independent non-executive Director (excluding any independent non-executive Director who or whose close associates is/are the proposed grantee(s) of the share option(s). Where any grant of options to a substantial Shareholder or an independent non-executive Directors 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 unexercised) 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 of the Company in issue; and (ii) having an aggregate value, based on the closing price of the shares of the Company at the date of each offer for the grant, in excess of HKD5 million; such further grant of options must be approved by the Shareholders in the general meeting.

7. REPORT OF THE DIRECTORS

Any option may be accepted by a participant within 21 days from the date of the offer of grant of options. A nominal consideration of HKD1 is payable by the grantee on acceptance of the grant of options. The exercise periods of the granted options shall be determined by the Board, which may commence from the date of the offer of grant of the 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 clause of the Share Option Scheme.

The subscription price under the Share Option Scheme shall be determined by the Board, but shall not be less than the highest of the following: (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 days immediately preceding the date of the offer for the grant; and (iii) the par value of a Share of the Company.

Pursuant to the Share Option Scheme, the exercise period and vesting period of the options shall be determined by the Board at the time of granting options. The Company will comply with the applicable scope of Chapter 17 of the Listing Rules in respect of the grant of options (if any).

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 from the date on which the Share Option Scheme is adopted, i.e., expiring on 2 December 2023.

Since the listing, the Company has not granted any share options under the Share Option Scheme.

(XXVI) EQUITY-LINKED AGREEMENTS

Save as disclosed in the sections of this report headed "Share Scheme" and "Management Discussion and Analysis" in relation to the issuance of zero coupon guaranteed convertible bonds with an aggregate value of HKD3,925,000,000 maturing in 2023, no equity-linked agreements were entered during the year ended 31 December 2022 or subsisted during the financial year.

(XXVII) TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief or exemption available to the Shareholders by reason of their holding of the Company's securities.

(XXVIII) PRE-EMPTIVE RIGHTS

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

(XXIX) AUDITOR

In 2022, the Company appointed KPMG as its international auditor for the year ended 31 December 2022. The consolidated financial statements of the Group for the year ended 31 December 2022 have been audited by KPMG. The Company has not changed its auditor in the past three years.

The term of office of KPMG will expire at the upcoming annual general meeting (the "**Annual General Meeting**") and KPMG will retire and offer itself for re-appointment thereat. A resolution for the re-appointment of KPMG as the auditor of the Company is proposed at the Annual General Meeting.

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

(XXX) 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 to obtain benefits by means of the acquisition of Shares in or debentures of, the Company or any other body corporate.

(XXXI) MAJOR RISKS AND UNCERTAINTIES

The principal activities of the Group include provision of an all-round solution on energy conservation and environmental protection, manufacturing of new energy positive and negative materials, new building materials, and engaging in port logistics business, which faces a variety of major risks and uncertainties, including: (1) the macroeconomic downward pressure continues to increase; there are intensified market competitions in waste treatment projects resulted in increase of uncertainty in obtaining projects; the waste treatment projects outside China have a long investment cycle and are subject to changes in politics, economy and law in the countries where it invests in, 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 companies of which the Group only has minority interests, and the operation of the associated companies 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 developed by the Group and Kawasaki HI, so 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 decline in turnover and a relatively small scale of a single waste disposal system may result in an increase in management and operation costs; and (5) the expansion of the Group's operating scale outside China involves risks, including difficulties in transnational operations, currency exchange rate fluctuations, etc.

7. REPORT OF THE DIRECTORS

(XXXII) COMPLIANCE WITH LAWS AND REGULATIONS

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

During the Reporting Period, to the best knowledge of the Group, the Group has: (1) for environmental protection, complied with the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), the Law 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 the 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 the 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 the Prevention and Control of Soil Pollution (《中華人民共和國土壤污染防治法》), the Law of the People's Republic of China on the Prevention and Control of Noise Pollution (《中華人民共和國環境噪聲污染防治法》) and the Law of the People's Republic of China on the Protection of the Marine Environment (《中華人民共和國海洋環境保護法》); (2) for cement production, complied with the Product Quality Law of the People's Republic of China (《中華人民共和國產品質量法》), the Regulation of the People's Republic of China on the Administration of Production License for Industrial Products (《中華人民共和國工業產品生產許可證管理條例》), the Catalog of Products Subject to the Administration of 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 the Measures for the Administration of Bulk Cement (《散裝水泥管理辦法》); (3) for port operation, complied with the Port Law of the People's Republic of China (《中華人民共和國港口法》) and the Regulations on the Administration of Port Operation (《港口經營管理規定》); (4) for the manufacturing of special equipment, complied with the Regulations on the Safety Supervision of Special Equipment (《特種設備安全監察條例》) and the Supervision and Administration Measures for the Manufacturing of Boilers and Compressed Containers (《鍋爐壓力容器製造監督管理辦法》); (5) for import and export 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 the 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》), the Law of the People's Republic of China on the Imported and Exported Commodities Inspection (《中華人民共和國進出口商品檢驗法》) and its implementation rules; (6) for contracting foreign projects, complied with the Foreign Trade Law of the People's Republic of China (《中華人民共和國對外貿易法》), the Administrative Regulation on Foreign Contracting Projects (《對外承包工程管理條例》), and the Administrative Measures on the Qualification for Foreign Contracting Projects (《對外承包工程資格管理辦法》); and (7) for labour and production safety, complied with the Production Safety Law of the People's Republic of China (《中華人民共和國安全生產法》), the Fire Control Law of the People's Republic of China (《中華人民共和國消防法》), the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》), the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), the Electricity Law of the People's Republic of China (《中華人民共和國電力法》) and other relevant rules and regulations.

(XXXIII) 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 performances of the Group, please refer to the Environmental, Social and Governance Report to be published by the Group separately.

(XXXIV) DONATION

During the Reporting Period, the Group did not make any charitable or any other kind of donations (2021: nil).

(XXXV) PERMITTED INDEMNITY PROVISIONS

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

(XXXVI) SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in the note 37 to the financial statements, no significant subsequent events occurred in the Group after 31 December 2022 and up to the date of this report.

By order of the Board
Guo Jingbin
Chairman of the Board

Wuhu, China
29 March 2023

8. BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

(I) DIRECTORS

1. Executive Directors

Mr. Ji Qinying (紀勤應), aged 66, was appointed as a Director with effect from 18 July 2013. He is currently an executive Director, the Vice-Chairman of the Board, the chief executive officer of the Company and a member of the Strategy, Sustainability and Risk Management Committee of the Company. Mr. Ji is primarily responsible for day-to-day management of the Group's business operations. Mr. Ji is currently also a director of certain subsidiaries of the Company. 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 Wuhu Conch Profiles and Science Co., Ltd.* (蕪湖海螺型材科技股份有限公司). Mr. Ji served as a director of CV Group from November 2002 to February 2016. He also served as the general manager of CV Group from May 2013 to April 2015 and the chairman of CV Group from May 2015 to February 2016. Mr. Ji has been re-designated as a non-executive director of Conch Environment (a company listed on the Main Board of the Stock Exchange, stock code: 00587) from 17 September 2021 to 9 October 2022. 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.

Mr. Shu Mao (疏茂), aged 36, was re-designated from a non-executive Director to an executive Director and appointed as the executive deputy general manager of the Company on 10 October 2022. Mr. Shu was appointed as the joint company secretary on 3 December 2013 and has served as the sole company secretary of the Company from 13 April 2017 to 27 September 2021. Mr. Shu was appointed as a non-executive Director from September 2021 to October 2022. He graduated from Anhui Polytechnic University (安徽工程大學) in 2008, majoring in business administration. He pursued a Ph.D. degree program in Environmental Science and Engineering of Jiangnan University (江南大學) from September 2022.

Mr. Shu joined Anhui Conch Group in February 2008 and has served as the assistant to manager of the Board of Directors' Office of Anhui Conch Group and the assistant manager of the office of general manager of CV Group. Mr. Shu has also served as the head of the general management department of the Company since August 2013 and the deputy general manager of the Company from December 2020 to September 2021. Mr. Shu is currently also a director of certain subsidiaries of the Company. On 2 March 2021, Mr. Shu became an affiliated person of The Hong Kong Chartered Governance Institute. On 25 February 2021, Mr. Shu has been re-designated as an executive director of Conch Environment. Mr. Shu was re-designated as an executive director, general manager and a company secretary of Conch Environment from 17 September 2021 to 9 October 2022.

8. BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Li Jian (李劍), aged 61, was appointed as a Director 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 and new energy business sector of the Group and general operation of Anhui Conch Venture Green and Bozhou Conch Venture Green. He is also a director of Anhui Conch Venture Green and Bozhou Conch Venture Green and acted as the chairman of both companies since July 2015. He graduated from Anhui Broadcast and Television University (安徽廣播電視大學) in July 1994, majoring in electrical engineering. Mr. Li joined the Anhui Conch Group in 1995 and joined the Group in 2011. Mr. Li 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 Group. He has also been a director and deputy general manager of CV Group from May 2013 to the end of April 2015. Mr. Li has over 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 57, was appointed as a Director with effect from 18 July 2013. He is currently an executive Director of the Company. He is also the chairman 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. Mr. Li graduated from Anhui Mechanical and Electrical College (安徽機電學院) in July 1986, majoring in manufacture of electrical equipment. Mr. Li joined the Group in December 2006 and has been a director of CK Equipment since September 2007, a director of CK Engineering since November 2006 and deputy general manager of CK Engineering since December 2006. Mr. Li has been appointed as a non-executive director of Conch Environment from 17 September 2021 to 22 April 2022. Mr. Li has over 20 years' experience in the building materials industry. Mr. Li also has extensive experience in residual heat power generation and waste management and has established good cooperation relationship with Kawasaki HI in developing the residual heat power generation business.

8. BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

2. Non-executive Directors

Mr. Guo Jingbin (郭景彬), aged 65, was appointed as a Director with effect from 24 June 2013. He had served as an executive Director since 1 July 2014 and re-designated as a non-executive Director on 27 September 2021. He is currently the chairman of the Board and the chairman of the Strategy, Sustainability and Risk Management Committee. He is primarily responsible for overall strategic development of the Group. Mr. Guo graduated from Shanghai Construction Materials College and joined the predecessor of Conch Group in 1980. In July 1998, Mr. Guo received a Master of Business Administration degree from the Post-graduate College of the Social Science Institute of China (中國社會科學院). Mr. Guo held various mid to senior managerial positions including head of automatic measurement department, head of personnel department and deputy plant manager of the former Ningguo Cement Plant and the secretary to the board of and deputy general manager of Conch Cement. He has over 30 years' experience in the building materials industry and rich experience in capital markets, particularly specializing in corporate strategic planning, marketing planning and general administrative management. He has been a director and chairman of the board of directors of CV Group from February 2011 and May 2013 respectively until the 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. Mr. Guo currently also serves as directors of certain subsidiaries of the Company. He was 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) from 14 June 2016 to 1 March 2022, an independent non-executive director of 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) from 9 September 2016 to 15 July 2022. He has been appointed as an executive director on 2 March 2020 and an executive director and the chairman of Conch Environment from 17 September 2021 to 9 October 2022.

8. BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Yu Kaijun (于凱軍), aged 59, was appointed as a non-executive Director, a member of the Remuneration and Nomination Committee and a member of the Strategy, Sustainability and Risk Management Committee on 1 November 2021. Since November 2021, Mr. Yu was appointed as specialist of CNBM. In addition, Mr. Yu has served as the supervisor and chairman of the board of supervisors of Beijing New Building Materials Public Limited Company (a company whose shares are listed on the Shenzhen Stock Exchange (stock code: 000786), "**BNBM**") since October 2022. Since October 2021, he has been a member of the investment decision committee of CNBM (Anhui) New Materials Industry Investment Fund Partnership (Limited Partnership)* (中建材(安徽)新材料產業投資基金合夥企業(有限合夥)) and a director of CNBM (Anhui) New Materials Fund Management Co., Ltd.* (中建材(安徽)新材料基金管理有限公司). Mr. Yu has also been the vice-chairman of the board of directors of Conch Venture CNBM Hong Kong Holdings Limited since August 2020, a director of CNBM Investment Company Limited* (中建材投資有限公司) since May 2019, a director of China Building Material Holdings Co., Limited* (中國建材控股有限公司) and Anhui Haizhong Environmental Company Limited* (安徽海中環保有限責任公司) since March 2019, a director of Ningxia Building Materials Group Co., Limited* (夏建材集團股份有限公司, a company whose shares are listed on the Shanghai Stock Exchange (stock code: 600449), "**Ningxia Building Materials**") since April 2018. He has been a supervisor of BBMG Corporation (北京金隅集團股份有限公司, a company whose H shares are listed on the Stock Exchange (stock code: 2009), "**BBMG Corporation**") since November 2015 and was a director of BBMG Corporation from August 2014 to November 2015. Mr. Yu served as the general counsel of CNBM from March 2021 to November 2021, the secretary of the board of directors of CNBM from June 2018 to November 2011, and the vice president of CNBM from May 2018 to November 2021. Mr. Yu was a director of China National Building Material Group Finance Co, Ltd.* (中國建材財務有限公司) from July 2016 to May 2022, a vice president of China National Materials Company Limited* (中國中材股份有限公司, "**Sinoma**") from July 2016 to May 2018, a supervisor of Xinjiang Tianshan Cement Co., Ltd.* (新疆天山水泥股份有限公司, a company whose shares are listed on the Shenzhen Stock Exchange (stock code: 000877)) and a supervisor of Ningxia Building Materials from December 2011 to April 2015, the chief financial officer of Sinoma from July 2010 to May 2018, and the chief financial officer of Sinoma International Engineering Co., Ltd.* (中國中材國際工程股份有限公司, a company whose shares are listed on the Shanghai Stock Exchange (stock code: 600970)) from December 2001 to January 2011. He served in various positions including the chief financial officer and deputy general manager of Shenzhen Languang Science & Technology Co., Ltd.* (深圳蘭光科技股份有限公司) from November 1990 to October 2001. He worked at the Finance Bureau of Pingliang District of Gansu Province from July 1982 to November 1990. Mr. Yu obtained a master's degree in accounting from the Hong Kong Polytechnic University in December 2006. He is currently a senior accountant.

8. BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

3. Independent non-executive Directors

Mr. Chan Chi On (alias Derek CHAN) (陳志安), aged 59, was appointed as an independent non-executive Director with effect from 3 December 2013. He is also the chairman of the Audit Committee and a member of the Remuneration and Nomination Committee and has been appointed as a member of the Strategy, Sustainability and Risk Management Committee with effect from 29 March 2021. 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's degree in Social Sciences (majoring in Economics) and from the Hong Kong University of Science & Technology with a Master degree in Business Administration. Mr. Chan worked for the Stock Exchange for seven years, and subsequently served as an executive director in Haitong International Securities Group Limited (previously known as Taifook Securities Group Limited) and head of its corporate finance division for 16 years and was responsible for businesses in listing of enterprises, financing and mergers and acquisition. Mr. Chan is currently an independent non-executive director of Yuexiu REIT Asset Management Ltd. (manager of Yuexiu Real Estate Investment Trust which is listed on the Main Board of the Stock Exchange, stock code: 00405) and Longfor Group Holdings Limited (formerly known as Longfor Properties Co. Ltd.) (a company listed on the Main Board of the Stock Exchange, stock code: 00960). Mr. Chan has more than 30 years of experience in financial services industry.

Mr. Chan Kai Wing (陳繼榮), aged 62, was appointed as an independent non-executive Director with effect from 3 December 2013. He is also a member of the Audit Committee and the Remuneration and Nomination Committee. Mr. Chan is currently the managing director of Mandarin Capital Enterprise Limited, a company that 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's 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 Nanfang Communication Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 01617). He had served as an independent non-executive director of China Assurance Finance Group Limited ("**China Assurance**") (a company formerly listed on the Growth Enterprise Market of the Stock Exchange, stock code: 08090) from 1 December 2011 to 12 March 2021, the date on which it was delisted. Since then, Mr. Chan was re-designated as a director of China Assurance. He was an independent non-executive director of Sino Golf Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 00361) from 24 August 2015 to 9 November 2018, and an independent non-executive director of China Carbon Neutral Development Group Limited (formerly known as Bisu Technology Group International Limited) (a company listed on the Main Board of the Stock Exchange, stock code: 01372) from 20 July 2015 to 28 February 2019. He has served as an independent non-executive director of Raise Tech Holding Limited (揚科集團有限公司, a company listed on the main board of the Stock Exchange, stock code: 01460) since 31 August 2022.

8. BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Lau Chi Wah, Alex (劉志華), aged 59, was appointed as an independent non-executive Director on 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's 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).

(II) SENIOR MANAGEMENT

1. Senior management

Mr. Wang Xuesen (汪學森), aged 58, is the chairman of board of directors of Haichang Port Affairs Industry Co., Ltd. and a deputy general manager of the Company. He is primarily responsible for general operation of Haichang Port. He graduated from Anhui Finance and Trade College (安徽財貿學院) in May 1988, majoring in statistical science. He also obtained a Master of Business Administration from Shanghai Shipping College (上海海運學院) in September 2003. Mr. Wang joined the Group in 2006 and has since then been the general manager of Haichang Port.

Mr. Chen Xingqing (陳興強), aged 41, was appointed as the joint company secretary on 11 October 2021 and chief financial officer of the Company. Mr. Chen joined Conch Cement in July 2005 and joined the Company in 2013. He served as the deputy director of the Finance Department of the Company from August 2013 to April 2018, and the director of the Finance Department and the chief financial officer of the Company from April 2018 to December 2020. He is responsible for daily financial work such as budget management and financial reports of the company, as well as dealing with listing compliance matters of the Group. With more than 15 years' working experience in finance, Mr. Chen has accumulated rich position experience and management skills. Mr. Chen graduated from Xi'an Technological University (西安工業大學) in 2005, majoring in accounting. In 2020, Mr. Chen obtained the intermediate accounting professional qualification issued by Ministry of Human Resources and Social Security and Ministry of Finance in the People's Republic of China.

8. BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Zhang Bangzhi (章邦志), aged 50, was appointed as assistant to the general manager of the Company on 1 December 2022. Mr. Zhang has more than 20 years' experience in safety, environmental protection and project development. Mr. Zhang has served as the deputy director of the Strategic Planning Department. He held various leading positions including the chairman of Wuhu Conch Venture Environmental Technology Co., Ltd.* (蕪湖海創環保科技有限責任公司), an assistant to the general manager of Leqing Conch Cement Co., Ltd.* (樂清海螺水泥有限責任公司), an assistant to the director of Development Department of Conch Cement, an assistant to the director of the Development Department of Conch Group, etc. From 17 September 2021 to 30 November 2022, Mr. Zhang was an assistant to the general manager of Conch Environment. Mr. Zhang graduated from Anhui Vocational and Technical College in July 1993, majoring in silicate engineering, and graduated from Wuhan University of Technology in December 1998, majoring in silicate engineering.

2. Joint company secretaries

Mr. Chen Xingqing (陳興強), please refer to the aforementioned biographies of senior management.

Mr. Lee Leong Yin (李亮賢) was appointed as a joint company secretary of the Company on 29 August 2022. Mr. Lee is a senior manager of Corporate Services of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services. Mr. Lee has over 12 years of experience in the corporate secretarial field. He has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Mr. Lee is a Chartered Secretary, a Chartered Governance Professional and a Fellow of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.

INDEPENDENT AUDITOR'S REPORT

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 96 to 236, which comprise the consolidated statement of financial position as at 31 December 2022, 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 2022 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

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

Accounting for construction revenue in service concession arrangements

Refer to notes 5 and 21 and the accounting policies set out in notes 2(x) and 2(o) to the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
The Group has entered into service concession arrangements with local governments of different locations in Mainland China in respect of its waste incineration projects on a Build-Operate-Transfer ("BOT") basis. Under the service concession arrangements, the Group constructs waste incineration plants (construction services) and operates these plants (operation services) for concession periods ranging from 20 to 30 years. The Group is paid for its services over the operation period of these arrangements. Although no cash is received during the construction phase of BOT projects, the Group recognises construction service revenue when project construction commences pursuant to the requirements of the prevailing accounting standards. The construction service revenue is measured based on the Group's estimation of the fair value of construction services and the progress of construction work completed during the year for each 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, progress review of projects under construction and reviewing updates and changes to total budgeted contract costs;

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(Continued)*

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

Refer to notes 5 and 21 and the accounting policies set out in notes 2(x) and 2(o) to the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
Where construction services are not completed at the end of a reporting period, construction service revenue is recognised over time with reference to the construction costs incurred to date as a percentage of total 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.	• evaluating the assumptions 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 total estimated construction costs of BOT projects under construction for the year, with management's budgets and supplier contracts, and assessing whether there is any indication of management bias in the total contract costs estimation by performing a retrospective review of the historical accuracy of contract costs for similar contracts; • obtaining the project status reports certified by independent surveyors and inspecting underlying documents, on a sample basis, for actual costs incurred during the construction phase of contracts; and • re-calculating the construction service revenue, based on the percentage of completion of all incomplete construction contracts at the end of the reporting period and the fair value of the construction services.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(Continued)*

Loss allowance for trade receivables

Refer to note 22 and the accounting policy set out in note 2(l)(i) to the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
At 31 December 2022, the Group's gross trade receivables totalled RMB1,830 million against which a loss allowance of RMB101 million was recorded. Management measured loss allowance at an amount equal to lifetime expected credit loss, using a provision matrix based on past due status, for the receivables existed at 31 December 2022 in accordance with IFRS 9, *Financial Instruments*. As the historical credit loss experience of the Group does not indicate significantly different loss patterns for different customers in different segments, the loss allowance based on past due status are not further distinguished between the Group's different customer bases. We identified loss allowance for trade receivables as a key audit matter because estimation of expected credit losses which is inherently subjective and requires the exercise of significant management judgement.	Our audit procedures to assess the loss allowance of trade receivables included the following: • obtaining an understanding of and assessing the design, implementation and operating effectiveness of management's key internal controls relating to credit control, debt collection, estimate of expected credit losses and recording related loss allowances in the financial statements; • assessing the appropriateness of the expected credit loss model adopted by management with reference to the requirements of the prevailing accounting standards; • assessing the reasonableness of management's assumptions in estimating loss rates by assessing the basis of the segmentation of the trade receivables based on credit risk characteristics and evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information;

KEY AUDIT MATTERS *(Continued)*

Loss allowance for trade receivables *(Continued)*

Refer to note 22 and the accounting policy set out in note 2(l)(i) to the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
	• evaluating the data relevance and reliability by assessing whether the items were appropriately categorised in the trade receivables past due report by comparison with sales invoices, credit terms as agreed with customers and other relevant underlying documentation, on a sample basis, and testing the completeness and accuracy of the historical default data; and • re-calculating the Group's loss allowance with reference to the past due report and expected loss rates.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(Continued)*

Accounting for the interests in associates

Refer to note 18 and the accounting policy set out in note 2(f) to the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
The Group's 49% interest in Anhui Conch Holdings Co., Ltd. ("Conch Holdings") is accounted for in the consolidated financial statements under the equity method. The Group's share of the profit of Conch Holdings for the year ended 31 December 2022 was RMB2,929 million and the carrying value of the Group's interest in Conch Holdings was RMB36,766 million, which accounted for 72% of the Group's net profit attributable to equity shareholders from continuing operations and 49% of the Group's total assets as at 31 December 2022. 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 2022. Conch Cement is a public company listed on The Stock Exchange of Hong Kong Limited.	Our audit procedures to assess the accounting for the interest in Conch Holdings included the following: • evaluating the design, implementation and operating effectiveness of key group-wide internal controls and the consolidation process for equity accounting for the interest in Conch Holdings; • comparing consolidation and reclassification journal adjustments in respect of the interest in Conch Holdings with relevant underlying documentation; • recalculating the Group's share of net assets and the Group's share of profit for the year with reference to the financial information of Conch Holdings;

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(Continued)*

Accounting for the interests in associates *(Continued)*

Refer to note 18 and the accounting policy set out in note 2(f) to the consolidated financial statements.

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

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(Continued)*

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

Refer to note 13 and the accounting policy set out in note 2(l)(ii) to the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
The Group's new building materials segment commenced operations in 2015 and has sustained operating losses since then primarily due to low utilisation of its production capacity. There is a risk that the carrying value of the non-current assets, which solely comprise of property, plant and equipment ("PP&E") and right-of-use assets, in this segment may not be recoverable in full through the future cash flows to be generated from operations or disposal of these assets. Management determined that there was an indicator of impairment of the PP&E and right-of-use assets allocated to one of the cash-generating units ("CGU") within this segment at the reporting date and, therefore, assessed the recoverable amounts of the relevant assets with reference to the fair value less costs of disposal ("FVLCD"). Management determined FVLCD based on a valuation performed by an independent external valuer. 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, and estimation required in assessing potential impairment which could be subject to management bias.	Our audit procedures to assess potential impairment of non-current assets in the new building materials segment included the following: • evaluating management's identification of CGUs and the allocation of assets to each CGU and assessing the methodology adopted by management in the impairment assessment model, with reference to the requirements of the prevailing accounting standards; • inspecting the valuation report prepared by the independent external valuer engaged by management to perform the valuation of FVLCD and evaluating the independence, competence and objectivity of the external valuer; and • engaging our internal valuation specialists to assist us in evaluating the appropriateness of the valuation methodology adopted by the independent external valuer, and assessing the key assumptions and data applied, including comparable market transactions, remaining economic useful lives and price volatility of the relevant assets and future costs of disposal.

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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 Au Yat Fo.

KPMG
Certified Public Accountants

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

29 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2022
(Expressed in Renminbi Yuan)

	Note	2022 RMB'000	2021 RMB'000
Continuing operations			
Revenue	5	**7,896,322**	6,680,738
Cost of sales		**(5,667,569)**	(5,033,282)
Gross profit		**2,228,753**	1,647,456
Other net income	6	**357,513**	187,865
Distribution costs		**(19,808)**	(20,228)
Administrative expenses		**(531,576)**	(403,925)
Profit from operations		**2,034,882**	1,411,168
Finance costs	7(a)	**(599,440)**	(310,965)
Share of profits of associates	18	**2,936,787**	6,158,328
Profit before taxation	7	**4,372,229**	7,258,531
Income tax	8(a)	**(288,662)**	(305,105)
Profit for the year from continuing operations		**4,083,567**	6,953,426
Discontinued operations	4		
Profit for the year from discontinued operations		**56,758**	623,730
Net gain on distribution in specie		**12,049,261**	–
Profit for the year		**16,189,586**	7,577,156

The notes on pages 106 to 236 form part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)

for the year ended 31 December 2022
(Expressed in Renminbi Yuan)

	Note	**2022** RMB'000	2021 RMB'000
Attributable to equity shareholders of the Company:			
— from continuing operations		**3,852,177**	6,905,394
— from discontinued operations		**12,107,011**	552,735
		15,959,188	7,458,129
Attributable to non-controlling interests of the Company:			
— from continuing operations		**231,390**	48,032
— from discontinued operations		**(992)**	70,995
		230,398	119,027
Profit for the year		**16,189,586**	7,577,156
Basic earnings per share	12		
— from continuing operations (RMB)		**2.12**	3.80
— from discontinued operations (RMB)		**6.63**	0.30
		8.75	4.10
Diluted earnings per share	12		
— from continuing operations (RMB)		**2.12**	3.66
— from discontinued operations (RMB)		**6.63**	0.29
		8.75	3.95

The notes on pages 106 to 236 form part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2022
(Expressed in Renminbi Yuan)

	Note	**2022** **RMB'000**	2021 RMB'000
Profit for the year		**16,189,586**	7,577,156
Other comprehensive income for the year (after tax and reclassification adjustments)	9		
Items that will not be reclassified to profit or loss:			
Share of other comprehensive income of associates, net of tax		**(178,707)**	7,061
Items that may be reclassified subsequently to profit or loss:			
Share of other comprehensive income of associates, net of tax		**(48,836)**	(13,016)
Exchange differences on translation of financial statements of overseas subsidiaries		**(317,061)**	88,041
		(544,604)	82,086
Total comprehensive income for the year		**15,644,982**	7,659,242
Attributable to equity shareholders of the Company:			
— from continuing operations		**3,307,573**	6,987,480
— from discontinued operations		**12,107,011**	552,735
		15,414,584	7,540,215
Attributable to non-controlling interests of the Company:			
— from continuing operations		**231,390**	48,032
— from discontinued operations		**(992)**	70,995
		230,398	119,027
Total comprehensive income for the year		**15,644,982**	7,659,242

The notes on pages 106 to 236 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2022
(Expressed in Renminbi Yuan)

	Note	**31 December 2022 RMB'000**	31 December 2021 RMB'000
Non-current assets			
Property, plant and equipment	13	**4,077,828**	1,212,651
Right-of-use assets	14	**1,743,969**	1,109,297
Intangible assets	15	**16,688,910**	10,007,101
Goodwill	17	**134,927**	–
Interests in associates	18	**36,896,482**	35,768,449
Contract assets	21	**4,805,720**	5,280,042
Non-current portion of trade and other receivables	22	**1,513,072**	1,145,323
Financial assets measured at fair value through profit and loss ("FVPL")	19	**82,500**	82,500
Equity securities measured at fair value through other comprehensive income ("FVOCI")	19	**10,320**	–
Investment deposit	23	**–**	1,003,000
Deferred tax assets	27(b)	**62,404**	76,143
		66,016,132	55,684,506
Current assets			
Financial assets measured at fair value through profit and loss ("FVPL")	19	**364,596**	12,255
Inventories	20	**444,393**	378,324
Contract assets	21	**526,408**	186,598
Trade and other receivables	22	**2,845,863**	1,554,313
Restricted bank deposits		**110,848**	277,858
Bank deposits with original maturity over three months	24(a)	**710,000**	1,150,000
Cash and cash equivalents	24(a)	**4,361,637**	2,560,045
		9,363,745	6,119,393
Assets held for distribution		**–**	7,115,167
		9,363,745	13,234,560

The notes on pages 106 to 236 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

at 31 December 2022
(Expressed in Renminbi Yuan)

	Note	**31 December 2022 RMB'000**	31 December 2021 RMB'000
Current liabilities			
Bank loans	25	**690,590**	602,528
Convertible bonds	28	**3,880,344**	–
Trade and other payables	26	**5,530,039**	4,299,189
Contract liabilities		**56,404**	57,074
Lease liabilities	29	**8,047**	5,942
Income tax payables	27(a)	**188,240**	174,497
		10,353,664	5,139,230
Liabilities held for distribution		**–**	3,878,999
		10,353,664	9,018,229
Net current (liabilities)/assets		**(989,919)**	4,216,331
Total assets less current liabilities		**65,026,213**	59,900,837
Non-current liabilities			
Bank loans	25	**17,495,845**	9,655,302
Convertible bonds	28	**–**	3,483,286
Lease liabilities	29	**20,031**	4,813
Deferred income	30	**97,828**	–
Deferred tax liabilities	27(b)	**240,105**	100,000
		17,853,809	13,243,401
Net assets		**47,172,404**	46,657,436

The notes on pages 106 to 236 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

at 31 December 2022
(Expressed in Renminbi Yuan)

	Note	**31 December 2022 RMB'000**	31 December 2021 RMB'000
Capital and reserves	31		
Share capital		**14,412**	14,530
Reserves		**44,847,601**	45,255,264
Equity attributable to equity shareholders of the Company		**44,862,013**	45,269,794
Non-controlling interests		**2,310,391**	1,387,642
Total equity		**47,172,404**	46,657,436

Approved and authorised for issue by the board of directors on 29 March 2023.

Guo Jingbin
Director

Ji Qinying
Director

The notes on pages 106 to 236 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2022
(Expressed in Renminbi Yuan)

		Attributable to equity shareholders of the Company								
	Note	Share capital RMB'000 (Note 31(c))	Share premium RMB'000 (Note 31(d)(i))	Capital reserve RMB'000 (Note 31(d)(ii))	PRC statutory reserves RMB'000 (Note 31(d)(iii))	Exchange reserve RMB'000 (Note 31(d)(iv))	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2021		14,347	–	1,920,668	778,775	141,656	35,709,539	38,564,985	1,412,194	39,977,179
Profit for the year		–	–	–	–	–	7,458,129	7,458,129	119,027	7,577,156
Other comprehensive income	9	–	–	(5,955)	–	88,041	–	82,086	–	82,086
Total comprehensive income		–	–	(5,955)	–	88,041	7,458,129	7,540,215	119,027	7,659,242
Non-controlling interest arising from establishment of subsidiaries		–	–	–	–	–	–	–	130,314	130,314
Acquisition of subsidiaries with non-controlling interests		–	–	–	–	–	–	–	19,759	19,759
Acquisition of non-controlling interests through issuance of ordinary shares	31(c) & 31(d)(ii)	183	671,281	(439,829)	–	–	–	231,635	(231,635)	–
Appropriation to reserves	31(d)(iii)	–	–	–	192,444	–	(192,444)	–	–	–
Profit distribution to non-controlling interests		–	–	–	–	–	–	–	(62,017)	(62,017)
Dividends approved in respect of the previous year	31(b)(i)	–	–	–	–	–	(1,067,041)	(1,067,041)	–	(1,067,041)
Balance at 31 December 2021		14,530	671,281	1,474,884	971,219	229,697	41,908,183	45,269,794	1,387,642	46,657,436

The notes on pages 106 to 236 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

for the year ended 31 December 2022
(Expressed in Renminbi Yuan)

		Attributable to equity shareholders of the Company								
	Note	Share capital RMB'000 (Note 31(c))	Share premium RMB'000 (Note 31(d)(i))	Capital reserve RMB'000 (Note 31(d)(ii))	PRC statutory reserves RMB'000 (Note 31(d)(iii))	Exchange reserve RMB'000 (Note 31(d)(iv))	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2022		14,530	671,281	1,474,884	971,219	229,697	41,908,183	45,269,794	1,387,642	46,657,436
Profit for the year		–	–	–	–	–	15,959,188	15,959,188	230,398	16,189,586
Other comprehensive income	9	–	–	(227,543)	–	(317,061)	–	(544,604)	–	(544,604)
Total comprehensive income		–	–	(227,543)	–	(317,061)	15,959,188	15,414,584	230,398	15,644,982
Capital contribution by non-controlling interests		–	–	–	–	–	–	–	400,291	400,291
Acquisition of subsidiaries with non-controlling interests		–	–	–	–	–	–	–	157,966	157,966
Acquisition of non-controlling interests		–	–	(100)	–	–	–	(100)	(8,000)	(8,100)
Equity-settled share-based transactions	31(e)	–	–	–	–	–	–	–	784,703	784,703
Repurchase and cancellation of ordinary shares	31(c)	(118)	(235,629)	–	–	–	–	(235,747)	–	(235,747)
Repurchase of convertible bonds	28	–	–	(675)	–	–	–	(675)	–	(675)
Appropriation to reserves	31(d)(iii)	–	–	–	163,830	–	(163,830)	–	–	–
Profit distribution to non-controlling interests		–	–	–	–	–	–	–	(38,484)	(38,484)
Distribution in specie	31(b)(iii)	–	–	440,738	(150,691)	–	(14,785,425)	(14,495,378)	(604,125)	(15,099,503)
Dividends approved in respect of the previous year	31(b)(i)	–	(419,488)	–	–	–	(670,977)	(1,090,465)	–	(1,090,465)
Balance at 31 December 2022		14,412	16,164	1,687,304	984,358	(87,364)	42,247,139	44,862,013	2,310,391	47,172,404

The notes on pages 106 to 236 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2022
(Expressed in Renminbi Yuan)

	Note	**2022** **RMB'000**	2021 RMB'000
Operating activities:			
Cash generated from operations	24(b)	**2,168,114**	1,587,139
Income tax paid	27(a)	**(357,731)**	(279,250)
Net cash generated from operating activities		**1,810,383**	1,307,889
Investing activities:			
Payment for purchase of property, plant and equipment, construction in progress and intangible assets		**(5,363,715)**	(6,199,512)
Proceeds from disposal of property, plant and equipment and right-of-use assets		**3,022**	3,408
Acquisition of subsidiaries, net of cash acquired	33	**(817,338)**	(66,310)
Payment for purchase of right-of-use assets		**(461,886)**	(710,498)
Payment for investments in associates		**–**	(23,220)
Payment for purchase of financial assets measured at FVPL		**(386,593)**	(15,000)
Proceeds from redemption of financial assets measured at FVPL		**15,000**	–
Investment deposit paid for acquisition of subsidiaries	23	**–**	(1,003,000)
Proceeds from maturity of bank deposits over three months		**1,694,770**	681,700
Payment for bank deposits with maturity over three months		**(1,254,770)**	(1,151,680)
Dividends received from associates		**1,582,843**	1,417,259
Interest received		**116,647**	58,926
Others		**23,782**	–
Net cash used in investing activities		**(4,848,238)**	(7,007,927)

The notes on pages 106 to 236 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT (Continued)

for the year ended 31 December 2022
(Expressed in Renminbi Yuan)

	Note	**2022** **RMB'000**	2021 RMB'000
Financing activities:			
Proceeds from loans and borrowings	24(c)	**11,554,861**	9,607,298
Repayment of loans and borrowings	24(c)	**(5,949,293)**	(2,721,329)
Profit distribution to non-controlling interests		**(38,078)**	(75,451)
Dividends paid to equity shareholders of the Company	31(b)	**(1,090,465)**	(1,057,914)
Interest paid	24(c)	**(587,523)**	(359,932)
Capital contribution from non-controlling interests		**400,291**	130,314
Proceeds from equity-settled share-based transactions	31(e)	**784,703**	–
Payment for repurchase of shares	31(c)	**(235,747)**	–
Payment for redemption of convertible bonds	24(c) & 28	**(49,254)**	–
Capital element of lease rentals paid	24(c)	**(9,259)**	(4,287)
Interest element of lease rentals paid	24(c)	**(313)**	(376)
Net cash generated from financing activities		**4,779,923**	5,518,323
Net increase/(decrease) in cash and cash equivalents		**1,742,068**	(181,715)
Effect of foreign exchange rate changes		**5,317**	(12,666)
Cash and cash equivalents at the beginning of the year		**3,156,158**	3,350,539
Distribution in specie	4(c)	**(541,906)**	–
Cash and cash equivalents at the end of the year		**4,361,637**	3,156,158
Analysis of cash and cash equivalents			
Cash and cash equivalents of the Group	24(a)	**4,361,637**	2,560,045
Reclassification to assets classified as held for distribution		**–**	596,113
		4,361,637	3,156,158

The notes on pages 106 to 236 form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

China Conch Venture Holdings Limited (the "Company") is a limited liability company incorporated in the Cayman Islands with limited liability under the Cayman Law, Cap 22(Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 19 December 2013 (the "Listing").

The Company and its subsidiaries (together the "Group") are principally engaged in waste incineration solutions, port logistics services, and sale of new building materials and new energy materials in the People's Republic of China (the "PRC") and certain overseas markets.

Spin-off of solid waste solutions business

In 2021, the Company proposed to spin-off and separately list the shares of the solid waste solutions business of the Group under China Conch Environment Production Holdings Limited ("Conch Environment") on the Main Board of the Stock Exchange. On 28 September 2021, Conch Environment submitted an application to the Stock Exchange for the listing of, and permission to deal in, the shares of Conch Environment on the Main Board of the Stock Exchange by way of introduction, which will be implemented through a distribution in specie (the "Distribution") by the Company of all the shares of Conch Environment to the qualifying shareholders in proportion to their respective shareholding in the Company.

On 16 March 2022, the Company's Board of Directors declared a conditional special dividend to be satisfied by way of the Distribution, which will be conditional upon the listing approval is granted and such approval not having been revoked prior to the date on which the shares of Conch Environment are first listed. On 22 March 2022, the approval of the spin-off and separate listing of Conch Environment was granted by the Stock Exchange. On 30 March 2022, the shares of Conch Environment were listed on the Stock Exchange, and the spin-off had been completed.

The consolidated assets and liabilities of Conch Environment were classified as held for distribution as at 31 December 2021 and the consolidated results of Conch Environment for the period from 1 January 2022 to 30 March 2022 and the year ended 31 December 2021 were presented in the consolidated statements as discontinued operations in accordance with IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*. The consolidated statements of profit or loss and other comprehensive income distinguished the discontinued operations from the continuing operations.

2 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 amendments to IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(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 2022 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in associates.

As at 31 December 2022, the Group had net current liabilities of RMB990 million, which was mainly attributable to the Company's convertible bonds with carrying amount of RMB3,880 million becoming due for redemption in September 2023. In view of these circumstances, the Directors of the Company have taken the following measures to ensure the Group has sufficient finance resources to repay the convertible bonds when due:

- the Company has received the approval of registration from National Association of Financial Market Institutional Investors (zhong shi xie zhu [2023] GN1) for issuing unsecured medium term notes in the aggregate amount of not more than RMB4 billion (the "Panda Bonds") with a validity period of two years from 18 January 2023, the completion of registration date. According to the Company's prospectus of the Panda Bonds, the Company will utilise the bond issuance proceeds of RMB3.5 to repay the convertible bonds due in September 2023. On 20 March 2023, the first batch of RMB1.2 billion of the Panda Bonds has been issued.

Consequently, the Directors have concluded that the Group has adequate resources to continue in operational existence for the foreseeable future and that there are no material uncertainties related to events or conditions which, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation and presentation *(Continued)*

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except for certain financial instruments as disclosed in note 32(e), which are measured at their fair value as explained in the accounting policies set out below.

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 3.

(c) Changes in accounting policies

The IASB has issued the following amendments to IFRSs that are first effective for the current accounting period of the Group:

- Amendments to IAS 16, *Property, plant and equipment: Proceeds before intended use*;

- Amendments to IAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract*.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Business combination

The Group accounts for business combination using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit and loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in the profit and loss.

(e) 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 2(r), 2(s) or 2(t) depending on the nature of the liability.

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

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(h)) or, when appropriate, the cost on initial recognition of an investment in an associate (see note 2(f)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(l)(ii)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Associates

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

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 2(l)(ii)). At each reporting date, the Group assesses whether there is any objective evidence that the investment is impaired. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with any other long-term interests that in substance form part of the Group's net investment in the associate after applying the ECL model to such other long-term interests where applicable (see note 2(l)(i)).

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

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(h)).

In the Company's statement of financial position, investments in associates are stated at cost less impairment losses (see note 2(l)(ii)).

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(l)(ii)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(h) Other investments in debt and equity securities

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

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

(i) Investments other than equity investments

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

— amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 2(x)(v)).

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(i) Investments other than equity investments *(Continued)*

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

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

(ii) Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in note 2(x)(vi).

(i) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(l)(ii)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(z)).

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Items may be produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management. The proceeds from selling any such items and the related costs are recognised in profit or loss.

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	17–30 years
Machinery and equipment	2–15 years
Office and other equipment	5 years
Motor vehicles	5 years

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

Construction in progress represents property, plant and equipment under construction, which is stated at cost less accumulated impairment losses (see note 2(l)(ii)).

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Intangible assets (other than goodwill)

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 2(z)), less accumulated amortisation and impairment losses (see note 2(l)(ii)).

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(l)(ii)).

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

— Software	2–10 years
— Waste incineration project operating rights	16–30 years
— Customer relationship	10 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.

(k) Leased assets

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

As a lessee

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

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Leased assets *(Continued)*

As a lessee *(Continued)*

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

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

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The following items of right-of-use asset are subsequently stated at cost less accumulated depreciation and impairment losses (see note 2(l)(ii)).

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Leased assets *(Continued)*

As a lessee *(Continued)*

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of IFRS 16 *Leases*. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(l) Credit losses and impairment of assets

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

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

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

— contract assets (see note 2(n)).

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

Measurement of ECLs

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

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

Measurement of ECLs (Continued)

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

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

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

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

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

ECLs are measured on either of the following bases:

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

Significant increases in credit risk

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

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

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

Basis of calculation of interest income

Interest income recognised in accordance with note 2(x)(v) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

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

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

— Significant financial difficulties of the debtor;

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

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

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

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

Write-off policy

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(ii) Impairment of other non-current assets

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

— property, plant and equipment;

— right-of-use assets;

— intangible assets;

— goodwill; and

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

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, 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). A portion of the carrying amount of a corporate asset (for example, head office building) is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

— *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).

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

— *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

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

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with IAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2(l)(i) and 2(l)(ii)).

(m) Inventories and other contract costs

(i) Inventories

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(ii) Other contract costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventory (see note 2(m)(i)), property, plant and equipment (see note 2(i)) or intangible assets (see note 2(j)).

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

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

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of:

(i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less;

(ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set out in note 2(x).

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 2(x)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses (ECL) in accordance with the policy set out in note 2(l)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see note 2(p)).

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 2(x)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2(p)).

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

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 2(x)(v)).

(o) Service concession assets

The Group recognises a asset arising from a service concession arrangement when it has an unconditional contractual right to receive cash or other financial asset from or at the direction of the grantor for the construction services provided. During the construction phase, the Group recognises a contract asset and accounts for the significant financing component in the arrangement in accordance with the accounting policy set out in notes 2(n) and 2(x). Once the construction is complete, the amounts due from the grantor are accounted for in accordance with IFRS 9 *Financial Instruments* as receivables. Such financial assets are measured at fair value on initial recognition. Subsequent to initial recognition, the financial assets are measured at amortised cost using the effective interest method.

The contractual right to receive cash from the grantor for the services and the right to charge users for the public services should be regarded as two separate assets. Therefore, in service concession arrangement, the Group's contract assets are divided during the construction phase into two components — a financial asset component based on the guaranteed amount when the Group has the contractual right to receive cash from the grantor and an intangible asset (see note 2(j)) for the remainder. When the construction services are completed, the two components of the contract assets would be classified and measured as a financial asset and an intangible asset accordingly.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 2(n)).

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost, using the effective interest method and including an allowance for credit losses(see note 2(l)(i)).

(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. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note 2(l)(i).

(r) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, 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 invoice amounts.

(s) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 2(z)).

(t) Convertible bonds

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Convertible bonds *(Continued)*

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

The liability component is subsequently carried at amortised cost. Interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is not remeasured and is recognised in the capital reserve until either the bonds are converted or redeemed.

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

(u) 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.

(v) 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Income tax *(Continued)*

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

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

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from 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 amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

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

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Income tax *(Continued)*

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.

(w) Provision and contingent liabilities and onerous contracts

(i) Provisions and contingent liabilities

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

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

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Provision and contingent liabilities and onerous contracts *(Continued)*

(ii) Onerous contracts

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of fulfilling the contract. The cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling that contract.

(x) Revenue and other income

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

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

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

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

(i) Sale of goods

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(ii) Revenue from construction contracts

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

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

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

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

(iii) Revenue from service concession arrangement

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

(iv) Revenue from services

The Group provides stand-ready solid and hazardous waste treatment solutions services and logistics services to customers, and generally charges a fixed price per volume of services during the contract period. The Group recognises services revenue for which it has a right to invoice in the period during which the related volume of services is performed.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(v) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 2(l)(i)).

(vi) Dividends

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

(vii) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Where the grant relates to an asset, the grant received is credited to a deferred income account and is released to the profit and loss over the expected useful life of the relevant asset by equal annual instalments.

(y) Translation of foreign currencies

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(y) Translation of foreign currencies *(Continued)*

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

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

(z) Borrowing costs

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

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

(aa) Non-current assets held-for-sale and discontinued operations

(i) Non-current assets held for sale

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all the assets and liabilities of that subsidiary are classified as held for sale when the above criteria for classification as held for sale are met, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(aa) Non-current assets held-for-sale and discontinued operations *(Continued)*

(i) Non-current assets held for sale *(Continued)*

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the Company are concerned are deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries, associates and joint ventures) and investment properties. These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 2.

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

(ii) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale (see (i) above), if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the statement of profit or loss, which comprises:

— the post-tax profit or loss of the discontinued operation; and

— the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(bb) 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(cc) 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.

3 ACCOUNTING JUDGEMENT AND ESTIMATES

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

(i) 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 32(e) contains information about the assumptions and their risk factors relating to the fair value of financial instruments. Other key sources of estimation uncertainty are as follows:

(i) Construction contracts

As explained in accounting policy note 2(x)(ii), revenue recognition on an uncompleted project is dependent on estimating the total outcome of the construction contract, as well as the work done to date. Based on the Group's recent experience and the nature of the construction activity undertaken by the Group, the Group makes estimates of the point at which it considers the work is sufficiently advanced such that the costs to complete and revenue can be reliably estimated. As a result, until this point is reached contract assets will not include profit which the Group may eventually realise from the work done to date. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at each of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

3 ACCOUNTING JUDGEMENT AND ESTIMATES *(Continued)*

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

(ii) Loss allowance of trade receivables

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

(iii) Impairment of goodwill

As explained in the accounting policy set out in note 2(g), goodwill is allocated to a cash-generating unit or to a group of cash-generating units that are expected to benefit from the synergies of the combination for the purpose of impairment assessment, which requires significant judgement. The Group determined that the Group of cash-generating units to which goodwill was allocated reflected the lowest level at which goodwill was monitored for internal reporting and was not larger than an operating segment in accordance with IAS 36, *Impairment of Assets*.

The Group determines whether goodwill is impaired at least on an annual basis. This involves an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

(iv) Impairment of other non-current assets (other than goodwill)

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

4 DISCONTINUED OPERATIONS

As at 31 December 2021, the directors of the Company considered that it was highly probably that the solid waste solutions business would be distributed to the Company's shareholders within the next twelve months. On 30 March 2022, the shares of Conch Environment were listed on the Stock Exchange, and the spin-off was completed.

As a result, the consolidated assets and liabilities of Conch Environment were classified as held for distribution as at 31 December 2021 and the consolidated results of Conch Environment for the period from 1 January 2022 to 30 March 2022 and the year ended 31 December 2021 were presented in the consolidated statement of profit or loss and other comprehensive income as discontinued operations. The consolidated statement of profit or loss and other comprehensive income distinguished the discontinued operations from the continuing operations.

The summarised financial information of Conch Environment presented below represents the amounts after the intra-group elimination.

(a) Results of discontinued operations

	Note	**For the period from 1 January 2022 to 30 March 2022 RMB'000**	2021 RMB'000
Revenue	5	**328,034**	1,669,747
Cost of sales		**(163,125)**	(672,985)
Gross profit		**164,909**	996,762
Other net income	6	**8,515**	71,008
Distribution costs		**(28,244)**	(131,345)
Administrative expenses		**(58,988)**	(225,606)
Profit from operations		**86,192**	710,819
Finance costs	7(a)	**(21,404)**	(45,701)
Share of profits of associates		**2,262**	9,812
Profit before taxation	7	**67,050**	674,930
Income tax	8(a)	**(10,292)**	(51,200)

4 DISCONTINUED OPERATIONS *(Continued)*

(a) Results of discontinued operations *(Continued)*

	Note	For the period from 1 January 2022 to 30 March 2022 RMB'000	2021 RMB'000
Profit for the period/year		**56,758**	623,730
Net gain on distribution in specie		**12,049,261**	–
Profit for the period from discontinued operations		**12,106,019**	623,730
Attributable to:			
Equity shareholder of the Company		**12,107,011**	552,735
Non-controlling interests		**(992)**	70,995
Profit for the period/year from discontinued operations		**12,106,019**	623,730

(b) Cash flows used in discontinued operations

	For the period from 1 January 2022 to 30 March 2022 RMB'000	2021 RMB'000
Net cash generated from operating activities	**148,450**	767,721
Net cash used in investing activities	**(473,011)**	(2,133,069)
Net cash generated from financing activities	**270,354**	1,322,677
Net decrease in cash and cash equivalents from discontinued operations	**(54,207)**	(42,671)

4 DISCONTINUED OPERATIONS *(Continued)*

(c) Net gain on distribution in specie

Details of net assets of discontinued operations at date of distribution in specie are set out below:

	As at 30 March 2022 RMB'000
Net assets distributed	
Property, plant and equipment	5,543,932
Right-of-use assets	207,531
Intangible assets	132,231
Goodwill	9,219
Interests in associates	71,101
Non-current portion of trade and other receivables	339,101
Deferred tax assets	4,864
Inventories	9,897
Trade and other receivables	793,082
Restricted bank deposits	25,827
Bank deposits with original maturity over three months	1,680
Cash and cash equivalents	541,906
Total assets	7,680,371
Loans and borrowings	(3,339,595)
Trade and other payables	(1,072,017)
Contract liabilities	(17,895)
Lease liabilities	(3,976)
Income tax payables	(18,348)
Deferred tax liabilities	(28,974)
Total liabilities	(4,480,805)
Book value of net assets	3,199,566
Non-controlling interest	(677,292)
Book value of net assets distributed	2,522,274

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 DISCONTINUED OPERATIONS *(Continued)*

(c) Net gain on distribution in specie *(Continued)*

The fair value of Conch Environment is with reference to the closing price and the number of issued shares on the first day of listing of Conch Environment on 30 March 2022 in accordance with IFRIC 17.

Analysis of net gain on distribution in specie:

	As at 30 March 2022 RMB'000
Fair value of Conch Environment	14,495,378
Less: Net assets distributed of Conch Environment	(2,522,274)
Less: recognition of unrealised profits arising from intra-group transactions	76,157
Net gain on distribution	12,049,261
Attributable to:	
Equity shareholder of the Company	12,049,261
Non-controlling interests	–
Net gain on distribution	12,049,261

5 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are construction and operation of waste-to-energy projects, port logistics services, the manufacturing and sales of new building materials and new energy materials, and investments.

5 REVENUE AND SEGMENT REPORTING *(Continued)*

(a) Revenue *(Continued)*

Disaggregation of revenue

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

	2022 RMB'000	2021 RMB'000
Continuing operations		
Waste-to-energy projects		
Waste incineration solutions (i)	**6,561,015**	5,743,801
Energy saving equipment	**967,810**	569,811
Subtotal	**7,528,825**	6,313,612
Port logistics services	**234,414**	224,276
Sale of new building materials	**127,349**	142,850
Sale of new energy materials	**5,734**	–
Total revenue from continuing operations	**7,896,322**	6,680,738
Discontinued operations		
Solid waste solutions	**328,034**	1,669,747
	8,224,356	8,350,485

5 REVENUE AND SEGMENT REPORTING *(Continued)*

(a) Revenue *(Continued)*

Disaggregation of revenue *(Continued)*

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is as follows:

	2022 **RMB'000**	2021 RMB'000
Timing of revenue recognition		
Continuing operations		
— Over time	**6,913,901**	5,968,077
— Point in time	**982,421**	712,661
	7,896,322	6,680,738
Discontinued operations		
— Over time	**328,034**	1,669,747

(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:

Continuing operations	**2022** **RMB'000**	2021 RMB'000
Revenue from waste incineration project construction services	**3,884,903**	4,489,191
Revenue from waste incineration project operation services	**2,456,540**	1,061,602
Finance income	**219,572**	193,008
Total	**6,561,015**	5,743,801

The Group had transactions with certain PRC local government authorities which in aggregate exceeded 10% of the Group's revenue. Revenue from waste incineration solutions under BOT arrangement and derived from these local government authorities in the PRC for the year ended 31 December 2022 amounted to RMB4,675,389,000 (2021: RMB4,801,918,000). Details of concentration of credit risk arising from these customers are set out in Note 32(a).

5 REVENUE AND SEGMENT REPORTING *(Continued)*

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resources allocation and performance assessment, the Group has presented the following six reportable segments. In 2022, the Group identified a new reportable segment of new energy materials, which was previously included in the segment of new building materials from the second half of 2021. Comparative disclosures have been restated on a consistent basis.

(1) Waste-to-energy projects: this segment includes waste incineration solutions, manufacturing and sales of residual heat power generation, vertical mill and related after-sales services.

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

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

(4) Investments: this segment comprises investments in Anhui Conch Holdings Co., Ltd. ("Conch Holdings"). Details of the principal activities of Conch Holdings are set out in note 18.

(5) New energy materials: this segment was newly established in the second half of 2021. It mainly engages in lithium iron phosphate cathode and anode materials, and lithium battery recycling.

(6) Solid waste solutions: this segment mainly engages in solid and hazardous waste and presented as discontinued operations.

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

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

5 REVENUE AND SEGMENT REPORTING *(Continued)*

(b) Segment reporting *(Continued)*

(i) *(Continued)*

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments. Inter-segment revenue includes sales of environmental protection equipments by one segment to another.

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 2022 and 2021 is set out below:

	Year ended 31 December 2022								
	Continuing operations						Discontinued operations		
	Waste-to-energy projects RMB'000	Port logistics services RMB'000	New building materials RMB'000	New energy materials RMB'000	Investments RMB'000	Unallocated RMB'000	Solid waste solutions RMB'000	Elimination RMB'000	Total RMB'000
Revenue from external customers	7,528,825	234,414	127,349	5,734	–	–	328,034	–	8,224,356
Inter-segment revenue	28,928	–	–	–	–	–	9,745	(38,673)	–
Reportable segment revenue	7,557,753	234,414	127,349	5,734	–	–	337,779	(38,673)	8,224,356
Reportable segment profit/(losses)	1,370,107	124,240	(14,696)	26,754	2,936,787	(80,209)	12,122,817	2,740	16,488,540
Interest income	34,006	320	509	–	–	60,839	2,524	(4,324)	93,874
Interest expenses	464,573	–	–	–	–	139,191	21,404	(4,324)	620,844
Depreciation and amortisation	622,962	40,509	15,800	–	–	1,693	49,795	–	730,759
(Reversal of)/provision for loss allowance — trade and other receivables	(7,732)	–	–	–	–	–	870	–	(6,862)
Reportable segment assets	32,336,393	415,555	2,216,419	1,686,211	36,896,482	6,269,334	–	(4,440,517)	75,379,877
Reportable segment liabilities	23,712,166	48,924	2,442,285	933,845	–	5,510,770	–	(4,440,517)	28,207,473

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 REVENUE AND SEGMENT REPORTING *(Continued)*

(b) Segment reporting *(Continued)*

(i) *(Continued)*

	Year ended 31 December 2021 (Restated)								
	Continuing operations						Discontinued operations		
	Waste-to-energy projects RMB'000	Port logistics services RMB'000	New building materials RMB'000	New energy materials RMB'000	Investments RMB'000	Unallocated RMB'000	Solid waste solutions RMB'000	Elimination RMB'000	Total RMB'000
Revenue from external customers	6,313,612	224,276	142,850	–	–	–	1,669,747	–	8,350,485
Inter-segment revenue	656,168	–	29	–	–	–	28,406	(684,603)	–
Reportable segment revenue	6,969,780	224,276	142,879	–	–	–	1,698,153	(684,603)	8,350,485
Reportable segment profit/(loss)	1,179,361	120,003	(16,281)	–	6,135,587	(124,391)	693,556	(54,374)	7,933,461
Interest income	83,093	112	563	–	–	5,443	8,254	(5,329)	92,136
Interest expenses	192,587	–	–	–	–	123,671	45,737	(5,329)	356,666
Depreciation and amortisation	231,992	45,137	16,775	–	–	3,988	167,391	(9,392)	455,891
Provision for loss allowance									
— trade and other receivables	9,557	–	–	–	–	–	12,896	–	22,453
Reportable segment assets	24,693,005	396,135	2,202,421	525,113	35,637,850	3,318,493	7,523,347	(5,377,298)	68,919,066
Reportable segment liabilities	15,684,940	39,815	2,418,934	125,113	–	4,796,084	4,426,043	(5,229,299)	22,261,630

(ii) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	Continuing operations		Discontinued operations		Total	
	2022 RMB'000	2021 RMB'000	**2022 RMB'000**	2021 RMB'000	**2022 RMB'000**	2021 RMB'000
Revenue						
Reportable segment revenue	**7,925,250**	7,336,935	**337,779**	1,698,153	**8,263,029**	9,035,088
Elimination of inter-segment revenue	**(28,928)**	(656,197)	**(9,745)**	(28,406)	**(38,673)**	(684,603)
Consolidated revenue (Note 5(a))	**7,896,322**	6,680,738	**328,034**	1,669,747	**8,224,356**	8,350,485

5 REVENUE AND SEGMENT REPORTING *(Continued)*

(b) Segment reporting *(Continued)*

(ii) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities *(Continued)*

	Continuing operations		Discontinued operations		Total	
	2022	2021	**2022**	2021	**2022**	2021
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Profit before taxation						
Reportable segment profit	**4,362,983**	7,294,279	**12,122,817**	693,556	**16,485,800**	7,987,835
Elimination of inter-segment profit	**9,246**	(35,748)	**(6,506)**	(18,626)	**2,740**	(54,374)
Consolidated profit before taxation	**4,372,229**	7,258,531	**12,116,311**	674,930	**16,488,540**	7,933,461

	2022	2021
	RMB'000	RMB'000
		(Restated)
Assets		
Reportable segment assets	**79,820,394**	74,296,364
Elimination of inter-segment receivables	**(4,440,517)**	(5,377,298)
Consolidated total assets	**75,379,877**	68,919,066

	2022	2021
	RMB'000	RMB'000
		(Restated)
Liabilities		
Reportable segment liabilities	**32,647,990**	27,490,929
Elimination of inter-segment payables	**(4,440,517)**	(5,229,299)
Consolidated total liabilities	**28,207,473**	22,261,630

5 REVENUE AND SEGMENT REPORTING *(Continued)*

(b) Segment reporting *(Continued)*

(iii) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, right-of-use assets, intangible assets, goodwill, interests in associates, non-current portion of contract assets and trade and other receivables ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods were delivered. The geographical location of the specified non-current assets is based on the physical location of the assets, in the case of right-of-use assets, property, plant and equipment, the location of the operation to which they are allocated, in the case of intangible assets, goodwill and non-current portion of contract assets and trade and other receivables, and the location of operations, in the case of interests in associates.

Revenue from external customers

	Continuing operations		**Discontinued operations**	
	2022	2021	**2022**	2021
	RMB'000	RMB'000	**RMB'000**	RMB'000
Mainland China	**7,787,839**	6,481,158	**328,034**	1,669,747
Asia-Pacific (except Mainland China)	**108,483**	197,917	**–**	–
South America	**–**	1,663	**–**	–
	7,896,322	6,680,738	**328,034**	1,669,747

Specified non-current assets

	2022	2021
	RMB'000	RMB'000
Mainland China	**65,643,152**	54,348,120
Asia-Pacific (except Mainland China)	**301,844**	174,743
	65,944,996	54,522,863

6 OTHER NET INCOME

	2022 RMB'000	2021 RMB'000
Continuing operations		
Interest income on bank deposits and cash at bank	**91,350**	83,647
Government grants (i)	**252,036**	98,922
Net gain on disposal of right-of-use assets and property, plant and equipment	**1,746**	172
Net exchange gain/(loss)	**27,023**	(898)
Net unrealised losses on financial assets measured at FVPL	**(34,252)**	(984)
Recognition of negative goodwill as income (note 33)	**17,680**	–
Others	**1,930**	7,006
	357,513	187,865
Discontinued operations		
Interest income on bank deposits and cash at bank	**2,524**	8,489
Government grants (i)	**5,776**	58,776
Net gain on disposal of right-of-use assets and property, plant and equipment	**–**	25
Gain on previously held interests in associates	**–**	856
Recognition of negative goodwill as income	**–**	928
Others	**215**	1,934
	8,515	71,008
	366,028	258,873

(i) Government grants mainly represented subsidies received from the local government authorities for encouraging the Group's development in the waste-to-energy segment, new building materials segment, new energy materials and discontinued operations in the respective PRC cities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 PROFIT BEFORE TAXATION

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

(a) Finance costs:

	2022 RMB'000	2021 RMB'000
Continuing operations		
Interest on bank loans	**567,014**	285,895
Interest on lease liabilities	**1,189**	205
Interest on convertible bonds	**123,259**	113,882
Total interest expense on financial liabilities not at fair value through profit or loss	**691,462**	399,982
Less: interest expense capitalised into construction in progress and intangible assets*	**(92,022)**	(89,017)
	599,440	310,965
Discontinued operations		
Interest on bank loans	**30,388**	83,445
Interest on lease liabilities	**39**	171
Total interest expense on financial liabilities not at fair value through profit or loss	**30,427**	83,616
Less: interest expense capitalised into construction in progress and intangible assets*	**(9,023)**	(37,915)
	21,404	45,701
	620,844	356,666

* The borrowing costs in continuing operations and discontinued operations were capitalised at rates of 1.45%–6.22% per annum for 2022 (2021: 1.75%–4.05%) and 2.65%–7.00% per annum for 2022 (2021: 2.65%–4.65%) respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 PROFIT BEFORE TAXATION *(Continued)*

(b) Staff costs:

	2022 RMB'000	2021 RMB'000
Continuing operations		
Salaries, wages and other benefits	**525,165**	333,498
Contributions to defined contribution plans (i)	**60,092**	40,836
	585,257	374,334
Discontinued operations		
Salaries, wages and other benefits	**57,425**	240,995
Contributions to defined contribution plans (i)	**10,381**	35,806
	67,806	276,801

(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.

During the financial year ended 31 December 2022, no contribution was forfeited (by the Group on behalf of its employees who leave the scheme prior to vesting fully in such contributions) under the defined contribution retirement scheme which may be used by the Group to reduce the existing level of contributions. Accordingly, no forfeited contribution was utilised in the course of the year ended 31 December 2022, and as at 31 December 2022, there was no forfeited contribution available to reduce the Group's existing level of contributions to the defined contribution retirement scheme.

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

7 PROFIT BEFORE TAXATION *(Continued)*

(c) Other items:

	2022 **RMB'000**	2021 RMB'000
Continuing operations		
Cost of inventories#	**819,600**	570,125
Cost of services provided#	**4,847,969**	4,463,157
Depreciation of owned property, plant and equipment#	**174,872**	90,907
Depreciation of right-of-use assets#	**30,186**	20,564
Amortisation of intangible assets#	**475,906**	186,421
Research and development costs	**60,549**	35,876
(Reversal of)/loss allowance for trade receivables	**(7,732)**	9,557
Impairment losses on property, plant and equipment	**–**	7,669
Short-term lease payments not included in the measurement of lease liabilities	**5,248**	5,327
Auditors' remuneration	**2,340**	2,340
Discontinued operations		
Cost of services provided#	**163,125**	672,985
Depreciation of owned property, plant and equipment#	**46,433**	145,328
Depreciation of right-of-use assets#	**1,360**	4,812
Amortisation of intangible assets#	**2,002**	7,859
Loss allowance for trade receivables	**870**	12,896
Short-term lease payments not included in the measurement of lease liabilities	**2,066**	2,826
Auditors' remuneration	**–**	2,300
Listing expenses	**10,334**	24,764

Cost of inventories and cost of services provided in continuing operations and in discontinued operations include RMB955,191,000 (2021: RMB427,424,000) and RMB76,995,000 (2021: RMB277,989,000) relating to staff costs, depreciation of owned property, plant and equipment, depreciation of right-of-use assets and amortisation of intangible assets, which amount is also included in the respective total amounts disclosed separately above or in note 7(b) for each of these types of expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT AND LOSS

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

	2022 RMB'000	2021 RMB'000
Continuing operations		
Current tax — Hong Kong Profits Tax		
Provision for the year	–	–
Current tax — PRC income tax		
Provision for the year	266,139	224,334
Over provision in respect of prior years	(6,293)	(6,082)
	259,846	218,252
Deferred tax:		
Origination and reversal of temporary differences	28,816	86,853
Income tax expense on continuing operations	288,662	305,105

	2022 RMB'000	2021 RMB'000
Discontinued operations		
Current tax — Hong Kong Profits Tax		
Provision for the year	–	–
Current tax — PRC income tax		
Provision for the year	10,153	58,128
Under provision in respect of prior years	–	162
	10,153	58,290
Deferred tax:		
Origination and reversal of temporary differences	139	(7,090)
Income tax expense on discontinued operations	10,292	51,200

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT AND LOSS

(Continued)

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

(Continued)

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

(2) The provision for Hong Kong Profits Tax for 2022 is calculated at the first HKD2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax was calculated at the same basis in 2021. The payments of dividends by Hong Kong companies are not subject to any Hong Kong withholding tax.

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

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

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

During the twelve months ended 31 December 2022, deferred tax expenses of RMB55,500,000 (2021: RMB100,000,000) have been recognised in respect of the withholding tax payable on the retained profits of the Group's PRC subsidiaries which the directors expect to distribute outside the Mainland China in the foreseeable future.

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

Pursuant to the PRC income tax law, all of the Company's PRC subsidiaries are liable to PRC income tax at a rate of 25% except for seven entities entitled to a preferential income tax rate of 15% as they are certified as "High and New Technology Enterprise" ("HNTE"). According to Guoshuihan 2009 No. 203, if an entity is certified as an HNTE, it is entitled to a preferential income tax rate of 15% during the certified period.

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT AND LOSS

(Continued)

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

(Continued)

(5) Pursuant to Notice No.23 issued by the State Administration of Taxation on 23 April 2020 and relevant local tax authorities' notices, certain subsidiaries are entitled to a preferential income tax rate of 15% as qualifying companies located in western areas in the PRC.

(6) Pursuant to the PRC Enterprise Income Tax Law Implementing Regulations issued by State Council of the PRC, certain subsidiaries engaged in waste incineration 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:

	2022	2021
	RMB'000	RMB'000
Continuing operations		
Profit before taxation	**4,372,229**	7,258,531
Notional tax on profit before taxation from continuing operations, calculated at the rates applicable to profit in the tax jurisdictions concerned	**1,143,455**	1,852,536
PRC tax concessions	**(169,803)**	(101,767)
PRC dividend withholding tax	**55,500**	100,000
Over provision in respect of prior years	**(6,293)**	(6,082)
Share of profits of associates	**(734,197)**	(1,539,582)
Income tax expense on continuing operations	**288,662**	305,105

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT AND LOSS

(Continued)

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

	2022	2021
	RMB'000	RMB'000
Discontinued operations		
Profit before taxation	**67,050**	674,930
Notional tax on profit before taxation from discontinued operations, calculated at the rates applicable to profit in the tax jurisdictions concerned	**17,823**	184,315
PRC tax concessions	**(6,965)**	(130,824)
Under provision in respect of prior years	**–**	162
Share of profits of associates	**(566)**	(2,453)
Income tax expense on discontinued operations	**10,292**	51,200

9 OTHER COMPREHENSIVE INCOME

Tax effects relating to each component of other comprehensive income

	2022			2021		
	Before-tax amount RMB'000	**Tax benefit RMB'000**	**Net-of-tax amount RMB'000**	Before-tax amount RMB'000	Tax benefit RMB'000	Net-of-tax amount RMB'000
Items that will not be reclassified to profit or loss:						
Share of other comprehensive income of associates (i)	**(178,707)**	**–**	**(178,707)**	7,061	–	7,061
Items that may be reclassified subsequently to profit or loss:						
Share of other comprehensive income of associates	**(48,836)**	**–**	**(48,836)**	(13,016)	–	(13,016)
Exchange differences on translation of financial statements of overseas subsidiaries	**(317,061)**	**–**	**(317,061)**	88,041	–	88,041
Other comprehensive income	**(544,604)**	**–**	**(544,604)**	82,086	–	82,086

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

10 DIRECTORS' REMUNERATION

Directors' remuneration disclosed are as follows:

Year ended 31 December 2022

	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. Ji Qinying	–	594	2,154	–	2,748
Mr. Li Jian	–	564	1,609	–	2,173
Mr. Li Daming	–	597	1,609	37	2,243
Mr. Shu Mao (i)	–	302	1,609	31	1,942
Non-executive Directors:					
Mr. Guo Jingbin	–	300	2,154	–	2,454
Mr. Yu Kaijun	–	–	–	–	–
Independent non-executive Directors:					
Mr. Chan Chi On	129	–	–	–	129
Mr. Chan Kai Wing	129	–	–	–	129
Mr. Lau Chi Wah	129	–	–	–	129
	387	2,357	9,135	68	11,947

10 DIRECTORS' REMUNERATION *(Continued)*

Year ended 31 December 2021

	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. Ji Qinying	–	587	1,791	–	2,378
Mr. Li Jian	–	493	1,427	29	1,949
Mr. Li Daming	–	592	1,427	32	2,051
Non-executive Directors:					
Mr. Guo Jingbin	–	602	1,791	–	2,393
Mr. Shu Mao (i)	–	596	1,427	55	2,078
Mr. Yu Kaijun	–	–	–	–	–
Mr. Chang Zhangli	–	–	–	–	–
Independent non-executive Directors:					
Mr. Chan Chi On	125	–	–	–	125
Mr. Chan Kai Wing	125	–	–	–	125
Mr. Lau Chi Wah	125	–	–	–	125
	375	2,870	7,863	116	11,224

(i) Mr. Shu Mao has been re-designated from a non-executive Director to an executive Director with effect from 10 October 2022.

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 11 below as an inducement to join or upon joining the Group or as compensation for loss of office.

11 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five highest paid individuals of the Group during the year ended 31 December 2022 and 2021 are all directors of the Company whose emolument is disclosed in note 10.

12 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 and the weighted average number of ordinary shares in issue during the year.

(i) Weighted average number of ordinary shares

	2022 **('000)**	2021 ('000)
Issued ordinary shares at 1 January	**1,826,765**	1,804,750
Effect of new shares issued	**–**	11,130
Effect of repurchased and cancelled shares	**(7,398)**	–
Weighted average number of ordinary shares	**1,819,367**	1,815,880

(ii) Profit attributable to ordinary equity shareholders

	2022 **RMB'000**	2021 RMB'000
Profit attributable to ordinary equity shareholders		
— Continuing operations	**3,852,177**	6,905,394
— Discontinued operations	**12,107,011**	552,735
	15,959,188	7,458,129

12 EARNINGS PER SHARE *(Continued)*

(a) Basic earnings per share *(Continued)*

(iii) Basic earnings per share

	2022	2021
	RMB	RMB
Basic earnings per share		
— Continuing operations	**2.12**	3.80
— Discontinued operations (i)	**6.63**	0.30
	8.75	4.10

(i) The calculation of basic earnings per share of discontinued operations for the year ended 31 December 2022 is based on the profit attributable to ordinary equity shareholders of the Company of RMB12,107,011,000 from discontinued operations and the weighted average number of ordinary shares of 1,826,765,000 for the three months ended 31 March 2022.

(b) Diluted earnings per share

Diluted earnings per share for the year ended 31 December 2022 is the same as the basic earnings per share as there were no potentially dilutive ordinary shares issued.

The calculation of diluted earnings per share of continuing operations for the year ended 31 December 2021 is based on the profit attributable to ordinary equity shareholders of the Company of RMB7,019,276,000 from continuing operations and the weighted average number of ordinary shares of 1,918,545,000. The calculation of diluted earnings per share of discontinued operations for the year ended 31 December 2021 is based on the profit attributable to ordinary equity shareholders of the Company of RMB552,735,000 from discontinuing operations and the weighted average number of ordinary shares of 1,918,545,000.

13 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 2021	1,656,711	1,388,427	73,758	158,202	1,188,987	4,466,085
Acquisition of subsidiaries	69,825	66,936	2,048	1,213	59,096	199,118
Additions	1,381	53,581	37,656	40,691	2,362,279	2,495,588
Transfer from construction in progress	578,870	673,752	1,689	–	(1,254,311)	–
Disposals	(181)	(3,055)	(922)	(3,671)	(1,840)	(9,669)
Reclassification to assets held for distribution	(1,450,320)	(1,611,880)	(40,718)	(127,583)	(2,012,413)	(5,242,914)
At 31 December 2021 and 1 January 2022	856,286	567,761	73,511	68,852	341,798	1,908,208
Acquisition of subsidiaries (Note 33)	598,797	779,258	6,641	6,111	116,581	1,507,388
Additions	49,601	69,748	28,925	22,813	1,804,339	1,975,426
Transfer from construction in progress	226,443	202,704	6,379	169	(435,695)	–
Disposals	(85)	(518)	(1,135)	(1,295)	(448)	(3,481)
Distribution of discontinued operations	(156,602)	(194,080)	(12,605)	(4,395)	(75,783)	(443,465)
At 31 December 2022	1,574,440	1,424,873	101,716	92,255	1,750,792	4,944,076

13 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 2021	(309,827)	(356,542)	(26,980)	(58,040)	–	(751,389)
Charge for the year	(66,834)	(122,904)	(12,962)	(33,535)	–	(236,235)
Written back on disposals	–	1,614	614	2,365	–	4,593
Impairment loss	–	–	–	–	(7,669)	(7,669)
Reclassification to assets held for distribution	68,622	155,481	11,569	59,471	–	295,143
At 31 December 2021 and 1 January 2022	(308,039)	(322,351)	(27,759)	(29,739)	(7,669)	(695,557)
Charge for the year	(67,908)	(119,657)	(14,627)	(19,113)	–	(221,305)
Written back on disposals	–	105	744	909	2,423	4,181
Distribution of discontinued operations	11,709	26,523	2,217	5,984	–	46,433
At 31 December 2022	(364,238)	(415,380)	(39,425)	(41,959)	(5,246)	(866,248)
Net book value:						
At 31 December 2021	548,247	245,410	45,752	39,113	334,129	1,212,651
At 31 December 2022	1,210,202	1,009,493	62,291	50,296	1,745,546	4,077,828

As at 31 December 2022, property, plant and equipment with carrying amount of RMB936,451,000 (31 December 2021: nil) were pledged as collaterals for certain bank loans (see Note 25).

14 RIGHT-OF-USE ASSETS

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

	Note	**2022** **RMB'000**	2021 RMB'000
Properties leased for own use, carried at depreciated cost	(i)	**26,262**	10,964
Leasehold land for own use, carried at depreciated cost	(ii)	**1,717,707**	1,098,333
		1,743,969	1,109,297

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

	2022 **RMB'000**	2021 RMB'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Properties leased for own use, carried at depreciated cost	**8,860**	3,999
Leasehold land for own use, carried at depreciated cost	**22,686**	21,377
	31,546	25,376
Interest on lease liabilities	**1,228**	376
Expense relating to short-term leases	**7,314**	8,153

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

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in Notes 24 and 29.

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

(i) Properties leased for own use

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

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

(ii) Leasehold land for own use

	Leasehold land for own use RMB'000
Cost:	
At 1 January 2021	638,794
Acquisition of subsidiaries	18,025
Additions	710,497
Disposals	(3,609)
Reclassification to assets held for distribution	(201,161)
At 31 December 2021 and 1 January 2022	1,162,546
Acquisition of subsidiaries	204,768
Additions	461,887
Distribution of discontinued operations	(11,736)
At 31 December 2022	1,817,465

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

(ii) Leasehold land for own use *(Continued)*

	Leasehold land for own use RMB'000
Accumulated depreciation:	
At 1 January 2021	(51,063)
Charge for the year	(21,377)
Written back on disposals	138
Reclassification to assets held for distribution	8,089
At 31 December 2021 and 1 January 2022	(64,213)
Charge for the year	(36,748)
Distribution of discontinued operations	1,203
At 31 December 2022	(99,758)
Net book value:	
At 31 December 2021	1,098,333
At 31 December 2022	1,717,707

The Group has obtained land use rights in the PRC with lease period of 25-50 years when granted.

As at 31 December 2022, leasehold land for own use with carrying amount of RMB423,964,000 (2021: RMB191,127,000) were pledged as collaterals for certain bank loans (see Note 25).

15 INTANGIBLE ASSETS

	Software RMB'000	**Waste incineration project operating rights** RMB'000	**Customer relationship** RMB'000	**Total** RMB'000
Cost:				
At 1 January 2021	8,083	6,451,167	66,078	6,525,328
Acquisition of subsidiaries	219	–	–	219
Additions	3,668	3,894,346	–	3,898,014
Reclassification to assets held for distribution (Note 4(c))	(4,607)	(5,160)	(66,078)	(75,845)
At 31 December 2021 and 1 January 2022	7,363	10,340,353	–	10,347,716
Acquisition of subsidiaries (Note 33)	61	3,086,662	–	3,086,723
Additions	1,927	4,137,683	71,185	4,210,795
Disposal of a subsidiary	–	(68,618)	–	(68,618)
Distribution of discontinued operations (Note 4(c))	–	–	(71,185)	(71,185)
At 31 December 2022	9,351	17,496,080	–	17,505,431

15 INTANGIBLE ASSETS *(Continued)*

	Software RMB'000	Waste incineration project operating rights RMB'000	Customer relationship RMB'000	Total RMB'000
Accumulated depreciation:				
At 1 January 2021	(4,482)	(151,008)	(3,643)	(159,133)
Charge for the year	(880)	(186,877)	(6,523)	(194,280)
Reclassification to assets held for distribution (Note 4(c))	452	2,180	10,166	12,798
At 31 December 2021 and 1 January 2022	(4,910)	(335,705)	–	(340,615)
Charge for the year	(523)	(475,383)	(2,002)	(477,908)
Distribution of discontinued operations (Note 4(c))	–	–	2,002	2,002
At 31 December 2022	(5,433)	(811,088)	–	(816,521)
Net book value:				
At 31 December 2021	2,453	10,004,648	–	10,007,101
At 31 December 2022	3,918	16,684,992	–	16,688,910

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 16 years to 30 years. They are expected to generate long-term net cash inflow to the Group.

As at 31 December 2022, there were certain waste incineration projects that had not commenced operation. The amount of these waste incineration project operating rights was RMB3,061,045,000 (2021: RMB2,318,867,000).

16 INTERESTS IN SUBSIDIARIES

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

		Proportion of ownership interest			
Name of companies (i)	**Registered and paid up capital**	**Group's effective interest**	**Held by the Company**	**Held by a subsidiary**	**Principal activities**
China Conch Venture Holdings International Limited ("Conch Venture BVI") (中國海創控股國際有限公司)	USD10,000	100%	100%	–	Investment holding
China Conch Venture Holdings (HK) Limited ("Conch Venture HK") (中國海創控股(香港)有限公司)	HKD250,000,000	100%	–	100%	Investment holding
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
Wuhu Haihuan Industrial Co., Ltd ("Wuhu Haihuan") (iv) (蕪湖海環實業有限公司)	RMB100,000,000	90%	–	100%	Construction engineering design and construction
Anhui Conch Kawasaki Engineering Co., Ltd. ("CK Engineering") (iv) (安徽海螺川崎工程有限公司)	RMB100,000,000	46%	–	51%	Design, sales, installation of energy preservation and environmental protection equipment and after sales service

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16 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
Anhui Conch Kawasaki Energy Conservation Equipment Manufacturing Co., Ltd. (iv) ("CK Equipment") (安徽海螺川崎節能設備製造有限公司)	RMB100,000,000	46%	–	51%	Design, sales installation of energy preservation and environmental protection equipment and after sales service
Anhui Haichuang Lvneng Environmental Protection Group Co., Ltd ("Wuhu Environment") (安徽海創綠能環保集團股份有限公司)	RMB1,663,600,000	90%	–	90%	Investment holding
Jinzhai Conch Venture Environment Engineering Co., Ltd. (iv) ("Jinzhai Environment") (金寨海創環境工程有限責任公司)	RMB100,000,000	90%	–	100%	Waste disposal for energy and sludge treatment service
Guangdong Yangchun Conch Venture Environment Engineering Co., Ltd. (iii) & (iv) ("Yangchun Environment") (廣東陽春海創環境工程有限責任公司)	RMB32,000,000	90%	–	100%	Garbage disposal and sludge residue operation management technical service
Qiyang Conch Venture Environment Engineering Co., Ltd. (iii) & (iv) ("Qiyang Environment") (祁陽海創環境工程有限責任公司)	RMB35,000,000	90%	–	100%	Garbage disposal and sludge residue operation management technical service
Shimen Conch Venture Environment Engineering Co., Ltd. (iii) & (iv) ("Shimen Environment") (石門海創環境工程有限責任公司)	RMB32,000,000	90%	–	100%	Garbage disposal and sludge residue operation management technical service
Nanjiang Conch Venture Environment Engineering Co., Ltd. (iii) & (iv) ("Nanjiang Environment") (南江海創環境工程有限責任公司)	RMB35,000,000	90%	–	100%	Garbage disposal and sludge residue operation management technical service

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16 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
Shuangfeng Conch Venture Environment Engineering Co., Ltd. (iii) & (iv) ("Shuangfeng Environment") (雙峰海創環境工程有限責任公司)	RMB32,000,000	90%	–	100%	Garbage disposal and sludge residue operation management technical service
Fusui Conch Venture Environment Engineering Co., Ltd. (iii) & (iv) ("Fusui Environment") (扶綏海創環境工程有限責任公司)	RMB32,000,000	90%	–	100%	Garbage disposal and sludge residue operation management technical service
Xishui Conch Venture Environment Engineering Co., Ltd. (iii) & (iv) ("Xishui Environment") (習水海創環境工程有限責任公司)	RMB31,000,000	63%	–	70%	Garbage disposal and sludge residue operation management technical service
Yuping Conch Venture Environment Engineering Co., Ltd. (iii) & (iv) ("Yuping Environment") (玉屏海創環境科技有限責任公司)	RMB23,000,000	63%	–	70%	Garbage disposal and sludge residue operation management technical service
Yanshan Conch Venture Environment Engineering Co., Ltd. (iii) & (iv) ("Yanshan Environment") (硯山海創環境工程有限責任公司)	RMB30,000,000	90%	–	100%	Waste disposal for energy and sludge treatment
Guiyang Conch Venture Environment Engineering Co., Ltd. (iii) & (iv) ("Guiyang Environment") (貴陽海創環境工程有限責任公司)	RMB33,000,000	90%	–	100%	Garbage disposal and sludge residue operation management technical service
Linxia Conch Venture Environment Engineering Co., Ltd. (iii) & (iv) ("Linxia Environment") (臨夏海創環境工程有限責任公司)	RMB35,000,000	90%	–	100%	Garbage disposal and sludge residue operation management technical service

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16 INTERESTS IN SUBSIDIARIES *(Continued)*

		Proportion of ownership interest			
Name of companies (i)	**Registered and paid up capital**	**Group's effective interest**	**Held by the Company**	**Held by a subsidiary**	**Principal activities**
Ningguo Conch Venture Environment Engineering Co., Ltd. (iii) & (iv) ("Ningguo Environment") (寧國海創環境工程有限責任公司)	RMB40,000,000	90%	–	100%	Waste disposal for energy and sludge treatment service
Shanghai Conch Kawasaki Engineering Co., Ltd. (iv) ("CK Shanghai") (上海海螺川崎節能環保工程有限公司)	RMB100,000,000	46%	–	100%	Design, sales, installation of energy preservation and environmental protection equipment and after sales service
Huoqiu Conch Venture Environment Engineering Co., Ltd. (iii) & (iv) ("Huoqiu Environment") (霍邱海創環境工程有限責任公司)	RMB60,000,000	90%	–	100%	Waste disposal for energy and sludge treatment service
Lixian Conch Venture Environmental Protection Technology Co., Ltd. (iii) & (iv) ("Lixian Environmental Protection") (澧縣海創環保科技有限責任公司)	RMB50,000,000	90%	–	100%	Waste disposal for energy and sludge treatment service
Tongzi Conch Venture Environmental Protection Technology Co., Ltd. (iii) & (iv) ("Tongzi Environmental Protection") (桐梓海創環保科技有限責任公司)	RMB60,000,000	63%	–	70%	Waste disposal for energy and sludge treatment service
Pingguo Conch Venture Environmental Protection Technology Co., Ltd. (iii) & (iv) (Pingguo Environmental Protection") (平果海創環保科技有限責任公司)	RMB50,000,000	90%	–	100%	Waste disposal for energy and sludge treatment service
Binzhou Conch Venture Environmental Protection Energy Co., Ltd. & (iv) ("Binzhou Environmental Protection") (彬州海創環保能源有限責任公司)	RMB72,000,000	90%	–	100%	Waste disposal for energy and sludge treatment service

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16 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
Xing'an Conch Venture Environment Technology Co., Ltd. (iii) & (iv) ("Xing'an Environment") (興安海創環境科技有限責任公司)	RMB20,000,000	90%	–	100%	Garbage disposal and sludge residue operation management technical service
Kunming Conch Venture Environment Engineering Co., Ltd. (iii) & (iv) ("Kunming Environment") (昆明海創環境工程有限責任公司)	RMB50,000,000	90%	–	100%	Waste disposal for energy and sludge treatment service
Yiyang Conch Venture Environment Energy Co., Ltd. (iii) & (iv) ("Yiyang Energy") (弋陽海創環境能源有限責任公司)	RMB50,000,000	90%	–	100%	Waste disposal for energy and sludge treatment service
Yingjiang Conch Venture Environmental Protection Technology Co., Ltd. (iii) & (iv) ("Yingjiang Environmental Protection") (盈江海創環保科技有限責任公司)	RMB30,000,000	90%	–	100%	Garbage disposal and sludge residue operation management technical service
Zhengxiong Conch Venture Environmental Protection Technology Co., Ltd. (iii) & (iv) ("Zhengxiong Environmental Protection") (鎮雄海創環保科技有限責任公司)	RMB80,000,000	90%	–	100%	Waste disposal for energy and sludge treatment service
Chengde Conch Venture Energy Technology Co., Ltd (iii) & (iv) ("Chengde Energy Technology") (承德海創能源科技有限責任公司)	RMB70,000,000	90%	–	100%	Waste disposal for energy and sludge treatment service
Haihuan industry (Shanghai) Co., Ltd. ("Haihuan Industry") & (iv) (海環實業(上海)有限公司)	RMB200,000,000	90%	–	100%	Design and construction of energy preservation and environmental protection projects and investment holding

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16 INTERESTS IN SUBSIDIARIES *(Continued)*

		Proportion of ownership interest			
Name of companies (i)	Registered and paid up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Hejin Conch Venture Environmental Protection Technology Co., Ltd. (iii) & (iv) ("Hejin Environmental Protection") (河津海創環保能源有限責任公司)	RMB80,000,000	90%	–	100%	Waste disposal for energy and sludge treatment service
Pingliang Conch Venture Energy Technology Co., Ltd. (iii) & (iv) ("Pingliang Energy Technology") (平涼海創能源科技有限責任公司)	RMB85,000,000	90%	–	100%	Waste disposal for energy and sludge treatment service
Suiyang Conch Venture Environmental Protection Technology Co., Ltd. (iii) & (iv) ("Suiyang Environmental Protection") (綏陽海創環保科技有限責任公司)	RMB97,000,000	63%	–	70%	Waste disposal for energy and sludge treatment service
Shucheng Conch Venture Environmental Protection Technology Co., Ltd. (iii) & (iv) ("Shucheng Environmental Protection") (舒城海創環保科技有限責任公司)	RMB50,000,000	90%	–	100%	Waste disposal for energy and sludge treatment service
Xishui Conch Venture Environmental Protection Technology Co., Ltd. (iii) & (iv) ("Xishui Environmental Protection") (習水海創環保科技有限責任公司)	RMB50,000,000	90%	–	100%	Waste disposal for energy and sludge treatment service
Sishui Conch Venture Environment Engineering Co., Ltd. (iii) & (iv) ("Sishui Environment") (泗水海螺創業環境工程有限責任公司)	RMB50,000,000	90%	–	100%	Waste disposal for energy and sludge treatment service
Fuquan Conch Venture Environmental Protection Technology Co., Ltd. (iii) & (iv) ("Fuquan Environmental Protection") (福泉海創環保科技有限責任公司)	RMB50,000,000	90%	–	100%	Waste disposal for energy and sludge treatment service

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16 INTERESTS IN SUBSIDIARIES *(Continued)*

		Proportion of ownership interest			
Name of companies (i)	Registered and paid up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Tongchuan Conch Venture Environmental Protection Technology Co., Ltd. (iii) & (iv) ("Tongchuan Environmental Protection") (銅川海創環保科技有限責任公司)	RMB80,000,000	90%	–	100%	Waste disposal for energy and sludge treatment service
Xianyang Conch Venture Environment Energy Co., Ltd. (iii) & (iv) ("Xianyang Energy") (咸陽海創環境能源有限責任公司)	RMB270,000,000	90%	–	100%	Waste disposal for energy and sludge treatment service
Baoshan Conch Venture Environmental Protection Technology Co., Ltd. (iii) & (iv) ("Baoshan Environmental Protection") (保山海創環保科技有限責任公司)	RMB80,000,000	90%	–	100%	Waste disposal for energy and sludge treatment service
Manzhouli Conch Venture Environmental Protection Technology Co., Ltd. (iii) & (iv) ("Manzhouli Environmental Protection") (滿洲里海創環保科技有限責任公司)	RMB80,000,000	90%	–	100%	Waste disposal for energy and sludge treatment service
Yangzhou Haichang Port Industrial Co., Ltd. ("Haichang Port") (揚州海昌港務實業有限責任公司)	RMB260,500,000	100%	–	100%	Cargo handling
Lingyun Conch Venture Environment Engineering Co., Ltd. (iii) & (iv) ("Lingyun Environment") (淩雲海創環境工程有限責任公司)	RMB25,000,000	90%	–	100%	Garbage disposal and sludge residue operation management technical service
Baoshan Conch Venture Environment Engineering Co., Ltd. (iii) & (iv) ("Baoshan Environment") (保山海創環境工程有限責任公司)	RMB10,000,000	90%	–	100%	Garbage disposal and sludge residue operation management technical service

16 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
Bole Conch Venture Environment Engineering Co., Ltd. (iii) & (iv) ("Bole Environment") (博樂市海創環境工程有限責任公司)	RMB50,000,000	90%	–	100%	Waste disposal for energy and sludge treatment service
Tongren Conch Venture Environment Engineering Co., Ltd. (iii) & (iv) ("Tongren Environment") (銅仁海創環境工程有限責任公司)	RMB80,000,000	90%	–	100%	Waste disposal for energy and sludge treatment service
Shache Conch Venture Environment Engineering Co., Ltd. (iii) & (iv) ("Shache Environment") (莎車海創環境工程有限責任公司)	RMB100,000,000	90%	–	100%	Waste disposal for energy and sludge treatment service
Shizhu Conch Venture Environmental Protection Technology Co., Ltd. (iii) & (iv) ("Shizhu Environmental Protection") (石柱縣海創環保科技有限責任公司)	RMB50,000,000	90%	–	100%	Waste disposal for energy and sludge treatment service
Huoshan Conch Venture Environmental Protection Technology Co., Ltd. (iii) & (iv) ("Huoshan Environmental Protection") (霍山海創環保科技有限責任公司)	RMB50,000,000	90%	–	100%	Waste disposal for energy and sludge treatment service
Yangxian Conch Venture Environmental Protection Technology Co., Ltd. (iii) & (iv) ("Yangxian Environmental Protection") (洋縣海創環保科技有限責任公司)	RMB60,000,000	90%	–	100%	Waste disposal for energy and sludge treatment service
Shanggao Conch Venture Environmental Protection Technology Co., Ltd. (iii) & (iv) ("Shanggao Environmental Protection") (上高海創環保科技有限公司)	RMB50,000,000	90%	–	100%	Waste disposal for energy and sludge treatment service

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16 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
Bac Ninh Vietnam — Conch Venture New Energy Co., Ltd. ("Conch Venture EU") (北寧EU — 海創新能源有限責任公司)	USD8,134,883	95%	–	95%	Waste disposal for energy and sludge treatment
Tengchong Conch Venture Energy Technology Co., Ltd. (iii) & (iv) ("Techong Energy Technology") (騰沖海創能源科技有限責任公司)	RMB60,000,000	90%	–	100%	Waste disposal for energy and sludge treatment service
Jiuquan Conch Venture Environmental Protection Energy Co., Ltd. (iii) & (iv) ("Jiuquan Environmental Protection") (酒泉海創環保能源有限責任公司)	RMB85,000,000	90%	–	100%	Waste disposal for energy and sludge treatment service
Dehong Conch Venture Environmental Protection Technology Co., Ltd. (iii) & (iv) ("Dehong Environmental Protection") (德宏海創環保科技有限責任公司)	RMB50,000,000	90%	–	100%	Waste disposal for energy and sludge treatment service
Lujiang Conch Venture Environmental Protection Technology Co., Ltd. (iii) & (iv) ("Lujiang Environmental Protection") (廬江海創環保科技有限責任公司)	RMB90,000,000	90%	–	100%	Waste disposal for energy and sludge treatment service
Wuwei Conch Venture Environmental Protection Technology Co., Ltd. (iii) & (iv) ("Wuwei Environmental Protection") (無為縣海創環保科技有限責任公司)	RMB60,000,000	90%	–	100%	Waste disposal for energy and sludge treatment service
Shanghai Chuang'an Jiaxian Industrial Development Co., Ltd. ("Shanghai Chuang'an Jiaxian") (上海創安嘉賢實業發展有限公司)	RMB50,000,000	65%	–	100%	Headquarter property construction and development of ancillary facilities

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16 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
Shanghai Chuangjin Jiafu Industrial Development Co., Ltd. ("Shanghai Chuangjin Jiafu") (上海創錦嘉富實業發展有限公司)	Register capital: RMB120,000,000 Paid up capital: RMB91,000,000	65%	–	100%	Headquarter property construction and development of ancillary facilities
Shanghai Chuangyue Real Estate Co., Ltd ("Shanghai Chuangyue") (上海創玥置業有限公司)	RMB150,000,000	65%	–	100%	Headquarter property construction and development of ancillary facilities
Shanghai Chuangle Real Estate Co., Ltd ("Shanghai Chuangle") (上海創玏置業有限公司)	RMB150,000,000	65%	–	100%	Headquarter property construction and development of ancillary facilities
Chengde Yixun Conch Venture Environmental Protection Technology Co., Ltd (iii) & (iv) ("Chengde Yixun Environmental Protection") (承德伊遜海創環保科技有限責任公司)	RMB47,000,000	90%	–	100%	Waste disposal for energy and sludge treatment service
Kunming Conch Venture Environmental Protection Technology Co., Ltd(iii) & (iv) ("Kunming Environmental Protection") (昆明海創環保科技有限責任公司)	RMB50,000,000	90%	–	100%	Waste disposal for energy and sludge treatment service
Wuhu Conch Venture Green Energy Technology Co., Ltd. & (iv) ("Wuhu Green Energy") (蕪湖海創綠能能源科技有限責任公司)	RMB500,000	90%	–	100%	Design and construction of energy preservation and environmental protection projects and investment holding
Haihuan Fuhua Environmental Engineering (Shanghai) Co., Ltd. & (iv) ("Haihuan Fuhua Environmental") (海環富華環境工程(上海)有限公司)	Register capital: RMB10,000,000 Paid up capital: –	65%	–	100%	Headquarter property construction and development of ancillary facilities

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16 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
Naiman Banner Conch Venture Technology Development Co., Ltd (iii) & (iv) ("Naiman Banner Environmental Technology") (奈曼旗海創科技發展有限責任公司)	RMB81,000,000	90%	–	100%	Waste disposal for energy and sludge treatment service
Conch venture environmental protection technology (Shanghai) Co., Ltd ("Shanghai Environmental Protection") (海螺創業環保科技(上海)有限公司)	RMB100,000,000	65%	–	65%	Construction engineering design and construction
Shanghai Chuangxu Industrial Co., Ltd ("Shanghai Chuangxu") (上海創旭實業有限公司)	RMB150,000,000	65%	–	100%	Headquarter property construction and development of ancillary facilities
Shanghai Chuangheng Industrial Co., Ltd ("Shanghai Chuangheng") (上海創衡實業有限公司)	RMB150,000,000	65%	–	100%	Headquarter property construction and development of ancillary facilities
Anhui Conch Venture Energy Materials Co., Ltd. ("Anhui Conch Venture Green") (安徽海創新能源材料有限公司)	Register capital: RMB1,000,000,000 Paid up capital: RMB600,000,000	80%	–	80%	Lithium iron phosphate cathode and anode materials, and lithium battery recycling
Sichuan Conch Venture Shangwei New Energy Technology Co., Ltd. ("Shangwei New Energy") (四川海創尚緯新能源科技有限公司)	Register capital: RMB500,000,000 Paid up capital: RMB270,000,000	41%	–	51%	Manufacturing of cathode products (graphite and carbon)
Wuhu Conch Venture Environmental Technology Co., Ltd (iii) & (iv) ("Wuhu Environmental Technology") (蕪湖海創環境科技有限責任公司)	RMB68,000,000	90%	–	100%	Waste disposal for energy and sludge treatment service

16 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
MAANSHAN Conch Venture Environmental Technology Co., Ltd(iii) & (iv) ("MAANSHAN Environmental Technology") (馬鞍山海創環境科技有限責任公司)	RMB107,700,000	90%	–	100%	Waste disposal for energy and sludge treatment service
Zhoukou Conch Venture Environmental Energy Co., Ltd (iii) & (iv) ("Zhoukou Environmental Energy") (周口海創環境能源有限責任公司)	RMB70,000,000	90%	–	100%	Waste disposal for energy and sludge treatment service
Du'an Conch Venture Environmental Technology Co., Ltd (iii) & (iv) ("Du'an Environmental Technology") (都安海創環境科技有限責任公司)	RMB70,000,000	90%	–	100%	Waste disposal for energy and sludge treatment service
Suzhou Conch Venture Environmental Energy Co., Ltd (iii) & (iv) ("Suzhou Environmental Energy") (宿州海創環境能源有限責任公司)	RMB80,000,000	90%	–	100%	Waste disposal for energy and sludge treatment service
Liuzhou Conch Entrepreneurship Environmental Technology Co., Ltd (iii) & (iv) ("Liuzhou Environmental Technology") (柳州海螺創業環境科技有限責任公司)	RMB75,000,000	90%	–	100%	Waste disposal for energy and sludge treatment service
Yantai Conch Venture Jungle Environmental Protection Energy Co., Ltd (iii) & (iv) ("Yantai Environmental Protection Energy") (煙台海創叢林環保能源有限責任公司)	Register capital: RMB150,000,000 Paid up capital: RMB138,000,000	54%	–	60%	Waste disposal for energy and sludge treatment service
Hanshou Conch Venture Environmental Protection Technology Co., Ltd. (iii) & (iv) ("Hanshou Environmental Protection") (漢壽海創環保科技有限責任公司)	RMB50,000,000	90%	–	100%	Waste disposal for energy and sludge treatment service

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16 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
Luxi Conch Venture Environmental Protection Technology Co., Ltd. (iii) & (iv) ("Luxi Environmental Protection") (瀘西海創環保科技有限責任公司)	RMB50,000,000	90%	–	100%	Waste disposal for energy and sludge treatment service
Panshi Conch Venture Environmental Protection Technology Co., Ltd. (iii) & (iv) ("Panshi Environmental Protection") (磐石海創環保科技有限責任公司)	RMB50,000,000	90%	–	100%	Waste disposal for energy and sludge treatment service
Zhangjiakou Conch Venture Environmental Energy Co., Ltd. (iii) & (iv) ("Zhangjiakou Energy") (張家口海創環境能源有限責任公司)	RMB80,000,000	90%	–	100%	Waste disposal for energy and sludge treatment
Luoping Conch Venture Environmental Protection Technology Co., Ltd. (iii) & (iv) ("Luoping Environmental Protection") (羅平海創環保科技有限責任公司)	RMB50,000,000	90%	–	100%	Waste disposal for energy and sludge treatment service
Dexing Conch Venture Environmental Protection Technology Co., Ltd. (iii) & (iv) ("Dexing Environmental Protection") (德興海創環保科技有限責任公司)	RMB50,000,000	81%	–	90%	Waste disposal for energy and sludge treatment service
Zongyang Conch Venture Environmental Protection Technology Co., Ltd. (iii) & (iv) ("Zongyang Environmental Protection") (樅陽海創環保科技有限責任公司)	RMB50,000,000	90%	–	100%	Waste disposal for energy and sludge treatment service
Shahe Conch Venture Environmental Protection Technology Co., Ltd. (iii) & (iv) ("Shahe Environmental Protection") (沙河海創環保科技有限責任公司)	RMB120,000,000	59%	–	66%	Waste disposal for energy and sludge treatment service

16 INTERESTS IN SUBSIDIARIES *(Continued)*

		Proportion of ownership interest			
Name of companies (i)	**Registered and paid up capital**	**Group's effective interest**	**Held by the Company**	**Held by a subsidiary**	**Principal activities**
Guiyang Conch Venture Environmental Energy Co., Ltd ("Guiyang Environmental Energy") (iii) & (iv) (貴陽海創環境能源有限責任公司)	RMB167,000,000	90%	–	100%	Waste disposal for energy and sludge treatment service
Taonan Conch Venture Environmental Protection Energy Co., Ltd (iii) & (iv) ("Taonan Energy") (洮南海創環保能源有限責任公司)	RMB55,000,000	90%	–	100%	Waste disposal for energy and sludge treatment service
Xichou Conch Venture Energy technology Co., Ltd (iii) & (iv) ("Xichou Environment") (西疇海創新能源科技有限責任公司)	RMB90,000,000	90%	–	100%	Waste disposal for energy and sludge treatment service
Shulan Conch Venture Environmental Energy Co., Ltd (iii) & (iv) ("Shulan Environment") (舒蘭海創環境能源有限責任公司)	RMB52,000,000	90%	–	100%	Waste disposal for energy and sludge treatment service
Haihuan Ecological Technology (Shanghai) Co., Ltd. (iv) ("Haihuan Ecological") (海環生態科技(上海)有限責任公司)	Register capital: RMB100,000,000 Paid up capital: RMB2,900,000	54%	–	60%	Resource recycling service technical consultation
Nanyang Conch Venture Environment Energy Co., Ltd. (iii) & (iv) ("Nanyang Environmental Energy") (南陽海創環境能源有限責任公司)	RMB70,000,000	90%	–	100%	Waste disposal for energy and sludge treatment service
Wushan Conch Venture Environmental Protection Technology Co., Ltd. (iii) & (iv) ("Wushan Environmental Protection") (巫山縣海創環保科技有限責任公司)	RMB52,000,000	90%	–	100%	Waste disposal for energy and sludge treatment service

16 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
Taian Conch Venture Energy Technology Co., Ltd. (iii) & (iv) ("Taian Energy Technology") (台安海創能源科技有限責任公司)	RMB60,000,000	90%	–	100%	Waste disposal for energy and sludge treatment service
Haidong Conch Venture Environment Technology Co., Ltd. (iii) & (iv) ("Haidong Environmental Technology") (海東海創環境科技有限責任公司)	RMB100,000,000	90%	–	100%	Waste disposal for energy and sludge treatment service
Huayin Conch Venture Environment Technology Co., Ltd. (iii) & (iv) ("Huayin Environmental Technology") (華陰海創環境科技有限責任公司)	RMB50,000,000	90%	–	100%	Waste disposal for energy and sludge treatment service
Meitan Conch Venture Environment Energy Co., Ltd. (iii) & (iv) ("Meitan Environmental Energy") (湄潭海創環境能源有限責任公司)	Register capital: RMB90,000,000 Paid up capital: RMB16,200,000	81%	–	90%	Waste disposal for energy and sludge treatment service
Chongqing Conch Venture Energy Technology Co., Ltd. (iii) & (iv) ("Chongqing Energy Technology") (重慶市海創能源科技有限責任公司)	RMB68,000,000	90%	–	100%	Waste disposal for energy and sludge treatment service
Danjiangkou Conch Venture Lvneng Environmental Energy Technology Co., Ltd (iii) & (iv) ("Danjiangkou Environmental Energy Technology") (丹江口海創綠能環境能源科技有限責任公司)	Register capital: RMB43,000,000 Paid up capital: RMB25,800,000	81%	–	90%	Waste disposal for energy and sludge treatment service
Dongzhi Conch Venture Environment Technology Co., Ltd. (iii) & (iv) ("Dongzhi Environmental Technology") (東至海創環境科技有限公司)	RMB64,000,000	90%	–	100%	Waste disposal for energy and sludge treatment service

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16 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
Zhuanglang Conch Venture Lvneng Environmental Energy Technology Co., Ltd. (iii) & (iv) ("Zhuanglang Environmental Energy Technology") (莊浪海創綠能環境能源科技有限責任公司)	RMB70,000,000	90%	–	100%	Waste disposal for energy and sludge treatment service
Jianshui Conch Venture Environmental Energy Technology Co., Ltd. (iii) ("Jianshui Environmental Energy Technology") & (iv) (建水海創環境能源科技有限責任公司)	RMB113,400,000	90%	–	100%	Waste disposal for energy and sludge treatment service
Jinzhou Conch Venture Energy Environmental Technology Co., Ltd. (iii) ("Jinzhou Energy Environmental Technology") & (iv) (錦州海創能源環境科技有限責任公司)	RMB85,000,000	90%	–	100%	Waste disposal for energy and sludge treatment service
Gengma Conch Venture Environmental Energy Technology Co., Ltd. (iii) ("Gengma Environmental Energy Technology") & (iv) (耿馬海創環境能源科技有限責任公司)	Register capital: RMB50,000,000 Paid up capital: RMB3,000,000	90%	–	100%	Waste disposal for energy and sludge treatment service
Guantaoxian Zhenghao Environmental Protection Technology Co., Ltd. (iii) ("Guantao Zhenghao") & (iv) (館陶縣正好環保科技有限公司)	RMB110,000,000	90%	–	100%	Waste disposal for energy and sludge treatment service
Chipingxian Guohuan Renewable Energy Co., Ltd. (iii) & (iv) ("Chiping Guohuan") (茌平縣國環再生能源有限公司)	RMB100,000,000	85%	–	95%	Waste disposal for energy and sludge treatment service
Guanxian Guohuan Waste Treatment Co., Ltd. (iii) & (iv) ("Guanxian Guohuan") (冠縣國環垃圾處理有限公司)	RMB139,800,000	81%	–	90%	Waste disposal for energy and sludge treatment service

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16 INTERESTS IN SUBSIDIARIES *(Continued)*

		Proportion of ownership interest			
Name of companies (i)	Registered and paid up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Luanzhou Yaxin Environmental Protection Energy Co., Ltd. (iii) & (iv) ("Luanzhou Yaxin") (灤州雅新環保能源有限公司)	RMB80,000,000	90%	–	100%	Waste disposal for energy and sludge treatment service
Jinxiang Shengyun Environmental Protection Electricity Co., Ltd. (iii) & (iv) ("Jinxiang Shengyun") (金鄉盛運環保電力有限公司)	Register capital: RMB104,248,800 Paid up capital: RMB93,823,900	81%	–	90%	Waste disposal for energy and sludge treatment service
Hunan Huiming Environmental Protection Technology Co., Ltd. (iii) & (iv) ("Hunan Huiming") (湖南惠明環保科技有限公司)	RMB50,000,000	90%	–	100%	Waste disposal for energy and sludge treatment service
Inner Mongolia Pratt Transportation Energy Co., Ltd. (iii) & (iv) ("Inner Mongolia Pratt") (內蒙古普拉特交通能源有限公司)	RMB160,000,000	90%	–	100%	Waste disposal for energy and sludge treatment service
Hohhot Jiangsheng New Energy Co., Ltd. (iii) & (iv) ("Hohhot Jisheng") (呼和浩特嘉盛新能源有限公司)	Register capital: RMB286,290,000 Paid up capital: RMB180,893,500	63%	–	70%	Waste disposal for energy and sludge treatment service
Jilin Shuangjia Environmental Protection Energy Utilisation Co., Ltd. (iii) & (iv) ("Jilin Shuangjia") (吉林市雙嘉環保能源利用有限公司)	RMB150,000,000	90%	–	100%	Waste disposal for energy and sludge treatment service
Guizhou Jinning New Energy Co., Ltd. (iii) & (iv) ("Guizhou Jinning") (貴州錦寧新能源有限公司)	Register capital: RMB117,768,000 Paid up capital: RMB105,991,200	81%	–	90%	Waste disposal for energy and sludge treatment service

16 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
Jiangxi Jingsheng Environmental Protection Co., Ltd. (iii) & (iv) ("Jiangxi Jingsheng") (江西景聖環保有限公司)	RMB101,250,000	63%	–	70%	Waste disposal for energy and sludge treatment service
Yongde Conch Venture Energy technology Co., Ltd. (iii) & (iv) ("Yongde Energy Technology") (永德海創新能源科技有限責任公司)	RMB60,000,000	90%	–	100%	Waste disposal for energy and sludge treatment service
Hangzhou Shengxun Investment Partnership (Limited Partnership) ("Hangzhou Shengxun") & (iv) (杭州盛勳投資合夥企業(有限合夥))	Register capital: RMB1,500,000,000 Paid up capital: RMB149,440,000	90%	–	100%	Investment holding
Lufeng Conch Venture Environmental Energy Technology Co., Ltd. (iii) & (iv) ("Lufeng Environmental Energy Technology") (祿豐海創環境能源科技有限責任公司)	Register capital: RMB60,000,000 Paid up capital: RMB1,000,000	85%	–	95%	Waste disposal for energy and sludge treatment service
Youxi Conch Venture Environmental Energy Technology Co., Ltd. (iii) & (iv) ("Youxi Environmental Energy Technology") (尤溪海創環境能源科技有限責任公司)	Register capital: RMB75,000,000 Paid up capital: RMB1,000,000	72%	–	80%	Waste disposal for energy and sludge treatment service
Yunxian Conch Venture Environmental Energy Technology Co., Ltd. (iii) & (iv) ("Yunxian Environmental Energy Technology") (雲縣海創環境能源科技有限責任公司)	RMB50,000,000	90%	–	100%	Waste disposal for energy and sludge treatment service
Nandan Conch Venture Environment Technology Co., Ltd. (iii) & (iv) ("Nandan Environmental Technology") (南丹海創環境科技有限責任公司)	Register capital: RMB50,000,000 Paid up capital: RMB200,000	90%	–	100%	Waste disposal for energy and sludge treatment service

16 INTERESTS IN SUBSIDIARIES *(Continued)*

		Proportion of ownership interest			
Name of companies (i)	**Registered and paid up capital**	**Group's effective interest**	**Held by the Company**	**Held by a subsidiary**	**Principal activities**
Hunyuan Conch Venture Environment Energy Co., Ltd. (iii) & (iv) ("Hunyuan Environmental Energy") (渾源海創環境能源有限責任公司)	Register capital: RMB68,190,000 Paid up capital: –	89%	–	99%	Waste disposal for energy and sludge treatment service
Lingbi Conch Venture Environmental Technology Co., Ltd. (iii) & (iv) ("Lingbi Environmental Technology") (靈璧海創環境科技有限責任公司)	RMB30,000,000	90%	–	100%	Waste disposal for energy and sludge treatment service
Anhui Conch Venture Recycling Technology Co., Ltd. ("Conch Recycling") (安徽海創循環科技有限公司)	Register capital: RMB200,000,000 Paid up capital: –	80%	–	80%	Lithium iron phosphate cathode and anode materials, and lithium battery recycling

(i) Except for the Company, Conch Venture BVI, Conch Venture HK, and Conch Venture EU, 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, Conch Venture HK which is incorporated in Hong Kong and Conch Venture EU, which is incorporated in Vietnam, the above entities are incorporated as limited liability companies and operated in the PRC.

16 INTERESTS IN SUBSIDIARIES *(Continued)*

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

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

Revenue relates to the construction services provided in constructing the waste incineration projects is recognised as "Service concession assets" and "Waste incineration project operating rights" in the consolidated financial statements according to accounting policies as set out in notes 2(o) and 2(j).

(iv) These subsidiaries are controlled by Wuhu Environment, which has a material non-controlling interest of the Group. Further information is set out in the following and note 31(e).

As disclosed in Note 31(e), during the year ended 31 December 2022, several limited partnerships subscribed the equity interests in Wuhu Environment together with a third party investor making capital contributions to Wuhu Environment, a PRC subsidiary of the Company.

The following table lists out the information relating to Wuhu Environment and its subsidiaries as of 31 December 2022, which have a material non-controlling interest ("NCI") of the Group. The summarised financial information presented below represents the amounts before any inter-company elimination.

16 INTERESTS IN SUBSIDIARIES *(Continued)*

Wuhu Environment

	For the period from 1 April 2022 to 31 December 2022 RMB'000
NCI percentage	10%
Current assets	5,434,690
Non-current assets	22,966,846
Current liabilities	(5,191,017)
Non-current liabilities	(14,112,313)
Net assets	9,098,206
Carrying amount of NCI	909,821
Revenue	6,519,632
Profit for the year	796,146
Total comprehensive income	796,146
Profit allocated to NCI	79,615
Dividend paid to NCI	–
Cash flows generated from operating activities	1,337,292
Cash flows used in investing activities	(3,749,886)
Cash flows generated from financing activities	3,108,392

17 GOODWILL

	2022
	RMB'000
Cost and net carrying amount at 1 January:	–
Acquisition through business combinations (Note 33)	134,927
Cost and net carrying amount at 31 December	134,927

Impairment tests for cash-generating units containing goodwill

Goodwill mainly arose from the acquisition of nine subsidiaries from Agile Holdings and Hangzhou Jinjiang Group Co, Ltd. ("Hangzhou Jinjiang Group") respectively in the first half of 2022. All the acquired entities are engaged in waste incineration solutions. Goodwill represents the excess of the considerations transferred over the fair value of the subsidiaries' identifiable net assets as at the acquisition date. The goodwill consists of future revenue opportunities in the local area and the assembled workforce.

As the nine acquired entities could generate the cashflow individually, each entity is identified as an individual cash generating unit ("CGU"). For the purpose of impairment testing, goodwill is allocated to the Group's waste-to-energy projects operating segment.

The recoverable amounts of each of the above CGUs have been determined based on value in use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated with zero growth rate. The cash flow projections are discounted using pre-tax discount rate ranging from 8% to 9%. The discount rates reflect specific risks relating to the relevant segments. Other key assumption for the value in use calculations relate to the budgeted waste treatment volume, which is determined based on the installed capacity, past performance of each entity and management's expectations for the market development.

18 INTERESTS IN ASSOCIATES

	2022 RMB'000	2021 RMB'000
Share of net assets	**36,896,482**	35,768,449

The particulars of the material associate are as follows:

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

The particulars of Conch Holdings' investment holdings as at 31 December 2022 are as follows:

Name of associate	Form of business structure	Place of incorporation and operation	Particulars of issued and paid up capital	Ownership interest held by Conch Holdings	Principal activities
Anhui Conch Cement Co., Ltd. ("Conch Cement") (安徽海螺水泥股份有限公司)	Incorporated as joint stock limited company	The PRC	5,299,302,579 ordinary shares of RMB 1 each	36.40%	Manufacture and sale of cement related products
Conch (Anhui) Energy-saving and Environmental Protection New Materials Co., Ltd. (previous name: Wuhu Conch Profiles and Science Co., Ltd.) (海螺(安徽)節能環保新材料股份有限公司)	Incorporated as joint stock limited company	The PRC	360,000,000 ordinary shares of RMB 1 each	33.44%	Manufacture of new chemical and building materials
Anhui Conch Building Materials Design and Research Institute ("Conch Design Institute") (安徽海螺建材設計研究院有限責任公司)	Incorporated as limited liability company	The PRC	RMB150,000,000	100%	Design and contract cement/light steel construction

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18 INTERESTS IN ASSOCIATES *(Continued)*

Name of associate	Form of business structure	Place of incorporation and operation	Particulars of issued and paid up capital	Ownership interest held by Conch Holdings	Principal activities
Yingde Conch International Hotel Co., Ltd. (英德海螺國際大酒店有限公司)	Incorporated as limited liability company	The PRC	RMB63,800,000	100%	Hotel service
Wuhu Conch International Hotel Co., Ltd. (蕪湖海螺國際大酒店有限公司)	Incorporated as limited liability company	The PRC	RMB268,500,000	100%	Hotel service
Anhui Conch IT Engineering Co., Ltd. ("Conch IT Engineering") (安徽海螺信息技術工程有限責任公司)	Incorporated as limited liability company	The PRC	RMB50,000,000	100%	Computer system design and development
Anhui Conch Investment Co., Ltd. ("Conch Investment") (安徽海螺投資有限責任公司)	Incorporated as limited liability company	The PRC	RMB700,000,000	100%	Investment holding
Wuhu Conch Trading Co., Ltd. (蕪湖海螺貿易有限公司)	Incorporated as limited liability company	The PRC	RMB300,000,000	100%	Trading
Anhui International Trade Group Holding Co.,Ltd. (安徽國貿集團控股有限公司)	Incorporated as limited liability company	The PRC	RMB661,111,111	55%	Investment holding and trading
Santan (Anhui) science and Technology Research Institute Co., Ltd. (三碳(安徽)科技研究院有限公司)	Incorporated as limited liability company	The PRC	RMB100,000,000	100%	Technology research and development and consulting service
Zhongtan (Anhui) environment and Technology Co., Ltd. (中碳(安徽)環境科技有限公司)	Incorporated as limited liability company	The PRC	RMB30,000,000/ RMB5,400,000	80%	Technology research and development and consulting service
Anhui Conch Capital Management Co., Ltd (安徽海螺資本管理有限公司)	Incorporated as limited liability company	The PRC	RMB30,000,000/ RMB15,000,000	100%	Asset-management services

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18 INTERESTS IN ASSOCIATES *(Continued)*

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

	2022 **RMB'000**	2021 RMB'000
Gross amounts of the associate		
Current assets	**48,144,850**	36,055,690
Non-current assets	**75,720,418**	75,235,189
Current liabilities	**(38,425,093)**	(27,235,145)
Non-current liabilities	**(10,407,864)**	(11,325,430)
Net assets	**75,032,311**	72,730,304
Revenue	**86,144,270**	109,164,048
Profit after tax for the year from continuing operations	**5,976,800**	12,521,608
Other comprehensive income	**(464,369)**	(12,152)
Total comprehensive income	**5,512,431**	12,509,456
Dividend received from the associate	**1,574,737**	1,404,830
Reconciled to the Group's interest in the associate		
Gross amounts of net assets of the associate	**75,032,311**	72,730,304
Group's effective interest	**49%**	49%
Group's share of net assets of the associate	**36,765,832**	35,637,850
Carrying amount in the consolidated financial statements	**36,765,832**	35,637,850

Aggregate information of associates that are not individually material:

	2022 **RMB'000**	2021 RMB'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**130,650**	130,599
Aggregate amounts of the Group's share of those associates		
Profit from continuing operations	**8,155**	22,739
Total comprehensive income	**8,155**	22,739
Dividend received	**8,106**	6,029

19 FINANCIAL ASSETS MEASURED AT FAIR VALUE

(a) Financial assets measured at fair value through profit or loss:

	2022 **RMB'000**	2021 RMB'000
Non-current assets		
Unlisted equity securities at FVPL	**82,500**	82,500
Current assets		
Investment in structured deposit products (i)	**320,000**	–
Listed equity securities at FVPL	**44,596**	12,255
	447,096	94,755

(i) The structured deposit products as at 31 December 2022 were issued by two creditworthy PRC commercial banks with variable interest rates and have matured as at the date of the report and been fully recovered by the Group.

(b) Financial assets measured at fair value through other comprehensive income:

	2022 **RMB'000**	2021 RMB'000
Non-current assets		
Unlisted equity instrument investment	**10,320**	–
	10,320	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 INVENTORIES

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

	2022 RMB'000	2021 RMB'000
Raw materials	**113,638**	102,832
Work in progress	**78,980**	137,520
Finished goods	**251,775**	137,972
	444,393	378,324

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

	2022 RMB'000	2021 RMB'000
Continuing operations:		
Carrying amount of inventories sold	**819,600**	570,125
Write-down of inventories	**–**	–
	819,600	570,125
Discontinued operations:		
Carrying amount of inventories sold	**13,736**	54,135
Write-down of inventories	**–**	–
	833,336	624,260

21 CONTRACT ASSETS

	2022 RMB'000	2021 RMB'000
Non-current assets		
Service concession assets (i)	**4,805,720**	5,280,042
Current assets		
Service concession assets (i)	**39,566**	33,892
Unbilled government on-grid tariff subsidy (ii)	**379,546**	152,706
Retention receivables (iii)	**107,296**	–
	526,408	186,598
	5,332,128	5,466,640
Contract assets arising from performance under construction contracts in connection with service concession arrangements, which are included in "Intangible assets" (note 15)	**3,061,045**	2,318,867

(i) The service concession assets bear interest at rates ranging from 6.01% to 9.41% (31 December 2021: 6.01% to 9.41%) per annum as at 31 December 2022 and relate to certain BOT arrangements of the Group. The amounts are not yet due for payment and will be settled during the operating periods of the arrangements. Included in "Service concession assets" are amounts of RMB504,590,000 (31 December 2021: RMB1,788,552,000) relates to BOT arrangements which are in construction phase.

(ii) The balance represented the government on-grid tariff subsidy for certain projects which will be billed and settled upon the successful completion of government administrative procedures pursuant to notices jointly issued by the Ministry of Finance, the National Development and Reform Commission and the National Energy Administration.

(iii) The Group agrees to a retention period for 10% of the contract value for certain of its energy saving equipment sales contracts. This amount is included in contract assets until the end of the retention period. The balances are classified as current as they are expected to be recovered within the Group's normal operating cycle.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 TRADE AND OTHER RECEIVABLES

	2022 RMB'000	2021 RMB'000
Trade receivables	**1,830,396**	881,426
Bills receivable	**92,857**	69,632
Less: allowance for doubtful debts (Note 22(b))	**(101,098)**	(55,330)
Trade and bills receivables	**1,822,155**	895,728
Deposits and prepayments	**133,029**	64,131
Other receivables	**570,978**	491,221
Interest receivables	**28,542**	51,382
Amounts due from third parties	**2,554,704**	1,502,462
Amounts due from related parties (Note 35(c))	**291,159**	51,851
Current portion of trade and other receivables	**2,845,863**	1,554,313
Non-current portion of trade and other receivables	**1,513,072**	1,145,323
Total current and non-current trade and other receivables	**4,358,935**	2,699,636

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

As at 31 December 2022, the Group endorsed undue bills receivable of RMB168,973,000 (2021: RMB428,100,000) 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 2022, the maximum exposure to loss from its continuous involvement represents the amount of bills receivable of RMB168,973,000 (2021: RMB428,100,000) which the Group endorsed to its suppliers. These undue bills receivable were due within 6 months.

As at 31 December 2022, trade receivables of approximately RMB298,071,000 (31 December 2021: Nil) were pledged as collateral for Group's bank loans (Note 25).

22 TRADE AND OTHER RECEIVABLES *(Continued)*

(a) Ageing analysis

As of the end of the reporting periods, the ageing analysis of trade receivables and bills receivable (which are included in trade and other receivables), based on the past due aging and net of loss allowance, is as follows:

	2022	2021
	RMB'000	RMB'000
Current	**1,463,265**	817,605
Less than 1 year	**252,416**	70,229
1 to 2 years	**101,425**	5,487
2 to 3 years	**5,049**	2,407
	1,822,155	895,728

The amounts due from related parties are all aged within 1 year.

Details of the Group's credit policy and credit risk arising from trade receivable and bills receivables are set out in Note 32(a).

(b) Loss allowance for trade receivables and bills receivable

Movement in the loss allowance account in respect of trade receivables and bills receivable during the year is as follows:

	2022	2021
	RMB'000	RMB'000
Continuing operations:		
At the beginning of the year	**55,330**	53,978
(Reversal of)/loss allowance	**(7,732)**	9,557
Acquisition of subsidiaries	**71,408**	–
Written off	**(17,908)**	(8,205)
At the end of the year	**101,098**	55,330
Discontinued operations:		
At the beginning of the year	**15,073**	2,177
Loss allowance	**870**	12,896
Distribution of discontinued operations	**(15,943)**	–
At the end of the year	**–**	15,073

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 INVESTMENT DEPOSIT

	2022 **RMB'000**	2021 RMB'000
Investment deposit for acquisitions of subsidiaries	**–**	1,003,000

During the year ended 31 December 2021, an investment deposit of RMB1,003,000,000 was paid to an independent third party, a subsidiary of Agile Group Holdings Limited ("Agile Holdings"), for acquiring equity interests in certain subsidiaries of Agile Holdings engaged in waste incineration solutions. The Group subsequently entered into six separate equity transfer agreements with Agile Holdings in year 2022, for details, please see Note 33.

24 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	2022 **RMB'000**	2021 RMB'000
Cash at bank and on hand	**5,182,485**	3,987,903
Less: Restricted bank deposits (Note)	**(110,848)**	(277,858)
Bank deposits with original maturity over three months	**(710,000)**	(1,150,000)
Cash and cash equivalents in the consolidated statement of financial position and the consolidated cash flow statement	**4,361,637**	2,560,045

Note: As at 31 December 2022, restricted bank deposits of RMB110,848,000 (2021: RMB277,858,000) mainly represent pledged deposits and deposits for issuing bank acceptance bills payable.

24 CASH AND CASH EQUIVALENTS *(Continued)*

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

	2022 RMB'000	2021 RMB'000
Profit before taxation	**4,439,279**	7,933,461
— Continuing operations	**4,372,229**	7,258,531
— Discontinued operations	**67,050**	674,930
Adjustments for:		
Depreciation of owned property, plant and equipment	**221,305**	236,235
Depreciation of right-of-use assets	**31,546**	25,376
Amortisation of intangible assets	**477,908**	194,280
Amortisation of deferred income	**(3,462)**	–
Loss allowance for trade receivables	**(6,862)**	22,453
Net gain on disposal of right-of-use assets and property, plant and equipment	**(1,746)**	(197)
Gain on previously held interests in associates	**–**	(856)
Impairment losses on property, plant and equipment	**–**	7,669
Net unrealised losses on financial assets measured at FVPL	**34,252**	984
Negative goodwill on business combination	**(17,680)**	(928)
Finance costs	**620,844**	356,666
Interest income	**(93,874)**	(92,136)
Share of profits of associates	**(2,940,679)**	(6,177,729)
Operating profit before changes in working capital	**2,760,831**	2,505,278
Increase in inventories	**(48,294)**	(116,247)
Decrease/(increase) in restricted bank deposits	**199,332**	(291,240)
Increase in trade and other receivables	**(1,399,190)**	(925,191)
Decrease/(increase) in contract assets	**134,512**	(383,600)
Increase in trade and other payables	**421,671**	786,297
Increase in deferred income	**101,290**	–
(Decrease)/Increase in contract liabilities	**(2,038)**	11,842
Cash generated from operations	**2,168,114**	1,587,139

24 CASH AND CASH EQUIVALENTS *(Continued)*

(c) Reconciliation of liabilities arising from financing activities:

	Bank loans RMB'000 (Note 25)	Interest payable RMB'000	Convertible bonds RMB'000 (Note 28)	Lease liabilities RMB'000 (Note 29)	Other payables and accruals RMB'000	Total RMB'000
At 1 January 2021	6,406,722	5,646	3,470,110	3,049	–	9,885,527
Changes from financing cash flows:						
Proceeds from bank loans and borrowings	9,607,298	–	–	–	–	9,607,298
Repayment of bank loans and borrowings	(2,721,329)	–	–	–	–	(2,721,329)
Capital element of lease rentals paid	–	–	–	(4,287)	–	(4,287)
Interest element of lease rentals paid	–	–	–	(376)	–	(376)
Interest paid	–	(359,932)	–	–	–	(359,932)
Total changes from financing cash flows	6,885,969	(359,932)	–	(4,663)	–	6,521,374
Exchange adjustments:	–	–	(100,706)	–	–	(100,706)
Other changes:						
Bank loans obtained in acquisition of subsidiaries	9,000	–	–	–	–	9,000
Interest expenses	–	242,408	113,882	376	–	356,666
Capitalised borrowing costs	–	126,932	–	–	–	126,932
Increase in lease liabilities by entering into new leases during the year	–	–	–	16,129	–	16,129
Reclassification to liabilities held for distribution (Note 4(c))	(3,043,861)	(3,854)	–	(4,136)	–	(3,051,851)
Total other changes	(3,034,861)	365,486	113,882	12,369	–	(2,543,124)
At 31 December 2021 and 1 January 2022	10,257,830	11,200	3,483,286	10,755	–	13,763,071

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 CASH AND CASH EQUIVALENTS *(Continued)*

(c) Reconciliation of liabilities arising from financing activities: *(Continued)*

	Bank loans	Interest payable	Convertible bonds	Lease liabilities	Other payables and accruals	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 25)		(Note 28)	(Note 29)		
Changes from financing cash flows:						
Proceeds from loans and borrowings	11,554,861	–	–	–	–	11,554,861
Repayment of loans and borrowings	(4,420,922)	–	–	–	(1,528,371)	(5,949,293)
Payment for redemption of convertible bonds	–	–	(49,254)	–	–	(49,254)
Capital element of lease rentals paid	–	–	–	(9,259)	–	(9,259)
Interest element of lease rentals paid	–	–	–	(313)	–	(313)
Interest paid	–	(587,523)	–	–	–	(587,523)
Total changes from financing cash flows	7,133,939	(587,523)	(49,254)	(9,572)	(1,528,371)	4,959,219
Exchange adjustments:	–	–	322,378	–	–	322,378
Other changes:						
Acquisition of subsidiaries	1,090,400	3,204	–	2,947	1,964,187	3,060,738
Interest expenses	–	496,357	123,259	1,228	–	620,844
Capitalised borrowing costs	–	101,045	–	–	–	101,045
Increase in lease liabilities by entering into new leases during the year	–	–	–	22,720	–	22,720
Equity component of payment for redemption of convertible bonds	–	–	675	–	–	675
Distribution of discontinued operations (Note 4(c))	(295,734)	(1,281)	–	–	–	(297,015)
Total other changes	794,666	599,325	123,934	26,895	1,964,187	3,509,007
At 31 December 2022	18,186,435	23,002	3,880,344	28,078	435,816	22,553,675

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 CASH AND CASH EQUIVALENTS *(Continued)*

(d) Total cash outflow for leases

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

	2022	2021
	RMB'000	RMB'000
Within operating cash flows	**7,314**	8,153
Within financing cash flows	**9,572**	4,663
	16,886	12,816

These amounts relate to the following:

	2022	2021
	RMB'000	RMB'000
Lease rentals paid	**16,886**	12,816

25 BANK LOANS

	2022	2021
	RMB'000	RMB'000
Current	**690,590**	602,528
Non-current	**17,495,845**	9,655,302
Total	**18,186,435**	10,257,830

25 BANK LOANS *(Continued)*

(i) As at 31 December 2022, bank loans of RMB17,966,003,000 were denominated in RMB (2021: RMB10,257,830,000), and bank loans of RMB220,432,000 were denominated in USD.

As at 31 December 2022, the bank loans were repayable as follows:

	2022	2021
	RMB'000	RMB'000
Within one year	**690,590**	602,528
After one year but within two years	**940,520**	832,071
After two years but within five years	**6,474,896**	2,972,312
After five years	**10,080,429**	5,850,919
Total	**18,186,435**	10,257,830

(ii) As at 31 December 2022, the bank loans were guaranteed and secured as follows:

	2022	2021
	RMB'000	RMB'000
Secured	**1,103,582**	185,470
Guaranteed and secured	**258,979**	–
Unsecured	**16,823,874**	10,072,360
Total	**18,186,435**	10,257,830

As at 31 December 2022, bank loans of the Group amounting to RMB1,103,582,000 (31 December 2021: RMB185,470,000) were secured by the leasehold land owned by certain subsidiaries of the Group.

As at 31 December 2022, bank loans of the Group amounting to RMB154,000,000 (31 December 2021: nil) were secured by trade receivables and property, plant and equipment and leasehold land owned by two acquired subsidiaries of the Group, respectively, and were guaranteed by their then-shareholders.

As at 31 December 2022, bank loans of the Group amounting to RMB104,979,000 (31 December 2021: nil) were secured by the shares of Jiangxi Jingsheng held by its minority shareholder, and were guaranteed by its then-shareholder. As at the date of this report, this bank loan has been repaid, and the pledge and guarantee of this loan have been released.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 TRADE AND OTHER PAYABLES

	2022 RMB'000	2021 RMB'000
Trade payables	**3,399,138**	2,358,279
Bills payable	**214,889**	891,391
	3,614,027	3,249,670
Other payables and accruals	**1,562,197**	793,507
Amounts due to third parties	**5,176,224**	4,043,177
Dividends payable to the then-shareholders of acquired subsidiaries	**58,728**	–
Dividends payable to non-controlling interests	**10,972**	10,566
Amounts due to related parties (Note 35(c))	**284,115**	245,446
Trade and other payables	**5,530,039**	4,299,189

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

	2022 RMB'000	2021 RMB'000
Within 1 year	**3,556,093**	3,239,416
1 year to 2 years	**40,712**	8,900
2 years to 3 years	**9,093**	1,014
Over 3 years but within 5 years	**8,129**	340
	3,614,027	3,249,670

The amounts due to related parties are all aged within 1 year, and are unsecured, non-interest bearing and repayable on demand.

27 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	2022 RMB'000	2021 RMB'000
Continuing operations:		
Balance at beginning of the year	**174,497**	132,744
Provision for current income tax for the year (Note 8(a))	**259,846**	218,252
Transfer from deferred tax liabilities (Note 27(b))	**100,000**	58,000
Payments during the year	**(346,103)**	(234,499)
Balance at the end of the year	**188,240**	174,497
Discontinued operations:		
Balance at beginning of the year	**19,823**	6,284
Provision for current income tax for the year (Note 8(a))	**10,153**	58,290
Payments during the year	**(11,628)**	(44,751)
Distribution of discontinued operations (Note 4(c))	**(18,348)**	–
Balance at the end of the year	**–**	19,823

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

(b) Deferred tax assets and liabilities recognised:

(i) Movement of each component of deferred tax assets and liabilities:

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the years are as follows:

	Unrealised profit upon elimination RMB'000	Loss allowance on trade receivables and provision for inventory RMB'000	Deferred income RMB'000	Undistributed profits of subsidiaries RMB'000	Fair value adjustment in relation to business combination RMB'000	Total RMB'000
Deferred tax assets arising from:						
At 1 January 2021	56,666	6,427	–	(58,000)	(9,690)	(4,597)
Credited/(charged) to profit or loss	18,062	335	–	(100,000)	1,840	(79,763)
Transfer to current taxation (Note 27(a))	–	–	–	58,000	–	58,000
Acquisition of subsidiaries	–	–	–	–	(4,346)	(4,346)
Reclassification to (assets)/liabilities held for distribution (Note 4(c))	(3,187)	(2,160)	–	–	12,196	6,849
At 31 December 2021 and 1 January 2022	71,541	4,602	–	(100,000)	–	(23,857)
Credited/(charged) to profit or loss	1,868	(4,139)	21,435	(55,500)	7,381	(28,955)
Transfer to current taxation (Note 27(a))	–	–	–	100,000	–	100,000
Acquisition of subsidiaries (Note 33)	–	16,419	–	–	(191,642)	(175,223)
Acquisition of subsidiaries-discontinued operations	–	–	–	–	(17,122)	(17,122)
Realisation of unrealised profits arising from intra-group transactions on distribution of discontinued operations	(49,805)	–	–	–	–	(49,805)
Distribution of discontinued operations (Note 4(c))	582	(99)	–	–	16,778	17,261
At 31 December 2022	24,186	16,783	21,435	(55,500)	(184,605)	(177,701)

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

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

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

	2022 RMB'000	2021 RMB'000
Net deferred tax assets recognised on the consolidated statement of financial position	**62,404**	76,143
Net deferred tax liabilities recognised on the consolidated statement of financial position	**(240,105)**	(100,000)
	(177,701)	(23,857)

(c) Deferred tax liabilities not recognised:

The Group has not recognised deferred tax liabilities as at 31 December 2022 in respect of undistributed earnings of RMB42,597,124,000 of PRC subsidiaries (2021: RMB42,375,300,000) because the Group has no plans to distribute them outside the PRC in the foreseeable future.

28 CONVERTIBLE BONDS

On 5 September 2018, Conch Venture BVI, a subsidiary of the Company, issued zero coupon guaranteed convertible bond ("the Bonds") with aggregate principal amount of HKD 3,925,000,000 (equivalent to approximately RMB3,413,730,000) and received cash after deduction of transaction costs of HKD3,882,043,000 (equivalent to approximately RMB3,376,369,000).

Pursuant to the terms of the Bonds, the Bonds will be due for redemption in September 2023 and are guaranteed by the Company. The bond holders could convert part of or the remaining outstanding bond balances at the holder's option into fully paid ordinary shares of the Company at an initial conversion price of HKD40.18 per share, subject to adjustments under certain terms and conditions of the Bonds.

The convertible bonds can be settled by exchange of a fixed amount of cash in HKD with a fixed number of the Company's equity instruments. In accordance with the Group's accounting policy set out in note 2(t), the convertible bonds are accounted for as compound financial instruments which contain both a liability component and an equity component.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 CONVERTIBLE BONDS *(Continued)*

The movements of the components of the convertible bonds during reporting period are set out below:

	Liability component (At amortised cost) RMB'000	**Equity component (Residual amount)** RMB'000	**Total** RMB'000
At 1 January 2021	3,470,110	54,466	3,524,576
Interest charge (Note 24(c))	113,882	–	113,882
Exchange adjustment	(100,706)	–	(100,706)
At 31 December 2021 and 1 January 2022	3,483,286	54,466	3,537,752
Interest charge (Note 24(c))	123,259	–	123,259
Redemption of convertible bonds	(48,579)	(675)	(49,254)
Exchange adjustment	322,378	–	322,378
At 31 December 2022	3,880,344	53,791	3,934,135

In November 2022, Conch Venture BVI early redeemed the Bonds in an aggregate payment of HKD55,160,000 (equivalent to approximately RMB49,254,000) at 106.00 and 106.13 per cent of its principal amounts, respectively.

29 LEASE LIABILITIES

	At 31 December 2022 Present value of the minimum lease payments RMB'000	At 31 December 2021 Present value of the minimum lease payments RMB'000
Within 1 year	**8,047**	5,942
After 1 year but within 2 years	**8,484**	4,716
After 2 years but within 5 years	**9,153**	97
After 5 years	**2,394**	–
	20,031	4,813
	28,078	10,755

30 DEFERRED INCOME

Deferred income represents government grants received to subsidise the construction of property, plant and equipment for the Group and is accounted for in accordance with the accounting policy set out in Note 2(x)(vii).

31 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 31(c)	Share premium RMB'000 Note 31(d)(i)	Retained profits RMB'000	Total equity RMB'000
Balance at 1 January 2021	36	14,347	–	7,222	21,569
Profit for the year		–	–	1,077,196	1,077,196
Acquisition of non-controlling interests through issuance of ordinary shares		183	671,281	–	671,464
Dividends approved in respect of the previous year		–	–	(1,067,041)	(1,067,041)
Balance at 31 December 2021 and 1 January 2022	36	**14,530**	**671,281**	**17,377**	**703,188**
Profit for the year		**–**	**–**	**15,148,978**	**15,148,978**
Repurchase and cancellation of ordinary shares		**(118)**	**(235,629)**	**–**	**(235,747)**
Distribution in specie		**–**	**–**	**(14,495,378)**	**(14,495,378)**
Dividends approved in respect of the previous year		**–**	**(419,488)**	**(670,977)**	**(1,090,465)**
Balance at 31 December 2022	36	**14,412**	**16,164**	**–**	**30,576**

31 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(b) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and among which of RMB1,090,465,000 were paid during the year.

	2022 RMB'000	2021 RMB'000
Distribution in specie (iii)	**14,495,378**	–
Final dividend in respect of the previous financial year, approved during the year, of HKD0.70 per ordinary share (2021: HKD0.70 per ordinary share)	**1,090,465**	1,067,041

(ii) Dividends payable to equity shareholders of the Company attributable to the year

	2022 RMB'000	2021 RMB'000
Final dividend proposed after the end of the reporting period of HKD0.40 per ordinary share (2021: HKD0.70 per ordinary share)	**647,794**	1,045,878

Pursuant to a resolution passed at the Directors' meeting on 29 March 2023, a final dividend of HKD0.40 (2021: HKD0.70) per ordinary share totalling HKD725,194,000, equivalent to approximately RMB647,794,000 (2021: HKD1,278,736,000, equivalent to approximately RMB1,045,878,000), was proposed for shareholders' approval. The dividend has not been provided for in the consolidated financial statements for the year ended 31 December 2022.

(iii) Distribution in specie

As mentioned in Note 1, the entire issued share capital of Conch Environment was spun-off via a distribution in specie completed on 30 March 2022. The transaction was recognized and measured in accordance with "*IFRIC 17 –Distribution of Non-cash Assets to Owners*". The fair value of the net assets attributable to Conch Environment, subject to the distribution in specie, amounted to approximately RMB14,495,378,000. The transaction resulted in a non-cash gain of approximately RMB12,049,261,000 (Note 4) attributable to the shareholders of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(c) Share capital

Authorised and issued share capital

	No. of shares ('000)	**Amount** HKD'000
Authorised:		
Ordinary shares of HKD 0.01 each at 31 December 2022 and 2021	15,000,000	150,000

	2022			2021		
		Amount			Amount	
	No. of shares ('000)	**HKD'000**	**Equivalent to RMB'000**	No. of shares ('000)	HKD'000	Equivalent to RMB'000
Issued and fully paid:						
At 1 January	**1,826,765**	**18,268**	**14,530**	1,804,750	18,048	14,347
Shares issued	**–**	**–**	**–**	22,015	220	183
Shares repurchased and cancelled	**(13,780)**	**(138)**	**(118)**	–	–	–
At 31 December	**1,812,985**	**18,130**	**14,412**	1,826,765	18,268	14,530

During the year ended 31 December 2022, the Company repurchased an aggregate of 13,780,000 of its own shares through the Stock Exchange, at a total consideration of HKD276,985,000, equivalent to approximately RMB235,747,000 (2021: nil). The aforesaid repurchased shares were cancelled as at 31 December 2022.

On 28 June 2021, 22,015,000 shares were allotted and issued to the non-controlling shareholders of certain subsidiaries of the Group at the issue price of HKD 36.66 per share, in consideration of the acquisition of their non-controlling interests in these subsidiaries as details in Note 31(d)(ii).

(d) Nature and purpose of reserves

(i) Share premium

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.

31 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

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

(ii) Capital reserve

Capital reserve mainly comprises the following:

— share of non-distributable reserves of an associate at the respective dates;

— the equity component of convertible bonds issued by Conch Venture BVI, a subsidiary of the Group, recognised in accordance with the accounting policy as set out in note 2(t); and;

— On 28 June 2021, the Group acquired 40% and 35% non-controlling equity interests of Yaobai Environmental and Chongqing Environmental Protection (subsidiaries of Conch Environment) respectively. Accordingly, Yaobai Environmental and Chongqing Environmental became wholly-owned subsidiaries of the Group. The differences between the amount of the consideration for the acquisitions amounting to RMB671,464,000 and the carrying amount of the non-controlling interests of the above subsidiaries on the date of acquisition amounting to RMB231,635,000 has been recorded in capital reserve.

(iii) PRC statutory reserves

PRC statutory reserves were established in accordance with the relevant PRC rules and regulations and the articles of association of the companies comprising the Group which are incorporated in the PRC. Appropriations to the reserves were approved by the respective boards of directors' meeting.

For the entity concerned, PRC statutory reserves can be used to make good previous years' losses, if any, and may be converted into capital in proportion to the existing equity interests of investors, provided that the balance of the reserve after such conversion is not less than 25% of the entity's registered capital.

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of overseas subsidiaries with functional currency other than RMB. The reserve is dealt with in accordance with the accounting policies set out in note 2(y).

31 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

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

(v) Capital risk management

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

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

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

The Group's strategy was to maintain the gearing ratio at a reasonable level. The Group's gearing ratio at 31 December 2022 and 2021 was as follow:

	31 December 2022 RMB'000	31 December 2021 RMB'000
Total liabilities	**28,207,473**	22,261,630
Total assets	**75,379,877**	68,919,066
Gearing ratio	**37.42%**	32.30%

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

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.

31 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(e) Equity-settled share based transaction

During the year ended 31 December 2022, the Group adopted an employee share purchase scheme, pursuant to which, several limited partnerships, whose limited partners consist of employees of the Group, subscribed in newly issued equity interests in Wuhu Environment at a total consideration of RMB784,703,000. All participants (i.e. the limited partners of the limited partnerships) of such scheme subscribed for limited partnership interests in respective limited partnerships at amounts specified in the respective partnership agreements.

The aforesaid limited partnerships subscribed the equity interests in Wuhu Environment at fair value, which was measured by reference to the price at which a third party investor made contributions to Wuhu Environment, and such subscription price was contributed by the participants of such scheme on a pro rata basis with reference to the proportion of their relevant limited partnership interests in the limited partnerships. Therefore, no share-based payment expenses was recognised for the year ended 31 December 2022.

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's bank deposits are held with banks located in the Mainland of the PRC and Hong Kong which management believes are of high credit quality. Accordingly, the Group's credit risk is primarily attributable to trade and other receivables and contract assets. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 3% (2021: 2%) and 10% (2021: 8%) of the total trade and other receivables and contract assets were due from the Group's largest customer and the five largest customers respectively. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statements of financial position.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Debtors with balances that are more than 30 days past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

Contract assets are mainly due from local government authorities in the PRC with no history of default, the Group considers the credit risk for contract assets to be insignificant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(a) Credit risk *(Continued)*

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The Group does not provide any other guarantees to third parties which would expose the Group to credit risk.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables and bills receivables:

	2022		
	Expected loss rate %	**Gross carrying amount RMB'000**	**Loss allowance RMB'000**
Current (not past due)	**0.00%**	**1,463,265**	**–**
Less than 1 year past due	**5.00%**	**265,701**	**(13,285)**
1 to 2 years past due	**40.00%**	**169,041**	**(67,616)**
2 to 3 years past due	**80.00%**	**25,246**	**(20,197)**
		1,923,253	**(101,098)**

	2021		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	0.00%	817,605	–
Less than 1 year past due	5.00%	73,925	(3,696)
1 to 2 years past due	40.00%	9,145	(3,658)
2 to 3 years past due	80.00%	12,037	(9,630)
More than 3 years past due	100.00%	38,346	(38,346)
		951,058	(55,330)

Expected loss rates are based on actual loss experience over the past 5 years. These rates are adjusted based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

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

(b) Liquidity risk

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

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group and can be required to pay:

	At 31 December 2022					
	Contractual undiscounted cash outflow					
	Within one year or on demand RMB'000	More than one year but less than two years RMB'000	More than two years but less than five years RMB'000	More than five years RMB'000	Total RMB'000	Carrying amount RMB'000
Bank loans	1,239,853	1,519,153	7,794,995	11,438,867	21,992,868	18,186,435
Trade and other payables	5,545,274	–	–	–	5,545,274	5,530,039
Convertible bonds	3,971,593	–	–	–	3,971,593	3,880,344
Lease liabilities	8,047	8,849	9,974	3,019	29,889	28,078
	10,764,767	1,528,002	7,804,969	11,441,886	31,539,624	27,624,896

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

(b) Liquidity risk

	At 31 December 2021					
	Contractual undiscounted cash outflow					
	Within one year or on demand RMB'000	More than one year but less than two years RMB'000	More than two years but less than five years RMB'000	More than five years RMB'000	Total RMB'000	Carrying amount RMB'000
Bank loans	969,963	1,393,895	4,203,489	5,879,338	12,446,685	10,257,830
Trade and other payables	4,299,189	–	–	–	4,299,189	4,299,189
Convertible bonds	–	3,678,656	–	–	3,678,656	3,483,286
Lease liabilities	6,109	5,175	106	–	11,390	10,755
	5,275,261	5,077,726	4,203,595	5,879,338	20,435,920	18,051,060

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

(c) Interest rate risk

(i) Interest rate profile

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from bank loans. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate profile as monitored by management is set out below.

The Group's cash at bank and interest-bearing borrowings, and their interest rates as at 31 December 2022 and 2021 are set out as follows:

	2022		2021	
	Interest rate %	**RMB'000**	Interest rate %	RMB'000
Fixed rate:				
Bank deposits with original maturity within three months	**1.20%–5.00%**	**119,546**	0.25%–2.3%	77,257
Bank deposits with original maturity over three months	**1.85%–3.80%**	**710,000**	3.36%–4.18%	1,150,000
Bank loans	**2.49%–4.05%**	**(701,410)**	3.10%–4.05%	(898,600)
Convertible bonds	**0.00%**	**(3,880,344)**	0.00%	(3,483,286)
Lease liabilities	**4.30%**	**(28,078)**	4.75%	(10,755)
		(3,780,286)		(3,165,384)
Variable rate:				
Cash at bank and on hand	**0.30%**	**4,242,091**	0.30%	2,482,788
Restricted bank deposits	**0.25%–3.50%**	**110,848**	0.15%–3.45%	277,858
Bank loans	**1.45%–6.22%**	**(17,485,025)**	1.75%–4.05%	(9,359,230)
		(13,132,086)		(6,598,584)

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

(c) Interest rate risk *(Continued)*

(ii) Sensitivity analysis

At 31 December 2022, 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 RMB29,693,000 (2021: decreased/increased the Group's profit after tax and retained profits by approximately RMB15,130,000).

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after tax (and retained profits) and other components of consolidated equity is estimated as an annualised impact on interest expenses or income of such changes in interest rates. The analysis is performed on the same basis for 2021.

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currency giving rise to this risk is primarily United States dollars ("USD"), Hong Kong dollars ("HKD"), and Japanese Yen("JYP"). 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.

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

(d) Currency risk *(Continued)*

(ii) Exposure to currency risk

The following table details the Group's exposure at the end of each of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the year end date.

	At 31 December 2022			
	USD RMB'000	**HKD RMB'000**	**JYP RMB'000**	**Total RMB'000**
Trade and other receivables	**6,919**	**791**	**–**	**7,710**
Trade and other payables	**(38,728)**	**–**	**(3,033)**	**(41,761)**
Cash and cash equivalents	**63,181**	**59,481**	**–**	**122,662**
Net exposure arising from recognised assets and liabilities	**31,372**	**60,272**	**(3,033)**	**88,611**

	At 31 December 2021		
	USD RMB'000	HKD RMB'000	Total RMB'000
Trade and other receivables	10,375	791	11,166
Trade and other payables	(24,534)	–	(24,534)
Cash and cash equivalents	85,735	56,552	142,287
Net exposure arising from recognised assets and liabilities	71,576	57,343	128,919

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

(d) Currency risk *(Continued)*

(iii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax and retained profits and other components of consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure as at 31 December 2021 and 2022 have changed at those dates, assuming all other risk variables remained constant.

	2022		2021	
	Increase in foreign exchange rate	**Increase/ (decrease) 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%**	**248**	1%	535
HKD	**1%**	**600**	1%	571
JYP	**1%**	**(23)**	1%	–
		825		1,106

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 2021.

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

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

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

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

	Fair value at 31 December 2022 RMB'000	Fair value measurements as at 31 December 2022 categorised into Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement				
Financial assets measured at FVPL				
— Investment in structured deposits	320,000	–	320,000	–
— Listed equity securities	44,596	44,596	–	–
— Unlisted equity securities	82,500	–	–	82,500
measured at FVOCI				
— Equity instrument investment	10,320	–	–	10,320

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

(e) Fair value measurement *(Continued)*

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

Fair value hierarchy (Continued)

	Fair value at 31 December 2021 RMB'000	Fair value measurements as at 31 December 2021 categorised into Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement				
Financial assets measured at FVPL				
— Listed equity securities	12,255	12,255	–	–
— Unlisted equity securities	82,500	–	–	82,500

During the years ended 31 December 2021 and 2022, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Valuation techniques and inputs used in Level 2 fair value measurements

For the investment in structured deposits issued by banks that are measured at FVPL as at 31 December 2022, the fair value is determined using the forecast future cashflow discounted by risk-adjusted discount rate. The valuation requires the directors to make estimates about the expected future cash flows. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in profit and loss, are reasonable, and that they were the most appropriate values as at the reporting period end.

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

(e) Fair value measurement *(Continued)*

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

Fair value hierarchy (Continued)

Information about Level 3 fair value measurements

The fair value of certain unlisted equity securities measured at FVPL and FVOCI are determined using valuation multiples adjusted for changing trend of average market multiples of comparable companies and discount for lack of liquidity.

The fair value measurement is positively correlated to the changing trend of average market multiples of comparable companies. As at 31 December 2022, it is estimated that with all other variables held constant, an increase/decrease in change of average market multiples of comparable companies by 5% would have increased/decreased the Group's profit for the year by RMB2,367,000 (2021: RMB12,651,000).

The fair value measurement is negatively correlated to the discount for lack of liquidity and positively correlated to volatility. As at 31 December 2022, it is estimated that with all other variable held constant, an increase/decrease in discount for lack of liquidity by 5% would have decreased/increased the Group's profit for the year by RMB6,726,000 (2021: RMB2,456,000).

Any gain or loss arising from the remeasurement of the Group's equity investments in unlisted entities held for strategic purposes are recognised in the fair value reserve (non-recycling) in other comprehensive income. Upon disposal of equity securities, the amount accumulated in other comprehensive income is transferred directly to retained earnings.

(ii) Fair values of financial assets and liabilities carried at other than fair value

All other financial assets and liabilities carried at cost or amortised cost are not materially different from their fair values as at 31 December 2022 and 2021.

33 ACQUISITION OF SUBSIDIARIES

During the year ended 31 December 2022, the Group entered into separate sales and purchase agreements with the subsidiaries of Agile Holdings and Hangzhou Jinjiang Group, respectively, for the acquisition of their direct or indirect equity interests in the following 11 entities:

Agile Holdings:

— Guantaoxian Zhenghao Environmental Protection Technology Co., Ltd. ("Guantao Zhenghao")
— Chipingxian Guohuan Renewable Energy Co., Ltd. ("Chiping Guohuan")
— Guanxian Guohuan Waste Treatment Co., Ltd. ("Guanxian Guohuan")
— Luanzhou Yaxin Environmental Protection Energy Co., Ltd. ("Luanzhou Yaxin")
— Jinxiang Shengyun Environmental Protection Electricity Co., Ltd. ("Jinxiang Shengyun")
— Hunan Huiming Environmental Protection Technology Co., Ltd. ("Hunan Huiming")

Hangzhou Jinjiang Group:

— Inner Mongolia Pratt Transportation Energy Co., Ltd. ("Inner Mongolia Pratt")
— Hohhot Jiangsheng New Energy Co., Ltd. ("Hohhot Jisheng")
— Jilin Shuangjia Environmental Protection Energy Utilisation Co., Ltd. ("Jilin Shuangjia")
— Guizhou Jinning New Energy Co., Ltd. ("Guizhou Jinning")
— Jiangxi Jingsheng Environmental Protection Co., Ltd. ("Jiangxi Jingsheng")

All the acquired entities are engaged in waste incineration solutions. These acquisitions were made as part of the Group's strategy to expand its waste-to-energy projects business of the Group. The purchase consideration for the acquisition was paid in the form of cash, with consideration for the acquisition of subsidiaries under Agile Holdings and Hangzhou Jinjiang Group amounting to RMB1,401.8 million and RMB674.0 million, respectively.

As of 31 December 2022, the purchase price allocation for the business combination of the aforementioned 11 entities was completed. The table below sets forth the assets acquired and the liabilities assumed recognised at the respective acquisition date.

33 ACQUISITION OF SUBSIDIARIES *(Continued)*

(a) Acquisitions from Agile Holdings

The aggregate fair values of the identifiable assets acquired and liabilities assumed, goodwill and consideration of the six independent subsidiaries acquired from Agile Holdings are outlined below.

	Note	**Fair values recognised on acquisition** RMB'000
Intangible assets	15	2,280,565
Property, plant and equipment	13	293,382
Right-of-use assets		42,402
Deferred tax assets	27(b)	2,279
Non-current portion of trade and other receivables		6,278
Inventories		10,529
Trade and other receivables		325,524
Cash and cash equivalents		27,509
Trade and other payables		(999,753)
Other current liabilities		(1,047)
Deferred tax liabilities	27(b)	(164,570)
Non-current portion of trade and other payables		(21,412)
Bank loans	24(c)	(495,420)
Identifiable net assets		1,306,266
Less: non-controlling interests, based on their proportionate interest in the identifiable net assets acquired		(27,871)
Total identifiable net assets acquired by the Group		1,278,395
Goodwill on acquisition	17	123,416
Total cash consideration		1,401,811

The acquisition date of Guantao Zhenghao, Chiping Guohuan, Guanxian Guohuan and Luanzhou Yaxin was determined at 31 January 2022, while Jinxiang Shengyun was acquired at 28 February 2022, and Hunan Huiming was acquired at 31 March 2022.

33 ACQUISITION OF SUBSIDIARIES *(Continued)*

(a) Acquisitions from Agile Holdings *(Continued)*

Analysis of net cash outflow of cash and cash equivalents in respect of the acquisition of six subsidiaries:

	RMB'000
Total cash consideration	1,401,811
Less: Consideration payables to be paid within one year	(77,101)
Investment deposit paid in 2021 (Note 23)	(1,003,000)
Cash acquired as at the date of acquisition	(27,509)
Net outflow of cash included in cash flows from investing activities	294,201

Revenue and net profit that the above acquisitions contributed to continuing operations of the Group from the respective acquisition date to 31 December 2022 were RMB375,015,000 and RMB15,804,000 respectively.

Had the above acquisitions occurred on 1 January 2022, management estimates that the Group's consolidated revenue and consolidated profit from continuing operations for the year ended 31 December 2022 would have been RMB7,952,447,000 and RMB4,079,316,000 respectively.

33 ACQUISITION OF SUBSIDIARIES *(Continued)*

(b) Acquisition from Hangzhou Jinjiang Group

The aggregate fair values of the identifiable assets acquired and liabilities assumed, goodwill and consideration of the five independent subsidiaries acquired from Hangzhou Jinjiang Group are outlined below.

	Note	**Fair values recognised on acquisition** RMB'000
Intangible assets	15	806,158
Property, plant and equipment	13	1,214,006
Right-of-use assets		163,806
Deferred tax assets	27(b)	14,140
Non-current portion of trade and other receivables		49,349
Inventories		9,082
Trade and other receivables		517,806
Cash and cash equivalents		16,152
Trade and other payables		(1,332,076)
Other current liabilities		(2,038)
Deferred tax liabilities	27(b)	(27,072)
Non-current portion of trade and other payables		(53,985)
Bank loans	24(c)	(594,980)
Identifiable net assets		780,348
Less: non-controlling interests, based on their proportionate interest in the identifiable net assets acquired		(100,208)
Total identifiable net assets acquired by the Group		680,140
— Goodwill on acquisition	17	11,511
— Gain on bargain purchase	6	(17,680)
Total cash consideration		673,971

The acquisition date of the five subsidiaries of Hangzhou Jinjiang Group was determined at 31 March 2022.

33 ACQUISITION OF SUBSIDIARIES *(Continued)*

(b) Acquisition from Hangzhou Jinjiang Group *(Continued)*

Analysis of net cash outflow of cash and cash equivalents in respect of the acquisition of five subsidiaries:

	RMB'000
Total cash consideration	673,971
Less: Consideration payables to be paid within one year	(134,682)
Cash acquired as at the date of acquisition	(16,152)
Net outflow of cash included in cash flows from investing activities	523,137

Revenue and net profit that the above acquisitions contributed to continuing operations of the Group from the acquisition date to 31 December 2022 were RMB449,717,000 and RMB50,615,000 respectively.

Had the above acquisitions occurred on 1 January 2022, management estimates that the Group's consolidated revenue and consolidated profit from continuing operations for the year ended 31 December 2022 would have been RMB7,996,952,000 and RMB4,087,338,000 respectively.

34 COMMITMENTS

At 31 December 2022, the Group had capital commitments not provided for in the consolidated financial statements were as follows:

	2022 **RMB'000**	2021 RMB'000
Contracted for	**5,856,926**	2,485,364
Authorised but not contracted for	**2,484,854**	4,039,912
	8,341,780	6,525,276

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 MATERIAL RELATED PARTY TRANSACTIONS

During the year, transactions with the following parties are considered as related party transactions.

Name of party (i)	Relationship
Kawasaki Heavy Industry Ltd. ("Kawasaki HI") 川崎重工業株式會社	Investor of CK Engineering and CK Equipment
Conch Holdings 安徽海螺集團有限責任公司	Associate of the Group
Conch Cement 安徽海螺水泥股份有限公司	Associate of Conch Holdings
Conch 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 Holdings
Conch Material 安徽海螺材料科技股份有限公司	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.

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's executive directors as disclosed in Note 10 is as follows:

	2022 **RMB'000**	2021 RMB'000
Short-term employee benefits	**11,492**	10,733
Post-employment benefits	**68**	116
	11,560	10,849

35 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Significant related party transactions

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

	2022 RMB'000	2021 RMB'000
Sales of goods to:		
Conch Cement	**554,740**	357,302
Kawasaki HI	**11,558**	6,209
CKEM	**507**	326
Conch Design Institute	**24,807**	28,392
Conch Material	**2,118**	37,512
	593,730	429,741

	2022 RMB'000	2021 RMB'000
Service rendered to:		
Conch Cement	**181,490**	78,372
Conch Holdings	**–**	333
	181,490	78,705

	2022 RMB'000	2021 RMB'000
Purchase of goods from:		
Conch Cement	**27,097**	20,368
Conch IT Engineering	**20,963**	36,804
Kawasaki HI	**2,800**	14,651
CKEM	**7,134**	13,133
Conch Holdings	**80**	1,408
	58,074	86,364

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

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

	2022	2021
	RMB'000	RMB'000
Services received from:		
Conch Cement	**17,514**	91,096
Conch Design Institute	**15,752**	16,494
Conch IT Engineering	**3,077**	3,066
Kawasaki HI	**306**	3,409
CKEM	**–**	41
Conch Holdings	**20**	2,020
	36,669	116,126

	2022	2021
	RMB'000	RMB'000
Purchase of right-of-use assets		
Conch Cement	**–**	28,149

35 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(c) Balances with related parties

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

	2022 RMB'000	2021 RMB'000
Amounts due from		
Conch Cement	**278,238**	30,015
CKEM	**10,180**	–
Kawasaki HI	**1,928**	7,335
Conch Design Institute	**–**	1,309
Conch IT Engineering	**417**	373
Conch Holdings	**396**	12,819
	291,159	51,851

	2022 RMB'000	2021 RMB'000
Amounts due to		
Conch Cement	**102,938**	170,592
Kawasaki HI	**3,457**	–
Conch IT Engineering	**31,119**	18,963
CKEM	**6,888**	6,632
Conch Design Institute	**139,672**	48,950
Conch Holdings	**41**	309
	284,115	245,446

(d) Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of Kawasaki HI and CKEM above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in section "Connected transactions" of the Report of the Directors.

36 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	**2022** **RMB'000**	2021 RMB'000
Non-current assets			
Interests in subsidiaries	16	**678,880**	678,880
Current assets			
Cash and cash equivalents		**28,286**	20,803
Financial assets measured at fair value through profit and loss ("FVPL")		**39,360**	–
Assets held for distribution		**–**	1,228,571
		67,646	1,249,374
Current liabilities			
Bank loans		**50,000**	250,000
Trade and other payables		**665,950**	975,066
		715,950	1,225,066
Net current (liabilities)/assets		**(648,304)**	24,308
Net assets		**30,576**	703,188
Capital and reserves	31(a)		
Share capital		**14,412**	14,530
Reserves		**16,164**	688,658
Total equity		**30,576**	703,188

37 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(i) Subsequent to the end of reporting period, the directors proposed a final dividend for the year ended 31 December 2022. Further details are disclosed in Note 31(b).

(ii) In December 2022, the Group entered into four separate equity transfer agreements with third parities for acquisition of equity interests in four entities engaged in waste incineration solutions for an aggregate consideration of RMB478.7 million, subject to certain adjustments. As at the date of the report, the acquisitions of these four entities have been completed and the Group accounted for these acquisitions as business combinations in accordance with IFRS 3 and the four entities became subsidiaries of the Group.

(iii) The Company has received the approval of registration from National Association of Financial Market Institutional Investors (zhong shi xie zhu [2023] GN1) for issuing unsecured medium term notes in the aggregate amount of not more than RMB4 billion (the "**Panda Bonds**") with a validity period of two years from 18 January 2023, the completion of registration date. On 20 March 2023, the Company successfully issued the first batch of the Panda Bonds of RMB1.2 billion, the proceeds of which will be utilised to repay the convertible bonds due in September 2023.

38 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2022

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 2022 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 17, *Insurance contracts*	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2, *Disclosure of Accounting Policies*	1 January 2023
Amendments to IAS 8, *Definition of Accounting Estimates*	1 January 2023
Amendments to IAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023
Amendments to IAS 1, *Classification of Liabilities as Current or Non-current*	1 January 2024
Amendments to IAS 1, *Non-current Liabilities with Covenants*	1 January 2024
Amendments to IFRS 16, *Lease Liability in a Sale and Leaseback*	1 January 2024
Amendments to IFRS 10 and IAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	No mandatory effective date yet determined

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has concluded that the adoption of them is unlikely to have a significant impact on its consolidation financial statements.