

CONCH VENTURE

2019

中期報告



INTERIM  
REPORT

Striving to focus on energy-preservation, environmental-friendly and new building materials industries to build a beautiful home for all people

China Conch Venture Holdings Limited  
中國海螺創業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 586

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

# CONTENTS

Definitions	2
1. Corporate Information	5
2. Financial Highlights	7
3. Business Review and Outlook	8
4. Management Discussion and Analysis	19
5. Other Information	30
6. Unaudited Interim Financial Report	35

## DEFINITIONS

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

Associated corporation(s):	has the meaning ascribed thereto under the SFO
Articles of Association:	the articles of association of the Company
Audit Committee:	the audit committee of the Board
Board:	the board of Directors of the Company
BOT:	build-operate-transfer, a type of business arrangement used in the construction of a facility
Bozhou Conch Venture:	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.*)
CBM Holdings:	China Building Material Holdings Company Limited (中國建材控股有限公司)
CK Engineering:	安徽海螺川崎工程有限公司 (Anhui Conch Kawasaki Engineering Co., Ltd.*)
CK Equipment:	安徽海螺川崎節能設備製造有限公司 (Anhui Conch Kawasaki Energy Conservation Equipment Manufacturing Co., Ltd.*)
CKEM:	安徽海螺川崎裝備製造有限公司 (Anhui Conch Kawasaki Equipment Manufacturing Co., Ltd.)
China or the PRC:	the People's Republic of China
CNBM:	China National Building Material Company Limited (中國建材股份有限公司)
Company/Conch Venture/We:	China Conch Venture Holdings Limited (中國海螺創業控股有限公司)
Conch Cement:	安徽海螺水泥股份有限公司 (Anhui Conch Cement Co., Ltd.*)
Conch Design Institute:	安徽海螺建材設計研究院 (Anhui Conch Building Materials Design and Research Institute*)
Conch Group:	Conch Holdings and its affiliates (primarily Conch Cement and 蕪湖海螺型材科技股份有限公司 (Wuhu Conch Profiles and Science Co., Ltd.*))
Conch Holdings:	安徽海螺集團有限責任公司 (Anhui Conch Holdings Co., Ltd.*)

## DEFINITIONS

Conch Investment:	蕪湖海螺投資有限公司 (Wuhu Conch Investment Ltd.*)
Conch IT Engineering:	安徽海螺信息技術工程有限責任公司 (Anhui Conch IT Engineering Co., Ltd.*)
Conch Profiles:	蕪湖海螺型材科技股份有限公司 (Wuhu Conch Profiles and Science Co., Ltd.*)
Conch Venture BVI:	China Conch Venture Holdings International Limited (中國海創控股國際有限公司)
Connected person(s):	has the meaning ascribed thereto under the Listing Rules
CV Investment:	安徽海螺創業投資有限責任公司 (Anhui Conch Venture Investment Co., Ltd.*)
Director(s):	the director(s) of the Company
Group:	the Company and its subsidiaries
Haizhong Environmental:	Anhui Haizhong Environmental Company Limited (安徽海中環保有限責任公司)
HKD:	Hong Kong dollar, the lawful currency of Hong Kong
Hong Kong:	the Hong Kong Special Administrative Region of the PRC
Kawasaki HI:	Kawasaki Heavy Industries Ltd. (川崎重工業株式會社)
Listing Rules:	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
Management:	the operating management of the Company
Mengxi Cement:	Inner Mongolia Mengxi Cement Co., Ltd. (內蒙古蒙西水泥股份有限公司)
Remuneration and Nomination Committee:	the remuneration and nomination committee of the Board
Reporting Period:	from 1 January 2019 to 30 June 2019
RMB:	the lawful currency of the PRC

## DEFINITIONS

SA Conch:	安徽海螺集團有限責任公司工會委員會 (The Staff Association of Anhui Conch Holdings Co. Ltd.)
SFO:	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (as amended from time to time)
Shanshui Cement:	China Shanshui Cement Group Limited (中國山水水泥集團有限公司)
Shareholders:	the shareholders of the Company
Splendor Court:	Splendor Court Holdings Limited (華廷控股有限公司)
Stock Exchange:	The Stock Exchange of Hong Kong Limited
Xingye Conch Venture:	Xingye Conch Venture Environmental Protection Technology Co., Ltd. (興業海創環保科技有限責任公司)
Yaobai Environmental Protection:	西安堯柏環保科技工程有限公司 (Xi'an Yaobai Environmental Protection Technology Engineering Co., Ltd.*)

\* For identification purpose only

# 1. CORPORATE INFORMATION

<b>(I) REGISTERED CHINESE NAME OF THE COMPANY:</b>	中國海螺創業控股有限公司
<b>CHINESE ABBREVIATION:</b>	海螺創業
<b>REGISTERED ENGLISH NAME OF THE COMPANY:</b>	CHINA CONCH VENTURE HOLDINGS LIMITED
<b>ENGLISH ABBREVIATION:</b>	CONCH VENTURE
<b>(II) EXECUTIVE DIRECTORS:</b>	Mr. GUO Jingbin ( <i>Chairman</i> ) Mr. JI Qinying ( <i>Chief Executive Officer</i> ) Mr. LI Jian Mr. LI Daming
<b>(III) NON-EXECUTIVE DIRECTOR</b>	Mr. CHANG Zhangli (appointed on 21 March 2019)
<b>(IV) INDEPENDENT NON-EXECUTIVE DIRECTORS:</b>	Mr. CHAN Chi On (alias Derek CHAN) Mr. CHAN Kai Wing Mr. LAU Chi Wah, Alex
<b>(V) AUDIT COMMITTEE:</b>	Mr. CHAN Chi On (alias Derek CHAN) ( <i>Chairman</i> ) Mr. CHAN Kai Wing Mr. LAU Chi Wah, Alex
<b>(VI) REMUNERATION AND NOMINATION COMMITTEE:</b>	Mr. LAU Chi Wah, Alex ( <i>Chairman</i> ) Mr. CHAN Chi On (alias Derek CHAN) Mr. CHAN Kai Wing Mr. JI Qinying
<b>(VII) COMPANY SECRETARY:</b>	Mr. SHU Mao
<b>(VIII) AUTHORISED REPRESENTATIVES:</b>	Mr. GUO Jingbin Mr. JI Qinying

## 1. CORPORATE INFORMATION

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

## 2. FINANCIAL HIGHLIGHTS

### FINANCIAL OVERVIEW (FOR THE SIX MONTHS ENDED 30 JUNE 2019)

#### 1. Operation results

Item	January– June 2019 Amount (RMB'000)	January– June 2018 Amount (RMB'000)	Unit: RMB'000
			Changes between the Reporting Period and the corresponding period of the previous year (%)
Revenue	<b>2,103,338</b>	1,019,888	106.23
Profit before taxation	<b>3,301,797</b>	2,635,845	25.27
Share of profit of an associate	<b>2,711,623</b>	2,241,738	20.96
Net profit attributable to equity shareholders of the Company	<b>3,140,610</b>	2,530,320	24.12
Net profit from principal businesses attributable to equity shareholders of the Company	<b>428,987</b>	288,582	48.65

Note: Net profit from principal businesses attributable to equity shareholders of the Company represents net profit attributable to equity shareholders of the Company after deducting share of profit of an associate.

#### 2. Assets and liabilities

Item	30 June 2019 Amount (RMB'000)	31 December 2018 Amount (RMB'000)	Unit: RMB'000
			Changes between the end of the Reporting Period and the end of the previous year (%)
Total assets	<b>37,754,837</b>	33,216,302	13.66
Total liabilities	<b>8,940,126</b>	6,750,441	32.44
Equity attributable to equity shareholders of the Company	<b>28,020,559</b>	25,752,817	8.81

## 3. BUSINESS REVIEW AND OUTLOOK

### (I) BUSINESS REVIEW

#### Overview

In the first half of 2019, aided by various reform measures, China's GDP grew by 6.3% year-on-year. With stable and positive development of the overall economy, internal momentum for reform continued to grow, showing strong resilience. However, due to continued volatility in global economic environment and increased instability in international trade, national macroeconomic regulation, control and policy reform remained difficult, and national economic development faced more complex and ever-changing challenges.

During the Reporting Period, under the strong leadership of the Board, despite facing the pressure of sustained economic downturn, the Group firmly grasped the favorable opportunity arising from the country's rapid development in ecological civilization and focused on its principal business of environmental protection, which brought about a steady growth in overall performance as compared with the corresponding period of the previous year and laid a solid foundation for achieving the annual target plan.

#### Environmental Protection Business

2019 is the starting year of the Group's development plan for the next five years, which is of great significance to the Group's development. The management and staff of the Group have made joint efforts, pioneered and innovated, marched forward courageously and made remarkable achievements, which has brought positive momentum for completing the next five-year plan.

In terms of project development, on the one hand, the Group focused on the domestic market and continuously secured high-quality projects. To date, the Group newly secured 20 environmental protection projects, which was a remarkable achievement, and the number of newly-secured projects reached an all-time high. On the other hand, the Company actively gave play to industry synergy and strengthened cooperation among companies in the industry. During the Reporting Period, the Group established a joint venture company with CBM Holdings and entered into strategic cooperation agreements with Mengxi Cement and Shanshui Cement to jointly develop domestic solid waste treatment business market, and made substantive progress, demonstrating the Group's strong comprehensive strength.

In terms of operational management, during the Reporting Period, through improving the process structure, the Group strengthened internal technical transformation and steadily improved the operation level of environmental protection projects. Among them, grate furnace power generation projects recorded an increase of 29 kwh/t and 22 kwh/t in waste power generation volume per tonne and on-grid electricity per tonne respectively as compared with the corresponding period of the previous year.

### 3. BUSINESS REVIEW AND OUTLOOK

As at the date of this report, the Group secured a total of 93 environmental protection projects in 19 provinces, municipalities and autonomous regions nationwide, which include 35 solid waste treatment projects, 39 grate furnace power generation projects, 17 projects of waste treatment by cement kilns and 2 foul water treatment projects. Our annual treatment capacities of solid and hazardous waste and municipal waste have reached 4.32 million tonnes and 10.26 million tonnes respectively.

#### 1. Solid Waste Solutions

Since 2019, the Group newly secured 5 solid waste treatment projects in Yangchun, Guangdong Province, Yiyang, Hunan Province, Dazhou, Sichuan Province, Ningguo, Anhui Province and Long'an, Guangxi Region, respectively. Through continuous exploration in technology and optimization of treatment process, a significant increase in treatment efficiency has been achieved. For the first time, the two project companies, namely Yaobai Environmental Protection and Xingye Conch Venture, completed cross-provincial transfer of hazardous waste and accumulated valuable experience for market expansion of other solid waste treatment projects of the Group.

In terms of the development of cooperation projects, the Group adhered to the market-oriented principle, expanded project sources through multiple channels, innovated cooperation models, grasped the development trend of the industry, and achieved remarkable results of development. The Company has successively deployed production capacity in Henan, Fujian, Shandong and other regions. The coverage area of projects has increased from 12 provinces, municipalities and autonomous regions to 15 provinces, municipalities and autonomous regions. The scope of treatment has been further expanded, and the comprehensive treatment capacity has been significantly improved.

In the first half of 2019, the solid waste treatment project in Zhong County, Chongqing City was put into operation. Xianyang City, Shaanxi Province, Phase 1 of Wenshan, Yunnan Province, Phase 2 of Yiyang, Jiangxi Province, Liangping District, Chongqing City, Phase 2 of Xingye, Guangxi Region, Sishui County, Shandong Province, Qingzhen City, Guizhou Province and Tongchuan City, Shaanxi Province are expected to be put into operation in the second half of 2019.

During the Reporting Period, solid waste treatment business recorded an operating revenue of RMB276.74 million, representing an increase of 89.77% as compared with the corresponding period of the previous year, and received 102,000 tonnes of hazardous waste and 171,000 tonnes of general solid waste.

### 3. BUSINESS REVIEW AND OUTLOOK

Details of solid waste treatment projects under cooperation with CBM Holdings are set out in the following table:

No.	Status of Construction	Cooperating Parties	Project Name	Region	Treatment Capacity	Operation Date	Cooperation Method
1	Completed	South Cement	Sanming South	Fujian	100,000 tonnes/year (37,500 tonnes for hazardous waste)	August 2019	Haizhong Environmental holding 35% equity
<b>Sub-total</b>					<b>100,000 tonnes/year</b>		
2	Under construction	China United	Luoyang China United	Henan	100,000 tonnes/year	August 2020	Haizhong Environmental holding 100% equity
3			Jiyuan China United		100,000 tonnes/year	September 2020	
4			Dezhou China United	Shandong	100,000 tonnes/year	May 2020	Haizhong Environmental holding 50% equity
5		South Cement	Xinjie South	Jiangsu	100,000 tonnes/year	November 2019	Haizhong Environmental holding 35% equity
6	Approved and under planning	China United	Dengfeng China United	Henan	100,000 tonnes/year	/	Haizhong Environmental holding 100% equity
7		Sinoma Cement	Sinoma Luoding	Guangdong	80,000 tonnes/year		Haizhong Environmental holding 40% equity
8		South Cement	Shanya South	Zhejiang	200,000 tonnes/year		Haizhong Environmental holding 65% equity
<b>Sub-total</b>					<b>780,000 tonnes/year</b>		
<b>Total</b>					<b>880,000 tonnes/year</b>		

### 3. BUSINESS REVIEW AND OUTLOOK

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

No.	Status of Construction	Project Location	Treatment Capacity	Hazardous Waste Qualification	Operation Date	Remarks
1	Completed	Lantian County, Shaanxi Province	90,000 tonnes/year		January 2015	General solid waste
2		Fuping County, Shaannxi Province	100,000 tonnes/year	100,000 tonnes/year	April 2016	
3		Qian County, Shaanxi Province	70,000 tonnes/year	63,600 tonnes/year	April 2017	
4		Huaining County, Anhui Province	70,000 tonnes/year		September 2017	General solid waste
5		Mian County, Shaanxi Province	45,000 tonnes/year		October 2017	General solid waste
6		Huaibei City, Anhui Province	70,000 tonnes/year		December 2017	General solid waste
7		Wuhu City, Anhui Province	2×100,000 tonnes/year	Phase 1: 68,000 tonnes/year Phase 2: 55,000 tonnes/year	December 2017	
8		Yiyang County, Jiangxi Province (Phase 1)	100,000 tonnes/year	85,000 tonnes/year	May 2018	
9		Xingye County, Guangxi Region (Phase 1)	100,000 tonnes/year	95,000 tonnes/year	August 2018	
10		Suzhou City, Anhui Province (Phase 1)	100,000 tonnes/year	45,000 tonnes/year	August 2018	
11		Qianyang County, Shaanxi Province	100,000 tonnes/year	100,000 tonnes/year	October 2018	
12		Zhong County, Chongqing City	2×100,000 tonnes/year	40,000 tonnes/year	June 2019	
13		Xianyang City, Shaanxi Province	300,000 tonnes/year		August 2019	General solid waste
14		Wenshan City, Yunnan Province (Phase 1)	100,000 tonnes/year	60,000 tonnes/year	August 2019	
<b>Sub-total</b>			<b>1,645,000 tonnes/year</b>	<b>711,600 tonnes/year</b>		

### 3. BUSINESS REVIEW AND OUTLOOK

No.	Status of Construction	Project Location	Treatment Capacity	Expected Operation Date	Remarks
15	Under construction	Yiyang County, Jiangxi Province (Phase 2)	100,000 tonnes/year	October 2019	
16		Liangping District, Chongqing City	100,000 tonnes/year	November 2019	General solid waste
17		Xingye County, Guangxi Region (Phase 2)	100,000 tonnes/year	November 2019	
18		Tongchuan City, Shaanxi Province	100,000 tonnes/year	November 2019	
19		Qingzhen City, Guizhou Province	100,000 tonnes/year	November 2019	
20		Sishui County, Shandong Province	100,000 tonnes/year	December 2019	
21		Guangyuan City, Sichuan Province	100,000 tonnes/year	January 2020	General solid waste
22		Qiyang County, Hunan Province	100,000 tonnes/year	January 2020	
23		Yangchun City, Guangdong Province	100,000 tonnes/year	June 2020	
24		Ninghai County, Zhejiang Province	100,000 tonnes/year	November 2020	Integrated use of resources
<b>Sub-total</b>			<b>1,000,000 tonnes/year</b>		
25	Approved and under planning	Suzhou City, Anhui Province (Phase 2)	100,000 tonnes/year	/	
26		Wenshan City, Yunnan Province (Phase 2)	100,000 tonnes/year		
27		Linxiang City, Hunan Province	100,000 tonnes/year		
28		Yiyang City, Hunan Province	100,000 tonnes/year		
29		Dazhou City, Sichuan Province	200,000 tonnes/year		General solid waste
30		Long'an County, Guangxi Region	100,000 tonnes/year		
31		Chizhou City, Anhui Province	100,000 tonnes/year		General solid waste
<b>Sub-total</b>			<b>800,000 tonnes/year</b>		
<b>Total</b>			<b>3,445,000 tonnes/year</b>		

#### 2. Grate Furnace Power Generation

As at the date of this report, the Group newly secured 15 projects in Panshi, Jilin Province, Dexing, Jiangxi Province, Luoping, Yunnan Province, Long'an, Guangxi Region, Jiuquan, Gansu Province, Luxi, Yunnan Province, Tengchong, Yunnan Province, Hanshou, Hunan Province, Suiyang, Guizhou Province, Ningguo, Anhui Province, Wuwei, Anhui Province, Zongyang, Anhui Province, Mangshi, Yunnan Province, Shimen, Hunan Province and Shahe, Hebei Province with a newly secured capacity scale of 3.68 million tonnes/year.

While the number of project contracts increased, the Group continued to promote the construction of the project operation management system by improving its operational mechanism, and spared no effort to improve the quality of project operations, resulting in a record high waste power generation per tonne and on-grid power generation per tonne. At the same time, the Company constantly optimized exterior architectural style of projects and established a system for architectural appearance style of environmental protection projects to highlight the Company's corporate culture.

### 3. BUSINESS REVIEW AND OUTLOOK

Since 2019, 6 projects of the Company including those in Songming, Yunnan Province, Shanggao, Jiangxi Province, Yiyang, Jiangxi Province, Shache, Xinjiang Region, Sishui, Shandong Province and Bole, Xinjiang Region have been put into operation. During the year, projects including Yang County, Shaanxi Province, Fuquan, Guizhou Province and Phase 1 of Lujiang, Anhui Province are expected to be put into operation successively.

During the Reporting Period, grate furnace power generation business recorded an operating revenue of RMB78.21 million, representing an increase of 70.53% as compared with the corresponding period of the previous year, and processed a total of 399,400 tonnes of municipal waste and generated 0.12 billion kwh on-grid electricity.

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

No.	Status of Construction	Project Location	Treatment Capacity	Operation Date	Remarks
1	Completed	Jinzhai County, Anhui Province	100,000 tonnes/year (300 tonnes/day)	January 2016	
2		Tongren City, Guizhou Province	2×100,000 tonnes/year (2×300 tonnes/day)	July 2017	
3		Yanshan County, Yunnan Province	70,000 tonnes/year (200 tonnes/day)	August 2017	
4		Huoqiu County, Anhui Province	2×140,000 tonnes/year (2×400 tonnes/day)	January 2018	
5		Li County, Hunan Province (Phase 1)	100,000 tonnes/year (300 tonnes/day)	April 2018	To be constructed in two phases
6		Songming County, Yunnan Province	100,000 tonnes/year (300 tonnes/day)	January 2019	
7		Shanggao County, Jiangxi Province	140,000 tonnes/year (400 tonnes/day)	February 2019	
8		Yiyang County, Jiangxi Province (Phase 1)	100,000 tonnes/year (300 tonnes/day)	June 2019	To be constructed in two phases
9		Shache County, Xinjiang Region	2×100,000 tonnes/year (2×300 tonnes/day)	June 2019	
10		Sishui County, Shandong Province	140,000 tonnes/year (400 tonnes/day)	June 2019	
11		Bole City, Xinjiang Region	100,000 tonnes/year (300 tonnes/day)	July 2019	
<b>Sub-total</b>			<b>1,530,000 tonnes/year (4,500 tonnes/day)</b>		

### 3. BUSINESS REVIEW AND OUTLOOK

No.	Status of Construction	Project Location	Treatment Capacity	Expected Operation Date	Remarks
12	Under construction	Yang County, Shaanxi Province	100,000 tonnes/year (300 tonnes/day)	October 2019	
13		Li County, Hunan Province (Phase 2)	140,000 tonnes/year (400 tonnes/day)	November 2019	
14		Yiyang County, Jiangxi Province (Phase 2)	100,000 tonnes/year (300 tonnes/day)	November 2019	
15		Baoshan City, Yunnan Province	2×140,000 tonnes/year (2×400 tonnes/day)	January 2020	
16		Fuquan City, Guizhou Province	100,000 tonnes/year (300 tonnes/day)	January 2020	
17		Lujiang County, Anhui Province (Phase 1)	180,000 tonnes/year (500 tonnes/day)	January 2020	To be constructed in two phases
18		Huoshan County, Anhui Province	140,000 tonnes/year (400 tonnes/day)	April 2020	
19		Xianyang City, Shaanxi Province (Phase 1)	500,000 tonnes/year (1,500 tonnes/day)	May 2020	To be constructed in two phases
20		Shizhu County, Chongqing City	100,000 tonnes/year (300 tonnes/day)	June 2020	
21		Xishui County, Guizhou Province (Phase 1)	140,000 tonnes/year (400 tonnes/day)	June 2020	
22		Jinzhai County, Anhui Province (Phase 2)	100,000 tonnes/year (300 tonnes/day)	August 2020	
23		Ningguo City, Anhui Province	140,000 tonnes/year (400 tonnes/day)	September 2020	
24		Tengchong City, Yunnan Province (Phase 1)	100,000 tonnes/year (300 tonnes/day)	November 2020	To be constructed in two phases
25		Manzhouli City, Inner Mongolia Autonomous Region	140,000 tonnes/year (400 tonnes/day)	November 2020	
<b>Sub-total</b>			<b>2,260,000 tonnes/year(6,600 tonnes/day)</b>		

### 3. BUSINESS REVIEW AND OUTLOOK

No.	Status of Construction	Project Location	Treatment Capacity	Expected Operation Date	Remarks	
26	Approved and under planning	Shucheng County, Anhui Province	140,000 tonnes/year (400 tonnes/day)	/		
27		Xianyang City, Shaanxi Province (Phase 2)	500,000 tonnes/year (1,500 tonnes/day)			
28		Xishui County, Guizhou Province (Phase 2)	140,000 tonnes/year (400 tonnes/day)			
29		Zhenxiang County, Yunnan Province	2×180,000 tonnes/year (2×500 tonnes/day)		To be constructed in two phases	
30		Tongchuan City, Shaanxi Province	180,000 tonnes/year (500 tonnes/day)			
31		Thai Nguyen, Vietnam	180,000 tonnes/year (500 tonnes/day)			
32		Luijiang County, Anhui Province (Phase 2)	180,000 tonnes/year (500 tonnes/day)			
33		Mang City, Yunnan Province	2×100,000 tonnes/year (2×300 tonnes/day)		To be constructed in two phases	
34		Wuwei County, Anhui Province	2×180,000 tonnes/year (2×500 tonnes/day)			
35		Suiyang County, Guizhou Province	100,000 tonnes/year (300 tonnes/day)			
36		Hanshou County, Hunan Province	140,000 tonnes/year (400 tonnes/day)			
37		Tengchong City, Yunnan Province (Phase 2)	100,000 tonnes/year (300 tonnes/day)			
38		Luxi County, Yunnan Province	2×100,000 tonnes/year (2×300 tonnes/day)			
39		Jiuquan City, Gansu Province	2×180,000 tonnes/year (2×500 tonnes/day)		To be constructed in two phases	
40		Luoping County, Yunnan Province	2×100,000 tonnes/year (2×300 tonnes/day)			
41		Long'an County, Guangxi Region	100,000 tonnes/year (300 tonnes/day)			
42		Panshi City, Jilin Province	2×140,000 tonnes/year (2×400 tonnes/day)		To be constructed in two phases	
43		Dexing City, Jiangxi Province	140,000 tonnes/year (400 tonnes/day)			
44		Zongyang County, Anhui Province	2×180,000 tonnes/year (2×500 tonnes/day)		To be constructed in two phases	
45		Shimen County, Hunan Province	180,000 tonnes/year (500 tonnes/day)			
46		Shahe City, Hebei Province	2×360,000 tonnes/year (2×1,000 tonnes/day)		To be constructed in two phases	
<b>Sub-total</b>			<b>5,120,000 tonnes/year(14,600 tonnes/day)</b>			
<b>Total</b>			<b>8,910,000 tonnes/year(25,700 tonnes/day)</b>			

### 3. BUSINESS REVIEW AND OUTLOOK

#### 3. Waste Treatment by Cement Kilns

During the Reporting Period, waste treatment by cement kilns business recorded an operating revenue of RMB25.12 million, representing an increase of 20.24% as compared with the corresponding period of the previous year, and received 442,700 tonnes of municipal waste.

No.	Status of Construction	Project Location	Business Model	Treatment Capacity	Remarks
1	Completed	Pingliang City, Gansu Province	BOT	100,000 tonnes/year (300 tonnes/day)	
2		Qingzhen City, Guizhou Province		100,000 tonnes/year (300 tonnes/day)	
3		Yangchun City, Guangdong Province		70,000 tonnes/year (200 tonnes/day)	
4		Yuping County, Guizhou Province		30,000 tonnes/year (100 tonnes/day)	A joint venture with CNBM
5		Xishui County, Guizhou Province		100,000 tonnes/year (300 tonnes/day)	
6		Qiyang County, Hunan Province		100,000 tonnes/year (300 tonnes/day)	
7		Shimen County, Hunan Province		70,000 tonnes/year (200 tonnes/day)	
8		Shuicheng County, Guizhou Province		70,000 tonnes/year (200 tonnes/day)	
9		Fusui County, Guangxi Region		70,000 tonnes/year (200 tonnes/day)	
10		Shuangfeng County, Hunan Province		70,000 tonnes/year (200 tonnes/day)	
11		Baoshan City, Yunnan Province		100,000 tonnes/year (300 tonnes/day)	
12		Nanjiang County, Sichuan Province		70,000 tonnes/year (200 tonnes/day)	
13		Lingyun County, Guangxi Region		30,000 tonnes/year (100 tonnes/day)	
14		Ningguo City, Anhui Province		100,000 tonnes/year (300 tonnes/day)	
15		Linxia Prefecture, Gansu Province		100,000 tonnes/year (300 tonnes/day)	
16		Xing'an County, Guangxi Region		100,000 tonnes/year (300 tonnes/day)	
17		Yingjiang County, Yunnan Province		70,000 tonnes/year (200 tonnes/day)	
<b>Total</b>				<b>1,350,000 tonnes/year (4,000 tonnes/day)</b>	

### 3. BUSINESS REVIEW AND OUTLOOK

#### **New Building Materials**

During the Reporting Period, with a focus on strengthening internal management and an emphasis on improving product sales, the Group adhered to its strategy of developing domestic and international trade simultaneously, implemented cost control continuously, improved market layout, increased product sales, broadened quality order channels, and further improved its brand influence.

As of the end of the Reporting Period, the Group sold a total of 3.102 million square meters of products and recorded an operating revenue of RMB44.73 million, representing a decrease of 8.10%, a period-on-period increase in selling price of 2.48% and an average gross profit margin of products of 15.85%.

#### **Port Logistics**

The Group seized the opportunity arising from national rectification of terminals in the Yangtze River Economic Belt and promoted environmental protection technology transformation. In the face of constant changes in the market environment, the Group actively explored the market, strengthened production organization, improved operational efficiency, enlarged market share, and acquired more quality customers through its own quality service. Port throughput continued to increase steadily, and profitability reached a record high.

During the Reporting Period, the Group recorded a throughput of 18.94 million tonnes, representing a period-on-period increase of 9%, and an operating revenue of RMB118.56 million, representing an increase of 15.30% as compared with the corresponding period of the previous year.

#### **(II) BUSINESS OUTLOOK**

In the first half of 2019, the Group achieved a significant growth in results, and net profit from principal businesses attributable to equity shareholders increased by 48.65% as compared with the corresponding period of the previous year, with significant enhancement in the ability to secure projects and improvement in the quality of project operation and the level of project construction management, which laid a solid foundation for the achievement of the Company's development goals of high quality and high growth. In the second half of the year, the Group will continue to focus on its principal business of environmental protection, work closely around the annual capacity planning target, accelerate dual-wheel drive of solid waste treatment and waste power generation; promote the research and development of new environmental technologies and the determination and implementation of project carriers; promote steady development in the new materials business; accelerate the implementation of port technological renovation projects, etc., in order to achieve the year-round development goals.

### 3. BUSINESS REVIEW AND OUTLOOK

The first is to rapidly develop environmental protection business. In terms of project development, in the second half of the year, the Company will speed up the progress of cooperation with partners, give full play to the role of demonstration projects, strengthen brand effect, facilitate the launch of overseas projects and complete the strategic arrangement of environmental protection projects as soon as possible, so as to increase market share. In terms of operational management, in the second half of the year, the Company will speed up the progress of environmental protection projects under construction, open up the market of solid and hazardous waste treatment in multi-channel and multi-direction, continue to place its focus on improving the “two volumes” of waste power generation projects, further reduce costs and increase efficiency, and improve the core competitiveness of enterprises. In terms of R&D technology, in the second half of the year, the Company will strengthen the R&D of new technologies and the implementation of project carriers, strengthen industry development research, focus on training professional and technical personnel, enhance the Group’s technological innovation ability, and broaden the new path of development.

The second is to enhance the comprehensive competitiveness of the new materials business. With the goal of “increasing sales and expanding market”, the Group will innovate its sales model to expand market share, improve product and service quality, explore new customers, and enhance brand influence and comprehensive competitiveness.

The third is to ensure steady improvement of the port logistics business. The Company will timely understand environmental protection policies and regulations, do a good job in technological enhancement projects, optimize the supply structure, stabilize the core customer groups, expand the external market, and continue to maintain the steady improvement of port logistics business.

## 4. MANAGEMENT DISCUSSION AND ANALYSIS

### (I) PROFITS

Item	January– June 2019 Amount (RMB'000)	January– June 2018 Amount (RMB'000)	Changes between the Reporting Period and the corresponding period of the previous year (%)
Revenue	<b>2,103,338</b>	1,019,888	106.23
Profit before taxation	<b>3,301,797</b>	2,635,845	25.27
Share of profit of an associate	<b>2,711,623</b>	2,241,738	20.96
Profit before taxation from principal businesses	<b>590,174</b>	394,107	49.75
Net profit attributable to equity shareholders of the Company	<b>3,140,610</b>	2,530,320	24.12
Net profit from principal businesses attributable to equity shareholders of the Company	<b>428,987</b>	288,582	48.65

During the Reporting Period, the Group recorded a revenue of RMB2,103.34 million, representing a period-on-period increase of 106.23%. Profit before taxation amounted to RMB3,301.80 million, representing a period-on-period increase of 25.27%. Share of profit of an associate amounted to RMB2,711.62 million, representing a period-on-period increase of 20.96%. Profit before taxation from principal businesses amounted to RMB590.17 million, representing a period-on-period increase of 49.75%. Net profit attributable to equity shareholders of the Company amounted to RMB3,140.61 million, representing a period-on-period increase of 24.12%, among which, net profit from principal businesses attributable to equity shareholders amounted to RMB428.99 million, representing a period-on-period increase of 48.65%. Basic earnings per share amounted to RMB1.74. Diluted earnings per share amounted to RMB1.68.

## 4. MANAGEMENT DISCUSSION AND ANALYSIS

### 1. Revenue by business segments

Item	January–June 2019		January–June 2018		Change in amount (%)	Change in percentage (percentage points)
	Amount (RMB'000)	Percentage (%)	Amount (RMB'000)	Percentage (%)		
Solid waste solutions	<b>276,740</b>	<b>13.16</b>	145,833	14.30	89.77	-1.14
Waste incineration solutions	<b>1,504,172</b>	<b>71.51</b>	523,466	51.33	187.35	20.18
Energy saving equipment	<b>159,139</b>	<b>7.56</b>	199,090	19.52	-20.07	-11.96
New building materials	<b>44,731</b>	<b>2.13</b>	48,676	4.77	-8.10	-2.64
Port logistics	<b>118,556</b>	<b>5.64</b>	102,823	10.08	15.30	-4.44
<b>Total</b>	<b>2,103,338</b>	<b>100.00</b>	1,019,888	100.00	106.23	-

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

- (i) The revenue from solid waste solutions amounted to RMB276.74 million, representing a period-on-period increase of 89.77%, which was mainly due to the newly commencement of operation of the Group's projects in Xingye, Suzhou and Chongqing, which led to the rapid growth in revenue.
- (ii) The revenue from waste incineration solutions amounted to RMB1,504.17 million, representing a period-on-period increase of 187.35%, which was mainly due to an increase in the number of projects under construction of the Group and the newly commencement of operation of projects in Songming and Shanggao, leading to the rapid growth in revenue.
- (iii) The revenue from energy saving equipment amounted to RMB159.14 million, representing a period-on-period decrease of 20.07%, which was mainly due to a decrease in the number of orders for residual heat power generation project.
- (iv) The revenue from new building materials recorded a period-on-period decrease of 8.10%, which was mainly due to the lack of market demand of Bozhou Conch Venture in the first half of the year, leading to the decrease in revenue.
- (v) The revenue from port logistics recorded a period-on-period increase of 15.30%, which was mainly due to the fact that the Group seized the opportunity of environment protection rectification of the Yangtze River and sourced high-quality customers, leading to the period-on-period increase of throughput and handling prices.

## 4. MANAGEMENT DISCUSSION AND ANALYSIS

### (1) Breakdown of revenue from solid waste solutions



During the Reporting Period, the Group's treatment of hazardous waste reached a revenue amounted to RMB224.43 million, representing a period-on-period increase of 96.45%. The revenue from treatment of general solid waste amounted to RMB52.31 million, representing a period-on-period increase of 65.59%.

### (2) Breakdown of revenue from waste incineration solutions

Revenue breakdown	January–June 2019		January–June 2018		Change in amount (%)	Change in percentage (percentage points)
	Amount (RMB'000)	Percentage (%)	Amount (RMB'000)	Percentage (%)		
<b>Construction revenue</b>	<b>1,350,712</b>	<b>89.80</b>	407,318	77.81	231.61	11.99
Waste treatment by cement kilns	11,551	0.77	37,080	7.08	-68.85	-6.31
Grate furnace power generation	1,339,161	89.03	370,238	70.73	261.70	18.30
<b>Operation revenue</b>	<b>103,328</b>	<b>6.87</b>	66,752	12.75	54.79	-5.88
Waste treatment by cement kilns	25,119	1.67	20,890	3.99	20.24	-2.32
Grate furnace power generation	78,209	5.20	45,862	8.76	70.53	-3.56
<b>Interest revenue</b>	<b>50,132</b>	<b>3.33</b>	49,396	9.44	1.49	-6.11
Waste treatment by cement kilns	29,974	1.99	34,101	6.52	-12.10	-4.53
Grate furnace power generation	20,158	1.34	15,295	2.92	31.79	-1.58
<b>Total</b>	<b>1,504,172</b>	<b>100.00</b>	523,466	100.00	187.35	-

## 4. MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the revenue from waste incineration solutions segment during the construction period amounted to RMB1,350.71 million, representing a period-on-period increase of 231.61%, which was mainly due to an increase in the number of grate furnace power generation projects under construction of the Group and an increase in pace of construction. The operation revenue from waste incineration solutions segment amounted to RMB103.33 million, representing a period-on-period increase of 54.79%, which was mainly due to the newly commencement of operation of projects in Songming and Shanggao, leading to the period-on-period increase in revenue from grate furnace power generation.

### 2. Revenue by geographical locations

Item	January–June 2019		January–June 2018		Change in amount (%)	Change in percentage (percentage points)
	Amount (RMB'000)	Percentage (%)	Amount (RMB'000)	Percentage (%)		
China	2,077,099	98.75	906,877	88.91	129.04	9.84
Asia (excluding China)	26,221	1.25	112,141	11.00	-76.62	-9.75
North America	–	–	870	0.09	–	-0.09
South America	18	–	–	–	–	–
<b>Total</b>	<b>2,103,338</b>	<b>100.00</b>	1,019,888	100.00	106.23	–

During the Reporting Period, the Group's revenue from the China market amounted to RMB2,077.10 million, representing a period-on-period increase of 129.04%, with its proportion in total revenue increased by 9.84 percentage points period-on-period, which was mainly due to an increase in the number of grate furnace power generation projects secured by the Group and the newly commencement of operation of solid waste solutions projects. The revenue derived from Asia (excluding China) market amounted to RMB26.22 million, representing a period-on-period decrease of 76.62%, with its proportion in total revenue decreased by 9.75 percentage points period-on-period, which was mainly due to a decrease in the number of overseas orders for energy saving equipment of the Group, leading to the decrease in revenue.

## 4. MANAGEMENT DISCUSSION AND ANALYSIS

### 3. Gross profit and gross profit margin

Item	January–June 2019		January–June 2018		Change in amount (%)	Change in gross profit margin (percentage points)
	Gross profit (RMB'000)	Gross profit margin (%)	Gross profit (RMB'000)	Gross profit margin (%)		
Solid waste solutions	204,370	73.85	118,948	81.56	71.81	-7.71
Waste incineration solutions	384,567	25.57	194,124	37.08	98.10	-11.51
Energy saving equipment	42,149	26.49	47,277	23.75	-10.85	2.74
New building materials	7,089	15.85	8,762	18.00	-19.09	-2.15
Port logistics	71,325	60.16	60,769	59.10	17.37	1.06
<b>Total</b>	<b>709,500</b>	<b>33.73</b>	429,880	42.15	65.05	-8.42

During the Reporting Period, the consolidated gross profit margin of the Group's products was 33.73%, representing a period-on-period decrease of 8.42 percentage points. With a breakdown by segments:

- (i) The gross profit margin for solid waste solutions was 73.85%, representing a period-on-period decrease of 7.71 percentage points, which was mainly due to a period-on-period increase in cost of treatment. Among which, the gross profit margin of hazardous waste was 77.01%, representing a period-on-period decrease of 7.49 percentage points; the gross profit margin of general waste was 60.27%, representing a period-on-period decrease of 10.65 percentage points.
- (ii) The gross profit margin for waste incineration solutions was 25.57%, representing a period-on-period decrease of 11.51 percentage points, which was mainly due to a period-on-period decrease in the gross profit margin of grate furnace power generation business during construction period.
- (iii) The gross profit margin for energy saving equipment was 26.49%, representing a period-on-period increase of 2.74 percentage points.
- (iv) The gross profit margin for new building materials was 15.85%, representing a period-on-period decrease of 2.15 percentage points, which was mainly due to a decrease in market demand of Bozhou Conch Venture and decreases in both volume and prices.
- (v) The gross profit margin for port logistics was 60.16%, representing a period-on-period increase of 1.06 percentage points.

## 4. MANAGEMENT DISCUSSION AND ANALYSIS

### 4. Other income

During the Reporting Period, the Group's other income amounted to RMB113.84 million, representing a period-on-period increase of RMB47.81 million, or 72.41%, which was mainly due to the period-on-period increase in government grants and interest income received by the Group.

### 5. Distribution costs

During the Reporting Period, the Group's distribution costs amounted to RMB40.47 million, representing a period-on-period increase of RMB17.12 million, or 73.28%, which was mainly due to an increase in the expenditure for market expansion of the Group.

### 6. Administrative expenses

During the Reporting Period, the Group's administrative expenses amounted to RMB106.84 million, representing a period-on-period increase in RMB40.66 million, or 61.45%, which was mainly due to an increase in the number of employees of operating companies resulting in an increase in employee remuneration.

### 7. Finance costs

During the Reporting Period, the Group's finance costs amounted to RMB85.86 million, representing a period-on-period increase of RMB73.59 million, or 599.48%, which was mainly due to the increase in interests expense of the liability component of convertible bonds and addition in bank loans of the Group.

### 8. Profit before taxation

During the Reporting Period, the Group's profit before taxation amounted to RMB3,301.80 million, representing a period-on-period increase of RMB665.95 million, or 25.27%, which was mainly due to an increase in share of profit of associates of Conch Holdings and growth in net profit from principal businesses. Share of profit of an associate amounted to RMB2,711.62 million, representing a period-on-period increase of 20.96%, and profit before taxation from principal businesses amounted to RMB590.17 million, representing a period-on-period increase of 49.75%.

## 4. MANAGEMENT DISCUSSION AND ANALYSIS

### (II) FINANCIAL POSITION

As at 30 June 2019, the Group's total assets amounted to RMB37,754.84 million, representing an increase of RMB4,538.54 million as compared to the end of the previous year. The equity attributable to equity shareholders of the Company amounted to RMB28,020.56 million, representing an increase of RMB2,267.74 million as compared to the end of the previous year. Gearing ratio of the Group (total liabilities/total assets) was 23.68%, representing an increase of 3.36 percentage points as compared to the end of the previous year. The balance sheet items of the Group are as follows:

Item	As at 30 June 2019 (RMB'000)	As at 31 December 2018 (RMB'000)	Change between the end of the Reporting Period and the end of the previous year (%)
Property, plant and equipment	2,020,064	1,725,038	17.10
Non-current assets	31,801,535	27,145,806	17.15
Current assets	5,953,302	6,070,496	-1.93
Current liabilities	3,715,100	2,171,309	71.10
Non-current liabilities	5,225,026	4,579,132	14.11
Net current assets	2,238,202	3,899,187	-42.60
Equity attributable to equity shareholders of the Company	28,020,559	25,752,817	8.81
<b>Total assets</b>	<b>37,754,837</b>	33,216,302	13.66
<b>Total liabilities</b>	<b>8,940,126</b>	6,750,441	32.44

## 4. MANAGEMENT DISCUSSION AND ANALYSIS

### 1. Non-current assets and current assets

As at 30 June 2019, non-current assets of the Group amounted to RMB31,801.54 million, representing an increase of 17.15% as compared to the end of the previous year, which was mainly due to the increase in interests in an associate, intangible assets, property, plant and equipment.

Current assets of the Group amounted to RMB5,953.30 million, representing a decrease of 1.93% as compared with the end of the previous year.

### 2. Non-current liabilities and current liabilities

As at 30 June 2019, non-current liabilities of the Group amounted to RMB5,225.03 million, representing an increase of 14.11% as compared to the end of the previous year, which was mainly due to new long-term loan of the Group during the Reporting Period.

Current liabilities of the Group amounted to RMB3,715.10 million, representing an increase of 71.10% as compared to the end of the previous year, which was mainly due to the Group's provision for outstanding dividend payable in 2018 and the increases in trade and other payables and bank loans.

As at 30 June 2019, current ratio and debt to equity ratio (calculated by dividing total amount of loans by total equity) of the Group were 1.60 and 0.07, respectively, as compared to 2.80 and 0.05, respectively, as at the end of the previous year.

### 3. Net current assets

As at 30 June 2019, net current assets of the Group amounted to RMB2,238.20 million, representing a decrease of RMB1,660.99 million as compared to the end of the previous year, which was mainly due to an increase in the current liabilities of the Group.

### 4. Equity attributable to equity shareholders of the Company

As at 30 June 2019, the Group's equity attributable to equity shareholders of the Company amounted to RMB28,020.56 million, representing an increase of 8.81% as compared to the end of the previous year, which was mainly due to increases in the Group's interests in an associate and net profit from principal businesses attributable to the equity shareholders.

## 4. MANAGEMENT DISCUSSION AND ANALYSIS

### (III) LIQUIDITY AND CAPITAL RESOURCES

During the Reporting Period, the Group took full advantage of the capital size, enhanced returns of the stock funds through enhancing capital planning and management and reasonable allocation of project funds, so as to satisfy the Company's capital needs. As at 30 June 2019, the Group's cash and cash equivalents amounted to RMB2,809.67 million, which were mainly denominated in RMB, Hong Kong dollars and US dollars.

#### Bank loans

Item	As at 30 June 2019 (RMB'000)	As at 31 December 2018 (RMB'000)
Due within one year	334,800	71,800
Due after one year but within two years	252,837	102,800
Due after two years but within five years	1,199,720	1,002,900
Due after five years	315,030	90,000
<b>Total</b>	<b>2,102,387</b>	1,267,500

As at 30 June 2019, the balance of bank loans of the Group amounted to RMB2,102.39 million, representing an increase of RMB834.89 million as compared to the end of the previous year, which was mainly due to new bank loans raised by the Group during the Reporting Period. As at 30 June 2019, the Group's bank loans were denominated in RMB, and most of the loan interests were subject to variable interest rates.

## 4. MANAGEMENT DISCUSSION AND ANALYSIS

### Cash flows

Item	January–June 2019 (RMB'000)	January–June 2018 (RMB'000)
Net cash generated from operating activities	142,942	136,011
Net cash used in investing activities	-877,551	-583,834
Net cash generated from financing activities	856,962	226,725
Net increase/(decrease) in cash and cash equivalents	122,353	-221,098
Effect of foreign exchange rate changes	13,470	–
Cash and cash equivalents at the beginning of the period	2,673,845	1,457,745
Cash and cash equivalents at the end of the period	2,809,668	1,236,647

#### Net cash generated from operating activities

During the Reporting Period, net cash generated from operating activities of the Group amounted to RMB142.94 million, representing a period-on-period increase of RMB6.93 million, which was mainly due to an increase in the operating revenue of the Group.

#### Net cash used in investing activities

During the Reporting Period, net cash used in investing activities of the Group amounted to RMB877.55 million, representing a period-on-period increase of RMB293.72 million, which was mainly due to the increase in the Group's investments in intangible assets, property, plant and equipment.

#### Net cash generated from financing activities

During the Reporting Period, net cash generated from financing activities of the Group amounted to RMB856.96 million, representing a period-on-period increase of RMB630.24 million, which was mainly due to the year-on-year increase in net bank loans raised and repaid by the Group.

### (IV) COMMITMENTS

As at 30 June 2019, the Group's commitments for purchases in connection with construction contracts were as follows:

Item	As at 30 June 2019 (RMB'000)	As at 31 December 2018 (RMB'000)
Contracted for	1,432,249	1,327,312
Authorized but not contracted for	3,171,450	2,196,735
<b>Total</b>	<b>4,603,699</b>	<b>3,524,047</b>

## 4. MANAGEMENT DISCUSSION AND ANALYSIS

### (V) FOREIGN EXCHANGE RISK

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

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

### (VI) CONTINGENT LIABILITIES

As at 30 June 2019, the Group did not have any material contingent liabilities.

### (VII) PLEDGE OF ASSETS

As at 30 June 2019, the Group did not have any pledged assets.

### (VIII) MATERIAL INVESTMENTS, ACQUISITIONS OR DISPOSALS

As at 30 June 2019, the Group did not have any material investments, acquisitions or disposals.

### (IX) HUMAN RESOURCES

The Group has always highly valued the human resources management by providing its employees with competitive remuneration packages and various training programs. During the Reporting Period, the Group held professional and technical lectures such as safety know-how training for safety management positions, solid waste and hazardous waste business segments and financial professional training. In addition, the Group has also continued to strengthen its team building through means such as internal training and social and campus recruitment.

As at 30 June 2019, the Group had approximately 3,290 employees. The remuneration of employees is based on qualifications, experience, work performance and market conditions. As required by the PRC regulations on social insurance, the Group participated in the social insurance schemes operated by local government authorities which include pension insurance, medical insurance, unemployment insurance, industrial injuries insurance and maternity insurance. For the six months ended 30 June 2019, the total remuneration of employees (including the remuneration of the directors) was approximately RMB113.79 million (for the corresponding period of 2018: RMB73.81 million).

The Company adopted a share option scheme, details of which are set out in the section headed "Other Information — (V) Share Option Scheme", so that the Group may grant options to certain participants as incentives or rewards for their contributions to the Group. Since the listing of the Group, no share option had been granted under the share option scheme.

## 5. OTHER INFORMATION

### (I) INTERIM DIVIDEND

The Board of the Company resolved not to declare any interim dividend for the six months ended 30 June 2019.

### (II) DISCLOSURE OF INTERESTS

#### 1. Substantial Shareholders' Interests or Short Positions

As at 30 June 2019, so far as the Directors were aware, the interests or short positions of persons other than the Directors and chief executive of the Company in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of part XV of the SFO as recorded in the register of substantial shareholders required to be kept by the Company under section 336 of the SFO were as follows:

Name of Shareholders	Nature of interests	Number of shares (long positions)	Approximate percentage of shareholdings (%)
SA Conch	Interest of controlled corporation	106,217,000 (note 1)	5.89
CV Investment	Beneficial owner	39,438,500	2.19
	Interest of controlled corporation	66,778,500 (note 2)	3.70
	<b>Subtotal</b>	<b>106,217,000</b>	<b>5.89</b>

Notes:

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

\* For identification purpose only

Save as disclosed above, as at 30 June 2019, the Directors were not aware of any other persons, other than the Directors and chief executive of the Company, 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.

## 5. OTHER INFORMATION

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

As at 30 June 2019, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken, or are deemed to have taken, under such provisions of the SFO), or recorded in the register required to be kept by the Company under section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules were set out below:

#### A. The Company

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

Notes:

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

## 5. OTHER INFORMATION

### 3. Interests and Short Positions of Senior Management

As at 30 June 2019, interests of the senior management of the Company were as follows:

Name of senior management	Nature of interests	Number of shares (long positions)	Approximate percentage of shareholdings (%)
Mr. Wang Xuesen	Beneficial owner	3,516,418	0.19
Mr. Han Jiwu	Beneficial owner	0	0
Mr. Shu Mao	Beneficial owner	143,000	0.01
Mr. Zhang Keke	Beneficial owner	3,000,000	0.16
Mr. Wang Junxian	Beneficial owner	175,000	0.01

Save as disclosed above, as at 30 June 2019, none of the Directors and chief executive of the Company had interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions they have taken, or are deemed to have taken, under such provisions of the SFO), or recorded in the register required to be kept by the Company under section 352 of the SFO, or otherwise required to be notified to the Company and the Stock Exchange, pursuant to the Model Code.

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

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

### (IV) CHANGE IN DIRECTOR'S INFORMATION

During the Reporting Period, detail of change in the Director's information is set below:

Mr. Chan Kai Wing resigned as independent non-executive Director of Bisu Technology Group International Limited (the Stock Exchange, Stock Code: 1372) with effect from 28 February 2019.

Save as disclosed above, there is no other information in respect of Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## 5. OTHER INFORMATION

### (V) SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme (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 contributions to the Group.

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

### (VI) CORPORATE GOVERNANCE

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 of the Stock Exchange as the corporate governance code of the Company. The Board has confirmed that, during the Reporting Period, the Company complied with the code provisions of the Corporate Governance Code set out in Appendix 14 to the Listing Rules, 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 of the Company.

The Company regularly reviews and improves its corporate governance practices in order to be continuously in compliance with the Corporate Governance Code.

### (VII) MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

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

## 5. OTHER INFORMATION

### (VIII) AUDIT COMMITTEE

The Audit Committee comprises Mr. Chan Chi On (alias Derek Chan), Mr. Chan Kai Wing and Mr. Lau Chi Wah, Alex, being the independent non-executive Directors. The primary duties of the Audit Committee are 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 and review the risk management system and internal control system of the Company. The “Terms of Reference of the Audit Committee of the Board of Directors” of the Company clearly defines the duties and rules of the committee.

The Audit Committee has reviewed the unaudited interim results and interim report of the Company for the six months ended 30 June 2019. The Audit Committee has no disagreement with the accounting treatment methods adopted by the Company.

### (IX) REMUNERATION AND NOMINATION COMMITTEE

The Remuneration and Nomination Committee comprises Mr. Ji Qinying, executive Director and chief executive officer, and Mr. Chan Chi On (alias Derek Chan), Mr. Chan Kai Wing and Mr. Lau Chi Wah, Alex, independent non-executive Directors. The primary duties of the Remuneration and Nomination Committee are to make recommendations to the Board on the overall remuneration policy and the structure relating to all Directors and senior management of the Group, make recommendations to the Board on the remuneration packages for each of the executive Directors and senior management, review performance based remuneration and ensure none of the Directors participate in deciding their own remuneration, and review the structure, size and composition (including the skills, knowledge and experiences) of the Board at least annually. The “Terms of Reference of the Remuneration and Nomination Committee of the Board of Directors” of the Company clearly defines the duties and rules of the committee.

The Remuneration and Nomination Committee of the Company has formulated a board diversity policy which sets out the approach to achieve diversity of the Board.

### (X) EVENTS SUBSEQUENT TO THE REPORTING PERIOD

Neither the Company nor the Group had any material events subsequent to the Reporting Period after 30 June 2019 and up to the date of this interim report.

For and on behalf of the Board of Directors  
**China Conch Venture Holdings Limited**  
中國海螺創業控股有限公司  
**Guo Jingbin**  
*Chairman*

China, 26 August 2019

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019 — unaudited  
(Expressed in Renminbi Yuan)

	Note	Six months ended 30 June	
		2019 RMB'000	2018 RMB'000 (Note)
<b>Revenue</b>	3	<b>2,103,338</b>	1,019,888
Cost of sales		<b>(1,393,838)</b>	(590,008)
<b>Gross profit</b>		<b>709,500</b>	429,880
Other income	4	<b>113,844</b>	66,032
Distribution costs		<b>(40,472)</b>	(23,356)
Administrative expenses		<b>(106,837)</b>	(66,174)
<b>Profit from operations</b>		<b>676,035</b>	406,382
Finance costs	5(a)	<b>(85,861)</b>	(12,275)
Share of profit of an associate	10	<b>2,711,623</b>	2,241,738
<b>Profit before taxation</b>	5	<b>3,301,797</b>	2,635,845
Income tax	6	<b>(109,210)</b>	(63,066)
<b>Profit for the period</b>		<b>3,192,587</b>	2,572,779
<b>Attributable to:</b>			
— Equity shareholders of the Company		<b>3,140,610</b>	2,530,320
— Non-controlling interests		<b>51,977</b>	42,459
<b>Profit for the period</b>		<b>3,192,587</b>	2,572,779
<b>Earnings per share</b>	7		
— Basic (RMB)		<b>1.74</b>	1.40
— Diluted (RMB)		<b>1.68</b>	1.40

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

The notes on pages 43 to 70 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 19(a).

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019 — unaudited  
(Expressed in Renminbi Yuan)

	Note	Six months ended 30 June	
		2019 RMB'000	2018 RMB'000 (Note)
<b>Profit for the period</b>		<b>3,192,587</b>	2,572,779
<b>Other comprehensive income for the period (after tax and reclassification adjustments)</b>			
Items that will not be reclassified to profit or loss:			
Share of other comprehensive income of an associate, net of tax		<b>1,701</b>	(8,070)
Items that may be reclassified subsequently to profit or loss:			
Share of other comprehensive income of an associate, net of tax		—	(4,943)
Exchange differences on translation of financial statements of overseas subsidiaries		<b>(871)</b>	—
<b>Other comprehensive income for the period</b>		<b>830</b>	(13,013)
<b>Total comprehensive income for the period</b>		<b>3,193,417</b>	2,559,766
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>3,141,440</b>	2,517,307
Non-controlling interests		<b>51,977</b>	42,459
<b>Total comprehensive income for the period</b>		<b>3,193,417</b>	2,559,766

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019 — unaudited  
(Expressed in Renminbi Yuan)

	Note	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000 (Note)
<b>Non-current assets</b>			
Property, plant and equipment	8	2,020,064	1,725,038
Right-of-use assets	2(b),9	314,199	—
Lease prepayments	2	—	271,354
Intangible assets	8	2,688,497	1,604,173
Interest in an associate	10	23,504,102	20,782,760
Other financial assets	11	102,000	—
Non-current portion of service concession assets	13	2,626,026	2,374,146
Non-current portion of trade and other receivables	14	493,212	334,334
Deferred tax assets		53,435	54,001
		<b>31,801,535</b>	27,145,806
<b>Current assets</b>			
Inventories	12	193,242	162,721
Service concession assets	13	18,312	15,940
Trade and other receivables	14	1,214,729	1,101,069
Restricted bank deposits		20,620	12,613
Bank deposits with maturity over three months		1,696,731	2,104,308
Cash and cash equivalents	15	2,809,668	2,673,845
		<b>5,953,302</b>	6,070,496
<b>Current liabilities</b>			
Bank loans	16	334,800	71,800
Trade and other payables	17	2,348,456	1,974,026
Contract liabilities		41,256	14,177
Lease liabilities	2(c)	2,901	—
Dividends payable to equity shareholders of the Company	19(a)	873,698	—
Income tax payables		113,989	111,306
		<b>3,715,100</b>	2,171,309
<b>Net current assets</b>		<b>2,238,202</b>	3,899,187
<b>Total assets less current liabilities</b>		<b>34,039,737</b>	31,044,993

The notes on pages 43 to 70 form part of this interim financial report.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019 — unaudited  
(Expressed in Renminbi Yuan)

	Note	<b>At 30 June 2019 RMB'000</b>	At 31 December 2018 RMB'000 (Note)
<b>Non-current liabilities</b>			
Bank loans	16	<b>1,767,587</b>	1,195,700
Convertible bonds	18	<b>3,452,906</b>	3,383,432
Lease liabilities	2(c)	<b>4,533</b>	—
		<b>5,225,026</b>	4,579,132
<b>Net assets</b>		<b>28,814,711</b>	26,465,861
<b>Capital and reserves</b>	19		
Share capital		<b>14,347</b>	14,347
Reserves		<b>28,006,212</b>	25,738,470
<b>Equity attributable to equity shareholders of the Company</b>		<b>28,020,559</b>	25,752,817
<b>Non-controlling interests</b>		<b>794,152</b>	713,044
<b>Total equity</b>		<b>28,814,711</b>	26,465,861

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019 — unaudited  
(Expressed in Renminbi Yuan)

Note	Attributable to equity shareholders of the Company								Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000 (Note 19(b))	Share premium RMB'000	Capital reserves RMB'000	PRC statutory reserves RMB'000	Exchange Reserve RMB'000	Retained earnings RMB'000	Sub-total RMB'000			
<b>Balance at 1 January 2018</b>	14,347	1,274,109	1,935,350	507,181	-	16,846,764	20,577,751	633,564	21,211,315	
<b>Changes in equity for the six months ended 30 June 2018:</b>										
Profit for the period	-	-	-	-	-	2,530,320	2,530,320	42,459	2,572,779	
Other comprehensive income	-	-	(13,013)	-	-	-	(13,013)	-	(13,013)	
Total comprehensive income	-	-	(13,013)	-	-	2,530,320	2,517,307	42,459	2,559,766	
Non-controlling interests arising from establishment of a subsidiary	-	-	-	-	-	-	-	177	177	
Appropriation to reserves	-	-	-	22,137	-	(22,137)	-	-	-	
Dividends approved in respect of the previous year	19(a)	(771,576)	-	-	-	-	(771,576)	-	(771,576)	
Profit distribution to non-controlling interests	-	-	-	-	-	-	-	(41,261)	(41,261)	
<b>Balance at 30 June 2018 and 1 July 2018</b>	14,347	502,533	1,922,337	529,318	-	19,354,947	22,323,482	634,939	22,958,421	
<b>Changes in equity for the six months ended 31 December 2018:</b>										
Profit for the period	-	-	-	-	-	3,416,949	3,416,949	72,417	3,489,366	
Other comprehensive income	-	-	(40,229)	-	(1,851)	-	(42,080)	-	(42,080)	
Total comprehensive income	-	-	(40,229)	-	(1,851)	3,416,949	3,374,869	72,417	3,447,286	
Equity component of convertible bonds	-	-	54,466	-	-	-	54,466	-	54,466	
Non-controlling interests arising from establishment of a subsidiary	-	-	-	-	-	-	-	5,688	5,688	
Appropriation to reserves	-	-	-	50,802	-	(50,802)	-	-	-	
<b>Balance at 31 December 2018 (Note)</b>	14,347	502,533	1,936,574	580,120	(1,851)	22,721,094	25,752,817	713,044	26,465,861	

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019 — unaudited  
(Expressed in Renminbi Yuan)

	Attributable to equity shareholders of the Company									
	Note	Share capital RMB'000 (Note 19(b))	Share premium RMB'000	Capital reserves RMB'000	PRC		Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
					statutory reserves RMB'000	Exchange Reserve RMB'000				
<b>Balance at 1 January 2019</b>		14,347	502,533	1,936,574	580,120	(1,851)	22,721,094	25,752,817	713,044	26,465,861
<b>Changes in equity for the six months ended 30 June 2019:</b>										
Profit for the period		-	-	-	-	-	3,140,610	3,140,610	51,977	3,192,587
Other comprehensive income		-	-	1,701	-	(871)	-	830	-	830
Total comprehensive income		-	-	1,701	-	(871)	3,140,610	3,141,440	51,977	3,193,417
Non-controlling interests arising from establishment of subsidiaries		-	-	-	-	-	-	-	106,635	106,635
Acquisition of a subsidiary with non-controlling interests		-	-	-	-	-	-	-	21,600	21,600
Appropriation to reserves		-	-	-	21,774	-	(21,774)	-	-	-
Profit distribution to non-controlling interests		-	-	-	-	-	-	-	(99,104)	(99,104)
Dividends approved in respect of the previous year	19(a)	-	(502,533)	-	-	-	(371,165)	(873,698)	-	(873,698)
<b>Balance at 30 June 2019</b>		14,347	-	1,938,275	601,894	(2,722)	25,468,765	28,020,559	794,152	28,814,711

The notes on pages 43 to 70 form part of this interim financial report.

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2019 — unaudited  
(Expressed in Renminbi Yuan)

	<b>Six months ended 30 June</b>	
	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000 (Note)
<b>Operating activities:</b>		
Cash generated from operations	<b>248,903</b>	195,080
Income tax paid	<b>(105,961)</b>	(59,069)
<b>Net cash generated from operating activities</b>	<b>142,942</b>	136,011
<b>Investing activities:</b>		
Payment for purchase of property, plant and equipment, construction in progress and intangible assets	<b>(1,209,352)</b>	(541,392)
Payment for land use rights	<b>(8,280)</b>	(23,581)
Payment for other financial assets	<b>(102,000)</b>	–
Proceeds from bank deposits with maturity over three months	<b>2,104,308</b>	25,000
Payment for bank deposits with maturity over three months	<b>(1,696,731)</b>	(68,201)
Other cash flows arising from investing activities	<b>34,504</b>	24,340
<b>Net cash used in investing activities</b>	<b>(877,551)</b>	(583,834)

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2019 — unaudited  
(Expressed in Renminbi Yuan)

	<b>Six months ended 30 June</b>	
	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
		(Note)
<b>Financing activities:</b>		
Profit distribution to non-controlling interests	<b>(43,949)</b>	(35,504)
Proceeds from bank loans	<b>1,623,537</b>	610,000
Repayment of bank loans	<b>(788,650)</b>	(334,150)
Capital contribution from non-controlling shareholders	<b>106,635</b>	177
Capital element of lease rentals paid	<b>(1,417)</b>	–
Interest element of lease rentals paid	<b>(210)</b>	–
Other cash flows arising from financing activities	<b>(38,984)</b>	(13,798)
<b>Net cash generated from financing activities</b>	<b>856,962</b>	226,725
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>122,353</b>	(221,098)
<b>Effect of foreign exchange rate changes</b>	<b>13,470</b>	–
<b>Cash and cash equivalents at 1 January</b>	<b>2,673,845</b>	1,457,745
<b>Cash and cash equivalents at 30 June</b>	<b>2,809,668</b>	1,236,647

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

## 1 BASIS OF PREPARATION

These unaudited consolidated financial statements of China Conch Venture Holdings Limited (the “Company”) and its subsidiaries (the “Group”) have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” adopted by the International Accounting Standards Board (“IASB”). It was authorised for issuance on 26 August 2019.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2018 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

The interim financial report is unaudited, but has been reviewed by the Audit Committee of the Company.

## 2 CHANGES IN ACCOUNTING POLICIES

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

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

### 2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

#### IFRS 16, *Leases*

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

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

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

#### (a) Changes in the accounting policies

##### (i) New definition of a lease

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

The Group applies the new definition of a lease in IFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under IAS 17 continue to be accounted for as leases under IFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

##### (ii) Lessee accounting

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

IFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by IAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under IAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalised leases are primarily in relation to right-of-use assets as disclosed in note 9.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

### 2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

#### (a) Changes in the accounting policies *(Continued)*

##### (ii) Lessee accounting *(Continued)*

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.

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. For the Group, low-value assets are typically leased apartment for employees. 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 right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

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.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

### 2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

#### (b) Transitional impact

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

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

- (i) the Group elected not to apply the requirements of IFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of IFRS 16, i.e. where the lease term ends on or before 31 December 2019; and
- (ii) when measuring the lease liabilities at the date of initial application of IFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment).

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

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

### 2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

#### (b) Transitional impact *(Continued)*

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

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

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

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

### 2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

#### (b) Transitional impact *(Continued)*

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

	<b>At 30 June 2019 RMB'000</b>	At 1 January 2019 RMB'000
Included in "Right-of-use assets":		
— Properties leased for own use	<b>7,368</b>	8,851
— Leasehold land for own use	<b>306,831</b>	271,354
	<b>314,199</b>	280,205

#### (c) Lease liabilities

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to IFRS 16 are as follows:

	<b>At 30 June 2019</b>		At 1 January 2019	
	<b>Present value of the minimum lease payments RMB'000</b>	<b>Total minimum lease payments RMB'000</b>	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year	<b>2,901</b>	<b>3,254</b>	3,107	3,254
After 1 year but within 2 years	<b>2,810</b>	<b>3,025</b>	2,966	3,254
After 2 years but within 5 years	<b>1,723</b>	<b>1,820</b>	2,778	3,218
	<b>4,533</b>	<b>4,845</b>	5,744	6,472
	<b>7,434</b>	<b>8,099</b>	8,851	9,726
Less: total future interest expenses		<b>(665)</b>		(875)
Present value of lease liabilities		<b>7,434</b>		8,851

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

### 2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

#### **(d) Impact on the financial result, segment results and cash flows of the Group**

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a negative impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if IAS 17 had been applied during the period.

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

### 3 REVENUE AND SEGMENT REPORTING

#### (a) Revenue

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

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

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
<b>Energy preservation and environmental protection solutions</b>		
Solid waste solutions	276,740	145,833
Waste incineration solutions (i)	1,504,172	523,466
Energy saving equipment	159,139	199,090
Subtotal	1,940,051	868,389
<b>Port logistics services</b>	118,556	102,823
<b>Sale of new building materials</b>	44,731	48,676
Total	2,103,338	1,019,888

- (i) Revenue of waste incineration solutions under Build-Operate-Transfer (“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 period is as follows:

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Revenue from waste incineration project construction services	1,350,712	407,318
Revenue from waste incineration project operation services	103,328	66,752
Finance income	50,132	49,396
Total	1,504,172	523,466

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

### 3 REVENUE AND SEGMENT REPORTING *(Continued)*

#### (b) Segment reporting

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

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 period ended 30 June 2019 and 2018 is set out below:

	Six months ended 30 June 2019 (Unaudited)					
	Energy preservation and environmental protection solutions RMB'000	Port logistics services RMB'000	New building materials RMB'000	Investments RMB'000	Unallocated RMB'000	Total RMB'000
<b>Disaggregated by timing of revenue recognition</b>						
Point in time	582,082	118,556	44,731	-	-	745,369
Over time	1,357,969	-	-	-	-	1,357,969
<b>Reportable segment revenue</b>	<b>1,940,051</b>	<b>118,556</b>	<b>44,731</b>	<b>-</b>	<b>-</b>	<b>2,103,338</b>
<b>Reportable segment profit/ (loss) before taxation</b>	<b>564,750</b>	<b>62,241</b>	<b>(8,452)</b>	<b>2,711,623</b>	<b>(28,365)</b>	<b>3,301,797</b>
Interest income	20,087	84	146	-	34,715	55,032
Interest expenses	30,728	-	-	-	55,133	85,861
Depreciation and amortisation	42,069	22,034	7,876	-	-	71,979
Reversal of loss allowance on trade and other receivables	(2,759)	-	-	-	-	(2,759)
<b>Reportable segment assets</b>	<b>10,209,457</b>	<b>461,493</b>	<b>489,557</b>	<b>23,504,102</b>	<b>3,090,228</b>	<b>37,754,837</b>
<b>Reportable segment liabilities</b>	<b>5,376,727</b>	<b>40,317</b>	<b>30,011</b>	<b>-</b>	<b>3,493,071</b>	<b>8,940,126</b>

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

## 3 REVENUE AND SEGMENT REPORTING (Continued)

### (b) Segment reporting (Continued)

(i) (Continued)

	Six months ended 30 June 2018 (Unaudited) (Note)					
	Energy preservation and environmental protection solutions RMB'000	Port logistics services RMB'000	New building materials RMB'000	Investments RMB'000	Unallocated RMB'000	Total RMB'000
<b>Disaggregated by timing of revenue recognition</b>						
Point in time	440,864	102,823	48,676	-	-	592,363
Over time	427,525	-	-	-	-	427,525
<b>Reportable segment revenue</b>	<b>868,389</b>	<b>102,823</b>	<b>48,676</b>	<b>-</b>	<b>-</b>	<b>1,019,888</b>
<b>Reportable segment profit/ (loss) before taxation</b>	<b>350,938</b>	<b>50,393</b>	<b>(6,078)</b>	<b>2,241,738</b>	<b>(1,146)</b>	<b>2,635,845</b>
Interest income	20,376	62	374	-	524	21,336
Interest expenses	11,200	1,075	-	-	-	12,275
Depreciation and amortisation	23,111	21,477	7,326	-	-	51,914
Reversal of loss allowance on trade and other receivables	(19,353)	-	-	-	-	(19,353)
	Year ended 31 December 2018 (Note)					
	Energy preservation and environmental protection solutions RMB'000	Port logistics services RMB'000	New building materials RMB'000	Investments RMB'000	Unallocated RMB'000	Total RMB'000
<b>Reportable segment assets</b>	<b>8,128,128</b>	<b>479,236</b>	<b>497,773</b>	<b>20,782,760</b>	<b>3,328,405</b>	<b>33,216,302</b>
<b>Reportable segment liabilities</b>	<b>3,261,933</b>	<b>29,801</b>	<b>44,740</b>	<b>-</b>	<b>3,413,967</b>	<b>6,750,441</b>

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

### 3 REVENUE AND SEGMENT REPORTING *(Continued)*

#### (b) Segment reporting *(Continued)*

##### (ii) Geographic information.

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

	<b>Six months ended 30 June</b>	
	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
<b>Revenue</b>		
Mainland China	<b>2,077,099</b>	906,877
Asia (except Mainland China)	<b>26,221</b>	112,141
North America	–	870
South America	<b>18</b>	–
	<b>2,103,338</b>	1,019,888

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

### 4 OTHER INCOME

	<b>Six months ended 30 June</b>	
	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
Interest income on bank deposits and cash at bank	<b>55,032</b>	21,336
Government grants	<b>57,416</b>	47,891
Net loss on disposal of property, plant and equipment	<b>(239)</b>	(47)
Exchange gain/(loss)	<b>1,635</b>	(3,148)
	<b>113,844</b>	66,032

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

### 5 PROFIT BEFORE TAXATION

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

	<b>Six months ended 30 June</b>	
	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
		(Note)
<b>(a) Finance costs:</b>		
Interest on bank loans	<b>40,632</b>	13,890
Interest on lease liabilities	<b>210</b>	–
Interest on convertible bonds	<b>55,133</b>	–
Less: interest expense capitalised into construction in progress and intangible assets	<b>(10,114)</b>	(1,615)
	<b>85,861</b>	12,275
<b>(b) Other items:</b>		
Depreciation of owned property, plant and equipment	<b>55,762</b>	42,489
Depreciation of right-of-use assets	<b>4,615</b>	–
Amortisation of lease prepayments	–	2,303
Amortisation of intangible assets	<b>11,602</b>	7,122
Research and development costs	<b>4,647</b>	4,425
Reversal of loss allowance for trade receivables	<b>(2,759)</b>	(19,353)
Staff costs	<b>113,790</b>	73,814

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

### 6 INCOME TAX

	<b>Six months ended 30 June</b>	
	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
<b>Current tax — Hong Kong Profits Tax</b>		
Provision for the period	<b>16</b>	–
<b>Current tax-PRC Income Tax</b>		
Provision for the period	<b>108,628</b>	59,913
<b>Deferred tax:</b>		
Origination and reversal of temporary differences	<b>566</b>	3,153
	<b>109,210</b>	63,066

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

### 6 INCOME TAX *(Continued)*

- (a) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.
- (b) The provision for Hong Kong Profits Tax for 2019 is calculated at 16.5% (2018: 16.5%) of the estimated assessable profits for the year. The payments of dividends by Hong Kong companies are not subject to any Hong Kong withholding tax.
- (c) 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.

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.

- (d) 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.

Anhui Conch Kawasaki Energy Conservation Equipment Manufacturing Co., Ltd. (“CK Equipment”) was accredited as a “High and New Technology Enterprise” and was entitled to a preferential income tax rate of 15% for a period of three years from 2017 to 2019.

Pursuant to Notice No.14 issued by the State Administration of Taxation on 10 March 2015 and relevant local tax authorities’ notices, seventeen companies are entitled to a preferential income tax rate of 15% as qualifying companies located in western areas in the PRC during the six months ended 30 June 2019 (six months ended 30 June 2018: twelve).

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

### 7 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 for the six months ended 30 June 2019 of RMB3,140,610,000 (six months ended 30 June 2018: RMB2,530,320,000) and 1,804,750,000 (six months ended 30 June 2018: 1,804,750,000) ordinary shares in issue during the six months ended 30 June 2019.

#### (b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB3,192,982,000 (six months ended 30 June 2018: RMB2,530,320,000) and the weighted average number of ordinary shares of 1,902,435,415 (six months ended 30 June 2018: 1,804,750,000).

### 8 PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

#### (a) Acquisition and disposals of owned property, plant and equipment

During the six months ended 30 June 2019, the Group acquired items of plant and equipment amounting to RMB351,915,000 (six months ended 30 June 2018: RMB264,491,000). Items of property, plant and equipment with a net book value of RMB1,127,000 were disposed of during the six months ended 30 June 2019 (six months ended 30 June 2018: RMB486,000), resulting in a loss on disposal of RMB239,000 (six months ended 30 June 2018: RMB47,000).

#### (b) Intangible assets

Intangible assets consist of software, waste incineration project operating rights. The cost of waste incineration project operating rights represented the fair value of operating rights acquired. During the six months ended 30 June 2019, additions of software and waste incineration project operating rights made by the Group amounted to RMB1,095,926,000 (six months ended 30 June 2018: RMB273,601,000). The operating rights were deemed to be definite life intangible assets and the operation periods of the BOT arrangements vary from 26–30 years.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

### 9 RIGHT-OF-USE ASSETS

As set out in note 2, the Group has initially applied IFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17. Further details on the net book value of the Group's right-of-use assets by class of underlying asset are set out in note 2(b). No new lease agreements qualified for capitalisation were entered into during the six months ended 30 June 2019.

### 10 INTEREST IN AN ASSOCIATE

As at 30 June 2019, interest in an associate represented share of net assets of the associate Anhui Conch Holdings Co., Ltd. ("Conch Holdings"). For the six months period ended 30 June 2019, the Group recognised share of profit of an associate in the amount of RMB2,711,623,000 in the consolidated statement of profit or loss (six months ended 30 June 2018: RMB2,241,738,000).

### 11 OTHER FINANCIAL ASSETS

	<b>At 30 June 2019 RMB'000</b>	<b>At 31 December 2018 RMB'000</b>
Financial assets measured at fair value through other comprehensive income("FVOCI")(non-recycling) — Unlisted equity securities	<b>102,000</b>	—

The unlisted equity securities represents the Group's shares in Chongqing Environmental Protection Industry Equity Investment Fund Partnership (Limited Partnership) ("Chongqing Equity Fund") engaged in equity investment. The Group designated its investment in Chongqing Equity Fund as FVOCI (non-recycling), as the investment is held for strategic purposes.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

### 12 INVENTORIES

	<b>At 30 June 2019 RMB'000</b>	At 31 December 2018 RMB'000
Raw materials	<b>54,239</b>	49,035
Work in progress	<b>45,311</b>	38,583
Finished goods	<b>93,692</b>	75,103
	<b>193,242</b>	162,721

During the six months ended 30 June 2019, no write-down of inventory was provided by the Group (six months ended 30 June 2018: Nil).

### 13 SERVICE CONCESSION ASSETS

	<b>At 30 June 2019 RMB'000</b>	At 31 December 2018 RMB'000
Current	<b>18,312</b>	15,940
Non-current	<b>2,626,026</b>	2,374,146
	<b>2,644,338</b>	2,390,086

The service concession assets bear interest at rates ranging from 6.01% to 9.41% (31 December 2018: 6.01% to 9.41%) per annum as at 30 June 2019 and relate to certain BOT arrangements of the Group. The amounts are not yet due for payment and will be settled during the operating periods of the arrangements. Among the total of RMB2,644,338,000 (31 December 2018: RMB2,390,086,000), RMB1,055,194,000 (31 December 2018: RMB959,065,000) relates to BOT arrangements which are in construction phase and should be deemed as contract assets as defined under IFRS 15. Remaining amounts due from the grantor are accounted for in accordance with IFRS 9 as receivables once the construction is complete.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

### 14 TRADE AND OTHER RECEIVABLES

	<b>At 30 June 2019 RMB'000</b>	At 31 December 2018 RMB'000
Trade receivables	<b>694,007</b>	632,601
Bills receivable	<b>53,657</b>	60,147
Less: loss allowance for doubtful debts	<b>(47,525)</b>	(50,284)
Trade and bills receivables	<b>700,139</b>	642,464
Deposits and prepayments	<b>138,536</b>	85,937
Other receivables	<b>206,406</b>	187,992
Interest receivables	<b>13,799</b>	21,730
Amounts due from third parties	<b>1,058,880</b>	938,123
Amounts due from related parties (note 22(b))	<b>155,849</b>	162,946
Current portion of trade and other receivables	<b>1,214,729</b>	1,101,069
Other receivables to be recovered after one year	<b>493,212</b>	334,334
Non-current portion of trade and other receivables	<b>493,212</b>	334,334
Total current and non-current trade and other receivables	<b>1,707,941</b>	1,435,403

The amounts due from related parties are all aged within 1 year.

Except for other receivables to be recovered after one year, all of the trade and other receivables are expected to be recovered within one year.

The amounts due from related parties are unsecured, non-interest bearing and repayable on demand.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

### 14 TRADE AND OTHER RECEIVABLES *(Continued)*

#### 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:

	<b>At 30 June 2019 RMB'000</b>	<b>At 31 December 2018 RMB'000</b>
Current	<b>658,323</b>	590,253
Less than 1 year	<b>15,999</b>	27,560
1 to 2 years	<b>24,053</b>	22,926
2 to 3 years	<b>1,764</b>	1,725
	<b>700,139</b>	642,464

### 15 CASH AND CASH EQUIVALENTS

	<b>At 30 June 2019 RMB'000</b>	<b>At 31 December 2018 RMB'000</b>
Bank deposits with maturity within three months	<b>1,859,726</b>	1,622,323
Cash at bank and on hand	<b>949,942</b>	1,051,522
	<b>2,809,668</b>	2,673,845

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

### 16 BANK LOANS

	<b>At 30 June 2019 RMB'000</b>	At 31 December 2018 RMB'000
Current	<b>334,800</b>	71,800
Non-current	<b>1,767,587</b>	1,195,700
<b>Total</b>	<b>2,102,387</b>	1,267,500

As at 30 June 2019, the bank loans were repayable as follows:

	<b>At 30 June 2019 RMB'000</b>	At 31 December 2018 RMB'000
Within one year	<b>334,800</b>	71,800
After one year but within two years	<b>252,837</b>	102,800
After two years but within five years	<b>1,199,720</b>	1,002,900
After five years	<b>315,030</b>	90,000
<b>Total</b>	<b>2,102,387</b>	1,267,500

As at 30 June 2019, the bank loans were secured as follows:

	<b>At 30 June 2019 RMB'000</b>	At 31 December 2018 RMB'000
Guaranteed	<b>505,887</b>	292,500
Unsecured	<b>1,596,500</b>	975,000
<b>Total</b>	<b>2,102,387</b>	1,267,500

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

### 17 TRADE AND OTHER PAYABLES

	<b>At 30 June 2019 RMB'000</b>	At 31 December 2018 RMB'000
Trade payables	<b>1,381,913</b>	1,131,307
Bills payable	<b>520,396</b>	403,095
	<b>1,902,309</b>	1,534,402
Other payables and accruals	<b>321,979</b>	359,255
Amounts due to third parties	<b>2,224,288</b>	1,893,657
Dividends payable to non-controlling interests	<b>55,155</b>	–
Amounts due to related parties (note 22(b))	<b>69,013</b>	80,369
Trade and other payables	<b>2,348,456</b>	1,974,026

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

	<b>At 30 June 2019 RMB'000</b>	At 31 December 2018 RMB'000
Within 1 year	<b>1,879,978</b>	1,460,204
1 year to 2 years	<b>14,138</b>	64,391
2 years to 3 years	<b>4,888</b>	8,592
Over 3 years but within 5 years	<b>3,305</b>	1,215
	<b>1,902,309</b>	1,534,402

The amounts due to related parties are all aged within 1 year, and are unsecured, non-interest bearing and repayable on demand.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

### 18 CONVERTIBLE BONDS

On 5 September 2018, Conch Venture BVI, a subsidiary of the Company, issued zero coupon guaranteed convertible bond ("the Bonds") with aggregate principal amount of HKD3,925,000,000 (equivalent to approximately RMB3,413,730,000) and received cash after deduction of transaction costs of HKD 3,882,043,000 (equivalent to approximately RMB3,376,369,000).

Pursuant to the terms of the Bonds, the Bonds will be due in September 2023 and are guaranteed by the Company. The bond holders could convert part of or the entire outstanding bond balances at the holder's option into fully paid ordinary shares of the Company at an initial conversion price of HKD40.18 per share, subject to adjustments under certain terms and conditions of the Bonds.

The convertible bonds can be settled by exchange of a fixed amount of cash in HKD with a fixed number of the Company's equity instruments. In accordance with the Group's accounting policy, the convertible bonds are accounted for as compound financial instruments which contain both a liability component and an equity component.

The movements of the components of the convertible bonds during current period are set out below:

	<b>Liability component (At amortised cost)</b>	<b>Equity component (Residual amount)</b>	<b>Total</b>
	RMB'000	RMB'000	RMB'000
At the date of issuance	3,321,903	54,466	3,376,369
Interest charge	37,126	–	37,126
Exchange adjustment	24,403	–	24,403
At 31 December 2018	3,383,432	54,466	3,437,898
Interest charge (note 5(a))	55,133	–	55,133
Exchange adjustment	14,341	–	14,341
At 30 June 2019	3,452,906	54,466	3,507,372

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

### 19 CAPITAL, RESERVES AND DIVIDENDS

#### (a) Dividends

Dividend payable to equity shareholders attributable to the previous financial year, approved during the interim period:

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Final dividend in respect of the previous financial year, approved during the interim period, of HKD0.55 per share (six months ended 30 June 2018: HKD0.50 per share)	<b>873,698</b>	771,576

Pursuant to a resolution passed at the annual general meeting on 26 June 2019, a final dividend of HKD0.55 per share totaling HKD992,612,500 (equivalent to approximately RMB873,698,000) was approved (2018: RMB771,576,000), which was paid in July 2019.

The board of directors does not recommend the payment of an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

#### (b) Share capital

##### Authorised and issued share capital

	No. of shares ( '000)	Amount HKD'000
<b>Authorised:</b>		
Ordinary shares of HKD0.01 each at 30 June 2019 and 31 December 2018	15,000,000	150,000

	No. of shares ( '000)	Amount Equivalent to HKD'000	RMB'000
<b>Issued and fully paid:</b>			
At 30 June 2019 and 31 December 2018	1,804,750	18,048	14,347

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

### 20 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

#### (a) Financial assets and liabilities measured at fair value

##### (i) 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 30 June 2019 RMB'000	Fair value measurements as at 30 June 2019 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
<b>Recurring fair value measurement</b>				
Financial assets:				
Unlisted equity securities	102,000	–	–	102,000
	Fair value at 31 December 2018 RMB'000	Fair value measurements as at 31 December 2018 categorised into Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
<b>Recurring fair value measurement</b>				
Financial assets:				
Unlisted equity securities	–	–	–	–

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

### 20 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS *(Continued)*

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

##### (i) Fair value hierarchy *(Continued)*

During the six months ended 30 June 2019, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2018: Nil).

Any gains or losses arising from the remeasurement of the Group's unlisted equity securities held for strategic purposes are recognised in the fair value reserve (non-recycling) in other comprehensive income. Upon disposal of the equity securities, the amount accumulated in other comprehensive income is transferred directly to retained earnings.

##### (b) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of service concession assets and liability component of convertible bonds approximate their fair values which are determined based on the discounted cash flow approach. The estimated cash flows are based on the management's best estimates and the discount rate is market-related rate for a similar instrument at the balance sheet date.

All other financial assets and liabilities carried at cost or amortised cost are not materially different from their fair values as at 31 December 2018 and 30 June 2019.

### 21 COMMITMENTS

Purchase commitments outstanding related to BOT construction contracts and capital commitments at 30 June 2019 not provided for in the interim financial report were as follows:

	<b>At 30 June 2019 RMB'000</b>	At 31 December 2018 RMB'000
Contracted for	<b>1,432,249</b>	1,327,312
Authorised but not contracted for	<b>3,171,450</b>	2,196,735
	<b>4,603,699</b>	3,524,047

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

### 22 MATERIAL RELATED PARTY TRANSACTIONS

During the period, transactions with the following parties are considered as related party transactions.

Name of party (i)	Relationship
Kawasaki Heavy Industry Ltd. ("Kawasaki HI") 川崎重工業株式会社	Investor of Anhui Conch Kawasaki Engineering Co., Ltd. and CK Equipment
Conch Holdings 安徽海螺集團有限責任公司	Associate of the Company
Anhui Conch Cement Co., Ltd. ("Conch Cement") 安徽海螺水泥股份有限公司	Associate of Conch Holdings
Wuhu Conch Profiles and Science Co., Ltd. ("Conch Profiles") 蕪湖海螺型材科技股份有限公司	Associate of Conch Holdings
Anhui Conch Building Materials Design and Research Institute ("Conch Design Institute") 安徽海螺建材設計研究院	Subsidiary of Conch Holdings
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	Subsidiary of Conch Holdings
Anhui Conch Kawasaki Equipment Manufacturing Co., Ltd. ("CKEM") 安徽海螺川崎裝備製造有限公司	Joint venture of Conch Cement and Kawasaki HI

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

### 22 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

#### (a) Significant related party transactions

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

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
<b>Sales of goods</b>		
Conch Cement	91,687	92,666
Kawasaki HI	6,165	5,509
CKEM	2,419	908
Conch Design Institute	3,706	22,318
	<b>103,977</b>	121,401

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
<b>Service rendered</b>		
Conch Cement	54,378	64,833
Conch Design Institute	155	–
CKEM	100	–
Conch Profiles	34	23
Conch Holdings	728	–
	<b>55,395</b>	64,856

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
<b>Purchase of goods</b>		
Conch Cement	10,163	7,175
Conch IT Engineering	317	146
Kawasaki HI	2,211	1,417
CKEM	8,068	11,126
Conch Profiles	1,212	67
Conch Design Institute	–	151
Conch Holdings	2	–
	<b>21,973</b>	20,082

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

### 22 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

#### (a) Significant related party transactions *(Continued)*

	<b>Six months ended 30 June</b>	
	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
<b>Services received</b>		
Conch Cement	<b>25,349</b>	16,045
Conch Design Institute	<b>14,031</b>	7,712
Conch IT Engineering	<b>66</b>	2,746
Conch Holdings	<b>47</b>	–
	<b>39,493</b>	26,503

#### (b) Balances with related parties

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

	<b>At</b>	At
	<b>30 June</b>	31 December
	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
<b>Amounts due from</b>		
Conch Cement	<b>146,153</b>	152,301
CKEM	<b>1,679</b>	15
Kawasaki HI	<b>2,230</b>	6,254
Conch Design Institute	<b>5,539</b>	4,343
Conch IT Engineering	<b>248</b>	15
Conch Profiles	<b>–</b>	18
	<b>155,849</b>	162,946

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

### 22 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

#### (b) Balances with related parties *(Continued)*

	<b>At 30 June 2019 RMB'000</b>	At 31 December 2018 RMB'000
<b>Amounts due to</b>		
Conch Cement	<b>40,266</b>	58,914
Kawasaki HI	<b>5,043</b>	1,163
Conch IT Engineering	<b>8,270</b>	11,854
CKEM	<b>8,690</b>	1,389
Conch Design Institute	<b>3,454</b>	4,014
Conch Profiles	<b>328</b>	69
Conch Holdings	<b>2,962</b>	2,966
	<b>69,013</b>	80,369

### 23 COMPARATIVE FIGURES

The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective method. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2.