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**CONCH VENTURE**  
**China Conch Venture Holdings Limited**  
**中國海螺創業控股有限公司**  
*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock Code: 586)**

**ANNUAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**HIGHLIGHTS**

- Revenue of the Group for 2017 amounted to approximately RMB2,064.95 million (2016: RMB2,032.21 million), representing an increase of 1.61% as compared to 2016.
- Net profit attributable to equity shareholders of the Group for 2017 amounted to approximately RMB3,403.00 million (2016: RMB1,980.61 million), representing an increase of 71.82% as compared to 2016.
- Net profit (excluding share of profit of an associate) of the Group's principal activities attributable to equity shareholders of the Group for 2017 amounted to approximately RMB447.43 million (2016: RMB445.11 million), representing an increase of 0.52% as compared to 2016.
- Basic earnings per share for 2017 amounted to RMB1.89 (2016: RMB1.10).
- The Board recommended the distribution of a final cash dividend of HK\$0.50 per share for 2017 (2016: HK\$0.30).

The board of directors (the "Board") of China Conch Venture Holdings Limited (the "Company") is pleased to announce the audited consolidated results and financial position for the year ended 31 December 2017 (the "Reporting Period") of the Company and its subsidiaries (the "Group").

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017

(Expressed in Renminbi Yuan)

|                                    | Note | 2017<br>RMB'000         | 2016<br>RMB'000    |
|------------------------------------|------|-------------------------|--------------------|
| <b>Revenue</b>                     | 3    | <b>2,064,951</b>        | 2,032,213          |
| Cost of sales                      |      | <u>(1,341,627)</u>      | <u>(1,234,835)</u> |
| <b>Gross profit</b>                |      | <b>723,324</b>          | 797,378            |
| Other income                       | 4    | <b>193,921</b>          | 147,610            |
| Distribution costs                 |      | <b>(46,226)</b>         | (25,931)           |
| Administrative expenses            |      | <u>(171,405)</u>        | <u>(147,500)</u>   |
| <b>Profit from operations</b>      |      | <b>699,614</b>          | 771,557            |
| Finance costs                      | 5(a) | <b>(24,074)</b>         | (25,225)           |
| Share of profit of an associate    |      | <u>2,955,569</u>        | <u>1,535,505</u>   |
| <b>Profit before taxation</b>      | 5    | <b>3,631,109</b>        | 2,281,837          |
| Income tax                         | 6(a) | <b>(126,069)</b>        | (154,402)          |
| <b>Profit for the year</b>         |      | <u><b>3,505,040</b></u> | <u>2,127,435</u>   |
| <b>Attributable to:</b>            |      |                         |                    |
| Equity shareholders of the Company |      | <b>3,403,002</b>        | 1,980,612          |
| Non-controlling interests          |      | <u><b>102,038</b></u>   | <u>146,823</u>     |
| <b>Profit for the year</b>         |      | <u><b>3,505,040</b></u> | <u>2,127,435</u>   |
| <b>Earnings per share</b>          |      |                         |                    |
| Basic and diluted (RMB)            | 7    | <u><b>1.89</b></u>      | <u>1.10</u>        |

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

*For the year ended 31 December 2017*

*(Expressed in Renminbi Yuan)*

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

(Expressed in Renminbi Yuan)

|  | <i>Note</i> | <b>2017</b><br><i>RMB'000</i> | 2016<br><i>RMB'000</i> |
|--|-------------|-------------------------------|------------------------|
| <b>Non-current assets</b>  |             |                               |                        |
| Property, plant and equipment                                    |             | 1,281,802                     | 1,029,576              |
| Lease prepayments  |             | 207,254                       | 203,524                |
| Intangible assets  |             | 704,408                       | 279,198                |
| Interest in an associate   | 9           | 16,240,675                    | 13,773,335             |
| Non-current portion of trade and other receivables               | 10          | 2,059,087                     | 1,519,694              |
| Deferred tax assets  |             | 58,635                        | 66,633                 |
|  |             | <u>20,551,861</u>             | <u>16,871,960</u>      |
| <b>Current assets</b>  |             |                               |                        |
| Inventories  |             | 128,193                       | 164,064                |
| Trade and other receivables                                      | 10          | 993,343                       | 993,234                |
| Restricted bank deposits   |             | 20,075                        | 18,175                 |
| Bank deposits with maturity over three months                    |             | 25,000                        | –                      |
| Cash and cash equivalents  |             | 1,457,745                     | 2,165,640              |
|  |             | <u>2,624,356</u>              | <u>3,341,113</u>       |
| <b>Current liabilities</b>                                       |             |                               |                        |
| Loans and borrowings   |             | 482,300                       | 59,833                 |
| Trade and other payables   | 11          | 1,403,973                     | 1,214,530              |
| Income tax payable   |             | 34,129                        | 56,853                 |
|  |             | <u>1,920,402</u>              | <u>1,331,216</u>       |
| <b>Net current assets</b>  |             | <u>703,954</u>                | <u>2,009,897</u>       |
| <b>Total assets less current liabilities</b>                     |             | <u>21,255,815</u>             | <u>18,881,857</u>      |
| <b>Non-current liabilities</b>                                   |             |                               |                        |
| Loans and borrowings   |             | 44,500                        | 535,267                |
| <b>Net assets</b>  |             | <u>21,211,315</u>             | <u>18,346,590</u>      |
| <b>Capital and reserves</b>                                      |             |                               |                        |
| Share capital  |             | 14,347                        | 14,347                 |
| Reserves   |             | 20,563,404                    | 17,732,970             |
| <b>Equity attributable to equity shareholders of the Company</b> |             | <u>20,577,751</u>             | <u>17,747,317</u>      |
| <b>Non-controlling interests</b>                                 |             | <u>633,564</u>                | <u>599,273</u>         |
| <b>Total equity</b>  |             | <u>21,211,315</u>             | <u>18,346,590</u>      |

## NOTES TO THE FINANCIAL STATEMENTS

### 1 SIGNIFICANT ACCOUNTING POLICIES

#### (a) Statement of compliance

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

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

#### (b) Basis of preparation and presentation

The consolidated financial statements for the year ended 31 December 2017 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in an associate.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except that financial instruments classified as available-for-sale are stated at their fair value.

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

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

### 2 CHANGES IN ACCOUNTING POLICIES

The IASB has issued a number of amendments to IFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group.

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

### 3 REVENUE AND SEGMENT REPORTING

#### (a) Revenue

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

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

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

- (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 year is as follows:

|   | <b>2017</b><br><i>RMB'000</i> | 2016<br><i>RMB'000</i> |
|---|-------------------------------|------------------------|
| Revenue from waste incineration project construction services | <b>1,036,475</b>              | 887,390                |
| Revenue from waste incineration project operation services    | <b>65,100</b>                 | 35,203                 |
| Finance income  | <b>71,724</b>                 | 51,750                 |
|   | <hr/>                         | <hr/>                  |
| Total   | <b>1,173,299</b>              | 974,343                |
|   | <hr/> <hr/>                   | <hr/> <hr/>            |

The Group has transactions with the PRC local government authorities which in aggregate exceeded 10% of the Group’s revenue. Revenue from waste incineration solutions under BOT arrangement derived from local government authorities in the PRC for the year ended 31 December 2017 amounting to RMB1,051,596,000 (2016: RMB920,497,000). Furthermore, the Group had transactions with one corporate customer the aggregate amount of which had exceeded 10% of the Group’s revenues in 2017 (2016: one). Revenue from the customer in 2017 amounted to RMB424,537,000 (2016: RMB 433,829,000).

**(b) Segment reporting**

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

- (1) Energy preservation and environmental protection solutions: this segment includes manufacturing and sales of residual heat power generation, vertical mill, waste incineration solutions, solid waste solutions, and related after-sales services.
  - (2) Port logistics services: this segment mainly engages in cargo handling, trans-shipment and warehousing services.
  - (3) New building materials: this segment mainly engages in alternative wall building materials, such as the cellulose fiber cement sheets, autoclaved boards and wood wool cement boards and currently in initial expansion stage.
  - (4) Investments: this segment comprises investment in Anhui Conch Holdings Co., Ltd. ("Conch Holdings"). Details of the principal activities of Conch Holdings are set out in Note 9.
- (i) For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following basis:

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

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

The measure used by the Group's senior executive management to assess segment results is the profit before taxation. Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resources allocation and assessment of segment performance for the years ended 31 December 2017 and 2016 is set out below:

|  | Year ended 31 December 2017  |   |  |                               |                               |                         |
|--|--|---|--|-------------------------------|-------------------------------|-------------------------|
|  | Energy preservation and environmental protection solutions<br><i>RMB'000</i> | Port logistics services<br><i>RMB'000</i> | New building materials<br><i>RMB'000</i> | Investments<br><i>RMB'000</i> | Unallocated<br><i>RMB'000</i> | Total<br><i>RMB'000</i> |
| Reportable segment revenue                       | 1,823,656  | 154,885                                   | 86,410                                   | -                             | -                             | 2,064,951               |
| Reportable segment profit/(loss) before taxation | 638,975  | 49,760                                    | (11,776)                                 | 2,955,569                     | (1,419)                       | 3,631,109               |
| Interest income                                  | 56,492   | 277                                       | 3,932                                    | -                             | 723                           | 61,424                  |
| Interest expenses                                | 21,255   | 2,819                                     | -  | -                             | -                             | 24,074                  |
| Depreciation and amortisation                    | 27,584   | 42,894                                    | 15,401                                   | -                             | -                             | 85,879                  |
| Reversal for impairment losses                   |  |   |  |                               |                               |                         |
| — trade and other receivables                    | (5,659)  | -   | -  | -                             | -                             | (5,659)                 |
| — inventories                                    | -  | -   | (661)                                    | -                             | -                             | (661)                   |
| Reportable segment assets                        | 5,718,958  | 510,957                                   | 668,364                                  | 16,240,675                    | 37,263                        | 23,176,217              |
| Reportable segment liabilities                   | 1,830,694  | 81,083                                    | 53,039                                   | -                             | 86                            | 1,964,902               |



Year ended 31 December 2016

|  | Energy<br>preservation<br>and<br>environmental<br>protection<br>solutions<br><i>RMB'000</i> | Port<br>logistics<br>services<br><i>RMB'000</i> | New<br>building<br>materials<br><i>RMB'000</i> | Investments<br><i>RMB'000</i> | Unallocated<br><i>RMB'000</i> | Total<br><i>RMB'000</i> |
|--|---|---|--|-------------------------------|-------------------------------|-------------------------|
| Reportable segment revenue                       | 1,840,234   | 141,182   | 50,797   | –                             | –                             | 2,032,213               |
| Reportable segment profit/(loss) before taxation | 736,375   | 45,212  | (34,684)                                       | 1,535,505                     | (571)                         | 2,281,837               |
| Interest income                                  | 45,865  | 94  | 24,997   | –                             | 1,957                         | 72,913                  |
| Interest expenses                                | 21,748  | 3,477   | –  | –                             | –                             | 25,225                  |
| Depreciation and amortisation                    | 20,512  | 42,703  | 14,583   | –                             | –                             | 77,798                  |
| Provision for impairment losses                  |   |   |  |                               |                               |                         |
| — trade and other receivables                    | 4,648   | –   | –  | –                             | –                             | 4,648                   |
| — inventories                                    | –   | –   | 6,266  | –                             | –                             | 6,266                   |
| Reportable segment assets                        | 4,701,052   | 574,638   | 1,146,242                                      | 13,773,335                    | 17,806                        | 20,213,073              |
| Reportable segment liabilities                   | 1,668,383   | 107,374   | 90,580   | –                             | 146                           | 1,866,483               |

(ii) *Geographic information*

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

|                              | <b>2017</b><br><b><i>RMB'000</i></b> | 2016<br><i>RMB'000</i> |
|------------------------------|--------------------------------------|------------------------|
| <b>Revenue</b>               |                                      |                        |
| Mainland China               | <b>1,744,072</b>                     | 1,621,095              |
| Asia (except Mainland China) | <b>319,785</b>                       | 410,141                |
| Africa                       | <b>867</b>                           | 201                    |
| South America                | <b>227</b>                           | 776                    |
|                              | <b><u>2,064,951</u></b>              | <u>2,032,213</u>       |

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

#### 4 OTHER INCOME

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

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

#### 5 PROFIT BEFORE TAXATION

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

(a) **Finance costs:**

|  | 2017<br><i>RMB'000</i> | 2016<br><i>RMB'000</i> |
|--|------------------------|------------------------|
| Interest on loans and borrowings                                 | 24,074                 | 25,225                 |
| Less: interest expense capitalised into construction in progress | –                      | –                      |
|  | <u>24,074</u>          | <u>25,225</u>          |

(b) **Staff costs:**

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

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

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

(c) **Other items:**

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

**6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT AND LOSS**

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

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

- (a) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.
- (b) No provision for Hong Kong Profits Tax was made for the subsidiary located in Hong Kong as this subsidiary did not have assessable profits subject to Hong Kong Profits Tax during the reporting periods. The payments of dividends by Hong Kong companies are not subject to any Hong Kong withholding tax.

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

| Name of companies (i)  | Preferential income tax rate |
|--|------------------------------|
| Anhui Conch Kawasaki Energy Conservation Equipment Manufacturing Co., Ltd. (“CK Equipment”)<br>安徽海螺川崎節能設備製造有限公司 (ii) | 15%                          |
| Pingliang Conch Venture Environment Engineering Co.,Ltd.<br>平涼海創環境工程有限責任公司 (iii)                                     | 15%                          |
| Yuping Conch Venture Environment Engineering Co., Ltd.<br>玉屏海創環境科技有限責任公司 (iii)                                       | 15%                          |
| Xishui Conch Venture Environment Engineering Co., Ltd.<br>習水海創環境工程有限責任公司 (iii)                                       | 15%                          |
| Shuicheng Conch Venture Environment Engineering Co., Ltd.<br>水城海創環境工程有限責任公司 (iii)                                    | 15%                          |
| Baoshan Conch Venture Environment Engineering Co., Ltd.<br>保山海創環境工程有限責任公司 (iii)                                      | 15%                          |
| Lingyun Conch Venture Environment Engineering Co., Ltd.<br>凌雲海創環境工程有限責任公司 (iii)                                      | 15%                          |
| Guiyang Conch Venture Environment Engineering Co., Ltd.<br>貴陽海創環境工程有限責任公司 (iii)                                      | 15%                          |
| Xi'an Yaobai Environmental Protection Technology Engineering Co., Ltd.<br>(西安曉柏環保科技工程有限公司) (iii)                     | 15%                          |
| Xianyang Conch Venture Environment Engineering Co., Ltd.<br>(咸陽海創環境工程有限責任公司) (iii)                                   | 15%                          |
| Tongren Conch Venture Environment Engineering Co., Ltd.<br>(銅仁海創環境工程有限責任公司) (iii)                                    | 15%                          |
| Hanzhong Yaobai Environmental Protection Technology Engineering Co., Ltd<br>(漢中曉柏環保科技工程有限公司) (iii)                   | 15%                          |

- (i) The English translation of the names is for reference only. The official names of these entities are in Chinese.
- (ii) CK Equipment was accredited as a “High and New Technology Enterprise” and was entitled to a preferential income tax rate of 15% for a period of three years from 2017 to 2019.

(iii) Pursuant to Notice No. 4 issued by the State Administration of Taxation on 10 March 2015 and relevant local tax authorities' notices, these companies are entitled to a preferential income tax rate of 15% as qualifying companies located in western areas in the PRC. These companies have obtained approval from local tax authorities and are entitled to a preferential income tax rate of 15% in 2017.

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

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

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

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

**(b) Diluted earnings per share**

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

**8 DIVIDENDS**

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

## 9 INTEREST IN AN ASSOCIATE

|                     | <b>2017</b><br><b>RMB'000</b> | 2016<br><i>RMB'000</i> |
|---------------------|-------------------------------|------------------------|
| Share of net assets | <b>16,240,675</b>             | <u>13,773,335</u>      |

The particulars of the associate are as follows:

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

The particulars of Conch Holdings' investment holdings as at 31 December 2017 are as follows:

| Name of associate  | Form of business structure | Place of incorporation and operation | Particulars of issued and paid up capital      | Ownership interest held by Conch Holdings | Principal activities                                |
|--|----------------------------|--------------------------------------|--|---|---|
| Anhui Conch Cement Co., Ltd.<br>("Conch Cement")<br>(安徽海螺水泥股份有限公司)                 | Incorporated               | The PRC                              | 5,299,302,579<br>ordinary shares of RMB 1 each | 36.40%                                    | Manufacture and sale of cement related products     |
| Wuhu Conch Profiles and Science Co., Ltd.<br>(蕪湖海螺型材科技股份有限公司)                      | Incorporated               | The PRC                              | 360,000,000<br>ordinary shares of RMB 1 each   | 32.62%                                    | Manufacture of new chemical and building materials  |
| Anhui Conch Building Materials Design and Research Institute<br>(安徽海螺建材設計研究院)      | Incorporated               | The PRC                              | RMB60,000,000                                  | 100%                                      | Design and contract cement/light steel construction |
| Yingde Conch International Hotel Co., Ltd.<br>(英德海螺國際大酒店有限公司)                      | Incorporated               | The PRC                              | RMB63,800,000                                  | 100%                                      | Hotel service                                       |
| Wuhu Conch International Hotel Co., Ltd.<br>(蕪湖海螺國際大酒店有限公司)                        | Incorporated               | The PRC                              | RMB 168,500,000                                | 100%                                      | Hotel service                                       |
| Anhui Conch IT Engineering Co., Ltd.<br>(安徽海螺信息技術工程有限責任公司)                         | Incorporated               | The PRC                              | RMB 5,000,000                                  | 100%                                      | Computer system design and development              |
| Anhui Conch Investment Co., Ltd.<br>(安徽海螺投資有限責任公司)                                 | Incorporated               | The PRC                              | RMB 500,000,000                                | 100%                                      | Investment holding                                  |
| State Power Investment and Anhui Conch Electricity Co., Ltd.<br>(國家電投集團安徽海螺售電有限公司) | Incorporated               | The PRC                              | RMB 200,000,000                                | 50%                                       | Electricity development                             |

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

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

## 10 TRADE AND OTHER RECEIVABLES

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

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

As at 31 December 2017, the Group endorsed the undue bills receivable of RMB231,804,000 (2016: RMB49,027,000) to its suppliers to settle trade payables of the same amount and derecognised these bills receivable and payables to suppliers in their entirety as the Group's management considered that the risks and rewards of ownership of these undue bills have been substantially transferred. The Group's continuous involvement in these derecognised undue bills receivable is limited to when the issuance banks of these undue bills are unable to settle the amounts to the holders of these bills. As at 31 December 2017, the maximum exposure to loss from its continuous involvement represents the amount of bills receivable of RMB231,804,000 (2016: RMB49,027,000) which the Group endorsed to its suppliers. These undue bills receivable were due within 6 months.

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



(a) **Ageing analysis**

As of the end of the reporting periods, the ageing analysis of trade receivables and bills receivable (which are included in trade and other receivables), based on the invoice date and net of allowance for doubtful debts, is as follows:

|                                 | <b>2017</b><br><i>RMB'000</i> | 2016<br><i>RMB'000</i> |
|---------------------------------|-------------------------------|------------------------|
| Within 1 year                   | <b>443,329</b>                | 419,817                |
| Over 1 year to 2 years          | <b>111,203</b>                | 71,712                 |
| Over 2 years to 3 years         | <b>6,531</b>                  | 101,001                |
| Over 3 years but within 5 years | <b>61,071</b>                 | 40,667                 |
|                                 | <u><b>622,134</b></u>         | <u>633,197</u>         |

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

(b) **Impairment of trade receivables and bills receivable**

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

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

|                                 | <b>2017</b><br><i>RMB'000</i> | 2016<br><i>RMB'000</i> |
|---------------------------------|-------------------------------|------------------------|
| At the beginning of the year    | <b>113,357</b>                | 108,709                |
| (Reversal of)/impairment losses | <b>(5,659)</b>                | 4,648                  |
| Written off                     | <b>(27,025)</b>               | –                      |
|                                 | <u><b>80,673</b></u>          | <u>113,357</u>         |

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

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

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

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

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

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

(i) *Construction contracts*

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

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

(ii) *BOT arrangement*

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

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

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

## 11 TRADE AND OTHER PAYABLES

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

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

|                                 | <b>2017</b><br><i>RMB'000</i> | 2016<br><i>RMB'000</i> |
|---------------------------------|-------------------------------|------------------------|
| Within 1 year                   | <b>942,235</b>                | 836,666                |
| 1 year to 2 years               | <b>48,580</b>                 | 31,602                 |
| 2 years to 3 years              | <b>16,350</b>                 | 2,922                  |
| Over 3 years but within 5 years | <b>3,868</b>                  | 2,834                  |
|                                 | <b>1,011,033</b>              | 874,024                |

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

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **MACRO ENVIRONMENT**

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

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

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

### **BUSINESS REVIEW**

#### **Rapidly Growing Environmental Protection Business**

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

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

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

### ***Treatment of Industrial Solid and Hazardous Waste by Cement Kilns***

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

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

| No.             | Status of Construction | Project Location                    | Corporation Type | Annual Capacity       | Expected Completion Date    | Remarks                           |
|-----------------|------------------------|-------------------------------------|------------------|-----------------------|-----------------------------|-----------------------------------|
| 1               | Completed              | Lantian County, Shaanxi Province    | Joint Venture    | 90,000 tonnes         | Completed in January 2015   | Solid waste                       |
| 2               |                        | Fuping County, Shaanxi Province     |                  | 100,000 tonnes        | Completed in April 2016     | Hazardous waste                   |
| 3               |                        | Qian County, Shaanxi Province       |                  | 70,000 tonnes         | Completed in April 2017     | 63,600 tonnes for hazardous waste |
| 4               |                        | Mian County, Shaanxi Province       |                  | 45,000 tonnes         | Completed in October 2017   | Solid waste                       |
| 5               |                        | Huaining County, Anhui Province     | Wholly-owned     | 70,000 tonnes         | Completed in September 2017 | Solid waste                       |
| 6               |                        | Huaipei City, Anhui Province        |                  | 70,000 tonnes         | Completed in December 2017  | Solid waste                       |
| 7               |                        | Wuhu City, Anhui Province (Phase 1) |                  | 100,000 tonnes        | Completed in December 2017  | 55,000 tonnes for hazardous waste |
| <b>Subtotal</b> |                        |                                     |                  | <b>545,000 tonnes</b> |                             |                                   |

| No.             | Status of Construction      | Project Location                    | Corporation Type | Annual Capacity         | Expected Completion Date  | Remarks                         |
|-----------------|-----------------------------|-------------------------------------|------------------|-------------------------|---------------------------|---------------------------------|
| 8               | Under construction          | Yiyang County, Jiangxi Province     | Wholly-owned     | 2×100,000 tonnes        | Phase 1:<br>April 2018    | To be constructed in two phases |
| 9               |                             | Wuhu City, Anhui Province (Phase 2) |                  | 100,000 tonnes          | September 2018            |                                 |
| 10              |                             | Suzhou City, Anhui Province         |                  | 2×100,000 tonnes        | Phase 1:<br>June 2018     | To be constructed in two phases |
| 11              |                             | Guangyuan City, Sichuan Province    |                  | 100,000 tonnes          | July 2018                 |                                 |
| 12              |                             | Xingye County, Guangxi Region       |                  | 2×100,000 tonnes        | Phase 1:<br>July 2018     | To be constructed in two phases |
| 13              |                             | Qianyang County, Shaanxi Province   | Joint Venture    | 100,000 tonnes          | September 2018            |                                 |
| <b>Subtotal</b> |                             |                                     |                  | <b>900,000 tonnes</b>   |                           |                                 |
| 14              | Approved and under planning | Wenshan City, Yunnan Province       | Wholly-owned     | 2×100,000 tonnes        | Phase 1:<br>October 2018  | To be constructed in two phases |
| 15              |                             | Shimen County, Hunan Province       |                  | 100,000 tonnes          | October 2018              |                                 |
| 16              |                             | Zhong County, Chongqing City        | Joint Venture    | 2×100,000 tonnes        | Phase 1:<br>November 2018 | To be constructed in two phases |
| 17              |                             | Sishui County, Shandong Province    | Wholly-owned     | 100,000 tonnes          | December 2018             |                                 |
| 18              |                             | Qiyang County, Hunan Province       |                  | 100,000 tonnes          | /                         |                                 |
| <b>Subtotal</b> |                             |                                     |                  | <b>700,000 tonnes</b>   |                           |                                 |
| <b>Total</b>    |                             |                                     |                  | <b>2,145,000 tonnes</b> |                           |                                 |

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

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

## Grate Furnace Power Generation

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

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

| No.             | Status of Construction | Project Location                  | Business Model | Annual Capacity         | Expected Completion Date                       | Remarks                         |
|-----------------|------------------------|-----------------------------------|----------------|-------------------------|--|---------------------------------|
| 1               | Completed              | Jinzhai County, Anhui Province    | BOT            | 100,000 tonnes          | Completed in January 2016                      |                                 |
| 2               |                        | Tongren City, Guizhou Province    |                | 2×100,000 tonnes        | Completed in July 2017                         |                                 |
| 3               |                        | Yanshan County, Yunnan Province   |                | 70,000 tonnes           | Completed in August 2017                       |                                 |
| <b>Subtotal</b> |                        |                                   |                | <b>370,000 tonnes</b>   |  |                                 |
| 4               | Under construction     | Huoqiu County, Anhui Province     | BOT            | 2×140,000 tonnes        | Phase 1: January 2018<br>Phase 2: October 2018 |                                 |
| 5               |                        | Shache County, Xinjiang Region    |                | 2×100,000 tonnes        | Phase 1: May 2018<br>Phase 2: August 2018      |                                 |
| 6               |                        | Li County, Hunan Province         |                | 2×100,000 tonnes        | Phase 1: April 2018                            | To be constructed in two phases |
| 7               |                        | Bole County, Xinjiang Region      |                | 100,000 tonnes          | October 2018                                   |                                 |
| 8               |                        | Songming County, Yunan Province   |                | 100,000 tonnes          | October 2018                                   |                                 |
| 9               |                        | Yiyang County, Jiangxi Province   |                | 2×100,000 tonnes        | Phase 1: December 2018                         | To be constructed in two phases |
| 10              |                        | Shanggao County, Jiangxi Province |                | 140,000 tonnes          | December 2018                                  |                                 |
| <b>Subtotal</b> |                        |                                   |                | <b>1,220,000 tonnes</b> |  |                                 |

| No.             | Status of Construction      | Project Location                 | Business Model | Annual Capacity         | Expected Completion Date | Remarks |
|-----------------|-----------------------------|----------------------------------|----------------|-------------------------|--------------------------|---------|
| 11              | Approved and under planning | Susong County, Anhui Province    | BOT            | 2×140,000 tonnes        | /                        |         |
| 12              |                             | Sishui County, Shandong Province |                | 140,000 tonnes          | /                        |         |
| 13              |                             | Alar City, Xinjiang Region       |                | 100,000 tonnes          | /                        |         |
| 14              |                             | Yang County, Shaanxi Province    |                | 100,000 tonnes          | /                        |         |
| 15              |                             | Huoshan County, Anhui Province   |                | 140,000 tonnes          | /                        |         |
| <b>Subtotal</b> |                             |                                  |                | <b>760,000 tonnes</b>   |                          |         |
| <b>Total</b>    |                             |                                  |                | <b>2,350,000 tonnes</b> |                          |         |

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

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

### ***Collaborative Treatment of Municipal Waste by Cement Kilns***

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



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

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

## **Transforming Energy Saving Industry into Energy Saving Equipment Business**

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

## **Gaining Confidence in New Building Materials Business**

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

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

## **Reaching a Record High of Port Logistic Business**

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

## PROFITS

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

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

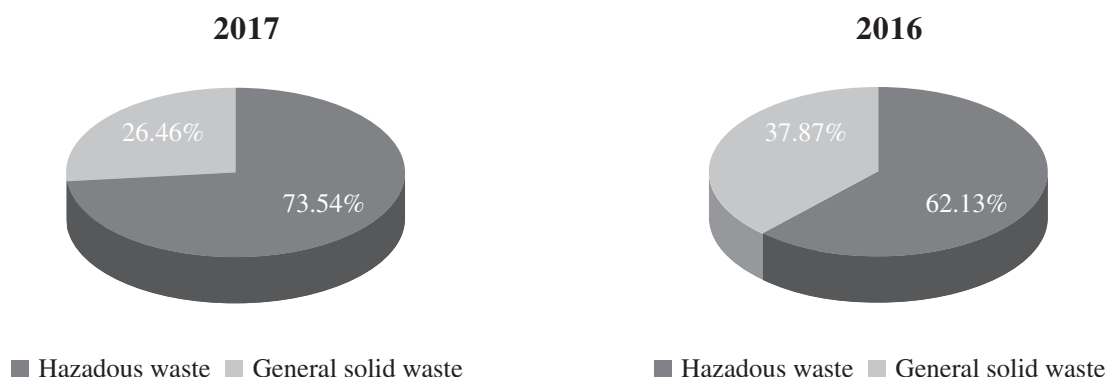
## Revenue by business

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

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

- (i) The revenue from solid waste solutions amounted to RMB113.64 million, representing a year-on-year increase of 83.36%, which was mainly due to the fact that the newly added capacity of the Group came on stream and the Group took active measures for customers resource expansion and raised the price of treatment, which led to the rapid increase in revenue.
- (ii) The revenue from waste incineration solutions amounted to RMB1,173.30 million, representing a year-on-year increase of 20.42%, which was mainly due to the fact that the Group actively promoted waste treatment projects, made efforts in improvement of process level and enhancement of industry cooperation, which led to the increase in revenue.
- (iii) The revenue from new building materials recorded a year-on-year increase of 70.11%, which was mainly due to an obvious increase in sales and prices resulted from the Group's increased efforts in brand building and product promotion.
- (iv) The revenue from energy saving equipment recorded a year-on-year decrease of 33.24%, which was mainly due to the decrease in number of new projects from cement industry, and such decrease in demand resulted in a decrease in revenue.

### Breakdown of revenue from solid waste solutions



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

### Breakdown of revenue from waste incineration solutions

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

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

### Revenue by geographical locations

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

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

## Gross profit and gross profit margin

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

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

## Revenue and share of profit

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

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

## Other income

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

## Distribution costs

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

## Administrative expenses

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

## Finance costs

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



## Profit before taxation

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

## FINANCIAL POSITION

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

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

## **Non-current assets and current assets**

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

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

## **Non-current liabilities and current liabilities**

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

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

## **Net current assets**

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

## **Equity attributable to equity shareholders of the Company**

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

## LIQUIDITY AND CAPITAL RESOURCES

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

### Bank loans and other loans

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

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

### Cash flows

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

### Net cash generated from operating activities

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

## Net cash used in investing activities

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

## Net cash used in financing activities

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

## COMMITMENTS

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

| <b>Item</b>                       | <b>As at<br/>31 December<br/>2017<br/>(RMB'000)</b> | <b>As at<br/>31 December<br/>2016<br/>(RMB'000)</b> |
|-----------------------------------|---|---|
| Contracted for                    | <b>2,411,975</b>                                    | 566,772   |
| Authorized but not contracted for | <b>253,389</b>                                      | 980,140   |
| Total                             | <b><u>2,665,364</u></b>                             | <b><u>1,546,912</u></b>                             |

## FOREIGN EXCHANGE RISK

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

The Group adopted no financial derivatives to hedge against any foreign exchange risks.

## CONTINGENT LIABILITIES

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

## PLEDGE OF ASSETS

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

## MATERIAL INVESTMENTS, ACQUISITIONS OR DISPOSALS

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

## USE OF PROCEEDS FROM LISTING

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

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

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

For the year ended 31 December 2017, the Company has used an aggregate of RMB3,118.9 million of the net proceeds. The proceeds raised has been fully utilized according to the intended use of the proceeds.

## **HUMAN RESOURCES**

The Group highly values the management of human resources by providing its employees with competitive remuneration packages and various training programs. During the Reporting Period, the Group established a multi-level and systematic training system and organized abundant training programs in accordance with vertical division of company-level, expertise-level and subsidiary-level. During the Reporting Period, the Group organized professional and technical seminars and trainings relating to collaborative treatment of industrial solid and hazardous waste by cement kilns and municipal waste treatment technology, basic knowledge of grate furnace technology, marketing and promotion of new building materials, special types of work, occupational health and safety, analysis on environmental protection industry and personnel and administration management, with a view to assist the management and staff in learning, understanding and mastering various production and operation management techniques and knowledge. The Group also encouraged the management to consult and learn from advanced peers enterprises and their administrators so as to improve the overall quality of the management and maintain a healthy and sustainable development of the Company. The Group also continued to strengthen team building through means such as in-house training, social recruitment and campus recruitment.

As at 31 December 2017, the Group had 1,725 employees. The remuneration of employees is determined based on qualifications, experience, work performance and market conditions. As required by the PRC regulations on social insurance, the Group participated in the social insurance schemes operated by local government authorities which include pension insurance, medical insurance, unemployment insurance, industrial injuries insurance and maternity insurance. For the year ended 31 December 2017, the total remuneration of employees (including the remuneration of the directors) was approximately RMB154.06 million (2016: RMB106.49 million).

The Company adopted a share option scheme (“Share Option Scheme”) pursuant to a resolution in writing passed by all shareholders on 3 December 2013 for the purpose of granting options to selected participants as incentives or rewards for their contributions to the Group. Since the listing of the Group, no share option had been granted under the Share Option Scheme.

## **FUTURE PLAN AND OUTLOOK**

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

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

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

### **Realizing the Magnificent Blueprint of Environmental Protection Business**

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



## **Promoting the Development of Energy Saving Equipment Business**

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

## **Opening up a New Phase for New Building Materials Business**

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

## **Realizing Breakthrough in Port Logistic Business**

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

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



## **FINAL DIVIDEND**

At the Board meeting held on 23 March 2018, the directors recommended to declare a final cash dividend of HK\$0.50 per share for the year ended 31 December 2017. The proposed final dividend is subject to the approval of shareholders at the forthcoming annual general meeting (“AGM”). Final dividend is expected to be paid on 20 July 2018.

## **ANNUAL GENERAL MEETING**

The 2018 AGM of the Company will be held on Wednesday, 27 June 2018. The notice of the AGM will be incorporated into the circular which will be sent to the shareholders together with the Company’s annual report for the year ended 31 December 2017 (“2017 Annual Report”).

## **CLOSURE OF REGISTER OF MEMBERS**

For determining the qualification of shareholders to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 22 June 2018 to Wednesday, 27 June 2018, both days inclusive, during which period no transfer of shares will be registered. In order to qualify as shareholders to attend and vote at the AGM, investors are required to lodge all transfer documents accompanied by the relevant share certificates with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 21 June 2018.

For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Monday, 9 July 2018 to Thursday, 12 July 2018, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the entitlement to the proposed final dividend, investors are required to lodge all transfer documents accompanied by the relevant share certificates with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 6 July 2018.

## **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.

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

The Board confirmed that during the Reporting Period, the Company has complied with the principles and code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules to formulate its operation during the Reporting Period, 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.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

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

## **REVIEW OF ANNUAL RESULTS**

The annual results of the Group for the year ended 31 December 2017 have been reviewed by the audit committee of the Company.

## **PUBLICATION OF RESULTS ANNOUNCEMENT**

This results announcement is available on the websites of Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.conchventure.com](http://www.conchventure.com)). The 2017 Annual Report containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and published on the above websites in due course.

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, 23 March 2018

*As at the date of this announcement, the Board comprises Mr. GUO Jingbin (Chairman), Mr. JI Qinying (Chief Executive Officer), Mr. LI Jian and Mr. LI Daming as executive Directors; and Mr. CHAN Chi On (alias Derek CHAN), Mr. CHAN Kai Wing and Mr. LAU Chi Wah, Alex as independent non-executive Directors.*