

CONCH VENTURE

2018

中期報告



INTERIM
REPORT

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

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

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 586

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

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

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

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DEFINITIONS

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

Articles of Association:	the articles of association of the Company
Associated corporation(s):	has the meaning ascribed thereto under the SFO
Audit Committee:	the audit committee of the Board
Board:	the board of Directors of the Company
BOO:	build-own-operate, a type of business arrangement used in the construction of a facility
BOT:	build-operate-transfer, a type of business arrangement used in the construction of a facility
China or the PRC:	the People's Republic of China
Company/Conch Venture:	China Conch Venture Holdings Limited (中國海螺創業控股有限公司)
Conch Cement:	安徽海螺水泥股份有限公司 (Anhui Conch Cement Co., Ltd.*)
Conch Design Institute:	安徽海螺建材設計研究院 (Anhui Conch Building Materials Design and Research Institute*)
Conch Holdings:	安徽海螺集團有限責任公司 (Anhui Conch Holdings Co., Ltd.*)
Conch IT Engineering:	安徽海螺信息技術工程有限責任公司 (Anhui Conch IT Engineering Co., Ltd.)
Conch Profiles:	蕪湖海螺型材科技股份有限公司 (Wuhu Conch Profiles and Science Co., Ltd.*)
Conch Venture Green:	安徽海創新型節能建築材料有限責任公司 (Anhui Conch Venture New Energy-saving Building Material Co., Ltd.)
CV Investment:	安徽海螺創業投資有限責任公司 (Anhui Conch Venture Investment Co., Ltd.*)
Director(s):	the director(s) of the Company

DEFINITIONS

Group:	the Company and its subsidiaries
HKD:	the lawful currency of Hong Kong
Hong Kong:	the Hong Kong Special Administrative Region of the PRC
Listing Rules:	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
Management:	the operating management of the Company
Remuneration and Nomination Committee:	the remuneration and nomination committee of the Board
Reporting Period:	the six-months period from 1 January 2018 to 30 June 2018
RMB:	the lawful currency of the PRC
SA Conch:	安徽海螺集團有限責任公司工會委員會 (The Staff Association of Anhui Conch Holdings Co. Ltd.)
SFO:	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (as amended from time to time)
Shareholders:	the shareholders of the Company
Splendor Court:	Splendor Court Holdings Limited (華廷控股有限公司)
Stock Exchange:	The Stock Exchange of Hong Kong Limited
Substantial Shareholders:	has the meaning ascribed thereto under the Listing Rules
WH Environmental Protection:	蕪湖海創環保科技有限責任公司 (Wuhu Conch Venture Environmental Protection Technology Co., Ltd.*)
WH Investment:	蕪湖海螺投資有限公司 (Wuhu Conch Investment Ltd.)

1. CORPORATE INFORMATION

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

1. CORPORATE INFORMATION

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

2. FINANCIAL HIGHLIGHTS

FINANCIAL OVERVIEW (FOR THE SIX MONTHS ENDED 30 JUNE 2018)

1. Operation results

Item	January– June 2018 Amount (RMB'000)	January– June 2017 Amount (RMB'000)	Unit: RMB'000
			Changes between the Reporting Period and the corresponding period of the previous year (%)
Revenue	1,019,888	1,040,977	–2.03
Profit before taxation	2,635,845	1,595,772	65.18
Share of profit of an associate	2,241,738	1,197,706	87.17
Net profit attributable to equity shareholders of the Company	2,530,320	1,441,449	75.54
Net profit from principal businesses attributable to equity shareholders of the Company	288,582	243,743	18.40

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

2. Assets and liabilities

Item	As at 30 June 2018 Amount (RMB'000)	As at 31 December 2017 Amount (RMB'000)	Unit: RMB'000
			Changes between the end of the Reporting Period and the end of the previous year (%)
Total assets	25,930,899	23,176,217	11.89
Total liabilities	2,972,478	1,964,902	51.28
Equity attributable to equity shareholders of the Company	22,323,482	20,577,751	8.48

3. BUSINESS REVIEW AND OUTLOOK

(I) BUSINESS REVIEW

Overview

During the Reporting Period, the Group actively expanded the market of each business, increased investment in technological innovation and research and development as well as strengthened management and control system to achieve its business goals in the first half of the year. Our achievements mainly reflect in:

Firstly, we have 17 newly signed environmental protection projects, including 6 solid waste solutions projects, 10 grate furnace power generation projects and 1 foul water treatment project, which exceeded the annual target of contracted projects set at the beginning of the year. We also secured our first overseas grate furnace power generation project contract in Vietnam.

Secondly, 2 projects in solid waste solutions segment were completed and put into operation with additional treatment capacity of 200,000 tonnes per year and a period-on-period increase in operating revenue of 194.31%, strongly supporting the growth of our principal business.

Thirdly, 2 grate furnace power generation projects in waste incineration solutions segment were completed and put into operation with additional treatment capacity of 240,000 tonnes per year and a significant growth in operating revenue from the projects on a period-on-period basis. Operational quality also further enhanced.

Fourthly, we successfully passed the certification of on-site inspection of the National Environmental and Occupational Health and Safety Management System, thereby establishing a scientific management system.

Environmental Protection Business

As at the date of this report, the Group secured a total of 69 environmental protection projects in 16 provinces, municipalities and autonomous regions nationwide, which include 25 solid waste solutions projects, 25 grate furnace power generation projects, 17 projects of waste treatment by cement kilns and 2 foul water treatment projects. Also, the Group has completed 28 environmental protection projects, which include 8 solid waste solutions projects, 5 grate furnace power generation projects and 15 projects of waste treatment by cement kilns. Our annual treatment capacities of municipal waste and solid waste have reached 1,790,000 tonnes and 645,000 tonnes respectively.

1. Solid Waste Solutions

Since 2018, the Group has newly secured 6 solid waste solutions projects in Liangping, Chongqing City, Tongchuan, Shaanxi Province, Qingzhen, Guizhou Province, Xianyang, Shaanxi Province, Linxiang, Hunan Province and Baoshan, Yunnan Province, respectively. After operating for more than half a year, WH Environmental Protection has steadily increased its treatment efficiency through technological improvement and successfully tapped into new markets. In the first half of 2018, projects under construction have proceeded on schedule. It is expected that, 4 projects in Suzhou, Anhui Province, Xingye, Guangxi Province, Wuhu (Phase 2) and Qianyang, Shaanxi Province, respectively, will be put into operation successively in the second half of 2018.

3. BUSINESS REVIEW AND OUTLOOK

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

No.	Status of Construction	Project Location	Percentage of Shareholdings	Annual capacity	Expected Completion Date	Remarks
1	Completed	Lantian County, Shaanxi Province	Joint Venture	90,000 tonnes	Completed in January 2015	General 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		45,000 tonnes	Completed in October 2017	General solid waste
5		Huaining City, Anhui Province	Wholly-owned	70,000 tonnes	Completed in September 2017	General solid waste
6		Huaibei City, Anhui Province		70,000 tonnes	Completed in December 2017	General solid waste
7		Wuhu City, Anhui Province (Phase 1)		100,000 tonnes	Completed in December 2017	55,000 tonnes for hazardous waste
8		Yiyang County, Jiangxi Province (Phase 1)		100,000 tonnes	Completed in May 2018	85,000 tonnes for hazardous waste
Subtotal				645,000 tonnes		
9	Under construction	Suzhou City, Anhui Province	Wholly-owned	2×100,000 tonnes	Phase 1: August 2018	To be constructed in two phases
10		Xingye County, Guangxi Province		2×100,000 tonnes	Phase 1: August 2018	
11		Wuhu City, Anhui Province (Phase 2)		100,000 tonnes	October 2018	
12		Qianyang County, Shaanxi Province	Joint Venture	100,000 tonnes	October 2018	
13		Yiyang County, Jiangxi Province (Phase 2)	Wholly-owned	100,000 tonnes	March 2019	
14		Zhong County, Chongqing City	Joint Venture	2×100,000 tonnes	Phase 2: March 2019	
Subtotal				900,000 tonnes		
15	Approved and under planning	Guangyuan City, Sichuan Province	Wholly-owned	100,000 tonnes	December 2018	To be constructed in two phases
16		Wenshan City, Yunnan Province		2×100,000 tonnes	Phase1: March 2019 Phase2: June 2019	
17		Shimen County, Hunan Province		100,000 tonnes	April 2019	
18		Sishui County, Shandong Province		100,000 tonnes	April 2019	
19		Qiyang County, Hunan Province		100,000 tonnes	May 2019	
20		Qingzhen City, Guizhou Province	Joint Venture	100,000 tonnes	May 2019	
21		Tongchuan City, Shaanxi Province		100,000 tonnes	August 2019	
22		Xianyang City, Shaanxi Province	Wholly-owned	300,000 tonnes	June 2019	General solid waste
23		Liangping District, Chongqing City		100,000 tonnes	/	
24		Linxiang City, Hunan Province		100,000 tonnes	/	
25	Baoshan City, Yunnan Province	100,000 tonnes		/		
Subtotal				1,400,000 tonnes		
Total				2,945,000 tonnes		

During the Reporting Period, 54,400 tonnes of hazardous waste and 102,400 tonnes of general solid waste were received in solid waste solutions business.

3. BUSINESS REVIEW AND OUTLOOK

2. Grate Furnace Power Generation

Since 2018, the Group's grate furnace power generation projects has achieved market expansion which exceeded our expectations with 10 newly secured projects in Shizhu, Chongqing City, Shucheng, Anhui Province, Xishui, Guizhou Province, Tongchuan, Shaanxi Province, Xianyang, Shaanxi Province, Fuquan, Guizhou Province, Linxiang, Hunan Province, Baoshan, Yunnan Province, Thai Nguyen, Vietnam and Manzhouli, Inner Mongolia Region, respectively. Among which, the annual treatment capacity of the large-scale project in Xianyang City, Shaanxi Province reached 1,000,000 tonnes, demonstrating the Group's outstanding comprehensive strength.

During the Reporting Period, projects which have commenced operation ran smoothly with significant growth in waste treatment volume and power generating capabilities; projects under construction also proceeded orderly. In the second half of 2018, it is expected that, 5 projects including those in Songming, Yunnan Province, Shanggao, Jiangxi Province and Huoqiu (Phase 2) will be put into operation successively. Meanwhile, the Group also endeavored to promote overseas projects in Vietnam, Indonesia, Morocco and Thailand.

3. BUSINESS REVIEW AND OUTLOOK

Details of 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	
4		Huoqiu County, Anhui Province (Phase 1)		140,000 tonnes	Completed in January 2018	
5		Li County, Hunan Province (Phase 1)		100,000 tonnes	Completed in April 2018	
Subtotal				610,000 tonnes		
6	Under construction	Huoqiu County, Anhui Province (Phase 2)	BOT	140,000 tonnes	October 2018	
7		Songming County, Yunnan Province		100,000 tonnes	October 2018	
8		Shache County, Xinjiang Region		2×100,000 tonnes	Phase 2 December 2018	
9		Bole City, Xinjiang Region		100,000 tonnes	December 2018	
10		Shanggao County, Jiangxi		140,000 tonnes	December 2018	
11		Yiyang County, Jiangxi Province		2×100,000 tonnes	Phase 1: February 2019 Phase 2: August 2019	To be constructed in two phases
12		Sishui County, Shandong Province		140,000 tonnes	May 2019	
13		Yang County, Shaanxi Province		100,000 tonnes	July 2019	
14		Li County, Hunan Province (Phase 2)		140,000 tonnes	August 2019	
Subtotal				1,260,000 tonnes		
15	Approved and under planning	Xishui County, Guizhou Province	BOT	140,000 tonnes	September 2019	
16		Shizhu County, Chongqing City		100,000 tonnes	September 2019	
17		Shucheng County, Anhui Province		140,000 tonnes	October 2019	
18		Huoshan County, Anhui Province		140,000 tonnes	October 2019	
19		Tongchuan City, Shaanxi Province		180,000 tonnes	November 2019	
20		Fuquan City, Guizhou Province		100,000 tonnes	November 2019	
21		Xianyang City, Shaanxi Province		2×500,000 tonnes	January 2020	
22		Linxiang City, Hunan Province		2×100,000 tonnes	/	To be constructed in two phases
23		Baoshan City, Yunnan Province		2×140,000 tonnes	/	
24		Thai Nguyen, Vietnam		BOO	180,000 tonnes	March 2020
25		Manzhouli, Inner Mongolia Region	140,000 tonnes		/	
Subtotal				2,600,000 tonnes		
Total				4,470,000 tonnes		

During the Reporting Period, grate furnace power generation business received 309,000 tonnes and treated 258,600 tonnes of municipal waste, realized on-grid power generation of 72,320,000 kWh.

3. BUSINESS REVIEW AND OUTLOOK

3. Waste Treatment by Cement Kilns

As at the end of the Reporting Period, 15 projects were completed and put into operation; and 2 projects were under construction. The annual capacity of completed projects was approximately 1,180,000 tonnes. 364,700 tonnes of municipal waste were received during the Reporting Period.

Details of waste treatment 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	
Subtotal				1,180,000 tonnes	
16	Under construction	Xing'an County, Guangxi Region	BOT	100,000 tonnes	Expected to be put into operation in August 2018
17		Yingjiang County, Yunnan Province		70,000 tonnes	Expected to be put into operation in March 2019
Subtotal				170,000 tonnes	
Total				1,350,000 tonnes	

3. BUSINESS REVIEW AND OUTLOOK

New Building Materials

During the Reporting Period, the Group focused on increasing market shares and optimizing economic indicators and achieved steady growth in volume and price by diversifying channels, understanding markets and securing orders. The Group also reached high production, high quality and low consumption through resources sharing and benchmarking management. Meanwhile, the Group also achieved progressive breakthrough in foreign trade market by achieving its first batch of overseas container order and subsequent potential orders.

During the Reporting Period, the Group sold ACA boards with a total of 3.56 million square metres, representing a period-on-period increase of 34%, among which the accumulated sales of Conch Venture Green was 2.11 million square metres, representing a period-on-period increase of 29%.

Port Logistics

During the Reporting Period, port logistics closely focused on the annual target, actively explored the markets and seized high quality sources of supply, bringing a new high port throughput. The Group also strengthened the construction of internal control system, optimized cost indicators and maintained a stable growth in profitability, thereby making certain achievements in various aspects.

(II) OUTLOOK FOR THE SECOND HALF OF THE YEAR

Certain changes and characteristics can be noted from the abovementioned financial indicators:

Firstly, during the Reporting Period, the operation revenue of solid waste solutions segment showed significant increase in growth rate as Wuhu and Yiyang projects commenced operation on schedule; solid waste solutions business will be the top priority of the Group's development. In the second half of the year, 4 projects including those in Suzhou, Anhui Province, Xingye, Guangxi Province, Wuhu (Phase 2) and Qianyang, Shaanxi Province will commence operation successively. By then, our annual capacity scale will reach 1,150,000 tonnes, which would serve as solid support to our business growth.

Secondly, despite operation revenue of waste incineration solutions recorded a decrease in the first half of the year, in the second half of the year, 6 projects in Shizhu, Xishui, Shucheng, Huoshan, Tongchuan and Fuquan will commence construction whereas 5 projects in Songming, Yunnan Province, Shanggao, Jiangxi Province, Huoqiu (Phase 2) and Shache and Bole, Xinjiang Province, will enter into middle or late construction stages and plan to commence operation at the end of the year, revenue of waste treatment segment will further increase by that time.

3. BUSINESS REVIEW AND OUTLOOK

In 2018, the Group enters into a new era of development and opportunities. In the second half of the year, the Group will continue to grasp the opportunity arising from China's enormous effort of promoting green development and actively explore the domestic and international markets of three major businesses, namely environmental protection, energy saving equipment and new building materials as well as enhance its operation level and internal control, thereby driving rapid development of environmental protection business with full strength, facilitating transformation and upgrading of energy saving equipment business and safeguarding a stable development of new building materials and port logistics businesses to strive for steady growth in operating results of principal businesses.

Firstly, the Group drives rapid development of environmental protection business with full strength. It is expected that the Group will accelerate its strategic distribution of solid waste solutions projects in Guangdong, Jiangsu, Shandong, Henan and Hebei provinces and continue to proceed with the follow-up work of large-scale grate furnace power generation projects in the second half of the year. Further, the Group will overcome the obstacles and difficulties by accelerating the progress of the projects in Thai Nguyen and Bac Lieu, Vietnam with an aim to commence these projects during the year and following up the projects in Morocco, Indonesia and Thailand in order to expand operations in overseas markets. The Group will continue optimizing its management to enhance operating efficiency. For solid waste treatment business, the Group will further improve its regional distribution on the basis that its projects commence as scheduled. The Group will also enter domestic market and increase its scale and type of hazardous waste disposal in order to achieve the full use of resources. For grate furnace power generation business, the Group continues to focus on breakthroughs of waste treatment volume and on-grid electricity converted by waste per tonne, optimize various economic and technical indicators and put in great efforts to enhance the project's economic benefits.

Secondly, the Group facilitates transformation and upgrading of energy saving equipment business. To fulfill the needs of rapid development of environmental protection business, the Group continues to conduct research and development and production of waste incineration design and equipment. The Group also shifts its focus to overseas market expansion by leveraging on comprehensive advantages of existing equipment manufacturing base and experiences in engineering construction management so as to strengthen its energy saving equipment manufacturing and speed up the transformation and development of energy saving equipment business.

Thirdly, the Group safeguards a stable development of new building materials and port logistics businesses. For new building materials, the Group targets to be the "leading benchmark enterprise in the industry" with the core value of cost effectiveness and market orientation, strives for achieving profitability during the year by increasing its sales and market shares, reducing cost, enhancing efficiency and seeking development. For port logistics, the Group will grasp the opportunity arising from strategic development in "Yangtze River Economic Belt", obtain a strong competitive position in the region and endeavour to enhance its overall market shares and profitability. The Group will also continue to improve port environment, diversify its port development and build a typical port image with refined and standardized management.

4. MANAGEMENT DISCUSSION AND ANALYSIS

(I) PROFITS

Item	January– June 2018 Amount (RMB'000)	January– June 2017 Amount (RMB'000)	Changes between the Reporting Period and the corresponding period of the previous year (%)
Revenue	1,019,888	1,040,977	–2.03
Profit before taxation	2,635,845	1,595,772	65.18
Share of profit of an associate	2,241,738	1,197,706	87.17
Profit before taxation from principal businesses	394,107	398,066	–0.99
Net profit attributable to equity shareholders of the Company	2,530,320	1,441,449	75.54
Net profit from principal businesses attributable to equity shareholders of the Company	288,582	243,743	18.40

During the Reporting Period, the Group recorded a revenue of RMB1,019.89 million, representing a period-on-period decrease of 2.03%. Profit before taxation amounted to RMB2,635.85 million, representing a period-on-period increase of 65.18%. Share of profit of an associate amounted to RMB2,241.74 million, representing a period-on-period increase of 87.17%. Profit before taxation from principal businesses amounted to RMB394.11 million, representing a period-on-period decrease of 0.99%. Net profit attributable to equity shareholders of the Company amounted to RMB2,530.32 million, representing a period-on-period increase of 75.54%, among which, net profit from principal businesses attributable to equity shareholders amounted to RMB288.58 million, representing a period-on-period increase of 18.40%. Basic earnings per share amounted to RMB1.40.

4. MANAGEMENT DISCUSSION AND ANALYSIS

1. Revenue by business segments

Item	January–June 2018		January–June 2017		Change in amount (%)	Change in percentage (percentage points)
	Amount (RMB'000)	Percentage (%)	Amount (RMB'000)	Percentage (%)		
Solid waste solutions	145,833	14.30	49,551	4.76	194.31	9.54
Waste incineration solutions	523,466	51.33	567,974	54.56	-7.84	-3.23
Energy saving equipment	199,090	19.52	317,596	30.51	-37.31	-10.99
New building materials	48,676	4.77	30,889	2.97	57.58	1.80
Port logistics	102,823	10.08	74,967	7.20	37.16	2.88
Total	1,019,888	100.00	1,040,977	100.00	-2.03	-

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

- (i) The revenue from solid waste solutions amounted to RMB145.83 million, representing a period-on-period increase of 194.31%, which was mainly due to the newly commencement of operation of the Group's projects in Wuhu and Yiyang, which led to the growth in revenue.
- (ii) The revenue from waste incineration solutions amounted to RMB523.47 million, representing a period-on-period decrease of 7.84%, which was mainly due to the reduction of waste treatment by cement kilns projects under construction of the Group during the Reporting Period, which led to the decrease in construction revenue.
- (iii) The revenue from energy saving equipment amounted to RMB199.09 million, representing a period-on-period decrease of 37.31%, which was mainly affected by the decrease in market demand, the reduction of orders from energy saving equipment, and delay in construction progress of certain projects.
- (iv) The revenue from new building materials recorded a period-on-period increase of 57.58%, which was mainly due to the Group's increased efforts in marketing and in-depth industry collaboration leading to increase in both volume and prices, among which the sales of ACA boards was 3.56 million square metres, representing period-on-period increase of 34%; the selling prices increased by 18% as compared with the corresponding period of the previous year.
- (v) The revenue from port logistics recorded a period-on-period increase of 37.16%, which was mainly due to the fact that the Group actively developed logistics market, leading to a period-on-period increase of throughput and handling prices, among which throughput amounted to 17.38 million tonnes, representing a period-on-period increase of 27%.

4. MANAGEMENT DISCUSSION AND ANALYSIS

(1) Breakdown of revenue from solid waste solutions



During the Reporting Period, the Group's disposal of hazardous waste reached a revenue amounted to RMB114.24 million, representing a period-on-period increase of 208.95%. The revenue from treatment of general solid waste amounted to RMB31.59 million, representing a period-on-period increase of 151.26%.

(2) Breakdown of revenue from waste incineration solutions

Revenue breakdown	January-June 2018		January-June 2017		Change in amount (%)	Change in percentage (percentage points)
	Amount (RMB'000)	Percentage (%)	Amount (RMB'000)	Percentage (%)		
Construction revenue	407,318	77.81	509,277	89.67	-20.02	-11.86
Waste treatment						
by cement kilns	37,080	7.08	99,669	17.55	-62.80	-10.47
Grate furnace						
power generation	370,238	70.73	409,608	72.12	-9.61	-1.39
Operation revenue	66,752	12.75	24,536	4.32	172.06	8.43
Waste treatment						
by cement kilns	20,890	3.99	16,876	2.97	23.79	1.02
Grate furnace						
power generation	45,862	8.76	7,660	1.35	498.72	7.41
Interest revenue	49,396	9.44	34,161	6.01	44.60	3.43
Waste treatment						
by cement kilns	34,101	6.52	31,170	5.49	9.40	1.02
Grate furnace						
power generation	15,295	2.92	2,991	0.52	411.37	2.41
Total	523,466	100.00	567,974	100.00	-7.84	-

4. MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the revenue from waste incineration solutions segment during the construction period amounted to RMB407.32 million, representing a period-on-period decrease of 20.02%, which was mainly due to a period-on-period decrease in the number of waste treatment by cement kilns projects under construction, and grate furnace power generation projects under approval resulting in delay of certain projects. The operation revenue from waste incineration solutions segment amounted to RMB66.75 million, representing a period-on-period increase of 172.06%, which was mainly due to new projects in Yanshan, Tongren, Huoqiu and Li County were put into operations as compared with the corresponding period of the previous year.

2. Revenue by geographical locations

Item	January–June 2018		January–June 2017		Change in amount (%)	Change in percentage (percentage points)
	Amount (RMB'000)	Percentage (%)	Amount (RMB'000)	Percentage (%)		
China	906,877	88.91	848,021	81.46	6.94	7.45
Asia (excluding China)	112,141	11.00	192,089	18.46	-41.62	-7.46
Africa	–	–	867	0.08	–	-0.08
North America	870	0.09	–	–	–	0.09
Total	1,019,888	100.00	1,040,977	100.00	-2.03	–

During the Reporting Period, the Group's revenue from the China market recorded a period-on-period increase of 6.94%, with its proportion in total revenue increased by 7.45 percentage points period-on-period, which was mainly affected by the Group's rapid development of domestic solid waste solution business. The revenue derived from Asia (excluding China) market amounted to RMB112.14 million, representing a period-on-period decrease of 41.62%, with its proportion in total revenue decreased by 7.46 percentage points period-on-period, which was mainly due to period-on-period decrease in number of energy saving equipment orders from overseas market and the delay in construction progress of certain projects which affected the revenue recognition.

3. Gross profit and gross profit margin

Item	January–June 2018		January–June 2017		Change in amount (%)	Change in percentage (percentage points)
	Amount (RMB'000)	Percentage (%)	Amount (RMB'000)	Percentage (%)		
Solid waste solutions	118,948	81.56	37,665	76.01	215.81	5.55
Waste incineration solutions	194,124	37.08	215,972	38.02	-10.12	-0.94
Energy saving equipment	47,277	23.75	99,519	31.33	-52.49	-7.58
New building materials	8,762	18.00	-2,633	-8.52	N/A	26.52
Port logistics	60,769	59.10	38,192	50.95	59.11	8.15
Total	429,880	42.15	388,715	37.34	10.59	4.81

4. MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the consolidated gross profit margin of the Group's products was 42.15%, representing a period-on-period increase of 4.81 percentage points. With a breakdown by segments:

- (i) the gross profit margin for solid waste solutions was 81.56%, representing a period-on-period increase of 5.55 percentage points, mainly due to the Group's solid waste projects in Wuhu and Yiyang commenced operation successively which seized the market opportunities to increase the treatment prices.
- (ii) The gross profit margin for waste incineration solutions was 37.08%, representing a period-on-period decrease of 0.94 percentage points.
- (iii) The gross profit margin for energy saving equipment was 23.75%, representing a period-on-period decrease of 7.58 percentage points, which was mainly due to a decline market demand and an increase in raw materials prices, resulting in a decrease of gross profit margin.
- (iv) The gross profit margin for new building materials was 18.00%, representing a period-on-period increase of 26.52 percentage points, which was mainly due to the fact that the Group actively expanded the sheet materials market, leading to an increase of sales and prices.
- (v) The gross profit margin for port logistics was 59.10%, representing a period-on-period increase of 8.15 percentage points, which was mainly due to the fact that the Group actively expanded its markets, enhanced both the prices and volume with period-on-period increase of 27% in port throughput and lowered its fixed costs.

4. MANAGEMENT DISCUSSION AND ANALYSIS

4. Revenue and share of profit

Item	January–June 2018		January–June 2017		Change in amount (%)	Change in percentage (percentage points)
	Amount (RMB'000)	Percentage (%)	Amount (RMB'000)	Percentage (%)		
Revenue	1,019,888	100.00	1,040,977	100.00	-2.03	-
Other customers	862,389	84.56	762,040	73.20	12.13	11.36
Conch Cement	157,499	15.44	278,937	26.80	-40.70	-11.36
Profit for the period	2,572,779	100.00	1,516,005	100.00	69.46	-
Share of profit of an associate	2,241,738	87.13	1,197,706	79.00	87.17	8.13
Profit attributable to operations	331,041	12.87	318,299	21.00	2.83	-8.13

During the Reporting Period, the Group's revenue from Conch Cement amounted to RMB157.50 million, accounted for 15.44% of total revenue, representing a period-on-period decrease of 11.36 percentage points. Share of profit of an associate amounted to RMB2,241.74 million, accounted for 87.13% of total revenue, representing a period-on-period increase of 8.13 percentage points, which was mainly due to the growth in profit in an associate, Conch Holdings.

5. Other income

During the Reporting Period, the Group's other income amounted to RMB66.03 million, representing a period-on-period decrease of RMB40.13 million, or 37.80%, which was mainly due to the period-on-period decrease in government grants and interest income received by the Group.

6. Distribution costs

During the Reporting Period, the Group's distribution costs amounted to RMB23.36 million, representing a period-on-period increase of RMB4.01 million, or 20.73%, which was mainly due to the Group's active market development resulting in an increase in distribution costs.

7. Administrative expenses

During the Reporting Period, the Group's administrative expenses amounted to RMB66.17 million, representing a period-on-period increase in RMB1.34 million, or 2.06%, which was mainly due to increase in the number of employees resulting in an increase in employee remuneration.

4. MANAGEMENT DISCUSSION AND ANALYSIS

8. Finance costs

During the Reporting Period, the Group's finance costs amounted to RMB12.28 million, representing a period-on-period decrease of RMB0.36 million, which remained stable as compared with the corresponding period of the previous year.

9. Profit before taxation

During the Reporting Period, the Group's profit before taxation amounted to RMB2,635.85 million, representing a period-on-period increase of RMB1,040.07 million, or 65.18%, which was mainly due to the increase in net profits from Conch Holdings, an associate of the Group. Share of profit of an associate amounted to RMB2,241.74 million, representing a period-on-period increase of 87.17%, and profit before taxation from principal businesses amounted to RMB394.11 million, representing a period-on-period decrease of 0.99%, mainly due to the decrease in profit from energy saving equipment.

(II) FINANCIAL POSITION

As at 30 June 2018, the Group's total assets amounted to RMB25,930.90 million, representing an increase of RMB2,754.68 million as compared to the end of the previous year. The equity attributable to equity shareholders of the Company amounted to RMB22,323.48 million, representing an increase of RMB1,745.73 million as compared to the end of the previous year. Gearing ratio of the Group (total liabilities/total assets) was 11.46%, representing an increase of 2.98 percentage point as compared to the end of the previous year. The balance sheet items of the Group are as follows:

Item	As at 30 June 2018 (RMB'000)	As at 31 December 2017 (RMB'000)	Change between the end of the Reporting Period and the end of the previous year (%)
Property, plant and equipment	1,503,755	1,281,802	17.32
Non-current assets	23,440,063	20,551,861	14.05
Current assets	2,490,836	2,624,356	-5.09
Current liabilities	2,361,128	1,920,402	22.95
Non-current liabilities	611,350	44,500	1,273.82
Net current assets	129,708	703,954	-81.57
Equity attributable to equity shareholders of the Company	22,323,482	20,577,751	8.48
Total assets	25,930,899	23,176,217	11.89
Total liabilities	2,972,478	1,964,902	51.28

4. MANAGEMENT DISCUSSION AND ANALYSIS

1. Non-current assets and current assets

As at 30 June 2018, non-current assets of the Group amounted to RMB23,440.06 million, representing an increase of 14.05% as compared to the end of the previous year, which was mainly due to the increase in interests in an associate, intangible assets, property, plant and equipment.

Current assets of the Group amounted to RMB2,490.84 million, representing a decrease of 5.09% as compared to the end of the previous year, which was mainly due to the increase in the Group's construction investments in environmental protection projects, which caused a decrease in balance of cash and cash equivalents during the Reporting Period.

2. Non-current liabilities and current liabilities

As at 30 June 2018, non-current liabilities of the Group amounted to RMB611.35 million, representing an increase of 1,273.82% as compared to the end of the previous year, which was mainly due to new long-term loan of the Group during the Reporting Period.

Current liabilities of the Group amounted to RMB2,361.13 million, representing an increase of 22.95% as compared to the end of the previous year, which was mainly due to the Group's provision for outstanding dividend payable in 2017.

As at 30 June 2018, current ratio and debt to equity ratio (calculated by dividing total amount of loans by total equity) of the Group were 1.05 and 0.03, respectively, as compared to 1.37 and 0.02, respectively, as at the end of the previous year.

3. Net current assets

As at 30 June 2018, net current assets of the Group amounted to RMB129.71 million, representing a decrease of 81.57% as compared to the end of the previous year, which was mainly due to an increase in the Group's construction investments in environmental protection projects, which caused a decrease in the balance of cash and cash equivalents, and provision for outstanding dividend payable in 2017, which led to a decrease in net current assets.

4. Equity attributable to equity shareholders of the Company

As at 30 June 2018, the Group's equity attributable to equity shareholders of the Company amounted to RMB22,323.48 million, representing an increase of 8.48% as compared to the end of the previous year, which was mainly due to an increase in the Group's interests in an associate and net profit from principal businesses attributable to the equity shareholders.

4. MANAGEMENT DISCUSSION AND ANALYSIS

(III) LIQUIDITY AND CAPITAL RESOURCES

During the Reporting Period, the Group took full advantage of the capital size, enhanced returns of the stock funds through enhancing capital planning and management and reasonable allocation of project funds, so as to satisfy the Company's capital needs. As at 30 June 2018, the Group's cash and cash equivalents amounted to RMB1,236.65 million, which were mainly denominated in RMB, Hong Kong dollars and US dollars.

1. Bank loans

Item	As at 30 June 2018 (RMB'000)	As at 31 December 2017 (RMB'000)
Due within one year	191,300	482,300
Due after one year but within two years	98,300	6,300
Due after two years but within five years	421,420	16,400
Due after five years	91,630	21,800
Total	802,650	526,800

As at 30 June 2018, the balance of bank loans of the Group amounted to RMB802.65 million, representing an increase of RMB275.85 million as compared to the end of the previous year, which was mainly due to new bank loans raised by the Group during the Reporting Period. As at 30 June 2018, the Group's bank loans were denominated in RMB, and most of the loan interests were subject to variable interest rates.

4. MANAGEMENT DISCUSSION AND ANALYSIS

2. Cash flows

The analysis of cash flows during the Reporting Period is as follows:

Item	January–June 2018 (RMB'000)	January–June 2017 (RMB'000)
Net cash generated from operating activities	136,011	18,886
Net cash used in investing activities	–583,834	–78,291
Net cash generated from/(used in) financing activities	226,725	–86,785
Net decrease in cash and cash equivalents	–221,098	–146,190
Cash and cash equivalents at the beginning of the period	1,457,745	2,165,640
Cash and cash equivalents at the end of the period	1,236,647	2,019,450

(1) Net cash generated from operating activities

During the Reporting Period, net cash generated from operating activities of the Group amounted to RMB136.01 million, representing an increase of RMB117.13 million as compared with the corresponding period of the previous year, which was mainly due to increase in inflows of operational cash from the solid waste solutions, port logistics businesses and increase in collection of trade receivables from energy saving equipment business.

(2) Net cash used in investing activities

During the Reporting Period, net cash used in investing activities of the Group amounted to RMB583.83 million, representing a period-on-period increase of RMB505.54 million, which was mainly due to the increase in the Group's investments in property, plant, equipment and intangible assets.

(3) Net cash generated from financing activities

During the Reporting Period, net cash generated from financing activities of the Group amounted to RMB226.73 million, representing a period-on-period increase of RMB313.51 million, which was mainly due to the new bank loans raised by the Group.

4. MANAGEMENT DISCUSSION AND ANALYSIS

(IV) COMMITMENTS

As at 30 June 2018, the Group's commitments for purchases in connection with construction contracts were as follows:

Item	As at 30 June 2018 (RMB'000)	As at 31 December 2017 (RMB'000)
Contracted for	1,606,510	2,411,975
Authorized but not contracted for	589,400	253,389
Total	2,195,910	2,665,364

(V) FOREIGN EXCHANGE RISK

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

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

(VI) CONTINGENT LIABILITIES

As at 30 June 2018, the Group did not have any material contingent liabilities.

(VII) PLEDGE OF ASSETS

As at 30 June 2018, the Group did not have any pledged assets.

(VIII) MATERIAL INVESTMENTS, ACQUISITIONS OR DISPOSALS

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

4. MANAGEMENT DISCUSSION AND ANALYSIS

(IX) HUMAN RESOURCES

The Group has always highly valued the human resources management by providing its employees with competitive remuneration packages and various training programs. During the Reporting Period, the Group organised professional and technical seminars, trainings relating to basic knowledge of grate furnace technology, disposal of solid and hazardous waste, special types of work and financial literacy. In addition, the Group has also continued to strengthen its team building through means such as internal training, social and campus recruitment.

As at 30 June 2018, the Group had approximately 2,303 employees. The remuneration of employees is based on qualifications, experience, work performance and market conditions. As required by the PRC regulations on social insurance, the Group participated in the social insurance schemes operated by local government authorities which include pension insurance, medical insurance, unemployment insurance, industrial injuries insurance and maternity insurance. For the six months ended 30 June 2018, the total remuneration of employees (including the remuneration of the directors) was approximately RMB73.81 million (for the corresponding period of 2017: RMB57.73 million).

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

5. OTHER INFORMATION

(I) INTERIM DIVIDEND

The Board of the Company resolved not to declare any interim dividend for the six months ended 30 June 2018.

(II) DISCLOSURE OF INTERESTS

1. Substantial Shareholders' Interests or Short Positions

As at 30 June 2018, so far as the Directors were aware, the interests or short positions of persons other than the Directors and chief executive of the Company in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of part XV of the SFO as recorded in the register of substantial shareholders required to be kept by the Company under section 336 of the SFO were as follows:

Name of Shareholders	Nature of interests	Number of shares (long positions)	Percentage shareholding (%)
SA Conch	Interest of controlled corporation	108,584,000 (note 1)	6.02
CV Investment	Beneficial owner	50,386,500	2.79
	Interest of controlled corporation	58,197,500 (note 2)	3.23
	Subtotal	108,584,000	6.02

Notes:

- Among the aforesaid shares, 50,386,500 shares are directly owned by CV Investment and the remaining 58,197,500 shares are owned by 上海弋江投资有限公司 (Shanghai Yijiang Investment Co., Ltd.*) ("Shanghai Yijiang"), which is wholly-owned by CV Investment. As 82.93% of CV Investment's registered capital is held by SA Conch, SA Conch is deemed to be interested in the shares in which CV Investment is interested for the purpose of the SFO.
- These shares are owned by Shanghai Yijiang, which is solely owned by CV Investment.

Save as disclosed above, as at 30 June 2018, the Directors were not aware of any other persons other than the Directors and chief executive of the Company who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register of substantial shareholders required to be kept under section 336 of the SFO.

5. OTHER INFORMATION

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

As at 30 June 2018, the interests of the Directors and chief executive of the Company in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules were set out below:

Name of Directors	Nature of interests	Number of shares (long positions)	Percentage shareholding (%)
Mr. Guo Jingbin	Interest of controlled corporation (note 1)	62,680,000	3.47
Mr. Ji Qinying	Interest of spouse (note 2)	35,033,752	1.94
Mr. Li Jian	Beneficial owner	7,396,370	0.41
	Interest of spouse (note 3)	105,346	0.006
	Subtotal	7,501,716	0.416
Mr. Li Daming	Beneficial owner	6,112,563	0.34

Notes:

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

5. OTHER INFORMATION

3. Interests and Short Positions of Senior Management

As at 30 June 2018, interests of the senior management of the Company were as follows:

Name of senior management	Nature of interests	Number of shares (long positions)	Percentage shareholding (%)
Mr. Wang Xuesen	Beneficial owner	3,516,418	0.19
Mr. Shu Mao	Beneficial owner	150,000	0.01
Mr. Zhang Keke	Beneficial owner	3,054,418	0.17

Save as disclosed above, as at 30 June 2018, none of the Directors and chief executive of the Company had interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to in that section, or which will be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

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

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

(IV) CHANGES IN DIRECTORS AND SENIOR MANAGEMENT

During the Reporting Period, details of changes in the Directors and senior management of the Company were as follows:

The Board of the Company convened a meeting on 23 March 2018 and passed a resolution to approve the appointments of Mr. Zhang Keke and Mr. Wang Junxian as assistants to the general manager of the Company.

5. OTHER INFORMATION

(V) SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme (the “**Share Option Scheme**”) pursuant to a resolution in writing passed by all Shareholders on 3 December 2013 for the purpose of granting options to selected participants as incentives or rewards for their contributions to the Group.

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

(VI) CORPORATE GOVERNANCE

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

The Company has adopted the Corporate Governance Code set out in Appendix 14 to the Listing Rules of the Stock Exchange as the corporate governance code of the Company. The Board has confirmed that, during the Reporting Period, the Company complied with the code provisions of the Corporate Governance Code set out in Appendix 14 to the Listing Rules, and the Company has further refined the corporate governance structure and enhanced its corporate governance under the guidance of the regulatory documents including the Listing Rules and the articles of association of the Company.

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

(VII) MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

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

5. OTHER INFORMATION

(VIII) AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, namely Mr. Chan Chi On (alias Derek Chan), Mr. Chan Kai Wing and Mr. Lau Chi Wah, Alex. The primary duties of the Audit Committee are to make recommendations to the Board on the appointment and dismissal of the external auditor, review the financial statements and information, provide advice in respect of financial reporting and oversee and review the risk management system and internal control system of the Company. The “Terms of Reference of the Audit Committee of the Board of Directors” of the Company clearly defines the duties and rules of the committee.

The Audit Committee has reviewed the unaudited interim results and interim report of the Company for the six months ended 30 June 2018. The Audit Committee has no disagreement with the accounting treatment methods adopted by the Company.

(IX) REMUNERATION AND NOMINATION COMMITTEE

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

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

(X) EVENTS SUBSEQUENT TO THE REPORTING PERIOD

Neither the Company nor the Group had any material events subsequent to the Reporting Period after 30 June 2018 and up to the date of this interim report.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2018 — unaudited
(Expressed in Renminbi Yuan)

	Note	Six months ended 30 June	
		2018 RMB'000	2017 RMB'000
Revenue	3	1,019,888	1,040,977
Cost of sales		(590,008)	(652,262)
Gross profit		429,880	388,715
Other income	4	66,032	106,166
Distribution costs		(23,356)	(19,345)
Administrative expenses		(66,174)	(64,837)
Profit from operations		406,382	410,699
Finance costs	5(a)	(12,275)	(12,633)
Share of profit of an associate	10	2,241,738	1,197,706
Profit before taxation	5	2,635,845	1,595,772
Income tax	6	(63,066)	(79,767)
Profit for the period		2,572,779	1,516,005
Attributable to:			
— Equity shareholders of the Company		2,530,320	1,441,449
— Non-controlling interests		42,459	74,556
Profit for the period		2,572,779	1,516,005
Earnings per share			
— Basic and diluted (RMB)	7	1.40	0.80

The notes on pages 38 to 62 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 17(a).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018 — unaudited
(Expressed in Renminbi Yuan)

	Note	Six months ended 30 June	
		2018 RMB'000	2017 RMB'000 (Note)
Profit for the period		2,572,779	1,516,005
Other comprehensive income for the period (after tax and reclassification adjustments)			
Items that will not be reclassified to profit or loss:			
Share of changes of reserves of an associate, net of tax		(8,070)	—
Items that may be reclassified subsequently to profit or loss:			
Share of changes of reserves of an associate, net of tax		(4,943)	(53,240)
Other comprehensive income for the period		(13,013)	(53,240)
Total comprehensive income for the period		2,559,766	1,462,765
Attributable to:			
Equity shareholders of the Company		2,517,307	1,388,209
Non-controlling interests		42,459	74,556
Total comprehensive income for the period		2,559,766	1,462,765

The notes on pages 38 to 62 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018 — unaudited
(Expressed in Renminbi Yuan)

	Note	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000 (Note)
Non-current assets			
Property, plant and equipment	8	1,503,755	1,281,802
Lease prepayments		228,533	207,254
Intangible assets	9	970,887	704,408
Interest in an associate	10	18,475,696	16,240,675
Non-current portion of service concession financial assets	12	1,962,810	—
Non-current portion of trade and other receivables	13	242,900	2,059,087
Deferred tax assets		55,482	58,635
		23,440,063	20,551,861
Current assets			
Inventories	11	171,245	128,193
Service concession financial assets	12	14,048	—
Trade and other receivables	13	994,664	993,343
Restricted bank deposits		6,031	20,075
Bank deposits with maturity over three months		68,201	25,000
Cash and cash equivalents	14	1,236,647	1,457,745
		2,490,836	2,624,356
Current liabilities			
Loans and borrowings	15	191,300	482,300
Trade and other payables	16	1,349,391	1,403,973
Dividends payable to equity shareholders of the Company	17(a)	771,576	—
Contract liabilities		13,888	—
Income tax payables		34,973	34,129
		2,361,128	1,920,402
Net current assets		129,708	703,954
Total assets less current liabilities		23,569,771	21,255,815

The notes on pages 38 to 62 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018 — unaudited
(Expressed in Renminbi Yuan)

	Note	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000 (Note)
Non-current liabilities			
Loans and borrowings	15	611,350	44,500
Net assets		22,958,421	21,211,315
Capital and reserves	17		
Share capital		14,347	14,347
Reserves		22,309,135	20,563,404
Equity attributable to equity shareholders of the Company		22,323,482	20,577,751
Non-controlling interests		634,939	633,564
Total equity		22,958,421	21,211,315

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018 — unaudited
(Expressed in Renminbi Yuan)

Note	Attributable to equity shareholders of the Company							Non-controlling interests RMB'000	Total equity RMB'000
	Share capital	Share premium	Capital reserves	PRC statutory reserves	Retained earnings	Sub-total			
	RMB'000 (Note 17(b))	RMB'000 (Note 17(c)(i))	RMB'000 (Note 17(c)(ii))	RMB'000 (Note 17(c)(iii))	RMB'000	RMB'000			
Balance at 1 January 2017	14,347	1,745,481	2,036,546	459,108	13,491,835	17,747,317	599,273	18,346,590	
Changes in equity for the six months ended 30 June 2017:									
Profit for the period	-	-	-	-	1,441,449	1,441,449	74,556	1,516,005	
Other comprehensive income	-	-	(53,240)	-	-	(53,240)	-	(53,240)	
Total comprehensive income	-	-	(53,240)	-	1,441,449	1,388,209	74,556	1,462,765	
Disposal of investment in a subsidiary without losing control	-	-	605	-	-	605	(605)	-	
Appropriation to reserves	17(c)(iii)	-	-	28,812	(28,812)	-	-	-	
Dividends approved in respect of the previous year	17(a)	-	(471,372)	-	-	(471,372)	-	(471,372)	
Profit distribution to non-controlling interests	-	-	-	-	-	-	(68,542)	(68,542)	
Balance at 30 June 2017 and 1 July 2017	14,347	1,274,109	1,983,911	487,920	14,904,472	18,664,759	604,682	19,269,441	
Changes in equity for the six months ended 31 December 2017:									
Profit for the period	-	-	-	-	1,961,553	1,961,553	27,482	1,989,035	
Other comprehensive income	-	-	(48,561)	-	-	(48,561)	-	(48,561)	
Total comprehensive income	-	-	(48,561)	-	1,961,553	1,912,992	27,482	1,940,474	
Non-controlling interest arising from establishment of a subsidiary	-	-	-	-	-	-	1,400	1,400	
Appropriation to reserves	17(c)(iii)	-	-	19,261	(19,261)	-	-	-	
Balance at 31 December 2017	14,347	1,274,109	1,935,350	507,181	16,846,764	20,577,751	633,564	21,211,315	

The notes on pages 38 to 62 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018 — unaudited
(Expressed in Renminbi Yuan)

Note	Attributable to equity shareholders of the Company								
	Share capital RMB'000 (Note 17(b))	Share premium RMB'000 (Note 17(c)(i))	Capital reserves RMB'000 (Note 17(c)(ii))	PRC		Retained earnings RMB'000	Sub-total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
				statutory	reserves				
				RMB'000 (Note 17(c)(iii))	RMB'000				
Balance at 1 January 2018	14,347	1,274,109	1,935,350	507,181	16,846,764	20,577,751	633,564	21,211,315	
Changes in equity for the six months ended 30 June 2018:									
Profit for the period	-	-	-	-	2,530,320	2,530,320	42,459	2,572,779	
Other comprehensive income	-	-	(13,013)	-	-	(13,013)	-	(13,013)	
Total comprehensive income	-	-	(13,013)	-	2,530,320	2,517,307	42,459	2,559,766	
Non-controlling interest arising from establishment of a subsidiary	-	-	-	-	-	-	177	177	
Appropriation to reserves	-	-	-	22,137	(22,137)	-	-	-	
Dividends approved in respect of the previous year	-	(771,576)	-	-	-	(771,576)	-	(771,576)	
Profit distribution to non- controlling interests	-	-	-	-	-	-	(41,261)	(41,261)	
Balance at 30 June 2018	14,347	502,533	1,922,337	529,318	19,354,947	22,323,482	634,939	22,958,421	

The notes on pages 38 to 62 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2018 — unaudited
(Expressed in Renminbi Yuan)

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Operating activities:		
Cash generated from operations	195,080	107,810
Income tax paid	(59,069)	(88,924)
Net cash generated from operating activities	136,011	18,886
Investing activities:		
Payment for purchase of property, plant and equipment, construction in progress and intangible assets	(541,392)	(111,661)
Payment for lease prepayments	(23,581)	(359)
Proceeds from bank deposits with maturity over three months	25,000	–
Payment for bank deposits with maturity over three months	(68,201)	–
Other cash flows arising from investing activities	24,340	33,729
Net cash used in investing activities	(583,834)	(78,291)
Financing activities:		
Profit distribution and paid to non-controlling interests	(35,504)	(50,832)
Proceeds from loans and borrowings	610,000	30,000
Repayment of loans	(334,150)	(53,400)
Other cash flows arising from financing activities	(13,621)	(12,553)
Net cash generated from/(used in) financing activities	226,725	(86,785)
Net decrease in cash and cash equivalents	(221,098)	(146,190)
Cash and cash equivalents at 1 January	1,457,745	2,165,640
Cash and cash equivalents at 30 June	1,236,647	2,019,450

The notes on pages 38 to 62 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

1 BASIS OF PREPARATION

These unaudited consolidated financial statements of China Conch Venture Holdings Limited (the “Company”) and its subsidiaries (the “Group”) have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” adopted by the International Accounting Standards Board (“IASB”). It was authorised for issuance on 24 August 2018.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2017 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

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

2 CHANGES IN ACCOUNTING POLICIES

(a) Overview

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

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(a) Overview *(Continued)*

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

IFRIC 22 does not have a material effect on how the Group's results and financial position for the current or prior period have been prepared or presented in this interim financial report.

The Group has not been impacted by IFRS 9 in relation to the classification of financial assets and financial liabilities and measurement of credit losses, but has been impacted by IFRS 15 in relation to presentation of service concession financial assets and contract liabilities. Details of the changes in accounting policies are discussed in note 2(b) for IFRS 9 and note 2(c) for IFRS 15.

Under the transition methods chosen, the Group recognises cumulative effect of the initial application of IFRS 9 and IFRS 15 as an adjustment to the opening balance of financial position at 1 January 2018. Comparative information is not restated.

(b) IFRS 9, *Financial instruments*

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

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

(i) **Classification of financial assets and financial liabilities**

IFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVPL"). These supersede IAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under IFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

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

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

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

(ii) Credit losses

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

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

- financial assets measured at amortised cost (including cash and cash equivalents, bank deposits and trade and other receivables); and
- service concession financial assets (see note 12).

Measurement of ECLs

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

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

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

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

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

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

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

(ii) **Credit losses** *(Continued)*

Measurement of ECLs (Continued)

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

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

Significant increases in credit risk

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

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

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

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

(ii) **Credit losses** *(Continued)*

Significant increases in credit risk (Continued)

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss.

Write-off policy

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

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

Opening balance adjustment

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

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

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

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

(i) **Timing of revenue recognition**

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

Under IFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

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

(i) Timing of revenue recognition *(Continued)*

time. IFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

- a. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;
- b. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;
- c. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

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

The adoption of IFRS 15 does not have a significant impact on when and how the Group recognises revenue.

(ii) Presentation of service concession financial assets and contract liabilities

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

- a. "Gross amounts due from customers for construction contract work" amounting to RMB1,855,822,000, which were previously included in non-current portion of trade and other receivables are now reclassified to non-current portion of service concession financial assets, which includes both contract assets as defined under IFRS 15 and receivables.
- b. "Gross amounts due from customers for construction contract work" amounting to RMB14,026,000, which were previously included in trade and other receivables are now included under service concession financial assets.
- c. "Receipts in advance" amounting to RMB12,837,000, which were previously included in trade and other payables are now included under contract liabilities.

(iii) Other impacts

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

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

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Energy preservation and environmental protection solutions		
Energy saving equipment	199,090	317,596
Waste incineration solutions (i)	523,466	567,974
Solid waste solutions	145,833	49,551
Subtotal	868,389	935,121
Port logistics services	102,823	74,967
Sale of new building materials	48,676	30,889
Total	1,019,888	1,040,977

- (i) Revenue of waste incineration solutions under Build-Operate-Transfer ("BOT") arrangements mainly represents the revenue for construction services, revenue from waste incineration project operation services and finance income. The amount of each significant category of revenue during the period is as follows:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Revenue from waste incineration project construction services	407,318	509,277
Revenue from waste incineration project operation services	66,752	24,536
Finance income	49,396	34,161
Total	523,466	567,974

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING *(Continued)*

(b) Segment reporting

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

The measure used by the Group's senior executive management to assess segment results is the profit before taxation. Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resources allocation and assessment of segment performance for the period ended 30 June 2018 and 2017 is set out below:

	Six months ended 30 June 2018 (Unaudited)					Total RMB'000
	Energy preservation and environmental protection solutions RMB'000	Port logistics services RMB'000	New building materials RMB'000	Investments RMB'000	Unallocated RMB'000	
Disaggregated by timing of revenue recognition						
Point in time	440,864	102,823	48,676	-	-	592,363
Over time	427,525	-	-	-	-	427,525
Reportable segment revenue	868,389	102,823	48,676	-	-	1,019,888
Reportable segment profit/ (loss) before taxation	350,938	50,393	(6,078)	2,241,738	(1,146)	2,635,845
Interest income	20,376	62	374	-	524	21,336
Interest expenses	11,200	1,075	-	-	-	12,275
Depreciation and amortisation	23,111	21,477	7,326	-	-	51,914
Reversal of impairment losses on trade receivables	(19,353)	-	-	-	-	(19,353)
Reportable segment assets	6,264,047	498,767	655,727	18,475,696	36,662	25,930,899
Reportable segment liabilities	2,060,868	88,187	51,447	-	771,976	2,972,478

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(i) (continued)

	Six months ended 30 June 2017 (Unaudited)					
	Energy preservation and environmental protection solutions RMB'000	Port logistics services RMB'000	New building materials RMB'000	Investments RMB'000	Unallocated RMB'000	Total RMB'000
Reportable segment revenue						
Point in time	421,329	74,967	30,889	-	-	527,185
Over time	513,792	-	-	-	-	513,692
Reportable segment revenue	935,121	74,967	30,889	-	-	1,040,977
Reportable segment profit/ (loss) before taxation	380,767	25,230	(7,455)	1,197,706	(476)	1,595,772
Interest income	28,824	152	3,555	-	215	32,746
Interest expenses	10,917	1,716	-	-	-	12,633
Depreciation and amortisation	11,949	21,336	7,599	-	-	40,884
Reversal of impairment losses on trade receivables	(12,151)	-	-	-	-	(12,151)
	Year ended 31 December 2017					
	Energy preservation and environmental protection solutions RMB'000	Port logistics services RMB'000	New building materials RMB'000	Investments RMB'000	Unallocated RMB'000	Total RMB'000
Reportable segment assets	5,718,958	510,957	668,364	16,240,675	37,263	23,176,217
Reportable segment liabilities	1,830,694	81,083	53,039	-	86	1,964,902

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING *(Continued)*

(b) Segment reporting *(Continued)*

(ii) Geographic information

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

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Revenue		
Mainland China	906,877	848,021
Asia (except Mainland China)	112,141	192,089
Africa	–	867
North America	870	–
	1,019,888	1,040,977

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

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Interest income	21,336	32,746
Government grants	47,891	72,551
Net loss on disposal of property, plant and equipment	(47)	–
Exchange (loss)/gain	(3,148)	869
	66,032	106,166

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

5 PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
(a) Finance costs:		
Interest on loans and borrowings	13,890	12,633
Less: interest expense capitalised into construction in progress and intangible assets	(1,615)	–
	12,275	12,633
(b) Other items:		
Depreciation	42,489	36,799
Amortisation of lease prepayments	2,303	2,375
Amortisation of intangible assets	7,122	1,710
Research and development costs	4,425	6,447
Reversal of impairment losses on trade receivables	(19,353)	(12,151)
Staff costs	73,814	57,725

6 INCOME TAX

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Current tax:		
Provision for PRC income tax for the period	59,913	76,250
Deferred tax:		
Origination and reversal of temporary differences	3,153	3,517
	63,066	79,767

- (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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

6 INCOME TAX *(Continued)*

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

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

6 INCOME TAX *(Continued)*

(c) (Continued)

- (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 2018.
- (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 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.

7 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company for the six months ended 30 June 2018 of RMB2,530,320,000 (six months ended 30 June 2017: RMB1,441,449,000) and 1,804,750,000 (six months ended 30 June 2017: 1,804,750,000) ordinary shares in issue during the six months ended 30 June 2018.

(b) Diluted earnings per share

There were no dilutive potential ordinary shares outstanding during the six months ended 30 June 2018 and 2017.

8 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group acquired items of plant and machine with a cost of RMB264,491,000 (six months ended 30 June 2017: RMB64,424,000). Items of plant and machine with a net book value of RMB486,000 were disposed of during the six months ended 30 June 2018 (six months ended 30 June 2017: RMB24,000), resulting in a loss on disposal of RMB47,000 (six months ended 30 June 2017: Nil).

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9 INTANGIBLE ASSETS

Intangible assets consist of software, waste incineration project operating rights. The cost of waste incineration project operating rights represented the fair value of operating rights acquired. During the six months ended 30 June 2018, additions of software and waste incineration project operating rights made by the Group amounted to RMB273,601,000 (six months ended 30 June 2017: RMB153,940,000). The operating rights were deemed to be definite life intangible assets and the operation periods of the BOT arrangement vary from 26–30 years.

10 INTEREST IN AN ASSOCIATE

As at 30 June 2018, interest in an associate represented share of net assets of the associate Anhui Conch Holdings Co., Ltd. (“Conch Holdings”). For the six months period ended 30 June 2018, the Group recognised share of profit of an associate in the amount of RMB2,241,738,000 in the consolidated statement of profit or loss (six months ended 30 June 2017: RMB1,197,706,000).

11 INVENTORIES

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Raw materials	63,531	55,618
Work in progress	50,079	27,648
Finished goods	57,635	44,927
	171,245	128,193

During the six months ended 30 June 2018, no write-down of inventory was provided by the Group (six months ended June 2017: Nil).

12 SERVICE CONCESSION FINANCIAL ASSETS

	At 30 June 2018 RMB'000	At 1 January 2018 RMB'000	At 31 December 2017 RMB'000
Current	14,048	14,026	–
Non-current	1,962,810	1,855,822	–
	1,976,858	1,869,848	–

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(Expressed in Renminbi Yuan unless otherwise indicated)

12 SERVICE CONCESSION FINANCIAL ASSETS *(Continued)*

The service concession financial assets bear interest at rates ranging from 6.01% to 9.41% (31 December 2017: 6.01% to 9.41%) per annum as at 30 June 2018 and relate to certain BOT arrangements of the Group. The amounts are not yet due for payment and will be settled during the operating periods of the arrangements. Among the total of RMB1,976,858,000 (2017: RMB1,869,848,000), RMB617,718,000 (2017: RMB663,439,000) relates to BOT arrangements which are in construction phase and should be deemed as contract assets as defined under IFRS 15.

13 TRADE AND OTHER RECEIVABLES

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Trade receivables	661,427	596,434
Bills receivable	69,414	106,373
Less: allowance for doubtful debts	(61,320)	(80,673)
Trade and bills receivables	669,521	622,134
Gross amounts due from customers for construction contract work (note)	–	38,032
Deposits and prepayments	69,888	79,680
Other receivables	144,663	125,942
Interest receivables	3,163	6,694
Amounts due from third parties	887,235	872,482
Amounts due from related parties (note 19(b))	107,429	120,861
Current portion of trade and other receivables	994,664	993,343
Gross amounts due from customers for construction contract work (note)	–	1,857,463
Other receivables to be recovered after one year	242,900	201,624
Non-current portion of trade and other receivables	242,900	2,059,087
Total current and non-current trade and other receivables	1,237,564	3,052,430

Note: Upon the adoption of IFRS 15, gross amount due from customers for construction contract work is included in service concession financial assets (see note 12) in relation to BOT arrangements (31 December 2017: RMB1,869,848,000). Gross amount due from customers for construction contract work other than BOT arrangements amounted to Nil as at 30 June 2018 (31 December 2017: RMB25,647,000).

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(Expressed in Renminbi Yuan unless otherwise indicated)

13 TRADE AND OTHER RECEIVABLES *(Continued)*

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

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

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

Ageing analysis

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

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Current	603,890	561,677
Less than 1 year past due	44,058	34,492
1 to 2 years past due	15,081	17,981
2 to 3 years past due	6,492	7,984
Total amount past due	65,631	60,457
	669,521	622,134

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.

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14 CASH AND CASH EQUIVALENTS

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Bank deposits with maturity within three months	615,675	1,039,289
Cash at bank and on hand	620,972	418,456
	1,236,647	1,457,745

15 LOANS AND BORROWINGS

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Current		
Bank loans	191,300	482,300
	191,300	482,300
Non-current		
Bank loans	611,350	44,500
	611,350	44,500
Total	802,650	526,800

As at 30 June 2018, the loans and borrowings were repayable as follows:

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Within one year	191,300	482,300
After one year but within two years	98,300	6,300
After two years but within five years	421,420	16,400
After five years	91,630	21,800
Total	802,650	526,800

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(Expressed in Renminbi Yuan unless otherwise indicated)

15 LOANS AND BORROWINGS *(Continued)*

As at 30 June 2018, the loans and borrowings were secured as follows:

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Guaranteed	227,650	50,800
Unsecured	575,000	476,000
Total	802,650	526,800

As at 30 June 2018, bank loan of the Group amounting to RMB80,000,000 (31 December 2017: Nil) was guaranteed by Wuhu Conch Venture Enterprise Ltd, a subsidiary of the Group.

As at 30 June 2018, bank loans of the Group amounting to RMB100,000,000 (31 December 2017: Nil) were guaranteed by Wuhu Conch Investment Ltd ("WH Investment"), a subsidiary of the Group.

As at 30 June 2018, bank loans of the Group amounting to RMB47,650,000 (31 December 2017: RMB50,800,000) were jointly guaranteed by WH Investment, a subsidiary of the Group, and the non-controlling shareholders of XS Environment and YP Environment.

16 TRADE AND OTHER PAYABLES

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Trade payables	786,927	821,070
Bills payable	238,347	189,963
	1,025,274	1,011,033
Receipts in advance (note)	–	12,837
Other payables and accruals	219,205	315,037
Amounts due to third parties	1,244,479	1,338,907
Dividends payable to non-controlling interests	5,757	–
Amounts due to related parties (note 19(b))	99,155	65,066
Trade and other payables	1,349,391	1,403,973

Note: As a result of the adoption of IFRS 15, receipts in advance are included in contract liabilities (see note 2(c)).

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16 TRADE AND OTHER PAYABLES *(Continued)*

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

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Within 1 year	991,805	942,235
1 year to 2 years	22,550	48,580
2 years to 3 years	9,859	16,350
Over 3 years but within 5 years	1,060	3,868
	1,025,274	1,011,033

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

17 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

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

	Six months ended 30 June 2018 RMB'000	2017 RMB'000
Final dividend in respect of the previous financial year, approved during the interim period, of HKD0.5 per share (six months ended 30 June 2017: HKD0.3 per share)	771,576	471,372

Pursuant to a resolution passed at the annual general meeting on 27 June 2018, a final dividend of HKD0.5 per share totaling HKD902,375,000 (equivalent to approximately RMB771,576,000) was approved (2017: RMB471,372,000), which was paid in July 2018.

The board of directors does not recommend the payment of an interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

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17 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(b) Share capital

Authorised and issued share capital

	No. of shares (‘000)	Amount HKD’000
Authorised:		
Ordinary shares of HKD0.01 each at 30 June 2018 and 31 December 2017	15,000,000	150,000

	No. of shares (‘000)	Amount Equivalent to	
		HKD’000	RMB’000
Issued and fully paid:			
At 30 June 2018 and 31 December 2017	1,804,705	18,048	14,347

(c) Nature and purpose of reserves

(i) Share premium and distributability of reserves

Under the Companies Law of the Cayman Islands, the share premium account of the Company may be applied for payment of distributions or dividends to shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

(ii) Capital reserves

Capital reserves as at 31 December 2017 and 30 June 2018 represent the share of non-distributable reserves of an associate at the respective dates.

(iii) PRC statutory reserves

PRC statutory reserves were established in accordance with the relevant PRC rules and regulations and the articles of association of the companies comprising the Group which are incorporated in the PRC. Appropriations to the reserves were approved by the respective boards of directors’ meeting.

For the entity concerned, PRC statutory reserves can be used to make good previous years’ losses, if any, and may be converted into capital in proportion to the existing equity interests of investors, provided that the balance of the reserve after such conversion is not less than 25% of the entity’s registered capital.

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18 COMMITMENTS

- (a) Purchase commitments outstanding related to BOT construction contracts and capital commitments at 30 June 2018 not provided for in the interim financial report were as follows:

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Contracted for	1,606,510	2,411,975
Authorised but not contracted for	589,400	253,389
	2,195,910	2,665,364

- (b) As at 30 June 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Within one year	4,977	7,188
After 1 year but within 2 years	1,500	3,000
	6,477	10,188

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

19 MATERIAL RELATED PARTY TRANSACTIONS

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

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

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

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(Expressed in Renminbi Yuan unless otherwise indicated)

19 MATERIAL RELATED PARTY TRANSACTIONS (Continued)**(a) Significant related party transactions**

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

	Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Sales of goods		
Conch Cement	92,666	214,633
Kawasaki HI	5,509	15,031
CKEM	908	121
Conch Design Institute	22,318	29,970
	121,401	259,755

	Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Service rendered		
Conch Cement	64,833	64,304
Conch Design Institute	–	755
CKEM	–	183
Conch Profiles	23	–
	64,856	65,242

	Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Purchase of goods		
Conch Cement	7,175	6,174
Conch IT Engineering	146	5,939
Kawasaki HI	1,417	2,213
CKEM	11,126	351
Conch Profiles	67	1,340
Conch Design Institute	151	2,532
	20,082	18,549

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(Expressed in Renminbi Yuan unless otherwise indicated)

19 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

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

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Services received		
Conch Cement	16,045	9,880
Conch Design Institute	7,712	9,486
Conch IT Engineering	2,746	245
Kawasaki HI	–	2,233
	26,503	21,844

(b) Balances with related parties

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

	At	At
	30 June	31 December
	2018	2017
	RMB'000	RMB'000
Amounts due from		
Conch Cement	79,159	107,883
CKEM	42	20
Kawasaki HI	–	27
Conch Design Institute	28,212	12,507
Conch IT Engineering	–	424
Conch Profiles	16	–
	107,429	120,861

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(Expressed in Renminbi Yuan unless otherwise indicated)

19 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)***(b) Balances with related parties** *(Continued)*

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Amounts due to		
Conch Cement	76,193	37,430
Kawasaki HI	2,748	8,840
Conch IT Engineering	11,377	5,293
CKEM	4,241	11,130
Conch Design Institute	4,588	1,098
Conch Profiles	8	410
Conch Holdings	–	865
	99,155	65,066