



China Conch Environment Protection Holdings Limited  
中國海螺環保控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 587)

ANNUAL REPORT  
2022



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

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

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

# CONTENTS

Definitions	2
1. Corporate Information	7
2. Financial Highlights	9
3. Highlights of Conch Environment in 2022	10
4. Business Review and Outlook	12
5. Management Discussion and Analysis	22
6. Corporate Governance Report	33
7. Report of the Directors	56
8. Biographies of Directors and Senior Management	81
9. Independent Auditor's Report	86
10. Consolidated Statement of Profit or Loss	94
11. Consolidated Statement of Profit or Loss and Other Comprehensive Income	95
12. Consolidated Statement of Financial Position	96
13. Consolidated Statement of Changes in Equity	98
14. Consolidated Cash Flow Statement	99
15. Notes to the Financial Statements	100





## DEFINITIONS

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

Anhui Conch Environment Group:	安徽海螺環保集團有限公司 (Anhui Conch Environment Group Co., Ltd.)
Articles of Association:	the articles of association of the Company
associated corporation(s):	has the meaning ascribed thereto under the SFO
Audit Committee:	the audit committee of the Board
Board:	the board of Directors of the Company
Changqing Oilfield:	中國石油天然氣股份有限公司長慶油田分公司 (Changqing Oilfield Branch of PetroChina Company Limited*)
Chery Automotive	奇瑞汽車股份有限公司 (Chery Automotive Co., Ltd.)
CK Engineering:	安徽海螺川崎工程有限公司 (Anhui Conch Kawasaki Engineering Co., Ltd.*)
CNBM:	中國建材股份有限公司 (China National Building Material Company Limited*), a company listed on the Stock Exchange (stock code: 3323), together with its subsidiaries and associates, CNBM Group
Company/Conch Environment/ we/us:	China Conch Environment Protection Holdings Limited (中國海螺環保控股有限公司), a company incorporated under the laws of the Cayman Islands with limited liability and the Shares of which are listed on the Stock Exchange (stock code: 587)
Conch Cement:	安徽海螺水泥股份有限公司 (Anhui Conch Cement Co., Ltd.*), a joint stock company established in the PRC with limited liability whose shares are listed on Shanghai Stock Exchange (stock code: 600585) and on the Main Board of the Stock Exchange (stock code: 914), and the controlling shareholder of the Company

## DEFINITIONS

Conch Cement Group:	Conch Cement, its subsidiaries and associates
Conch Design Institute:	安徽海螺建材設計研究院有限責任公司 (Anhui Conch Building Materials Design and Research Co., Ltd.*), a company established in the PRC with limited liability on 10 August 1998, a wholly owned subsidiary of Conch Group and an associate of Conch Cement
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.*), a company established in the PRC with limited liability on 12 June 2008, a wholly-owned subsidiary of Conch Group and an associate of Conch Cement
Conch New Material:	海螺(安徽)節能環保新材料股份有限公司 (Conch (Anhui) Energy Saving and Environment Protection New Material Co., Ltd.*), a company listed on the Shenzhen Stock Exchange (stock code: 000619)
Conch Venture:	China Conch Venture Holdings Limited (中國海螺創業控股有限公司), an exempted company incorporated under the laws of the Cayman Islands whose shares are listed on the Main Board of the Stock Exchange (stock code: 586); the Company was wholly owned by Conch Venture before the Listing, and immediately upon completion of the Listing by way of introduction and spin-off by way of distribution in specie, Conch Venture no longer retained any interest in the Company
connected person(s):	has the meaning ascribed thereto under the Listing Rules
controlling shareholder(s):	has the meaning ascribed thereto under the Listing Rules
CV Group:	安徽海創集團股份有限公司 (Anhui Conch Venture Group Co., Ltd.*) (formerly known as: 安徽海螺創業投資有限責任公司 (Anhui Conch Venture Investment Co., Ltd.*))
Director(s):	the director(s) of the Company

## DEFINITIONS

Gezhouba Cement:	中國葛洲壩集團水泥有限公司 (China Gezhouba Group Stock Company Limited*)
Group:	the Company and its subsidiaries
Guangzhou Environment:	廣州市環境保護技術有限公司 (Guangzhou Environment Protection Technology Co., Ltd.*)
Haizhong Environmental:	安徽海中環保有限責任公司 (Anhui Haizhong Environmental Company Limited*), a company established in the PRC with limited liability and a non-wholly owned subsidiary of the Company
HKD/HK\$:	the lawful currency of Hong Kong
holding company:	has the meaning ascribed thereto under the Listing Rules
Hongfa Investment:	廣東鴻發投資集團有限公司 (Guangdong Hongfa Investment Group Co.,Ltd.*)
Hong Kong:	the Hong Kong Special Administrative Region of the PRC
Independent Shareholders:	in respect of the resolutions related to the 2023 Industrial Solid and Hazardous Waste Treatment Framework Agreement, the 2023 Engineering Design Services Framework Agreement and the 2023 Information System Procurement Framework Agreement (including the proposed annual caps for the three years ending 31 December 2025), excludes Shareholders other than Conch Cement, together with its subsidiaries and its Parties Acting in Concert
Independent Third Parties:	any entity or person who is not a connected person of the Company within the meaning ascribed thereto under the Listing Rules
Listing Date:	30 March 2022, on which the Shares were listed and from which dealings therein are permitted to take place on the Stock Exchange

## DEFINITIONS

Listing Document:	the listing document of the Company issued in connection with the Listing dated 22 March 2022
Listing Rules:	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
Management:	the operating management team of the Company
Parties Acting in Concert:	the parties acting in concert with Conch Cement under the Takeover Code, namely Conch Venture, Ren Yong (任勇), Qi Shengli (齊生立), Li Qunfeng (李群峰), Li Xiaobo (李曉波), Zhou Xiaochuan (周小川), Guo Dan (郭丹), Yan Zi (晏滋), Ji Xian (紀憲), Ma Wei (馬偉) and Wang Jingqian (王敬謙)
PRC:	the People's Republic of China (for the purpose of this report, excludes Hong Kong, Macao Special Administrative Region of the PRC and Taiwan)
Remuneration and Nomination Committee:	the remuneration and nomination committee of the Board
Reporting Period:	from 1 January 2022 to 31 December 2022
RMB:	the lawful currency of the PRC
SA Conch:	安徽海螺集團有限責任公司工會委員會 (The Staff Association of Anhui Conch Holdings Co., Ltd.*)
SFO:	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (as amended, supplemented or otherwise modified from time to time)
Shaanxi Bangda:	陝西邦達環保工程有限公司 (Shaanxi Bangda Environmental Engineering Company Limited*)
Shaanxi Oufeide:	陝西歐菲德環保科技有限公司 (Shaanxi Oufeide Environmental Protection Technology Co., Ltd.*)

## DEFINITIONS

Shaoguan Hongfeng Environmental Protection:	韶關海創鴻豐綠色環保科技有限公司 (Shaoguan Conch Venture Hongfeng Green Environmental Protection Technology Co., Ltd.*)
Share(s):	ordinary share(s) of HKD0.01 each in the share capital of the Company
Shareholder(s):	the shareholder(s) of the Company
Stock Exchange:	The Stock Exchange of Hong Kong Limited
Strategy, Sustainability and Risk Management Committee:	the strategy, sustainability and risk management committee of the Board
subsidiary(ies):	has the meaning ascribed thereto under the Listing Rules
Takeover Code:	the Code on Takeovers and Mergers and Share Buy-backs issued by the Securities and Futures Commission in Hong Kong, as amended, supplemented or otherwise modified from time to time
Wuhu Conch Venture Environmental:	蕪湖海創環保科技有限責任公司 (Wuhu Conch Venture Environmental Protection Technology Co., Ltd.*)
Yaobai Environmental:	西安堯柏環保科技工程有限公司 (Xi'an Yaobai Environmental Protection Technology Engineering Co., Ltd.*)
Yaobai Special Cement:	堯柏特種水泥集團有限公司 (Yaobai Special Cement Co., Ltd.*)



## 1. CORPORATE INFORMATION

<b>(I) REGISTERED CHINESE NAME OF THE COMPANY:</b>	中國海螺環保控股有限公司
<b>CHINESE ABBREVIATION:</b>	海螺環保
<b>REGISTERED ENGLISH NAME OF THE COMPANY:</b>	CHINA CONCH ENVIRONMENT PROTECTION HOLDINGS LIMITED
<b>ENGLISH ABBREVIATION:</b>	CONCH ENVIRO
<b>(II) EXECUTIVE DIRECTORS:</b>	Mr. LI Xiaobo ( <i>General Manager</i> ) Ms. LIAO Dan Mr. FAN Zhan
<b>(III) NON-EXECUTIVE DIRECTORS:</b>	Mr. LI Qunfeng ( <i>Chairman of the Board</i> ) Mr. XIAO Jiexiang Mr. MA Wei
<b>(IV) INDEPENDENT NON-EXECUTIVE DIRECTORS:</b>	Mr. DAI Xiaohu Ms. WANG Jiafen Ms. LI Chen
<b>(V) AUDIT COMMITTEE:</b>	Ms. WANG Jiafen ( <i>Chairlady</i> ) Mr. DAI Xiaohu Ms. LI Chen
<b>(VI) REMUNERATION AND NOMINATION COMMITTEE:</b>	Mr. DAI Xiaohu ( <i>Chairman</i> ) Mr. LI Qunfeng Ms. WANG Jiafen Ms. LI Chen
<b>(VII) STRATEGY, SUSTAINABILITY AND RISK MANAGEMENT COMMITTEE:</b>	Mr. LI Qunfeng ( <i>Chairman</i> ) Mr. DAI Xiaohu Mr. LI Xiaobo Mr. XIAO Jiexiang
<b>(VIII) JOINT COMPANY SECRETARIES:</b>	Ms. LIAO Dan Mr. LEE Leong Yin

## 1. CORPORATE INFORMATION

<b>(IX) AUTHORISED REPRESENTATIVES:</b>	Mr. LI Qunfeng Mr. LI Xiaobo
<b>(X) REGISTERED OFFICE IN THE CAYMAN ISLANDS</b>	Campbells Corporate Services Limited Floor 4, Willow House, Cricket Square Grand Cayman, KY1-9010, Cayman Island
<b>(XI) HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC</b>	Wuhu Conch International Conference Center No. 1005, South Jiuhua Road Yijiang District, Wuhu City Anhui Province PRC
<b>(XII) POSTAL CODE:</b>	241070
<b>(XIII) EMAIL ADDRESS OF THE COMPANY:</b>	hlhb@conchenviro.com
<b>(XIV) WEBSITE OF THE COMPANY:</b>	<a href="http://www.conchenviro.com">http://www.conchenviro.com</a>
<b>(XV) PRINCIPAL PLACE OF BUSINESS IN HONG KONG:</b>	5/F, Manulife Place 348 Kwun Tong Road Kowloon, Hong Kong
<b>(XVI) HONG KONG LEGAL ADVISOR:</b>	Clifford Chance
<b>(XVII) INTERNATIONAL AUDITOR:</b>	KPMG Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance (Chapter 588 of Laws of Hong Kong) 8/F, Prince's Building, 10 Chater Road, Central, Hong Kong
<b>(XVIII) COMPLIANCE ADVISOR:</b>	FUTEC Financial Limited
<b>(XIX) PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS:</b>	Conyers Trust Company (Cayman) Limited Cricket Square, Hutchins Drive P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands
<b>(XX) HONG KONG SHARE REGISTRAR:</b>	Computershare Hong Kong Investor Services Limited Shops 1712–1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
<b>(XXI) STOCK CODE:</b>	00587

## 2. FINANCIAL HIGHLIGHTS

### FINANCIAL OVERVIEW (FOR THE YEAR ENDED 31 DECEMBER 2022)

#### 1. Operation results

Item	2022	2021	2020	Unit: RMB'000	
				2019	2018
Revenue	<b>1,729,598</b>	1,698,153	1,143,991	737,772	396,656
Profit before taxation	<b>410,531</b>	697,713	574,160	432,951	286,624
Profit for the year	<b>360,463</b>	646,577	557,994	426,662	280,917
Net profit attributable to the equity Shareholders of the Company	<b>328,656</b>	578,607	468,986	353,314	233,551

#### 2. Assets and liabilities

Item	2022	2021	2020	Unit: RMB'000	
				2019	2018
Total assets	<b>8,536,568</b>	7,510,221	4,888,112	2,431,472	1,341,204
Total liabilities	<b>5,148,934</b>	4,420,301	3,086,475	1,065,604	522,513
Equity attributable to the equity Shareholders of the Company	<b>2,728,907</b>	2,420,593	1,053,244	1,035,746	650,772

03/30

Conch Environment was listed and its shares were traded successfully on the Main Board of Stock Exchange, officially entering a new path in the international capital market.

0587.HK



05/09

Conch Environment successfully signed the Chongqing Liangping 60,000 tonnes/year sludge drying project and the 50,000 tonnes/year fly ash utilization project, which further improved the Group's industrial layout in the southwest region.

06/02

Wuhu Conch Venture Environmental, a subsidiary of Conch Environment, won the title of "Top Ten Public Units of Environmental Protection Facilities in 2022".



10/28

Conch Environment officially became a subsidiary of Conch Cement and its financial results will be consolidated into the financial statements of Conch Cement.

11/02

Conch Environment signed a strategic cooperation framework agreement with Chery Automobile to build an efficient sharing platform for resource sharing and complementary advantages in the cooperative business field.



# 海螺環保 大事記



01/26

Conch Environment successfully implemented the 36,000 T/a oil sludge resource recycling project in Zhoushan City, Zhejiang Province by means of asset purchase. The successful signing of this project made up for the Company's oil sludge market gap in Zhejiang and further widened the layout of oil sludge industry in the country.

01/24

Conch Environment officially signed an equity cooperation agreement with Hongfa Investment and Shaoguan Hongfeng Environmental Protection, all parties will combine their advantageous resources to jointly promote the construction of a 200,000 ton cement kiln for collaborative treatment of solid (hazardous) waste.



06/17

Conch Environment and Gezhouba Cement signed a strategic cooperation framework agreement to promote in-depth cooperation between the two parties in the industrial solid and hazardous waste treatment business.



08/19

Conch Environmental is included in 7 constituent stocks of the Hang Seng Family of Indexes, which includes Hang Seng Composite Index, Hang Seng Stock Connect Hong Kong Index, Hang Seng Stock Connect Hong Kong MidCap & SmallCap Index, Hang Seng Stock Connect Hong Kong SmallCap Index, Hang Seng SCHK Mainland China Companies Index, Hang Seng SCHK ex-AH Companies Index and Hang Seng Small Cap (Investable) Index, etc.

恒生指數  
HANG SENG INDICES

新聞稿  
PRESS RELEASE

4. 恒生綜合指數

恒生綜合指數成份股將有以下的變動，成份股數目由 508 只增加至 518 只。

加入：

代碼	公司
587	中國通海祥信理股份有限公司
650	聯想科技控股有限公司
732	信利國際有限公司
956	新天綠色能源股份有限公司 - H 股
1119	信諾大藥科技控股有限公司
1361	361 集團有限公司
1675	豆信科技控股有限公司
1725	香港航天和建築有限公司
1798	中國大商集團新能源股份有限公司 - H 股
2121	廣品新數科集團股份有限公司 - H 股
2157	樂爾生物科技股份有限公司 - H 股

## CONCH ENVIRO

MAJOR  
EVENTS



12/19

Conch Environmental was awarded the 20th China's Financial Annual Champion Awards Selection — Overseas Pioneer of the Year Award.



## 4. BUSINESS REVIEW AND OUTLOOK

### (1) MACRO ENVIRONMENT

In 2022, due to the complex and ever-changing international environment and the turbulent geopolitical situation, the risk of a global economic downturn had increased. The triple pressure of demand shrinkage, supply shock, and expected weakening continues to emerge. Under the control of the national macro-policy, the national economy faced challenges and effectively responded to the impact of negative factors that exceeded expectations. The macroeconomic market was generally stable, and GDP increased by approximately 3.0% as compared with last year.

In March 2022, the Company was successfully listed on the Main Board of Stock Exchange, laying a solid foundation for the Company to tap into the new direction of international capital and start a new round of high-quality development. In October of the same year, Conch Cement became the controlling shareholder of the Group and the financial results of the Company were consolidated into the consolidated financial statements of Conch Cement. After the reorganization of the board of directors, the Group further strengthened synergy in production management with cement entities treatment plant. The management integration achieved initial results, and the quality of operation steadily improved.

### (2) BUSINESS REVIEW

In 2022, under the background of fierce market competition and increased peak shifting efforts in the cement industry, the Group strived to overcome the challenges, accelerated external project development, actively explored markets, stabilized economic benefits, internally paid close attention to safety management, promoted costs reduction and efficiency enhancement, and adhered to scientific and technological innovation, to achieve the increase in the amount of incoming plants and treatments against the unfavourable trend.

At the end of the Reporting Period, the Group put into operation and constructed for a total of 63 environmental protection projects in 19 provinces, municipalities, and autonomous regions across the country, including 37 general hazardous waste projects, 5 fly ash washing projects, 5 oil sludge treatment projects, 15 industrial solid waste projects and 1 comprehensive resource utilization project. The treatment scale of the projects was approximately 6,815,700 tonnes (excluding projects subject to approval and to be constructed).

## 4. BUSINESS REVIEW AND OUTLOOK

### Industrial hazardous waste treatment

#### 1) Project expansion

The Group continued to uncover the developmental potential of collaborative hazardous waste treatment of cement kilns projects, and successfully entered into contracts for three projects including Shaoguan in Guangdong (200,000 tonnes/year), Tongchuan in Shaanxi (200,000 tonnes/year) and Junlian in Sichuan (200,000 tonnes/year) during the Reporting Period, with a production capacity of approximately 600,000 tonnes/year. In terms of the development of non-kiln projects, the Group strictly implemented the development plan of the fly ash industry, insisted on prioritizing the market, comprehensively understood and verified local policy plans, and entered into contracts for 7 fly ash projects such as Xingtai in Hebei (100,000 tonnes/year), Fusui in Guangxi (100,000 tonnes/year), Baoding in Hebei (50,000 tonnes/year), Liangping in Chongqing (50,000 tonnes/year), Wenshan in Yunnan (100,000 tonnes/year), Mianyang in Sichuan (50,000 tonnes/year), and Taian in Shandong (100,000 tonnes/year), with a capacity of approximately 550,000 tonnes/year. The Group also entered into a contract for Zhoushan oil sludge project (36,000 tonnes/year) to fill the gap in the oil sludge market in Zhejiang region. In addition, the Group also entered into a strategic cooperation agreement with Gezhouba Cement and Chery Automotive to launch the foundation for in-depth cooperation among the parties and achieve complementary advantages.

During the Reporting Period, the Group actively explored new projects and successfully entered into contracts for a total of 11 hazardous waste projects, with a production capacity scale of 1,186,000 tonnes/year.

#### 2) Project operation

In terms of market expansion, the Group takes market construction as its focus to open up customer channels. The number of customers has steadily increased. The Group also has reached a strategic cooperation relationship with large -scale waste- producing enterprises such as Changqing Oilfield Guangzhou Environment. Industry exchanges and cooperation are deepened. The management mechanism of price operation is standardized. Focusing on the expansion of cross-provincial business transfer, the cross-provincial transfer channels such as Shanghai, Zhejiang, Ningxia, etc. have been successfully opened, and the blank market layout has been further improved.

In terms of operation and management, we continuously optimize the treatment process, and focus on promoting technical reforms such as “one machine, two kilns”, “terrace furnace” and “hot disc furnace”. The production of treatment platform per hour is effectively improved. Simultaneously, the optimization of the technical reform of the fly ash washing system and the orderly progress of the technical reform of fly ash washing are implemented. We improve the construction of the safety production management system, continue to optimize emissions for environmental protection, and continue to improve the level of corporate safety and environmental protection management.

During the Reporting Period, the total treatment volume of industrial hazardous waste of the Group was approximately 921,600 tonnes, representing a year-on-year increase of approximately 17.42%, among which, approximately 775,500 tonnes were general hazardous waste, approximately 98,400 tonnes were oil sludge, and approximately 47,700 tonnes were fly ash.

## 4. BUSINESS REVIEW AND OUTLOOK

### Industrial solid waste treatment

#### 1) Project expansion

Since 2022, the Group has increased communication with relevant government departments and local water enterprises to accelerate the expansion of sludge projects. During the Reporting Period, the Group entered into contracts for 6 new industrial solid waste treatment projects, with a production capacity of 614,000 tonnes/year, including Wuhu sludge (132,000 tonnes/year), Chongqing sludge (66,000 tonnes/year), Sichuan Mianyang (100,000 tonnes/year), Guizhou Shuicheng (66,000 tonnes/year), Jiangxi Yushan (150,000 tonnes/year) and Hainan Changjiang (100,000 tonnes/year).

#### 2) Project operation

In 2022, the Group actively expanded the market of contaminated soil, and seized opportunities to obtain the contaminated soil treatment franchise from a number of waste producing enterprises, which greatly enhanced the input volume and effectively improved the operating efficiency of the Company. During the Reporting Period, the total treatment volume of industrial solid waste of the Group was approximately 1,593,600 tonnes, representing a year-on-year increase of approximately 10.30%.

### Comprehensive resource utilization

The comprehensive resource utilization project in Ninghai, Zhejiang Province of the Group has been put into operation, with a treatment capacity of approximately 100,000 tonnes/year. During the Reporting Period, the Group actively carried out technical transformation and technical measures, actively explored and optimized the ingredient process scheme, and at the same time continued to promote channel expansion and continuously improve the construction of the supply and sales market. In 2022, the Group sold a total of approximately 7,115 tonnes of comprehensive resource utilization products.

## 4. BUSINESS REVIEW AND OUTLOOK

At the end of Reporting Period, details of general hazardous waste treatment projects in operation and under construction are set out in the following table:

No.	Status of Construction	Project Location	Treatment Capacity	Hazardous Waste Qualification	Actual/Expected Completion Date
1	In operation	Fuping, Shaanxi Province	100,000 tonnes/year	100,000 tonnes/year	April 2016
2		Qian County, Shaanxi Province	70,000 tonnes/year	63,600 tonnes/year	April 2017
3		Wuhu, Anhui Province	2×100,000 tonnes/year	130,000 tonnes/year (for both periods)	December 2017
4		Yiyang, Jiangxi Province	2×100,000 tonnes/year	170,000 tonnes/year (for both periods)	May 2018
5		Xingye, Guangxi Province	2×100,000 tonnes/year	161,500 tonnes/year (for both periods)	August 2018
6		Suzhou, Anhui Province	2×100,000 tonnes/year	125,000 tonnes/year (for both periods)	August 2018
7		Qianyang, Shaanxi Province	100,000 tonnes/year	100,000 tonnes/year	October 2018
8		Zhong County, Chongqing Municipality	2×100,000 tonnes/year	95,200 tonnes/year (for both periods)	June 2019
9		Tongchuan, Shaanxi Province	100,000 tonnes/year	81,500 tonnes/year	August 2019
10		Wenshan, Yunnan Province	100,000 tonnes/year	66,000 tonnes/year	August 2019
11		Sanming, Fujian Province	100,000 tonnes/year	40,500 tonnes/year	August 2019
12		Qingzhen, Guizhou Province	100,000 tonnes/year	100,000 tonnes/year	September 2019
13		Yixing, Jiangsu Province	100,000 tonnes/year	100,000 tonnes/year	December 2019
14		Sishui, Shandong Province	100,000 tonnes/year	100,000 tonnes/year	January 2020
15		Qiyang, Hunan Province	100,000 tonnes/year	69,500 tonnes/year	January 2020
16		Yangchun, Guangdong Province	100,000 tonnes/year	65,300 tonnes/year	August 2020
17		Luoyang, Henan Province	100,000 tonnes/year	72,000 tonnes/year	December 2020
18		Jiyuan, Henan Province	100,000 tonnes/year	50,000 tonnes/year	December 2020
19		Dezhou, Shandong Province	100,000 tonnes/year	75,000 tonnes/year	December 2020
20		Tai'an, Shandong Province	100,000 tonnes/year	100,000 tonnes/year	December 2020

## 4. BUSINESS REVIEW AND OUTLOOK

No.	Status of Construction	Project Location	Treatment Capacity	Hazardous Waste Qualification	Actual/Expected Completion Date
21	In operation	Linxiang, Hunan Province	100,000 tonnes/year	88,500 tonnes/year	January 2021
22		Wuhu, Anhui Province	16,500 tonnes/year	16,500 tonnes/year	January 2021
23		Chongzuo, Guangxi Province	100,000 tonnes/year	85,000 tonnes/year	March 2021
24		Long'an, Guangxi Province	100,000 tonnes/year	70,000 tonnes/year	March 2021
25		Guilin, Guangxi Province	100,000 tonnes/year	60,000 tonnes/year	July 2021
26		Dengfeng, Henan Province	100,000 tonnes/year	80,000 tonnes/year	July 2021
27		Ningguo, Anhui Province	100,000 tonnes/year	70,000 tonnes/year	January 2022
28		Nanjing, Jiangsu Province	100,000 tonnes/year	94,600 tonnes/year	January 2022
29		Pingliang, Gansu Province	130,000 tonnes/year	60,000 tonnes/year	June 2022
30		Fuyang, Zhejiang Province	200,000 tonnes/year	90,000 tonnes/year	June 2022
31		Jiayuguan, Gansu Province	100,000 tonnes/year	100,000 tonnes/year	June 2022
32		Hulunbair, Inner Mongolia	50,000 tonnes/year	35,000 tonnes/year	June 2022
33		Arong Qi, Inner Mongolia	100,000 tonnes/year	85,000 tonnes/year	June 2022
34		Fuzhou, Jiangxi Province	100,000 tonnes/year	75,000 tonnes/year	October 2022
<b>Subtotal</b>			<b>3,866,500 tonnes/year</b>	<b>2,874,700 tonnes/year</b>	
35	Under construction	Shaoguan, Guangdong Province	200,000 tonnes/year	/	March 2023
36		Yunfu, Guangdong Province	100,000 tonnes/year		May 2023
37		Qingyuan, Guangdong Province	100,000 tonnes/year		August 2023
<b>Subtotal</b>			<b>400,000 tonnes/year</b>		
<b>Total</b>			<b>4,266,500 tonnes/year</b>	<b>2,874,700 tonnes/year</b>	



## 4. BUSINESS REVIEW AND OUTLOOK

At the end of Reporting Period, details of fly ash washing projects in operation and under construction are set out in the following table:

No.	Status of Construction	Project Location	Treatment Capacity	Actual/Expected Completion Date
1	In operation	Wuhu, Anhui Province	100,000 tonnes/year	December 2020
2		Yiyang, Hunan Province	49,500 tonnes/year	March 2022
3		Yiyang, Jiangxi Province	100,000 tonnes/year	March 2022
<b>Subtotal</b>			<b>249,500 tonnes/year</b>	
4	Under construction	Quanjiao, Anhui Province	100,000 tonnes/year	April 2023
5		Qian County, Shaanxi Province	50,000 tonnes/year	July 2023
<b>Subtotal</b>			<b>150,000 tonnes/year</b>	
<b>Total</b>			<b>399,500 tonnes/year</b>	

At the end of Reporting Period, details of oil sludge treatment projects in operation and under construction are set out in the following table:

No.	Status of Construction	Project Location	Treatment Capacity	Hazardous Waste Qualification	Actual/Expected Completion Date
1	In operation	Yulin, Shaanxi Province (Phase 1)	100,000 tonnes/year	100,000 tonnes/year	May 2020 (Acquisition)
2		Binzhou, Shandong Province	100,000 tonnes/year	100,000 tonnes/year	May 2021 (Acquisition)
3		Dongying, Shandong Province (Phase 1)	80,000 tonnes/year	80,000 tonnes/year	January 2022
<b>Subtotal</b>			<b>280,000 tonnes/year</b>	<b>280,000 tonnes/year</b>	
4	Under construction	Yulin, Shaanxi Province (Phase 2)	100,000 tonnes/year	/	February 2023
5		Jinzhou, Liaoning Province	Oil sludge treatment: 20,000 tonnes/year Incineration: 42,000 tonnes/year		May 2023
6		Dongying, Shandong Province (Phase 2)	80,000 tonnes/year		September 2023
7		Qingyang, Gansu Province	80,000 tonnes/year		January 2024
<b>Subtotal</b>			<b>322,000 tonnes/year</b>		
<b>Total</b>			<b>602,000 tonnes/year</b>	<b>280,000 tonnes/year</b>	

## 4. BUSINESS REVIEW AND OUTLOOK

At the end of Reporting Period, details of industrial solid waste treatment projects in operation and under construction are set out in the following table:

No.	Status of Construction	Project Location	Treatment Capacity	Actual/Expected Completion Date
1	In operation	Huaining, Anhui Province	70,000 tonnes/year	September 2017
2		Mian County, Shaanxi Province	16,500 tonnes/year	October 2017
3		Huaibei, Anhui Province	2×66,000 tonnes/year	December 2017
4		Liangping, Chongqing Municipality	75,000 tonnes/year	September 2019
5		Guangyuan, Sichuan Province	70,000 tonnes/year	January 2020
6		Fanchang, Anhui Province	210,000 tonnes/year	July 2020
7		Chizhou, Anhui Province	100,000 tonnes/year	November 2020
8		Yiyang, Hunan Province	66,200 tonnes/year	January 2021
9		Baoding, Hebei Province	100,000 tonnes/year	March 2021
10		Quanjiao, Anhui Province	60,000 tonnes/year	July 2021
11		Zongyang, Anhui Province	100,000 tonnes/year	July 2021
12		Xinhua, Hunan Province	66,000 tonnes/year	January 2022
13		Xin'an, Henan Province	50,000 tonnes/year	June 2022
<b>Subtotal</b>			<b>1,115,700 tonnes/year</b>	
14	Under construction	Chaohu, Anhui Province	200,000 tonnes/year	January 2023
15		Wuhu, Anhui Province (sludge drying)	132,000 tonnes/year	February 2023
<b>Subtotal</b>			<b>332,000 tonnes/year</b>	
<b>Total</b>			<b>1,447,700 tonnes/year</b>	

Please refer to the table below for details of the comprehensive resource utilization projects as at the end of the Reporting Period:

Status of Construction	Project Location	Treatment Capacity	Hazardous Waste Qualification	Completion Date
In operation	Ninghai, Zhejiang Province	100,000 tonnes/year	100,000 tonnes/year	May 2021

## 4. BUSINESS REVIEW AND OUTLOOK

At the end of Reporting Period, the treatment scale of the Group's projects in operation and under construction was approximately 6,815,700 tonnes/year, the details of which are set out in the following table:

Unit: 10,000 tonnes/year

Category	General hazardous waste		Fly ash washing		Oil sludge treatment		Solid Waste		Comprehensive Resource Utilization
	In operation	Under construction	In operation	Under construction	In operation	Under construction	In operation	Under construction	
Scale	386.65	40	24.95	15	28	32.2	111.57	33.2	10

### (3) FUTURE PLAN AND OUTLOOK

The report of the 20th National Congress of the Communist Party of China clearly states that it is necessary to accelerate the green transformation of the development mode, develop green and low-carbon industries, further promote the prevention and control of environmental pollution, accelerate the implementation of major ecological system protection and restoration projects, and actively and steadily promote carbon peak carbon neutrality. The Group will take the adherence to the spirit of the 20th National Congress of the Communist Party of China as a strong driving force, with the emphasis on "prioritizing operating benefits, increasing income and reducing expenditures, increasing market prices and expanding volumes, improving governance standards, and developing empowerment breakthrough", and will leverage the country's "promotion of the green transformation of economic and social development" to actively expand projects, improve the market layout, increase market share, ensure safe production, consolidate the management foundation, consolidate the leading position in the industry, and achieve higher-quality development of the Group. Therefore, the Group will commence our work with the following focus:

## 4. BUSINESS REVIEW AND OUTLOOK

### **Strictly adhering to the development plan, blooming in more areas, and consolidating our position in the industry**

The Group will adhere to the “one and final blueprint” and aim to “realize a solid and hazardous waste treatment contract scale of 30 million tonnes per year in 2028” (including 10 million tonnes of hazardous waste, 10 million tonnes of solid waste (including sludge), 6 million tonnes of fly ash, 3 million tonnes of oil sludge, and 1 million tons of new industries). The coordinated development of various industries will go hand in hand to build a new pattern of industrial development.

**In terms of the industrial hazardous waste treatment business**, firstly, under the guidance of the fly ash development plan, we will carry out market research and profit analysis comprehensively, and gradually improve the project layout. At the same time, we will strengthen our communication with the government and large-scale waste-to-energy enterprises, and focus on the implementation of key projects. Secondly, we will actively seek strategic cooperation opportunities with upstream companies in oil and gas field development, lock in the market, and promote the layout. We will speed up project layout around the blank areas that have not yet been deployed, and build a benchmark enterprise for oil sludge treatment from point to area. Thirdly, we will fully consider the combination of traditional treatment and cement kilns, and prudently carry out the acquisition of traditional treatment projects in areas with long kiln suspension during peak shifting and high pressure on atmospheric control, and improve market network coverage.

**In terms of the industrial solid waste treatment business**, firstly, we will dig deep into the sludge treatment industry market, prioritize key areas such as the Yangtze River Delta and Beijing-Tianjin-Hebei. At the same time, we will strengthen strategic cooperation with large water treatment companies to jointly promote the construction of “sewage + sludge” model projects. Secondly, we will strengthen the research and development of solid waste alternative fuel technology, carry out front-end market research, systematically make a good project layout, implementation and production mode discussion, and carry out trials for the implementation of alternative fuel projects.

## 4. BUSINESS REVIEW AND OUTLOOK

### **Coordinating the further improvement of operation quality, deepening technical transformation and technical measures, and enhancing core competitiveness**

#### **We will intensively cultivate the market and improve the ability to control the market.**

Firstly, we will fully increase our market share and seize customer resources. We will pay attention to the bidding dynamics of high-volume waste-producing enterprises, and enhance our cooperation and communication with large-scale waste-producing enterprises. We will take advantage of temporary storage resources to expand the scope of small and micro customer service. We will focus on the expansion of cross-provincial business, and strive to open up inter-provincial transfer channels such as Beijing-Tianjin-Hebei. Secondly, we will actively carry out industry exchanges with large environmental protection enterprises and establish a good competition and cooperation relationship between enterprises. Thirdly we will comprehensively promote the integrated management of the market and carry out the integration of regional resources. We will adhere to the business philosophy of “direct sales as the primary and distribution as the ancillary” to realize the continuous optimization of cost management.

#### **Deepening technical transformation and promoting the organic integration of management models.**

Firstly, we will closely focus on annual goals and tasks, strengthen our scheduling, fulfill the tasks, focus on strengthening regional coordination, and speed up the resolution of production and operation bottlenecks. Secondly, we will strengthen our communication with cement kiln waste co-processing units and coordinate in a scientific manner. We will carry out trials to explore the organic integration with cement entities co-processing factory management model to improve production and treatment efficiency, At the same time, We will enhance our overall planning of procurement resources to reduce operating costs. Thirdly, we will continue to deepen the technical transformation measures, optimize the fly ash treatment process technology, cross the key limits to improve the quality and efficiency of project operations.

### **Strictly controlling the progress of projects, fulfilling the safety responsibility, and improving the level of risk management and control**

Firstly, we will strictly follow the schedule of project construction, safeguard the quality of project construction, ensure that the project is completed on schedule with high quality, continuously optimize the project design plan, reduce project construction costs, and create model projects. Secondly, we will consolidate safety obligations, strengthen the supervision and inspection of the safety management process, enhance the operation and maintenance of environmental protection equipment to promote the further improvement of management efficiency. Thirdly, we will strengthen the control of risk sources, strengthen the tracking of contract execution, and pay close attention to the management of accounts receivable. Fourthly, we will attach great importance to compliance management, pay close attention to the key elements of the Company's operations, increase the supervision of risk areas to improve the overall effectiveness of audit supervision.



## 5. MANAGEMENT DISCUSSION AND ANALYSIS

### (I) FINANCIAL PROFITABILITY

Item	2022	2021	Change between the Reporting Period and the same period last year (%)
	Amount (RMB'000)	Amount (RMB'000)	
Revenue	<b>1,729,598</b>	1,698,153	1.85
Profit before taxation	<b>410,531</b>	697,713	-41.16
Profit for the year	<b>360,463</b>	646,577	-44.25
Net profit attributable to equity Shareholders of the Company	<b>328,656</b>	578,607	-43.20

During the Reporting Period, the Group recorded a revenue of RMB1,729.60 million, representing a year-on-year increase of 1.85%. Profit before taxation amounted to RMB410.53 million, representing a year-on-year decrease of 41.16%. Profit for the year amounted to RMB360.46 million, representing a year-on-year decrease of 44.25%. Net profit attributable to equity Shareholders of the Company amounted to RMB328.66 million, representing a year-on-year decrease of 43.20%. During the year ended 31 December 2022, basic earnings per share amounted to RMB0.18, representing a year-on-year decrease of RMB0.14.

#### 1. Revenue by business stream

Item	2022		2021		Change in amount (%)	Change in percentage (percentage points)
	Amount (RMB'000)	Percentage (%)	Amount (RMB'000)	Percentage (%)		
<b>Industrial hazardous waste treatment services</b>	<b>1,241,852</b>	<b>71.80</b>	1,241,974	73.14	-0.01	-1.34
General hazardous	<b>1,057,841</b>	<b>61.16</b>	1,052,033	61.95	0.55	-0.79
Oil Sludge	<b>124,277</b>	<b>7.19</b>	131,987	7.77	-5.84	-0.58
Fly ash	<b>59,734</b>	<b>3.45</b>	57,954	3.42	3.07	0.03
<b>Industrial solid waste treatment service</b>	<b>463,153</b>	<b>26.78</b>	456,179	26.86	1.53	-0.08
<b>Comprehensive resource utilization</b>	<b>24,593</b>	<b>1.42</b>	-	-	-	-
<b>Total</b>	<b>1,729,598</b>	<b>100.00</b>	1,698,153	100.00	1.85	-

## 5. MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, revenue of the Group was derived from three business segments, namely (i) industrial hazardous waste treatment services; (ii) industrial solid waste treatment services; and (iii) comprehensive resource utilization. With a breakdown by business streams:

- (i) Revenue from **industrial solid waste treatment services** was RMB1,241.85 million, representing a year-on-year decrease of 0.01%, of which:

Revenue from **general hazardous waste** was RMB1,057.84 million, representing a year-on-year increase of 0.55%. The increase in revenue was primarily due to the Group's new projects in Nanjing, Ningguo, Fuyang, Jiayuguan put into operation, as well as the rapid year-on-year growth of the projects in Long'an and Chongqing.

Revenue from **oil sludge treatment** was RMB124.28 million, representing a year-on-year decrease of 5.84%. This was primarily due to the decrease in intake as a result of the phased reduction in the production volume of the oil and gas fields of waste-producing companies, which led to the decreased revenue.

Revenue from **fly ash treatment** was RMB59.73 million, representing a year-on-year increase of 3.07%. The increase in revenue was mainly due to the commissioning of the Yiyang project.

- (ii) Revenue from **industrial solid waste treatment services** was RMB463.15 million, representing a year-on-year increase of 1.53%. The increase in revenue was mainly due to the rapid growth of the project in Quanjiao, Zongyang, Guiyang, Yangchun.
- (iii) Revenue from **comprehensive resource utilization** was RMB24.59 million, the increase in revenue was mainly due to the project in Ninghai put into operation.

### 2. Gross profit and gross profit margin

Item	2022		2021		Change in amount (%)	Change in percentage (Percentage points)
	Gross profit (RMB'000)	Gross profit margin (%)	Gross profit (RMB'000)	Gross profit margin (%)		
<b>Industrial hazardous waste treatment services</b>	<b>670,207</b>	<b>53.97</b>	760,467	61.23	-11.87	-7.26
General hazardous	<b>599,638</b>	<b>56.69</b>	687,363	65.34	-12.76	-8.65
Oil Sludge	<b>63,117</b>	<b>50.79</b>	63,828	48.36	-1.11	2.43
Fly ash	<b>7,452</b>	<b>12.48</b>	9,276	16.01	-19.66	-3.53
<b>Industrial solid waste treatment service</b>	<b>231,780</b>	<b>50.04</b>	254,568	55.8	-8.95	-5.76
<b>Comprehensive resource utilization</b>	<b>8,153</b>	<b>33.15</b>			-	33.15
<b>Total</b>	<b>910,140</b>	<b>52.62</b>	1,015,035	59.77	-10.33	-7.15

## 5. MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the Group recorded a gross profit of RMB910.14 million, representing a year-on-year decrease of 10.33%. With a breakdown by streams,

- (i) Gross profit margin for **general hazardous waste** was 56.69%, representing a year-on-year decrease of 8.65 percentage points. The decrease in gross profit margin was primarily due to (1) price decline due to intensified competition in the market, with year-on-year decrease in company revenues in Anhui, Jiangxi, Guizhou, Guangdong, Guangxi and other provinces; and (2) cement entities in Shandong, Henan and other provinces to increase the staggering kiln suspension efforts, the turnover rate is relatively low, production capacity has not been effectively leveraged.

Gross profit margin for **oil sludge treatment** was 50.79%, representing a year-on-year increase of 2.43 percentage, mainly due to the increase in the intake price of oil sludge.

Gross profit margin for **fly ash treatment** was 12.48%, representing a year-on-year decrease of 3.53 percentage points. The year-on-year decrease was mainly due to the following reasons: (1) the increase in the market price of raw materials required for fly ash treatment, which led to the increase in procurement cost; and (2) due to the change in the structure of fly ash input, the proportion of fly ash input that needs to bear the transportation cost has increased, resulting in an increase in transportation cost.

- (ii) Gross profit margin for **industrial solid waste treatment services** was 50.04%, representing a year-on-year decrease of 5.76 percentage points, primarily due to the gross profit margin of the land remediation business being reduced due to market competition and prices decline.
- (iii) Gross profit margin for **comprehensive resource utilization** was 33.15%.

## 5. MANAGEMENT DISCUSSION AND ANALYSIS

### 3. Other income

During the Reporting Period, the Group's other income amounted to RMB62.85 million, representing a year-on-year decrease of RMB21.02 million, or 25%, primarily due to a year-on-year decrease in government subsidies received and a disposal gain on the disposal of Conch Venture Environmental Protection Technology (Shanghai) Co., Ltd. (海螺創業環保科技(上海)有限公司) during the same period.

### 4. Distribution costs

During the Reporting Period, the Group's distribution costs amounted to RMB157.47 million, representing a year-on-year increase of RMB26.13 million, or 19.89%, primarily due to the increase in labour costs resulting from the increase in the number of projects in operation.

### 5. Administrative expenses

During the Reporting Period, the Group's administrative expenses amounted to RMB317.96 million, representing a year-on-year increase of RMB90.38 million, or 39.71%, primarily due to the development of the Company resulted in an increase in labor costs, listing expenses, safety production expenses, and research and development expenses.

### 6. Finance costs

During the Reporting Period, the Group's finance costs amounted to RMB92.03 million, representing a year-on-year increase of RMB39.95 million, or 76.70%. The increase in finance costs was primarily due to new bank loans raised by the Group.

### 7. Profit before taxation

During the Reporting Period, the Group's profit before taxation amounted to RMB410.53 million, representing a year-on-year decrease of RMB287.18 million, or 41.16%, share of profits of associates amounted to RMB5 million, representing a year-on-year decrease of 49.08%.

## 5. MANAGEMENT DISCUSSION AND ANALYSIS

### (II) FINANCIAL POSITION

As at 31 December 2022, the Group's total assets amounted to RMB8,536.57 million, representing an increase of RMB1,026.35 million as compared to the end of the previous year. The equity attributable to equity Shareholders of the Company amounted to RMB2,728.91 million, representing an increase of RMB308.31 million as compared to the end of the previous year. Gearing ratio of the Group (total liabilities/total assets) was 60.32%, representing an increase of 1.46 percentage points as compared to the end of the previous year. The balance sheet items of the Group are as follows:

Item	As at 31 December 2022 (RMB'000)	As at 31 December 2021 (RMB'000)	Change between the end of the Reporting Period and the end of the previous year (%)
Property, plant and equipment	6,366,191	5,170,495	23.13
Non-current assets	7,217,071	5,806,723	24.29
Current assets	1,319,497	1,703,498	-22.54
Non-current liabilities	3,169,857	2,425,630	30.68
Current liabilities	1,979,077	1,994,671	-0.78
Net current liabilities	659,580	291,173	126.53
Equity attributable to equity Shareholders of the Company	2,728,907	2,420,593	12.74
<b>Total assets</b>	<b>8,536,568</b>	7,510,221	13.67
<b>Total liabilities</b>	<b>5,148,934</b>	4,420,301	16.48



## 5. MANAGEMENT DISCUSSION AND ANALYSIS

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

As at 31 December 2022, non-current assets of the Group amounted to RMB7,217.07 million, representing an increase of 24.29% primarily due to the increase in property, plant and equipment.

Current assets of the Group amounted to RMB1,319.50 million, representing a decrease of 22.54% as compared to the end of the previous year, primarily due to the bigger demand for fund for the development of the Group's project and the repayment of loans.

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

As at 31 December 2022, non-current liabilities of the Group amounted to RMB3,169.86 million, representing an increase of 30.68% as compared to the end of the previous year, primarily due to the new long-term bank loans raised by the Group during the Reporting Period.

Current liabilities of the Group amounted to RMB1,979.08 million, representing a decrease of 0.78% as compared to the end of the previous year, primarily due to the year-on-year decrease in profit tax, trade and other payables of the Group during the Reporting Period.

As at 31 December 2022, current ratio of the Group was 0.67 (the end of the previous year was 0.85) and debt to equity ratio (calculated by dividing total amount of loans by total equity) was 1.11 (the end of the previous year was 0.99).

### 3. Net current liabilities

As at 31 December 2022, net current liabilities of the Group amounted to RMB659.58 million, representing an increase of RMB368.41 million as compared to the end of the previous year, primarily due to a decrease in the Group's cash and cash equivalents as a result of project development and the repayment of loans.

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

As at 31 December 2022, the equity attributable to equity Shareholders of the Company amounted to RMB2,728.91 million, representing an increase of 12.74% as compared to the end of the previous year, primarily due to increases in net profit from principal businesses attributable to the equity Shareholders of the Company.

## 5. MANAGEMENT DISCUSSION AND ANALYSIS

### (III) LIQUIDITY AND CAPITAL SOURCES

During the Reporting Period, the Group improved the returns on its stock capital, enhanced capital planning and management and conducted reasonable allocation of project loans, so as to fully satisfy the Group's capital needs. As at 31 December 2022, the Group's cash and cash equivalents amounted to RMB273.06 million, which were mainly denominated in RMB.

#### 1. Bank loans

Item	As at 31 December 2022 (RMB'000)	As at 31 December 2021 (RMB'000)
Due within one year	<b>637,566</b>	634,033
Due after one year but within two years	<b>1,135,745</b>	343,522
Due after two years but within five years	<b>1,634,774</b>	1,766,994
Due after five years	<b>366,607</b>	299,312
<b>Total</b>	<b>3,774,692</b>	3,043,861

As at 31 December 2022, the balance of bank loans of the Group amounted to RMB3,774.69 million, representing an increase of RMB730.83 million as compared to the end of the previous year, primarily due to the new one to two year term bank loans raised by the Group during the Reporting Period. As at 31 December 2022, the Group's bank loans were denominated in RMB, and most of the loan interests were subject to variable interest rate.

## 5. MANAGEMENT DISCUSSION AND ANALYSIS

### 2. Cash flow

As at 31 December 2022, the Group's balance of cash and cash equivalents amounted to RMB273.06 million, representing a year-on-year decrease of RMB323.05 million.

Item	2022 (RMB'000)	2021 (RMB'000)
Net cash generated from operating activities	<b>542,994</b>	767,721
Net cash used in investing activities	<b>-1,407,369</b>	-2,182,069
Net cash generated from financing activities	<b>541,320</b>	1,371,677
Net (decrease)/increase in cash and cash equivalents	<b>-323,055</b>	-42,671
Cash and cash equivalents at the beginning of the year	<b>596,113</b>	638,784
Cash and cash equivalents at the end of the year	<b>273,058</b>	596,113

#### Net cash generated from operating activities

During the Reporting Period, net cash generated from operating activities of the Group amounted to RMB542.99 million, representing a year-on-year decrease of RMB224.73 million, primarily due to the decrease of net cash generated from operating activities as a result of the relaxation of credit terms of customers by the Group during the pandemic.

#### Net cash used in investing activities

During the Reporting Period, net cash used in investing activities of the Group amounted to RMB1,407.37 million, representing a year-on-year decrease of RMB774.70 million, primarily due to the decrease in payment for purchase of property, plant and equipment, construction in progress and intangible assets during the Reporting Period.

#### Net cash generated from financing activities

During the Reporting Period, net cash generated from financing activities of the Group amounted to RMB541.32 million, representing a year-on-year decrease of RMB830.36 million, primarily due to the repayment of loans as the term of certain loans matured.

## 5. MANAGEMENT DISCUSSION AND ANALYSIS

### (IV) COMMITMENTS

As at 31 December 2022, purchase commitments of the Group in connection with construction contracts were as follows:

Item	As at 31 December 2022 (RMB'000)	As at 31 December 2021 (RMB'000)
Contracted for	385,482	504,362
Authorized but not contracted for	313,766	793,689
<b>Total</b>	<b>699,248</b>	1,298,051

### (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 31 December 2022, the Group had no material contingent liabilities.

### (VII) PLEDGE OF ASSETS

As at 31 December 2022, the bank loans of the Group amounting to RMB47,857,000 (31 December 2021: RMB50,000,000) were secured by right-of-use assets provided by Luoyang Haizhong Environmental Protection Technology Co., Ltd., a subsidiary of the Group.

### (VIII) MATERIAL INVESTMENTS

As at 31 December 2022, the Group had no material investment.

### (IX) FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS ACQUISITION

Save as disclosed in this annual report, the Board did not approve any plans for material investment or capital asset acquisition as at the date of this annual report.

## 5. MANAGEMENT DISCUSSION AND ANALYSIS

### (X) MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

In March 2022, the Company acquired 51% equity interest in Shaoguan Hongfeng Environmental Protection, with a cash consideration of RMB34,510,000. The investment represented less than 5% of the Company's total assets as of 31 December 2022.

Save as disclosed in this annual report, the Group did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures as of 31 December 2022.

### (XI) CONVERTIBLE BONDS

As at 31 December 2022, the Group did not have any convertible bonds.

As disclosed in the Listing Document, in September 2018, China Conch Venture Holdings International Limited (a subsidiary of Conch Venture) issued zero coupon guaranteed convertible bonds (the **"2018 Convertible Bonds"**) in the aggregate principal amount of HK\$3,925,000,000 due 2023, which were listed on the Frankfurt Stock Exchange in September 2018. According to the terms and conditions of the 2018 Convertible Bonds (the **"2018 CB Terms and Conditions"**) as disclosed in the announcement of Conch Venture on the website of the Stock Exchange on 30 August 2018, the 2018 Convertible Bonds can be convertible into the ordinary shares of Conch Venture at the initial conversion price of HK\$40.18 (subject to the adjustment according to 2018 CB Terms and Conditions) at any time on and after 16 October 2018 up to the close of business on the 10th day prior to 5 September 2023, the maturity date of the 2018 Convertible Bonds. According to the 2018 CB Terms and Conditions, in the event of the occurrence of the spin-off, no adjustment to the conversion price shall occur and a bondholder may only exercise their conversion right in respect of both the shares of Conch Venture and the shares of the Company jointly and may not exercise such rights individually. As of 31 December 2022, all of the 2018 Convertible Bonds are still outstanding, which are convertible into (1) 106,715,606 shares of Conch Venture based on the current conversion price of HK\$36.78, representing approximately 5.89% of the issued share capital of Conch Venture and approximately 5.56% of the issued share capital of Conch Venture as enlarged by the issue of the conversion shares, and (2) 103,698,811 shares of the Company with no consideration based on the current conversion price of HK\$37.85, representing approximately 5.68% of the issued share capital of the Company immediately following completion of the Listing and approximately 5.37% of the issued share capital of the Company as enlarged by the issue of the conversion shares.



## 5. MANAGEMENT DISCUSSION AND ANALYSIS

### (XII) HUMAN RESOURCES

The Group will continue to explore a more optimized employment management model based on the strategic planning for future development and the actual needs of the operation and management, and innovate the employment methods by combining the actual situation of each project; meanwhile, under the existing salary and performance appraisal system of the Group, the appraisal indexes are continuously improved and refined to make them more suitable for the Group's operation and management, so that the performance appraisal can be more effective. In addition, the Group offers competitive remuneration packages and various enriching training programs to its employees, taking into account the salary level of the industry and the local economic development level of the area where the projects are located.

During the Reporting Period, the Group continued to optimize and enhance its remuneration management system. It implemented a top-down, vertical management remuneration assessment and incentive system for middle and senior management, further refined the contents of the assessment and adopted a concurrent approach with reward and punishment to motivate employees and fully utilize the incentive and restraining effect of the Group's remuneration mechanism.

In addition, the Group continued to implement regionalized management and further leveraged the function of regional management so that it could perform its role in the operation and management of regional companies, the coordination and construction of regional markets and the management of human resources in the region to further enhance the operation and development of the Group.

The Group endeavours to build a diversified and professional training system by organising training in safety, marketing and financial professional knowledge and skills by professions, and arranging declaration and assessment of middle and senior level professions in the engineering division, electrical and mechanical division and chemical division as well as participating in the safety qualification examinations organized by the country, so as to strongly promote professional training and skills enhancement and build up a professional and multi-level talent management team to secure manpower for the Group's long-term development.

As at 31 December 2022, the Group had 3,686 employees. The remuneration of employees is determined by qualifications, experience, work performance and market conditions. As required by the PRC regulations on social insurance, the Group participated in the social insurance schemes operated by local government authorities which include pension insurance, medical insurance, unemployment insurance, industrial injuries insurance and maternity insurance.

For the year ended 31 December 2022, the total remuneration of employees (including the remuneration of the Directors) was approximately RMB386.39 million.

## 6. CORPORATE GOVERNANCE REPORT

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

### (I) CORPORATE GOVERNANCE CODE

The Company has adopted the code provisions of the Corporate Governance Code (the “**CG Code**”) set out in Appendix 14 of the Listing Rules as the basis for the Company’s corporate governance practices since the Listing Date.

The Company has complied with all applicable code provisions set out in the CG Code from the Listing Date up to the end of Reporting Period. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code. The Company continues to promote good investor relationship, increase the communication with the Shareholders and potential investors, in order to facilitate the Shareholders conducting comments applied to the CG Code of the Company. Please refer to “Communication with Shareholders and Investors” and “Shareholders’ Rights” for details.

### (II) GOVERNANCE CULTURE

The Group is a large-scale environmental protection enterprise specializing in the field of energy conservation, integrating process development, design and innovation, production and operation, terminal disposal and after-sales services. The main businesses of the Group include industrial solid waste and general hazardous waste treatment, fly ash treatment, and oil sludge treatment. The Group recognizes the importance of a healthy corporate culture in achieving its corporate vision and strategy. The Board’s responsibility is to foster a corporate culture with the following core principles and to ensure that the Group’s vision, values and business strategies are aligned with the corporate culture.

1. To abide by ethics, control risks and promote compliance. The Group has established a governance structure with “governance-management-execution” as its core, in order to gradually embed sustainability governance into the systematic and professional multi-dimensional management of business and operations. Meanwhile, we strengthen our own compliance management, improve internal supervision and risk control, so as to create an integrity and corruption-free business environment.
2. We are committed to sustainability and are proactively fulfilling our environmental responsibilities. The Group has always adhered to the business concept of “lucid waters and lush mountains are invaluable assets”, actively responded to the national call for energy saving and emission reduction, and undertook the important task of promoting the concept of environmental protection and the improvement of ecological environment, and incorporated the work of climate change risk identification into the important part of corporate management.
3. We adhere to the cultural concepts of “unity, innovation, dedication and commitment”. We encourage our employees to pursue the craftsmanship of dedication, fineness, meticulous care, and we believe that the spirit of unity, innovation, and dedication of Conch can inspire a sense of mission and a sense of belonging among our employees and is a source of motivation for the Group to keep moving forward.

## 6. CORPORATE GOVERNANCE REPORT

### (III) MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) set out in Appendix 10 to the Listing Rules as the code for dealing in securities of the Company by the Directors since the Listing Date.

Specific enquiry has been made to all the Directors and all Directors confirmed that they have complied with the Model Code from the Listing Date and up to the end of the Reporting Period.

### (IV) THE BOARD

The Board currently consists of nine Directors, including three executive Directors, three non-executive Directors and three independent non-executive Directors. Detailed biographies of the current Directors are set out in the section headed “Biographies of Directors and Senior Management” of this report.

From the Listing Date and up to the date of this annual report, the composition of the Board was as follows:

Name	Position
Mr. Li Qunfeng (appointed on 9 October 2022)	Non-executive Director and chairman of the Board
Mr. Li Xiaobo (appointed on 9 October 2022)	Executive Director and General Manager
Ms. Liao Dan (appointed on 9 October 2022)	Executive Director
Mr. Fan Zhan (appointed on 9 October 2022)	Executive Director
Mr. Xiao Jiaxiang	Non-executive Director
Mr. Ma Wei (appointed on 9 October 2022)	Non-executive Director
Mr. Dai Xiaohu	Independent non-executive Director
Ms. Wang Jiafen (appointed on 18 July 2022)	Independent non-executive Director
Ms. Li Chen (appointed on 27 March 2023)	Independent non-executive Director
Mr. Guo Jingbin (resigned on 9 October 2022)	Executive Director and chairman of the Board
Mr. Shu Mao (resigned on 9 October 2022)	Executive Director and General Manager
Mr. Wan Changbao (appointed on 22 April 2022, resigned on 9 October 2022)	Executive Director
Mr. Zhang Keke (resigned on 9 October 2022)	Executive Director
Mr. Li Daming (resigned on 22 April 2022)	Non-executive Director
Mr. Ji Qinying (resigned on 9 October 2022)	Non-executive Director
Mr. Hao Jiming (resigned on 27 March 2023)	Independent non-executive Director
Mr. Cai Hongping (resigned on 18 July 2022)	Independent non-executive Director

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

## 6. CORPORATE GOVERNANCE REPORT

### **Independence of Independent Non-executive Directors**

On the Listing Date, the Company had three independent non-executive Directors, namely Mr. Hao Jiming, Mr. Dai Xiaohu and Mr. Cai Hongping. On 18 July 2022, Mr. Cai Hongping resigned as an independent non-executive Director. On the same date, Ms. Wang Jiafen was appointed as an independent non-executive Director. Mr. Hao Jiming resigned as an independent non-executive Director on 27 March 2023. On the same date, Ms. Li Chen was appointed as independent non-executive Director.

Following the Listing Date to the end of the Reporting Period, the Company which at all times meets the requirements of the Listing Rules that the number of independent non-executive Directors must represent at least one-third of the Board and should not be less than three, and that at least one of the independent non-executive Directors has appropriate professional qualifications or accounting or related financial management expertise.

The Board has received written confirmations from each of the independent non-executive Directors in respect of his independence in accordance with Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

### **(V) FUNCTIONS AND OPERATION OF THE BOARD AND MANAGEMENT**

The Board is responsible for the leadership, control and management of the Company. Its primary role is to provide strategic guidance for the Company and effectively supervise the administrative staff of the Company. Each Director shall perform their duties objectively and prudently in the interest of the Company and shall be accountable to Shareholders.

The Board reserves its right to make decisions on all major matters of the Company, including to approve and supervise the policies, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those which may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters, etc.

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

All Directors have full and timely access to all relevant information as well as the advice and services from the joint company secretaries, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. Each Director may seek independent professional advice in appropriate circumstances at the Company's expenses, upon making request to the Board.

## 6. CORPORATE GOVERNANCE REPORT

### (VI) CONTINUOUS TRAINING AND DEVELOPMENT OF DIRECTORS

During the Reporting Period, the Directors confirmed that they have complied with the Code Provision C.1.4 of the CG Code on Directors' training and they were consistently provided with the latest information regarding legal and regulatory developments as well as business and market environment for their performance of duties.

Every Director will receive formal, comprehensive and tailored induction on the occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. Ms. Liao Dan, the executive Director and the joint company secretary of the Company, attended the 2022 Advanced Seminar on Corporate Regulation for the Chinese Overseas Listed Companies and 67th ECPD Seminar for Corporate Governance Professionals organized by The Hong Kong Chartered Governance Institute. In addition, the Company regularly circulates the weekly news of the environmental protection industry to update the Directors on the industry development and movement during the Reporting Period.

During the Reporting Period, a summary of training received by the Directors is as follows:

<b>Name of Director</b>	<b>Attending courses/ seminars/ conferences</b>	<b>Reading books/ journals/articles</b>
Mr. Li Qunfeng (appointed on 9 October 2022)	✓	✓
Mr. Li Xiaobo (appointed on 9 October 2022)	✓	✓
Ms. Liao Dan (appointed on 9 October 2022)	✓	✓
Mr. Fan Zhan (appointed on 9 October 2022)	✓	✓
Mr. Xiao Jiayang	✓	✓
Mr. Ma Wei (appointed on 9 October 2022)	✓	✓
Mr. Dai Xiaohu	✓	✓
Ms. Wang Jiafen (appointed on 18 July 2022)	✓	✓
Ms. Li Chen (appointed on 27 March 2023)	✓	✓
Mr. Guo Jingbin (resigned on 9 October 2022)	✓	✓
Mr. Shu Mao (resigned on 9 October 2022)	✓	✓
Mr. Li Daming (resigned on 22 April 2022)	✓	✓
Mr. Wan Changbao (appointed on 22 April 2022, resigned on 9 October 2022)	✓	✓
Mr. Zhang Keke (resigned on 9 October 2022)	✓	✓
Mr. Ji Qinying (resigned on 9 October 2022)	✓	✓
Mr. Hao Jiming (resigned on 27 March 2023)	✓	✓
Mr. Cai Hongping (resigned on 18 July 2022)	✓	✓



## 6. CORPORATE GOVERNANCE REPORT

### (VII) CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

### (VIII) APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

As of the date of this report, the Company has entered into service contracts with all executive Directors and all non-executive Directors for a term of three years. In addition, the Company has also entered into appointment letters with all independent non-executive Directors for a term of three years. Such appointments may be terminated by not less than three months' written notice from either party.

Pursuant to Articles 108(a) and (b) of the Articles of Association, notwithstanding any other provisions in these Articles, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement at an annual general meeting by rotation at least once every three years. A retiring Director shall be eligible for re-election. The Company at the general meeting at which a Director retires may fill the vacated office. The Directors to retire by rotation shall include (so far as necessary to obtain the quorum required) any Director who wishes to retire and not to offer himself for re-election. Any Director who has not been subject to retirement by rotation in the three years preceding the annual general meeting shall retire by rotation at such annual general meeting. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot.

## 6. CORPORATE GOVERNANCE REPORT

In accordance with Article 112 of the Articles of Association, The Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an additional Director but so that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the Shareholders in general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the next first annual general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next first annual general meeting of the Company after his appointment and shall then be eligible for re-election. Any Director appointed under this Article shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

Hence, pursuant to Articles 108(a) and (b) of the Articles of Association, Mr. Xiao Jiaxiang, Mr. Dai Xiaohu and Mr. Fan Zhan will retire by rotation at 2023 annual general meeting and, being eligible, offer themselves for re-election. In accordance with Article 112 of the Articles of Association, Ms. Wang Jiafen (appointed as independent non-executive Director on 18 July 2022) and Ms. Li Chen (appointed as independent non-executive Director on 27 March 2023) will hold office until 2023 annual general meeting, they will retire by rotation and, being eligible, offer themselves for re-election.

### (IX) BOARD MEETING

Code Provision C.5.1 of the CG Code prescribes that regular board meetings should be held at least four times a year and at least at quarterly intervals with active participation of majority of Directors, either in person or by electronic means of communication. The Company has adopted the practice of holding regular board meetings. The Company gives not less than 14 days' notice of all regularly scheduled Board meetings to give all Directors an opportunity to attend regular meetings and to place relevant matters on the agenda.

The Board has held six meetings from the Listing Date to the date of this report, four of which were regular meetings to approve the final results for the year ended 31 December 2021 and interim results for the six months ended 30 June 2022 and other matters. The Board was of the view that each Director was given sufficient space to supervise the affairs of the Company at the meetings held during the year.

In 2023, the Company will continue to comply with Code Provision C.5.1 of the CG Code in holding at least one regular board meeting for each quarter to discuss or approve matters in relation to, among other things, operating strategies, external expansion, financial planning.

## 6. CORPORATE GOVERNANCE REPORT

The attendance records of each Director at the Board meetings, the Board Committee meetings and general meetings from the Listing Date to the end of the Reporting Period as follows:

Name of Director	Board	Audit Committee	Remuneration and Nomination Committee	Strategy, Sustainability and Risk Management Committee	Annual General Meeting	Extraordinary General Meeting
Mr. Li Qunfeng (appointed on 9 October 2022)	1/1	N/A	N/A	N/A	N/A	1/1
Mr. Li Xiaobo (appointed on 9 October 2022)	1/1	N/A	N/A	N/A	N/A	1/1
Ms. Liao Dan (appointed on 9 October 2022)	1/1	N/A	N/A	N/A	N/A	1/1
Mr. Fan Zhan (appointed on 9 October 2022)	1/1	N/A	N/A	N/A	N/A	1/1
Mr. Xiao Jiaxiang	6/6	N/A	N/A	1/1	1/1	0/1
Mr. Ma Wei (appointed on 9 October 2022)	1/1	N/A	N/A	N/A	N/A	1/1
Mr. Dai Xiaohu	6/6	2/2	3/3	1/1	1/1	1/1
Ms. Wang Jiafen (appointed on 18 July 2022)	3/3	1/1	1/1	N/A	N/A	1/1
Mr. Guo Jingbin (resigned on 9 October 2022)	5/5	N/A	3/3	1/1	1/1	N/A
Mr. Shu Mao (resigned on 9 October 2022)	5/5	N/A	N/A	1/1	1/1	N/A
Mr. Li Daming (resigned on 22 April 2022)	1/1	N/A	N/A	N/A	N/A	N/A
Mr. Wan Changbao (appointed on 22 April 2022, resigned on 9 October 2022)	4/4	N/A	N/A	N/A	1/1	N/A
Mr. Zhang Keke (resigned on 9 October 2022)	5/5	N/A	N/A	1/1	1/1	N/A
Mr. Ji Qingying (resigned on 9 October 2022)	5/5	N/A	N/A	N/A	1/1	N/A
Mr. Hao Jiming (resigned on 27 March 2023)	6/6	2/2	3/3	N/A	0/1	0/1
Mr. Cai Hongping (resigned on 18 July 2022)	3/3	1/1	2/2	N/A	0/1	N/A

## 6. CORPORATE GOVERNANCE REPORT

### (X) COMMITTEES OF THE BOARD

The Board has established three committees, namely the Audit Committee, the Remuneration and Nomination Committee and the Strategy, Sustainability and Risk Management Committee, and formulated the relevant written terms of references for overseeing particular aspects of affairs of the Company. Each committee of the Board is established with defined written terms of reference. The terms of reference of the committees of the Board are posted on the website of Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.conchenviro.com](http://www.conchenviro.com)) and are available to Shareholders.

#### 1. Audit Committee

##### (1) Members

On 18 July 2022, Mr. Cai Hongping resigned as the chairman and member of the Audit Committee and Ms. Wang Jiafen was appointed as the chairlady and member of the Audit Committee on the same day. On 27 March 2023, Mr. Hao Jiming resigned as the member of the Audit Committee and Ms. Li Chen was appointed as the member of the Audit Committee on the same day.

The Audit Committee currently consists of three independent non-executive Directors, and their positions are as follows:

Name	Position
Ms. Wang Jiafen (Independent non-executive Director) (appointed on 18 July 2022)	Chairlady
Mr. Dai Xiaohu (Independent non-executive Director)	Member
Ms. Li Chen (Independent non-executive Director) (appointed on 27 March 2023)	Member
Mr. Cai Hongping (Independent non-executive Director) (resigned on 18 July 2022)	Chairman
Mr. Hao Jiming (Independent non-executive Director) (resigned on 27 March 2023)	Member

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

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

## 6. CORPORATE GOVERNANCE REPORT

### (2) Summary of Functions and Duties

The Company adopted the latest revised “Terms of Reference of the Audit Committee of the Board” with effect from 25 May 2022 to remove contents regarding “internal control management” from the relevant terms of “Authority of the Audit Committee” and “Duties” of Clause 6 and 7 in the “Terms of Reference of the Audit Committee of the Board”, which are reflected in Part V of Clause 6 of the “Terms of Reference of the Strategy, Sustainability and Risk Management Committee of the Board”.

The new “Terms of Reference of the Audit Committee of the Board” stipulates that the primary duties of the Audit Committee are to make recommendations to the Board on the appointment and dismissal of the external auditor; to review the financial statements and information; to provide advice and oversight in respect of financial reporting; and to consider any significant or unusual matters and report to the Board for consideration.

The Company has held two meetings of the Audit Committee from the Listing Date to the end of the Reporting Period, the work done by the Audit Committee was set forth below:

- a. reviewed the audited consolidated annual results for the year ended 31 December 2021 and the interim results for the period ended 30 June 2022, and the related results announcements, reports and other matters or issues raised by external auditors;
- b. reviewed the findings from external auditors;
- c. reviewed the independence of the external auditors and engagement of external auditors for annual audit;
- d. reviewed the effectiveness of the financial report system for the year 2021 and the internal audit system of the Group, including all material controls, in particular financial controls, operational controls, and compliance controls; and
- e. reviewed and made recommendations to the Board on the continuing connected transactions of the Group.

## 6. CORPORATE GOVERNANCE REPORT

### 2. Remuneration and Nomination Committee

#### (1) Members

On 18 July 2022, Mr. Cai Hongping resigned as the member of the Remuneration and Nomination Committee and Ms. Wang Jiafen was appointed as the member of the Remuneration and Nomination Committee on the same day. On 9 October 2022, Mr. Guo Jingbin resigned as the member of the Remuneration and Nomination Committee and Mr. Li Qunfeng was appointed as the member of the Remuneration and Nomination Committee on the same day. On 27 March 2023, Mr. Hao Jiming resigned as the member of the Remuneration and Nomination Committee and Ms. Li Chen was appointed as the member of the Remuneration and Nomination Committee on the same day.

The Remuneration and Nomination Committee currently consists of one non-executive Director and three independent non-executive Directors, and their positions are as follows:

Name	Position
Mr. Dai Xiaohu (Independent non-executive Director)	Chairman
Mr. Li Qunfeng (Non-executive Director) (appointed on 9 October 2022)	Member
Ms. Wang Jiafen (Independent non-executive Director) (appointed on 18 July 2022)	Member
Ms. Li Chen (Independent non-executive Director) (appointed on 27 March 2023)	Member
Mr. Cai Hongping (Independent non-executive Director) (resigned on 18 July 2022)	Member
Mr. Guo Jingbin (Executive Director) (resigned on 9 October 2022)	Member
Mr. Hao Jiming (Independent non-executive Director) (resigned on 27 March 2023)	Member

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



## 6. CORPORATE GOVERNANCE REPORT

### (2) Summary of Functions and Duties

The Company adopted the latest revised “The Terms of Reference of the Remuneration and Nomination Committee of the Board” with effect from 11 December 2022, with the following new revised duties under the “Terms of Reference of the Remuneration and Nomination Committee of the Board”: to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules.

The primary functions of the Remuneration and Nomination Committee are to make recommendation to the Board on the overall remuneration policy and the structure relating to all Directors and senior management of the Group; to make recommendation to the Board on the remuneration packages for each of the executive Directors and senior management; to review performance-based remuneration and ensure none of the Directors participate in deciding their own remuneration; to review the structure, size and composition (including the skills, knowledge and experiences) of the Board at least annually; to make recommendation to the Board on any proposed changes to the Board to complement the Company’s corporate strategy; to identify and select individuals suitably qualified as potential Board members or make recommendations to the Board on the selection of individuals nominated for directorships; to assess the independence of independent non- executive Directors; and to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning of Directors, in particular that of the chairman/chief executive officer/general manager; and to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules.

The Company has held three meetings of the Remuneration and Nomination Committee from the Listing Date to the end of the Reporting Period, the work done by the Remuneration and Nomination Committee was set forth below:

- a. reviewed the remuneration policies and structure of the Directors and senior management of the Company;
- b. assessed performance of executive Directors and approved the terms of executive Directors’ service contracts
- c. reviewed and evaluated the independence of the independent non-executive Directors;
- d. reviewed the structure, size, and composition of the Board (including the skills, knowledge, and experience);
- e. discussed the composition of the Board from the aspect of diversity, and implemented the measurable objectives for Board diversity; and
- f. reviewed and approved the resolutions on the re-election and appointment of Directors.

## 6. CORPORATE GOVERNANCE REPORT

### (3) Director Nomination Policy

The Company has adopted a director nomination policy, which sets forth the procedures for nominating candidates for election as Directors of the Company, the procedures and criteria adopted by the Remuneration and Nomination Committee in selecting and recommending candidates for election as Directors of the Company and the subsequent procedures for considering and, approving nominations made by the Board and, if applicable, the Shareholders of the Company.

In evaluating and selecting a candidate for directorship of the Company, the Remuneration and Nomination Committee shall review the biographical information (or relevant details) provided by the nominated candidate and conduct the following procedures (based on the following criteria) to assess and evaluate whether the candidate is eligible for directorship of the Company.

1. qualifications, skills, knowledge, competence and experience and the time and attention that may be devoted to the performance of the duties of a Director under common law, legislation and applicable rules, regulations and guidelines; expertise and industry experience which may be relevant to the Company and the potential contributions that such candidate could bring to the Board;
2. candidate's personal ethics, integrity and reputation (including without limitation to conducting appropriate background checks and other verification processes against such candidate);
3. with reference to the board diversity policy of the Company, the existing structure, size and composition of the Board and corporate strategy;
4. board succession planning considerations and the long-term needs of the Company;
5. in case of a candidate for an independent non-executive Director, to assess whether the candidate meets the independence criteria under the Listing Rules and the guidelines and requirements relating to independent non-executive Directors set out in Appendix 14 to the Listing Rules and the "Guidance for Boards and Directors" published by the Stock Exchange; and
6. any other factors and matters as the Remuneration and Nomination Committee may consider appropriate.

During the Reporting Period, the Remuneration and Nomination Committee has made recommendations to the Board on the selection of Directors (including re-election and appointment) in accordance with the procedures of the director nomination policy and the selection and recommendation criteria of the Company. The Board has considered the recommendation of the Remuneration and Nomination Committee in making the decision on the appointment of a candidate for directorship.

## 6. CORPORATE GOVERNANCE REPORT

### (4) Board Diversity Policy

The Company has adopted a board diversity policy.

As the Company recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance, the Board adopted a board diversity policy, whereby setting forth principles adopted to realize the board diversity.

The Remuneration and Nomination Committee is delegated by the Board to be responsible for compliance with relevant codes governing board diversity under the CG Code. The Company's selection of director candidates will be subject to a series of standards regarding diversity, with reference to the Company's business model and specific needs, including but not limited to gender, race, language, age, cultural background, educational background, industry experience, professional experience, skills, knowledge and length of service. The final decision will be made based on the strengths of the candidates and such contributions they can make to the Board. The Company strives to maintain diversified opinions in every aspect in the Board, especially the opinions that are consistent with the strategy and objectives of the Company, and conduct regular assessment on the board diversity and progress in achieving the objective of diversity.

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

- (a) at least 80% of Board members have college education background;
- (b) at least 80% of Board members have relevant working experiences in China;
- (c) at least one female Director is appointed; and
- (d) at least one third of the Board members are independent non-executive Directors.

The Board confirms that the objectives had been achieved at the end of the Reporting Period. The Remuneration and Nomination Committee will regularly review the relevant policies and the measurable objectives to ensure the diversity of the Board.

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

## 6. CORPORATE GOVERNANCE REPORT

### (5) Employee Gender Diversity

As at the end of the Reporting Period, female employees accounted for approximately 15% of all employees of the Group. The Group believes, diversified ratio of employees is not even due to the nature of industry of the Group. As industrial solid waste and hazardous waste disposal process involve transportation, sorting, testing etc., the strength of labour is required, therefore the number of male applicants is larger than female. Furthermore, the Group mainly considered his/her knowledge skills, education, working experience in considering the recruitment, but not the gender. In future, the Company will further push forward the workforce optimization and utilize both social and college recruitment to attract more female talents and achieve the long-term goal of having a female employee ratio of over 20% of all employees by 2025.

## 3. Strategy, Sustainability and Risk Management Committee

### (1) Members

On 9 October 2022, Mr. Guo Jingbin resigned as the chairman and member of the Strategy, Sustainability and Risk Management Committee and Mr. Shu Mao and Mr. Zhang Keke resigned as the member of the Strategy, Sustainability and Risk Management Committee. Mr. Li Qunfeng was appointed as the chairman and member of the Strategy, Sustainability and Risk Management Committee and Mr. Li Xiaobo was appointed as the member of the Strategy, Sustainability and Risk Management Committee on the same day.

The Strategy, Sustainability and Risk Management Committee currently consists of one executive Director, two non-executive Directors and one independent non-executive Director, and their positions are as follows:

Name	Position
Mr. Li Qunfeng (Non-executive Director) (appointed on 9 October 2022)	Chairman
Mr. Li Xiaobo (Executive Director) (appointed on 9 October 2022)	Member
Xiao Jiayang (Non-executive Director)	Member
Mr. Dai Xiaohu (Independent non-executive Director)	Member
Mr. Guo Jingbin (Executive Director) (resigned on 9 October 2022)	Chairman
Mr. Shu Mao (Executive Director) (resigned on 9 October 2022)	Member
Mr. Zhang Keke (Executive Director) (resigned on 9 October 2022)	Member

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

## 6. CORPORATE GOVERNANCE REPORT

### (2) Summary of Functions and Duties

The Company has adopted the latest revision of the “Terms of Reference of the Strategy, Sustainability and Risk Management Committee of the Board” with effect from 25 May 2022 to add the functions of internal control management. The Strategy, Sustainability and Risk Management Committee is mainly responsible for formulating the mid and long-term planning of development strategies of the Group, considering and making recommendations on policies for the sustainable development, monitoring and reviewing the implementation of strategic development plans and policies related to sustainable development, overseeing and reviewing the risk and internal control management system, and assisting the Board in fulfilling its management and supervision responsibilities related to the sustainable development of the Group.

The Company has held one meeting of the Strategy, Sustainability and Risk Management Committee from the Listing Date to the end of the Reporting Period, the work done by the Strategy, Sustainability and Risk Management Committee was set forth below:

- a. reviewed the Company’s 2021 Environmental, Social and Governance Report; and
- b. reviewed the risk management system for year 2021.

For details of the Audit Committee, the Strategy, Sustainability and Risk Management Committee reviewing the effectiveness of internal control and risk management for the year 2021, please refer to the “Risk Management and Internal Controls” section of the Corporate Governance Report of Annual Report 2021 of the Company.

### (XI) CORPORATE GOVERNANCE FUNCTIONS

From the Listing Date to the end of the Reporting Period, the Board has performed the functions set out in Code Provision A.2.1 of the CG Code as follows: the Board shall develop and review the Company’s policies and practices on corporate governance, review and monitor the training and continuous professional development of directors and senior management, review and monitor the Company’s policies and practices on compliance with legal and regulatory requirements, develop, review and monitor the compliance by the Directors and employees of the code of the Group’s securities dealing conduct, and review the compliance of the Company with the CG Code and the disclosures in the corporate governance report.

## 6. CORPORATE GOVERNANCE REPORT

### (XII) BOARD INDEPENDENCE

The Company has established the Board independence evaluation mechanism which has stipulated processes and procedures in order to ensure a strong independent element on the Board, which allows the Board effectively exercises independent judgment to better safeguard Shareholders' interests.

The objective of the evaluation is the continuing improvement and development of the Board and its committee processes and procedures through Board independence evaluation, which provides a powerful and valuable feedback mechanism for improving Board effectiveness, maximising strengths, and identifying the areas that need improvement or further development. The evaluation process also clarifies what actions of the Company need to be taken to maintain and improve the Board performance, for instance, addressing individual training and development needs of each Director.

All Directors have individually completed the Board independence evaluation by the way of questionnaire. The report of the Board independence evaluation has been submitted to the Board and the results of the evaluation are satisfactory.

### (XIII) AUDITOR'S REMUNERATION

There had been no change in auditors of the Company in the preceding three years. The statement of the external auditor of the Company about its reporting responsibilities on the consolidated financial statements for the year ended 31 December 2022 of the Group is set out in the section headed "Independent Auditor's Report" of this report.

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

<b>Services</b>	<b>Fee paid/payable</b> (RMB'000)
Audit services — audit fee for 2022	1,900
<b>Total</b>	<b>1,900</b>



## 6. CORPORATE GOVERNANCE REPORT

### (XIV) DIRECTORS' RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS

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

The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement by the auditor regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the section headed "Independent Auditor's Report" of this report.

### (XV) RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is fully responsible for, and assesses the risk management and internal control systems of the Group so as to protect the investments of the Shareholders of the Company and the assets of the Group. The Board had complied with the code provisions regarding risk management and internal control systems as set out in the CG Code. The Board acknowledges its responsibility for the risk management and internal control systems of the Group and reviews the effectiveness of such systems and confirms that the risk management and internal control systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material adverse changes or losses.

The Company has set up an internal audit function and optimized its risk management and internal control structure, and continuously improving the scope, substance, methodology and procedure of work of the internal control structure. The Company has established the Audit Department as a permanent department for risk management and internal control, which identifies, evaluates and manages significant risks. The Audit Department organizes and implements the daily work of risk management, reviews the risk management and internal control system of the Company and its subsidiaries, and if any serious internal control deficiency is identified, it will report directly to the Strategy, Sustainability and Risk Management Committee and the Board and take appropriate measures and make timely improvements.

## 6. CORPORATE GOVERNANCE REPORT

During the Reporting Period, the Company strived to optimize the organizational structure and define terms of reference, and at the same time carried out the principle of separation of incompatible positions, and refined the leading of operation management and production and responsible personnels of internal control; with a focus on supervision in respect of enterprise safety and environmental protection, paid close attention to the implementation of responsibilities and comprehensively promote the safety standardization; with a focus on development planning and annual budgeting, strengthened the deployment of decisions and standardize the internal control procedure of strategic risks of the Company; strengthened the internal control of materials supply and procurement business, giving play to the advantages of departmental and regional coordination, and promoted the implementation of cost reduction and efficiency increase; fully reorganized and regulated various business procedures of financial management, and identified key compliance risks areas such as accounts receivable, financing management, contract management, merger and acquisition projects, budget management, cost control, fiscal and tax policies, asset insurance and engineering management, to build up the defence line in internal risk management.

During the Reporting Period, the Company has formulated the “Annual Guidance on Internal Control”, which has recognized the overall requirements, responsible personnels and major tasks of annual risk management and internal control. In accordance with the principles of full internal control coverage and internal control effectiveness, the Company focused on the internal control deficiencies in the development, production, operation and management of the Company, and further strengthened its basic management. The Company has formulated the “2022 Risk Management and Internal Control Self-Assessment Work Plan” in accordance with the “Overall Risk Management Measures” to conduct a comprehensive evaluation of the effectiveness and integrity of the Company’s internal control design and operation in regard of the aspects of internal control. Based on the results of the internal control self-assessment, the Company and its subsidiaries had no significant internal control deficiencies in financial reporting and non-financial reporting, no significant incidents related to compliance, safety, environmental or litigation, no reported incidents of improper financial reporting, internal control or other misconduct by employees.

The Board continues to supervise the risk management and internal control systems of the Company, and review the effectiveness of the risk management and internal control systems of the Company and its subsidiaries annually. The Board has received the confirmation from the management in respect of the effectiveness of the risk management and internal control systems of the Company and its subsidiaries, and considered that such systems were effective and sufficient. The Board, through the Strategy, Sustainability and Risk Management Committee, has reviewed the effectiveness of the Group’s risk management and internal control systems during the Reporting Period, including all significant controls, in particular financial controls, operational controls, compliance controls, and considering the resources, qualifications and experience of staff, and the adequacy of training received by staff in the Company’s accounting, internal audit and financial reporting functions, in order to ensure the effectiveness of risk management and internal control systems and the identification and prevention of risks so as to provide reasonable assurance regarding the effective operation of the Group.

## 6. CORPORATE GOVERNANCE REPORT

The Company has revised the “Measures for the Management of Complaints and Reports”, which has regulated the responsible personnels for complaints and reports, the scope of complaints and reports, and the procedures for complaints and reports, including verification requirements for handling relevant matters, basic requirements for work, confidentiality measures, and protection of whistleblower, etc., and to urge the subordinate units to carry out operation and management in accordance with the law and regulations, to resolve relevant requests in a reasonable manner, and to truly play a supervisory role.

The Company has formulated the Regulations for the Administration of Information Disclosure, which provided relevant requirements on the processing and disclosure procedures of corporate information (including inside information), such as confidentiality measures for inside information and management of insiders, and will update the statistics of insiders from time to time and provide explanation to them on relevant rules in a timely manner, so as to monitor and handle the inside information effectively.

### (XVI) JOINT COMPANY SECRETARIES

Mr. Shu Mao resigned as the company secretary of the Company on 9 October 2022.

Ms. Liao Dan and Mr. Lee Leong Yin were appointed as the joint company secretaries of the Company on 14 October 2022. Ms. Liao Dan is the internal joint company secretary of the Company. Mr. Lee Leong Yin is a senior manager of Corporate Services of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services. All Directors have access to the advice and services of the joint company secretaries on corporate governance and board practices and matters. The Company’s primary contact person with Mr. Lee Leong Yin is Ms. Liao Dan, an executive Director and joint company secretary of the Company, who would work and communicate with Mr. Lee Leong Yin on the Company’s corporate governance and secretarial and administrative matters.

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

Detailed biographies of Ms. Liao Dan and Mr. Lee Leong Yin are set out in the section headed “Biographies of Directors and Senior Management” of this report.

## 6. CORPORATE GOVERNANCE REPORT

### (XVII) SHAREHOLDERS' RIGHTS

#### Procedures for Shareholders to convene an extraordinary general meeting

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

1. One or more Shareholders ("**Requisitionist(s)**") holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings shall have the right, by written notice, to require an extraordinary general meeting to be called by the Directors for the transaction of any business specified in such requisition.
2. Such requisition shall be made in writing to the Board or the company secretary of the Company at the following:  
  
Address: No. 1005 Jiuhua South Road, Wuhu City,  
Anhui Province the People's Republic of China  
Email: liaodan@conchenviro.com  
Attention: The Board of Directors/Company Secretary
3. The extraordinary general meeting shall be held within two months after the deposit of such requisition.
4. If the Directors fail to proceed to convene such meeting within twenty-one (21) days upon such deposit, the Requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the Requisitionist(s) as a result of the failure of convening such meeting by the Directors shall be reimbursed to the Requisitionist(s) by the Company.

## 6. CORPORATE GOVERNANCE REPORT

### Procedures for raising enquiries

1. Shareholders should direct their questions about their shareholdings, share transfer, share registration, and payment of dividend to the Company's branch share registrar in Hong Kong, details of which are as follows:

#### Computershare Hong Kong Investor Services Limited

Address: Shops 1712–1716, 17th Floor, Hopewell Centre  
183 Queen's Road East, Wanchai, Hong Kong  
Email: [hkinfo@computershare.com.hk](mailto:hkinfo@computershare.com.hk)  
Tel: (852)28628555  
Fax: (852)28650990/25296087

2. Shareholders may at any time make any enquiry to the Company at the following designated contacts, correspondence address, email address and enquiry hotlines of the Company:

Address: No. 1005 Jiuhoa South Road, Wuhu City, Anhui Province  
Email: [liaodan@conchenviro.com](mailto:liaodan@conchenviro.com)  
Tel: 86-553-8395059  
Attention: The Board of Directors/Company Secretary

3. Shareholders of the Company are encouraged to make enquires via the online enquiry form available on the Company's website at [www.conchenviro.com](http://www.conchenviro.com).
4. Shareholders are reminded to lodge their questions together with their detailed contact information for the prompt response from the Company at the appropriate time.

### Procedures and contact details for putting forward proposals at Shareholders' meetings

1. To put forward proposals at a general meeting of the Company, a Shareholder should lodge a written notice of his/her/its proposal ("**Proposal**") with his/her/its detailed contact information at the Company's principal place of business in Hong Kong at 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong.
2. The request will be verified with the Company's branch share registrar in Hong Kong and upon their confirmation that the request is proper and effective, the Board will include the Proposal in the agenda for the general meeting.



## 6. CORPORATE GOVERNANCE REPORT

3. The notice period to be given to all the Shareholders for consideration of the Proposal raised by the Shareholder concerned at the general meeting varies according to the type of meeting as follows:
  - (1) Notice of not less than 21 clear days and not less than 20 clear business days in writing shall be given if the Proposal requires an ordinary resolution or a special resolution of the Company at an annual general meeting of the Company;
  - (2) Notice of not less than 14 clear days (and not less than 10 clear business day) in writing shall be given for all other general meetings (including extraordinary general meetings).

### (XVIII) CONSTITUTIONAL DOCUMENTS

From the Listing Date to the end of the Reporting Period, no change has been made to the Articles of Association. The latest version of the Articles of Association is available on the websites of the Company ([www.conchenviro.com](http://www.conchenviro.com)) and Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)).

### (XIX) COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company has adopted a Shareholders' communication policy with the objective of ensuring that the Shareholders will have equal and timely access to information about the Company in order to enable the Shareholders to exercise their rights in an informed manner and allow them to engage actively with the Company. Information will be communicated to the Shareholders mainly through the Company's website, email, financial reports, annual general meetings and extraordinary general meetings that may be convened as well as disclosures submitted to the Stock Exchange. The Company recognizes its transparent and timely disclosure of corporate information, which enables Shareholders and investors to make investment decisions in their best interests. The Company believes that effective communication with Shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies.

To seek and understand the opinions of Shareholders and stakeholders, the Company maintains a website at [www.conchenviro.com](http://www.conchenviro.com) as a communication platform with Shareholders and investors, where the financial information and other relevant information of the Company are available for public access. Shareholders and investors may send written enquiries or requests to the Company through the following channels:

**Domestic Office and Correspondence Address:**

No. 1005 Jiuhua South Road, Wuhu City, Anhui Province, China

**The Principal Place of Business in Hong Kong:**

5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong  
Email: [hlhb@conchenviro.com](mailto:hlhb@conchenviro.com)



## 6. CORPORATE GOVERNANCE REPORT

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

The Group has regularly reviewed its Shareholder communication policy during the Reporting Period and is of the opinion that it is effectively implemented, primarily based on:

1. annual and interim reports, announcements and circulars are published in a timely manner as required by the Listing Rules;
2. publishing press releases and presentation materials on the Company's website to facilitate the understanding of Shareholders and investors of the latest developments of the Group;
3. the Company actively maintained communication with the capital market during the Reporting Period by regularly holding investor relations activities, including annual general meeting, annual and interim results announcements, roadshows, one-on-one or group meetings with investors/analysts, etc.

## 7. REPORT OF THE DIRECTORS

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

### (1) GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 2 March 2020 as an exempted company with limited liability and the Shares of the Company were listed on the Main Board of the Stock Exchange on 30 March 2022.

### (2) PRINCIPAL ACTIVITIES

The Group is a large-scale energy conservation and environmental protection enterprise specializing in the field of energy conservation and environmental protection integrating scientific research and development, design, production, sales and after-sales services. The Group pioneered the use of cement kiln waste treatment services to facilitate the safe, harmless and efficient treatment of industrial solid and hazardous waste.

We have also adopted emerging technologies such as fly ash washing and oil sludge treatment to meet the ever-changing needs of the industry and are committed to further developing our technologies to continue to meet the ever-changing waste treatment needs of our customers.

### (3) RELATIONS WITH THE SUBSTANTIAL STAKEHOLDERS

The Group fully understands that staff, customers and suppliers are key to the sustainability and stability of the Group's development. The Group is committed to working closely with the staff, cooperating with the suppliers and providing the customers with products and services of high quality, so as to achieve a sustainable corporate development.

The Group's customers are primarily industrial companies that are in need of treating industrial solid and hazardous waste. In order to maintain customer relationship, the Group has established regional management teams responsible for the overall market development in the East, South, North, Central, Northeast, Northwest and Southwest regions of China respectively. Meanwhile, we also engage third parties for marketing our industrial solid and hazardous waste treatment services, supplementary to our in-house team.

The Group attaches great importance to the feelings and development of its employees and provides them with competitive remuneration and welfare packages and sound and adequate vocational skills training system and career development planning. The Group continuously strengthens talents team building through a series of measures such as opening up external introduction channels, improving internal selection mechanisms, and perfecting training and exchange systems.

The Group's suppliers primarily consist of engineering equipment providers, construction service providers and cement company suppliers. The Group hopes to establish common cooperation values with suppliers, and is committed to building a responsible supply chain to achieve long-term cooperation and responsible cooperation.

## 7. REPORT OF THE DIRECTORS

### (4) RESULTS

The results of the Group during the Reporting Period are set out in the consolidated statement of profit or loss and other comprehensive income on page 95 of this report.

### (5) BUSINESS REVIEW

A fair review of the business of the Group and a discussion on the Group's future business development are set out in the section headed "Business Review and Outlook" of this report.

An analysis of the Group's performance during the year using financial key performance indicators is set out in the section headed "Management Discussion and Analysis" of this report.

The relationships with substantial stakeholders, description of major risk and uncertainties facing the Company, compliance with laws and regulations, the Group's environmental policies and performance and significant events after the Reporting Period are set out in the section headed "Report of Directors" of this report.

This information forms part of the Report of the Directors.

### (6) RESERVES AND DIVIDEND

Details of other changes in reserves are set out in note 24 to the financial statements and the consolidated statement of changes in equity on page 98 of this report.

On 16 March 2022, the Board adopted a dividend policy which sets out the principles and guidelines of the Group. The Company intends to declare and pay the dividend to its Shareholders on an annual basis. The declaration, payment and amount of dividends shall be determined at the absolute sole discretion of the Board subject to the Company's financial results, cash flow position, business condition and strategy, future operation and income, capital need and expenditure plan, interest of the Shareholders, any restriction on dividend payment and any other factors deemed relevant by the Board. The Board may recommend and/or declare interim dividend, annual special dividend and any net profit distribution deemed fit by the Board for or during the financial year. The Shareholders may approve, in a general meeting, any declaration of dividends, which must not exceed the amount recommended by the Board.

As at 31 December 2022, the Company's reserves available for distribution to its Shareholders amounted to approximately RMB1,186.91 million. The Board does not recommend the distribution of a final dividend for the year ended 31 December 2022.

## 7. REPORT OF THE DIRECTORS

### (7) PROPERTY, PLANT AND EQUIPMENT

As at the end of the Reporting Period, the property, plant and equipment of the Group amounted to approximately RMB6,369.76 million. Details of the changes in property, plant and equipment of the Group during the Reporting Period are set out in note 10 to the financial statements.

As disclosed on pages 179 to 186 of the Listing Document of the Company, as of the latest practicable date (i.e. 13 March 2022), we had not obtained the land use right certificates for the land occupied by eight properties with a total gross floor area of 39,133.8 square meters (the “**Relevant Lands**”). Details of the Relevant Lands, including but not limited to the use, reasons for non-compliance, rectification status and expected time to obtain the real property ownership certificates, are disclosed in the table on pages 179 to 182 of the Listing Document.

As of the end of the Reporting Period, we have obtained the land use right certificate for Property No. 2 among the Relevant Lands on 23 March 2022, which has a gross site area of 27,229 sq.m., for a term commencing from 7 June 2022 to 7 June 2072 with an estimated gross floor area of 6,914.33 sq.m. In view of the delay in the completion of project completion examination, the Group expects that the expected time to obtain the real property ownership certificate of the property will be adjusted from March 2023 to August 2023.

The Group has obtained the land use right certificate for Property No. 8 among the Relevant Lands on 24 June 2022, which has a gross site area of 10,636.19 sq.m., for a term commencing from 17 January 2011 to 16 January 2061 with an estimated gross floor area of 3,456 sq.m. and the expected time to obtain the real property ownership certificate of the property is on or before September 2023.

The Group has obtained the land use right certificate for Property No. 5 among the Relevant Lands on 19 September 2022, whose gross site area was adjusted from 27,240 sq.m. to 123,969 sq.m. due to the expansion and new construction of the project, for a term commencing from 19 September 2022 to 25 November 2071 with an estimated gross floor area of 60,293 sq.m. In view of the delay in the completion of project completion examination, the Group expects that the expected time to obtain the real property ownership certificate of the property will be adjusted from March 2023 to on or before December 2023.

As of the end of the Reporting Period, there is no update on the remaining five properties as compared to the disclosure in the Listing Document. The Company will take proactive actions to obtain land use right certificates of the Relevant Lands and to obtain the real property ownership certificates of the eight properties on the Relevant Lands.

### (8) SUBSIDIARIES AND ASSOCIATED COMPANIES

Details of the major subsidiaries and associated companies of the Company are set out in notes 13 and 14 to the financial statements.

### (9) SHARE CAPITAL

Details of the Company’s capital structure are set out in note 24 to the financial statements. As at the end of the Reporting Period, the Company had a total of 1,826,765,059 shares in issue.

## 7. REPORT OF THE DIRECTORS

### (10) DISCLOSURE OF INTERESTS

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

At the end of Reporting Period, as far as the Directors were aware, the interests or short positions of the persons other than the Directors and chief executive of the Company in the Shares and underlying Shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of part XV of the SFO as recorded in the register of substantial Shareholders required to be kept by the Company under section 336 of the SFO were as follows:

Name of Shareholders	Nature of interests	Number of Shares	Long/Short Positions	Approximate percentage of shareholdings
Conch Venture	Beneficial owner	13,900,000	Long positions	0.76%
	Interest of controlled corporation (note 1)	480,402,979	Long positions	26.30%
<b>Subtotal</b>		<b>494,302,979</b>		<b>27.06%</b>
China Conch Venture Holdings International Limited	Interest of controlled corporation (note 1)	480,402,979	Long positions	26.30%
Conch Cement	Beneficial owner	79,219,500	Long positions	4.34%
	Interest of controlled corporation (note 2)	286,134,000	Long positions	15.66%
	Interests held jointly with another person (note 3)	115,049,479	Long positions	6.30%
<b>Subtotal</b>		<b>480,402,979</b>		<b>26.30%</b>
Conch International Holdings (HK) limited	Beneficial owner	286,134,000	Long positions	15.66%
Conch Holdings	Interest of controlled corporation (note 1)	480,402,979	Long positions	26.30%
Wuhu Conch Venture Property Co., Ltd.	Interest of controlled corporation (note 1)	480,402,979	Long positions	26.30%
SA Conch	Interest of controlled corporation (note 4)	110,194,500	Long positions	6.03%
CV Group	Beneficial owner	4,680,000	Long positions	0.26%
	Interest of controlled corporation (note 5)	105,514,500	Long positions	5.78%
<b>Subtotal</b>		<b>110,194,500</b>		<b>6.03%</b>

## 7. REPORT OF THE DIRECTORS

Name of Shareholders	Nature of interests	Number of Shares	Long/Short Positions	Approximate percentage of shareholdings
Ren Yong	Beneficial owner	21,184,826	Long positions	1.16%
	Interests held jointly with another person (note 3)	459,218,153	Long positions	25.14%
	<b>Subtotal</b>	<b>480,402,979</b>		<b>26.30%</b>
Qi Shengli	Beneficial owner	9,412,500	Long positions	0.52%
	Interests held jointly with another person (note 3)	470,990,479	Long positions	25.78%
	<b>Subtotal</b>	<b>480,402,979</b>		<b>26.30%</b>
Zhou Xiaochuan	Beneficial owner	783,000	Long positions	0.04%
	Interest of spouse (note 6)	573,142	Long positions	0.03%
	Interests held jointly with another person (note 3)	479,046,837	Long positions	26.22%
	<b>Subtotal</b>	<b>480,402,979</b>		<b>26.30%</b>
Han Zhuhua	Beneficial owner	573,142	Long positions	0.03%
	Interest of spouse (note 7)	479,829,837	Long positions	26.27%
	<b>Subtotal</b>	<b>480,402,979</b>		<b>26.30%</b>
Guo Dan	Interest of controlled corporation (note 8)	32,725,000	Long positions	1.79%
	Interests held jointly with another person (note 3)	447,677,979	Long positions	24.51%
	<b>Subtotal</b>	<b>480,402,979</b>		<b>26.30%</b>



## 7. REPORT OF THE DIRECTORS

Name of Shareholders	Nature of interests	Number of Shares	Long/Short Positions	Approximate percentage of shareholdings
Yan Zi	Interest of controlled corporation (note 9)	35,033,752	Long positions	1.92%
	Interests held jointly with another person (note 3)	445,369,227	Long positions	24.38%
<b>Subtotal</b>		<b>480,402,979</b>		<b>26.30%</b>
Ji Xian	Interest of controlled corporation (note 10)	10,080,000	Long positions	0.55%
	Interests held jointly with another person (note 3)	470,322,979	Long positions	25.75%
<b>Subtotal</b>		<b>480,402,979</b>		<b>26.30%</b>
Wang Jingqian	Beneficial owner	930,000	Long positions	0.05%
	Interests held jointly with another person (note 3)	479,472,979	Long positions	26.25%
<b>Subtotal</b>		<b>480,402,979</b>		<b>26.30%</b>

Notes:

- (1) Among the above Shares, (i) 194,268,979 Shares are owned by Conch Cement and its concert acting persons; and (ii) 286,134,000 Shares are owned by Conch International Holdings (HK) Limited which is wholly-owned by Conch Cement. Conch Holdings is the holding company of Conch Cement. As 49% of the issued share capital of Conch Holdings is held by Wuhu Conch Venture Property Co., Ltd., Wuhu Conch Venture Property Co., Ltd. is wholly owned by China Conch Venture Holdings International Limited, and China Conch Venture Holdings International Limited is ultimately wholly owned by Conch Venture. By virtue of SFO, Conch Holdings, Wuhu Conch Venture Property Co., Ltd., China Conch Venture Holdings International Limited and Conch Venture are respectively deemed to be interested in the Shares in which Conch Cement and its Parties Acting in Concert and Conch International Holdings (HK) Limited is interested.
- (2) 286,134,000 Shares are held by Conch International Holdings (HK) Limited, which is a wholly owned subsidiary of Conch Cement. Accordingly, by virtue of SFO, Conch Cement is deemed to be interested in the Shares in which Conch International Holdings (HK) Limited is interested.
- (3) By virtue of SFO, Conch Cement and its Parties Acting in Concert are respectively deemed to be interested in the Shares in which Conch Cement and its Parties Acting in Concert are interested, namely (i) 365,353,500 Shares held by Conch Cement and its wholly owned subsidiary Conch International Holdings (HK) Limited, (ii) 21,184,826 Shares held by Ren Yong, (iii) 9,412,500 Shares held by Qi Shengli, (iv) 2,050,000 Shares held by Li Qunfeng, (v) 170,132 Shares held by Li Xiaobo, (vi) 1,356,142 Shares held by Zhou Xiaochuan, (vii) 32,725,000 Shares held by Guo Dan, (viii) 35,033,752 Shares held by Yan Zi, (ix) 10,080,000 Shares held by Ji Xian, (x) 2,107,127 Shares held by Ma Wei and (xi) 930,000 Shares held by Wang Jingqian.

## 7. REPORT OF THE DIRECTORS

- (4) Among the above Shares, 4,680,000 Shares are directly owned by CV Group, the remaining 93,359,000 Shares, 5,913,000 Shares and 6,242,500 Shares are owned respectively by (i) 海螺創投控股(珠海)有限公司 (Conch Venture Holdings (Zhuhai) Co., Ltd.\*) (“**CV Holdings (Zhuhai)**”), (ii) 安徽海螺創業醫療投資管理有限責任公司 (Anhui Conch Venture Medical Investment Management Co., Ltd.\*) (“**CV Medical**”), and (iii) 海螺創業國際有限公司 (Conch Venture International Limited\*) (“**CVI**”), all of which are wholly owned by CV Group. CV Group is deemed to be interested in the Shares in which CV Holdings (Zhuhai), CV Medical and CVI are interested by virtue of the SFO. As 82.93% of CV Group’s registered capital is held by SA Conch, SA Conch is deemed to be interested in the Shares in which CV Group is interested by virtue of the SFO.
- (5) Among these Shares, 93,359,000 Shares, 5,913,000 Shares and 6,242,500 Shares are owned by CV Holdings (Zhuhai), CV Medical and CVI, respectively. CV Group is deemed to be interested in the Shares in which CV Holdings (Zhuhai), CV Medical and CVI is interested by virtue of the SFO
- (6) These Shares are owned by Zhou Xiaochuan’s spouse, Han Zhuhua. Zhou Xiaochua is deemed to be interested in the Shares held by his spouse by virtue of the SFO.
- (7) These Shares are owned by Han Zhuhua’s spouse and Zhou Xiaochuan, one of Conch Cement Parties Acting in Concert. Han Zhuhua is deemed to be interested in the Shares held by her spouse by virtue of the SFO.
- (8) These Shares are owned by Dazzling Star Investments Limited. Dazzling Star Investments Limited is wholly owned by GUO Dan. Guo Dan is deemed to be interested in the Shares held by Dazzling Star Investments Limited by virtue of the SFO.
- (9) These Shares are owned by Fortune Gold Limited. Fortune Gold Limited is wholly owned by Yan Zi. Yan Zi is deemed to be interested in the Shares held by Fortune Gold Limited by virtue of the SFO.
- (10) These Shares are owned by Golden Convergence Limited. Golden Convergence Limited is wholly owned by Ji Xian. Ji Xian is deemed to be interested in the Shares held by Golden Convergence Limited by virtue of the SFO.

According to Section 336 of the SFO, shareholders are required to file disclosure of interest forms when certain criteria are fulfilled. When the shareholdings of the Shareholders in the Company change, it is not necessary for the Shareholders to notify the Company and the Stock Exchange unless certain criteria are fulfilled. Therefore, the latest shareholdings of the Shareholders in the Company may be different from the shareholdings filed with the Stock Exchange.

Save as disclosed above and in the section headed “Directors’ and Chief Executive’s Interests and Short Positions” below, at the end of Reporting Period, the Directors have not been notified by any entity, other than Directors and chief executive of the Company, who had interests or short positions in the shares, underlying shares or debentures of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

## 7. REPORT OF THE DIRECTORS

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

At the end of Reporting Period, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken, or are deemed to have taken, under such provisions of the SFO), or recorded in the register required to be kept by the Company under section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were set out below:

#### The Company

Name of Directors	Nature of interests	Number of Shares	Long/Short Positions	Approximate percentage of shareholdings
Mr. Li Qunfeng (note 1)	Beneficial owner	2,050,000	Long positions	0.11%
	Interests held jointly with another person	478,352,979	Long positions	26.19%
	<b>Subtotal</b>	<b>480,402,979</b>		<b>26.30%</b>
Mr. Li Xiaobo (note 1)	Beneficial owner	170,132	Long positions	0.01%
	Interests held jointly with another person	480,232,847	Long positions	26.29%
	<b>Subtotal</b>	<b>480,402,979</b>		<b>26.30%</b>
Mr. Ma Wei (note 1)	Beneficial owner	2,107,127	Long positions	0.12%
	Interests held jointly with another person	478,295,852	Long positions	26.18%
	<b>Subtotal</b>	<b>480,402,979</b>		<b>26.30%</b>
Ms. Liao Dan (note 2)	Interest of spouse	480,402,979	Long positions	26.30%

## 7. REPORT OF THE DIRECTORS

### Notes:

1. Mr. Li Qunfeng, Mr. Li Xiaobo and Mr. Ma Wei are Parties Acting in Concert. Accordingly, Mr. Li Qunfeng, Mr. Li Xiaobo and Mr. Ma Wei are deemed to be interested in the Shares in which (i) Conch Cement and its wholly owned subsidiary Conch International Holdings (HK) Limited hold 365,353,500 Shares, (ii) Ren Yong holds 21,184,826 Shares, (iii) Qi Shengli holds 9,412,500 Shares, (iv) Li Qunfeng holds 2,050,000 Shares, (v) Li Xiaobo holds 170,132 Shares, (vi) Zhou Xiaochuan holds 1,356,142 Shares, (vii) Guo Dan holds 32,725,000 Shares, (viii) Yan Zi holds 35,033,752 Shares, (ix) Ji Xian holds 10,080,000 Shares, (x) Ma Wei holds 2,107,127 Shares and (xi) Wang Jingqian holds 930,000 Shares are interested.
2. Ms. Liao Dan is deemed to be interested in the Shares held by Mr. Wang Jingqian, the spouse of Ms. Liao Dan and Parties Acting in Concert. Mr. Wang Jingqian is deemed to be interested in the Shares in which (i) Conch Cement holds 365,353,500 Shares, (ii) Ren Yong holds 21,184,826 Shares, (iii) Qi Shengli holds 9,412,500 Shares, (iv) Li Qunfeng holds 2,050,000 Shares, (v) Li Xiaobo holds 170,132 Shares, (vi) Zhou Xiaochuan holds 1,356,142 Shares, (vii) Guo Dan holds 32,725,000 Shares, (viii) Yan Zi holds 35,033,752 Shares, (ix) Ji Xian holds 10,080,000 Shares, (x) Ma Wei holds 2,107,127 Shares and (xi) Wang Jingqian holds 930,000 Shares are interested.

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

### (11) MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, the sales to the five largest customers of the Group in aggregate accounted for less than 30% of the total sales of the Group. The reason is that the major customers of the Group is industrial solid waste and hazardous waste companies, including vehicle production, chemical industry, textile and rubbish disposal. The Group has a large number of customers, and there is no single major customer with a large proportion.

During the Reporting Period, the procurement from the largest supplier of the Group and the procurement from the five largest suppliers of the Group in aggregate accounted for 15% and 36% of the total procurement of the Group respectively. To the best knowledge of the Directors and as at 31 December 2022, among the five largest suppliers, (i) Conch Cement is a company listed on the Main Board of the Stock Exchange in which one of the Directors held less than 1% shareholding interest; and (ii) Conch Venture is a company listed on the Main Board of the Stock Exchange in which three of the Directors and their respective associates held in aggregate less than 1% shareholding interest, and Conch Cement (the controlling shareholder of the Company) held approximately 4.94% shareholding interest.

To the best knowledge of the Directors and save as disclosed above, none of the Directors and their associates, and anyone who held more than 5% of the Company's issued share capital at the end of Reporting Period has any interest in any of the five largest customers and suppliers mentioned above.

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

During the period from Listing Date to the end of the Reporting Period, neither the Company nor its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

## 7. REPORT OF THE DIRECTORS

### (13) MINIMUM PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the knowledge of the Directors, the Company has maintained the prescribed percentage of public float as required under the Listing Rules since the Listing Date and up to the date of this report.

### (14) EMPLOYEES AND REMUNERATION POLICIES

At the end of Reporting Period, the Group had approximately 3,686 employees. The following table shows a breakdown of the employees by business function and geographical location at the end of Reporting Period:

<b>Function</b>	<b>Number of individuals in 2022</b>
Management	491
Technology, Research and Development	1,920
Operation	465
Financial	148
Human Resource	383
Transportation	279
<b>Total</b>	<b>3,686</b>

<b>Region</b>	<b>Number of individuals in 2022</b>
Eastern China	986
Southern China	558
Northern China	563
Central China	473
Southwestern China	320
Northwestern China	615
Northeastern China	171
<b>Total</b>	<b>3,686</b>

At the end of Reporting Period, 1,004 employees had bachelor's degrees or above, accounting for 27.24% of the total number of employees.

## 7. REPORT OF THE DIRECTORS

The remuneration of employees of the Group is based on qualifications, experience, work performance and market conditions. As required by the PRC regulations on social insurance, the Group participated in the social insurance schemes operated by local government authorities which include pension insurance, medical insurance, unemployment insurance, industrial injuries insurance and maternity insurance. During the end of Reporting Period, the total remuneration of employees (including the remuneration of the Directors) was approximately RMB386.39 million (2021: RMB276.80 million).

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

Name	Position	Date of appointment
Mr. Li Qunfeng	Non-executive Director and Chairman	Appointed on 9 October 2022
Mr. Li Xiaobo	Executive Director and General Manager	Appointed on 9 October 2022
Ms. Liao Dan	Executive Director	Appointed on 9 October 2022
Mr. Fan Zhan	Executive Director	Appointed on 9 October 2022
Mr. Xiao Jiayang	Non-executive Director	Appointed on 17 September 2021
Mr. Ma Wei	Non-executive Director	Appointed on 9 October 2022
Mr. Dai Xiaohu (Note)	Independent Non-executive Director	Appointed on 17 September 2021
Ms. Wang Jiafen	Independent Non-executive Director	Appointed on 18 July 2022
Ms. Li Chen	Independent Non-executive Director	Appointed on 27 March 2023
Mr. Guo Jingbin	Executive Director and Chairman	Appointed on 2 March 2020 and re-designated to the Executive Director on 17 September 2021 and resigned on 9 October 2022
Mr. Shu Mao	Executive Director and General Manager	Appointed on 25 February 2021 and re-designated to the Executive Director on 17 September 2021 and resigned on 9 October 2022
Mr. Wan Changbao	Executive Director	Appointed on 22 April 2022 and resigned on 9 October 2022
Mr. Zhang Keke	Executive Director	Appointed on 25 February 2021 and re-designated to the Executive Director on 17 September 2021 and resigned on 9 October 2022
Mr. Ji Qinying	Non-executive Director	Appointed on 25 February 2021 and re-designated to the Non-executive Director on 17 September 2021 and resigned on 9 October 2022
Mr. Li Daming	Non-executive Director	Appointed on 17 September 2021 and resigned on 22 April 2022
Mr. Hao Jiming (Note)	Independent Non-executive Director	Appointed on 17 September 2021 and resigned on 27 Mar 2023
Mr. Cai Hongping (Note)	Independent Non-executive Director	Appointed on 17 September 2021 and resigned on 18 July 2022



## 7. REPORT OF THE DIRECTORS

Note: The appointments of independent non-executive Directors, namely Mr. Hao Jiming, Mr. Cai Hongping and Mr. Dai Xiaohu became effective on 22 March 2022, being the date of the Listing Document.

Pursuant to articles 108(a) and (b) of the Articles of Association, Mr. Xiao Jiayang, Mr. Dai Xiaohu and Mr. Fan Zhan will retire from office by rotation and, being eligible, will offer themselves for re-election at the 2023 annual general meeting. Pursuant to article 112 of the Articles of Association, Ms. Wang Jiafen, who was appointed as independent non-executive Director by the Board on 18 July 2022, and Ms. Li Chen, who was appointed as independent non-executive Director by the Board on 27 March 2023, being eligible, will offer themselves for re-election at the 2023 annual general meeting. None of the Directors proposed to be re-elected at the 2023 Annual General Meeting had entered into any service contract with the Company or any of its subsidiaries which was not terminable within one year without payment of compensation (other than statutory compensation).

### **(16) DIRECTORS' INTERESTS IN MATERIAL TRANSACTIONS, ARRANGEMENTS OR CONTRACTS**

Save as disclosed in the director service agreement and this report, none of the Directors nor any entity connected with the Directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party subsisting during the Reporting Period.

### **(17) INTERESTS OF DIRECTORS IN COMPETING BUSINESS**

Save as disclosed in this report and their respective interests in the Group, none of the Directors and or their respective close associates had any interests in any business which complete or is likely to compete with the business of the Group during the Reporting Period.

### **(18) DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS**

The remunerations of Directors are determined by the Board based on the recommendation of the Remuneration and Nomination Committee with reference to the salaries paid by comparable companies, their time commitment and responsibilities and the performance of the Group. The Directors and senior management receive compensation in the form of salaries, benefits in kind and/or discretionary bonuses relating to the performance of the Group. The Company also reimburses them for expenses which are reasonably and necessarily incurred for providing services to the Company or performing their duties in relation to the operation of the Company. Pursuant to the Director Service Agreement, Mr. Fan Zhan, the executive Director of the Company, Mr. Li Qunfeng, Mr. Xiao Jiayang and Mr. Ma Wei, the non-executive Directors of the Company does not receive remuneration from the Group. The Company regularly reviews and determines the remuneration packages of the Directors and senior management.

Details of the Directors' remuneration and the five highest paid individuals of the Company during the Reporting Period are set out in notes 7 and 8 to the financial statements.

## 7. REPORT OF THE DIRECTORS

During the Reporting Period, individual remuneration of the senior management of the Company was within the following bands:

<b>Band (RMB)</b>	<b>Number of individuals</b>
0–1,000,000	2
1,000,000–2,000,000	2

### (19) THE BOARD AND BOARD COMMITTEES

As at the date of this report, the Board comprised nine Directors. The biographies of the Directors are set out in the section headed “Biographies of Directors and Senior Management” of this report.

The Board has three committees, namely the Audit Committee, the Remuneration and Nomination Committee and the Strategy, Sustainability and Risk Management Committee. Details of the committees are set out in the section headed “Corporate Governance Report” of this report.

### (20) CHANGES IN DIRECTORS AND SENIOR MANAGEMENT

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

1. Mr. Li Daming resigned as a non-executive Director of the Company with effect from 22 April 2022 due to the personal work arrangement;
2. Mr. Wan Changbao was appointed as an executive Director and executive deputy general manager of the Company with effect from 22 April 2022. Mr. Wan Changbao resigned as an executive Director of the Company with effect from 9 October 2022, and resigned as an executive deputy general manager of the Company with effect from 14 October 2022 due to the personal work arrangement;
3. Mr. Cai Hongping resigned as an independent non-executive Director of the Company with effect from 18 July 2022 due to the personal work arrangement;
4. Ms. Wang Jiafen was appointed as an independent non-executive Director of the Company with effect from 18 July 2022;
5. Mr. Guo Jingbin resigned as an executive Director and Chairman of the Board with effect from 9 October 2022 due to the personal work arrangement;
6. Mr. Shu Mao resigned as an executive Director and general manager and company secretary of the Company with effect from 9 October 2022 due to the personal work arrangement;

## 7. REPORT OF THE DIRECTORS

7. Mr. Zhang Keke resigned as an executive Director of the Company with effect from 9 October 2022 due to the personal work arrangement;
8. Mr. Ji Qinying resigned as a non-executive Director of the Company with effect from 9 October 2022 due to the personal work arrangement;
9. Mr. Li Qunfeng was appointed as a non-executive Director and Chairman of the Board with effect from 9 October 2022;
10. Mr. Li Xiaobo was appointed as an executive Director of the Company with effect from 9 October 2022 and appointed as a general manager of the Company with effect from 14 October 2022;
11. Ms. Liao Dan was appointed as an executive Director of the Company with effect from 9 October 2022 and appointed as a joint company secretary of the Company with effect from 14 October 2022;
12. Mr. Fan Zhan was appointed as an executive Director of the Company with effect from 9 October 2022;
13. Mr. Ma Wei was appointed as a non-executive Director of the Company with effect from 9 October 2022;
14. Mr. Zhang Bangzhi resigned as the assistant general manager of the Company with effect from 1 December 2022 due to the personal work arrangement;
15. Mr. Zhou Zhengyou was appointed as a deputy general manager of the Company with effect from 26 December 2022;
16. Mr. Fang Cun was appointed as the assistant general manager of the Company on 26 December 2022;
17. Mr. Hao Jiming resigned as an independent non-executive Director of the Company with effect from 27 March 2023 due to the personal work arrangement;
18. Ms. Li Chen was appointed as an independent non-executive Director of the Company with effect from 27 March 2023.

### (21) MANAGEMENT CONTRACT

During the Reporting Period, the Company had not entered into any contract with any individual, company or corporation for management and administration of the whole or any substantial part of the business of the Company.

### (22) CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS

Save as disclosed in the section headed "CONNECTED TRANSACTIONS" below, during the Reporting Period, (i) there were no contracts of significance between the Group and a controlling shareholder or any of its subsidiaries; and (ii) there were no contracts of significance for the provision of services to the Group by a controlling shareholder or any of its subsidiaries.

## 7. REPORT OF THE DIRECTORS

### (23) CONNECTED TRANSACTIONS

The Company has been listed on the Main Board of the Stock Exchange since 30 March 2022. After the Listing, transactions between members of the Group and our connected persons became connected transactions or continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Details of the Group's continuing connected transactions, the terms of which became effective on the Listing Date, are set out below:

#### 1. Connected Persons

During the period of 1 January 2022 and 26 May 2022, Shaanxi Oufaide held approximately 26.15% equity interest in Shaanxi Bangda (a subsidiary of the Company), the remaining 70% and 3.85% are held by the Company and Shaanxi Bangda Yuancheng Enterprise Management Consulting Partnership (Limited Partnership) (陝西邦達遠誠企業管理諮詢合夥企業(有限合夥)), respectively, and therefore Shaanxi Oufaide is regarded as a connected person of the Company by virtue of it falling under the definition of a substantial shareholder at the listed issuers' subsidiary level pursuant to Rule 14A.07(1) of the Listing Rules. The Company completed the acquisition of 18.15% and 3.85% of Shaanxi Bangda held by Shaanxi Oufaide and Shaanxi Bangda Yuancheng Enterprise Management Consulting Partnership (Limited Partnership) (陝西邦達遠誠企業管理諮詢合夥企業(有限合夥)) with effect from 27 May 2022, Shaanxi Oufaide ceased to be a connected person of the Company as its percentage of shareholding of Shaanxi Bangda reduced from 26.15% to 8%.

As of the end of the Reporting Period, CNBM held 50% equity interest in Conch Venture CNBM Hong Kong Holdings Limited ("**Conch Venture CNBM HK**", a subsidiary of the Company), and therefore is regarded as a connected person of the Company by virtue of it falling under the definition of a substantial shareholder at the listed issuers' subsidiary level pursuant to Rule 14A.07(1) of the Listing Rules.

As of the end of the Reporting Period, Conch Cement is the controlling shareholder of the Company which holds and controls approximately 27% of the voting rights attached to all issued shares of the Company together with its subsidiaries and its Parties Acting in Concert. Accordingly, Conch Cement is a connected person of the Company as pursuant to Rule 14A.07(1) of the Listing Rules. Both Conch Design Institute and Conch IT Engineering are the wholly owned subsidiaries of Conch Holdings, the holding company of Conch Cement. Accordingly, Conch Design Institute and Conch IT Engineering are the associates of Conch Cement and the connected persons of the Company.

## 7. REPORT OF THE DIRECTORS

### 2. Non-exempt continuing Connected Transaction

#### 1) Continuing connected transactions with CNBM

On March 16, 2022, Haizhong Environmental (for itself and on behalf of its subsidiaries) entered into a cement kiln co-treatment framework agreement (“**Cement Kiln Co-Treatment Framework Agreement**”) with CNBM (for itself and on behalf of other members of CNBM Group). Pursuant to which, CNBM Group agreed to provide comprehensive cement kiln co-treatment services and related supporting services to Haizhong Environmental for certain industrial waste treatment projects. The comprehensive cement kiln co-treatment services and supporting services primarily include, providing cement kiln systems, ancillary equipment such as nitrogen production equipment, crusher, plunger pump, and co-treatment design services. The precise scope of service, service fee calculation, method of payment and other details of the service arrangement will be agreed between the relevant parties separately. The initial term of the Cement Kiln Co-treatment Framework Agreement shall commence from the Listing Date to December 31, 2024.

#### *Historical amount and proposed annual cap*

The historical amounts of the transactions with CNBM in relation to cement kiln co-treatment services and related supporting services and the annual caps for the transactions contemplated under the Cement Kiln Co-Treatment Framework Agreement are set out below:

<b>Historical amount for the three years ended 31 December 2022 (RMB in million)</b>	<b>Proposed annual cap for the three years ending 31 December 2024 (RMB in million)</b>
2020: 20.9	2022: 165
2021: 118	2023: 215
2022: 87.91	2024: 240

#### *Pricing Policy of Cement Kiln Co-Treatment Framework Agreement*

With respect to the service fees payable for the cement kiln co-treatment, the service fees payable by the Group are mainly based on (i) the locations of the projects, the amount of industrial solid and hazardous waste treated by the cement kiln, (ii) the type of the industrial solid and hazardous waste, and (iii) the respective fee rates determined after arm’s length negotiation between the parties with reference to prevailing market rates.

With respect to the purchase fees payable for the ancillary equipment and designing services, the purchase fees payable by us shall be determined on arm’s length basis with reference to (i) total area, locations and topography of the project site, (ii) the specification, model, unit price type and quality of the equipment, (iii) the operational costs (including labor costs, material costs and administrative costs), and (iv) the prevailing market fee rates of similar equipment or designing service provided by the Independent Third Parties.



## 7. REPORT OF THE DIRECTORS

### *Reasons for entering into the Cement Kiln Co-Treatment Framework Agreement*

CNBM possesses abundant cement production capacity and is one of the largest cement producers and cement engineering service providers in the PRC. By leveraging CNBM's extra production capacity and waste heat from cement production process, the Group could implement co-treatment of the industrial solid and hazardous waste in a reliable and cost-effective manner by utilizing their existing cement kiln facilities and equipment through cement kiln co-treatment business cooperation. Such cooperation business model has been encouraged by a series of favorable policies promulgated by PRC governments and is in line with the general market practice in the environmental protection industry.

### 2) **Continuing connected transactions with Conch Cement Group**

On May 25, 2022, the Company (on behalf of the Group) agreed to enter into the cement kiln co-treatment framework agreement ("**2022 Cement Kiln Co-Treatment Framework Agreement**") with Conch Cement (on behalf of Conch Cement Group) in relation to, among other things, the cement kiln co-treatment project. Pursuant to which, Conch Cement Group agreed to provide comprehensive cement kiln co-treatment services and ancillary products to the Group for certain industrial waste treatment projects, which primarily includes providing cement kiln system and cement kiln heat sources, as well as labour protection appliance and etc. The precise scope of service, service fee calculation, method of payment and other details of the service arrangement will be agreed between the relevant parties separately.

### *Historical amount and proposed annual cap*

The historical amounts of the transactions with Conch Cement (on behalf of Conch Cement Group) in relation to cement kiln co-treatment services and ancillary products and the annual caps for the transactions contemplated under the 2022 Cement Kiln Co-Treatment Framework Agreement are set out below:

<b>Historical amount for the three years ended 31 December 2022 (RMB in million)</b>	<b>As at 4 April 2022 (the date when Conch Cement becomes a connected person of the Company) Proposed annual cap for the year ended 31 December 2022 (RMB in million)</b>
2020: 57.8	2022: 82.0
2021: 78.2	
2022: 75.5	



## 7. REPORT OF THE DIRECTORS

During the Reporting Period, the transaction amount of the 2022 Cement Kiln Co-treatment Framework Agreement (covering the transaction since 4 April 2022, from the date when Conch Cement became a connected person of the company to December 31, 2022) was RMB59.52 million, which did not exceed the annual cap of RMB82.0 million for the year.

### *Pricing Policy of the 2022 Cement Kiln Co-treatment Framework Agreement*

With respect to the service fees payable for the cement kiln co-treatment, the service fees payable by the Group shall be determined by adding a reasonable profit over a reasonable cost. The costs are mainly determined, after arm's length negotiation between the parties, on the basis of (i) the amount and type of industrial solid and hazardous waste treated by the cement kiln, resulting in cost variations in respect of the fuel, water and electricity, etc. consumed; and (ii) the prevailing market rates of cost in the geographical area where the project is located. The profits are mainly determined based on the costs above and a reasonable profit rate, and are ultimately determined based on the negotiations between the parties to the transactions in accordance with normal commercial terms. Based on the historical transactions, the profit rate was generally ranging from 10% to 15%.

With respect to the service fees payable for the technical modification service, the service fees payable by the Group shall be determined on arm's length negotiation between the parties with reference to (i) specifications, models, unit price types and quality of such products; (ii) operating costs (including material costs and administrative costs); and (iii) the prevailing market prices for similar services provided by the Independent Third Parties in the ordinary course of business on normal commercial terms.

### *Reasons for entering into the 2022 Cement Kiln Co-treatment Framework Agreement*

Conch Cement has well-established existing cement kiln systems and possesses abundant cement production capacity. By leveraging the production capacity and waste heat of Conch Cement from the cement production process, the Group could implement co-treatment of the industrial solid and hazardous waste reliably and cost-effectively by utilizing their existing cement kiln facilities and equipment through cement kiln cotreatment business cooperation. Such a cooperation business model has been encouraged by a series of favourable policies promulgated by PRC governments and is in line with the general market practice in the environmental protection industry.

## 7. REPORT OF THE DIRECTORS

Given that the 2022 Cement Kiln Co-treatment Framework Agreement has expired on 31 December 2022, the transaction contemplated under the 2022 Cement Kiln Co-treatment Framework Agreement will continue to be conducted in the ordinary and usual course of business. Due to commercial arrangement considerations, for the purpose of renewal, on 9 December 2022:

- i. the Company (on behalf of the Group) entered into the Industrial Solid and Hazardous Waste Treatment Framework Agreement (“**2023 Industrial Solid and Hazardous Waste Treatment Framework Agreement**”) with Conch Cement (on behalf of Conch Cement Group, excluding Conch Design Institute and Conch IT Engineering) in relation to, among other things, the cooperation in the industrial solid and hazardous waste treatment projects, the term of the agreements was effective from the date approved at the AGM (8 March 2023) to 31 December 2025. For the three years ended 31 December 2025, the proposed annual caps were RMB135 million, RMB150 million and RMB159 million, respectively;
- ii. the Company (on behalf of the Group) entered into the Engineering Design Services Framework Agreement (“**2023 Engineering Design Services Framework Agreement**”) with Conch Design Institute in relation to, among other things, the procurement of engineering design services and/or technology modification services for the industrial solid and hazardous waste treatment projects, the term of the agreements was effective from the date approved at the AGM (8 March 2023) to 31 December 2025. For the three years ended 31 December 2025, the proposed annual caps were RMB19 million, RMB16 million and RMB15 million, respectively; and
- iii. the Company (on behalf of the Group) entered into the Information System Procurement Framework Agreement (“**2023 Information System Procurement Framework Agreement**”) with Conch IT Engineering in relation to, among other things, the procurement of information technology systems for the industrial solid and hazardous waste treatment projects, the term of the agreements was effective from the date approved at the AGM (8 March 2023) to 31 December 2025. For the three years ended 31 December 2025, the proposed annual caps were RMB22 million, RMB15 million and RMB13 million, respectively.

As the engineering design services and/or technology modification services provided by Conch Design Institute and the information technology products provided by Conch IT Engineering are all supporting products or services for industrial solid and hazardous treatment projects, the proposed annual caps of the 2023 Industrial Solid and Hazardous Waste Treatment Framework Agreement, the 2023 Engineering Design Services Framework Agreement and the 2023 Information System Procurement Framework Agreement shall be aggregated (“**Aggregate of Proposed Annual Cap**”).

## 7. REPORT OF THE DIRECTORS

As the highest applicable percentage ratio in respect of the Aggregated Proposed Annual Caps exceeds 5%, the transactions contemplated thereunder are therefore subject to reporting, announcement, annual review and independent Shareholders' approval under Chapter 14A of the Listing Rules.

The 2023 Industrial Solid and Hazardous Waste Treatment Framework Agreement, the 2023 Engineering Design Services Framework Agreement and the 2023 Information System Procurement Framework Agreement have been approved by Independent Shareholders on 8 March 2023, please refer to the Company's announcements dated 11 December 2022 and 8 March 2023 and the circular dated 16 February 2023 for details.

### 3. Exempt continuing connected transaction

On 16 March 2022, Shaanxi Oufeide entered into a chemicals procurement framework agreement (the "**Procurement Framework Agreement**") with Shaanxi Bangda, pursuant to which Shaanxi Bangda will procure chemicals from Shaanxi Oufeide. Historically, Shaanxi Bangda has been procuring chemicals produced by Shaanxi Oufeide for its oil-bearing sludge treatment. Shaanxi Bangda has continued to procure chemicals from Shaanxi Oufeide as Shaanxi Oufeide is familiar with the Group's quality standard and has been providing the Group with such chemicals with standard and quality commensurate with the Group's requisite requirements. The procurement price will be determined after arm's length negotiations with reference to market prices of comparable chemicals. The precise type of chemicals, procurement price, method of payment and other details will be agreed between the relevant parties separately. Currently, the procurement amount payable by the Company under the Procurement Framework Agreement will not exceed RMB1.8 million on an annual basis. The initial term of the Procurement Framework Agreement shall commence from the Listing Date to December 31, 2024, subject to renewal upon the mutual consent of both parties.

The Procurement Framework Agreement was entered into on normal commercial terms and all applicable percentage ratios calculated for the purpose of Chapter 14A of the Listing Rules are less than 1% on an annual basis. By virtue of Rule 14A.76(1)(b) of the Listing Rules, the Procurement Framework Agreement and any transactions contemplated thereunder constitute de minimis continuing connected transactions and would be exempt from reporting, annual review, announcement, and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Since 27 May 2022, the Company completed the acquisition of 18.15% Shares of Shaanxi Bangda held by Shaanxi Oufeide, the percentage of shareholding of Shaanxi Bangda held by Shaanxi Oufeide reduced from 26.15% to 8%, and Shaanxi Oufeide ceased to be a connected person of the Company. Since 27 May 2022, the transactions contemplated under the Purchase Framework Agreement no longer constitute continuing connected transactions for the Company.

## 7. REPORT OF THE DIRECTORS

The related party transactions described in note 29 to the consolidated financial statements do not constitute connected transactions or continuing connected transactions of the Company as defined in Chapter 14A of the Listing Rules during the Reporting Period except for those related party transactions between the Group and the Conch Cement Group which constituted connected transactions or continuing connected transactions, and the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

The Company complied with the disclosure requirements under Chapter 14A of the Listing Rules during the Reporting Period. Save as disclosed in this annual report, during the Reporting Period, the Company had no connected transactions or continuing connected transactions which are required to be disclosed in accordance with the provisions under Chapter 14A of the Listing Rules in relation to the disclosure of connected transactions and continuing connected transactions.

The independent non-executive Directors have reviewed the above continuing connected transactions and confirmed that they have been entered into:

- i. in the ordinary and usual course of business of the Group;
- ii. on normal commercial terms or better terms; and
- iii. according to the relevant agreements governing such transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditor of the Company has performed certain agreed-upon procedures regarding the continuing connected transactions as set out above and entered into by the Group during the year ended 31 December 2022, in accordance with the Hong Kong Standard on Assurance Engagement 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the HKICPA, and confirms that:

- i. nothing has come to their attention that causes the auditor to believe that the disclosed continuing connected transactions have not been approved by the Board;
- ii. for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes the auditor to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;
- iii. nothing has come to their attention that causes the auditor to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and
- iv. with respect to the aggregate amount of each of the continuing connected transactions, nothing has come to their attention that causes the auditor to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company.

## 7. REPORT OF THE DIRECTORS

### (24) SHARE SCHEME

At the end of Reporting Period, the Group did not adopt any share scheme under Chapter 17 of the Listing Rules.

### (25) EQUITY-LINKED AGREEMENTS

During the Reporting Period, no equity-linked agreements were entered into by the Company or subsisted at the end of the year.

### (26) TAX RELIEF AND EXEMPTION

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

### (27) PRE-EMPTIVE RIGHTS

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

### (28) AUDITOR

In 2022, the Company appointed KPMG as its international auditor for the year ended 31 December 2022 and there had been no change in auditor of the Company after the Listing. The consolidated financial statements for the year ended 31 December 2022 have been audited by KPMG.

The term of office of KPMG will expire at the forthcoming annual general meeting ("**Annual General Meeting**") and KPMG will retire and offer themselves for re-appointment thereat.

A resolution for the re-appointment of KPMG as the auditor of the Company is to be proposed at the Annual General Meeting.

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

### (29) ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

During the Reporting Period, at no time was the Company or any of its subsidiaries or holding companies a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 years owns or exercises any right to subscribe for equity or debt securities of the Company or any other body corporate.



## 7. REPORT OF THE DIRECTORS

### **(30) MAJOR RISKS AND UNCERTAINTIES**

The Group is principally engaged in the provision of industrial solid and hazardous waste treatment services, which are subject to a number of major risks and uncertainties, including: (1) the environmental protection industry developed by the Group complies with the requirements of national policies, but the risk of fluctuations caused by the influence of industry policies cannot be ruled out; (2) the Group's customers are industrial companies that required disposal of industrial solid and hazardous waste, mainly in the energy and chemical, petroleum mining, electronic equipment and automobile manufacturing industries. If there are major adverse changes in the financial status or operations of major customers, it will have an adverse impact on the company's financial status and operating results; (3) the solid and hazardous waste disposal services provided by the Group are uncertain due to external factors such as the parts of transportation and storage, and there are potential risks to safe and environmentally friendly production. The above is not an exhaustive list of risk factors. Save as mentioned above, there may be other risks and uncertainties of which the Group is not aware, or which may not be material at present but which may become material in the future.

### **(31) MATERIAL LITIGATION**

During the Reporting Period, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatening against the Company.

### **(32) COMPLIANCE WITH LAWS AND REGULATIONS**

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



## 7. REPORT OF THE DIRECTORS

During the year under review, to the best knowledge of the Group, the Group has: (1) for solid waste and hazardous waste treatment, complied with the Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》), the Administration Measures of Operation License for Hazardous Waste (《危險廢物經營許可證管理辦法》), the Management Measures for Hazardous Wastes Movement (《危險廢物轉移管理辦法》), the Law of the People's Republic of China on Road Traffic Safety (《中華人民共和國道路交通安全法》), the Regulation of the People's Republic of China on Road Transport (《中華人民共和國道路運輸條例》), the Provisions on the Administration of Road Transport of Dangerous Goods (《道路危險貨物運輸管理規定》) and other related rules and regulations; (2) for environmental protection, complied with the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), the Law of the People's Republic of China on Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》), the Management Regulations of Environmental Protection of Construction Project (《建設項目環境保護管理條例》), the Environmental Impact Assessment Law of the People's Republic of China (《中華人民共和國環境影響評價法》), the Administrative Measures of Pollutant Discharge (《排污許可管理條例》) and other related rules and regulations; (3) for the establishment, operation and management of foreign-invested enterprises, complied with the Company Law of the People's Republic of China (《中華人民共和國公司法》), the Foreign Investment Law of the People's Republic of China (《中華人民共和國外商投資法》), the Regulation for Implementing the Foreign Investment Law of the People's Republic of China (《中華人民共和國外商投資法實施條例》) and other related rules and regulations; (4) for production safety, complied with the Production Safety Law of the People's Republic of China (《中華人民共和國安全生產法》), the Fire Law of the People's Republic of China (《中華人民共和國消防法》), the Regulations on the Reporting, Investigation and Disposition of Production Safety Accidents (《生產安全事故報告和調查處理條例》), the Administrative Regulations on the Work Safety of Construction Projects (《建設工程安全生產管理條例》) and other related rules and regulations; (5) for labour protection, complied with the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), the Implementation Regulations on Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法實施條例》), Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》), the Prevention and Control of Occupational Diseases Law of the People's Republic of China (《中華人民共和國職業病防治法》) and other related rules and regulations; (6) for foreign exchange, complied with the Regulations of the People's Republic of China on the Management of Foreign Exchanges (《中華人民共和國外匯管理條例》); (7) for taxation, complied with the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》), Regulations on the Implementation of Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法實施條例》) and other related rules and regulations; (8) for intellectual property rights, complied with the Trademark Law of the People's Republic of China (《中華人民共和國商標法》), the Patent Law of the People's Republic of China (《中華人民共和國專利法》) and other related rules and regulations.

## 7. REPORT OF THE DIRECTORS

### (33) ENVIRONMENT POLICIES AND PERFORMANCES

The Group has realized the importance of environmental protection, and has taken stringent environmental measures to ensure that the Group complies with existing environmental laws and regulations. For details of the environmental policies and performance of the Group, please refer to our Environmental, Social and Governance Report of the Company for the year ended 31 December 2022, to be separately published on the website of the Stock Exchange ([http:// www.hkexnews.hk](http://www.hkexnews.hk)) and the Company's own website ( <http://www.conchenviro.com>) according to the Listing Rules.

### (34) DONATION

During the Reporting Period, the Group did not make any charitable or any other kind of donations.

### (35) PERMITTED INDEMNITY PROVISIONS

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

### (36) PROFESSIONAL TAX ADVICE RECOMMENDED

Shareholders who are in doubt about the tax implications of purchasing, holding, disposing of, dealing in the shares of the Company, or the exercise of any rights in relation to the shares of the Company, are advised to consult an expert.

### (37) SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

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

On behalf of the Board

**Mr. LI Qunfeng**

*Chairman of the Board*

27 March 2023

## 8. BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

### (I) DIRECTORS

#### 1. Executive Directors

**Mr. LI Xiaobo (李曉波先生)**, aged 53, was appointed as an executive Director of the Company on 9 October 2022. He currently serves as a member of the Strategy, Sustainability and Risk Management Committee, the general manager of the Company and the director and general manager of various subsidiaries of the Company. Mr. Li Xiaobo is in charge of the overall production and operation of the Group. He graduated from Tianjin Building Materials School (天津建材學校) in building material machinery in July 1990 and from Wuhu Education College (蕪湖教育學院) in foreign trade English in July 2001. Mr. Li Xiaobo has extensive experience in cement manufacturing and equipment management. He joined Conch Cement Group in 1990, and held various positions such as the assistant to the head, deputy head and executive deputy head of equipment department, assistant to general manager and deputy general manager in Conch Cement, the executive deputy general manager in Prosperity Conch Cement Co., Ltd. (英德海螺水泥有限責任公司), chairman and general manager in Chongqing Conch Cement Co., Ltd. (重慶海螺水泥有限責任公司), chairman and general manager in Dazhou Conch Cement Co., Ltd. (達州海螺水泥有限責任公司), officer-in-charge of the Regional Committee in Sichuan and Chongqing and officer-in-charge of the Regional Committee in northern Anhui.

**Ms. LIAO Dan (廖丹女士)**, aged 43, was appointed as an executive Director of the Company on 9 October 2022. She is currently the joint company secretary of the Company and the director of Anhui Conch Environment Group, a subsidiary of the Company. Ms. Liao Dan graduated from Zhengzhou University of Aeronautics (鄭州航空工業管理學院) in financial management in July 2004. Ms. Liao Dan has extensive experience in corporate management and compliance. She joined Conch Cement Group in July 2004, and served as the financial head of Ningguo Cement Plant of Anhui Conch Cement Company Limited, the securities affairs representative and the deputy manager of the board secretary office in Conch Cement.

**Mr. FAN Zhan (凡展先生)**, aged 39, was appointed as an executive Director of the Company on 9 October 2022, he is also currently the director of Anhui Conch Environment Group, a subsidiary of the Company. Mr. Fan Zhan graduated from Tongling University (銅陵學院) in accounting in July 2006. Mr. Fan Zhan has extensive experience in finance and investment management. He joined Conch Cement Group in July 2006, and served as the financial head in Anhui Tongling Conch Cement Co., Ltd. (安徽銅陵海螺水泥有限公司) and the head of the financial department and the assistant to department director. He is currently a deputy head of financial department in Conch Cement.

## 8. BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

### 2. Non-executive Directors

**Mr. LI Qunfeng (李群峰先生)**, aged 52, was appointed as a non-executive Director and the Chairman of the Board of the Company on 9 October 2022. He currently serves as a member of the Remuneration and Nomination Committee and the chairman of the Strategy, Sustainability and Risk Management Committee and the director of various subsidiaries of the Company. Mr. Li Qunfeng is responsible for guiding the Group's strategic development and investment decisions. He graduated from Luoyang Institute of Science and Technology (洛陽理工學院), previously known as Luoyang Technology College (洛陽工業高等專科學校) in silicate technology in August 1994. Mr. Li Qunfeng has extensive experience in fields such as corporate management, investment development and cement manufacturing technology. He joined Conch Cement Group in 1994, and held various positions such as factory director of manufacturing plant, director of production quality department, assistant to general manager, deputy general manager and general manager in Anhui Tongling Conch Cement Co., Ltd. (安徽銅陵海螺水泥有限公司) as well as officer in charge of the Regional Committee in the northern Anhui in Conch Cement Group and an assistant to general manager and deputy general manager in Conch Cement. He is currently an executive director and general manager of Conch Cement.

**Mr. XIAO Jiaxiang (肖家祥先生)**, aged 59, was appointed as a non-executive Director of the Company on 17 September 2021. He is currently served as a member of the Strategy, Sustainability and Risk Management Committee. Mr. Xiao is responsible for providing strategic advice on the overall development of the Group. Mr. Xiao has almost 30 years' experience in business management and investment and financing in capital markets. Mr. Xiao joined the Group since February 2019 when he was appointed as a director of Haizhong Environmental. Prior to joining the Group, from July 1982 to July 1991, Mr. Xiao successively served as an engineer and the head of the workshop of Guizhou Shuicheng Cement Plant (貴州水城水泥廠). From July 1991 to November 2001, he successively held various positions in Huaxin Cement Company Limited (華新水泥股份有限公司, a company listed on the Stock Exchange, stock code: 6655, and on the Shanghai Stock Exchange, stock code: 600801), including a director and the vice general manager. From November 2001 to January 2006, Mr. Xiao served as deputy party secretary, mayor, secretary of Party Committee and director of the Standing Committee in Daye City. From February 2006 to December 2008, he served as the CEO of Tianrui Group Co., Ltd. (天瑞集團股份有限公司) and the chairman and general manager of China Tianrui Group Cement Company Limited (中國天瑞集團水泥有限公司, a company listed on the Stock Exchange, stock code: 1252). Mr. Xiao has held various managerial positions in CNBM and its subsidiaries since February 2009. Mr. Xiao obtained a bachelor's degree in non-metallic mining engineering from Wuhan University of Technology (武漢理工大學), previously known as Wuhan Institute of Building Materials Industry (武漢建築材料工業學院), in August 1982, a master's degree in management from Wuhan University of Technology (武漢理工大學), previously known as Wuhan Polytechnic University (武漢工業大學), in July 1997 and a doctor's degree in management and engineering from Huazhong University of Science and Technology (華中科技大學) in June 2011. He was granted as a professor-grade senior engineer in November 2002 and is entitled to a special government allowance provided by the State Council in February 2013. Since April 2007, Mr. Xiao consecutively acts as the vice chairman of China Cement Association (中國水泥協會).



## 8. BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. MA Wei (馬偉先生)**, aged 55, was appointed as a non-executive Director of the Company on 9 October 2022, he is also currently the director of Anhui Conch Environment Group, a subsidiary of the Company. Mr. Ma Wei graduated from Anhui Vocational and Technical College (安徽職業技術學院), previously known as Anhui Building Materials Industry School (安徽省建材工業學校), in cement process in July 1989 and from Wuhan University of Technology (武漢理工大學), previously known as Wuhan Industrial University (武漢工業大學) in silicate technology in January 1997. Mr. Ma Wei has extensive experience in project investment, development and operation. He joined Conch Cement Group in July 1989 and successively served as the assistant to general manager, deputy general manager and general manager in subsidiaries of Conch Cement. He is currently the chief of strategic development department of Conch Cement.

### 3. Independent non-executive Directors

**Mr. DAI Xiaohu (戴曉虎先生)**, aged 60, was appointed as an independent non-executive Director on 17 September 2021, with effect from 22 March 2022, He currently serves as a member of the Audit Committee, the chairman of the Remuneration and Nomination Committee and a member of the Strategy, Sustainability and Risk Management Committee. Mr. Dai is responsible for providing independent opinion and judgment to the Board. Mr. Dai has made many theories and pioneering achievements in the fields of environmental engineering, pollution control, solid waste resources utilization, energy saving and emission reduction. Mr. Dai has been the director of the National Engineering Research Center for Urban Pollution Control of Tongji University (同濟大學城市污染控制國家工程研究中心主任) since February 2010 and appointed as an independent non-executive Director of Beijing Enterprises Water Group Limited (北控水務集團有限公司, a company listed on the Stock Exchange, stock code: 371) since 30 November 2022. Mr. Dai obtained a bachelor's degree in environmental engineering from Tongji University (同濟大學) in July 1985, and a doctorate degree in environment engineering from Department of Civil Engineering, Ruhr University Bochum, Germany in February 1992.

**Ms. WANG Jiafen (王嘉奮女士)**, aged 50, was appointed as an independent non-executive Director on 18 July 2022. She is currently served as the chairlady of Audit Committee and a member of the Remuneration and Nomination Committee. Ms. Wang Jiafen has been working in Solvay (China) Investment Co., Ltd. since March 2011. She is currently the global financial director of the household and personal consumption market and the amine market, and also serves as the Asia Pacific regional financial director. Ms Wang worked at Arthur Andersen from August 1995 to December 1998, and her last position was senior auditor; she worked as a financial reporter at Singapore Press Holdings Limited from July 2000 to November 2001; from August 2002 to August 2005, she successively served as the financial director of the Asia-Pacific region and the accounting manager of the Asia-Pacific region in AkzoNobel (Asia) Co., Ltd.; from August 2005 to June 2006, she worked in ITT (China) Investment Co., Ltd. (埃梯梯(中國)投資有限公司) Regional Compliance Manager; and served as Senior Manager of Asia Pacific at Unisys (Shanghai) Information Technology Co., Ltd. (優利(上海)信息技術有限公司) from August 2006 to December 2010. She was a member of the audit committee of Shanghai American School (上海美國學校) from August 2015 to June 2022. Ms. Wang obtained a bachelor's degree in economics from Shanghai University of Finance and Economics in June 1995, a postgraduate diploma in business management from the National University of Singapore in July 2000, and an EMBA degree from the Kellogg School of Business of Northwestern University and the Hong Kong University of Science and Technology in June 2016. Executive Master of Business Administration) degree. Ms. Wang is a member of the Chinese Institute of Certified Public Accountants, the Chartered Institute of Global Management Accountants and the Chartered Institute of Management Accountants, and is a certified internal auditor and a certified internal control self-assessor.

## 8. BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

**Ms. LI Chen (李琛女士)**, aged 39, was appointed as an independent non-executive Director on 27 March 2023. She is currently served as a member of Audit Committee and a member of the Remuneration and Nomination Committee. Ms. Li has extensive experience in the investment, development and technological innovation of cement and environment protection fields. From September 2015 to September 2016, she served as a researcher in China Building Material Federation (中國建築材料聯合會). From October 2016 to January 2017, she served as a researcher in China Cement Association (中國水泥協會). Since January 2017, she has been serving as the secretary general in the Carbon Emission Reduction Expert Committee (碳減排專家委員會) of China Cement Association. Since December 2019, she has been serving as the deputy secretary general in China Cement Association (中國水泥協會). Ms. Li also has served as a part-time postgraduate tutor in Beijing University of Technology (北京工業大學) since 2020 and an independent director in Gansu Shangfeng Cement Co., Ltd. (甘肅上峰水泥股份有限公司), a company listed on the Shenzhen Stock Exchange, stock code: 000672) since May 2022. Ms. Li obtained a bachelor's degree in material science and engineering from Beijing University of Technology in July 2007, a master's degree in material science and engineering from Beijing University of Technology in July 2010 and a doctoral degree in material science from Beijing University of Technology in July 2015. Ms. Li obtained the qualification of senior engineer in December 2018 and was awarded the 2019 Building Material Science and Technology Award (2019年度建築材料科學技術獎) by China Building Material Federation and the Chinese Ceramic Society (中國硅酸鹽學會) in 2020.

### (II) SENIOR MANAGEMENT

**Mr. ZHANG Keke (張可可先生)**, aged 60, was appointed as a Deputy General Manager of the Company on 17 September 2021. Mr. Zhang was appointed as a Director on 25 February 2021 and re-designated as an executive Director of the Company on 17 September 2021. He has been appointed as a member of the Strategy, Sustainability and Risk Management Committee with effect from 30 March 2022, and resigned as an executive Director and a member of the Strategy, Sustainability and Risk Management Committee on 9 October 2022. Mr. Zhang is responsible for daily operations and management, marketing and sales of the Group. Mr. Zhang has more than 30 years of extensive experience in the building materials industry and marketing and sales. Mr. Zhang joined the Group since June 2016 and he also currently serves as a director and general manager of various subsidiaries of the Company. Prior to joining the Group, from June 1984 to October 2000, Mr. Zhang served in various positions in Conch Cement, such as deputy secretary of the Youth League Committee of Ningguo Cement Plant and the head of supply department of Conch Cement. From October 2000 to May 2016, Mr. Zhang held senior managerial positions in Conch Holdings and its subsidiaries, including the deputy general manager of Conch New Material from September 2000 to March 2011. Mr. Zhang served as the assistant to general manager of Conch Venture from April 2018 to December 2020, and was appointed as the deputy general manager in December 2020, while for the purpose of the Spin-off, he ceased to hold such senior managerial position with Conch Venture in September 2021. Mr. Zhang obtained a diploma in law from Anhui Kaifang University (安徽開放大學), previously known as Anhui Radio and TV University (安徽廣播電視大學), in July 1988.



## 8. BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. ZHOU Zhengyou (周正友先生)**, aged 56, was appointed as a Deputy General Manager of the Company on 26 December 2022, he also currently serves as a director of various subsidiaries of the Company. Mr. Zhou has over 30 years' experience in cement production and project operation. Mr. Zhou joined the Conch Cement Group in 1990, he successively served as an assistant to the general manager, deputy general manager, general manager of a subsidiary of Conch Cement, the officer-in-charge and president of the Regional Committee in Northern Anhui and Jiangxi. Mr. Zhou obtained a bachelor's degree in cement process from Nanjing Chemical College\* (南京化工學院) in July 1990,

**Mr. WANG Jianli (王建禮先生)**, aged 59, was appointed as the chief engineer in September 17, 2021. Mr. Wang has over 30 years' experience in process design and technological upgrading of building materials industry. Mr. Wang has served as the general manager of Yaobai Environmental since December 2015, and has been also appointed as the chairman of the board of directors of Yaobai Environmental in March 2021, he also currently serves as a director and general manager of various subsidiaries of the Company. Prior to joining the Group, he successively served as the chief engineer, deputy general manager and vice president in Yaobai Special Cement, the director and chief engineer of West China Cement Limited\* (中國西部水泥有限公司). Mr. Wang graduated from Luoyang Institute of Science and Technology (洛陽理工學院) in cement process in December 1982, and obtained a bachelor's degree in engineering in industrial electrical automation from Xi'an University of Technology\* (西安理工大學) in December 1988, completed an EMBA course in School of Economics and Management of Northwest University\* (西北大學) in December 2005, and the course of High-level Capacity Building Seminar in the field of new materials in Zhejiang University in September 2014.

**Mr. FANG Cun (方存先生)**, aged 45, was appointed as the assistant to general manager in 26 December 2022, he also currently serves as a director and general manager of various subsidiaries of the Company. Mr. Fang Cun has over 20 years' experience in cement production and project development. Mr. Fang joined Conch Cement Group in 1999, and joined Conch Venture in 2017, he successively served as the assistant to general manager of CK Engineering, deputy general manager, the deputy director of strategy department in Conch Venture, the chairman of investment development department of the Group. He is currently served as general manager of Haizhong Environmental. Mr. Fang obtained a bachelor's degree in Industrial Automation from Anhui University (安徽大學) in July 1999.

### (III) JOINT COMPANY SECRETARIES

**Ms. LIAO Dan (廖丹女士)**. Please refer to the aforementioned biographies of Executive Directors.

**Mr. LEE Leong Yin (李亮賢先生)**, was appointed as the joint company secretary of the Company on 14 October 2022. Mr. Lee is a senior manager of Corporate Services of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services. Mr. Lee has over 12 years of experience in the corporate secretarial field. Mr. Lee has been providing professional corporate service to Hong Kong listed companies as well as multinational, private and offshore companies. Mr. Lee is a Chartered Secretary, a Chartered Governance Professional and an Associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.

## INDEPENDENT AUDITOR'S REPORT



### **Independent auditor's report to the shareholders of China Conch Environment Protection Holdings Limited**

*(Incorporated in Cayman Islands with limited liability)*

#### **OPINION**

We have audited the consolidated financial statements of China Conch Environment Protection Holdings Limited ("the Company") and its subsidiaries ("the Group") set out on pages 94 to 200, which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

#### **BASIS FOR OPINION**

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

## INDEPENDENT AUDITOR'S REPORT

### KEY AUDIT MATTERS

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

#### Revenue Recognition

---

*Refer to Note 3 to the consolidated financial statements and the accounting policy on page 121.*

#### The Key Audit Matter

#### How the matter was addressed in our audit

---

The principal activities of the Group are provision of treatment solutions for industrial solid and hazardous waste.

For the year ended 31 December 2022, the Group's revenue from treatment services for industrial solid and hazardous waste amounted to approximately RMB1,267 million and RMB463 million respectively, representing approximately 73.2% and 26.8% of the Group's total revenue for the year.

Revenue is recognised when the control over a service is transferred to the customer at the amount of promised consideration to which the Group expects to be entitled.

We identified revenue recognition as a key audit matter because revenue is one of the key performance indicators of the Group and therefore there is an inherent risk of manipulation of the timing and amount of revenue recognition by management to meet specific targets or expectations.

Our audit procedures to assess revenue recognition included the following:

- obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls over revenue recognition;
- inspecting, on a sample basis, the sales contracts to identify key terms relating to revenue recognition and assessing the revenue recognition criteria with reference to the requirements of the prevailing accounting standards;
- comparing revenue transactions recorded during the current year, on a sample basis, with service contracts and customer settlement slips, or weighing notes, whichever is applicable("relevant underlying documents"), and assessing whether the related revenue had been recognised in accordance with the Group's revenue recognition accounting policies;

# INDEPENDENT AUDITOR'S REPORT

## KEY AUDIT MATTERS *(Continued)*

### Revenue Recognition

---

*Refer to Note 3 to the consolidated financial statements and the accounting policy on page 121.*

<b>The Key Audit Matter</b>	<b>How the matter was addressed in our audit</b>
	<ul style="list-style-type: none"> <li>obtaining confirmations, on a sample basis, from customers of the Group in relation to sales transactions during the year and balances of trade receivables at the year end and, for unreturned confirmations, performing alternative procedures by comparing the sales amount of the transactions with relevant underlying documents or cash receipts subsequent to the financial year end relating to trade receivable balances;</li> <li>comparing, on a sample basis, revenue transactions recorded before and after the reporting date with relevant underlying documents, whichever is applicable, to determine whether the related revenue had been recognised in the appropriate financial period.</li> <li>inspecting journal entries related to revenue during the reporting period which met certain risk-based criteria; inquiring management the reasons for such adjustments and comparing the details of the adjustments with relevant underlying documentation.</li> </ul>

## INDEPENDENT AUDITOR'S REPORT

### KEY AUDIT MATTERS *(Continued)*

#### **Expected credit loss allowance for trade receivables**

---

*Refer to Note 17 to the consolidated financial statements and the accounting policy on pages 111 to 113.*

#### **The Key Audit Matter**

#### **How the matter was addressed in our audit**

---

At 31 December 2022, the Group's gross trade and bill receivables totalled RMB914 million against which an allowance for expected credit losses ("ECL") of RMB35 million was recorded.

Management measured loss allowance at an amount equal to lifetime ECL, using a provision matrix based on past due status, taking into account the historical default rate, current market conditions and forward-looking information.

As the historical credit loss experience of the Group does not indicate significantly different loss patterns for different customers, the loss allowance based on past due status are not further distinguished between the Group's different customer bases.

Our audit procedures to assess the ECL allowance of trade receivables included the following:

- obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls relating to credit control, debt collection, estimate of expected credit losses and recording related loss allowances in the financial statements;
- assessing the appropriateness of the ECL model adopted by management with reference to the requirements of the prevailing accounting standards;

# INDEPENDENT AUDITOR'S REPORT

## KEY AUDIT MATTERS *(Continued)*

### **Expected credit loss allowance for trade receivables (Continued)**

---

*Refer to Note 17 to the consolidated financial statements and the accounting policy on pages 111 to 113.*

#### **The Key Audit Matter**

#### **How the matter was addressed in our audit**

---

We identified ECL allowance for trade receivables as a key audit matter because estimation of ECL is inherently subjective and requires the exercise of significant management judgement.

- assessing the appropriateness of management's assumptions in estimating loss rates of the trade receivables by examining the information used by management to derive such estimates, including testing the accuracy of the historical default data and evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information;
- assessing whether the items in the trade receivables past due report were categorised in the appropriate ageing bracket by comparing the individual items with sales invoices and credit terms as agreed with customers, on a sample basis; and
- re-calculating the Group's loss allowance with reference to the past due report and expected loss rates.



## INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

### **RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

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

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

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

## INDEPENDENT AUDITOR'S REPORT

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

## INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Au Yat Fo.

#### **KPMG**

*Certified Public Accountants*

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

27 March 2023

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	Note	2022 RMB'000	2021 RMB'000
<b>Revenue</b>	3	<b>1,729,598</b>	1,698,153
Cost of sales		<b>(819,458)</b>	(683,118)
<b>Gross profit</b>		<b>910,140</b>	1,015,035
Other income	4	<b>62,850</b>	83,871
Distribution costs		<b>(157,470)</b>	(131,345)
Administrative expenses		<b>(317,959)</b>	(227,581)
<b>Profit from operations</b>		<b>497,561</b>	739,980
Finance costs	5(a)	<b>(92,026)</b>	(52,079)
Share of profits of associates	14	<b>4,996</b>	9,812
<b>Profit before taxation</b>	5	<b>410,531</b>	697,713
Income tax	6(a)	<b>(50,068)</b>	(51,136)
<b>Profit for the year</b>		<b>360,463</b>	646,577
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>328,656</b>	578,607
Non-controlling interests		<b>31,807</b>	67,970
<b>Profit for the year</b>		<b>360,463</b>	646,577
<b>Earnings per share</b>	9		
Basic (RMB)		<b>0.18</b>	0.32
Diluted (RMB)		<b>0.18</b>	0.30

The notes on pages 100 to 200 form part of these financial statements.

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

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

	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
<b>Profit for the year</b>	<b>360,463</b>	646,577
Other comprehensive income for the year (after tax and reclassification adjustments)	–	–
<b>Total comprehensive income for the year</b>	<b>360,463</b>	646,577
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>328,656</b>	578,607
Non-controlling interests	<b>31,807</b>	67,970
<b>Total comprehensive income for the year</b>	<b>360,463</b>	646,577

The notes on pages 100 to 200 form part of these financial statements.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2022  
(Expressed in Renminbi Yuan)

	Note	31 December 2022 RMB'000	31 December 2021 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	10	6,366,191	5,170,495
Right-of-use assets	11	234,630	197,156
Intangible assets	12	121,537	63,047
Goodwill	26(b)	9,219	5,815
Interests in associates	14	65,919	68,839
Non-current portion of trade and other receivables	17	410,652	293,062
Deferred tax assets	21(b)	8,923	8,309
		<b>7,217,071</b>	5,806,723
<b>Current assets</b>			
Inventories	16	17,842	8,061
Trade and other receivables	17	975,728	1,024,495
Financial assets measured at FVPL	15	–	15,000
Restricted bank deposits	18	52,869	58,149
Bank deposits with original maturity over three months	18	–	1,680
Cash and cash equivalents	18	273,058	596,113
		<b>1,319,497</b>	1,703,498
<b>Current liabilities</b>			
Loans and borrowings	19	637,566	634,033
Trade and other payables	20	1,314,478	1,330,427
Contract liabilities	22	10,676	9,858
Lease liabilities	23	1,691	530
Income tax payables	21(a)	14,666	19,823
		<b>1,979,077</b>	1,994,671
<b>Net current liabilities</b>		<b>(659,580)</b>	(291,173)
<b>Total assets less current liabilities</b>		<b>6,557,491</b>	5,515,550

The notes on pages 100 to 200 form part of these financial statements.



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2022  
(Expressed in Renminbi Yuan)

	Note	31 December 2022 RMB'000	31 December 2021 RMB'000
<b>Non-current liabilities</b>			
Loans and borrowings	19	<b>3,137,126</b>	2,409,828
Lease liabilities	23	<b>6,124</b>	3,606
Deferred tax liabilities	21(b)	<b>26,607</b>	12,196
		<b>3,169,857</b>	2,425,630
<b>Net assets</b>			
		<b>3,387,634</b>	3,089,920
<b>Capital and reserves</b>			
Share capital	24	<b>14,837</b>	—*
Reserves		<b>2,714,070</b>	2,420,593
<b>Equity attributable to equity shareholders of the Company</b>			
		<b>2,728,907</b>	2,420,593
<b>Non-controlling interests</b>			
		<b>658,727</b>	669,327
<b>Total equity</b>			
		<b>3,387,634</b>	3,089,920

\* The balance represents an amount less than RMB1,000.

Approved and authorised for issue by the board of directors on 27 March 2023.

**Li Qunfeng**  
Director

**Li Xiaobo**  
Director

The notes on pages 100 to 200 form part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2022  
(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 reserve	PRC statutory reserves	Retained earnings	Sub-total			
	RMB'000 (Note 24(c))	RMB'000 (Note 24(d)(i))	RMB'000 (Note 24(d)(ii))	RMB'000 (Note 24(d)(iii))	RMB'000	RMB'000			
<b>Balance at 1 January 2021</b>	-	-	273,686	109,216	670,342	1,053,244	748,393	1,801,637	
Profit for the year	-	-	-	-	578,607	578,607	67,970	646,577	
Other comprehensive income	-	-	-	-	-	-	-	-	
<b>Total comprehensive income</b>	-	-	-	-	578,607	578,607	67,970	646,577	
Non-controlling interests arising from establishment of subsidiaries	-	-	-	-	-	-	109,267	109,267	
Acquisition of subsidiaries with non-controlling interests	26	-	-	-	-	-	19,759	19,759	
Acquisition of non-controlling interests	24(d)(ii)	-	(439,829)	-	-	(439,829)	(231,635)	(671,464)	
Appropriation to reserves	24(d)(iii)	-	-	72,881	(72,881)	-	-	-	
Issuance of ordinary shares by capitalization of the balance due to related parties	24(d)(i)	-*	1,199,004	-	-	1,199,004	-	1,199,004	
Deemed contribution from the ultimate parent company	24(d)(ii)	-	29,567	-	-	29,567	-	29,567	
Disposal of a subsidiary with non-controlling interests	-	-	-	-	-	-	(31,760)	(31,760)	
Profit distribution to non-controlling interests	-	-	-	-	-	-	(12,667)	(12,667)	
<b>Balance at 31 December 2021</b>	-*	1,199,004	(136,576)	182,097	1,176,068	2,420,593	669,327	3,089,920	

Note	Attributable to equity shareholders of the company							Non-controlling interests RMB'000	Total equity RMB'000
	Share capital	Share premium	Capital reserve	PRC statutory reserves	Retained earnings	Sub-total			
	RMB'000 (Note 24(c))	RMB'000 (Note 24(d)(i))	RMB'000 (Note 24(d)(ii))	RMB'000 (Note 24(d)(iii))	RMB'000	RMB'000			
<b>Balance at 1 January 2022</b>	-*	1,199,004	(136,576)	182,097	1,176,068	2,420,593	669,327	3,089,920	
Profit for the year	-	-	-	-	328,656	328,656	31,807	360,463	
Other comprehensive income	-	-	-	-	-	-	-	-	
<b>Total comprehensive income</b>	-	-	-	-	328,656	328,656	31,807	360,463	
Capitalisation issue	24(d)(i)	14,837	(14,837)	-	-	-	-	-	
Non-controlling interests arising from establishment of subsidiaries	-	-	-	-	-	-	32,508	32,508	
Acquisition of subsidiaries with non-controlling interests	26	-	-	-	-	-	29,886	29,886	
Acquisition of non-controlling interests	24(d)(ii)	-	(19,877)	-	-	(19,877)	(78,509)	(98,386)	
Appropriation to reserves	24(d)(iii)	-	-	65,976	(65,976)	-	-	1,199,004	
Disposal of a subsidiary with non-controlling interests	-	-	(465)	-	-	(465)	7,539	7,074	
Profit distribution to non-controlling interests	-	-	-	-	-	-	(33,831)	(33,831)	
<b>Balance at 31 December 2022</b>	14,837	1,184,167	(156,918)	248,073	1,438,748	2,728,907	658,727	3,387,634	

\* The balance represents an amount less than RMB1,000.

The notes on pages 100 to 200 form part of these financial statements.

## CONSOLIDATED CASH FLOW STATEMENT

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

	Note	2022 RMB'000	2021 RMB'000
<b>Operating activities:</b>			
Cash generated from operations	18(b)	<b>601,544</b>	812,463
Income tax paid	21(a)	<b>(58,550)</b>	(44,742)
<b>Net cash generated from operating activities</b>		<b>542,994</b>	767,721
<b>Investing activities:</b>			
Payment for purchase of property, plant and equipment, construction in progress and intangible assets		<b>(1,440,615)</b>	(1,803,163)
Proceeds from disposal of property, plant and equipment and right-of-use assets		<b>3,064</b>	1,297
Payment for purchase of right-of-use assets		<b>(49,143)</b>	(458,799)
Acquisition of subsidiaries, net of cash acquired	26	<b>(101,092)</b>	(66,310)
Payment for investments in associates		<b>(1,704)</b>	(23,220)
Proceeds from disposal of a subsidiary, net of cash held		<b>5,705</b>	39,969
Repayment of amounts due from related parties		<b>150,000</b>	93,868
Payment for purchase of financial assets measured at FVPL		<b>–</b>	(15,000)
Proceeds from disposal of financial assets measured at FVPL		<b>15,000</b>	–
Proceeds from maturity of bank deposits over three months		<b>1,680</b>	51,700
Payment for bank deposits with maturity over three months		<b>–</b>	(21,680)
Dividends received from associates		<b>9,620</b>	6,400
Interest received		<b>116</b>	12,869
<b>Net cash used in investing activities</b>		<b>(1,407,369)</b>	(2,182,069)
<b>Financing activities:</b>			
Proceeds from loans and borrowings	18(c)	<b>1,925,841</b>	2,169,226
Repayment of loans and borrowings	18(c)	<b>(1,195,010)</b>	(164,337)
Advance from related parties	18(c)	<b>–</b>	219,626
Repayment of amounts due to related parties	18(c)	<b>–</b>	(565,236)
Profit distribution to non-controlling interests		<b>(4,085)</b>	(36,667)
Dividends paid	24(b)	<b>–</b>	(228,072)
Interest paid	18(c)	<b>(131,151)</b>	(81,041)
Capital contribution from non-controlling interests		<b>32,508</b>	109,267
Acquisition of non-controlling interests in subsidiaries		<b>(84,860)</b>	–
Repayment of payables for acquisition in connection with Reorganisation		<b>–</b>	(50,000)
Capital element of lease rentals paid	18(c)	<b>(1,657)</b>	(918)
Interest element of lease rentals paid	18(c)	<b>(266)</b>	(171)
<b>Net cash generated from financing activities</b>		<b>541,320</b>	1,371,677
<b>Net decrease in cash and cash equivalents</b>		<b>(323,055)</b>	(42,671)
<b>Cash and cash equivalents at the beginning of the year</b>		<b>596,113</b>	638,784
<b>Cash and cash equivalents at the end of the year</b>	18(a)	<b>273,058</b>	596,113

The notes on pages 100 to 200 form part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

## 1 SIGNIFICANT ACCOUNTING POLICIES

### (a) General Information

China Conch Environment Protection Holdings Limited (the “Company”) is a limited liability company incorporated in the Cayman Islands with limited liability under the Cayman Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 30 March 2022 (the “Listing”).

The Company and its subsidiaries (together the “Group”) are principally provide treatment solutions for industrial solid waste and hazardous waste utilizing cement kiln waste treatment technologies in the People’s Republic of China (the “PRC”).

### (b) Statement of compliance

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

The IASB has issued certain amendments to IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 1(d) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting periods reflected in these financial statements.

### (c) Basis of preparation and presentation

The consolidated financial statements for the year ended 31 December 2022 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interests in associates.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

- financial assets and equity investments are stated at their fair value (see note 1(h)).

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

### 1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### (c) Basis of preparation and presentation *(Continued)*

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

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

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

The consolidated financial statements has been prepared assuming the Group will continue as a going concern notwithstanding that the Group recorded net current liabilities of RMB659,580,000 as at 31 December 2022. The directors have reviewed the current financial performance and working capital forecast as part of their assessment of the Group's ability to continue as a going concern, and after carefully considering the matters described below, the directors have a reasonable basis to conclude that the Group is able to continue as a going concern for at least the next twelve months from the year ended 31 December 2022 to meet its obligations, as and when they fall due, having regard to the following:

- (1) the Group generated net cash inflows from operating activities of approximately RMB543 million during the year ended 31 December 2022 and expects to continue to improve its working capital management and generate positive operating cash flows for the next twelve months;
- (2) the Group has the ability to obtain new banking and other financing facilities, borrowings and has the ability to renew or refinance the banking facilities upon maturity and obtain other borrowings. As at 31 December 2022, the Group had available unutilised banking facilities of RMB6.1 billion;

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



## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

### 1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### (d) Changes in accounting policies

The Group has applied the following amendments to IFRSs issued by the IASB to these financial statements for the current accounting period:

- Amendments to IAS 16, Property, plant and equipment: Proceeds before intended use
- Amendments to IAS 37, Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended IFRSs are discussed below:

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

The amendments prohibit an entity from deducting the proceeds from selling items produced before that asset is available for use from the cost of an item of property, plant and equipment. Instead, the sales proceeds and the related costs should be included in profit and loss. The amendments do not have a material impact on these financial statements as the Group does not sell items produced before an item of property, plant and equipment is available for use.

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

The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

Previously, the Group included only incremental costs when determining whether a contract was onerous. In accordance with the transitional provisions, the Group has applied the new accounting policy to contracts for which it has not yet fulfilled all its obligations at 1 January 2022, and has concluded that none of them is onerous.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

### 1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### (e) Subsidiaries and non-controlling interests

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

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

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

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with note 1(o) depending on the nature of the liability.

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

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

### 1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate (see note 1(f)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(l)(ii)).

#### (f) Associates

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

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal Group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 1(l)(ii)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statements of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statements of profit or loss and other comprehensive income.

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

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

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

### 1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### (f) Associates *(Continued)*

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

In the Company's statement of financial position, investments in associates are stated at cost less impairment losses (see note 1(n)).

#### (g) Goodwill

Goodwill represents the excess of

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over
- (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

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

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

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

#### (h) Other investments in debt and equity securities

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

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

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

### 1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

##### (i) Investments other than equity investments

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

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see Note 1(v)(ii)).
- fair value through other comprehensive income (FVOCI) — recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.
- fair value at profit or loss (FVPL) if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

##### (ii) Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in Note 1(v)(iii).



## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

### 1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### (i) Property, plant and equipment

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

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

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

Depreciation is calculated to write-off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Plant and buildings	20–30 years
Machinery and equipment	10–15 years
Office and other equipment	5 years
Motor vehicles	5 years

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

#### (j) Intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is recognised as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 1(l)(ii)).

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

### 1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### (j) Intangible assets *(Continued)*

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

Software	2–10 years
Pollutant discharge licenses	5 years
Customer relationship	10 years
Non-patent technology	10 years

Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

#### (k) Leased assets

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

##### (i) As a lessee

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

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

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

### 1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### (k) Leased assets *(Continued)*

##### (i) As a lessee *(Continued)*

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

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The following items of right-of-use asset are subsequently stated at cost less accumulated depreciation and impairment losses (see Note 1(l)(ii)).

- right-of-use assets arising from leasehold land and properties where the Group is not the registered owner of the property interest;
- prepaid costs of land use rights paid to the PRC government authorities or third parties.

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

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

### 1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### (k) Leased assets *(Continued)*

##### (i) As a lessee *(Continued)*

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

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

#### (l) Credit losses and impairment of assets

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

The Group recognises a loss allowance for expected credit losses (ECLs) on financial assets measured at amortised cost (including cash and cash equivalents, bank deposits and trade receivables and other receivables).

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

##### *Measurement of ECLs*

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

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.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

### 1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### (I) Credit losses and impairment of assets *(Continued)*

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

*(Continued)*

*Measurement of ECLs (Continued)*

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

ECLs are measured on either of the following bases:

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

Loss allowances for trade receivables 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.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

### 1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### (I) Credit losses and impairment of assets *(Continued)*

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

*(Continued)*

*Significant increases in credit risk (Continued)*

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

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

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

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



## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

### 1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### (I) Credit losses and impairment of assets *(Continued)*

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

*(Continued)*

###### *Basis of calculation of interest income*

Interest income recognised in accordance with Note 1(v)(ii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

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

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

- Significant financial difficulties of the debtor;
- A breach of contract, such as a default or past due event;
- It becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- Significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- The disappearance of an active market for a security because of financial difficulties of the issuer.

###### *Write-off policy*

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

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

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

### 1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### (i) Credit losses and impairment of assets *(Continued)*

##### (ii) Impairment of other non-current assets

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

- property, plant and equipment;
- right-of-use assets;
- intangible assets;
- goodwill;
- interests in associates; and
- investments in subsidiaries in the Company's statement of financial position.

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

##### — *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest Group of assets that generates cash inflows independently (i.e. a cash-generating unit). A portion of the carrying amount of a corporate asset (for example, head office building) is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest Group of cash-generating units if otherwise.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

### 1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

###### — *Recognition of impairment losses*

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

###### — *Reversals of impairment losses*

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

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

#### (m) Inventories and other contract costs

##### (i) Inventories

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

### 1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

##### (ii) Other contract costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventory (see note 1(m)(i)), property, plant and equipment (see note 1(i)) or intangible assets (see note 1(j)).

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

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

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set out in note 1(v).

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

### 1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### (n) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 1(v)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses (ECL) in accordance with the policy set out in note 1(l)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see note 1(o)).

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 1(v)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 1(o)).

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

#### (o) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 1(n)).

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs.

All receivables are subsequently stated at amortised cost, using the effective interest method and including an allowance for credit losses (see note 1(l)(i)).

#### (p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note 1(l)(i).

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

### 1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### (q) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

#### (r) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 1(x)).

#### (s) Employee benefits

##### (i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

##### (ii) Defined contribution retirement plans

Contributions to PRC local retirement schemes pursuant to the relevant labour rules and regulations in the PRC are recognised as an expense in profit or loss as incurred.

#### (t) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of each reporting period, and any adjustment to tax payable in respect of previous years.

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



## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

### 1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### (t) Income tax *(Continued)*

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

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purpose, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

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

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

### 1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### (t) **Income tax** *(Continued)*

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

#### (u) **Provision and contingent liabilities**

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

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

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

### 1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### (v) Revenue and other income

Income is classified by the Group as revenue when it arises from the provision of services in the ordinary course of the Group's business.

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

#### (i) Revenue from contracts with customers

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

##### (a) Revenue from services

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

##### (b) Revenue from sales of products

The Group sells by-products of hazardous waste treatment, which is a type of comprehensive utilization of resources. Revenue is recognised when the customer takes possession of and accepts the products. Payment terms and conditions vary by customers and are based on the billing schedule established in the contracts or purchase orders with customers.

#### (ii) Revenue from other sources and other income

##### (a) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see Note 1(l)(i)).

##### (b) Dividends

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

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

### 1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### (v) Revenue and other income *(Continued)*

##### (ii) Revenue from other sources and other income *(Continued)*

###### (c) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

#### (w) Translation of foreign currencies

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

### 1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### (x) Borrowing costs

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

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

#### (y) Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
- (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third party.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

### 1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### (y) Related parties *(Continued)*

(b) *(Continued)*

- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

#### (z) Segment reporting

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

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

### 2 ACCOUNTING JUDGEMENT AND ESTIMATES

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

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

##### (i) Depreciation and amortisation

As described in notes 1(i) and 1(k), property, plant and equipment and right-of-use assets are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. As described in Note 1(l), intangible assets are amortised on a straight-line basis over the estimated useful lives. Management reviews annually the useful lives of the assets and residual values, if any, in order to determine the amount of depreciation and amortisation expenses to be recorded during any reporting period.

The useful lives and residual values are based on the Group's historical experience with similar assets and taking into account anticipated technological and other changes. The depreciation and amortisation expenses for future periods are adjusted if there are significant changes from previous estimates.



## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

### 2 ACCOUNTING JUDGEMENT AND ESTIMATES *(Continued)*

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

*(Continued)*

##### (ii) Loss allowance of trade receivables

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

### 3 REVENUE AND SEGMENT REPORTING

#### (a) Revenue

The principal activities of the Group are provision of treatment solutions for industrial solid and hazardous waste.

##### (i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by each significant category is as follows:

	2022 RMB'000	2021 RMB'000
<b>Revenue from contracts with customers within the scope of IFRS 15, recognised over time</b>		
Industrial solid waste treatment services	<b>463,153</b>	456,179
Industrial hazardous waste treatment services		
— General hazardous waste	<b>1,057,841</b>	1,052,033
— Oil sludge	<b>124,277</b>	131,987
— Fly ash	<b>59,734</b>	57,954
	<b>1,705,005</b>	1,698,153
<b>Revenue from contracts with customers within the scope of IFRS 15, recognised at point in time</b>		
Comprehensive resource utilization	<b>24,593</b>	—
	<b>1,729,598</b>	1,698,153

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

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

#### (a) Revenue *(Continued)*

##### (i) Disaggregation of revenue *(Continued)*

Revenue from customers individually contributing over 10% of the total revenue of the Group for the year ended 31 December 2022 is as below:

	2022 RMB'000	2021 RMB'000
Customer A	–	176,438

##### (ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

The Group has applied the practical expedient in paragraph 121 of IFRS 15 and does not disclose revenue that the Group will be entitled to when it satisfies the remaining performance obligations as the Group recognises revenue in the amount to which it has a right to invoice, which corresponds directly to the fixed price per volume of services provided during the contract period.

#### (b) Segment reporting

##### (i) Services from which reportable segments derive their revenue

Information reported to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance is more focused on the Group as a whole, as all of the Group's activities are considered to be primarily dependent on the performance on industrial solid and hazardous waste solutions. Resources are allocated based on what is beneficial for the Group in enhancing its industrial solid and hazardous waste solutions activities as a whole rather than any specific service. Performance assessment is based on the results of the Group as a whole. Therefore, management considers there is only one operating segment under the requirements of IFRS 8, *Operating segments*.

##### (ii) Geographic information

The geographical location of revenue is based on the selling location. All of the Group's revenue from external customers is from the PRC. The geographical location of the specified non-current assets (primarily property, plant and equipment, right-of-use assets, intangible assets and interests in associates) is based on the physical location of the assets, in the case of property, plant and equipment, the location of the operation to which they are allocated, in the case of intangible assets and goodwill, and the location of operations, in the case of interests in associates. Substantially all of the Group's specified non-current assets are physically located in the PRC.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

### 4 OTHER INCOME

	2022 RMB'000	2021 RMB'000
Interest income on bank deposits	9,294	9,009
Government grants (i)	49,645	58,776
(Loss)/gain on disposal of a subsidiary	(439)	13,709
Net (loss)/gain on disposal of right-of-use assets and property, plant and equipment	(564)	25
Gain on previously held interests in associates	–	856
Recognition of negative goodwill as income	–	928
Others	4,914	568
	<b>62,850</b>	<b>83,871</b>

- (i) Government grants mainly represented subsidies received from the local government authorities for encouraging the Group's development in the industrial solid and hazardous waste solutions in the respective PRC cities.

### 5 PROFIT BEFORE TAXATION

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

#### (a) Finance costs:

	2022 RMB'000	2021 RMB'000
Interest on loans and borrowings (Note 18(c))	129,305	89,823
Interest on lease liabilities (Note 18(c))	266	171
* Less: interest expense capitalised in construction in progress	(37,545)	(37,915)
	<b>92,026</b>	<b>52,079</b>

- \* For the year ended 31 December 2022, the borrowing costs were capitalised at a rate of 1.70%–4.65% per annum (2021: 2.65%–4.65%).

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

### 5 PROFIT BEFORE TAXATION *(Continued)*

#### (b) Staff costs:

	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
Salaries, wages and other benefits	<b>340,690</b>	240,995
Contributions to defined contribution plans (i)	<b>45,703</b>	35,806
	<b>386,393</b>	276,801

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

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

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

### 5 PROFIT BEFORE TAXATION *(Continued)*

#### (c) Other items:

	2022 RMB'000	2021 RMB'000
Cost of services provided #	819,458	683,118
Depreciation of owned property, plant and equipment #	205,644	148,274
Depreciation of right-of-use assets #	4,261	4,673
Amortisation of intangible assets #	12,390	6,827
Loss allowance for trade receivables	3,424	12,896
Short-term lease payments not included in the measurement of lease liabilities	4,834	2,826
Auditors' remuneration	1,900	2,300
Listing expenses	30,881	24,764

# For the year ended 31 December 2022, cost of services provided include RMB372,704,000 (2021: RMB286,654,000) relating to staff costs, depreciation of owned property, plant and equipment, depreciation of right-of-use assets and amortisation of intangible assets, which amount is also included in the respective total amounts disclosed separately above or in Note 5(b) for each of these types of expenses.

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

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

	2022 RMB'000	2021 RMB'000
<b>Current tax — Hong Kong Profits Tax</b>		
Provision for the year	—	—
<b>Current tax — PRC income tax</b>		
Provision for the year	52,842	58,130
Under provision in respect of prior years	551	151
<b>Deferred tax:</b>		
Origination and reversal of temporary differences (Note 21(b))	(3,325)	(7,145)
	<b>50,068</b>	<b>51,136</b>

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

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

(Continued)

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

(Continued)

- (1) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.
- (2) The Company's subsidiary incorporated in Hong Kong is subject to Hong Kong profits tax at 16.5% of the estimated assessable profits. No provision for Hong Kong profit tax has been made for the year ended 31 December 2022 (2021: nil) as there are no assessable profits during the years ended 31 December 2022 and 2021.
- (3) 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.
- (4) Pursuant to Notice No.23 issued by the State Administration of Taxation on 23 April 2020 and relevant local tax authorities' notices, certain subsidiaries are entitled to a preferential income tax rate of 15% as qualifying companies located in western areas in the PRC.
- (5) Pursuant to the PRC Enterprise Income Tax Law Implementing Regulations issued by State Council of the PRC, certain subsidiaries engaged in industrial solid and hazardous waste solutions are eligible for income tax exemption for the first three years starting from the year in which revenue is generated and 50% income tax reduction for the next three years.

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

	2022 RMB'000	2021 RMB'000
Profit before taxation	410,531	697,713
Notional tax on profit before taxation, calculated at the rates applicable to profit in the tax jurisdictions concerned	111,458	184,256
PRC tax concessions	(60,692)	(130,818)
Under provision in respect of prior years	551	151
Share of profits of associates	(1,249)	(2,453)
Income tax expense	50,068	51,136



## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

### 7 DIRECTORS' REMUNERATION

Directors' remuneration disclosed are as follows:

Year ended 31 December 2022						
		Directors' fees	Salaries allowance and benefits in kind	Discretionary bonuses	Contributions to retirement scheme	Total
	Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors:						
Mr. Li Xiaobo	(i)	-	129	-	8	137
Mrs. Liao Dan	(ii)	-	69	644	8	721
Mr. Fan Zhan	(iii)	-	-	-	-	-
Non-executive Directors:						
Mr. Li Qunfeng	(iv)	-	-	-	-	-
Mr. Ma Wei	(iv)	-	-	-	-	-
Mr. Xiao Jiaxiang	(iv)	-	-	-	-	-
Independent Non-executive Directors:						
Mr. Hao Jiming	(v)	150	-	-	-	150
Mr. Dai Xiaohu	(v)	150	-	-	-	150
Mrs. Wang Jiafen	(vi)	-	-	-	-	-
		<b>300</b>	<b>198</b>	<b>644</b>	<b>16</b>	<b>1,008</b>

Year ended 31 December 2021						
		Directors' fees	Salaries allowance and benefits in kind	Discretionary bonuses	Contributions to retirement scheme	Total
	Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors:						
Mr. Guo Jingbin	(vii)	-	384	1,144	-	1,528
Mr. Shu Mao	(vii)	-	596	1,427	55	2,078
Mr. Zhang Keke	(vii)	-	487	1,154	32	1,673
Non-executive Directors:						
Mr. Ji Qinying	(viii)	-	216	424	-	640
Mr. Li Daming	(viii)	-	-	-	-	-
Mr. Xiao Jiaxiang	(iv)	-	-	-	-	-
		-	1,683	4,149	87	5,919

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

### 7 DIRECTORS' REMUNERATION *(Continued)*

- (i) Mr. Li Xiaobo was appointed as an executive director of the Company on 28 October 2022.
- (ii) Mrs. Liao Dan was appointed as an executive director of the Company on 28 October 2022.
- (iii) Mr. Fan Zhan was appointed as an executive director of the Company on 28 October 2022. No amounts were paid by the Group to this director during the year ended 31 December 2022.
- (iv) Mr. Li Qunfeng and Mr. Ma Wei were appointed as non-executive directors of the Company on 28 October 2022. Mr. Xiao Jiayang were appointed as non-executive directors of the Company on 17 September 2021. No amounts were paid by the Group to these directors during the year ended 31 December 2022.
- (v) Mr. Hao Jiming and Mr. Dai Xiaohu were appointed as independent non-executive directors of the Company on 29 March 2022.
- (vi) Mrs. Wang Jiafen was appointed as independent non-executive directors of the Company on 18 July 2022. No amounts were paid by the Group to this director during the year ended 31 December 2022.
- (vii) Mr. Guo Jingbin, Mr Shu Mao and Mr.Zhang Keke resigned as directors on 9 October 2022.
- (viii) Mr. Ji Qinying resigned as an non-excecutive directors on 9 October 2022, Mr. Li Daming resigned as an non-excecutive directors on 9 October 2022.

The emoluments shown above represent emoluments received by these directors in the capacity as directors/employees of the companies comprising the Group during the years ended 31 December 2022 and 2021.

No directors of the Company waived or agreed to waive any remuneration during the years ended 31 December 2022 and 2021.

During the year, there were no amounts paid or payable by the Group to the directors or any of the five highest paid individuals set out in Note 8 below as an inducement to join or upon joining the Group or as compensation for loss of office.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

### 8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five individuals with the highest emoluments of the Group for the year include one (2021: three) directors whose emoluments are disclosed in Note 7. The aggregate of the emoluments in respect of the remaining five(2021: two) highest paid individuals, are as follows:

	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
Salaries, allowances and benefits in kind	<b>2,798</b>	1,017
Discretionary bonuses	<b>3,498</b>	1,989
Contributions to retirement benefit schemes	<b>197</b>	66
	<b>6,493</b>	3,072

The emoluments of the above individual with the highest emoluments are within the following bands:

	<b>2022</b>	2021
	<b>Number of</b>	Number of
	<b>individuals</b>	individuals
HKD		
1,000,001–1,500,000	<b>3</b>	2
1,500,001–2,000,000	<b>2</b>	–

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

### 9 EARNINGS PER SHARE

#### (a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB328,656,000 (2021: RMB578,607,000).

#### (b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of RMB328,656,000 (2021: RMB578,607,000), and the weighted average number of ordinary shares of 1,826,765,000 (2021: 1,930,464,000), calculated as below:

	2022 RMB'000	2021 RMB'000
Assumed weighted average number of ordinary shares at 31 December	<b>1,826,765</b>	1,826,765
Effect of conversion of convertible bonds (i)	–	103,699
Assumed weighted average number of ordinary shares (diluted) at 31 December	<b>1,826,765</b>	1,930,464

#### (i) Effect of conversion of convertible bonds

In September 2018, China Conch Venture Holdings International Limited (a subsidiary of Conch Venture) issued zero coupon guaranteed convertible bonds (the “2018 Convertible Bonds”) in the aggregate principal amount of HK\$3,925,000,000 due 2023. Pursuant to the terms of 2018 Convertible Bonds, the qualifying convertible bonds holders of 2018 Convertible Bonds was entitled to one conversion right to the share of the Company with no consideration for every one 2018 Convertible Bonds they held.

As at 31 December 2021, all of the 2018 Convertible Bonds are still outstanding, which are convertible into (1) 103,698,811 shares of Conch Venture, and (2) 103,698,811 shares of the Company, assuming that effect of conversion of convertible bonds of 103,698,811 shares had been outstanding throughout the year ended 31 December 2021.

The management are of the view that the share price of the Company is expected to be much lower than the adjusted conversion price of convertible bonds on due. The bond holders would not select to covert the outstanding bond balances into fully paid ordinary shares of the Company, which resulted in no potentially dilutive ordinary shares will be issued by the Company. As such, the diluted earnings per share for the year ended 31 December 2022 is the same as the basic earnings per share.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

### 10 PROPERTY, PLANT AND EQUIPMENT

	<b>Plant and buildings</b>	<b>Machinery and equipment</b>	<b>Office and other equipment</b>	<b>Motor vehicles</b>	<b>Construction in progress</b>	<b>Total</b>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Cost:</b>						
At 1 January 2021	836,018	958,206	28,923	109,844	1,295,938	3,228,929
Acquisition of subsidiaries	69,825	66,936	2,048	1,213	59,096	199,118
Additions	–	37,437	18,408	22,308	2,062,451	2,140,604
Transfer from construction in progress	544,658	673,752	1,178	–	(1,219,588)	
Disposal of a subsidiary	–	–	(235)	(4,119)	(75,388)	(79,742)
Disposals	(181)	(407)	(208)	(1,663)	–	(2,459)
At 31 December 2021 and 1 January 2022	1,450,320	1,735,924	50,114	127,583	2,122,509	5,486,450
Acquisition of subsidiaries (Note 26)	370	1,794	516	666	166,058	169,404
Additions	74,307	77,242	15,191	11,811	1,064,122	1,242,673
Transfer from construction in progress	551,749	585,584	1,308	–	(1,138,641)	–
Disposals	(1,746)	(2,607)	(128)	(607)	–	(5,088)
At 31 December 2022	2,075,000	2,397,937	67,001	139,453	2,214,048	6,893,439

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

### 10 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Plant and buildings RMB'000	Machinery and equipment RMB'000	Office and other equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
<b>Accumulated depreciation:</b>						
At 1 January 2021	(33,135)	(87,082)	(6,334)	(36,367)	–	(162,918)
Charge for the year	(35,487)	(89,238)	(5,318)	(24,713)	–	(154,756)
Written back on disposals	–	27	55	1,105	–	1,187
Disposal of a subsidiary	–	–	28	504	–	532
At 31 December 2021 and 1 January 2022	(68,622)	(176,293)	(11,569)	(59,471)	–	(315,955)
Charge for the year	(52,370)	(125,527)	(9,917)	(24,939)	–	(212,753)
Written back on disposals	173	656	53	578	–	1,460
At 31 December 2022	(120,819)	(301,164)	(21,433)	(83,832)	–	(527,248)
<b>Net book value:</b>						
At 31 December 2021	1,381,698	1,559,631	38,545	68,112	2,122,509	5,170,495
At 31 December 2022	1,954,181	2,096,773	45,568	55,621	2,214,048	6,366,191



## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

### 11 RIGHT-OF-USE ASSETS

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

	Note	2022 RMB'000	2021 RMB'000
Properties leased for own use, carried at depreciated cost	(i)	4,304	191
Leasehold land for own use, carried at depreciated cost	(ii)	230,326	196,965
		<b>234,630</b>	197,156

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

	2022 RMB'000	2021 RMB'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Properties leased for own use, carried at depreciated cost	1,049	645
Leasehold land for own use, carried at depreciated cost	6,360	7,250
	<b>7,409</b>	7,895
Interest on lease liabilities (Note 5(a))	266	171
Expenses relating to short-term leases	4,834	2,826

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in Note 18 and Note 23 respectively.

#### (i) Properties leased for own use

The Group has obtained the right to use properties as its office buildings through tenancy agreements. The leases typically run for an initial period of 2 to 3 years.

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

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

### 11 RIGHT-OF-USE ASSETS *(Continued)*

#### (ii) Leasehold land for own use

	<b>Land use rights</b>	<b>Other leasehold land for own use</b>	<b>Total</b>
	RMB'000	RMB'000	RMB'000
<b>Cost:</b>			
At 1 January 2021	135,941	4,081	140,022
Acquisition of subsidiaries (Note 26)	18,025	–	18,025
Additions	458,797	250	459,047
Disposal of a subsidiary	(411,603)	–	(411,603)
At 31 December 2021 and 1 January 2022	201,160	4,331	205,491
Additions	39,548	3,321	42,869
Disposal	–	(3,470)	(3,470)
At 31 December 2022	240,708	4,182	244,890
<b>Accumulated depreciation:</b>			
At 1 January 2021	(4,300)	(198)	(4,498)
Charge for the year	(7,011)	(239)	(7,250)
Disposal of a subsidiary	3,222	–	3,222
At 31 December 2021 and 1 January 2022	(8,089)	(437)	(8,526)
Charge for the year	(6,056)	(304)	(6,360)
Disposal	–	322	322
At 31 December 2022	(14,145)	(419)	(14,564)
<b>Net book value:</b>			
At 31 December 2021	193,071	3,894	196,965
At 31 December 2022	226,563	3,763	230,326

The Group has obtained land use rights in the PRC with lease period no more than 50 years when granted.

As at 31 December 2022, the remaining lease terms of leasehold land for own use ranged from 4–20 years.

As at 31 December 2022, leasehold land for own use with carrying amount of RMB9,476,000 (2021: RMB21,756,000) were pledged as collaterals for certain bank loans (see Note 19).

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

### 12 INTANGIBLE ASSETS

	Software RMB'000	Pollutant discharge licenses RMB'000	Customer relationship RMB'000	Non-patent technology RMB'000	Total RMB'000
<b>Cost:</b>					
At 1 January 2021	1,503	5,160	66,078	–	72,741
Acquisition of subsidiaries	219	–	–	–	219
Additions	2,885	–	–	–	2,885
At 31 December 2021 and 1 January 2022	4,607	5,160	66,078	–	75,845
Acquisition of subsidiaries (Note 26)	–	–	–	71,185	71,185
Additions	727	–	–	–	727
At 31 December 2022	5,334	5,160	66,078	71,185	147,757
<b>Accumulated amortisation:</b>					
At 1 January 2021	(148)	(1,148)	(3,643)	–	(4,939)
Charge for the year	(304)	(1,032)	(6,523)	–	(7,859)
At 31 December 2021 and 1 January 2022	(452)	(2,180)	(10,166)	–	(12,798)
Charge for the year	(528)	(1,032)	(6,523)	(5,339)	(13,422)
At 31 December 2022	(980)	(3,212)	(16,689)	(5,339)	(26,220)
<b>Net book value:</b>					
At 31 December 2021	4,155	2,980	55,912	–	63,047
At 31 December 2022	4,354	1,948	49,389	65,846	121,537

Customer relationship was acquired through the acquisition of Bangda Environmental in year 2020. It is recognised at fair value at the date of acquisition and is subsequently amortised on a straight-line basis over 10 years. Fair value of the customer relationship at the date of acquisition was determined by the directors of the Company with reference to the valuation performed by Beijing Industrial and Commercial Asset Valuation Co., Ltd., an independent qualified professional valuer.

Non-patent technology was acquired through the acquisition of Shaoguan Environmental in year 2022. It is recognised at fair value at the date of acquisition and is subsequently amortised on a straight-line basis over 10 years. Fair value of the non-patent technology at the date of acquisition was determined by the directors of the Company with reference to the valuation performed by Beijing Vocation International Asset Valuation Co., Ltd., an independent qualified professional valuer.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

### 13 INVESTMENTS IN SUBSIDIARIES

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

Name of company	Place and date of incorporation/ establishment	Issued and fully paid up capital/ registered capital	Proportion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by a subsidiary	
China Conch Environment Protection Holdings International Limited ("Conch Environment Protection BVI") 中國海螺環保控股國際有限公司	BVI 31 March 2020	-/-	100%	100%	-	Investment holding
Conch Venture International Holdings (HK) Limited ("Conch Venture International") 海創國際控股(香港)有限公司	Hong Kong 7 December 2016	-/HKD10,000	100%	-	100%	Investment holding
Conch Venture CNBM Hong Kong Holdings Limited ("Conch CNBM HK") 海建香港控股有限公司 (ii)	Hong Kong 12 February 2019	RMB500,000,000/ RMB500,000,000	50%	-	50%	Investment holding
Anhui Conch Venture Environmental Protection Technology Co., Ltd. 安徽海創環保科技有限公司 (i)	The PRC 5 June 2020	RMB200,000,000/ RMB200,000,000	100%	-	100%	Investment holding
Anhui Conch Venture Environment Technology Co., Ltd. ("Anhui Conch Venture") 安徽海螺環保集團有限公司 (i)	The PRC 24 June 2020	RMB202,020,000/ RMB202,020,000	99%	-	99%	Investment holding
Wuhu Conch Venture Environmental Protection Technology Co., Ltd. ("Wuhu Environmental") 蕪湖海創環保科技有限責任公司 (i)	The PRC 13 June 2016	RMB200,000,000/ RMB200,000,000	100%	-	100%	Industrial solid and hazardous waste treatment
Huaining Conch Venture Environmental Protection Technology Co., Ltd. 懷寧海創環保科技有限責任公司 (i)	The PRC 16 November 2016	RMB15,000,000/ RMB15,000,000	100%	-	100%	Industrial solid and hazardous waste treatment
Suzhou Conch Venture Environmental Protection Technology Co., Ltd. 宿州海創環保科技有限責任公司 (i)	The PRC 9 August 2016	RMB15,000,000/ RMB15,000,000	100%	-	100%	Industrial solid and hazardous waste treatment
Yiyang Conch Venture Environmental Protection Technology Co., Ltd. 弋陽海創環保科技有限責任公司 (i)	The PRC 9 November 2016	RMB15,000,000/ RMB15,000,000	100%	-	100%	Industrial solid and hazardous waste treatment
Huaibei Conch Venture Environment Engineering Co., Ltd. 淮北海創環境工程有限責任公司 (i)	The PRC 19 May 2016	RMB10,000,000/ RMB10,000,000	100%	-	100%	Industrial solid and hazardous waste treatment
Guangyuan Conch Venture Environmental Protection Technology Co., Ltd. 廣元海創環保科技有限責任公司 (i)	The PRC 12 December 2016	RMB15,000,000/ RMB15,000,000	100%	-	100%	Industrial solid and hazardous waste treatment
Xingye Conch Venture Environmental Protection Technology Co., Ltd. 興業海創環保科技有限責任公司 (i)	The PRC 18 January 2017	RMB15,000,000/ RMB15,000,000	100%	-	100%	Industrial solid and hazardous waste treatment

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

### 13 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of company	Place and date of incorporation/ establishment	Issued and fully paid up capital/ registered capital	Proportion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by a subsidiary	
Guiyang Conch Venture Environmental Protection Technology Co., Ltd. 貴陽海創環保科技有限責任公司 (i)	The PRC 28 April 2018	RMB30,000,000/ RMB30,000,000	85%	–	85%	Industrial solid and hazardous waste treatment
Wenshan Conch Venture Environmental Protection Technology Co., Ltd. 文山海創環保科技有限責任公司 (i)	The PRC 8 March 2017	RMB20,000,000/ RMB20,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Chongqing Conch Venture Environmental Protection Technology Co., Ltd. 重慶海創環保科技有限責任公司 (i)	The PRC 11 September 2017	RMB20,000,000/ RMB20,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Qiyang Conch Venture Environmental Protection Technology Co., Ltd. 祁陽海創環保科技有限責任公司 (i)	The PRC 26 December 2017	RMB15,000,000/ RMB15,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Jining Conch Venture Environment Technology Co., Ltd. 濟甯海螺創業環境科技有限責任公司 (i)	The PRC 12 June 2017	RMB50,000,000/ RMB50,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Liangping Conch Venture Environmental Protection Technology Co., Ltd. 重慶市梁平海創環保科技有限責任公司 (i)	The PRC 12 June 2018	RMB15,000,000/ RMB15,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Yingde Conch Venture Environmental Protection Technology Co., Ltd. 英德海創環保科技有限責任公司 (i)	The PRC 20 September 2018	RMB1,000,000/ RMB10,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Yangchun Conch Venture Environmental Protection Technology Co., Ltd. 陽春海創環保科技有限責任公司 (i)	The PRC 27 December 2018	RMB15,000,000/ RMB15,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Linxiang Conch Venture Environmental Protection Technology Co., Ltd. 臨湘海創環保科技有限責任公司 (i)	The PRC 18 January 2019	RMB20,000,000/ RMB14,000,000	70%	–	70%	Industrial solid and hazardous waste treatment
Dazhou Conch Venture Environmental Protection Technology Co., Ltd. 達州海創環保科技有限責任公司 (i)	The PRC 9 April 2019	RMB3,700,000/ RMB30,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Longan Conch Venture Environmental Protection Technology Co., Ltd. 隆安海創環保科技有限責任公司 (i)	The PRC 17 May 2019	RMB15,000,000/ RMB15,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Ningguo Conch Venture Environmental Protection Technology Co., Ltd. 甯國海創環保科技有限責任公司 (i)	The PRC 27 March 2019	RMB15,000,000/ RMB15,000,000	100%	–	100%	Industrial solid and hazardous waste treatment

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

## 13 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of company	Place and date of incorporation/ establishment	Issued and fully paid up capital/ registered capital	Proportion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by a subsidiary	
Fanchang Conch Venture Environmental Protection Technology Co., Ltd. 繁昌海創環保科技有限責任公司 (i)	The PRC 13 August 2019	RMB15,000,000/ RMB15,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Chizhou Conch Venture Environmental Protection Technology Co., Ltd. 池州海創環保科技有限責任公司 (i)	The PRC 11 September 2019	RMB15,000,000/ RMB15,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Quanjiao Conch Venture Environmental Protection Technology Co., Ltd. 全椒海創環保科技有限責任公司 (i)	The PRC 26 February 2020	RMB15,000,000/ RMB15,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Zongyang Conch Venture Environment Engineering Co., Ltd. 縱陽海創環境工程有限責任公司 (i)	The PRC 24 March 2020	RMB15,000,000/ RMB15,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Yantai Conch Venture Fanlin Environmental Protection Technology Co., Ltd. 煙臺海創泛林環保科技有限責任公司 (i)	The PRC 8 July 2020	RMB1,000,000/ RMB30,000,000	53%	–	53%	Industrial solid and hazardous waste treatment
Dongying Haiying Environmental Protection Technology Co., Ltd. 東營海瀛環保科技有限責任公司 (i)	The PRC 30 November 2020	RMB30,000,000/ RMB30,000,000	70%	–	70%	Industrial solid and hazardous waste treatment
Shuangfeng Conch Venture Environmental Protection Technology Co., Ltd. 雙峰海創環保科技有限責任公司 (i)	The PRC 24 October 2019	–/RMB15,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Xi'an Yaobai Environmental Protection Technology Engineering Co., Ltd. ("Xi'an Yaobai") 西安堯柏環保科技工程有限公司 (i)	The PRC 3 June 2013	RMB150,000,000/ RMB150,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Xianyang Conch Venture Environment Engineering Co., Ltd. 咸陽海創環境工程有限公司 (i)	The PRC 27 October 2014	RMB15,000,000/ RMB15,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Hanzhong Yaobai Environmental Protection Technology Engineering Co., Ltd. 漢中堯柏環保科技工程有限公司 (i)	The PRC 27 September 2016	RMB10,000,000/ RMB10,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Qianyang Conch Venture Environmental Protection Technology Co., Ltd. 千陽海創環保科技有限責任公司 (i)	The PRC 28 February 2017	RMB15,000,000/ RMB15,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Tongchuan Conch Venture Environmental Protection Technology Co., Ltd. 銅川海創環保科技有限責任公司 (i)	The PRC 2 April 2018	RMB15,000,000/ RMB15,000,000	100%	–	100%	Industrial solid and hazardous waste treatment



## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

### 13 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of company	Place and date of incorporation/ establishment	Issued and fully paid up capital/ registered capital	Proportion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by a subsidiary	
Fuping Conch Venture Yaobai Environmental Protection Technology Co., Ltd. 富平海創堯柏環保科技有限責任公司 (i)	The PRC 18 July 2019	RMB71,250,000/ RMB71,250,000	100%	–	100%	Industrial solid and hazardous waste treatment
Inner Mongolia Conch Venture Mengxi Technology Development Co., Ltd. 內蒙古海創蒙西科技發展有限公司 (i)	The PRC 27 November 2019	RMB80,000,000/ RMB80,000,000	65%	–	65%	Investment holding
HulunBuir Haimeng Technology Development Co., Ltd. 呼倫貝爾市海蒙科技發展有限責任公司 (i)	The PRC 19 December 2019	RMB23,000,000/ RMB23,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Erdos Haimeng Technology Development Co., Ltd. 鄂爾多斯市海蒙科技發展有限責任公司 (i)	The PRC 6 January 2020	–/RMB36,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Arong Banner Haimeng Technology Development Co., Ltd. 阿榮旗海蒙科技發展有限責任公司 (i)	The PRC 11 May 2020	RMB23,000,000/ RMB23,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Ninghai Xinyuantai Environmental Protection Technology Co., Ltd. 寧海馨源泰環保科技有限公司 (i)	The PRC 11 October 2016	RMB66,666,700/ RMB66,666,700	70%	–	70%	Industrial solid and hazardous waste treatment
Yiyang Conch Venture Environmental Protection Technology Co., Ltd. 益陽海創環保科技有限責任公司 (i)	The PRC 1 March 2019	RMB15,000,000/ RMB15,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Xinhua Conch Venture Environmental Protection Technology Co., Ltd. 新化海創環保科技有限責任公司 (i)	The PRC 24 March 2020	RMB15,000,000/ RMB15,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Wuhu Conch Venture Renewable Resources Comprehensive Utilization Co., Ltd. 蕪湖海創再生資源綜合利用有限責任公司 (i)	The PRC 15 January 2020	RMB10,000,000/ RMB10,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Qingyang Conch Venture Environmental Protection Technology Co., Ltd. 慶陽海創環保科技有限責任公司 (i)	The PRC 11 March 2020	RMB16,000,000/ RMB20,000,000	80%	–	80%	Industrial solid and hazardous waste treatment
Shaanxi Bangda Environmental Engineering Co., Ltd. ("Bangda Environmental") 陝西邦達環保工程有限公司 (i)	The PRC 30 October 2008	RMB130,000,000/ RMB130,000,000	92%	–	92%	Industrial solid and hazardous waste treatment
Jinzhou Conch Venture Environmental Protection Technology Co., Ltd. 錦州金利源環保科技有限公司 (i)	The PRC 3 August 2018	RMB75,000,000/ RMB75,000,000	80%	–	80%	Industrial solid and hazardous waste treatment

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

## 13 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of company	Place and date of incorporation/ establishment	Issued and fully paid up capital/ registered capital	Proportion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by a subsidiary	
Anhui Haizhong Environmental Protection Technology Co., Ltd. 安徽海中環保有限責任公司 (i)	The PRC 14 March 2019	RMB500,000,000/ RMB500,000,000	100%	–	100%	Management of industrial solid and hazardous waste treatment business
Luoyang Haizhong Environmental Protection Technology Co., Ltd. 洛陽海中環保科技有限責任公司 (i)	The PRC 13 June 2019	RMB15,000,000/ RMB15,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Jiyuan Haizhong Environmental Protection Technology Co., Ltd. 濟源海中環保科技有限責任公司 (i)	The PRC 18 June 2019	RMB15,000,000/ RMB15,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Hangzhou Fuyang Haizhong Environmental Protection Technology Co., Ltd. 杭州富陽海中環保科技有限責任公司 (i)	The PRC 17 September 2019	RMB60,000,000/ RMB60,000,000	55%	–	55%	Industrial solid and hazardous waste treatment
Chongzuo Haizhong Environmental Protection Technology Co., Ltd. 崇左海中環保科技有限責任公司 (i)	The PRC 12 October 2019	RMB20,000,000/ RMB20,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Guilin Haizhong Environmental Protection Technology Co., Ltd. 桂林海中環保科技有限責任公司 (i)	The PRC 24 July 2017	RMB21,000,000/ RMB21,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Dengfeng Haizhong Environmental Protection Technology Co., Ltd. 登封海中環保科技有限責任公司 (i)	The PRC 28 August 2019	RMB15,000,000/ RMB15,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Quzhou Haizhong Environmental Protection Technology Co., Ltd. 衢州海中環保科技有限責任公司 (i)	The PRC 31 December 2019	RMB3,000,000/ RMB3,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Tai'an Dezheng Haizhong Environmental Protection Technology Co., Ltd. 泰安德正海中環保科技有限責任公司 (i)	The PRC 17 December 2019	RMB30,000,000/ RMB30,000,000	51%	–	51%	Industrial solid and hazardous waste treatment
Jiayuguan Haizhong Environmental Protection Technology Co., Ltd. 嘉峪關海中環保科技有限責任公司 (i)	The PRC 16 March 2020	RMB40,000,000/ RMB40,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Baoding Haizhong Zhongtian Environmental Protection Technology Co., Ltd. 保定海中眾天環保科技有限責任公司 (i)	The PRC 21 April 2020	RMB7,000,000/ RMB7,000,000	51%	–	51%	Industrial solid and hazardous waste treatment
Nanyang Haizhong Environmental Protection Technology Co., Ltd. 南陽海中環保科技有限責任公司 (i)	The PRC 18 May 2020	RMB60,000,000/ RMB60,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Jining Haizhong Environmental Protection Technology Co., Ltd. 濟寧海中環保科技有限責任公司 (i)	The PRC 16 June 2020	RMB50,000,000/ RMB50,000,000	100%	–	100%	Industrial solid and hazardous waste treatment

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

### 13 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of company	Place and date of incorporation/ establishment	Issued and fully paid up capital/ registered capital	Proportion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by a subsidiary	
Tengzhou Haizhong Hongshun Environmental Protection Technology Co., Ltd. 滕州海中鴻順環保科技有限公司 (i)	The PRC 13 December 2019	RMB10,000,000/ RMB20,000,000	51%	–	51%	Industrial solid and hazardous waste treatment
Xin'an Haizhong Environmental Protection Technology Co., Ltd. 新安海中環保科技有限責任公司 (i)	The PRC 23 July 2020	RMB30,000,000/ RMB30,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Wuhu Conch Venture Logistics Co., Ltd. 蕪湖海創物流有限責任公司 (i)	The PRC 3 March 2017	RMB32,000,000/ RMB50,000,000	100%	–	100%	Logistics service for solid and hazardous waste
Yangchun Conch Venture Logistics Co., Ltd. 陽春海創物流有限責任公司 (i)	The PRC 7 April 2020	RMB4,300,000/ RMB10,000,000	100%	–	100%	Logistics service for solid and hazardous waste
Shaanxi Bangda Jieshun Logistics Co., Ltd. 陝西邦達捷順運輸有限責任公司 (i)	The PRC 14 June 2019	RMB10,000,000/ RMB10,000,000	92%	–	92%	Logistics service for solid and hazardous waste
Shimen Conch Venture Environmental Protection Technology Co., Ltd. 石門海創環保科技有限責任公司 (i)	The PRC 3 July 2020	–/RMB15,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Anhui Haihua environmental protection Co., Ltd. 安徽海化環保有限責任公司 (i)	The PRC 18 August 2020	RMB200,000,000/ RMB250,000,000	65%	–	65%	Industrial solid and hazardous waste treatment
Quanjiào Haihua Environmental Protection Technology Co., Ltd. 全椒海化環保科技有限責任公司 (i)	The PRC 24 November 2020	RMB15,000,000/ RMB15,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Qianxian Haihua Environmental Protection Technology Co., Ltd. 乾縣海化環保科技有限責任公司 (i)	The PRC 26 November 2020	RMB15,000,000/ RMB15,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Nanyang Wolong Haizhong Environmental Protection Technology Co., Ltd. 南陽臥龍海中環保科技有限責任公司 (i)	The PRC 17 August 2020	–/RMB30,000,000	70%	–	70%	Industrial solid and hazardous waste treatment
Yunfu Haizhong Environmental Protection Technology Co., Ltd. 雲浮海中環保科技有限責任公司 (i)	The PRC 10 November 2020	RMB7,000,000/ RMB7,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Linxiang Haichuang Logistics Co., Ltd. 臨湘海創物流有限責任公司 (i)	The PRC 22 January 2021	RMB4,600,000/ RMB10,000,000	100%	–	100%	Logistics service for solid and hazardous waste
Guiyang Haihua Environmental Protection Co., Ltd. 貴陽海化環保有限責任公司 (i)	The PRC 3 June 2021	–/RMB40,000,000	70%	–	70%	Industrial solid and hazardous waste treatment
Haihuan Environmental Technology (Shanghai) Co., Ltd. 海環境科技(上海)有限公司 (i)	The PRC 26 January 2021	–/RMB100,000,000	100%	–	100%	Resource recycling service technical consultation

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

## 13 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of company	Place and date of incorporation/ establishment	Issued and fully paid up capital/ registered capital	Proportion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by a subsidiary	
Leizhou Haichuang Lifu Environmental Protection Technology Co., Ltd. 雷州海創勵福環保科技有限責任公司 (i)	The PRC 18 January 2021	RMB30,000,000/ RMB30,000,000	70%	–	70%	Industrial solid and hazardous waste treatment
Ganzhou Haichuang Environmental Technology Co., Ltd. 贛州海創環保科技有限責任公司 (i)	The PRC 3 March 2021	RMB6,660,000/ RMB30,000,000	70%	–	70%	Industrial solid and hazardous waste treatment
Faithful Environmental Technology Limited (“Faithful Environmental”) 誠信環保科技有限公司	Hong Kong 22 September 2020	HKD200/HKD200	100%	–	100%	Investment holding
Able Bless Inc. Limited (“Able Bless”) 萬福興業有限公司	Hong Kong 24 December 2015	HKD200/HKD200	100%	–	100%	Investment holding
Western Environmental Technology Holdings Limited (“Western Environmental”) 西部環保科技控股有限公司 (i)	BVI 9 September 2020	USD200/USD50,000	100%	–	100%	Investment holding
Aqualink Global Limited (“Aqualink”)	BVI 19 January 2016	USD200/ USD50,000	100%	–	100%	Investment holding
Chaohu Haichuang Environmental Technology Co., Ltd. 巢湖海創環保科技有限責任公司 (i)	The PRC 27 May 2021	RMB6,000,000/ RMB6,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Hainan Haichuang Environmental Technology Co., Ltd. 海南海創環保科技有限責任公司 (i)	The PRC 28 June 2021	RMB2,450,000/ RMB20,000,000	70%	–	70%	Industrial solid and hazardous waste treatment
Chaohu Haihua Environmental Protection Technology Co., Ltd. 巢湖海化環保科技有限責任公司 (i)	The PRC 26 May 2021	RMB10,500,000/ RMB15,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Hainan Haihua Environmental Protection Technology Co., Ltd. 海南海化環保科技有限責任公司 (i)	The PRC 29 June 2021	RMB1,200,000/ RMB50,000,000	60%	–	60%	Industrial solid and hazardous waste treatment
Tongchuan Conch Environmental Protection Technology Co., Ltd. 銅川海螺堯柏環保科技有限責任公司 (i)	The PRC 29 November 2021	–/RMB20,000,000	60%	–	60%	Industrial solid and hazardous waste treatment
Yan'an Haichuang Environmental Technology Co., Ltd. 延安海創環保科技有限責任公司 (i)	The PRC 3 March 2021	RMB30,000,000/ RMB30,000,000	60%	–	60%	Industrial solid and hazardous waste treatment
Beijing Haichuang Nengyuan Environmental Protection Technology Development Co., Ltd. 北京海創能遠環保科技發展有限公司 (i)	The PRC 5 February 2021	RMB30,000,000/ RMB100,000,000	60%	–	60%	Resource recycling service technical consultation

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

## 13 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of company	Place and date of incorporation/ establishment	Issued and fully paid up capital/ registered capital	Proportion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by a subsidiary	
Shanghai Haihuan Nengyuan Environmental Protection Technology Co., Ltd. 上海海環能遠環保科技有限責任公司 (i)	The PRC 26 April 2021	RMB5,000,000/ RMB50,000,000	100%	–	100%	Resource recycling service technical consultation
Zhejiang Haiyu Nengyuan Environmental Protection Technology Co., Ltd. 浙江海宇能遠環保科技有限責任公司 (i)	The PRC 6 July 2021	RMB5,000,000/ RMB10,000,000	70%	–	70%	Resource recycling service technical consultation
Dezhou Haizhong Nuoke Environmental Technology Co., Ltd. 德州海中諾客環保科技有限責任公司 (i)	The PRC 15 August 2019	RMB30,000,000/ RMB30,000,000	89%	–	89%	Industrial solid and hazardous waste treatment
Juxian Haizhong Environmental Protection Technology Co., Ltd. 莒縣海中環保科技有限責任公司 (i)	The PRC 13 January 2021	–/RMB15,000,000	70%	–	70%	Industrial solid and hazardous waste treatment
Fujian Sanming Haizhong Environmental Protection Technology Co., Ltd. 福建三明海中環保科技有限責任公司 (i)	The PRC 24 April 2017	RMB60,000,000/ RMB60,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Nanjing Haizhong Environmental Protection Technology Co., Ltd. 南京海中環保科技有限責任公司 (i)	The PRC 8 February 2021	RMB50,000,000/ RMB50,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Ganzhou Haihua Environmental Protection Technology Co., Ltd. 贛州海化環保科技有限責任公司 (i)	The PRC 30 July 2021	RMB100,000/ RMB15,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Haihuan Lvyuan Environmental Technology (Shanghai) Co., Ltd 海環綠源環保科技(上海)有限公司 (i)	The PRC 22 October 2021	–/RMB50,000,000	70%	–	70%	Industrial solid and hazardous waste treatment
Lanzhou Haizhong Environmental Protection Technology Co., Ltd. 蘭州海中環保科技有限責任公司 (i)	The PRC 15 October 2021	–/RMB30,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Changzhi Conch Venture Environmental Technology Co., Ltd 長治海創環保科技有限責任公司 (i)	The PRC 15 October 2021	–/RMB10,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Guiding Conch Venture Environmental Technology Co., Ltd 貴定海螺環保科技有限責任公司 (i)	The PRC 25 October 2021	–/RMB9,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Changzhi Haihua Environmental Protection Technology Co., Ltd 長治海化環保科技有限責任公司 (i)	The PRC 26 October 2021	–/RMB30,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Guiding Haihua Environmental Protection Technology Co., Ltd 貴定海化環保科技有限責任公司 (i)	The PRC 25 October 2021	–/RMB21,000,000	100%	–	100%	Industrial solid and hazardous waste treatment

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

## 13 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of company	Place and date of incorporation/ establishment	Issued and fully paid up capital/ registered capital	Proportion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by a subsidiary	
Yangchun Haihua Environmental Protection Technology Co., Ltd 陽春海化環保科技有限責任公司 (i)	The PRC 27 October 2021	-/RMB20,000,000	100%	-	100%	Industrial solid and hazardous waste treatment
Pingliang Haichuang Environmental Engineering Co. LTD 平涼海創環境工程有限責任公司 (i)	The PRC 23 September 2013	-/RMB35,000,000	100%	-	100%	Industrial solid and hazardous waste treatment
Miyang Haizhong Environmental Protection Technology Co., LTD 綿陽市海中環保科技有限責任公司 (i)	The PRC 3 March 2022	-/RMB15,000,000	100%	-	100%	Industrial solid and hazardous waste treatment
Junlian Haizhong Environmental Protection Technology Co., LTD 筠連海中環保科技有限責任公司 (i)	The PRC 8 April 2022	-/RMB15,000,000	100%	-	100%	Industrial solid and hazardous waste treatment
Dazhou Haiyu Nengyuan Environmental Protection Technology Co., LTD 達州海宇能遠環保科技有限責任公司 (i)	The PRC 10 May 2022	-/RMB10,000,000	85%	-	85%	Industrial solid and hazardous waste treatment
Tongren Haihua Environmental Protection Technology Co., LTD 銅仁海化環保科技有限責任公司 (i)	The PRC 5 January 2022	-/RMB20,000,000	100%	-	100%	Industrial solid and hazardous waste treatment
Liupanshui Conch Environmental Protection Technology Co. LTD 六盤水海螺環保科技有限責任公司 (i)	The PRC 9 December 2014	-/RMB32,000,000	100%	-	100%	Industrial solid and hazardous waste treatment
Beiliu Haihua Environmental Protection Technology Co. LTD 北流海化環保科技有限責任公司 (i)	The PRC 4 January 2022	-/RMB30,000,000	100%	-	100%	Industrial solid and hazardous waste treatment
Fusui Haichuang Environmental Protection Technology Co., LTD 扶綏海創環保科技有限責任公司 (i)	The PRC 20 May 2022	-/RMB30,000,000	100%	-	100%	Industrial solid and hazardous waste treatment
Qingyuan Haichuang Environmental Technology Development Co., LTD 清遠海創環保科技發展有限責任公司 (i)	The PRC 3 August 2020	RMB17,230,000/ RMB30,000,000	61%	-	61%	Industrial solid and hazardous waste treatment
Shaoguan Haichuang Hongfeng Green Technology Co., LTD 韶關海創鴻豐綠色環保科技有限責任公司 (i)	The PRC 19 March 2019	-/RMB40,000,000	51%	-	51%	Industrial solid and hazardous waste treatment
Yiyang Haihua Environmental Protection Technology Co., LTD 弋陽海化環保科技有限責任公司 (i)	The PRC 20 December 2021	-/RMB15,000,000	100%	-	100%	Industrial solid and hazardous waste treatment
Xiangtan Haihuan Nengyuan Environmental Protection Technology Co., LTD 湘潭海環能遠環保科技有限責任公司 (i)	The PRC 12 May 2022	-/RMB5,000,000	60%	-	60%	Industrial solid and hazardous waste treatment



## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

### 13 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of company	Place and date of incorporation/ establishment	Issued and fully paid up capital/ registered capital	Proportion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by a subsidiary	
Zhoushan Haichuang Environmental Protection Technology Co. LTD 舟山海創環保科技有限責任公司 (i)	The PRC 24 February 2022	-/RMB30,000,000	70%	-	70%	Industrial solid and hazardous waste treatment
Jiande Haizhong Environmental Protection Technology Co. LTD 建德海中環保科技有限責任公司 (i)	The PRC 14 December 2021	-/RMB25,000,000	81%	-	81%	Industrial solid and hazardous waste treatment
Wuhu Haihuan Luyuan Environmental Protection Technology Co., LTD 蕪湖海環綠源環保科技有限責任公司 (i)	The PRC 17 February 2022	-/RMB15,000,000	100%	-	100%	Industrial solid and hazardous waste treatment
Huaining Haichuang Environmental Protection Technology Co. LTD 懷寧海創環保科技有限責任公司 (i)	The PRC 16 November 2016	-/RMB15,000,000	100%	-	100%	Industrial solid and hazardous waste treatment
Anhui Haihuan Environmental Protection Technology Co. LTD 安徽海環環保科技有限責任公司 (i)	The PRC 20 April 2022	-/RMB10,000,000	100%	-	100%	Industrial solid and hazardous waste treatment
Tongling Haihuan Nengyuan Environmental Protection Technology Co. LTD 銅陵海環能遠環保科技有限責任公司 (i)	The PRC 12 January 2022	-/RMB10,000,000	100%	-	100%	Industrial solid and hazardous waste treatment
Yiyang Haizhong Environmental Protection Technology Co. LTD 宜陽海中環保科技有限責任公司 (i)	The PRC 10 January 2022	-/RMB50,000,000	100%	-	100%	Industrial solid and hazardous waste treatment
Binzhou Haichuang Environmental Protection Technology Co., LTD 濱州海創環保科技有限責任公司 (i)	The PRC 9 April 2021	-/RMB50,000,000	70%	-	70%	Industrial solid and hazardous waste treatment
Baoding Haizhong Environmental Protection Technology Co. LTD 保定海中環保科技有限責任公司 (i)	The PRC 13 May 2022	-/RMB30,000,000	100%	-	100%	Industrial solid and hazardous waste treatment
Xingtai Haichuang Environmental Protection Technology Co. LTD 邢臺海創環保科技有限責任公司 (i)	The PRC 25 March 2022	-/RMB30,000,000	100%	-	35%	Industrial solid and hazardous waste treatment
Xianyang Conch Venture Environmental Protection Technology Co., Ltd. 咸陽海創環保科技有限責任公司	The PRC 12 July 2022	-/RMB15,000,000	100%	-	100%	Industrial solid and hazardous waste treatment
Tongchuan Conch Environmental Protection Technology Co. LTD 銅川海螺堯柏環保科技有限責任公司	The PRC 29 November 2022	-/RMB20,000,000	60%	-	60%	Industrial solid and hazardous waste treatment

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

### 13 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of company	Place and date of incorporation/ establishment	Issued and fully paid up capital/ registered capital	Proportion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by a subsidiary	
Yushan Haizhong Environmental Protection Technology Co., Ltd. 玉山海中環保科技有限責任公司	The PRC 19 August 2021	-/RMB30,000,000	100%	-	100%	Industrial solid and hazardous waste treatment
Xinhua haihua Environmental Protection Technology Co., Ltd. 新化海化環保科技有限責任公司	The PRC 15 July 2022	-/RMB15,000,000	100%	-	100%	Industrial solid and hazardous waste treatment
Sanming Haihua Environmental Protection Technology Co., Ltd. 三明海化環保科技有限責任公司	The PRC 17 May 2022	-/RMB15,000,000	100%	-	100%	Industrial solid and hazardous waste treatment
Liyang Haihuan Nengyuan Environmental Protection Technology Co., Ltd. 瀏陽海環能遠環保科技有限責任公司	The PRC 29 September 2022	-/RMB5,000,000	51%	-	51%	Resource recycling service technical consultation
Changshan Haiyu Nengyuan Environmental Protection Technology Co., Ltd. 常山海宇能遠環保科技有限責任公司	The PRC 8 November 2022	-/RMB10,000,000	51%	-	51%	Resource recycling service technical consultation
Lujiang Haihuan Environmental Protection Technology Co., Ltd. 廬江海環環保科技有限責任公司	The PRC 25 November 2022	-/RMB10,000,000	51%	-	51%	Resource recycling service technical consultation

(i) The English translation of the companies' names is for reference only. The official names of the companies established in the PRC are in Chinese.

#### (ii) Control over Conch CNBM HK

Although the Group only holds 50% equity interests in Conch CNBM HK, the Group owns a casting vote to the relevant activities of Conch CNBM HK and has the power to appoint and remove the majority members of the board of directors by virtue of an agreement with CNBM. The management of the Group considered that the Group held the majority of substantive voting rights, so that the Group has sufficiently dominant voting power to direct the relevant activities of Conch CNBM HK and affect the variable returns from its involvement with the entity and therefore has control over Conch CNBM HK. As a result, Conch CNBM HK is accounted for as a subsidiary of the Company.

(iii) Except for Conch Environment Protection BVI, Western Environmental and Aqualink which are incorporated in British Virgin Islands, Conch Venture International, Conch CNBM HK, Faithful Environmental and Able Bless which are incorporated in Hong Kong, the entities disclosed in the above table are incorporated as limited liability companies and operated in the PRC.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

### 14 INTERESTS IN ASSOCIATES

The following list contains associates of the Group, which are unlisted corporate entities, whose quoted market price is not available:

Name of associate	Form of business structure	Place of incorporation and operation	Registered capital/ authorised and paid-in capital	Proportion of ownership interest Group's effective interest		Principal activities
				As at 31 December		
				2022	2021	
Jiangsu Jiexia Environmental Protection Technology Co., Ltd. (江蘇傑夏環保科技有限公司) (i)(ii)	Incorporated as limited liability Company	The PRC	RMB80,000,000/ RMB80,000,000	35%	35%	Industrial solid and hazardous waste treatment
Yunfu Guangjia Haizhong Environmental Protection Technology Co., Ltd. (雲浮光嘉海中環保科技有限公司) (i)(ii)	Incorporated as limited liability Company	The PRC	RMB60,000,000/ RMB16,500,000	40%	40%	Industrial solid and hazardous waste treatment
Chongqing Nantong Environmental Protection Technology Co., Ltd. (重慶南桐環保科技有限公司) (i)(ii)	Incorporated as limited liability Company	The PRC	RMB30,000,000/ RMB30,000,000	35%	30%	Industrial solid and hazardous waste treatment
Nanchen Nuoke Haizhong Environmental Protection Technology Co., Ltd. (南城諾客海中環保科技有限責任公司) (i)(ii)	Incorporated as limited liability Company	The PRC	RMB18,000,000/ RMB18,000,000	49%	49%	Industrial solid and hazardous waste treatment
Shanghai Conch Venture Dexin Environmental Protection Development Co., Ltd. (上海海創德鑫環保發展有限公司) (i)(ii)	Incorporated as limited liability Company	The PRC	RMB50,000,000/-	40%	-	Industrial solid and hazardous waste treatment

- (i) These PRC entities are limited liability companies. The English translation of the companies name are for reference only. The official names of these companies are in Chinese.
- (ii) The associates mentioned above are accounted for using the equity method in the consolidated financial statements, which were not individually material.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

### 14 INTERESTS IN ASSOCIATES *(Continued)*

The information of associates is as below:

	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
Carrying amount of the associates	<b>65,919</b>	68,839
Amounts of the Group's share of associates		
Profit from continuing operations	<b>4,996</b>	9,812
Other comprehensive income	–	–
Total comprehensive income	<b>4,996</b>	9,812
Dividend received	<b>9,620</b>	6,400

### 15 FINANCIAL ASSETS MEASURED AT FVPL

	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
Current assets		
Investment in structured deposits (i)	–	15,000

- (i) The structured deposits as at 31 December 2021 were issued by a creditworthy major PRC commercial bank with variable interest rate and matured on 29 March 2022.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

### 16 INVENTORIES

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

	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
Raw materials	<b>12,557</b>	8,061
Finished goods	<b>5,285</b>	–
	<b>17,842</b>	8,061

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

	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
Carrying amount of inventories used	<b>90,636</b>	54,135
Write-down of inventories	–	–
	<b>90,636</b>	54,135

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

### 17 TRADE AND OTHER RECEIVABLES

	2022 RMB'000	2021 RMB'000
Trade receivables		
— Third parties	<b>795,900</b>	681,441
— Related parties (Note 28(c))	<b>4,499</b>	17,125
Bills receivable, carried at amortised cost	<b>101,315</b>	75,659
Bills receivable, carried at FVOCI	<b>12,006</b>	13,350
Less: allowance for doubtful debts (Note 17(b))	<b>(35,493)</b>	(32,276)
Trade and bills receivables	<b>878,227</b>	755,299
Other receivables		
— Deposits	<b>15,009</b>	9,850
— VAT recoverable	<b>60,280</b>	82,821
— others	<b>4,729</b>	12,933
Prepayments	<b>16,242</b>	8,726
	<b>974,487</b>	869,629
Amounts due from related parties (Note 28(c))		
— Advances to related parties (i)	–	150,000
— Others	<b>1,241</b>	4,866
Current portion of trade and other receivables	<b>975,728</b>	1,024,495
Non-current portion of trade and other receivables (ii)	<b>410,652</b>	293,062
Total current and non-current trade and other receivables	<b>1,386,380</b>	1,317,557

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

- (i) All amounts due from related parties as at 31 December 2022 are unsecured, non-interest bearing and are repayable on demand.
- (ii) Non-current portion of trade and other receivables mainly consist of non-current portion of VAT recoverable and prepayments for land use right, which are expected to be deducted after one year.



## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

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

As at 31 December 2022, the Group endorsed undue bills receivable of RMB66,728,000 (2021: RMB33,161,000) to its suppliers to settle trade payables of the same amount and derecognised these bills receivable and payables to suppliers in their entirety from balance sheet as the Group's management considered that the risks and rewards of ownership of these undue bills have been substantially transferred. The Group's continuous involvement in these derecognised undue bills receivable is limited to when the issuance banks of these undue bills are unable to settle the amounts to the holders of these bills. As at 31 December 2022, the maximum exposure to loss from its continuous involvement represents the amount of bills receivable of RMB66,728,000 (2021: RMB33,161,000) which the Group endorsed to its suppliers. These undue bills receivable were due within six months from date of issuance.

#### (a) Ageing analysis

As of the end of the reporting periods, the ageing analysis of trade receivables and bills receivable (which are included in trade and other receivables), based on the past due aging and net of loss allowance, is as follows:

	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
Current	<b>651,923</b>	671,366
Less than 1 year	<b>220,082</b>	82,692
1 to 2 years	<b>6,222</b>	1,241
	<b>878,227</b>	755,299

Details of the Group's credit policy and credit risk arising from trade receivable and bills receivables are set out in Note 25(a).

#### (b) Loss allowance for trade receivables and bills receivable

Movement in the loss allowance account in respect of trade receivables and bills receivable during the year is as follows:

	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
At the beginning of the year	<b>32,276</b>	19,380
Impairment losses recognised	<b>3,424</b>	12,896
Written off	<b>(207)</b>	–
At the end of the year	<b>35,493</b>	32,276

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

### 18 CASH AND CASH EQUIVALENTS

#### (a) Cash and cash equivalents comprise:

	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
Cash at bank and on hand	<b>325,927</b>	655,942
Less: Restricted bank deposits (Note)	<b>(52,869)</b>	(58,149)
Bank deposits with original maturity over three months	-	(1,680)
Cash and cash equivalents in the consolidated statement of financial position and the consolidated cash flow statement	<b>273,058</b>	596,113

Note: As at 31 December 2022, restricted bank deposits of RMB52,869,000 (2021: RMB58,149,000) mainly represent deposits for issuing bank acceptance bills payable.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

**18 CASH AND CASH EQUIVALENTS** (Continued)**(b) Reconciliation of profit before taxation to cash generated from operations:**

	Note	2022 RMB'000	2021 RMB'000
<b>Profit before taxation</b>		<b>410,531</b>	697,713
<b>Adjustments for:</b>			
Depreciation of owned property, plant and equipment	5(c)	<b>205,644</b>	148,274
Depreciation of right-of-use assets	5(c)	<b>4,261</b>	4,673
Amortisation of intangible assets	5(c)	<b>12,390</b>	6,827
Loss allowance for trade receivables	5(c)	<b>3,424</b>	12,896
Net loss/(gain) on disposal of right-of-use assets and property, plant and equipment	4	<b>564</b>	(25)
Gain on previously held interests in associates	4	–	(856)
Negative goodwill on business combination	4	–	(928)
Loss/(gain) on disposal of a subsidiary	4	<b>439</b>	(13,709)
Finance costs	5(a)	<b>92,026</b>	52,079
Interest income	4	<b>(116)</b>	(9,009)
Share of profits of associates		<b>(4,996)</b>	(9,812)
<b>Operating profit before changes in working capital</b>		<b>724,167</b>	888,123
Increase in inventories		<b>(9,781)</b>	(4,238)
Decrease/(increase) in restricted bank deposits		<b>5,280</b>	(32,940)
Increase in trade and other receivables		<b>(131,462)</b>	(179,674)
Increase in trade and other payables		<b>12,522</b>	134,902
Increase in contract liabilities		<b>818</b>	6,290
<b>Cash generated from operations</b>		<b>601,544</b>	812,463

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

### 18 CASH AND CASH EQUIVALENTS (Continued)

#### (c) Reconciliation of liabilities arising from financing activities:

	Loans and borrowings RMB'000 (Note 19)	Advances from related parties RMB'000	Interest payable RMB'000 (Note (ii))	Dividends payable RMB'000 (Note 20)	Lease liabilities RMB'000 (Note 23)	Total RMB'000
<b>At 1 January 2021</b>	1,161,472	659,447	1,049	288,319	4,975	2,115,262
<b>Changes from financing cash flows:</b>						
Proceeds from loans and borrowings	2,169,226	–	–	–	–	2,169,226
Repayment of loans and borrowings	(164,337)	–	–	–	–	(164,337)
Advance from related parties	–	219,626	–	–	–	219,626
Repayment of amounts due to related parties	–	(565,236)	–	–	–	(565,236)
Profit distribution to non-controlling interests paid	–	–	–	(36,667)	–	(36,667)
Dividends paid	–	–	–	(228,072)	–	(228,072)
Capital element of lease rentals paid	–	–	–	–	(918)	(918)
Interest element of lease rentals paid	–	–	–	–	(171)	(171)
Interest paid	–	–	(81,041)	–	–	(81,041)
<b>Total changes from financing cash flows</b>	<b>2,004,889</b>	<b>(345,610)</b>	<b>(81,041)</b>	<b>(264,739)</b>	<b>(1,089)</b>	<b>1,312,410</b>
<b>Other changes:</b>						
Bank loan obtained in acquisition of subsidiaries (Note 26(b))	9,000	–	–	–	–	9,000
Disposal of a subsidiary	(131,500)	(41,384)	(6,177)	–	–	(179,061)
Issuance of ordinary shares by capitalisation of the balance due to related parties	–	(272,453)	–	–	–	(272,453)
Interest expenses (Note 5(a))	–	–	51,908	–	171	52,079
Capitalised borrowing costs (Note 5(a))	–	–	37,915	–	–	37,915
Profit distribution to non-controlling interests	–	–	–	12,667	–	12,667
Increase in lease liabilities from entering into new leases during the period	–	–	–	–	79	79
<b>Total other changes</b>	<b>(122,500)</b>	<b>(313,837)</b>	<b>83,646</b>	<b>12,667</b>	<b>250</b>	<b>(339,774)</b>

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

**18 CASH AND CASH EQUIVALENTS** (Continued)**(c) Reconciliation of liabilities arising from financing activities:** (Continued)

	Loans and borrowings RMB'000 (Note 19)	Advances from related parties RMB'000	Interest payable RMB'000 (Note (i))	Dividends payable RMB'000 (Note 20)	Lease liabilities RMB'000 (Note 23)	Total RMB'000
<b>At 31 December 2021 and 1 January 2022</b>	3,043,861	–	3,654	36,247	4,136	3,087,898
<b>Changes from financing cash flows:</b>						
Proceeds from loans and borrowings	1,925,841	–	–	–	–	1,925,841
Repayment of loans and borrowings	(1,195,010)	–	–	–	–	(1,195,010)
Dividends paid	–	–	–	(4,085)	–	(4,085)
Capital element of lease rentals paid	–	–	–	–	(1,657)	(1,657)
Interest element of lease rentals paid	–	–	–	–	(266)	(266)
Interest paid	–	–	(131,151)	–	–	(131,151)
Total changes from financing cash flows	730,831	–	(131,151)	(4,085)	(1,923)	593,672
<b>Other changes:</b>						
Interest expenses (Note 5(a))	–	–	91,760	–	266	92,026
Capitalised borrowing costs (Note 5(a))	–	–	37,545	–	–	37,545
Profit distribution to non-controlling interests	–	–	–	33,831	–	33,831
Increase in lease liabilities from entering into new leases during the period	–	–	–	–	5,336	5,336
Total other changes	–	–	129,305	33,831	5,602	168,738
<b>At 31 December 2022</b>	3,774,692	–	1,808	65,993	7,815	3,850,308

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

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

### 18 CASH AND CASH EQUIVALENTS *(Continued)*

#### (d) Total cash outflow for leases

Amounts included in the consolidated cash flow statement for leases comprise the following:

	2022 RMB'000	2021 RMB'000
Within operating cash flows	4,835	2,826
Within financing cash flows	1,923	1,089
	<b>6,758</b>	3,915

These amounts relate to the following:

	2022 RMB'000	2021 RMB'000
Lease rentals paid	6,758	3,915

### 19 LOANS AND BORROWINGS

	2022 RMB'000	2021 RMB'000
Current	637,566	634,033
Non-current	3,137,126	2,409,828
Total	<b>3,774,692</b>	3,043,861

(i) As at 31 December 2022, the bank loans were repayable as follows:

	2022 RMB'000	2021 RMB'000
Within one year	637,566	634,033
After one year but within two years	1,135,745	343,522
After two years but within five years	1,634,774	1,766,994
After five years	366,607	299,312
Total	<b>3,774,692</b>	3,043,861



## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

### 19 LOANS AND BORROWINGS *(Continued)*

(ii) As at 31 December 2022, the bank loans were secured as follows:

	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
<b>Bank loans</b>		
— Guaranteed	<b>34,303</b>	47,637
— Secured	<b>47,857</b>	50,000
— Guaranteed and secured	—	7,000
— Unsecured	<b>3,692,532</b>	2,939,224
<b>Total</b>	<b>3,774,692</b>	3,043,861

Note:

As at 31 December 2022, the bank loans of the Group amounting to RMB12,333,000 (2021: RMB25,667,000) were jointly guaranteed by Wuhu Environmental, a subsidiary of the Group, and the non-controlling shareholders of Guiyang Conch Venture Environmental Protection Technology Co., Ltd.

As at 31 December 2022, the bank loans of the Group amounting to RMB21,970,000 (2021: RMB21,970,000) were guaranteed by an independent third party.

As at 31 December 2022, the bank loans of the Group amounting to RMB47,857,000 (2021: RMB50,000,000) were secured by right-of-use assets of Luoyang Haizhong, a subsidiary of the Group and were also guaranteed by Anhui Haizhong, a subsidiary of the Group.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

### 20 TRADE AND OTHER PAYABLES

	2022 RMB'000	2021 RMB'000
Trade payables		
— Third parties	<b>140,955</b>	90,799
— Related parties (Note 28(c))	<b>33,924</b>	32,924
Bills payable	<b>40,795</b>	39,880
Trade and bills payables	<b>215,674</b>	163,603
Other payables and accruals		
— Construction and equipment payables	<b>465,213</b>	377,444
— Deposits	<b>25,334</b>	35,593
— Other taxes and surcharges payables	<b>4,588</b>	3,676
— Accrued payroll and other benefits	<b>132,050</b>	99,758
— Accrued expenses	<b>70,561</b>	75,204
— Others	<b>53,611</b>	29,503
	<b>967,031</b>	784,781
Dividends payable	<b>65,993</b>	36,247
Amounts due to related parties (Note 28(c))		
— Construction and equipment payables	<b>280,910</b>	508,288
— Others	<b>544</b>	1,111
Trade and other payables	<b>1,314,478</b>	1,330,427

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

### 20 TRADE AND OTHER PAYABLES *(Continued)*

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

	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
Within 1 year	<b>215,674</b>	163,603

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

### 21 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
Balance at beginning of the year	<b>19,823</b>	6,284
Provision for current income tax for the year (Note 6(a))	<b>53,393</b>	58,281
Payments during the year	<b>(58,550)</b>	(44,742)
Balance at the end of the year	<b>14,666</b>	19,823

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

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

#### (b) Deferred tax assets and liabilities recognised:

##### (i) Movement of each component of deferred tax assets and liabilities:

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the years are as follows:

	Unrealised profit upon elimination RMB'000	Loss allowance on trade receivables RMB'000	Fair value adjustment in relation to business combination RMB'000	Total RMB'000
<b>Deferred tax assets arising from:</b>				
At 1 January 2021	97	2,907	(9,690)	(6,686)
Credited to profit or loss	3,471	1,834	1,840	7,145
Acquisition of subsidiaries (Note 26)	–	–	(4,346)	(4,346)
At 31 December 2021 and 1 January 2022	3,568	4,741	(12,196)	(3,887)
Credited to profit or loss	132	482	2,711	3,325
Acquisition of subsidiaries (Note 26)	–	–	(17,122)	(17,122)
At 31 December 2022	3,700	5,223	(26,607)	(17,684)

##### (ii) Reconciliation to the consolidated statement of financial position:

	2022 RMB'000	2021 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	<b>8,923</b>	8,309
Net deferred tax liabilities recognised on the consolidated statement of financial position	<b>(26,607)</b>	(12,196)
	<b>(17,684)</b>	(3,887)

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

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

#### (c) Deferred tax liabilities not recognised:

The Group has not recognised deferred tax liabilities as at 31 December 2022 in respect of undistributed earnings of RMB1,899,131,000 (2021: RMB1,248,375,000) of PRC subsidiaries respectively because the Group has no plans to distribute these earnings outside the PRC in the foreseeable future.

### 22 CONTRACT LIABILITIES

	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
Receipts in advance from customers for: Provision of treatment solutions for industrial solid and hazardous waste	<b>10,676</b>	9,858

Contract liabilities are expected to be settled within the Group's normal operating cycle and will be recognised as revenue when the related performance obligations are satisfied. The contract liabilities are expected to be recognised as revenue within one year.

### 23 LEASE LIABILITIES

At 31 December 2022, the lease liabilities were payable:

	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
Within 1 year	<b>1,691</b>	530
After 1 year but within 2 years	<b>1,622</b>	311
After 2 years but within 5 years	<b>1,116</b>	763
After 5 years	<b>3,386</b>	2,532
Balance at the end of the year	<b>7,815</b>	4,136

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

### 24 CAPITAL, RESERVES AND DIVIDENDS

#### (a) Movements in components of equity

Details of the changes in the Company's individual components of equity are set out below:

	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Accumulated losses RMB'000	Total equity RMB'000
<b>Balance at 1 January 2021</b>	-	-	-	-	-
Loss and total comprehensive income for the year	-	-	-	(13,319)	(13,319)
Issuance of ordinary shares by capitalisation of the balance due to related parties	-*	1,199,004	-	-	1,199,004
Deemed contribution from the ultimate parent company	-	-	29,567	-	29,567
<b>Balance at 31 December 2021 and 1 January 2022</b>	<b>-*</b>	<b>1,199,004</b>	<b>29,567</b>	<b>(13,319)</b>	<b>1,215,252</b>
Capitalisation issue	<b>14,837</b>	<b>(14,837)</b>	-	-	-
Loss and total comprehensive income for the year	-	-	-	(28,340)	(28,340)
<b>Balance at 31 December 2022</b>	<b>14,837</b>	<b>1,184,167</b>	<b>29,567</b>	<b>(41,659)</b>	<b>1,186,912</b>

\* The balance represents an amount less than RMB1,000.



## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

### 24 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

#### **(b) Dividends**

No dividends were paid by the Company since the date of its incorporation.

#### **(c) Share capital**

The Company was incorporated on 2 March 2020 in the Cayman Islands as an exempted company with limited liability. Upon incorporation, the Company's authorised share capital was HK\$150,000,000 divided into 15,000,000,000 ordinary shares ("Shares") with a per value of HK\$0.01 each.

On 16 March, 2022, China Conch Venture Holdings Limited ("Conch Venture") Board declared the Conch Venture Distribution to the Qualifying Conch Venture Shareholders. The Conch Venture Distribution was satisfied wholly by way of a distribution in specie to the qualifying Conch Venture Shareholders of an aggregate of 1,826,765,059 Shares, representing all the issued Shares of the Company, by way of capitalisation of HK\$18,267,651 (equivalent to approximately RMB14,837,000) from the share premium account of the Company.

The share capital in the consolidated statement of financial position as at 31 December 2022 represented the issued share capital of the Company.

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

##### **(i) Share premium and distributability of reserves**

Under the Companies Act 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.

On 26 August 2021, 27 August 2021, 30 August 2021 and 13 September 2021, the Company allotted and issued one share, one share, two shares and one share respectively to Conch Venture at the issue price of HKD0.01 per share to settle off the balance of amounts due to related parties amounting to RMB1,199,004,000 in total. The differences between the amounts due to related parties and share capital issued has been recorded in share premium.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

### 24 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

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

##### (ii) Capital reserve

Capital reserve arises from the following:

- *Deemed distributions to the controlling shareholder upon the Reorganisation*  
The amount of RMB305,087,000 represents the consideration for acquisition of equity interests of Operating Companies from the Retained Group under common control upon the Reorganisation which is accounted for as deemed distribution in the year ended 31 December 2020; and
- *Acquisition of non-controlling interests*  
On 27 May 2022, the Group acquired 22% non-controlling equity interests of Shaanxi Bangda Environmental Engineering Co., Ltd (“Bangda Environmental”). After that, the Group holds 92% interest of Bangda Environmental. The differences between the amount of the consideration for the acquisitions amounting to RMB96,800,000 and the carrying amount of the non-controlling interests of the above subsidiary on the date of acquisition amounting to RMB76,109,000 has been recorded in capital reserve.  
  
On 18 August 2022, the Group acquired 20% non-controlling equity interests of Dazhou Conch Venture Environmental Protection Technology Co., Ltd. (“Dazhou Environmental”). After that, the Group holds 100% interest of Dazhou Environmental. The differences between the amount of the consideration for the acquisitions amounting to RMB1,586,000 and the carrying amount of the non-controlling interests of the above subsidiary on the date of acquisition amounting to RMB2,400,000 has been recorded in capital reserve.
- Deemed contribution from the ultimate parent Company amounting to RMB29,567,000 represents the liabilities waived by the ultimate parent Company in the year ended 31 December 2021.

##### (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 entities 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.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

### 24 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

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

##### (iv) Capital risk management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for equity shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of debt to asset ratio. The Group defines debt to asset ratio as total liabilities divided by total assets.

The Group's strategy was to maintain the debt to asset ratio at a reasonable level. The Group's debt to asset ratio at 31 December 2022 and 2021 was as follow:

	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
Total liabilities	<b>5,148,934</b>	4,420,301
Total assets	<b>8,536,568</b>	7,510,221
Debt to asset ratio	<b>60.32%</b>	58.86%

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

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

### 25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

#### (a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's bank deposits are held with banks located in the Mainland of the PRC and Hong Kong which management believes are of high credit quality. Accordingly, the Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at 31 December 2022, 4% (2021: 6%) of the total trade and other receivables were due from the Group's largest customer respectively, 14% (2021: 13%) of the total trade and other receivables were due from the Group's five largest customers respectively. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statements of financial position.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 -180 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The Group does not provide any other guarantees to third parties which would expose the Group to credit risk.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

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

#### (a) Credit risk *(Continued)*

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables and bills receivables:

	As at 31 December 2022		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	0.55%	655,523	(3,600)
Less than 1 year past due	6.89%	236,379	(16,298)
1 to 2 years past due	59.22%	15,261	(9,038)
Over 2 years	100.00%	2,516	(2,516)
		<b>909,679</b>	<b>(31,452)</b>
Individual assessment	100.00%	4,041	(4,041)
		<b>913,720</b>	<b>(35,493)</b>
	As at 31 December 2021		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	0.52%	674,854	(3,487)
Less than 1 year past due	11.22%	93,138	(10,446)
1 to 2 years past due	83.86%	7,684	(6,444)
Over 2 years	100.00%	2,596	(2,596)
		778,272	(22,973)
Individual assessment	100.00%	9,303	(9,303)
		787,575	(32,276)

Expected loss rates are based on actual loss experience over the past years. These rates are adjusted based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

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

#### (b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent Company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group and can be required to pay:

	As at 31 December 2022					Carrying amount RMB'000
	Contractual undiscounted cash outflow					
	Within one year or on demand RMB'000	More than one year but less than two years RMB'000	More than two years but less than five years RMB'000	More than five years RMB'000	Total RMB'000	
Loans and borrowings	764,118	1,225,149	1,750,201	395,018	4,134,486	3,774,692
Trade and other payables	1,314,478	–	–	–	1,314,478	1,314,478
Lease liabilities	1,961	1,840	1,913	5,070	10,784	7,815
	<b>2,080,557</b>	<b>1,226,989</b>	<b>1,752,114</b>	<b>400,088</b>	<b>5,459,748</b>	<b>5,096,985</b>

	As at 31 December 2021					Carrying amount RMB'000
	Contractual undiscounted cash outflow					
	Within one year or on demand RMB'000	More than one year but less than two years RMB'000	More than two years but less than five years RMB'000	More than five years RMB'000	Total RMB'000	
Loans and borrowings	748,084	439,898	1,899,403	304,934	3,392,319	3,043,861
Trade and other payables	1,330,427	–	–	–	1,330,427	1,330,427
Lease liabilities	530	313	847	3,718	5,408	4,136
	<b>2,079,041</b>	<b>440,211</b>	<b>1,900,250</b>	<b>308,652</b>	<b>4,728,154</b>	<b>4,378,424</b>



## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

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

#### (c) Interest rate risk

##### (i) Interest rate profile

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from bank loans. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate profile as monitored by management is set out below.

The Group's cash at bank, loan to related parties and interest-bearing borrowings, and their interest rates as at 31 December 2022 and 2021 are set out as follows:

	2022		2021	
	Interest rate %	RMB'000	Interest rate %	RMB'000
<b>Fixed rate:</b>				
Bank deposits with original maturity over three months	N/A	–	0.35%	1,680
Amounts due from related parties	N/A	–	7.00%	150,000
		–		151,680
<b>Variable rate:</b>				
Cash at bank and on hand	0.25%	273,058	0.30%	596,113
Restricted bank deposits	0.30%–2.60%	52,869	0.30%–2.60%	58,149
Loans and borrowings	1.70%–4.65%	(3,774,692)	2.65%–4.65%	(3,043,861)
		(3,448,765)		(2,389,599)

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

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

#### (c) Interest rate risk *(Continued)*

##### (ii) Sensitivity analysis

At 31 December 2022, it is estimated that a general increase/decrease of 25 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately RMB7,971,000 (2021: RMB5,324,000).

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after tax (and retained profits) and other components of consolidated equity is estimated as an annualised impact on interest expenses or income of such changes in interest rates.

#### (d) Currency risk

The functional currency of the Group's subsidiaries in mainland China is RMB. Almost all the Group's operating activities are carried out in the mainland China with most of the transactions denominated in RMB. The Group considers the risk of movements in exchange rates to be insignificant.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

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

#### (e) Fair value measurement

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

###### *Fair value hierarchy*

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

As at 31 December 2022, carrying amount of financial assets and liabilities measured at fair value is RMB Nil (31 December 2021: RMB15,000,000).

	Fair value at 31 December 2021 RMB'000	Fair value measurements as at 31 December 2021 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000

#### Recurring fair value measurement

Financial assets measured at FVPL				
— Investment in structured deposits	15,000	–	15,000	–

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

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

#### (e) Fair value measurement *(Continued)*

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

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

During the years ended 31 December 2022 and 2021, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

###### Valuation techniques and inputs used in Level 2 fair value measurements

For the investment in structured deposits issued by banks that are measured at FVPL as at 31 December 2021, the fair value is determined by calculating based on the discounted cash flow method.

###### Information about Level 3 fair value measurements

The fair value of the Group's unlisted equity securities as at 31 December 2020 is determined with reference to the latest-round financing price of the securities, adjusted by unobservable inputs based on information such as the latest available financial information of the investee, where applicable.

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

All financial assets and liabilities carried at cost or amortised cost are not materially different from their fair values as at 31 December 2022 and 2021.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

### 26 ACQUISITION OF SUBSIDIARIES

#### (a) Acquisition of Pingliang Environment

On 28 March 2022, the Group acquired 100% equity interests in Pingliang Conch Venture Environment Engineering Co., Ltd (“Pingliang Environment”) from Wuhu Conch Investment Ltd. for a consideration of RMB35,000,000.

The fair value of the identifiable assets and liabilities of Pingliang Environment as at the date of acquisition was as below:

	<b>Pre- acquisition carrying amounts</b>	<b>Fair value adjustments</b>	<b>Recognised values on acquisition</b>
	RMB'000	RMB'000	RMB'000
Property, plant and equipment	89,866	–	89,866
Trade and other receivables	9,053	–	9,053
Cash	293	–	293
Trade and other payables	(64,212)	–	(64,212)
Total identifiable net assets	35,000	–	35,000
Less:			
Total cash consideration			(35,000)
Goodwill			–

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

### 26 ACQUISITION OF SUBSIDIARIES *(Continued)*

#### (a) Acquisition of Pingliang Environment *(Continued)*

Analysis of net cash outflow of cash and cash equivalents in respect of the acquisition of Pingliang Environment as at acquisition date:

	RMB'000
Total cash consideration	35,000
Less: Cash acquired as at the date of acquisition	(293)
Net outflow of cash included in cash flows from investing activities	34,707

Revenue and net profit that Pingliang Environment contributed to the Group from the acquisition date to 31 December 2022 were RMB5,163,000 and RMB1,380,000, respectively.

Had the acquisition occurred on 1 January 2022, management estimates that the Group's consolidated revenue and consolidated profit for the year ended 31 December 2022 would have no material changes.



## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

### 26 ACQUISITION OF SUBSIDIARIES *(Continued)*

#### (b) Acquisition of Shaoguan Environmental

To expand the scale of operations for the treatment of hazardous and solid waste, on 7 March 2022, the Group acquired 51% equity interests in Shaoguan Conch Venture Hongfeng Green Environmental Protection Technology Co., Ltd (“Shaoguan Environmental”), from its previous controlling shareholder for a consideration of RMB34,510,000. As a result of this acquisition, the Group holds 51% equity interests in Shaoguan Environmental and it is accounted for as a subsidiary.

The fair value of the identifiable assets and liabilities of Shaoguan Environmental as at the date of acquisition was as below:

	<b>Pre- acquisition carrying amounts</b>	<b>Fair value adjustments</b>	<b>Recognised values on acquisition</b>
	RMB'000	RMB'000	RMB'000
Property, plant and equipment	10,399	–	10,399
Intangible assets	–	71,185	71,185
Trade and other receivables	44	–	44
Cash	34	–	34
Trade and other payables	(3,548)	–	(3,548)
Deferred tax liabilities	–	(17,122)	(17,122)
Total identifiable net assets	6,929	54,063	60,992
Less: non-controlling interests, based on their proportionate interest in the total identifiable net assets acquired			(29,886)
Total identifiable net assets acquired by the Group			31,106
Less: Total cash consideration			(34,510)
Goodwill			(3,404)

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

### 26 ACQUISITION OF SUBSIDIARIES *(Continued)*

#### (b) Acquisition of Shaoguan Environmental *(Continued)*

Goodwill represents the excess of the considerations transferred over the fair value of the Shaoguan Environmental' identifiable net assets as at the acquisition date.

An analysis of the cash flows in respect of the acquisition of Shaoguan Environmental is as follows:

	RMB'000
Total cash consideration	34,510
Less:	
Cash acquired as at the date of acquisition	(34)
Net outflow of cash included in cash flows from investing activities	34,476

Revenue and net profit that Shaoguan Environmental contributed to the Group from the acquisition date to 31 December 2022 were RMB NIL and RMB NIL respectively.

Had the acquisition occurred on 1 January 2022, management estimates that the Group's consolidated revenue and consolidated profit for the year ended 31 December 2022 would have no material changes.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

### 26 ACQUISITION OF SUBSIDIARIES *(Continued)*

#### (c) Acquisition of Shuicheng Environment

On 18 August 2022, the Group acquired additional 100% equity interest in Liupanshui Conch Environment Protection Technology Co., Ltd (“Shuicheng Environment”), from Wuhu Conch Investment Ltd. for a consideration of RMB32,000,000.

The fair value of the identifiable assets and liabilities of Shuicheng Environment as at the date of acquisition was as below:

	<b>Pre- acquisition carrying amounts</b>	<b>Fair value adjustments</b>	<b>Recognised values on acquisition</b>
	RMB'000	RMB'000	RMB'000
Property, plant and equipment	69,139	–	69,139
Trade and other receivables	26,885	–	26,885
Cash	91	–	91
Trade and other payables	(64,115)	–	(64,115)
Total identifiable net assets acquired by the Group	32,000	–	32,000
Less:			
Total cash consideration			(32,000)
Goodwill			–

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

### 26 ACQUISITION OF SUBSIDIARIES *(Continued)*

#### (c) Acquisition of Shuicheng Environment *(Continued)*

	RMB'000
Total cash consideration	32,000
Less:	
Cash acquired as at the date of acquisition	(91)
Net outflow of cash included in cash flows from investing activities	31,909

Revenue and net loss that Shuicheng Environment contributed to the Group from the acquisition date to 31 December 2022 were RMB NIL and RMB NIL respectively.

Had the acquisition occurred on 1 January 2022, management estimates that the Group's consolidated revenue and consolidated profit for the year ended 31 December 2022 would have no material changes.

### 27 CAPITAL COMMITMENTS

At 31 December 2022, the Group had capital commitments not provided for in the consolidated financial statements were as follows:

	2022 RMB'000	2021 RMB'000
Contracted for	<b>385,482</b>	504,362
Authorised but not contracted for	<b>313,766</b>	793,689
	<b>699,248</b>	1,298,051

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

### 28 MATERIAL RELATED PARTY TRANSACTIONS

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

Name of party (i)	Relationship
China Conch Venture Holdings Limited ("Conch Venture") 中國海螺創業控股有限公司	Major shareholder of Conch Holdings (ii)
China Conch Venture Holdings (HK) Limited ("Conch Venture HK") 中國海創控股(香港)有限公司	Subsidiary of Conch Venture
Wuhu Conch Venture Enterprise Limited 蕪湖海創實業有限責任公司	Subsidiary of Conch Venture
Yanshan Conch Venture Environment Engineering Co., Ltd. 硯山海創環境工程有限責任公司	Subsidiary of Conch Venture
Huoqiu Conch Venture Environment Engineering Co., Ltd. 霍邱海創環境工程有限責任公司	Subsidiary of Conch Venture
Yiyang Conch Venture Environment Energy Co., Ltd. 弋陽海創環境能源有限責任公司	Subsidiary of Conch Venture
Sishui Conch Venture Environment Engineering Co., Ltd. 泗水海螺創業環境工程有限責任公司	Subsidiary of Conch Venture
Shanggao Conch Venture Environmental Protection Technology Co., Ltd. 上高海創環保科技有限公司	Subsidiary of Conch Venture
Shimen Haichuang Environmental Engineering Co., Ltd. 石門海創環境工程有限責任公司	Subsidiary of Conch Venture
Shizhu Xian Conch Venture Environmental Protection Technology Co., Ltd. 石柱縣海創環保科技有限責任公司	Subsidiary of Conch Venture

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

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

Name of party (i)	Relationship
Qiyang Conch Venture Environment Engineering Co., Ltd. 祁陽海創環境工程有限責任公司	Subsidiary of Conch Venture
XianYang Conch Venture Environment Energy Co., Ltd. 咸陽海創環境能源有限責任公司	Subsidiary of Conch Venture
Tongchuan Conch Venture Environment Energy Co., Ltd. 銅川海創環境能源有限責任公司	Subsidiary of Conch Venture
Fusui Conch Venture Environment Engineering Co., Ltd. 扶綏海創環境工程有限責任公司	Subsidiary of Conch Venture
Ningguo Conch Venture Environment Engineering Co., Ltd. 甯國海創環境工程有限責任公司	Subsidiary of Conch Venture
Wuwei Xian Conch Venture Environmental Protection Technology Co., Ltd. 無為縣海創環保科技有限責任公司	Subsidiary of Conch Venture
Luxi Conch Venture Environmental Protection Technology Co., Ltd. 瀘西海創環保科技有限責任公司	Subsidiary of Conch Venture
Zongyang Conch Venture Environmental Protection Technology Co., Ltd. 縱陽海創環保科技有限責任公司	Subsidiary of Conch Venture
Baoshan Haichuang Environmental Engineering Co., Ltd. 保山海創環境工程有限責任公司	Subsidiary of Conch Venture
Pingguo Conch Venture Environmental Protection Technology Co., Ltd. 平果海創環保科技有限責任公司	Subsidiary of Conch Venture



## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

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

Name of party (i)	Relationship
Dexing Haichuang Environmental Protection Technology Co., Ltd. 德興海創環保科技有限責任公司	Subsidiary of Conch Venture
Anhui Conch Venture New Energy-saving Building Material Co., Ltd. 安徽海創新型節能建築材料有限責任公司	Subsidiary of Conch Venture
MAANSHAN Conch Venture Environmental Technology Co., Ltd (iii) ("MAANSHAN Environmental Technology") 馬鞍山海創環境科技有限責任公司	Subsidiary of Conch Venture
Tengchong Conch Venture Energy Technology Co., Ltd. ("Tengchong Energy Technology") 騰沖海創能源科技有限責任公司	Subsidiary of Conch Venture
Hanshou Conch Venture Environmental Protection Technology Co., Ltd. ("Hanshou Environmental Protection") 漢壽海創環保科技有限責任公司	Subsidiary of Conch Venture
Hunan Huiming Environmental Protection Technology Co., Ltd. ("Hunan Huiming") 湖南惠明環保科技有限公司	Subsidiary of Conch Venture
Shuangfeng Conch Venture Environment Engineering Co., Ltd. ("Shuangfeng Environment") 雙峰海創環境工程有限責任公司	Subsidiary of Conch Venture
Dehong Conch Venture Environmental Protection Technology Co., Ltd. ("Dehong Environmental Protection") 德宏海創環保科技有限責任公司	Subsidiary of Conch Venture
Conch Venture Environmental Technology (Shanghai) Co., Ltd. ("Conch Venture Shanghai") 海螺創業環保科技(上海)有限公司	Subsidiary of Conch Venture

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

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

Name of party (i)	Relationship
Anhui Haichuang Lvneeng Environmental Protection Group Co., Ltd. ("Wuhu Environment") 安徽海創綠能環保集團股份有限公司	Subsidiary of Conch Venture
Anhui Conch Kawasaki Engineering Co., Ltd. 安徽海螺川崎工程有限公司	Subsidiary of Conch Venture
Shanghai Conch Kawasaki Engineering Co., Ltd. 上海海螺川崎節能環保工程有限公司	Subsidiary of Conch Venture
Anhui Conch Kawasaki Energy Conservation Equipment Manufacturing Co., Ltd. 安徽海螺川崎節能設備製造有限公司	Subsidiary of Conch Venture
Anhui Conch Holdings Co., Ltd. ("Conch Holdings") 安徽海螺集團有限責任公司	Parent of Conch Cement
Anhui Conch Building Materials Design and Research Institute Co., Ltd. 安徽海螺建材設計研究院有限責任公司	Subsidiary of Conch Holdings
Anhui Conch IT Engineering Co., Ltd. ("Conch IT Engineering") 安徽海螺信息技術工程有限責任公司	Subsidiary of Conch Holdings
Conch (Anhui) Energy-saving and Environmental Protection New Materials Co., Ltd. 海螺(安徽)節能環保新材料股份有限公司	Associate of Conch Holdings
Wuhu Conch Door and Window Co., Ltd. 蕪湖海螺門窗有限責任公司	Subsidiary of Conch New Materials
Wuhu Conch Extrusion Equipment Cos., Ltd. 蕪湖海螺擠出裝備有限公司	Subsidiary of Conch New Materials
Wuhu Conch New Material Co., Ltd. ("Wuhu New Material") 蕪湖海螺新材料有限責任公司	Subsidiary of Conch New Materials

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

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

Name of party (i)	Relationship
Yingde Conch Profiles Co., Ltd. 英德海螺型材有限責任公司	Subsidiary of Conch New Materials
Baoji Conch Profiles Co., Ltd. 寶雞海螺型材有限責任公司	Subsidiary of Conch New Materials
Ningbo Conch Plastic Profile Co., Ltd. ("Ningbo Plastic") 寧波海螺塑膠型材有限責任公司	Subsidiary of Conch Cement
Anhui Conch Cement Co., Ltd. ("Conch Cement") 安徽海螺水泥股份有限公司	The ultimate parent Company (iii)
Anhui Tongling Conch Cement Co., Ltd. ("Tongling Conch") 安徽銅陵海螺水泥有限公司	Subsidiary of Conch Cement
Anhui Digang Conch Cement Co., Ltd. ("Digang Conch") 安徽荻港海螺水泥股份有限公司	Subsidiary of Conch Cement
Anhui Zongyang Conch Cement Co., Ltd. ("Zongyang Conch") 安徽縱陽海螺水泥股份有限公司	Subsidiary of Conch Cement
Anhui Chizhou Conch Cement Co., Ltd. ("Chizhou Conch") 安徽池州海螺水泥股份有限公司	Subsidiary of Conch Cement
Fenyi Conch Cement Co., Ltd. ("Fenyi Conch") 分宜海螺水泥有限責任公司	Subsidiary of Conch Cement
Jiangxi Lushan Conch Cement Co., Ltd. ("Lushan Conch") 江西廬山海螺水泥有限公司	Subsidiary of Conch Cement
Anhui Huaining Conch Cement Co., Ltd. ("Huaining Conch") 安徽懷寧海螺水泥有限公司	Subsidiary of Conch Cement
Zhongguo Cement Co., Ltd. ("Zhongguo Plant") 中國水泥廠有限公司	Subsidiary of Conch Cement

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

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

Name of party (i)	Relationship
Wuhu Conch Cement Co., Ltd. ("Wuhu Conch") 蕪湖海螺水泥有限公司	Subsidiary of Conch Cement
Hunan Conch Cement Co., Ltd. ("Hunan Conch") 湖南海螺水泥有限公司	Subsidiary of Conch Cement
Prosperity Conch Cement Co., Ltd. ("Prosperity Conch") 英德海螺水泥有限責任公司	Subsidiary of Conch Cement
Xingye Kuiyang Conch Cement Co., Ltd. ("Kuiyang Conch") 興業葵陽海螺水泥有限責任公司	Subsidiary of Conch Cement
Linxiang Conch Cement Co., Ltd. ("Linxiang Conch") 臨湘海螺水泥有限責任公司	Subsidiary of Conch Cement
Quanjiao Conch Cement Co., Ltd. ("Quanjiao Conch") 全椒海螺水泥有限責任公司	Subsidiary of Conch Cement
Guangyuan Conch Cement Co., Ltd. ("Guangyuan Conch") 廣元海螺水泥有限責任公司	Subsidiary of Conch Cement
Chongqing Conch Conch Cement Co., Ltd. ("Chongqing Conch") 重慶海螺水泥有限責任公司	Subsidiary of Conch Cement
Jiangxi Ganjiang Conch Cement Co., Ltd. ("Ganjiang Conch") 江西贛江海螺水泥有限責任公司	Subsidiary of Conch Cement
Dazhou Conch Cement Co., Ltd. ("Dazhou Conch") 達州海螺水泥有限責任公司	Subsidiary of Conch Cement
Liquan Conch Conch Cement Co., Ltd. ("Liquan Conch") 禮泉海螺水泥有限責任公司	Subsidiary of Conch Cement

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

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

Name of party (i)	Relationship
Qianyang Conch Cement Co., Ltd. ("Qianyang Conch") 千陽海螺水泥有限責任公司	Subsidiary of Conch Cement
Yangchun Conch Cement Co., Ltd. ("Yangchun Conch") 陽春海螺水泥有限責任公司	Subsidiary of Conch Cement
Jining Conch Cement Co., Ltd. ("Jining Conch") 濟寧海螺水泥有限責任公司	Subsidiary of Conch Cement
Qiyang Conch Cement Co., Ltd. ("Qiyang Conch") 祁陽海螺水泥有限責任公司	Subsidiary of Conch Cement
Hunan Yiyang Conch Cement Co., Ltd. ("Yiyang Conch") 湖南益陽海螺水泥有限責任公司	Subsidiary of Conch Cement
Suzhou Conch Cement Co., Ltd. ("Suzhou Conch") 宿州海螺水泥有限責任公司	Subsidiary of Conch Cement
Guangyuan Conch Plastic Packaging Co., Ltd. ("Guangyuan Plastic") 廣元海螺塑膠包裝有限責任公司	Subsidiary of Conch Cement
Guiyang Conch Cement Co., Ltd. ("Guiyang Conch") 貴陽海螺盤江水泥有限責任公司	Subsidiary of Conch Cement
Guiding Conch Cement Co., Ltd. ("Guiding Conch") 貴定海螺盤江水泥有限責任公司	Subsidiary of Conch Cement
Zunyi Conch Cement Co., Ltd. ("Zunyi Conch") 遵義海螺盤江水泥有限責任公司	Subsidiary of Conch Cement
Liukuang Ruian Conch Cement Co., Ltd. ("Ruian Conch") 貴州六礦瑞安水泥有限公司	Subsidiary of Conch Cement

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

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

Name of party (i)	Relationship
Liangping Conch Cement Co., Ltd. ("Liangping Conch") 梁平海螺水泥有限責任公司	Subsidiary of Conch Cement
Qianxinan Development Resources Co., Ltd. 黔西南州發展資源開發有限公司	Subsidiary of Conch Cement
Zhuangxiang Conch Cement Co., Ltd. ("Zhuangxiang Conch") 雲南壯鄉水泥股份有限公司	Subsidiary of Conch Cement
Longan Conch Cement Co., Ltd. ("Longan Conch") 隆安海螺水泥有限責任公司	Subsidiary of Conch Cement
Qianxian Conch Cement Co., Ltd. ("Qianxian Conch") 乾縣海螺水泥有限責任公司	Subsidiary of Conch Cement
Refractory Material Co., Ltd. 安徽海螺暹羅耐火材料有限公司	Subsidiary of Conch Cement
Tongren Conch Cement Co., Ltd. ("Tongren Conch") 銅仁海螺盤江水泥有限責任公司	Subsidiary of Conch Cement
Wenshan Conch Cement Co., Ltd. ("Wenshan Conch") 文山海螺水泥有限責任公司	Subsidiary of Conch Cement
Baoji Conch Plastic Packaging Co., Ltd. ("Baoji Plastic") 寶雞海螺塑膠包裝有限責任公司	Subsidiary of Conch Cement
Shuicheng Conch Panjiang Cement Co., Ltd. ("Shuicheng Conch")* 水城海螺盤江水泥有限責任公司	Subsidiary of Conch Cement
Chaohu Conch Cement Co., Ltd. ("Chaohu Conch") 巢湖海螺水泥有限責任公司	Subsidiary of Conch Cement



## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

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

Name of party (i)	Relationship
Fenghuang Construction Co., Ltd. 陝西銅川鳳凰建材有限公司	Subsidiary of Conch Cement
Chongqing Trading Co., Ltd. 重慶海螺物資貿易有限責任公司	Subsidiary of Conch Cement
Yunnan Haizhong Trading Co., Ltd. ("Yunnan Haizhong") 雲南海中貿易有限責任公司	Subsidiary of Conch Cement
Yiyang Conch Cement Co., Ltd. ("Yiyang Conch") 弋陽海螺水泥有限責任公司	Subsidiary of Conch Cement
Wuhu Conch Plastic Products Co., Ltd. ("Wuhu Plastic") 蕪湖海螺塑膠製品有限公司	Subsidiary of Conch Cement
Anhui Ningchang Plastic Packaging Co., Ltd. ("Ningchang Plastic") 安徽寧昌塑膠包裝有限公司	Subsidiary of Conch Cement
Jiangxi Haizhong Trading Co., Ltd. ("Jiangxi Haizhong") 江西海中貿易有限責任公司	Subsidiary of Conch Cement
Guizhou Haizhong Trading Co., Ltd. ("Guizhou Haizhong") 貴州海中貿易有限責任公司	Subsidiary of Conch Cement
Shandong Haizhong Trading Co., Ltd. ("Shandong Haizhong") 山東海中貿易有限責任公司	Subsidiary of Conch Cement
Shanxi Haizhong Trading Co., Ltd. ("Shanxi Haizhong") 陝西海中貿易有限責任公司	Subsidiary of Conch Cement
Anhui Haihui Supply Chain Technology Co., Ltd. ("Haihui Supply Chain Technology") 安徽海慧供應鏈科技有限公司	Subsidiary of Conch Cement

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

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

Name of party (i)	Relationship
Anhui Conch Kawasaki Equipment Manufacturing Co., Ltd. (“Conch Kawasaki Equipment”) 安徽海螺川崎裝備製造有限公司	Subsidiary of Conch Holdings
Huaibei Zhongcheng Conch Cement Co., Ltd. (“Zhongcheng Conch”) 淮北眾城水泥有限責任公司	Associate of the Conch Cement
Jiangsu Jiexia Environmental Protection Technology Co., Ltd. (“Jiexia Environmental Protection”) 江蘇傑夏環保科技有限公司	Associate of the Group

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

(ii) Conch Venture was the ultimate parent Company of the Company before the Company completed spin-off from Conch Venture on 30 March 2022 and therefore it ceased to be a related party of the Company after 30 March 2022.

Conch Venture, which was the major shareholder of Conch Holding, became related party of the Company again from 28 October 2022 since Conch Cement, a subsidiary of Conch Holding, became the Parent of the Company on the same date.

(iii) Conch Cement, which was the associate of Conch Venture, was the related party of the Company before the Company completed spin-off from Conch Venture on 30 March 2022.

Conch Cement became the ultimate parent Company of the Company on 28 October 2022 and therefore is considered a related party of the Company again since then.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

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

#### (a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's executive directors as disclosed in Note 7 is as follows:

	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
Short-term employee benefits	<b>2,818</b>	5,832
Post-employment benefits	<b>12</b>	87
	<b>2,830</b>	5,919

#### (b) Significant related party transactions

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

	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
<b>Service rendered to:</b>		
Conch Venture and its subsidiaries	<b>12,598</b>	28,406
Conch Holdings	<b>5</b>	1
Conch Profiles	<b>200</b>	162
CKEM	<b>98</b>	–
Conch Cement	<b>270</b>	1,083
	<b>13,171</b>	29,652

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

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

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

	2022 RMB'000	2021 RMB'000
<b>Purchase of goods and equipments from:</b>		
Conch Venture and its subsidiaries	77,531	648,982
Conch IT Engineering	10,171	6,391
Conch Holdings	343	35
Conch Profiles	213	903
Conch Cement	5,267	8,603
	<b>93,525</b>	664,914
<b>Services received from:</b>		
Conch Venture and its subsidiaries	3,764	9,230
Conch Design Institute	6,876	6,362
Conch Holdings	233	505
Conch IT Engineering	1,195	–
Associates of Conch Cement	3,216	–
Conch Cement	29,703	69,605
	<b>44,987</b>	85,702
<b>Purchase of right-of-use assets</b>		
Conch Cement	–	14,662

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

**28 MATERIAL RELATED PARTY TRANSACTIONS** (Continued)**(b) Significant related party transactions** (Continued)

	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
<b>Interest income</b>		
Conch Venture and its subsidiaries	–	7,693
	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
<b>Interest expense on loans</b>		
Conch Venture and its subsidiaries	–	5,855
	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
<b>Dividends paid</b>		
Conch Venture and its subsidiaries	–	228,072
	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
<b>Repayment of amounts due from related parties</b>		
Conch Venture and its subsidiaries	<b>150,000</b>	93,868
	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
<b>Advances from related parties</b>		
Conch Venture and its subsidiaries	–	219,626

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

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

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

	2022 RMB'000	2021 RMB'000
<b>Repayment of amounts due to related parties</b>		
Conch Venture and its subsidiaries	–	565,236
	2022 RMB'000	2021 RMB'000
<b>Repayment of payables for acquisition in connection with Reorganisation</b>		
Conch Venture and its subsidiaries	–	50,000
	2022 RMB'000	2021 RMB'000
<b>Capitalization of amounts due to related parties</b>		
Conch Venture and its subsidiaries	–	1,199,004
	2022 RMB'000	2021 RMB'000
<b>Deemed contribution from the ultimate parent company</b>		
Conch Venture and its subsidiaries	–	29,567
	2022 RMB'000	2021 RMB'000
<b>Guarantees issued for related parties in respect of related parties' bank loans</b>		
Conch Venture and its subsidiaries (i)	–	49,000

As at 31 December 2021, the Group issued a guarantee for a bank loan of Conch Venture Shanghai amounting to RMB49,000,000, formerly a subsidiary of the Group (see Note 27). In February 2022, the Group has released its guarantee.



## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

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

#### (c) Balances with related parties

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

	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
<b>Trade receivables:</b>		
Conch Venture and its subsidiaries	<b>4,365</b>	17,048
CKEM	<b>67</b>	–
Conch Cement	<b>67</b>	77
	<b>4,499</b>	17,125
<b>Other receivables (non-trade):</b>		
Conch Venture and its subsidiaries	<b>338</b>	154,599
Conch Cement	<b>748</b>	173
Conch IT Engineering	<b>133</b>	94
Conch Profiles	<b>22</b>	–
	<b>1,241</b>	154,866

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

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

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

	2021 RMB'000	2020 RMB'000
<b>Trade payables:</b>		
Conch Venture and its subsidiaries	1,099	327
Conch Cement	28,036	32,597
Conch Cement's associates	4,789	–
	<b>33,924</b>	32,924
<b>Other payables (non-trade):</b>		
Conch Venture and its subsidiaries	271,539	504,728
Conch Cement	230	163
Conch IT Engineering	5,556	2,238
Conch Design Institute	4,115	2,264
CKEM	8	–
Conch Profiles	6	6
	<b>281,454</b>	509,399
<b>Dividends payable:</b>		
Conch Venture and its subsidiaries	48,682	36,247

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

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

## 29 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December	
		2022 RMB'000	2021 RMB'000
<b>Non-current assets</b>			
Investment in a subsidiary		671,464	671,464
Trade and other receivables		511,589	525,566
		<b>1,183,053</b>	1,197,030
<b>Current assets</b>			
Trade and other receivables		11	25,891
Cash and cash equivalents		4,843	911
		<b>4,854</b>	26,802
<b>Current liabilities</b>			
Trade and other payables		995	8,580
		<b>3,859</b>	18,222
<b>Net current assets</b>			
		<b>1,186,912</b>	1,215,252
<b>Total assets less current liabilities</b>			
<b>Capital and reserves</b>	24(a)		
Share capital		14,837	—*
Reserves		1,172,075	1,215,252
<b>Total equity</b>		<b>1,186,912</b>	1,215,252

\* The balance represents an amount less than RMB1,000.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

### 30 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2022

Up to the date of issue of these financial statements, the IASB has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2022 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	<b>Effective for accounting periods beginning on or after</b>
IFRS 17, <i>Insurance contracts</i>	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2, <i>Disclosure of Accounting Policies</i>	1 January 2023
Amendments to IAS 8, <i>Definition of Accounting Estimates</i>	1 January 2023
Amendments to IAS 12, <i>Deferred tax related to assets and liabilities arising from a Single Transaction</i>	1 January 2023
Amendments to IAS 1, <i>Classification of Liabilities as Current or Non-current</i>	1 January 2024
Amendments to IAS 1, <i>Non-current Liabilities with Covenants</i>	1 January 2024
Amendments to IFRS 16, <i>Lease Liability in a Sale and Leaseback</i>	1 January 2024

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.