



# 中國海螺環保控股有限公司

## China Conch Environment Protection Holdings Limited

(Incorporated in the Cayman Islands with limited liability)  
Stock Code: 587

2023 ANNUAL REPORT



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.

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## 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
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), an exempted company incorporated under the laws of the Cayman Islands with limited liability and the Shares of which are listed on the Main Board of 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 and the shares of which 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 incorporated in the PRC with limited liability, a wholly-owned subsidiary of Conch Holdings 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 incorporated in the PRC with limited liability, a wholly-owned subsidiary of Conch Holdings 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 established in the PRC with limited liability and the shares of which are 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 in the Cayman Islands and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 586)
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

Group:	the Company and its subsidiaries
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
Hong Kong:	the Hong Kong Special Administrative Region of the PRC
Independent Shareholders:	in respect 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 (including the proposed annual caps for the three years ending 31 December 2025), 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
Latest Practicable Date:	19 April 2024, being the latest practicable date prior to the printing of this annual report for ascertaining certain information in this annual report
Listing Date:	30 March 2022, on which the Shares were listed and from which dealings therein were permitted to take place on the Stock Exchange
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

## DEFINITIONS

Parties Acting in Concert:	the parties acting in concert with Conch Cement under the Codes on Takeovers and Mergers and Share Buy-backs, including but not limited to Conch Venture, 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, Macau 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 2023 to 31 December 2023
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)
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

## DEFINITIONS

West Cement:	中國西部水泥有限公司 (West China Cement Limited*), a company listed on the Stock Exchange (stock code: 2233)
Wuhu Conch Environmental:	蕪湖海螺環保科技有限責任公司 (Wuhu Conch 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.*)
Qingyuan Conch Environmental:	清遠海螺環保科技有限責任公司 (Qingyuan Conch Environmental Protection Technology Co., Ltd.*) (formerly known as: 清遠海創環保科技發展有限責任公司(Qingyuan Haichuang Environmental Technology Development Co., LTD)*), a company established in the PRC and a non-wholly owned subsidiary of the Company
Guangying Cement:	廣東清遠廣英水泥有限公司 (Guangdong Qingyuan Guangying Cement Co., Ltd.*), a company established in the PRC and a non-wholly owned subsidiary of Conch Cement

\* For identification purpose only



## 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. Jiang Dehong Mr. MA Wei
<b>(IV) INDEPENDENT NON-EXECUTIVE DIRECTORS:</b>	Mr. Ding Wenjiang Ms. WANG Jiafen Ms. LI Chen
<b>(V) AUDIT COMMITTEE:</b>	Ms. WANG Jiafen ( <i>Chairlady</i> ) Mr. Ding Wenjiang Ms. LI Chen
<b>(VI) REMUNERATION AND NOMINATION COMMITTEE:</b>	Mr. Ding Wenjiang( <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. LI Xiaobo Mr. Ding Wenjiang Mr. Jiang Dehong
<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 8/F, Prince's Building, 10 Chater Road, Central, Hong Kong
<b>(XVIII) COMPLIANCE ADVISOR:</b>	Silver Nile Global Investments 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 2023)

#### 1. Operation results

Item	2023	2022	2021	Unit: RMB'000	
				2020	2019
Revenue	<b>1,881,556</b>	1,729,598	1,698,153	1,143,991	737,772
Profit before taxation	<b>352,267</b>	410,531	697,713	574,160	432,951
Profit for the year	<b>304,013</b>	360,463	646,577	557,994	426,662
Net profit attributable to the equity Shareholders of the Company	<b>264,130</b>	328,656	578,607	468,986	353,314

#### 2. Assets and liabilities

Item	2023	2022	2021	Unit: RMB'000	
				2020	2019
Total assets	<b>9,412,268</b>	8,536,568	7,510,221	4,888,112	2,431,472
Total liabilities	<b>5,702,078</b>	5,148,934	4,420,301	3,086,475	1,065,604
Equity attributable to the equity Shareholders of the Company	<b>2,993,037</b>	2,728,907	2,420,593	1,053,244	1,035,746



On 26 November 2023, the Group's "Almighty Factory" - Wuhu Project for alternative fuels was successfully put into operation.

11/26



On 16 December 2023, Wu Fengchang Academician Workstation officially settled in Wuhu Conch Environmental. The establishment of the academician workstation marks an important milestone for Conch Environmental to start the cooperation with the top academician team.

12/16

09/10

On 10 September 2023, the technological achievements appraisal meeting of Conch Environment was held in Wuhu, at which two key technological achievements on fly ash treatment and sludge treatment of the Group were appraised.



12/09

On 9 December 2023, the Group successfully held the first training class for management of Conch Environment at Xi'an University of Architecture and Technology, aiming to comprehensively enhance the business skills, management standards and theoretical literacy of its management.



12/25

On 25 December 2023, the Group successfully acquired the Wuhan Hanshi Medical Waste Treatment Project, marking the Group's official commencement of the medical waste treatment business and further extending the Company's industrial chain.



# HIGHLIGHTS OF CONCH ENVIRONMENT



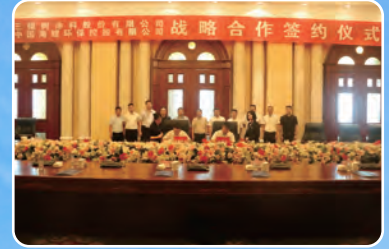
On 28 March 2023, Conch Environment held its 2022 Annual Results Conference at Shangri-La Hotel in Hong Kong, and the management of the Company had a warm exchange and discussion with the senior analysts and institutional investors attending the conference.

03/28



On 13 April 2023, the Party members' meeting of Anhui Conch Environment Group was held successfully, at which the CPC Anhui Conch Environment Group Committee and the Disciplinary Inspection Committee were elected.

04/13



On 23 August 2023, Conch Environment and SKSHU Paint Co., Ltd. held a cooperation signing ceremony, which laid a foundation for promoting business cooperation and creating mutual benefits and a win-win situation between both parties.

08/23

04/07

On 7 April 2023, the Group's Guangdong Shaoguan Solid-and-Hazardous-Waste Cement Kiln Co-Treatment Project was formally put into operation, further improving the Company's market presence in Southern China.



06/05

On 5 June 2023, Wuhu Conch Environment was invited by local authorities to organize the "Open Day of Environmental Protection Facilities to the Public" activity.



CONCH ENVIRO

## 4. BUSINESS REVIEW AND OUTLOOK

### (1) MACRO ENVIRONMENT

In 2023, despite the complex and ever-changing international environment and the frequent geopolitical conflicts, China made remarkable achievements by firmly pursuing high-quality development and green transformation under the coordination of national macro policies. The economy has shown signs of revival, achieving steady advancement across all macro indicators. GDP grew by approximately 5.2% over last year.

During the Reporting Period, in the face of numerous adverse factors such as intensified competition in the solid and hazardous waste treatment industry and a downturn in treatment prices, the Group focused on its business objectives and tasks, and made every effort to expand its markets. The Group strengthened production management coordination with cement enterprises and factories, consolidated basic management, and promoted cost reduction and efficiency improvement, thus achieving a new record high in “factory intake” and “treatment volume”.

### (2) BUSINESS REVIEW

Since 2023, under the leadership of the Board, the Group has closely focused on the development plan and seized the policy opportunity of “green and low-carbon transformation”. The Group continued to consolidate its leading position in cement kiln co-treatment, accelerated its business expansion in alternative fuels, fly ash treatment and oil sludge treatment, and proactively tapped into the medical waste treatment market.

At the end of the Reporting Period, the Group put into operation and constructed a total of 82 environmental protection projects in 22 provinces, municipalities, and autonomous regions across the country, including 41 general hazardous waste projects, 5 fly ash washing projects, 7 oil sludge treatment projects, 25 industrial solid waste projects and 4 comprehensive resource utilization projects. The treatment scale of the projects was approximately 9,436,300 tonnes/year (excluding projects subject to approval and to be constructed).

## 4. BUSINESS REVIEW AND OUTLOOK

### (2) BUSINESS REVIEW *(Continued)*

#### Industrial hazardous waste treatment and comprehensive resource utilization

##### (1) Project expansion

The Group proactively copes with the downward turnover rate of cement kilns and speeds up its diversified layouts in the hazardous waste treatment and comprehensive resource utilization business. During the Reporting Period, by fully leveraging the advantages of the academician workstation platform, the Group gave top priority to the distribution of fly ash projects in regions with advanced economies and favorable policies; seized the opportunity of the policy of carbon peaking and carbon neutrality to actively prepare and develop alternative fuels projects in regions with abundant material resources, such as the Pearl River Delta and the Yangtze River Delta; took the initiative to enter the medical waste treatment industry and successfully completed the merger and acquisition project in Wuhan, Hubei Province, which filled the gap in the field of medical waste disposal of the Group; made full use of the advantage of regional resources and completed the oil-based rock chip disposal project with 200,000 tonnes/year in Zhong County, Chongqing, which was contracted and constructed in the year. Meanwhile, the Group also conducted technical research on organic solvents, waste salt, waste acid, and other industries to pave the way for the subsequent development of the industry.

During the Reporting Period, the Group successfully entered into four contracts for hazardous waste treatment projects (including merger and acquisition), comprising two fly ash projects in Leshan, Sichuan Province (100,000 tonnes/year) and Queshan, Henan Province (100,000 tonnes/year), one oil-based rock chip project in Zhong County, Chongqing (200,000 tonnes/year), and one medical waste treatment project in Wuhan, Hubei Province (18,000 tonnes/year) with disposal capacity of approximately 418,000 tonnes/year, and also successfully entered into three comprehensive resource utilization projects, comprising two alternative fuel projects in Wuhu, Anhui Province (100,000 tonnes/year) and Chizhou, Anhui Province (500,000 tonnes/year), and one recycling and disassembling project for scraped motor vehicles in Changjiang, Hainan Province (50,000 vehicles/year).

##### (2) Project operation

In terms of market expansion, leveraging a detailed research database of waste-producing enterprises, the Group places great emphasis on customers at the source to consolidate its market share, with further increase in the number of customers and contracts. Focusing on the bidding management of key waste-producing enterprises, the Group has successively obtained the treatment franchise from key projects involving overhaul slag and landfill disposal of hazardous wastes. At the same time, the Group has successfully established cross-provincial transfer channels in Hubei Province, Tianjin and Sichuan Province, effectively making up for the operating efficiency of the project companies in Northwestern China and Southern China.

In terms of operation and management, the Group actively promotes its integration with the management of cement enterprises, continuously carries out specialized analysis and seminars on production and operation, establishes a regional hazardous waste database, optimizes market coordination, and solidly promotes technological reforms and measures, thereby steadily improving its treatment efficiency.

During the Reporting Period, the total treatment volume of industrial hazardous waste of the Group was approximately 1,076,600 tonnes, representing a year-on-year increase of approximately 16.82%, among which approximately 940,500 tonnes were general hazardous waste, approximately 63,700 tonnes were oil sludge, and approximately 72,400 tonnes were fly ash. Approximately 3,000 tonnes of comprehensive resource utilization products were sold, and 101,500 tonnes of alternative fuels were disposed of and supplied.

## 4. BUSINESS REVIEW AND OUTLOOK

### (2) BUSINESS REVIEW *(Continued)*

#### **Industrial solid waste treatment**

##### **(1) Project expansion**

The Group made full use of advantageous resources in the regions, gave priority to the distribution of economically developed regions with reasonable treatment prices and actively cooperated with water affairs groups and local governments to accelerate the implementation of sludge disposal projects. During the Reporting Period, the Group successfully entered into two contracts for solid waste treatment projects in Leshan, Sichuan Province (100,000 tonnes/year) and Bin County, Heilongjiang Province (200,000 tonnes/year).

##### **(2) Project operation**

The Group, on the one hand, actively expands its market reach in solid waste treatment and has obtained the treatment franchise for a number of large key projects. The Group, on the other hand, focuses on improving production efficiency to further enhance the disposal volume. During the Reporting Period, the total treatment volume of industrial solid waste of the Group was approximately 2,071,500 tonnes, representing a year-on-year increase of approximately 29.99%.



## 4. BUSINESS REVIEW AND OUTLOOK

### (2) BUSINESS REVIEW *(Continued)*

#### Industrial solid waste treatment *(Continued)*

##### (2) Project operation *(Continued)*

At the end of the Reporting Period, details of general hazardous waste treatment projects of the Group 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	80,100 tonnes/year	80,100 tonnes/year	April 2017
3		Wuhu, Anhui Province	2×100,000 tonnes/year	130,000 tonnes/year	December 2017
4		Yiyang, Jiangxi Province	2×100,000 tonnes/year	170,000 tonnes/year	May 2018
5		Xingye, Guangxi Region	2×100,000 tonnes/year	161,500 tonnes/year	August 2018
6		Suzhou, Anhui Province	2×100,000 tonnes/year	125,000 tonnes/year	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	143,500 tonnes/year	June 2019
9		Tongchuan, Shaanxi Province	100,000 tonnes/year	81,500 tonnes/year	August 2019
10		Wenshan, Yunnan Province*	71,000 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	85,300 tonnes/year	August 2020
17		Luoyang, Henan Province	100,000 tonnes/year	72,000 tonnes/year	December 2020
18		Jiyuan, Henan Province*	80,000 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

### (2) BUSINESS REVIEW *(Continued)*

#### Industrial solid waste treatment *(Continued)*

##### (2) Project operation *(Continued)*

No.	Status of Construction	Project Location	Treatment Capacity	Hazardous Waste Qualification	Actual/Expected Completion Date
21		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 Region	100,000 tonnes/year	85,000 tonnes/year	March 2021
24		Long'an, Guangxi Region	100,000 tonnes/year	70,000 tonnes/year	March 2021
25		Guilin, Guangxi Region	100,000 tonnes/year	50,000 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	100,000 tonnes/year	60,000 tonnes/year	June 2022
30		Fuyang, Zhejiang Province	2×100,000 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
35		Nantong, Chongqing Municipality	100,000 tonnes/year	22,300 tonnes/year	December 2022
36		Shaoguan, Guangdong Province	2×100,000 tonnes/year	182,600 tonnes/year	April 2023
37		Qingyuan, Guangdong Province	100,000 tonnes/year	67,500 tonnes/year	August 2023
38		Wuhan, Hubei Province	18,000 tonnes/year	18,000 tonnes/year	December 2023
<b>Subtotal</b>			<b>4,215,600 tonnes/year</b>	<b>3,239,900 tonnes/year</b>	
39	Under construction	Tongchuan, Shaanxi Province	2×100,000 tonnes/year	/	April 2024
40		Luoding, Guangdong Province	80,000 tonnes/year		April 2024
41		Yongdeng, Gansu Province	100,000 tonnes/year		December 2024
<b>Subtotal</b>			<b>380,000 tonnes/year</b>		
<b>Total</b>			<b>4,595,600 tonnes/year</b>	<b>3,239,900 tonnes/year</b>	

Note\*: The treatment capacity of the above projects is adjusted according to the production capacity pursuant to the environmental impact assessment approvals obtained.

## 4. BUSINESS REVIEW AND OUTLOOK

### (2) BUSINESS REVIEW *(Continued)*

#### Industrial solid waste treatment *(Continued)*

##### (2) Project operation *(Continued)*

At the end of the Reporting Period, details of fly ash washing projects of the Group 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
4		Quanjiao, Anhui Province	100,000 tonnes/year	May 2023
5		Qian County, Shaanxi Province	50,000 tonnes/year	December 2023
<b>Total</b>			<b>399,500 tonnes/year</b>	

At the end of the Reporting Period, details of oil sludge treatment projects of the Group 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	225,000 tonnes/year	225,000 tonnes/year	May 2020
2		Binzhou, Shandong Province	100,000 tonnes/year	100,000 tonnes/year	May 2021
3		Dongying, Shandong Province	160,000 tonnes/year	160,000 tonnes/year	January 2022
4		Jinzhou, Liaoning Province	Oil sludge treatment: 20,000 tonnes/year Incineration: 42,000 tonnes/year	62,000 tonnes/year	September 2023
<b>Subtotal</b>			<b>547,000 tonnes/year</b>	<b>547,000 tonnes/year</b>	
5	Under construction	Zhoushan, Zhejiang Province	36,000 tonnes/year	/	January 2024
6		Qingyang, Gansu Province *	96,000 tonnes/year		April 2024
7		Zhong County, Chongqing Municipality (Phase 1)	50,000 tonnes/year		October 2024
<b>Subtotal</b>			<b>182,000 tonnes/year</b>		
<b>Total</b>			<b>729,000 tonnes/year</b>		

Note\*: The treatment capacity of the above projects is adjusted according to the production capacity pursuant to the environmental impact assessment approvals obtained.

## 4. BUSINESS REVIEW AND OUTLOOK

### (2) BUSINESS REVIEW *(Continued)*

#### Industrial solid waste treatment *(Continued)*

##### (2) Project operation *(Continued)*

At the end of the Reporting Period, details of industrial solid waste treatment projects of the Group 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	66,000 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	2×60,000 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		Linan, Zhejiang Province	100,000 tonnes/year	March 2022
14		Changshou, Chongqing Municipality	149,000 tonnes/year	April 2022
15		Xin'an, Henan Province*	49,500 tonnes/year	June 2022
16		Chaohu, Anhui Province (sludge drying)	200,000 tonnes/year	January 2023
17		Wuhu, Anhui Province (sludge drying)	146,000 tonnes/year	February 2023
18		Tongling, Anhui Province	650,000 tonnes/year	March 2023
19		Xiangtan, Hunan Province	200,000 tonnes/year	May 2023
20		Yunfu, Guangdong Province	160,000 tonnes/year	June 2023
21		Shuicheng, Guizhou Province	66,000 tonnes/year	October 2023
<b>Subtotal</b>			<b>2,832,200 tonnes/year</b>	

## 4. BUSINESS REVIEW AND OUTLOOK

### (2) BUSINESS REVIEW *(Continued)*

#### Industrial solid waste treatment *(Continued)*

##### (2) Project operation *(Continued)*

No.	Status of Construction	Project Location	Treatment Capacity	Actual/Expected Completion Date
22	Under construction	Changjiang, Hainan Province	100,000 tonnes/year	January 2024
23		Changshan, Zhejiang Province	250,000 tonnes/year	January 2024
24		Mianyang, Sichuan Province	100,000 tonnes/year	March 2024
25		Dazhou, Sichuan Province	100,000 tonnes/year	May 2024
<b>Subtotal</b>			<b>550,000 tonnes/year</b>	
<b>Total</b>			<b>3,382,200 tonnes/year</b>	

Note\*: The treatment capacity of the above projects is adjusted according to the production capacity pursuant to the environmental impact assessment approvals obtained.

At the end of the Reporting Period, details of alternative fuel processing projects of the Group 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	Qingyuan, Guangdong Province	30,000 tonnes/year	July 2023
2		Wuhu, Anhui Province	100,000 tonnes/year	November 2023
<b>Subtotal</b>			<b>130,000 tonnes/year</b>	
3	Under construction	Chizhou, Anhui Province (Phase 1)	100,000 tonnes/year	April 2024
<b>Subtotal</b>			<b>100,000 tonnes/year</b>	
<b>Total</b>			<b>230,000 tonnes/year</b>	

Please refer to the table below for details of the comprehensive metal resource utilization project of the Group 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

### (2) BUSINESS REVIEW *(Continued)*

#### Industrial solid waste treatment *(Continued)*

##### (2) Project operation *(Continued)*

At the end of the Reporting Period, the treatment capacity of the Group's projects in operation and under construction was approximately 9,436,300 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	In operation	Under construction	In operation	Under construction	In operation	Under construction
Treatment capacity	421.56	38	39.95	54.7	18.2	283.22	55	23	10

### (3) FUTURE PLAN AND OUTLOOK

2024 is a key year for the implementation of the "14th Five-Year" Plan. From the perspective of macro environment, proactively advancing carbon peak and carbon neutralization in a steady manner and moving faster to promote the green and low-carbon transformation in development style have become critical parts of the national strategy. Keeping pace with the national environmental protection policies, the Group will strive to achieve the surging growth in quantity and effective improvement in quality and strengthen its leading position within the industry by expediting project development, improving corporate management and intensifying safe production. Therefore, the Group will focus its efforts on the following areas:

#### Focusing on the advancement on extension and supplement to industrial chains to kick off a new chapter of high-quality development

With focus on the development of the major business, i.e. environmental protection, the Group will further improve its diversified industrial layout by fully leveraging the opportunities for industrial consolidation, and making efforts in merger and acquisition as well as establishment of new companies simultaneously, so as to focus on the advancement on extension and supplement to industrial chains. **In terms of general hazardous waste treatment**, on the basis of consolidating its leading position in solid and hazardous waste treatment with the combination of cement kilns business, the Group will proactively secure more opportunities for the merger and acquisition of high-quality projects, accelerate the pace to acquire medical waste treatment projects and make sure the study and investment argument of candidate projects; **in terms of sludge treatment**, the Group will proactively communicate with competent government authorities to clarify settlement methods and implementation plans for candidate projects to secure investment return of such projects; **in terms of fly ash treatment**, the Group will proactively carry out projects in surroundings of densely populated areas by leveraging advantages of relevant cooperative platforms in accordance with the principle of giving priority to developed regions.

## 4. BUSINESS REVIEW AND OUTLOOK

### (3) FUTURE PLAN AND OUTLOOK *(Continued)*

#### **Focusing on the advancement on extension and supplement to industrial chains to kick off a new chapter of high-quality development** *(Continued)*

**In terms of comprehensive resource utilization and other business**, the Group will continue to expand the business scope to create new growth in revenue. Firstly, the Group will make deployment of alternative fuel projects in region where cement kilns are relatively concentrated with relatively short transportation distance, and accelerate the implementation of green sorting center projects in the Yangtze River Delta, the Pearl River Delta and other regions in accordance with the development model of “raw material collection + plant + user”; secondly, on the basis of the research and development of waste salt, waste acid and organic solvents, the Group will devote more efforts in promoting progress and strive for the implementation of such projects as soon as possible; thirdly, the Group will plan to step into environmental protection equipment manufacturing sector, in this regard, the Group will clarify the process route of sintered plate dust collector project after strengthening technical communication with cement and sintered plate companies and making scientific verification.

#### **Focusing on market building to increase market shares and stabilize efficiency**

Firstly, the Group will focus on key customers by paying high attention to bidding management as to waste-generating companies and regularly following status of relevant bidding, and promote the construction of temporary storage as and when appropriate to expand the small and medium-sized group with high value and digest the value of small and medium-sized market; secondly, the Group will strive to improve sale service with increasing value of signed contracts as its principle, to explore the establishment of a service system highly integrated with production and operation; thirdly, the Group will proactively communicate with large-scale environmental protection companies to establish a sound competitive and cooperative relationship with them, and conduct practical and detailed market investigation and make every effort to increase production output and stabilize price in order to improve economic efficiency; fourthly, the Group will increase support for non-kiln projects such as oil sludge treatment and spare no effort to expand market to increase operating quality and efficiency of projects.

#### **Consolidating foundation and highly integrating to further increase operating quality**

Firstly, the Group will deepen the integration in management with cement companies by ensuring management and control of production indicators in place and strive to further improve the relative operating rate to enhance treatment efficiency on all fronts; secondly, the Group will continue to optimize allocation plan and keep the balance between efficiency and admittance to steadily enhance the level of admittance; thirdly, the Group will firmly advance the technical reforms and measures including terrace furnace and “one machine, two kilns” and systematically summarize the experience thereof to provide it for the improvement on treatment efficiency of other subsequent projects; fourthly, the Group will pay high attention to operation and management of non-kiln projects and focus on the support and guidance for newly operated and merged and acquired projects, in order to improve operating quality of the Group as a whole.

## 4. BUSINESS REVIEW AND OUTLOOK

### (3) FUTURE PLAN AND OUTLOOK *(Continued)*

#### **Strictly controlling the project construction and fulfilling the safety responsibility**

Firstly, the Group will endeavor to solve the key factors restricting the commencement and construction of the project, facilitate the application of approval and certificates, and formulate project schedule to ensure that the project is completed on schedule with high quality. Secondly, the Group will improve the planning of project design, reduce redundant projects, prepare concrete project investment budgets, and strengthen the tracking and verification of budget execution to reduce investment costs. Thirdly, the Group will improve and enhance the safety system, strengthen the supervision and inspection of the safety management process, and fulfill its safety obligations.

#### **Strengthening basic management and preventing various operational risks**

On the one hand, the Group will pay close attention to the trade receivables management, promote the implementation of the prepayment mechanism, improve the overdue pre-warning mechanism, accelerate sales and payment collection, enhance the efficiency of debt collection and prevent operational risks. On the other hand, the Group will strengthen the internal control system and policy formulation, with a focus on key risk areas, and enhance the rectification of issues and application of achievements through regular inspections, daily audits and other means.



## 5. MANAGEMENT DISCUSSION AND ANALYSIS

### (I) FINANCIAL PROFITABILITY

Item	2023	2022	Change between the Reporting Period and the same period last year (%)
	Amount (RMB'000)	Amount (RMB'000)	
Revenue	<b>1,881,556</b>	1,729,598	8.79
Profit before taxation	<b>352,267</b>	410,531	-14.19
Profit for the year	<b>304,013</b>	360,463	-15.66
Net profit attributable to equity shareholders of the Company	<b>264,130</b>	328,656	-19.63

During the Reporting Period, the Group recorded a revenue of RMB1,881.56 million, representing a year-on-year increase of 8.79%. Profit before taxation amounted to RMB352.27 million, representing a year-on-year decrease of 14.19%. Profit for the year amounted to RMB304.01 million, representing a year-on-year decrease of 15.66%. Net profit attributable to equity shareholders of the Company amounted to RMB264.13 million, representing a year-on-year decrease of 19.63%. During the year ended 31 December 2023, basic earnings per share amounted to RMB0.14, representing a year-on-year decrease of RMB0.04.

#### 1. Revenue by business stream

Item	2023		2022		Change in amount (%)	Change in percentage (percentage points)
	Amount (RMB'000)	Percentage (%)	Amount (RMB'000)	Percentage (%)		
<b>Industrial hazardous Waste treatment services</b>	<b>1,220,163</b>	<b>64.85</b>	1,241,852	71.8	-1.75	-6.95
General hazardous waste	<b>1,047,377</b>	<b>55.67</b>	1,057,841	61.16	-0.99	-5.49
Oil Sludge	<b>80,796</b>	<b>4.29</b>	124,277	7.19	-34.99	-2.90
Fly ash	<b>91,990</b>	<b>4.89</b>	59,734	3.45	54.00	1.44
<b>Industrial solid waste treatment service</b>	<b>568,674</b>	<b>30.22</b>	463,153	26.78	22.78	3.44
<b>Comprehensive resource utilization</b>	<b>92,719</b>	<b>4.93</b>	24,593	1.42	277.01	3.51
<b>Total</b>	<b>1,881,556</b>	<b>100.00</b>	1,729,598	100.00	8.79	-

## 5. MANAGEMENT DISCUSSION AND ANALYSIS

### (I) FINANCIAL PROFITABILITY *(Continued)*

#### 1. Revenue by business stream *(Continued)*

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 RMB1,220.16 million, representing a year-on-year decrease of 1.75%, of which:

Revenue from **general hazardous waste** was RMB1,047.38 million, representing a year-on-year decrease of 0.99%.

Revenue from **oil sludge treatment** was RMB80.8 million, representing a year-on-year decrease of 34.99%. This was primarily due to the technical transformation of production facility in the oil sludge treatment companies, resulting in a phased reduction in intake.

Revenue from **fly ash treatment** was RMB91.99 million, representing a year-on-year increase of 54%. This was primarily due to increase in revenue caused by increase in intake as a result of the commencement of operation of the fly ash project in Quanjiao and improvement in treatment efficiency of fly ash treatment project in Wuhu after the technical transformation.

- (ii) Revenue from **industrial solid waste treatment services** was RMB568.67 million, representing a year-on-year increase of 22.78%. This was primarily due to the Group's projects in Chaohu, Shaoguan and Qingyuan being put into operation.
- (iii) Revenue from **comprehensive resource utilization** was RMB92.72 million. The year-on-year increase in revenue was primarily due to the improvement in the operating quality of the project in Ninghai, as well as the operation of alternative fuel injection service and ancillary product projects in Qingyuan, Chizhou, Wuhu and Fanchang.

## 5. MANAGEMENT DISCUSSION AND ANALYSIS

### (I) FINANCIAL PROFITABILITY *(Continued)*

#### 2. Gross profit and gross profit margin

Item	2023		2022		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>582,865</b>	<b>47.77</b>	670,207	53.97	-13.03	-6.20
General hazardous waste	529,645	50.57	599,638	56.69	-11.67	-6.12
Oil Sludge	24,740	30.62	63,117	50.79	-60.80	-20.17
Fly ash	28,480	30.96	7,452	12.48	282.17	18.48
<b>Industrial solid waste treatment service</b>	<b>282,403</b>	<b>49.66</b>	231,780	50.04	21.84	-0.38
<b>Comprehensive resource utilization</b>	<b>28,302</b>	<b>30.52</b>	8,153	33.15	247.14	-2.63
<b>Total</b>	<b>893,570</b>	<b>47.49</b>	910,140	52.62	-1.82	-5.13

During the Reporting Period, the Group recorded a gross profit of RMB893.57 million, representing a year-on-year decrease of 1.82%. With a breakdown by streams:

- (i) Gross profit margin for **general hazardous waste** was 50.57%, representing a year-on-year decrease of 6.12 percentage points, which was primarily due to intensified competition in the market, leading to the decrease in price of hazardous waste treatment in Guangdong, Jiangxi, Chongqing and other provinces.

Gross profit margin for **oil sludge treatment** was 30.62%, representing a year-on-year decrease of 20.17 percentage points, which was mainly due to the insufficient oil sludge for treatment in the factory, resulting in a decrease in revenue.

Gross profit margin for **fly ash treatment** was 30.96%, representing a year-on-year increase of 18.48 percentage points, which was primarily because the cost reduction as a result of treatment efficiency promotion due to the technical improvement of fly ash treatment project in Wuhu.

- (ii) Gross profit margin for **industrial solid waste treatment services** was 49.66%, representing a year-on-year decrease of 0.38 percentage point.

- (iii) Gross profit margin for **comprehensive resource utilization** was 30.52%.

## 5. MANAGEMENT DISCUSSION AND ANALYSIS

### (I) FINANCIAL PROFITABILITY *(Continued)*

#### 3. Other income

During the Reporting Period, the Group's other income amounted to RMB32.97 million, representing a year-on-year decrease of RMB29.88 million, or 47.55%, primarily due to a year-on-year decrease in government subsidies received.

#### 4. Distribution costs

During the Reporting Period, the Group's distribution costs amounted to RMB145.66 million, representing a year-on-year decrease of RMB11.81 million, or 7.5%, primarily due to the decrease in related costs as the Company strengthened sales management and controlled sales cost.

#### 5. Administrative expenses

During the Reporting Period, the Group's administrative expenses amounted to RMB312.54 million, representing a year-on-year decrease of RMB2 million, or 0.63%.

#### 6. Finance costs

During the Reporting Period, the Group's finance costs amounted to RMB101.5 million, representing a year-on-year increase of RMB9.48 million, or 10%. 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 RMB352.27 million, representing a year-on-year decrease of RMB58.26 million, or 14.19%, and share of profits of associates amounted to RMB0.69 million, representing a year-on-year decrease of 86.21%.

## 5. MANAGEMENT DISCUSSION AND ANALYSIS

### (II) FINANCIAL POSITION

As at 31 December 2023, the Group's total assets amounted to RMB9,412.27 million, representing an increase of RMB875.7 million as compared to the end of the previous year. The equity attributable to equity shareholders of the Company amounted to RMB2,993.04 million, representing an increase of RMB264.13 million as compared to the end of the previous year. Gearing ratio of the Group (total liabilities/total assets) was 60.58%, representing an increase of 0.26 percentage point as compared to the end of the previous year. The balance sheet items of the Group are as follows:

Item	As at 31 December 2023 (RMB'000)	As at 31 December 2022 (RMB'000)	Change between the end of the Reporting Period and the end of the previous year (%)
Property, plant and equipment	7,057,252	6,366,191	10.86
Non-current assets	8,003,394	7,217,071	10.90
Current assets	1,408,874	1,319,497	6.77
Non-current liabilities	3,025,752	3,169,857	-4.55
Current liabilities	2,676,326	1,979,077	35.23
Net current liabilities	1,267,452	659,580	92.16
Equity attributable to equity shareholders of the Company	2,993,037	2,728,907	9.68
<b>Total assets</b>	<b>9,412,268</b>	<b>8,536,568</b>	<b>10.26</b>
<b>Total liabilities</b>	<b>5,702,078</b>	<b>5,148,934</b>	<b>10.74</b>

## 5. MANAGEMENT DISCUSSION AND ANALYSIS

### (II) FINANCIAL POSITION *(Continued)*

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

As at 31 December 2023, non-current assets of the Group amounted to RMB8,003.39 million, representing an increase of 10.90% as compared to the end of the previous year, primarily due to the increase in property, plant and equipment.

Current assets of the Group amounted to RMB1,408.87 million, representing an increase of 6.77% as compared to the end of the previous year, primarily due to the increase in trade and other receivables as a result of new operating projects.

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

As at 31 December 2023, non-current liabilities of the Group amounted to RMB3,025.75 million, representing a decrease of 4.55% as compared to the end of the previous year, primarily due to the long-term borrowings due within one year of the Group was reclassified as current liabilities during the Reporting Period.

Current liabilities of the Group amounted to RMB2,676.33 million, representing an increase of 35.23% as compared to the end of the previous year, primarily due to the long-term borrowings due within one year of the Group was reclassified as current liabilities during the Reporting Period.

As at 31 December 2023, current ratio of the Group was 0.53 (compared to 0.67 at the end of the previous year) and debt to equity ratio (calculated by dividing total amount of loans by total equity) was 1.15 (compared to 1.11 at the end of the previous year).

#### 3. Net current liabilities

As at 31 December 2023, the Group's net current liabilities increased by RMB607.87 million from RMB659.58 million to RMB1,267.45 million, mainly due to a large number of long-term borrowings maturing within one year. The Group will effectively manage and cope with the liquidity risk through various means, including (i) actively manage and accelerate the recovery of operating receivables, (ii) strengthen the management of capital plan and accurately match the use and expansion of banking facilities with the annual/quarterly/monthly cash inflow and outflow, and (iii) expand various financing channels and optimize the debt structure.

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

As at 31 December 2023, the Group's equity attributable to equity shareholders of the Company amounted to RMB2,993.04 million, representing an increase of 9.68% as compared to the end of the previous year, primarily due to the increase in net profit attributable to the equity shareholders of the Group.

## 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 of 31 December 2023, the Group's cash and cash equivalents amounted to RMB246.25 million, which were mainly denominated in RMB.

#### 1. Loans and borrowings

Item	As at 31 December 2023 (RMB'000)	As at 31 December 2022 (RMB'000)
Due within one year	1,277,159	637,566
Due after one year but within two years	1,218,512	1,135,745
Due after two years but within five years	1,364,472	1,634,774
Due after five years	397,847	366,607
<b>Total</b>	<b>4,257,990</b>	3,774,692

As at 31 December 2023, the balance of loans and borrowings of the Group amounted to RMB4,257.99 million, representing an increase of RMB483.30 million as compared to the end of the previous year, primarily due to the increase in bank loans obtained for the development of Group's projects during the Reporting Period. As at 31 December 2023, the Group's loans and borrowings were denominated in RMB, and most of the loan interests were subject to variable interest rate.

## 5. MANAGEMENT DISCUSSION AND ANALYSIS

### (III) LIQUIDITY AND CAPITAL SOURCES *(Continued)*

#### 2. Cash flow

As at 31 December 2023, the Group's balance of cash and cash equivalents amounted to RMB246.25 million, representing a year-on-year decrease of RMB26.80 million.

Item	2023 (RMB'000)	2022 (RMB'000)
Net cash generated from operating activities	<b>631,105</b>	542,994
Net cash used in investing activities	<b>-973,724</b>	-1,407,369
Net cash generated from financing activities	<b>315,815</b>	541,320
Decrease in cash and cash equivalents	<b>-26,804</b>	-323,055
Cash and cash equivalents at the beginning of the year	<b>273,058</b>	596,113
Cash and cash equivalents at the end of the year	<b>246,254</b>	273,058

#### Net cash generated from operating activities

During the Reporting Period, net cash generated from operating activities of the Group amounted to RMB631.11 million, representing a year-on-year increase of RMB88.11 million, primarily due to the growth in revenue and increase in sales returns as a result of business development.

#### Net cash used in investing activities

During the Reporting Period, net cash used in investing activities of the Group amounted to RMB973.72 million, representing a year-on-year decrease of RMB433.65 million, primarily due to the decrease in payment for purchase of property, plant and equipment and construction in progress.

#### Net cash generated from financing activities

During the Reporting Period, net cash generated from financing activities of the Group amounted to RMB315.82 million, representing a year-on-year decrease of RMB225.51 million, primarily due to a decrease in the amount of loans obtained but an increase in repayment of loans as compared with the corresponding period.



## 5. MANAGEMENT DISCUSSION AND ANALYSIS

### (IV) COMMITMENTS

As at 31 December 2023, purchase commitments of the Group in connection with construction contracts were as follows:

Item	As at 31 December 2023 (RMB'000)	As at 31 December 2022 (RMB'000)
Contracted for	508,872	385,482
Authorized but not contracted for	441,181	313,766
<b>Total</b>	<b>950,053</b>	699,248

### (V) FOREIGN EXCHANGE RISK

The Group's functional currency is RMB. Foreign exchange risks faced by the Group were mainly derived from account payables arising from 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 2023, the Group had no material contingent liabilities.

### (VII) PLEDGE OF ASSETS

As at 31 December 2023, the bank loans of the Group amounting to RMB44,286,000 (31 December 2022: RMB47,857,000) were secured by right-of-use assets provided by Luoyang Haizhong Environmental Protection Technology Co., Ltd., a subsidiary of the Group.

As at 31 December 2023, the bank loans of the Group amounting to RMB23,206,000 (2022: nil) were secured by plant and buildings of Ninghai Xinyuntai Environmental Protection Technology Co., Ltd., a subsidiary of the Group.

### (VIII) MATERIAL INVESTMENTS

During the Reporting Period, the Group had no material investment.

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

During the Reporting Period, the Board has not approved any material investment or capital asset acquisition.

## 5. MANAGEMENT DISCUSSION AND ANALYSIS

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

In December 2023, the Company acquired 100% equity interest in 武漢漢氏環保工程有限公司 (Wuhan Hanshi Environmental Engineering Co., Ltd.\*), with an investment amount of RMB93,853,000. The book value of this investment as of 31 December 2023 represented less than 5% of the Group's total assets.

Save as disclosed above, the Group did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures during the Reporting Period.

### (XI) CONVERTIBLE BONDS

As at the end of the Reporting Period, 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 bondholders 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 the maturity date of the 2018 Convertible Bonds, all of the 2018 Convertible Bonds are still outstanding, which is convertible into (1) 109,820,928 shares of Conch Venture based on the current conversion price of HK\$35.74, representing approximately 6.06% of the issued share capital of Conch Venture and approximately 5.71% 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 upon the completion of listing, and approximately 5.37% of the issued share capital of the Company as enlarged by the issue of the conversion shares.

On 5 September 2023, the 2018 Convertible Bonds matured and none of the outstanding principal amount of the 2018 Convertible Bonds had been converted into Shares. China Conch Venture Holdings International Limited redeemed the outstanding 2018 Convertible Bonds in whole at a redemption price equal to 114.63% of the outstanding principal amount of HK\$3,817,000,000 together with all accrued and unpaid interests thereon and completed all relevant procedures thereafter pursuant to the terms of the subscription agreement and the 2018 Convertible Bonds. Following the aforesaid redemption, the 2018 Convertible Bonds were cancelled in whole. (For details, please refer to the announcement dated 5 September 2023 published by Conch Venture). As at the end of the Reporting Period, there are no outstanding convertible bonds in issue that can be converted into shares of the Company.

## 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 indicators 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 for middle and senior management to improve the remuneration assessment and incentive system oriented with value creation, further refined the contents of the assessment, adopted a concurrent approach with reward and punishment, and explored diversified incentive measures to motivate employees and fully utilize the incentive and restraining effect of the Group's remuneration mechanism.

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. The Group also selected outstanding young cadres and improved relevant tracking and training mechanisms, and provided off-the-job training for management cadre candidates to enhance their comprehensive management skills. The Group strives to build up a professional and multi-level talent management team to secure manpower for the Group's high-quality development.

As at the end of the Reporting Period, the Group had 3,539 employees (2022: 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.

During the Reporting Period, the total remuneration of employees (including the remuneration of the Directors) was approximately RMB423.30 million (2022: approximately RMB386.39 million).

## 6. CORPORATE GOVERNANCE REPORT

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

### (1) CORPORATE GOVERNANCE CODE

The Company has adopted the code provisions of the Corporate Governance Code (the “**CG Code**”) set out in Appendix C1 (formerly known as Appendix 14) of the Listing Rules as the basis for the Company’s corporate governance practices.

The Company has complied with all applicable code provisions set out in the CG Code during the 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, and increase the communication with the Shareholders and potential investors, in order to facilitate the Shareholders conducting comments to the application of the CG Code of the Company. Please refer to “Communication with Shareholders and Investors” and “Shareholders’ Rights” for details.

### (2) 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, oil sludge treatment, and comprehensive resource utilization. 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 multidimensional management of business and operations. Meanwhile, we strengthen our own compliance management, and 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, and 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

### (3) 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 C3 (formerly known as Appendix 10) to the Listing Rules as the code for dealing in securities of the Company by the Directors.

Specific enquiry has been made to all the Directors and all Directors confirmed that they have complied with the Model Code during the Reporting Period.

### (4) 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.

During the Reporting Period, the composition of the Board was as follows:

Name	Position
Mr. Li Qunfeng	Non-executive Director and Chairman of the Board
Mr. Li Xiaobo	Executive Director and General Manager
Ms. Liao Dan	Executive Director
Mr. Fan Zhan	Executive Director
Mr. Jiang Dehong (appointed on 11 December 2023)	Non-executive Director
Mr. Ma Wei	Non-executive Director
Mr. Ding Wenjiang (appointed on 21 August 2023)	Independent non-executive Director
Ms. Wang Jiafen	Independent non-executive Director
Ms. Li Chen (appointed on 27 March 2023)	Independent non-executive Director
Mr. Xiao Jiayang (resigned on 11 December 2023)	Non-executive Director
Mr. Hao Jiming (resigned on 27 March 2023)	Independent non-executive Director
Mr. Dai Xiaohu (resigned on 21 August 2023)	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

### (4) THE BOARD *(Continued)*

Ms. Li Chen, the independent non-executive Director, Mr. Ding Wenjiang, the independent non-executive Director and Mr. Jiang Dehong, the non-executive Director who have been appointed during the Reporting Period, have obtained legal advice from law firms who are qualified to provide advice regarding the Hong Kong laws, and understood all requirements under the Listing Rules applicable to their positions as directors of a listed issuer, and the possible consequences incurred by making false statements or providing false information to the Stock Exchange. They have confirmed that they understood their responsibilities as directors of a listed issuer.

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

During the Reporting Period, the Board which at all times meets the requirements under Rules 3.10 and 3.10A of the Listing Rules, that have at least three independent non-executive Directors (representing at least one-third of the Board), and at least one of them has appropriate professional qualifications or accounting or related financial management expertise. The Company has received annual letters of confirmation from all independent non-executive Directors in respect of their independence in accordance with various factors set out in Rule 3.13 of the Listing Rules. The Company concurs with their independence and is of the view that all independent non-executive Directors are independent. All independent non-executive Directors have duly performed their duties, protected Shareholders' interests independently and objectively, and provided checks and balances in the decision-making of the Board in accordance with requirements of relevant laws and regulations.

### (5) 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 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 the Board's 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

### (6) 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 duties and responsibilities under the Listing Rules and relevant statutory requirements. Ms. Liao Dan, the executive Director and the joint company secretary of the Company, attended the "ESG Governance and Disclosure Strategy Meeting for Listed Companies" organized by CITIC Securities Company Limited on 10 November 2023 and attended the "Advanced Training Course for Directors and Chief Financial Officers of China's Listed Companies in Hong Kong and the 74th ECPD Seminar for Corporate Governance Professionals" organized by The Hong Kong Chartered Governance Institute on 7 to 8 December 2023 and circulated the relevant materials to Directors.

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

Name of Director	Attending courses/ seminars/ conferences	Reading books/ journals/articles
Mr. Li Qunfeng	✓	✓
Mr. Li Xiaobo	✓	✓
Ms. Liao Dan	✓	✓
Mr. Fan Zhan	✓	✓
Mr. Jiang Dehong	✓	✓
Mr. Ma Wei	✓	✓
Mr. Ding Wenjiang	✓	✓
Ms. Wang Jiafen	✓	✓
Ms. Li Chen	✓	✓

## 6. CORPORATE GOVERNANCE REPORT

### (7) 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. The Chairman of the Board 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. The Chief Executive Officer (i.e. general manager) 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.

### (8) 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

### (8) APPOINTMENT AND RE-ELECTION OF DIRECTORS *(Continued)*

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 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 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. Li Xiaobo, Ms. Liao Dan and Mr. Ma Wei will retire by rotation at 2024 annual general meeting of the Company and, being eligible, offer themselves for re-election. In accordance with Article 112 of the Articles of Association, Mr. Ding Wenjiang, who was appointed as independent non-executive Director by the Board on 21 August 2023, and Mr. Jiang Dehong, who was appointed as non-executive Director by the Board on 11 December 2023, will hold office until 2024 annual general meeting of the Company and, being eligible, offer themselves for re-election.

### (9) 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.

During the Reporting Period, the Board held six meetings, four of which were regular meetings to approve the final results for the year ended 31 December 2022 and interim results for the six months ended 30 June 2023 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 2024, 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

### (9) BOARD MEETING *(Continued)*

The attendance records of each Director at the Board meetings, the Board Committee meetings and general meetings of the Company during the Reporting Period are 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	6/6	N/A	3/3	1/1	1/1	1/1
Mr. Li Xiaobo	6/6	N/A	N/A	1/1	1/1	1/1
Ms. Liao Dan	6/6	N/A	N/A	N/A	1/1	1/1
Mr. Fan Zhan	6/6	N/A	N/A	N/A	1/1	1/1
Mr. Jiang Dehong (appointed on 11 December 2023)	1/1	N/A	N/A	0/0	N/A	N/A
Mr. Ma Wei	6/6	N/A	N/A	N/A	1/1	1/1
Mr. Ding Wenjiang (appointed on 21 August 2023)	2/2	0/0	1/1	0/0	N/A	N/A
Ms. Wang Jiafen	6/6	2/2	3/3	N/A	1/1	1/1
Ms. Li Chen (appointed on 27 March 2023)	4/4	1/1	2/2	N/A	1/1	N/A
Mr. Xiao Jiexiang (resigned on 11 December 2023)	5/5	N/A	N/A	1/1	1/1	0/1
Mr. Hao Jiming (resigned on 27 March 2023)	2/2	1/1	1/1	N/A	N/A	0/1
Mr. Dai Xiaohu (resigned on 21 August 2023)	4/4	2/2	2/2	1/1	1/1	0/1

### (10) 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 terms of references for overseeing particular aspects of affairs of the Company. All committees of the Board are established with defined written terms of reference. The terms of reference of each committee of the Board are posted on the website of the Stock Exchange ([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.

## 6. CORPORATE GOVERNANCE REPORT

### (10) COMMITTEES OF THE BOARD *(Continued)*

#### 1. Audit Committee

##### (1) Members

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. On 21 August 2023, Mr. Dai Xiaohu resigned as the member of the Audit Committee and Mr. Ding Wenjiang 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)	Chairlady
Ms. Li Chen (Independent non-executive Director) (appointed on 27 March 2023)	Member
Mr. Ding Wenjiang (Independent non-executive Director) (appointed on 21 August 2023)	Member
Mr. Hao Jiming (Independent non-executive Director) (resigned on 27 March 2023)	Member
Mr. Dai Xiaohu (Independent non-executive Director) (resigned on 21 August 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 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

### (10) COMMITTEES OF THE BOARD *(Continued)*

#### 1. **Audit Committee** *(Continued)*

##### (2) **Summary of Functions and Duties**

The 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 held two meetings of the Audit Committee during 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 2022 and the interim results for the six months ended 30 June 2023 of the Group, and the related results announcements, reports and other matters or issues raised by external auditors;
- b. reviewed and reported to the Board on the findings from external auditors;
- c. reviewed and reported to the Board on the independence of the external auditors and considered the engagement of external auditors for annual audit service;
- d. reviewed and reported to the Board on the Group's financial and accounting policies and practices; and
- e. reviewed and made recommendations to the Board on the continuing connected transactions of the Group.

## 6. CORPORATE GOVERNANCE REPORT

### (10) COMMITTEES OF THE BOARD *(Continued)*

#### 2. Remuneration and Nomination Committee

##### (1) Members

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. On 21 August 2023, Mr. Dai Xiaohu resigned as the chairman of the Remuneration and Nomination Committee and Mr. Ding Wenjiang was appointed as the chairman 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. Ding Wenjiang (Independent non-executive Director) (appointed on 21 August 2023)	Chairman
Mr. Li Qunfeng (Non-executive Director)	Member
Ms. Wang Jiafen (Independent non-executive Director)	Member
Ms. Li Chen (Independent non-executive Director) (appointed on 27 March 2023)	Member
Mr. Hao Jiming (Independent non-executive Director) (resigned on 27 March 2023)	Member
Mr. Dai Xiaohu (Independent non-executive Director) (resigned on 21 August 2023)	Chairman

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

### (10) COMMITTEES OF THE BOARD *(Continued)*

#### 2. Remuneration and Nomination Committee *(Continued)*

##### (2) Summary of Functions and Duties

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 held three meetings of the Remuneration and Nomination Committee during the Reporting Period, the work done by the Remuneration and Nomination Committee was set forth below:

- a. reviewed and made recommendations to the Board on the remuneration policies and structure of the Directors and senior management of the Company;
- b. assessed and reported to the Board on performance of executive Directors;
- c. reviewed and evaluated the independence of the independent non-executive Directors, and reported to the Board;
- d. reviewed and made recommendations to the Board on the structure, size, and composition of the Board (including the skills, knowledge, and experience);
- e. reviewed and made recommendations to the Board on the board diversity policy, and implemented the measurable objectives for Board diversity;
- f. discussed and made recommendations to the Board on the resolutions on the re-election and appointment of Directors; and
- g. discussed and made recommendations to the Board on remuneration to newly appointed Directors and their letters of appointment.

## 6. CORPORATE GOVERNANCE REPORT

### (10) COMMITTEES OF THE BOARD *(Continued)*

#### 2. Remuneration and Nomination Committee *(Continued)*

##### (3) Director Nomination Policy

The Company has adopted a director nomination policy, which sets forth the procedures for nominating candidates for election as Directors, the procedures and criteria adopted by the Remuneration and Nomination Committee in selecting and recommending candidates for election as Directors 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 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

### (10) COMMITTEES OF THE BOARD *(Continued)*

#### 2. Remuneration and Nomination Committee *(Continued)*

##### (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 above 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

### (10) COMMITTEES OF THE BOARD *(Continued)*

#### 2. Remuneration and Nomination Committee *(Continued)*

##### (5) Employee Gender Diversity

As at the end of the Reporting Period, female employees accounted for approximately 15% of all employees (including senior management) of the Group. The Group believes, the proportion of male employees is higher than that of female employees 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 21 August 2023, Mr. Dai Xiaohu resigned as a member of the Strategy, Sustainability and Risk Management Committee and Mr. Ding Wenjiang was appointed as a member of the Strategy, Sustainability and Risk Management Committee on the same day. On 11 December 2023, Mr. Xiao Jiaxiang resigned as a member of the Strategy, Sustainability and Risk Management Committee and Mr. Jiang Dehong was appointed as a 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)	Chairman
Mr. Li Xiaobo (Executive Director)	Member
Mr. Ding Wenjiang (Independent non-executive Director) (appointed on 21 August 2023)	Member
Mr. Jiang Dehong (Non-executive Director) (appointed on 11 December 2023)	Member
Mr. Dai Xiaohu (Independent non-executive Director) (resigned on 21 August 2023)	Member
Mr. Xiao Jiaxiang (Non-executive Director) (resigned on 11 December 2023)	Member

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

## 6. CORPORATE GOVERNANCE REPORT

### (10) COMMITTEES OF THE BOARD *(Continued)*

#### 3. Strategy, Sustainability and Risk Management Committee *(Continued)*

##### (2) Summary of Functions and Duties

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 management and internal control and management system, and assisting the Board in fulfilling its management and supervision responsibilities related to the sustainable development of the Group.

The Company held one meeting of the Strategy, Sustainability and Risk Management Committee during the Reporting Period. The work done by the Strategy, Sustainability and Risk Management Committee was set forth below:

- a. reviewed the Company's 2022 Environmental, Social and Governance Report;
- b. reviewed the effectiveness of the risk management and internal control system and the internal audit function of the Group for the year 2022, including all material controls, in particular financial controls, operational controls, and compliance controls; and
- c. reviewed the Group's Development Planning Outlines (2024-2028).

For details of the Strategy, Sustainability and Risk Management Committee reviewing the effectiveness of internal control and risk management of the Company for the year 2022, please refer to the "Risk Management and Internal Controls" section of the Corporate Governance Report of Annual Report 2022 of the Company.

### (11) CORPORATE GOVERNANCE FUNCTIONS

During 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

### (12) 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 and independent views and advice available to 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.

During the Reporting Period, all Directors have individually completed the Board independence evaluation by the way of questionnaire. The Board reviewed the implementation and efficiency of the Board independence evaluation mechanism, and the results all met the requirements.

### (13) 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 2023 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 2023 is set out below:

<b>Services</b>	<b>Fee paid/payable</b> (RMB'000)
Audit services — audit fee for 2023	1,900
<b>Total</b>	<b>1,900</b>

## 6. CORPORATE GOVERNANCE REPORT

### (14) 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 2023, 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.

### (15) 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 regularly 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 Group is committed to establishing internal control system which is in compliance with regulatory requirements, and continues to improve its internal control system. During the Reporting Period, systems have been improved continuously with the amendments to and improvement on the Administrative Measures on Establishment of Internal Control and the Administrative Measures on Appraisal of Internal Control. In accordance with the requirements and business characteristics of internal control, the Group also sets up internal management departments, with each functional department having clear segregation of duties, and responsibilities and liabilities. Among which, each of them have cooperative relationship and check-and-balance, establishing an internal control system with powers and responsibilities, which lays a solid foundation for the long-term effective development of the Group.

## 6. CORPORATE GOVERNANCE REPORT

### (15) RISK MANAGEMENT AND INTERNAL CONTROLS *(Continued)*

The Group deepens its effort to improve risk management and strives to realize the coordination and synergy among management systems, including legal, audit and internal control. The Group establishes “three lines of defense” in risk prevention and control, which are business department, compliance and management department, and internal control and audit department, by comprehensively incorporating risk management into company’s systems, work standard and business process, in order to ensure the effective operation of the risk control system.

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. During the Reporting Period, the Company conducted specific audits on major subsidiaries, involving material sectors including sale management, procurement management, investment management, capital management and logistics management, and organized the annual self-appraisal on internal control for the major subsidiaries. No material internal control deficiency in financial reporting and non-financing reporting of the Company and subsidiaries has been identified.

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 and in relation to environmental, social and governance performance and reporting of the issuer, 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.

The Company has formulated 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.

## 6. CORPORATE GOVERNANCE REPORT

### (15) RISK MANAGEMENT AND INTERNAL CONTROLS *(Continued)*

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.

### (16) JOINT COMPANY SECRETARIES

Ms. Liao Dan and Mr. Lee Leong Yin are the joint company secretaries of the Company. 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 primary contact person of Mr. Lee Leong Yin in the Company 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.

During the Reporting Period, 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.

### (17) 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 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

## 6. CORPORATE GOVERNANCE REPORT

### (17) SHAREHOLDERS' RIGHTS *(Continued)*

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

*(Continued)*

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.

#### **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 Jiuhua South Road, Wuhu City,  
Anhui Province, the People's Republic of China  
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.

## 6. CORPORATE GOVERNANCE REPORT

### (17) SHAREHOLDERS' RIGHTS *(Continued)*

#### 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.
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 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).

### (18) CONSTITUTIONAL DOCUMENTS

During the Reporting Period, no change has been made to the Articles of Association. The latest version of the Articles of Association is available on the websites of the Company ([www.conchenviro.com](http://www.conchenviro.com)) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)).

### (19) 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 other 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.



## 6. CORPORATE GOVERNANCE REPORT

### (19) COMMUNICATION WITH SHAREHOLDERS AND INVESTORS *(Continued)*

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)

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 Company has 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, 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 2023.

### (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 99 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 Group, 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.

These 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 102 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 2023, the Company's reserves available for distribution to its Shareholders amounted to approximately RMB1,166.41 million. The Board proposes the payment to Shareholders of a final cash dividend of HK\$0.03 per share for the year ended 31 December 2023.

Subject to the approval by the Shareholders at the 2024 annual general meeting of the Company to be held on Wednesday, 26 June 2024 (the "**2024 AGM**"), the proposed final dividend will be paid to the Shareholders whose names appear on the register of members of the Company at the close of business hours on Friday, 12 July 2024. The proposed final dividend is expected to be paid on Friday, 26 July 2024.

## 7. REPORT OF THE DIRECTORS

### (7) ANNUAL GENERAL MEETING

The 2024 AGM will be held on Wednesday, 26 June 2024. The notice of the 2024 AGM is set out in the circular to be sent to Shareholders, which will be despatched to Shareholders together with this annual report, if required, and published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.conchenviro.com](http://www.conchenviro.com)).

### (8) CLOSURE OF REGISTER OF MEMBERS

For determining the qualification of Shareholders to attend and vote at the 2024 AGM, the register of members of the Company will be closed from Friday, 21 June 2024 to Wednesday, 26 June 2024, both days inclusive, during which period no transfer of shares will be registered. In order to qualify as Shareholders to attend and vote at the 2024 AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 20 June 2024 for registration.

For determining the Shareholders' entitlement to the proposed final dividend, the register of members of the Company will be closed from Tuesday, 9 July 2024 to Friday, 12 July 2024, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the entitlement to the proposed final dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 8 July 2024 for registration.

### (9) PROPERTY, PLANT AND EQUIPMENT

As at the end of the Reporting Period, the property, plant and equipment of the Group amounted to approximately RMB7,057.25 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.

The Group 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. The Group also obtained the real property ownership certificate of the property on 9 October 2023, which has a gross floor area of 8,659.74 sq.m..

## 7. REPORT OF THE DIRECTORS

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

The Group 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.. 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 further adjusted from December 2023 to December 2024 or before.

The Group 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 expansion and new construction of the project, and additional time required for the local government to complete the internal administrative process, the Group expects that the expected time to obtain the real property ownership certificate of the property will be further adjusted from March 2024 to December 2024 or before.

In view of the delay in the completion of consideration and approval procedure of change in the land use right for the competent governmental authority, the Group expects that the expected time to obtain the land use right certificates for Property No. 3 and No. 4 among the Relevant Lands will fall on May 2024 or before.

As of the end of the Reporting Period, there is no update on the remaining three 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 seven properties on the Relevant Lands.

### (10) 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.

### (11) 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

### (12) 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)	506,002,979	Long positions	27.70%
<b>Subtotal</b>		<b>519,902,979</b>		<b>28.46%</b>
China Conch Venture Holdings International Limited	Interest of controlled corporation (note 1)	506,002,979	Long positions	27.70%
Conch Cement	Beneficial owner	101,389,500	Long positions	5.55%
	Interest of controlled corporation (note 2)	286,134,000	Long positions	15.66%
	Interests held jointly with another person (note 3)	118,479,479	Long positions	6.49%
<b>Subtotal</b>		<b>506,002,979</b>		<b>27.70%</b>
Conch International Holdings (HK) limited	Beneficial owner	286,134,000	Long positions	15.66%
Conch Holdings	Interest of controlled corporation (note 1)	506,002,979	Long positions	27.70%
Wuhu Conch Venture Property Co., Ltd.	Interest of controlled corporation (note 1)	506,002,979	Long positions	27.70%
SA Conch	Interest of controlled corporation (note 4)	109,178,000	Long positions	5.98%
CV Group	Interest of controlled corporation (note 5)	109,178,000	Long positions	5.98%

## 7. REPORT OF THE DIRECTORS

### (12) DISCLOSURE OF INTERESTS *(Continued)*

#### 1. Substantial Shareholders' Interests or Short Positions *(Continued)*

Name of Shareholders	Nature of interests	Number of Shares	Long/Short Positions	Approximate percentage of shareholdings
Ren Yong (Note 11)	Beneficial owner	21,184,826	Long positions	1.16%
	Interests held jointly with another person (note 3)	484,818,153	Long positions	26.54%
	<b>Subtotal</b>	<b>506,002,979</b>		<b>27.70%</b>
Qi Shengli	Beneficial owner	9,412,500	Long positions	0.52%
	Interests held jointly with another person (note 3)	496,590,479	Long positions	27.18%
	<b>Subtotal</b>	<b>506,002,979</b>		<b>27.70%</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)	504,646,837	Long positions	27.63%
	<b>Subtotal</b>	<b>506,002,979</b>		<b>27.70%</b>
Han Zhuhua	Beneficial owner	573,142	Long positions	0.03%
	Interest of spouse (note 7)	505,429,837	Long positions	27.67%
	<b>Subtotal</b>	<b>506,002,979</b>		<b>27.70%</b>
Guo Dan	Interest of controlled corporation (note 8)	32,725,000	Long positions	1.79%
	Interests held jointly with another person (note 3)	473,277,979	Long positions	25.91%
	<b>Subtotal</b>	<b>506,002,979</b>		<b>27.70%</b>

## 7. REPORT OF THE DIRECTORS

### (12) DISCLOSURE OF INTERESTS *(Continued)*

#### 1. Substantial Shareholders' Interests or Short Positions *(Continued)*

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)	470,969,227	Long positions	25.78%
	<b>Subtotal</b>	<b>506,002,979</b>		<b>27.70%</b>
Ji Xian	Interest of controlled corporation (note 10)	10,080,000	Long positions	0.55%
	Interests held jointly with another person (note 3)	495,922,979	Long positions	27.15%
	<b>Subtotal</b>	<b>506,002,979</b>		<b>27.70%</b>
Wang Jingqian	Beneficial owner	1,930,000	Long positions	0.11%
	Interests held jointly with another person (note 3)	504,072,979	Long positions	27.59%
	<b>Subtotal</b>	<b>506,002,979</b>		<b>27.70%</b>

Notes:

- (1) Among the above Shares, (i) 219,868,979 Shares are owned by Conch Cement and its Parties Acting in Concert; 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 are 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) 387,523,500 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) 2,166,132 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) 2,541,127 Shares held by Ma Wei and (xi) 1,930,000 Shares held by Wang Jingqian.



## 7. REPORT OF THE DIRECTORS

### (12) DISCLOSURE OF INTERESTS *(Continued)*

#### 1. Substantial Shareholders' Interests or Short Positions *(Continued)*

Notes: *(Continued)*

- (4) Among the above Shares, 98,039,000 Shares, 5,943,000 Shares and 5,196,000 Shares are owned respectively by (i) Conch Venture Holdings (Zhuhai) Co., Ltd.\* (海螺創投控股(珠海)有限公司) (“**CV Holdings (Zhuhai)**”), (ii) Anhui Conch Venture Medical Investment Management Co., Ltd.\* (安徽海螺創業醫療投資管理有限責任公司) (“**CV Medical**”), and (iii) Conch Venture International Limited\* (海螺創業國際有限公司) (“**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, 98,039,000 Shares, 5,943,000 Shares and 5,196,000 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 are interested by virtue of the SFO.
- (6) These Shares are owned by Zhou Xiaochuan’s spouse, Han Zhuhua. Zhou Xiaochuan is deemed to be interested in the Shares held by his spouse by virtue of the SFO.
- (7) These Shares are owned by Zhou Xiaochuan, the spouse of Han Zhuhua and one of the 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.
- (11) On 17 April 2024, Mr. Ren Yong discharged his relationship of Parties Acting in Concert, and therefore he will vote at his own discretion when exerting his voting right on any matter at the general meeting of Conch Environment and will not act in concert with Conch Cement.

According to section 336 of the SFO, substantial shareholders are required to file disclosure of interest forms when certain criteria are fulfilled. When the shareholdings of the substantial shareholders in the Company change, it is not necessary for the substantial shareholders to notify the Company and/or the Stock Exchange unless certain criteria are fulfilled. Therefore, the latest shareholdings of the substantial 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 were not aware of any other persons, other than Directors and chief executive of the Company, who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register of substantial shareholders required to be kept by the Company pursuant to section 336 of the SFO.

## 7. REPORT OF THE DIRECTORS

### (12) DISCLOSURE OF INTERESTS *(Continued)*

#### 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	503,952,979	Long positions	27.59%
	<b>Subtotal</b>	<b>506,002,979</b>		<b>27.70%</b>
Mr. Li Xiaobo (note 1)	Beneficial owner	2,166,132	Long positions	0.12%
	Interests held jointly with another person	503,836,847	Long positions	27.58%
	<b>Subtotal</b>	<b>506,002,979</b>		<b>27.70%</b>
Mr. Ma Wei (note 1)	Beneficial owner	2,541,127	Long positions	0.14%
	Interests held jointly with another person	503,461,852	Long positions	27.56%
	<b>Subtotal</b>	<b>506,002,979</b>		<b>27.70%</b>
Ms. Liao Dan (note 2)	Interest of spouse	506,002,979	Long positions	27.70%

Notes:

- 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 387,523,500 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 2,166,132 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 2,541,127 Shares and (xi) Wang Jingqian holds 1,930,000 Shares are interested.

## 7. REPORT OF THE DIRECTORS

### (12) DISCLOSURE OF INTERESTS *(Continued)*

#### 2. Directors' and Chief Executive's Interests and Short Positions *(Continued)*

##### The Company *(Continued)*

Notes: *(Continued)*

2. Ms. Liao Dan is deemed to be interested in the Shares held by Mr. Wang Jingqian, the spouse of Ms. Liao Dan and one of the Parties Acting in Concert. Mr. Wang Jingqian is deemed to be interested in the Shares in which (i) Conch Cement holds 387,523,500 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 2,166,132 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 2,541,127 Shares and (xi) Wang Jingqian holds 1,930,000 Shares are interested.

##### In associated corporations of the Company

Name of Directors and chief executive	Nature of associated corporations	Nature of interests	Number of Shares	Long/Short Positions	Approximate percentage of shareholdings class	Approximate percentage of total shareholdings
Mr. Li Xiaobo	Conch Cement	Beneficial owner	193,000 (A Share)	Long positions	0.00%	0.00%

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.

### (13) MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, the sales to the largest customer of the Group and the sales to the five largest customers of the Group in aggregate accounted for 3% and 11% of the total sales of the Group respectively.

During the Reporting Period, the procurement from the largest supplier of the Group and the procurement from the five largest suppliers of the Group in aggregate accounted for 9% and 24% of the total procurement of the Group respectively.

## 7. REPORT OF THE DIRECTORS

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

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

### (15) MINIMUM PUBLIC FLOAT

As at the Latest Practicable Date, 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.

### (16) EMPLOYEES AND REMUNERATION POLICIES

At the end of Reporting Period, the Group had approximately 3,539 employees. The following table shows a breakdown of the employees by business function and geographical location at the end of Reporting Period:

Function	Number of individuals
Management	500
Technology, Research and Development	2,037
Operation	392
Financial	172
Human Resource	180
Transportation	258
<b>Total</b>	<b>3,539</b>

Region	Number of individuals
Eastern China	1,077
Southern China	444
Northern China	584
Central China	380
Southwestern China	325
Northwestern China	572
Northeastern China	157
<b>Total</b>	<b>3,539</b>

As of the end of Reporting Period, 1,007 employees had bachelor's degrees or above, accounting for 28.45% of the total number of employees.

## 7. REPORT OF THE DIRECTORS

### (16) EMPLOYEES AND REMUNERATION POLICIES *(Continued)*

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 Reporting Period, the total remuneration of employees (including the remuneration of the Directors) was approximately RMB423.30 million (2022: RMB386.39 million).

### (17) 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. Jiang Dehong	Non-executive Director	Appointed on 11 December 2023
Mr. Ma Wei	Non-executive Director	Appointed on 9 October 2022
Mr. Ding Wenjiang	Independent Non-executive Director	Appointed on 21 August 2023
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. Hao Jiming (Note)	Independent Non-executive Director	Appointed on 17 September 2021 and resigned on 27 Mar 2023
Mr. Dai Xiaohu (Note)	Independent Non-executive Director	Appointed on 17 September 2021 and resigned on 21 August 2023
Mr. Xiao Jiexiang	Non-executive Director	Appointed on 17 September 2021 and resigned on 11 December 2023

Note: The appointments of independent non-executive Directors, namely Mr. Hao Jiming 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. Li Xiaobo, Ms. Liao Dan and Mr. Ma Wei will retire from office by rotation and, being eligible, offer themselves for re-election at the 2024 AGM. Pursuant to article 112 of the Articles of Association, Mr. Ding Wenjiang, who was appointed as an independent non-executive Director by the Board on 21 August 2023, and Mr. Jiang Dehong, who was appointed as a non-executive Director by the Board on 11 December 2023, will hold office until the 2024 AGM and, being eligible, offer themselves for re-election.

None of the Directors 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).

## 7. REPORT OF THE DIRECTORS

### (18) 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.

### (19) 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.

### (20) 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 service contracts, Mr. Fan Zhan, the executive Director, Mr. Li Qunfeng, Mr. Jiang Dehong and Mr. Ma Wei, the non-executive Directors, do 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.

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

<b>Bands (RMB)</b>	<b>Number of individuals</b>
0–1,000,000	1
1,000,001–2,000,000	2

## 7. REPORT OF THE DIRECTORS

### (21) 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.

### (22) CHANGES IN DIRECTORS AND DIRECTORS’ INFORMATION

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

1. Mr. Hao Jiming has resigned as an independent non-executive Director, a member of the Audit Committee and a member of the Remuneration and Nomination Committee of the Company with effect from 27 March 2023 due to personal work arrangement;
2. Ms. Li Chen has been appointed as an independent non-executive Director, a member of the Audit Committee and a member of the Remuneration and Nomination Committee of the Company with effect from 27 March 2023;
3. Mr. Fan Zhan has been appointed as a non-executive director of West Cement with effect from 7 June 2023;
4. Mr. Dai Xiaohu has resigned as an independent non-executive Director, the chairman of the Remuneration and Nomination Committee, a member of the Audit Committee and a member of the Strategy, Sustainability and Risk Management Committee of the Company with effect from 21 August 2023 due to personal work arrangement;
5. Mr. Ding Wenjiang has been appointed as an independent non-executive Director, the chairman of the Remuneration and Nomination Committee, a member of the Audit Committee and a member of the Strategy, Sustainability and Risk Management Committee of the Company with effect from 21 August 2023;
6. Mr. Xiao Jiexiang has resigned as a non-executive Director and a member of the Strategy, Sustainability and Risk Management Committee of the Company with effect from 11 December 2023 due to personal work arrangement;
7. Mr. Jiang Dehong has been appointed as a non-executive Director and a member of the Strategy, Sustainability and Risk Management Committee of the Company with effect from 11 December 2023.

Save as disclosed above, no changes in Directors and Directors’ information are subject to disclosure under Rule 13.51B(1) of the Listing Rules.

## 7. REPORT OF THE DIRECTORS

### (23) 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.

### (24) CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDER

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.

### (25) CONNECTED TRANSACTIONS

During the Reporting Period, details of the Group’s connected transactions and continuing connected transactions are set out below:

#### 1. Connected Persons

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 29% 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 regarded as a connected person of the Company by virtue of it falling under the definition of a substantial shareholder of the listed issuers 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. Guangying Cement is a non-wholly owned subsidiary of Conch Cement. Accordingly, Conch Design Institute, Conch IT Engineering and Guangying Cement are the associates of Conch Cement and the connected persons of the Company.



## 7. REPORT OF THE DIRECTORS

### (25) CONNECTED TRANSACTIONS *(Continued)*

#### 2. Non-exempt Continuing Connected Transactions

##### (1) Continuing connected transactions with CNBM Group

On 16 March 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 31 December 2024.

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

The historical amounts under the Cement Kiln Co-Treatment Framework Agreement and the annual caps for the transactions contemplated thereunder are set out below:

<b>Historical amount for the three years ended 31 December 2023 (RMB in million)</b>	<b>Proposed annual cap for the three years ending 31 December 2024 (RMB in million)</b>
2021: 118	2022: 165
2022: 87.91	2023: 215
2023: 32.15	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 the Group 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

### (25) CONNECTED TRANSACTIONS *(Continued)*

#### 2. Non-exempt Continuing Connected Transactions *(Continued)*

##### (1) Continuing connected transactions with CNBM Group *(Continued)*

###### *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 government and is in line with the general market practice in the environmental protection industry.

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

###### 1. *2023 Industrial Solid and Hazardous Waste Treatment Framework Agreement, 2023 Engineering Design Services Framework Agreement and 2023 Information System Procurement Framework Agreement*

On 9 December 2022, the Company (on behalf of the Group) entered into the 2023 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, its subsidiaries and associates, but excluding Conch Design Institute and Conch IT Engineering); entered into the 2023 engineering design services framework agreement ("**2023 Engineering Design Services Framework Agreement**") with Conch Design Institute; and entered into the 2023 information system procurement framework agreement ("**2023 Information System Procurement Framework Agreement**") with Conch IT Engineering.

According to the 2023 Industrial Solid and Hazardous Waste Treatment Framework Agreement, Conch Cement agreed to provide comprehensive industrial solid and hazardous waste treatment services and ancillary products and services to the Group for certain industrial waste treatment projects, which primarily includes providing cement kiln system and cement kiln heat sources, technical modification service, as well as labor protection appliance and etc. The precise scope of service and products, fee calculation, method of payment and other details of the service arrangement will be agreed between the relevant parties separately.

According to the 2023 Engineering Design Services Framework Agreement, Conch Design Institute agreed to provide engineering design services and/or technology modification services for industrial solid and hazardous treatment projects, which primarily includes designing the facilities for industrial waste treatment systems and developing technology modification for further demands upon existing cement kiln co-treatment systems. The precise scope of services, fee calculation, method of payment and other details of the service arrangement will be agreed between the relevant parties separately.

## 7. REPORT OF THE DIRECTORS

### (25) CONNECTED TRANSACTIONS *(Continued)*

#### 2. Non-exempt Continuing Connected Transactions *(Continued)*

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

1. *2023 Industrial Solid and Hazardous Waste Treatment Framework Agreement, 2023 Engineering Design Services Framework Agreement and 2023 Information System Procurement Framework Agreement (Continued)*

According to the 2023 Information System Procurement Framework Agreement, Conch IT Engineering agreed to provide certain information technology systems to the Group for certain industrial solid and hazardous waste treatment projects, which primarily includes providing DCS (i.e., distributed control system), central control system and security early warning system and etc. The type of information technology products, fee calculation, method of payment and other details of the products will be agreed between the relevant parties separately.

The term 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 is effective from 8 March 2023 to 31 December 2025.

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 ("**Aggregated Proposed Annual Caps**").

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, and please refer to the Company's announcements dated 11 December 2022 and 8 March 2023 and the circular dated 16 February 2023 for details.

## 7. REPORT OF THE DIRECTORS

### (25) CONNECTED TRANSACTIONS *(Continued)*

#### 2. Non-exempt Continuing Connected Transactions *(Continued)*

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

- 2023 Industrial Solid and Hazardous Waste Treatment Framework Agreement, 2023 Engineering Design Services Framework Agreement and 2023 Information System Procurement Framework Agreement *(Continued)*

Historical amount and proposed annual cap

The historical amounts and the annual caps for the transactions contemplated under 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 are set out below:

##### 2023 Industrial Solid and Hazardous Waste Treatment Framework Agreement

Historical amount for the three years ended 31 December 2023 (RMB in million)	Proposed annual cap for the three years ending 31 December 2025 (RMB in million)
2021: 78.2	2023: 135
2022: 75.5	2024: 150
2023: 74.41	2025: 159

##### 2023 Engineering Design Services Framework Agreement

Historical amount for the three years ended 31 December 2023 (RMB in million)	Proposed annual cap for the three years ending 31 December 2025 (RMB in million)
2021: 6.4	2023: 19
2022: 6.88	2024: 16
2023: 5.97	2025: 15

##### 2023 Information System Procurement Framework Agreement

Historical amount for the three years ended 31 December 2023 (RMB in million)	Proposed annual cap for the three years ending 31 December 2025 (RMB in million)
2021: 6.4	2023: 22
2022: 11.36	2024: 15
2023: 11.17	2025: 13

## 7. REPORT OF THE DIRECTORS

### (25) CONNECTED TRANSACTIONS *(Continued)*

#### 2. Non-exempt Continuing Connected Transactions *(Continued)*

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

1. *2023 Industrial Solid and Hazardous Waste Treatment Framework Agreement, 2023 Engineering Design Services Framework Agreement and 2023 Information System Procurement Framework Agreement (Continued)*

Pricing Policy of the 2023 Industrial Solid and Hazardous Waste 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, such as electricity prices (government-guided prices) and coal prices. 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%. The Group will appoint an independent organization to conduct cost audit and review the profit rate. The Group will also endeavor to keep pace with the charging standard of the cement kiln co-treatment project by the peer companies to ensure that the service fees payable are fair and reasonable.

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) the scale, investment amount, and complication of the project; (ii) the technical indicators and scope of technical modification; 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 (such prices are obtained by the Group from not less than two Independent Third Parties on a regular basis).

With respect to the purchase fees payable for the ancillary products, the purchase fees payable by the Group shall be determined on arm's length negotiation between the parties with reference to (i) the specification, model, unit price type and quality of such products; (ii) the operational costs (including material costs and administrative costs); and (iii) the prevailing market fee rates of similar products provided by the Independent Third Parties in the ordinary course of business on normal commercial terms (such rates are obtained by the Group from not less than two Independent Third Parties on a regular basis).

Reasons for entering into the 2023 Industrial Solid and Hazardous Waste 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 its existing cement kiln facilities and equipment through cement kiln co-treatment 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

### (25) CONNECTED TRANSACTIONS *(Continued)*

#### 2. Non-exempt Continuing Connected Transactions *(Continued)*

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

##### 1. 2023 Industrial Solid and Hazardous Waste Treatment Framework Agreement, 2023 Engineering Design Services Framework Agreement and 2023 Information System Procurement Framework Agreement *(Continued)*

##### Pricing Policy of 2023 Engineering Design Services Framework Agreement

The service fees payable by the Group shall be determined with reference to the Engineering Survey Design Fee Standards (2002 Revised Version) (《工程勘察設計收費標準》(2002年修訂本)), jointly promulgated by the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會, previously known as the National Development Planning Commission of the PRC (中華人民共和國國家發展計劃委員會)) and the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部, previously known as the Ministry of Construction of the PRC (中華人民共和國建設部)), and the Interim Provisions on Consulting Charges for Preliminary Work of Construction Projects (Ji Jia Ge [1999] No. 1283) (《建設項目前期工作諮詢收費暫行規定》計價格[1999]1283號) promulgated by the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會, previously known as the National Planning Commission of the PRC (中華人民共和國國家計劃委員會)), as well as the project scale, investment amount, scope of design, complication of the project, technology indicators and the prevailing market rates and prices for similar services provided by the Independent Third Parties in the ordinary course of business on normal commercial terms (i.e. the Group will seek quotations for similar services from no less than two independent suppliers for each project) after arm's length negotiation.

##### Reasons for entering into the 2023 Engineering Design Services Framework Agreement

Conch Design Institute has extensive experience in building materials industry design and cement technology development and possesses Grade A qualification in the relevant industry. It is relatively familiar with the general factory layout, structures and set-up of the Group and had previously undertaken the design of most of the Group's environmental protection projects. Certain industrial solid and hazardous waste treatments of the Group designed or modified by Conch Design Institute have been successfully put into operation. The Company believes that commissioning Conch Design Institute to undertake the engineering design or technology modification of certain industrial waste treatment projects of the Company will be conducive to the coordination and implementation of the projects and hence ensure that the progress and quality of the projects will be under control.

##### Pricing Policy of 2023 Information System Procurement Framework Agreement

The purchase fees payable for the information technology products 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) specification, upgraded version and quality of such products; (ii) the open tender conducted by Conch IT Engineering (mainly for hardware products); and (iii) the prevailing market prices charged for similar products in the industry (mainly for software products) and the development costs, i.e. the cost structure provided by Conch IT Engineering. 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 base profit rate is approximately 10%.

## 7. REPORT OF THE DIRECTORS

### (25) CONNECTED TRANSACTIONS *(Continued)*

#### 2. Non-exempt Continuing Connected Transactions *(Continued)*

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

1. *2023 Industrial Solid and Hazardous Waste Treatment Framework Agreement, 2023 Engineering Design Services Framework Agreement and 2023 Information System Procurement Framework Agreement (Continued)*

Reasons for entering into the 2023 Information System Procurement Framework Agreement

Conch IT Engineering has extensive experience in the development and design, as well as operation and maintenance of industrial automation and enterprise informatization in the cement and building materials industry, and has obtained level-3 qualification for information system integration granted by China Information Technology Industry Federation (中國電子信息行業聯合會). The Group believes that the procurement of information technology products from Conch IT Engineering could ensure safe and stable operation of the industrial solid and hazardous waste treatment projects of the Group.

2. *Alternative Fuel Co-treatment Service Framework Agreement*

On 26 June 2023, the Company (on behalf of the Group) and Conch Cement (on behalf of the Conch Cement Group) entered into the alternative fuel co-treatment service framework agreement (the “**Alternative Fuel Co-treatment Service Framework Agreement**”). Pursuant to which, the Group agreed to provide alternative fuel co-treatment services and ancillary products to the Conch Cement Group, which primarily include filling up cement kilns with alternative fuels, providing the channel service to transport alternative fuels into cements kilns, replacing coal fuel for cement kilns with alternative fuel products, including fuel rods, crushed materials, etc. Other details such as the precise scope of services and products, fee calculation, method of payment etc. will be agreed between the relevant parties separately. The initial term of the Alternative Fuel Co-treatment Service Framework Agreement shall commence from 26 June 2023 to 31 December 2023. The transaction period covered by the Alternative Fuel Co-treatment Service Framework Agreement is from 1 January 2023 to 31 December 2023. The connected transactions conducted between the Group and Conch Cement Group during the period from 1 January 2023 to 25 June 2023 were fully exempted under Rule 14A.76(1) of the Listing Rules.

Historical amount and proposed annual cap

There was no historical amount of the fees paid by the Conch Cement Group to the Group in respect of the alternative fuel co-treatment services and ancillary products for the three years ended 31 December 2022 given relevant transactions have not been conducted by the Group during such period. Under the Alternative Fuel Co-treatment Service Framework Agreement, the historical amount as of 31 December 2023 was RMB15.74 million and the proposed annual cap as of 31 December 2023 was RMB28.5 million.

## 7. REPORT OF THE DIRECTORS

### (25) CONNECTED TRANSACTIONS *(Continued)*

#### 2. Non-exempt Continuing Connected Transactions *(Continued)*

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

##### 2. Alternative Fuel Co-treatment Service Framework Agreement *(Continued)*

##### Pricing Policy of Alternative Fuel Co-treatment Service Framework Agreement

With respect to the service fees payable for the alternative fuel co-treatment services, the service fee payable by the Conch Cement 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 the operating cost and addition cost, including fees in relation to depreciation, material costs and labor costs. 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. The profit rate was generally ranging from 10% to 15%.

With respect to the purchase fees payable for the ancillary products, the purchase fees payable by the Conch Cement Group shall be determined on arm's length negotiation between the parties with reference to (i) the unit price, the type and quality of such products; (ii) the production costs (including material costs and administrative costs); and (iii) the prevailing market fee rates of similar products.

##### Reasons for entering into the Alternative Fuel Co-treatment Service Framework Agreement

The construction of China's ecological civilization is entering a critical period in which carbon reduction is the key strategic direction. The research and use of alternative fuels and alternative fuel co-treatment services will be a necessary path for traditional enterprises to achieve energy saving and carbon reduction. The Group closely follows the pace of the national development of green and low-carbon industries and carries out the firm concept of green and low-carbon development. In addition to consolidating its core strengths in cement kiln co-processing, the Group has been forward-looking in developing the alternative fuel industry. The Group is in the view that entering into the Alternative Fuel Co-treatment Service Framework Agreement with Conch Cement is conducive to enhancing the Group's profitability and further strengthening the Group's leading position in the industry.

As the Alternative Fuel Co-treatment Service Framework Agreement had expired on 31 December 2023, the Group intended to renew it so as to continue to carry out the transactions under the Alternative Fuel Co-treatment Service Framework Agreement in its ordinary and usual business. As such, on 29 December 2023, the Company (on behalf of the Group) and Conch Cement entered into the Alternative Fuel Co-treatment Service Framework Agreement ("**2024 Renewed Framework Agreement**") in relation to, among other things, the provision of alternative fuel co-treatment services and ancillary products by the Group to the Conch Cement Group with a term of one year from 1 January 2024 to 31 December 2024.

As the highest applicable percentage ratio in respect of the annual cap for the 2024 Renewed Framework Agreement is more than 0.1% but less than 5%, the transaction contemplated thereunder is therefore subject to reporting, announcement and annual review requirements but is exempt from the requirement of independent Shareholders' approval under Chapter 14A of the Listing Rules.



## 7. REPORT OF THE DIRECTORS

### (25) CONNECTED TRANSACTIONS *(Continued)*

#### 2. Non-exempt Continuing Connected Transactions *(Continued)*

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

##### 3. *Connected Transaction in Relation to Acquisitions of Land Use Right*

On 11 January 2023, Qingyuan Conch Environmental, a non-wholly owned subsidiary of the Company, and Guangying Cement entered into the property rights transaction agreement (the “**Property Rights Transaction Agreement**”), pursuant to which, Guangying Cement agreed to transfer its land use right of the target land to Qingyuan Conch Environmental at a consideration of approximately RMB8.77 million.

Information of the target land and the consideration:

The target land contains five parcels of land at the village committee of Daluo Village of Shitan Town and Huangtian Village of Jintan Town, Qingxin District, Qingyuan City, Guangdong Province, the PRC, with an aggregated site area of approximately 12,425.50 sq.m. The target land is permitted for industrial use. The target land was originally obtained by Guangying Cement by way of the auction for the state-owned land of the PRC at the consideration of approximately RMB2.27 million.

The consideration for the acquisition of the land use rights of the target land is approximately RMB8.77 million and the book value of the land use rights of the target land is approximately RMB1.91 million. The consideration was determined by the auction price through an open public auction on the Anhui Changjiang Equity Exchange Company Limited\* (安徽長江產權交易所有限公司) (the “**Changjiang Exchange**”) conducted in accordance with the relevant PRC laws and regulations, which is also the reserve price in the auction, being the appraisal value of the land use rights of the target land determined in the valuation report issued by an independent evaluation agency.

Payment and delivery:

The consideration was paid as follows:

- (1) a sum of RMB2 million as auction deposit has been paid by Qingyuan Conch Environmental on 3 January 2023 to the account designated by the Changjiang Exchange, which will be used to satisfy part of the consideration;
- (2) the remaining balance of the consideration of approximately RMB6.77 million was paid to the account designated by the Changjiang Exchange within five (5) working days from the effective date of the Property Rights Transaction Agreement.

Within three (3) working days from the date when the consideration has been fully paid by Qingyuan Conch Environmental and the service fee to the Changjiang Exchange has been fully settled by the parties, the Changjiang Exchange issued the transaction certificate for property rights. Within five (5) working days thereafter, given the transaction certificate for property rights, Qingyuan Conch Environmental and Guangying Cement shall go through the registration procedures for the transfer of the land use right of the target land with the competent authorities in accordance with relevant regulations.

## 7. REPORT OF THE DIRECTORS

### (25) CONNECTED TRANSACTIONS *(Continued)*

#### 2. Non-exempt Continuing Connected Transactions *(Continued)*

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

##### 3. *Connected Transaction in Relation to Acquisitions of Land Use Right (Continued)*

Reasons for entering into the Property Rights Transaction Agreement:

Qingyuan Conch Environmental is located in the Guangdong area, where there is a large amount of waste producing and is economically developed. The acquisition of the land use rights of the target land by Qingyuan Conch Environmental is beneficial to facilitate the promotion of project construction, improve the market strategy of the Group and thus further enhance the profitability of the Group.

As the highest applicable percentage ratio under the Listing Rules in respect of the transaction contemplated under the Property Rights Transaction Agreement exceeds 0.1% but is less than 5%, the Property Rights Transaction Agreement and the transaction contemplated thereunder shall be subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement pursuant to Rule 14A.76(2) of the Listing Rules.

The related party transactions described in note 28 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.

## 7. REPORT OF THE DIRECTORS

### (25) CONNECTED TRANSACTIONS *(Continued)*

#### 2. Non-exempt Continuing Connected Transactions *(Continued)*

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

##### 3. *Connected Transaction in Relation to Acquisitions of Land Use Right (Continued)*

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 2023, 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.

### (26) SHARE SCHEME

The Group did not adopt any share scheme under Chapter 17 of the Listing Rules.

### (27) 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.

### (28) 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.

### (29) 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.

## 7. REPORT OF THE DIRECTORS

### (30) AUDITOR

In 2023, the Company appointed KPMG as its international auditor for the year ended 31 December 2023 and there had been no change in auditor of the Company after the Listing. The consolidated financial statements for the year ended 31 December 2023 have been audited by KPMG.

The term of office of KPMG will expire at the 2024 AGM 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 2024 AGM.

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

### (31) 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.

### (32) 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 Group'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.

### (33) 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.

## 7. REPORT OF THE DIRECTORS

### (34) 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.

During the Reporting Period, 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》), the 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》), the 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

### (35) 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 the Environmental, Social and Governance Report of the Company for the year ended 31 December 2023, to be separately published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company's own website ([www.conchenviro.com](http://www.conchenviro.com)) according to the Listing Rules.

### (36) DONATION

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

### (37) 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 done, approved and omitted in the execution of their duties, or assumed duties in their respective jobs or trusts, except that by their own deceit or fraud (if any). 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.

### (38) 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.

### (39) EVENTS AFTER THE REPORTING PERIOD

There are no material subsequent events undertaken by the Group after the end of the Reporting Period and up to the date of this report except as disclosed in note 30 to the financial statements.

On behalf of the Board

**Mr. LI Qunfeng**

*Chairman of the Board*

19 March 2024

## 8. BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

### (I) DIRECTORS

#### 1. Executive Directors

**Mr. LI Xiaobo (李曉波先生)**, aged 54, 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 44, was appointed as an executive Director of the Company on 9 October 2022. She currently serves as 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 40, 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 of Conch Cement. He is currently a deputy head of financial department in Conch Cement. Mr. Fan Zhan has been appointed as non-executive Director of West Cement with effect from 7 June 2023.

## 8. BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

### (I) DIRECTORS *(Continued)*

#### 2. Non-executive Directors

**Mr. LI Qunfeng (李群峰先生)**, aged 53, 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. JIANG Dehong (蔣德洪先生)**, aged 57, was appointed as a non-executive Director of the Company on 11 December 2023. He currently serves as a member of the Strategy, Sustainability and Risk Management Committee. Mr. Jiang has more than 30 years' experience in building materials industry. From August 1989 to October 2007, he successively held various positions in Zhejiang Jianfeng Group Co., Ltd ("**Jianfeng Group**") (a company listed on Shanghai Stock Exchange (Stock Code: 600668)) and its subsidiaries, including, deputy head and head of the central laboratory of Jinhua Cement Plant of Zhejiang Jianfeng Cement Co., Ltd. ("**Jinhua Cement Plant**"), assistant to general manager and director of production technology department at Jianfeng Group, director of Jinhua Cement Plant, deputy general manager at Jianfeng Group and general manager at Zhejiang Jianfeng Dengcheng Cement Co., Ltd. (currently known as Hangzhou Shanya Southern Cement Co., Ltd.). He served as general manager at Zhejiang Jinhua Southern Jianfeng Cement Co., Ltd from October 2007 to September 2009, vice president at Zhejiang Jinhua Southern Cement Co., Ltd. (currently known as Jinhua Southern Cement Co., Ltd.) from September 2009 to February 2012, assistant to the president and general manager of the technology department at Southern Cement Co., Ltd. from March 2012 to May 2012, vice president at Southern Cement Co. Ltd from May 2012 to March 2022, president at Jinhua Southern Cement Co., Ltd. from May 2012 to January 2015, executive president at Zhejiang Southern Cement Co., Ltd. from March 2013 to January 2015, chief engineer at Southern Cement Co., Ltd. from January 2015 to January 2022, president at Guangxi Southern Cement Co., Ltd. from May 2017 to March 2022. Mr. Jiang has served as director at Hunan Southern Cement Group Co., Ltd. since June 2020 and director at Northern Cement Co., Ltd since March 2022. Since May 2022, he has served as director at Southwest Cement Co., Ltd., director at Yunnan Southwest Cement Co., Ltd., director at Guizhou Southwest Cement Co., Ltd., director at Xinjiang Tianshan Cement Ltd., and director at Jiahua Special Cement Co., Ltd. Since December 2022, he served as director at Anhui Digital Intelligence Building Materials Research Institute Limited. He has also served as chief engineer and vice president at Xinjiang Tianshan Cement Co., Ltd. (a company listed on Shenzhen Stock Exchange (Stock Code: 000877)) since January 2022 and June 2023, respectively.



## 8. BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

### (I) DIRECTORS *(Continued)*

#### 2. Non-executive Directors *(Continued)*

Mr. Jiang obtained a bachelor of science degree from Shandong Institute of Building Materials (currently known as University of Jinan) in July 1989 and a master's degree in business administration from Antai College of Economics and Management of Shanghai Jiao Tong University in June 2016 and is a professor-grade senior engineer. Since December 2019, Mr. Jiang served as vice president at the Seventh Council of China Building Materials Machinery Industry Association (中國建材機械工業協會). He has served as vice president at Zhejiang Cement Association (浙江省水泥協會) since September 2022.

**Mr. MA Wei (馬偉先生)**, aged 56, 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. DING Wenjiang (丁文江先生)**, aged 72, was appointed as an independent non-executive Director on 21 August 2023. He currently serves as the chairman of the Remuneration and Nomination Committee, a member of each of the Audit Committee and the Strategy, Sustainability and Risk Management Committee. Mr. Ding has engaged in research on advanced magnesium alloy materials and alloy processing for a long period. Mr. Ding has been working at Shanghai Jiao Tong University since 1981 and consecutively held the positions of assistant, lecturer, associate professor and professor. Mr. Ding is currently the director of Light Alloy Net Forming National Engineering Research Center (輕合金精密成型國家工程研究中心), the vice president of the China Magnesium Association (中國鎂業協會), the executive director of the Chinese Materials Research Society (中國材料研究學會), and a member of the Communist Party Committee of the School of Materials Science and Engineering of Shanghai Jiao Tong University (中共上海交通大學材料科學與工程學院委員會). He served as the vice president at Shanghai Jiao Tong University from July 2002 and December 2004 and the deputy director at Science and Technology Commission of Shanghai (上海市科學技術委員會) from December 2004 to September 2006.

Mr. Ding obtained a bachelor's degree in casting technology and equipment from Shanghai Jiao Tong University in July 1978 and a master's degree in casting from Shanghai Jiao Tong University in March 1981. Mr. Ding was elected as an academician of Chinese Academy of Engineering in 2013. Mr. Ding, as the first awardee, won the second prize of National Scientific and Technological Progress Award (國家科技進步二等獎) in 2003, the second prize of National Defense Scientific and Technological Progress Award (國防科技進步二等獎) in 2006, and the second prize of the National Technology Invention Award (國家技術發明二等獎) in 2006. Mr. Ding was also awarded the National Innovative Progress Award (全國創新爭先獎狀) in 2023.

## 8. BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

### (I) DIRECTORS *(Continued)*

#### 3. Independent non-executive Directors *(Continued)*

**Ms. WANG Jiafen (王嘉奮女士)**, aged 51, was appointed as an independent non-executive Director on 18 July 2022. She currently serves as the chairlady of Audit Committee and a member of the Remuneration and Nomination Committee. Ms. Wang 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 as 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 (Executive Master of Business Administration) degree from the Kellogg School of Business of Northwestern University and the Hong Kong University of Science and Technology in June 2016. 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.

**Ms. LI Chen (李琛女士)**, aged 40, was appointed as an independent non-executive Director on 27 March 2023. She currently serves 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 (中國水泥協會). 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 and professoriate senior engineer in December 2018 and December 2023, respectively, 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.

## 8. BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

### (II) SENIOR MANAGEMENT

**Mr. ZHOU Zhengyou (周正友先生)**, aged 57, 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 60, was appointed as the chief engineer of the Company on 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, Mr. Wang 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 46, was appointed as the assistant to general manager of the Company on 26 December 2022, he also currently serves as a director and general manager of various subsidiaries of the Company. Mr. Fang has over 20 years' experience in cement production and project development. Mr. Fang joined Conch Cement Group in 1999, and joined Conch Venture in 2007, 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 13 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 98 to 192, which comprise the consolidated statement of financial position as at 31 December 2023, 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, comprising material accounting policy information and other explanatory information.

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 2023 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") 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

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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

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

For the year ended 31 December 2023, the Group's revenue from treatment solution services for industrial solid waste and hazardous waste amounted to approximately RMB569 million and RMB1,220 million respectively, representing approximately 30% and 65% 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 (Continued)

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*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

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- 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;
- 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;
- 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.

## INDEPENDENT AUDITOR'S REPORT

### KEY AUDIT MATTERS *(Continued)*

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

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*Refer to Note 17 to the consolidated financial statements and the accounting policy on pages 114 to 116.*

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

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

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At 31 December 2023, the Group's gross trade and bill receivables totalled RMB996 million against which an allowance for expected credit losses ("ECL") of RMB51 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)**

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*Refer to Note 17 to the consolidated financial statements and the accounting policy on pages 114 to 116.*

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

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

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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

19 March 2024

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2023  
(Expressed in Renminbi Yuan)

	Note	2023 RMB'000	2022 RMB'000
<b>Revenue</b>	3	<b>1,881,556</b>	1,729,598
Cost of sales		<b>(987,986)</b>	(819,458)
<b>Gross profit</b>		<b>893,570</b>	910,140
Other income	4	<b>32,966</b>	62,850
Distribution costs		<b>(145,658)</b>	(157,470)
Administrative expenses		<b>(312,539)</b>	(314,535)
Impairment loss on trade and bills receivables	25(a)	<b>(15,258)</b>	(3,424)
<b>Profit from operations</b>		<b>453,081</b>	497,561
Finance costs	5(a)	<b>(101,503)</b>	(92,026)
Share of profits of associates	14	<b>689</b>	4,996
<b>Profit before taxation</b>	5	<b>352,267</b>	410,531
Income tax	6(a)	<b>(48,254)</b>	(50,068)
<b>Profit for the year</b>		<b>304,013</b>	360,463
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>264,130</b>	328,656
Non-controlling interests		<b>39,883</b>	31,807
<b>Profit for the year</b>		<b>304,013</b>	360,463
<b>Earnings per share</b>	9		
Basic (RMB)		<b>0.14</b>	0.18
Diluted (RMB)		<b>0.14</b>	0.18

The notes on pages 104 to 192 form part of these financial statements.

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

for the year ended 31 December 2023  
(Expressed in Renminbi Yuan)

	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
<b>Profit for the year</b>	<b>304,013</b>	360,463
<b>Other comprehensive income for the year (after tax and reclassification adjustments)</b>	<b>–</b>	–
<b>Total comprehensive income for the year</b>	<b>304,013</b>	360,463
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>264,130</b>	328,656
Non-controlling interests	<b>39,883</b>	31,807
<b>Total comprehensive income for the year</b>	<b>304,013</b>	360,463

The notes on pages 104 to 192 form part of these financial statements.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2023  
(Expressed in Renminbi Yuan)

	Note	31 December 2023 RMB'000	31 December 2022 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	10	7,057,252	6,366,191
Right-of-use assets	11	298,214	234,630
Intangible assets	12	139,463	121,537
Goodwill	26(a)	10,254	9,219
Interests in associates	14	72,860	65,919
Non-current portion of trade and other receivables	17	414,360	410,652
Deferred tax assets	21(b)	10,991	8,923
		<b>8,003,394</b>	7,217,071
<b>Current assets</b>			
Inventories	16	31,465	17,842
Trade and other receivables	17	1,042,136	975,728
Financial assets measured at fair value through profit or loss ("FVPL")	15	45,000	–
Restricted bank deposits	18	39,975	52,869
Bank deposits with original maturity over three months	18	4,044	–
Cash and cash equivalents	18	246,254	273,058
		<b>1,408,874</b>	1,319,497
<b>Current liabilities</b>			
Loans and borrowings	19	1,277,159	637,566
Trade and other payables	20	1,378,744	1,314,478
Contract liabilities	22	13,621	10,676
Lease liabilities	23	1,144	1,691
Income tax payables	21(a)	5,658	14,666
		<b>2,676,326</b>	1,979,077
<b>Net current liabilities</b>		<b>(1,267,452)</b>	(659,580)
<b>Total assets less current liabilities</b>		<b>6,735,942</b>	6,557,491

The notes on pages 104 to 192 form part of these financial statements.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2023  
(Expressed in Renminbi Yuan)

	Note	31 December 2023 RMB'000	31 December 2022 RMB'000
<b>Non-current liabilities</b>			
Loans and borrowings	19	<b>2,980,831</b>	3,137,126
Lease liabilities	23	<b>6,709</b>	6,124
Deferred tax liabilities	21(b)	<b>38,212</b>	26,607
		<b>3,025,752</b>	3,169,857
<b>NET ASSETS</b>			
		<b>3,710,190</b>	3,387,634
<b>CAPITAL AND RESERVES</b>			
	24		
Share capital		<b>14,837</b>	14,837
Reserves		<b>2,978,200</b>	2,714,070
<b>Total equity attributable to equity shareholders of the Company</b>		<b>2,993,037</b>	2,728,907
<b>Non-controlling interests</b>		<b>717,153</b>	658,727
<b>TOTAL EQUITY</b>		<b>3,710,190</b>	3,387,634

Approved and authorised for issue by the board of directors on 19 March 2024.

**Li Qunfeng**  
Director

**Li Xiaobo**  
Director

The notes on pages 104 to 192 form part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2023  
(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 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		–	–	–	–	–	–	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)	–	–	–
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

	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 2023</b>		14,837	1,184,167	(156,918)	248,073	1,438,748	2,728,907	658,727	3,387,634
Profit for the year		–	–	–	–	264,130	264,130	39,883	304,013
Other comprehensive income		–	–	–	–	–	–	–	–
<b>Total comprehensive income</b>		–	–	–	–	264,130	264,130	39,883	304,013
Non-controlling interests arising from establishment of subsidiaries		–	–	–	–	–	–	16,234	16,234
Appropriation to reserves	24(d)(iii)	–	–	–	30,864	(30,864)	–	–	–
Disposal of a subsidiary with non-controlling interests		–	–	–	–	–	–	(200)	(200)
Profit distribution to non-controlling interests		–	–	–	–	–	–	(3,215)	(3,215)
Deemed contribution from non-controlling interests		–	–	–	–	–	–	5,724	5,724
<b>Balance at 31 December 2023</b>		14,837	1,184,167	(156,918)	278,937	1,672,014	2,993,037	717,153	3,710,190

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

The notes on pages 104 to 192 form part of these financial statements.



## CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2023  
(Expressed in Renminbi Yuan)

	Note	2023 RMB'000	2022 RMB'000
<b>Operating activities:</b>			
Cash generated from operations	18(b)	<b>688,606</b>	601,544
Income tax paid	21(a)	<b>(57,501)</b>	(58,550)
<b>Net cash generated from operating activities</b>		<b>631,105</b>	542,994
<b>Investing activities:</b>			
Payment for purchase of property, plant and equipment, construction in progress and intangible assets		<b>(768,774)</b>	(1,440,615)
Proceeds from disposal of property, plant and equipment and right-of-use assets		<b>61</b>	3,064
Payment for purchase of right-of-use assets		<b>(59,148)</b>	(49,143)
Acquisition of subsidiaries, net of cash acquired	26	<b>(90,645)</b>	(101,092)
Payment for investments in associates		<b>(9,400)</b>	(1,704)
Proceeds from disposal of a subsidiary, net of cash held		<b>–</b>	5,705
Repayment of amounts due from related parties		<b>–</b>	150,000
Payment for purchase of financial assets measured at FVPL		<b>(45,000)</b>	–
Proceeds from disposal of financial assets measured at FVPL		<b>–</b>	15,000
Proceeds from maturity of bank deposits over three months		<b>–</b>	1,680
Payment for bank deposits with maturity over three months		<b>(4,044)</b>	–
Dividends received from associates		<b>3,148</b>	9,620
Interest received		<b>78</b>	116
<b>Net cash used in investing activities</b>		<b>(973,724)</b>	(1,407,369)
<b>Financing activities:</b>			
Proceeds from loans and borrowings	18(c)	<b>1,222,629</b>	1,925,841
Repayment of loans and borrowings	18(c)	<b>(739,331)</b>	(1,195,010)
Profit distribution to non-controlling interests		<b>(14,802)</b>	(4,085)
Interest paid	18(c)	<b>(145,447)</b>	(131,151)
Capital contribution from non-controlling interests		<b>16,234</b>	32,508
Acquisition of non-controlling interests in subsidiaries		<b>–</b>	(84,860)
Dividends paid to the then-shareholder of acquired subsidiary	28(b)	<b>(21,500)</b>	–
Capital element of lease rentals paid	18(c)	<b>(1,670)</b>	(1,657)
Interest element of lease rentals paid	18(c)	<b>(298)</b>	(266)
<b>Net cash generated from financing activities</b>		<b>315,815</b>	541,320
<b>Net decrease in cash and cash equivalents</b>		<b>(26,804)</b>	(323,055)
<b>Cash and cash equivalents at the beginning of the year</b>		<b>273,058</b>	596,113
<b>Cash and cash equivalents at the end of the year</b>	18(a)	<b>246,254</b>	273,058

The notes on pages 104 to 192 form part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

### 1 MATERIAL 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 Interpretations issued by the International Accounting Standards Board (“IASB”) and the 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. Material 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 period reflected in these financial statements.

#### (c) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2023 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 financial statements is the historical cost except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

- financial assets stated at their fair value (see note 1(h)).

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

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

#### (c) Basis of preparation of the financial statements *(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 RMB1,267,452,000 as at 31 December 2023. 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 2023 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 RMB631 million during the year ended 31 December 2023 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 2023, the Group had available unutilised banking facilities of RMB4.0 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 MATERIAL 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 8, Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates
- Amendments to IAS 1, Presentation of financial statements and IFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies
- Amendments to IAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to IAS 12, *Income taxes: International tax reform — Pillar Two model rules*

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 new and amended IFRSs are discussed below:

#### **Amendments to HKAS 8, Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates**

The amendments provide further guidance on the distinction between changes in accounting policies and changes in accounting estimates. The amendments do not have a material impact on these financial statements as the Group's approach in distinguishing changes in accounting policies and changes in accounting estimates is consistent with the amendments.

#### **Amendments to IAS 1, Presentation of financial statements and IFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies**

The amendments require entities to disclose material accounting policy information and provide guidance on applying the concept of materiality to accounting policy disclosure. The Group has revisited the accounting policy information it has been disclosing and considered it is consistent with the amendments.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

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

#### (d) Changes in accounting policies *(Continued)*

##### **Amendments to IAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction***

The amendments narrow the scope of the initial recognition exemption such that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition such as leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities are required to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented.

Prior to the amendments, the group did not apply the initial recognition exemption to lease transactions and had recognised the related deferred tax, except that the group previously determined the temporary difference arising from a right-of-use asset and the related lease liability on a net basis on the basis they arise from a single transaction. Following the amendments, the group has determined the temporary differences in relation to right-of-use assets and lease liabilities separately. The change primarily impacts disclosures of components of deferred tax assets and liabilities in note 21(b), but does not impact the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualify for offsetting under IAS 12.

##### **Amendments to IAS 12, *Income taxes: International tax reform – Pillar Two model rules***

The amendments introduce a temporary mandatory exception from deferred tax accounting for the income tax arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (“OECD”) (income tax arising from such tax laws is hereafter referred to as “Pillar Two income taxes”), including tax laws that implement qualified domestic minimum top-up taxes described in those rules. The amendments also introduce disclosure requirements about such tax including the estimated tax exposure to Pillar Two income taxes. The amendments are immediately effective upon issuance and require retrospective application. The amendments do not have a material impact on these financial statements as the Group’s operating entities are all located in PRC.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

### 1 MATERIAL 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 to, 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. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

For each business combination, the group can elect to measure any non-controlling interests ("NCI") either at fair value or at the NCI's proportionate share of the subsidiary's net identifiable assets. NCI are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the company. NCI 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 NCI and the equity shareholders of the company. Loans from holders of NCI and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 1(o)(r) 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.

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in that former subsidiary is measured at fair value when control is lost.

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)).

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

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

#### (f) Associates

An associate is an entity in which the Group or the company has significant influence, but not control or joint control, over the financial and operating policies.

An interest in an associate is accounted for using the equity method, unless it is classified as held for sale (or included in a disposal Group that is classified as held for sale). They are initially recorded at cost, which includes transaction costs.

Subsequently, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income ("OCI") of those investees, until the date on which significant influence ceases.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with any other long-term interests that in substance form part of the Group's net investment in the associate, after applying the ECL model to such other long-term interests where applicable (see note 1(l)(i)).

Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent there is no evidence of impairment.

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

#### (g) Goodwill

Goodwill arising on acquisition of businesses is measured at cost less accumulated impairment losses and is tested annually for impairment (see note 1(l)).

#### (h) Other investments in securities

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

Investments in 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 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 MATERIAL ACCOUNTING POLICIES *(Continued)*

#### (h) Other investments in securities *(Continued)*

##### (i) Non-equity investments

Non-equity investments 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. Expected credit losses, interest income from the investment is calculated using the effective interest method (see Note 1(v)(ii)), foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
- 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, expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses are recognised in profit or loss and computed in the same manner as if the financial asset was measured at amortised cost. The difference between the fair value and the amortised cost is recognised in other comprehensive income. When the investment is derecognised, the amount accumulated in OCI is recycled from equity to 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 investment is not held for trading purposes and on initial recognition the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in OCI. 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. If such election is made for a particular investment at the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings and 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)(ii)(c).



## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

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

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

Property, plant and equipment are stated at cost, which includes capitalised borrowing costs, less accumulated depreciation and any accumulated impairment losses (see Note 1(l) (ii)).

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components).

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss. Any related revaluation surplus is transferred from the revaluation reserve to retained profits and is not reclassified to profit or loss.

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment less their estimated residual values, if any, using the straight line method over their estimated useful lives, and is generally recognised in profit or loss.

The estimated useful lives for the current and comparative periods are as follows:

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

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

#### (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 MATERIAL ACCOUNTING POLICIES *(Continued)*

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

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, if any, and is generally recognised in profit or loss.

The estimated useful lives for the current and comparative periods are as follows:

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

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

#### (k) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. This is the case 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 leases that have a short 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. If not capitalised, the associated lease payments are recognised in profit or loss on a systematic basis over the lease term.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

### 1 MATERIAL 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 recognised 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 are charged to profit or loss as 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 adjusted for any lease payments made at or before the commencement date, and any initial direct costs incurred and 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, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Note 1(l)(ii)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the group changes its assessment of whether it will 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.

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, if such modification 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.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

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

#### (I) 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 ("ECL"s) on:

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

##### *Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Generally, credit losses are measured as the present value of all expected cash shortfalls between the contractual and expected amounts.

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.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months); and
- lifetime ECLs: these are the ECLs that result from all possible default events over the expected lives of the items to which the ECL model applies.

The group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-months ECLs:

- financial instruments that are determined to have low credit risk at the reporting date; and
- other financial instruments (including loan commitments issued) for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

### 1 MATERIAL 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*

When determining whether the credit risk of a financial instrument (including a loan commitment) has increased significantly since initial recognition and when measuring ECLs, the group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the group's historical experience and informed credit assessment, that includes forward-looking information.

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 MATERIAL ACCOUNTING POLICIES *(Continued)*

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

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

*(Continued)*

*Credit-impaired financial assets*

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 MATERIAL ACCOUNTING POLICIES *(Continued)*

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

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

At each reporting date, the group reviews the carrying amounts of its non-financial assets (other than property carried at revalued amounts, investment property, inventories and other contract costs, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGU"s). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, 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 or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### (m) 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 represents the estimated selling price less any estimated costs of completion and costs to be incurred in selling the property.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

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

#### (n) Contract liabilities

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 is also recognised if the group has an unconditional right to receive non-refundable consideration before the group recognises the related revenue. In such latter cases, a corresponding receivable is also recognised (see note 1(o)).

#### (o) Trade and other receivables

A receivable is recognised when the group has an unconditional right to receive consideration and only the passage of time is required before payment of that consideration is due.

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 (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 ECL (see note 1(l)(i)).

#### (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 at invoice amounts.

#### (r) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequently, these borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with note 1(x).

#### (s) Employee benefits

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

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Obligations for contributions to defined contribution retirement plans are expensed as the related service is provided.



## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

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

#### (s) Employee benefits *(Continued)*

##### (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 expense comprises current tax and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;
- temporary differences related to investment in subsidiaries, associates and joint venture to the extent that the group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;
- taxable temporary differences arising on the initial recognition of goodwill; and
- those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

The group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

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

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

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Where investment properties are carried at their fair value in accordance with note 1(j), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date, unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the measurement of deferred tax reflects the tax consequences that would follow from the manner in which the group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

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

Generally provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

A provision for warranties is recognised when the underlying products or services are sold, based on historical warranty data and a weighting of possible outcomes against their associated probabilities.

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 MATERIAL ACCOUNTING POLICIES *(Continued)*

#### (v) Revenue and other income

Income is classified by the group as revenue when it arises from the sale of goods, the provision of services.

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 using the effective interest method. The "effective interest rate" is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

##### (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 MATERIAL 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

Transactions in foreign currencies are translated into the respective functional currencies of group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Hong Kong dollars at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into Hong Kong dollars at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI and accumulated in the exchange reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the exchange reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. On disposal of a subsidiary that includes a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation that have been attributed to the NCI shall be derecognised, but shall not be reclassified to profit or loss. If the group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

### 1 MATERIAL 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.

#### (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.
  - (vi) The entity is controlled or jointly controlled by a person identified in (b).
  - (vii) A person identified in (b) 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.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

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

#### (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(j) (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.

##### (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.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

### 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:

	2023 RMB'000	2022 RMB'000
<b>Revenue from contracts with customers within the scope of IFRS 15, recognised over time</b>		
<b>Solid and hazardous waste solutions</b>		
Industrial solid waste treatment services	568,674	463,153
Industrial hazardous waste treatment services		
— General hazardous waste	1,047,377	1,057,841
— Oil sludge	80,796	124,277
— Fly ash	91,990	59,734
	<b>1,788,837</b>	1,705,005
<b>Revenue from contracts with customers within the scope of IFRS 15, recognised at point in time</b>		
<b>Solid and hazardous waste solutions</b>		
Comprehensive resource utilization	92,719	24,593
	<b>1,881,556</b>	1,729,598

#### (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.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

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

#### (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.

### 4 OTHER INCOME

	2023 RMB'000	2022 RMB'000
Interest income on bank deposits	10,137	9,294
Government grants (i)	23,851	49,645
loss on disposal of a subsidiary	–	(439)
Net loss on disposal of right-of-use assets and property, plant and equipment	(15)	(564)
Others	(1,007)	4,914
	<b>32,966</b>	62,850

- (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.



## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

### 5 PROFIT BEFORE TAXATION

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

#### (a) Finance costs:

	2023 RMB'000	2022 RMB'000
Interest on loans and borrowings (Note 18(c))	148,822	129,305
Interest on lease liabilities (Note 18(c))	298	266
*Less: interest expense capitalised in construction in progress	(47,617)	(37,545)
	<b>101,503</b>	92,026

\* For the year ended 31 December 2023, the borrowing costs were capitalised at a rate of 2.80%–4.85% per annum (2022: 1.70%–4.65%).

#### (b) Staff costs:

	2023 RMB'000	2022 RMB'000
Salaries, wages and other benefits	374,275	340,690
Contributions to defined contribution plans (i)	49,025	45,703
	<b>423,300</b>	386,393

(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.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

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

#### (c) Other items:

	2023 RMB'000	2022 RMB'000
Cost of services provided #	<b>987,986</b>	819,458
Depreciation of owned property, plant and equipment #	<b>234,773</b>	205,644
Depreciation of right-of-use assets #	<b>7,445</b>	4,261
Amortisation of intangible assets #	<b>15,040</b>	12,390
Loss allowance for trade receivables	<b>15,258</b>	3,424
Short-term lease payments not included in the measurement of lease liabilities	<b>4,634</b>	4,834
Auditors' remuneration	<b>1,900</b>	1,900
Listing expenses	–	30,881

# For the year ended 31 December 2023, cost of services provided include RMB416,737,000 (2022: RMB372,704,000) 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:

	2023 RMB'000	2022 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	<b>49,018</b>	52,842
(Over)/Under provision in respect of prior years	<b>(525)</b>	551
<b>Deferred tax:</b>		
Origination and reversal of temporary differences (Note 21(b))	<b>(239)</b>	(3,325)
	<b>48,254</b>	50,068

## 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 2023 (2022: nil) as there are no assessable profits during the years ended 31 December 2023 and 2022.
- (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:

	2023 RMB'000	2022 RMB'000
Profit before taxation	352,267	410,531
Notional tax on profit before taxation, calculated at the rates applicable to profit in the tax jurisdictions concerned	88,699	111,458
PRC tax concessions	(44,714)	(60,692)
PRC dividend withholding tax	4,966	–
(Over)/Under provision in respect of prior years	(525)	551
Share of profits of associates	(172)	(1,249)
Income tax expense	48,254	50,068

## 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 2023						
		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)	–	645	1,231	39	1,915
Mrs. Liao Dan	(ii)	–	427	560	39	1,026
Mr. Fan Zhan	(iii)	–	–	–	–	–
Non-executive Directors:						
Mr. Li Qunfeng	(iv)	–	–	–	–	–
Mr. Jiang Dehong	(iv)	–	–	–	–	–
Mr. Ma Wei	(iv)	–	–	–	–	–
Independent Non-executive Directors:						
Mr. Ding Wenjiang	(v)	–	–	–	–	–
Mrs. Wang Jiafen	(v)	150	–	–	–	150
Mrs. Li Chen	(v)	–	–	–	–	–
		150	1,072	1,791	78	3,091

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	(vi)	–	–	–	–	–
Independent Non-executive Directors:						
Mr. Hao Jiming	(vii)	150	–	–	–	150
Mr. Dai Xiaohu	(vii)	150	–	–	–	150
Mrs. Wang Jiafen	(v)	–	–	–	–	–
		300	198	644	16	1,008

## 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 2023.
- (iv) Mr. Li Qunfeng and Mr. Ma Wei were appointed as non-executive directors of the Company on 28 October 2022. Mr. Jiang Dehong was appointed as a non-executive director of the Company on 11 December 2023. No amounts were paid by the Group to these directors during the year ended 31 December 2023.
- (v) Mr. Ding Wenjiang was appointed as a independent non-executive director of the Company on 21 August 2023. Mrs. Li Chen was appointed as a independent non-executive director of the Company on 27 March 2023. No amounts were paid by the Group to these directors during the year ended 31 December 2023.
- (vi) Mr. Xiao Jiexiang resigned as a non-executive directors on 11 December 2023. No amounts were paid by the Group to this director during the year ended 31 December 2023.
- (vii) Mr. Dai Xiaohu resigned as an independent non-executive directors on 21 August 2023. Mr. Hao Jiming resigned as an independent non-executive directors on 27 March 2023. No amounts were paid by the Group to these directors during the year ended 31 December 2023.

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 2023 and 2022.

No directors of the Company waived or agreed to waive any remuneration during the years ended 31 December 2023 and 2022.

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 (2022: NIL) directors whose emoluments are disclosed in Note 7. The aggregate of the emoluments in respect of the remaining four (2022: five) highest paid individuals, are as follows:

	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Salaries, allowances and benefits in kind	<b>2,612</b>	2,798
Discretionary bonuses	<b>2,866</b>	3,498
Contributions to retirement benefit schemes	<b>132</b>	197
	<b>5,610</b>	6,493

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

	<b>2023</b>	2022
	<b>Number of</b>	Number of
	<b>individuals</b>	individuals
HKD		
1,000,001–1,500,000	<b>3</b>	3
1,500,001–2,000,000	<b>1</b>	2

## 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 RMB264,130,000 (2022: RMB328,656,000), with 1,826,765,000 issued ordinary shares.

#### (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 RMB264,130,000 (2022: RMB328,656,000), and the weighted average number of ordinary shares of 1,826,765,000 (2022: 1,826,765,000), calculated as below:

	2023 RMB'000	2022 RMB'000
Assumed weighted average number of ordinary shares at 31 December	1,826,765	1,826,765
Effect of conversion of convertible bonds (i)	–	–
Assumed weighted average number of ordinary shares (diluted) at 31 December	1,826,765	1,826,765

#### (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 5 September 2023, the Bonds matured and none of the outstanding principal amount of the Bonds was converted into shares of the Company. China Conch Venture Holdings International Limited fully redeemed the outstanding Bonds together with all accrued and unpaid interests thereon and completed all relevant procedures thereafter pursuant to the terms of the Bonds.

During the reporting period, the holders of the 2018 Convertible Bonds did not exercise any conversion rights, diluted earning per share for the year ended 31 December 2023 and 2022 is the same as the basic earnings per share as there were no potentially dilutive ordinary shares issued.

## 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 2022	1,450,320	1,735,924	50,114	127,583	2,122,509	5,486,450
Acquisition of subsidiaries	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 and 1 January 2023	2,075,000	2,397,937	67,001	139,453	2,214,048	6,893,439
Acquisition of subsidiaries (Note 26)	31,127	60,415	1,151	10,711	–	103,404
Additions	368	10,218	7,030	3,935	875,092	896,643
Transfer from construction in progress	273,744	378,293	–	–	(652,037)	–
Disposals	–	(28)	(77)	(266)	–	(371)
At 31 December 2023	2,380,239	2,846,835	75,105	153,833	2,437,103	7,893,115



## 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 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 and 1 January 2023	(120,819)	(301,164)	(21,433)	(83,832)	–	(527,248)
Acquisition of subsidiaries (Note 26)	(7,110)	(36,620)	(431)	(5,138)	–	(49,299)
Charge for the year	(67,047)	(161,481)	(12,478)	(18,605)	–	(259,611)
Written back on disposals	–	5	37	253	–	295
At 31 December 2023	(194,976)	(499,260)	(34,305)	(107,322)	–	(835,863)
<b>Net book value:</b>						
At 31 December 2022	1,954,181	2,096,773	45,568	55,621	2,214,048	6,366,191
At 31 December 2023	2,185,263	2,347,575	40,800	46,511	2,437,103	7,057,252

As at 31 December 2023, plant and buildings with carrying amount of RMB80,348,000 (2022: RMB NIL) were pledged as collaterals for certain bank loans (see Note 19).

## 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	2023 RMB'000	2022 RMB'000
Properties leased for own use, carried at depreciated cost	(i)	4,386	4,304
Leasehold land for own use, carried at depreciated cost	(ii)	293,828	230,326
		<b>298,214</b>	234,630

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

	2023 RMB'000	2022 RMB'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Properties leased for own use, carried at depreciated cost	328	1,049
Leasehold land for own use, carried at depreciated cost	8,156	6,360
	<b>8,484</b>	7,409
Interest on lease liabilities (Note 5(a))	298	266
Expenses relating to short-term leases	4,644	4,834

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

	Land use rights RMB'000	Other leasehold land for own use RMB'000	Total RMB'000
<b>Cost:</b>			
At 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 and 1 January 2023	240,708	4,182	244,890
Acquisition of subsidiaries (Note 26)	27,621	–	27,621
Additions	47,368	152	47,520
At 31 December 2023	315,699	4,334	320,033
<b>Accumulated depreciation:</b>			
At 1 January 2022	(8,089)	(437)	(8,526)
Charge for the year	(6,056)	(304)	(6,360)
Disposal	–	322	322
At 31 December 2022 and 1 January 2023	(14,145)	(419)	(14,564)
Charge for the year	(11,314)	(328)	(11,642)
At 31 December 2023	(25,459)	(747)	(26,206)
<b>Net book value:</b>			
At 31 December 2022	226,563	3,763	230,326
At 31 December 2023	290,240	3,588	293,828

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

As at 31 December 2023, the remaining lease terms of leasehold land for own use ranged from 2–30 years.

As at 31 December 2023, leasehold land for own use with carrying amount of RMB8,813,000 (2022: RMB9,476,000) 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 2022	4,607	5,160	66,078	–	75,845
Acquisition of subsidiaries	–	–	–	71,185	71,185
Additions	727	–	–	–	727
At 31 December 2022 and 1 January 2023	5,334	5,160	66,078	71,185	147,757
Acquisition of subsidiaries (Note 26)	–	–	17,650	2,500	23,460
Additions	6,172	–	–	7,676	13,848
At 31 December 2023	11,506	5,160	83,728	81,361	181,755
<b>Accumulated amortisation:</b>					
At 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 and 1 January 2023	(980)	(3,212)	(16,689)	(5,339)	(26,220)
Charge for the year	(645)	(1,032)	(6,523)	(7,872)	(16,072)
At 31 December 2023	(1,625)	(4,244)	(23,212)	(13,211)	(42,292)
<b>Net book value:</b>					
At 31 December 2022	4,354	1,948	49,389	65,846	121,537
At 31 December 2023	9,881	916	60,516	68,150	139,463

Customer relationship was acquired through the acquisition of Bangda Environmental in year 2020 and Wuhan Hanshi Environmental in year 2023, fair value of which at the dates of acquisition were determined by the directors of the Company with reference to the valuation performed by Beijing Industrial and Commercial Asset Valuation Co., Ltd. and Zhongshui Zhiyuan Asset Valuation Co., Ltd., respectively, independent qualified professional valuers. It is recognised at fair value at the date of acquisition and is subsequently amortised on a straight-line basis over 10 years.

Non-patent technology was acquired through the acquisition of Shaoguan Environmental in year 2022 and Wuhan Hanshi Environmental in year 2023. 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. and Zhongshui Zhiyuan Asset Valuation Co., Ltd., respectively, independent qualified professional valuers.

## 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 2 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") 海達香港控股有限公司 (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") 蕪湖海螺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. 懷寧海螺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. 弋陽海螺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 Environmental Protection Technology Co., Ltd. 淮北海螺環保科技有限責任公司 (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. 廣元海螺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. 興業海螺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

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### 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. 貴陽海螺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. 文山海螺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 Environmental Protection Technology Co., Ltd. 濟甯海螺環保科技有限責任公司 (i)	The PRC 12 June 2017	RMB50,000,000/ RMB50,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Chongqing Liangping Conch Venture Environmental Protection Technology Co., Ltd. 重慶市梁平區海螺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
Yangchun Conch Venture Environmental Protection Technology Co., Ltd. 陽春海螺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. 臨湘海螺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. 達州海螺環保科技有限責任公司 (i)	The PRC 9 April 2019	RMB30,000,000/ RMB30,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Longan Conch Venture Environmental Protection Technology Co., Ltd. 隆安海螺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. 甯國海螺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
Wuhu City Fanchang District Conch Venture Environmental Protection Technology Co., Ltd. 蕪湖市繁昌區海螺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. 池州海螺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

## 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	
Quanjiao Conch Venture Environmental Protection Technology Co., Ltd. 全椒海螺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 Environmental Protection Technology Co., Ltd. 縱陽海螺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
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. 雙峰海螺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 Environmental Protection Technology Co., Ltd. 咸陽海螺環保科技有限責任公司 (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. 千陽海螺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. 銅川海螺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
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. 內蒙古海螺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
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

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### 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	
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. 益陽海螺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. 新化海螺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. 蕪湖海螺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. 慶陽海螺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
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



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## 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	
Quzhou Haizhong Environmental Protection Technology Co., Ltd. 衢州海中環保科技有限責任公司 (i)	The PRC 21 April 2020	RMB3,000,000/ RMB3,000,000	51%	–	51%	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 2021	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
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. 蕪湖海螺物流有限責任公司 (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
Quanjiao 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

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## 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	
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
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
Chaochu Haichuang Environmental Technology Co., Ltd. 巢湖海螺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
Chaochu 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

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## 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	
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
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. 長治海螺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

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## 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	
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 Conch Environmental Protection Technology Co., Ltd 貴定海螺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
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
Mianyang Haizhong Environmental Protection Technology Co., LTD 綿陽市海中環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 Conch Environmental Protection Technology Co., LTD 扶綏海螺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 Conch Environmental Technology Development Co., LTD 清遠海螺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

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### 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	
Shaoguan Haichuang Hongfeng Green Technology Co., LTD 韶關海創鴻豐綠色環保科技有限公司 (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公司 (i)	The PRC 12 May 2022	-/RMB5,000,000	60%	-	60%	Industrial solid and hazardous waste treatment
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 Conch Environmental Protection Technology Co. LTD 懷寧海螺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 Conch Environmental Protection Technology Co. LTD 邢臺海螺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 Engineering Co., Ltd. 咸陽海創環境工程有限責任公司	The PRC 12 July 2022	-/RMB15,000,000	100%	-	100%	Industrial solid and hazardous waste treatment

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## 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	
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
Yushan Haizhong Environmental Protection Technology Co., Ltd. 玉山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 Conch Environmental Protection Technology Co., Ltd. 新化海螺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
Fujian Sanming Haizhong Environmental Protection Technology Co., Ltd. 福建三明海中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公司	The PRC 25 November 2022	-/RMB10,000,000	51%	-	51%	Resource recycling service technical consultation
Zhongxian Conch Environmental Protection Technology Co., Ltd. 忠縣海螺環保科技有限責任公司	The PRC 19 May 2022	-/RMB20,000,000	100%	-	100%	Industrial solid and hazardous waste treatment
Leshan Shawan Haizhong Environmental Engineering Co., Ltd. 樂山沙灣海中環境工程有限責任公司	The PRC 26 October 2023	-/RMB5,000,000	100%	-	100%	Industrial solid and hazardous waste treatment
Wenshan Conch Environmental Protection Technology Development Co., Ltd. 文山海螺環保科技發展有限責任公司	The PRC 10 May 2023	-/RMB30,000,000	100%	-	100%	Industrial solid and hazardous waste treatment
Wuhan Hanshi Environmental Protection Engineering Co., Ltd. 武漢漢氏環保工程有限公司	The PRC 21 August 2003	RMB50,000,000/ RMB50,000,000	100%	-	100%	Industrial solid and hazardous waste treatment
Changjiang Conch Environmental Renewable Resources Co., Ltd. 昌江海螺環保再生資源有限責任公司	The PRC 21 November 2023	-/RMB30,000,000	51%	-	51%	Industrial solid and hazardous waste treatment
Hainan Conch Environmental Protection Technology Co., Ltd. 海南海螺環保科技有限責任公司	The PRC 21 February 2023	-/RMB30,000,000	51%	-	51%	Industrial solid and hazardous waste treatment
Wuhu Conch Environmental Energy Co., Ltd. 蕪湖海螺環保能源有限責任公司	The PRC 16 May 2023	-/RMB5,000,000	100%	-	100%	Industrial solid and hazardous waste treatment

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### 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	
Chizhou Conch Environmental Energy Co., Ltd. 池州海螺環保能源有限責任公司	The PRC 11 September 2023	-/RMB15,000,000	67%	-	67%	Industrial solid and hazardous waste treatment
Quanjiao Conch Environmental Technology Co., Ltd. 全椒海螺環保科技有限責任公司	The PRC 26 February 2023	-/RMB15,000,000	100%	-	100%	Industrial solid and hazardous waste treatment
Harbin Haihuanengyuan Environmental Protection Technology Co., Ltd. 哈爾濱海環能遠環保科技有限責任公司	The PRC 16 May 2023	-/RMB5,000,000	100%	-	100%	Resource recycling service technical consultation
Zhoushan Haizhong Environmental Protection Technology Co., Ltd. 確山海中環環保科技有限責任公司	The PRC 22 May 2023	-/RMB30,000,000	100%	-	100%	Industrial solid and hazardous waste treatment
Jining Conch Environmental Technology Co., Ltd. 濟寧海螺環保科技有限責任公司	The PRC 22 May 2023	RMB50,000,000/ RMB50,000,000	100%	-	100%	Industrial solid and hazardous waste treatment

(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		
				2023	2022	
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/ RMB40,000,000	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%	35%	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%	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>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Carrying amount of the associates	<b>72,860</b>	65,919
Amounts of the Group's share of associates		
Profit from continuing operations	<b>689</b>	4,996
Other comprehensive income	–	–
Total comprehensive income	<b>689</b>	4,996
Dividend received	<b>3,148</b>	9,620

### 15 FINANCIAL ASSETS MEASURED AT FVPL

	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Current assets		
Investment in structured deposits (i)	<b>45,000</b>	–

- (i) The structured deposits as at 31 December 2023 were issued by a creditworthy major PRC commercial bank with variable interest rate and matured on 19 January 2024.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

### 16 INVENTORIES

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

	2023 RMB'000	2022 RMB'000
Raw materials	13,235	10,563
Work in progress	11,847	1,994
Finished goods	6,383	5,285
	<b>31,465</b>	17,842

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

	2023 RMB'000	2022 RMB'000
Carrying amount of inventories used	115,065	90,636
Write-down of inventories	-	-
	<b>115,065</b>	90,636

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

### 17 TRADE AND OTHER RECEIVABLES

	2023 RMB'000	2022 RMB'000
Trade receivables		
— Third parties	<b>897,583</b>	795,900
— Related parties (Note 28(c))	<b>35,216</b>	4,499
Bills receivable, carried at amortised cost	<b>44,671</b>	101,315
Bills receivable, carried at FVOCI	<b>18,382</b>	12,006
Less: allowance for doubtful debts (Note 17(b))	<b>(50,751)</b>	(35,493)
Trade and bills receivables	<b>945,101</b>	878,227
Other receivables		
— Deposits	<b>18,155</b>	15,009
— VAT recoverable	<b>53,649</b>	60,280
— others	<b>3,292</b>	4,729
Prepayments	<b>15,662</b>	16,242
	<b>1,035,859</b>	974,487
Amounts due from related parties (Note 28(c))		
— Others	<b>6,277</b>	1,241
Current portion of trade and other receivables	<b>1,042,136</b>	975,728
Non-current portion of trade and other receivables (ii)	<b>414,360</b>	410,652
Total current and non-current trade and other receivables	<b>1,456,496</b>	1,386,380

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

- (i) 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 2023, the Group endorsed undue bills receivable of RMB31,396,000 (2022: RMB66,728,000) 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 2023, the maximum exposure to loss from its continuous involvement represents the amount of bills receivable of RMB31,396,000 (2022: RMB66,728,000) 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 ageing and net of loss allowance, is as follows:

	2023 RMB'000	2022 RMB'000
Current	665,677	651,923
Less than 1 year	279,319	220,082
1 to 2 years	105	6,222
	<b>945,101</b>	878,227

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:

	2023 RMB'000	2022 RMB'000
At the beginning of the year	35,493	32,276
Impairment losses recognised	15,258	3,424
Written off	-	(207)
At the end of the year	<b>50,751</b>	35,493

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

### 18 CASH AND CASH EQUIVALENTS

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

	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Cash at bank and on hand	<b>290,273</b>	325,927
Less: Restricted bank deposits (Note)	<b>(39,975)</b>	(52,869)
Bank deposits with original maturity over three months	<b>(4,044)</b>	–
Cash and cash equivalents in the consolidated statement of financial position and the consolidated cash flow statement	<b>246,254</b>	273,058

Note: As at 31 December 2023, restricted bank deposits of RMB39,975,000 (2022: RMB52,869,000) 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	2023 RMB'000	2022 RMB'000
<b>Profit before taxation</b>		<b>352,267</b>	410,531
<b>Adjustments for:</b>			
Depreciation of owned property, plant and equipment	5(c)	<b>234,773</b>	205,644
Depreciation of right-of-use assets	5(c)	<b>7,445</b>	4,261
Amortisation of intangible assets	5(c)	<b>15,040</b>	12,390
Loss allowance for trade receivables	5(c)	<b>15,258</b>	3,424
Net loss on disposal of right-of-use assets and property, plant and equipment	4	<b>15</b>	564
Loss on disposal of a subsidiary	4	<b>–</b>	439
Finance costs	5(a)	<b>101,503</b>	92,026
Interest income	4	<b>(78)</b>	(116)
Share of profits of associates		<b>(689)</b>	(4,996)
<b>Operating profit before changes in working capital</b>		<b>725,534</b>	724,167
Increase in inventories		<b>(11,412)</b>	(9,781)
Decrease in restricted bank deposits		<b>12,894</b>	5,280
Increase in trade and other receivables		<b>(152,097)</b>	(131,462)
Increase in trade and other payables		<b>110,742</b>	12,522
Increase in contract liabilities		<b>2,945</b>	818
<b>Cash generated from operations</b>		<b>688,606</b>	601,544

## 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:**

	<b>Loans and borrowings</b>	<b>Interest payable</b>	<b>Dividends payable</b>	<b>Lease liabilities</b>	<b>Total</b>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 19)	(Note (ii))	(Note 20)	(Note 23)	
<b>At 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)
<b>Total changes from financing cash flows</b>	<b>730,831</b>	<b>(131,151)</b>	<b>(4,085)</b>	<b>(1,923)</b>	<b>593,672</b>
<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
<b>Total other changes</b>	<b>-</b>	<b>129,305</b>	<b>33,831</b>	<b>5,602</b>	<b>168,738</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	Interest payable	Dividends payable	Lease liabilities	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 19)	(Note (i))	(Note 20)	(Note 23)	
<b>At 31 December 2022 and 1 January 2023</b>	3,774,692	1,808	65,993	7,815	3,850,308
<b>Changes from financing cash flows:</b>					
Proceeds from loans and borrowings	1,222,629	-	-	-	1,222,629
Repayment of loans and borrowings	(739,331)	-	-	-	(739,331)
Repayment of dividends payable to the then-shareholders of acquired subsidiaries	-	-	(21,500)	-	(21,500)
Capital element of lease rentals paid	-	-	-	(1,670)	(1,670)
Interest element of lease rentals paid	-	-	-	(298)	(298)
Interest paid	-	(145,447)	-	-	(145,447)
<b>Total changes from financing cash flows</b>	483,298	(145,447)	(21,500)	(1,968)	314,383
<b>Other changes:</b>					
Interest expenses (Note 5(a))	-	101,205	-	298	101,503
Capitalised borrowing costs (Note 5(a))	-	47,617	-	-	47,617
Profit distribution to non-controlling interests	-	-	(17,311)	-	(17,311)
Increase in lease liabilities from entering into new leases during the period	-	-	-	1,708	1,708
<b>Total other changes</b>	-	148,822	(17,311)	2,006	133,517
<b>At 31 December 2023</b>	4,257,990	5,183	27,182	7,853	4,298,208

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:

	2023 RMB'000	2022 RMB'000
Within operating cash flows	4,634	4,835
Within financing cash flows	1,968	1,923
	<b>6,602</b>	6,758

These amounts relate to the following:

	2023 RMB'000	2022 RMB'000
Lease rentals paid	6,602	6,758

### 19 LOANS AND BORROWINGS

	2023 RMB'000	2022 RMB'000
Current	1,277,159	637,566
Non-current	2,980,831	3,137,126
Total	<b>4,257,990</b>	3,774,692

- (i) As at 31 December 2023, the bank loans and other interest-bearing borrowings were repayable as follows:

	2023 RMB'000	2022 RMB'000
Within one year	1,277,159	637,566
After one year but within two years	1,218,512	1,135,745
After two years but within five years	1,364,472	1,634,774
After five years	397,847	366,607
Total	<b>4,257,990</b>	3,774,692

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

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

- (ii) As at 31 December 2023, the bank loans and other interest-bearing borrowings were secured as follows:

	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
<b>Bank loans</b>		
— Guaranteed	—	12,333
— Secured	<b>67,492</b>	47,857
— Unsecured	<b>4,168,528</b>	3,692,532
<b>Other interest-bearing borrowings</b>		
— Guaranteed	<b>21,970</b>	21,970
<b>Total</b>	<b>4,257,990</b>	3,774,692

Note:

As at 31 December 2023, the other interest-bearing borrowings of the Group amounting to RMB21,970,000 (2022: RMB21,970,000) were guaranteed by an independent third party.

As at 31 December 2023, the bank loans of the Group amounting to RMB44,286,000 (2022: RMB47,857,000) were secured by right-of-use assets of Luoyang Haizhong Environmental, a subsidiary of the Group and guaranteed by Anhui Haizhong Environmental, a subsidiary of the Group.

As at 31 December 2023, the bank loans of the Group amounting to RMB23,206,000 (2022: RMB NIL) were secured by plant and buildings of Ninghai Xinyuantai Environmental, a subsidiary of the Group.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

## 20 TRADE AND OTHER PAYABLES

	2023 RMB'000	2022 RMB'000
Trade payables		
— Third parties	<b>257,263</b>	140,955
— Related parties (Note 28(c))	<b>58,286</b>	33,924
Bills payable	<b>80,939</b>	40,795
Trade and bills payables	<b>396,488</b>	215,674
Other payables and accruals		
— Construction and equipment payables	<b>381,063</b>	465,213
— Deposits	<b>30,605</b>	25,334
— Other taxes and surcharges payables	<b>5,458</b>	4,588
— Accrued payroll and other benefits	<b>140,340</b>	132,050
— Accrued expenses	<b>67,708</b>	70,561
— Others	<b>76,815</b>	53,611
	<b>1,098,477</b>	967,031
Dividends payable	<b>27,182</b>	65,993
Amounts due to related parties (Note 28(c))		
— Construction and equipment payables	<b>251,833</b>	280,910
— Others	<b>1,252</b>	544
Trade and other payables	<b>1,378,744</b>	1,314,478

## 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>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Within 1 year	<b>396,488</b>	215,674

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>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Balance at the beginning of the year	<b>14,666</b>	19,823
Provision for current income tax for the year (Note 6(a))	<b>48,493</b>	53,393
Payments during the year	<b>(57,501)</b>	(58,550)
Balance at the end of the year	<b>5,658</b>	14,666

## 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:

	Right-of-use assets RMB'000	Lease liabilities RMB'000	Unrealised profit upon elimination RMB'000	Loss allowance on trade receivables RMB'000	Fair value adjustment in relation to business combination RMB'000	Undistributed profits of subsidiaries RMB'000	Total RMB'000
<b>Deferred tax assets/ (liability) arising from:</b>							
At 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	-	-	-	-	(17,122)	-	(17,122)
At 31 December 2022 and 1 January 2023	-	-	3,700	5,223	(26,607)	-	(17,684)
(Debited)/Credited to profit or loss	(1,196)	1,178	(221)	2,289	3,155	(4,966)	239
Acquisition of subsidiaries (Note 26)	-	-	-	-	(9,776)	-	(9,776)
At 31 December 2023	(1,196)	1,178	3,479	7,512	(33,228)	(4,966)	(27,221)

##### (ii) Reconciliation to the consolidated statement of financial position:

	2023 RMB'000	2022 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	10,991	8,923
Net deferred tax liabilities recognised on the consolidated statement of financial position	(38,212)	(26,607)
	(27,221)	(17,684)

## 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 2023 in respect of undistributed earnings of RMB2,117,218,000 (2022: RMB1,899,131,000) of PRC subsidiaries respectively because the Group has no plans to distribute these earnings outside the PRC in the foreseeable future.

### 22 CONTRACT LIABILITIES

	2023 RMB'000	2022 RMB'000
Receipts in advance from customers for: Provision of treatment solutions for industrial solid and hazardous waste	<b>13,621</b>	10,676

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 2023, the lease liabilities were payable:

	2023 RMB'000	2022 RMB'000
Within 1 year	<b>1,144</b>	1,691
After 1 year but within 2 years	<b>584</b>	1,622
After 2 years but within 5 years	<b>1,814</b>	1,116
After 5 years	<b>4,311</b>	3,386
Balance at the end of the year	<b>7,853</b>	7,815

## 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 2022</b>	–*	1,199,004	29,567	(13,319)	1,215,252
Capitalisation issue	14,837	(14,837)	–	–	–
Loss and total comprehensive income for the year	–	–	–	(28,340)	(28,340)
<b>Balance at 31 December 2022 and 1 January 2023</b>	<b>14,837</b>	<b>1,184,167</b>	<b>29,567</b>	<b>(41,659)</b>	<b>1,186,912</b>
Loss and total comprehensive income for the year	–	–	–	(5,664)	(5,664)
<b>Balance at 31 December 2023</b>	<b>14,837</b>	<b>1,184,167</b>	<b>29,567</b>	<b>(47,323)</b>	<b>1,181,248</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

Dividends payable to equity shareholders of the Company attributable to the year:

	2023 RMB'000	2022 RMB'000
Final dividend proposed after the end of the reporting period of HKD3 cents per ordinary share (2022: HKD NIL cents per ordinary share)	<b>49,662</b>	–

Pursuant to a resolution passed at the Director's meeting on 19 March 2024, a final dividend of HKD0.03 (2022: HKD NIL) per ordinary share totalling HKD54,803,000, equivalent to approximately RMB49,662,000 (2022: HKD NIL, equivalent to approximately RMB NIL), was proposed for shareholders' approval. The dividend has not been provided for in the consolidated financial statements for the year ended 31 December 2023.

#### (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 2023 represented the issued share capital of the Company.



## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

### 24 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

#### (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.

##### (ii) Capital reserve

Capital reserve arises from:

- Deemed distributions to the controlling shareholder upon reorganisation happened in the year ended 31 December 2020.
- Acquisition of non-controlling interests of Shaanxi Bangda Environmental Engineering Co., Ltd (“Bangda Environmental”) and Dazhou Conch Venture Environmental Protection Technology Co., Ltd. (“Dazhou Environmental”) in the year ended 31 December 2022.
- Deemed contribution from the ultimate parent Company 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 2023 and 2022 was as follow:

	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Total liabilities	<b>5,702,078</b>	5,148,934
Total assets	<b>9,412,268</b>	8,536,568
Debt to asset ratio	<b>60.58%</b>	60.32%

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 2023, 4% (2022: 4%) of the total trade and other receivables were due from the Group's largest customer respectively, 12% (2022: 14%) 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 2023		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	0.75%	670,690	(5,013)
Less than 1 year past due	7.36%	301,508	(22,189)
1 to 2 years past due	98.50%	7,014	(6,909)
Over 2 years	100.00%	6,099	(6,099)
Individual assessment	100.00%	10,541	(10,541)
		<b>995,852</b>	<b>(50,751)</b>
	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)
		909,679	(31,452)
Individual assessment	100.00%	4,041	(4,041)
		<b>913,720</b>	<b>(35,493)</b>

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 2023					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	1,312,919	1,252,630	1,470,707	417,143	4,453,399	4,257,990
Trade and other payables	1,378,744	–	–	–	1,378,744	1,378,744
Lease liabilities	1,144	2,754	900	7,649	12,447	7,853
	<b>2,692,807</b>	<b>1,255,384</b>	<b>1,471,607</b>	<b>424,792</b>	<b>5,844,590</b>	<b>5,644,587</b>

	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>

## 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 2023 and 2022 are set out as follows:

	2023		2022	
	Interest rate %	RMB'000	Interest rate %	RMB'000
<b>Fixed rate:</b>				
Bank deposits with original maturity over three months	1.65%	4,044	N/A	–
Amounts due from related parties	N/A	–	N/A	–
		<u>4,044</u>		<u>–</u>
<b>Variable rate:</b>				
Cash at bank and on hand	0.25%	246,254	0.25%	273,058
Restricted bank deposits	0.20%–2.05%	39,975	0.30%–2.60%	52,869
Loans and borrowings	2.80%–4.85%	(4,257,990)	1.70%–4.65%	(3,774,692)
		<u>(3,971,761)</u>		<u>(3,448,765)</u>

## 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 2023, 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 RMB9,703,000 (2022: RMB7,971,000).

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 2023, carrying amount of financial assets and liabilities measured at fair value is RMB45,000,000 (31 December 2022: RMB NIL).

	Fair value at 31 December 2022 RMB'000	Fair value measurements as at 31 December 2023 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	—	—	45,000	—



## 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 2023 and 2022, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of forward exchange contracts in Level 2 is determined by discounting the difference between the contractual forward price and the current forward price. The discount rate used is derived from the relevant government yield curve as at the end of the reporting period plus an adequate constant credit spread.

### 26 ACQUISITION OF SUBSIDIARIES

#### (a) Acquisition of Wuhan Hanshi Environment Engineering

On 25 December 2023, the Group acquired 100% equity interests in Wuhan Hanshi Environment Engineering Co., Ltd. ("Wuhan Hanshi") from Shanghai Hanyirui Environment and Dongguan Xinhengyuan Environment for a consideration of RMB93,853,000.

The fair value of the identifiable assets and liabilities of Wuhan Hanshi 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	33,371	20,734	54,105
Trade and other receivables	18,964	–	18,964
Intangible assets	–	20,150	20,150
Right-of-use assets	3,330	24,291	27,621
Cash	3,208	–	3,208
Inventories	2,211	–	2,211
Trade and other payables	(23,665)	–	(23,665)
Deferred tax liabilities	–	(9,776)	(9,776)
Total identifiable net assets	37,419	55,399	92,818
Less:			
Total cash consideration			(93,853)
Goodwill			(1,035)

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

### 26 ACQUISITION OF SUBSIDIARIES *(Continued)*

#### (a) Acquisition of Wuhan Hanshi Environment Engineering *(Continued)*

Analysis of net cash outflow of cash and cash equivalents in respect of the acquisition of Wuhan Hanshi as at acquisition date:

	RMB'000
Total cash consideration	93,853
Less: Cash acquired as at the date of acquisition	(3,208)
Net outflow of cash included in cash flows from investing activities	90,645

Revenue and net profit that Wuhu Hanshi contributed to the Group from the acquisition date to 31 December 2023 were RMB NIL and RMB NIL, respectively.

Had the acquisition occurred on 1 January 2023, management estimates that the Group's consolidated revenue and consolidated profit for the year ended 31 December 2023 would have no material changes.

### 27 CAPITAL COMMITMENTS

At 31 December 2023, the Group had capital commitments not provided for in the consolidated financial statements were as follows:

	2023 RMB'000	2022 RMB'000
Contracted for	508,872	385,482
Authorised but not contracted for	441,181	313,766
	950,053	699,248

## 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. ("Techong 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 Lvneng 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. ("Conch Design Institute") 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 Environment Protection New Material Co., Ltd. ("Conch New Material") 海螺(安徽)節能環保新材料股份有限公司	Subsidiary 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 Material
Wuhu Conch Extrusion Equipment Cos., Ltd. 蕪湖海螺擠出裝備有限公司	Subsidiary of Conch New Material
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 Material

## 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 Material
Baoji Conch Profiles Co., Ltd. 寶雞海螺型材有限責任公司	Subsidiary of Conch New Material
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
Fenxi Conch Cement Co., Ltd. ("Fenxi 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

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

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

Name of party (i)	Relationship
Zhongguo Cement Co., Ltd. (“Zhongguo Plant”) 中國水泥廠有限公司	Subsidiary of Conch Cement
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 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



## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

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

Name of party (i)	Relationship
Liquan Conch Cement Co., Ltd. ("Liquan Conch") 禮泉海螺水泥有限責任公司	Subsidiary of Conch Cement
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

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

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

Name of party (i)	Relationship
Liukuang Ruian Conch Cement Co., Ltd. ("Ruian Conch") 貴州六礦瑞安水泥有限公司	Subsidiary of Conch Cement
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

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

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

Name of party (i)	Relationship
Chaohu Conch Cement Co., Ltd. ("Chaohu Conch") 巢湖海螺水泥有限責任公司	Subsidiary of Conch Cement
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

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

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

Name of party (i)	Relationship
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
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:

	2023 RMB'000	2022 RMB'000
Short-term employee benefits	2,892	2,818
Post-employment benefits	77	12
	<b>2,969</b>	2,830

#### (b) Significant related party transactions

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

	2023 RMB'000	2022 RMB'000
<b>Service rendered to:</b>		
Conch Venture and its subsidiaries	29,617	12,598
Conch Holdings	37	5
Conch New Materials	249	200
CKEM	179	98
Conch Cement	15,742	270
	<b>45,824</b>	13,171

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

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

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

	2023 RMB'000	2022 RMB'000
<b>Purchase of goods and equipments from:</b>		
Conch Venture and its subsidiaries	121,655	77,531
Conch IT Engineering	11,173	10,171
Conch Holdings	1,463	343
Conch New Materials	453	213
Conch Cement	6,681	5,267
	<b>141,425</b>	93,525
<b>Services received from:</b>		
Conch Venture and its subsidiaries	15,563	3,764
Conch Design Institute	5,974	6,876
Conch Holdings	59	233
Conch IT Engineering	–	1,195
Associate of Conch Cement	891	3,216
Conch Cement	67,734	29,703
	<b>90,221</b>	44,987
<b>Purchase of right-of-use assets</b>		
Conch Cement	8,767	–

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

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

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

	2023 RMB'000	2022 RMB'000
<b>Dividends paid to the then-shareholder of acquired subsidiary</b>		
Conch Venture and its subsidiaries	21,500	–

	2023 RMB'000	2022 RMB'000
<b>Repayment of amounts due from related parties</b>		
Conch Venture and its subsidiaries	–	150,000

#### (c) Balances with related parties

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

	2023 RMB'000	2022 RMB'000
<b>Trade receivables:</b>		
Conch Venture and its subsidiaries	31,552	4,365
CKEM	–	67
Conch Cement	3,664	67
	<b>35,216</b>	4,499
<b>Other receivables (non-trade):</b>		
Conch Venture and its subsidiaries	6,036	338
Conch Cement	60	748
Conch IT Engineering	101	133
Conch New Materials	80	22
	<b>6,277</b>	1,241

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

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

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

	2023 RMB'000	2022 RMB'000
<b>Trade payables:</b>		
Conch Venture and its subsidiaries	522	1,099
Conch Cement	50,566	28,036
Conch Cement's associates	7,198	4,789
	<b>58,286</b>	33,924
<b>Other payables (non-trade):</b>		
Conch Venture and its subsidiaries	246,660	271,539
Conch Cement	1,253	230
Conch IT Engineering	4,301	5,556
Conch Design Institute	871	4,115
CKEM	-	8
Conch New Materials	-	6
	<b>253,085</b>	281,454
<b>Dividends payable to the then-shareholder of acquired subsidiary:</b>		
Conch Venture and its subsidiaries	27,182	48,682

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

		As at 31 December	
	Note	2023	2022
		RMB'000	RMB'000
<b>Non-current assets</b>			
Investment in a subsidiary		<b>671,464</b>	671,464
Trade and other receivables		<b>509,588</b>	511,589
		<b>1,181,052</b>	1,183,053
<b>Current assets</b>			
Trade and other receivables		–	11
Cash and cash equivalents		<b>196</b>	4,843
		<b>196</b>	4,854
<b>Current liabilities</b>			
Trade and other payables		–	995
<b>Net current assets</b>		<b>196</b>	3,859
<b>Total assets less current liabilities</b>		<b>1,181,248</b>	1,186,912
<b>Capital and reserves</b>			
Share capital	24(a)	<b>14,837</b>	14,837
Reserves		<b>1,116,411</b>	1,172,075
<b>Total equity</b>		<b>1,181,248</b>	1,186,912

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

### 30 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of reporting period, the directors proposed a final dividend for the year ended 31 December 2023. Further details are disclosed in Note 24(b).

### 31 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2023

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 2023 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>
Amendments to IAS 1, <i>Presentation of financial statements: Classification of liabilities as current or non-current ("2020 amendments")</i>	1 January 2024
Amendments to IAS 1, <i>Presentation of financial statements: Non-current liabilities with covenants ("2022 amendments")</i>	1 January 2024
Amendments to IFRS 16, <i>Leases: Lease liability in a sale and leaseback</i>	1 January 2024
Amendments to IAS 7, <i>Statement of cash flows and HKFRS 7, Financial Instruments: Disclosures: Supplier finance arrangements</i>	1 January 2024
Amendments to IAS 21, <i>The effects of changes in foreign exchange rates: Lack of exchangeability</i>	1 January 2025

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.