



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



2024 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.

CONTENTS

Definitions	2
1. Corporate Information	7
2. Financial Highlights	9
3. Highlights of Conch Environment in 2024	10
4. Business Review and Outlook	12
5. Management Discussion and Analysis	24
6. Corporate Governance Report	34
7. Report of the Directors	55
8. Biographies of Directors and Senior Management	82
9. Independent Auditor's Report	88
10. Consolidated Statement of Profit or Loss	96
11. Consolidated Statement of Profit or Loss and Other Comprehensive Income	97
12. Consolidated Statement of Financial Position	98
13. Consolidated Statement of Changes in Equity	100
14. Consolidated Cash Flow Statement	101
15. Notes to the Financial Statements	102



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.*), a company established in the PRC with limited liability and a subsidiary of the Company
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 Cement
Conch Venture:	China Conch Venture Holdings Limited (中國海螺創業控股有限公司), an exempted limited company incorporated in the Cayman Islands and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 586)
Conch Venture CNBM HK:	Conch Venture CNBM Hong Kong Holdings Limited
Conch Venture Mengxi Technology:	內蒙古海螺蒙西科技發展有限公司 (Inner Mongolia Conch Venture Mengxi Technology Development Co., Ltd. *)
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, the 2023 Information System Procurement Framework Agreement (including the proposed annual caps for the three years ended 31 December 2025) and the 2025 Renewed Framework Agreement with Conch Cement (including the proposed annual caps for the three years ended 31 December 2027), 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:	17 April 2025, being the latest practicable date prior to the printing of this report for ascertaining certain information in this 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

DEFINITIONS

Listing Rules:	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
Management:	the operating management team of the Company
Parties Acting in Concert:	the parties acting in concert with Conch Cement under the Code 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), WANG Chunjian (汪純健), 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 2024 to 31 December 2024
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

DEFINITIONS

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
Tianshan Material:	天山材料股份有限公司 (Tianshan Material Co., Ltd.*), a company listed on the Shenzhen Stock Exchange (stock code: 000877)
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.*)

* For identification purpose only

1. CORPORATE INFORMATION

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

1. CORPORATE INFORMATION

(IX) AUTHORISED REPRESENTATIVES:	Mr. LI Qunfeng Mr. WANG Chunjian
(X) REGISTERED OFFICE IN THE CAYMAN ISLANDS:	Campbells Corporate Services Limited Floor 4, Willow House, Cricket Square Grand Cayman, KY1-9010, Cayman Island
(XI) HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC:	No. 39 Wenhua Road, Jinghu District, Wuhu City, Anhui Province, China
(XII) POSTAL CODE:	241000
(XIII) EMAIL ADDRESS OF THE COMPANY:	hlhb@conchenviro.com
(XIV) WEBSITE OF THE COMPANY:	http://www.conchenviro.com
(XV) PRINCIPAL PLACE OF BUSINESS IN HONG KONG:	Room 1920, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong
(XVI) HONG KONG LEGAL ADVISOR:	Clifford Chance
(XVII) INTERNATIONAL AUDITOR:	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
(XVIII) PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS:	Conyers Trust Company (Cayman) Limited Cricket Square, Hutchins Drive P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands
(XX) HONG KONG SHARE REGISTRAR:	Computershare Hong Kong Investor Services Limited Shops 1712–1716, 17th Floor Hopewell Centre 183 Queen's Road East, Wanchai Hong Kong
(XXI) STOCK CODE:	00587

2. FINANCIAL HIGHLIGHTS

FINANCIAL OVERVIEW (FOR THE YEAR ENDED 31 DECEMBER 2024)

1. Operation results

Item	2024	2023	2022	Unit: RMB'000	
				2021	2020
Revenue	1,686,990	1,881,556	1,729,598	1,698,153	1,143,991
Profit before taxation	10,027	352,267	410,531	697,713	574,160
(Loss)/profit for the year	-5,368	304,013	360,463	646,577	557,994
Net profit attributable to the equity Shareholders of the Company	6,275	264,130	328,656	578,607	468,986

2. Assets and liabilities

Item	2024	2023	2022	Unit: RMB'000	
				2021	2020
Total assets	9,750,378	9,412,268	8,536,568	7,510,221	4,888,112
Total liabilities	6,091,454	5,702,078	5,148,934	4,420,301	3,086,475
Equity attributable to the equity Shareholders of the Company	2,947,980	2,993,037	2,728,907	2,420,593	1,053,244

Conch Environment relocated to the headquarters office building.

Figure 1 is a bar chart titled "图 1 10 家银行信用评级对比" (Figure 1: Comparison of the credit ratings of the 10 banks). The chart compares the credit ratings of 10 banks across five categories: 投资评级 (Investment Grade), 发行评级 (Issuance Grade), 资产评级 (Asset Grade), 资本评级 (Capital Grade), and 流动性评级 (Liquidity Grade). The banks are listed on the x-axis: 招商银行 (CMB), 平安银行 (Ping'an Bank), 浦发银行 (SPDB), 中信银行 (CITIC Bank), 光大银行 (Everbank), 民生银行 (Min Sheng Bank), 兴业银行 (Xingye Bank), 华夏银行 (Huaxia Bank), 交通银行 (Jiaotong Bank), and 中信银行 (CITIC Bank). The y-axis shows the credit ratings: AAA, AA+, AA, A+, A, and A-.

银行名称 (Bank Name)	投资评级 (Investment Grade)	发行评级 (Issuance Grade)	资产评级 (Asset Grade)	资本评级 (Capital Grade)	流动性评级 (Liquidity Grade)
招商银行 (CMB)	AAA	AAA	AAA	AAA	AAA
平安银行 (Ping'an Bank)	AA+	AA+	AA+	AA+	AA+
浦发银行 (SPDB)	AA	AA	AA	AA	AA
中信银行 (CITIC Bank)	A+	A+	A+	A+	A+
光大银行 (Everbank)	A	A	A	A	A
民生银行 (Min Sheng Bank)	A	A	A	A	A
兴业银行 (Xingye Bank)	A	A	A	A	A
华夏银行 (Huaxia Bank)	A	A	A	A	A
交通银行 (Jiaotong Bank)	A	A	A	A	A
中信银行 (CITIC Bank)	A	A	A	A	A

HIGHLIGHTS OF CONCH ENVIRONMENT



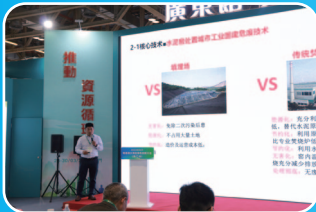
Conch Environment carried out a series of activities on theme of 6-5 Environment Day. The Company proactively launched the environmental protection publicity activities, and invited government authorities, schools and other units to visit the plants in order to facilitate "fully advancing the Beautiful China Initiative" with practical action.



"Research and Development of Key Technology for Resource Utilization of Domestic Waste Incineration Fly Ash in Cement Kiln and Its Application (水泥窑资源化利用生活垃圾焚烧飞灰关键技术研发及应用)" and "Basic Research on the Application of Cement Kiln Synergistic Treatment of Fluorine-containing Sludge (水泥窑协同处置含氟污泥的应用基础研究)" independently developed by Conch Environment were awarded "Third Award for Technological Progress" and "Third Award for Basic Research on Science and Technology" by China Building Materials Federation, respectively.

03
28

Conch Environment was invited to participate in "2024 Macao International Environmental Co-operation Forum & Exhibition" hosted by the Government of the Macao Special Administrative Region with its booth set up in the "Guangdong Pavilion". The exhibition fully demonstrated the Company's innovative achievements in the field of environmental protection and further emphasized the Groups' leading position in the industry.



06
05

06
13

06
26

Conch Environment successfully hosted the 2024 Safe Production Knowledge Contest and Safety Speech Contest. By "promoting learning and utilization through competition", the Company inspired all employees to learn safety knowledge, master safety skills and comply with the safety system.



CONCH

4. BUSINESS REVIEW AND OUTLOOK

(1) MACRO ENVIRONMENT

In 2024, the international environment remained intricate and complex, the momentum of global economy growth stayed weak and the geopolitical conflicts intensified along with insufficient effective domestic demand. Facing complex and severe situation with intensified external pressure and increasing internal difficulties, China actively advanced high-quality development and accelerated green and low-carbon transformation under the guidance of national macro policies. The national economy maintained overall stability and demonstrated steady progress, with an increase of approximately 5% in GDP over last year.

During the Reporting Period, in the face of numerous adverse factors such as intensified competition in the hazardous waste treatment market and a continuous downturn in operating rate of cement kiln, the Group focused on the development of external market, and continuously strengthened internal management, optimized production organization and strengthened production management coordination with cement enterprises and factories, with an increase in “total treatment volume” and a year-on-year decrease in trade receivables. Although the Group’s consolidated profitability declined due to the ongoing decrease in treatment prices of solid and hazardous wastes, the overall operating situation was basically stable and all work was carried out in an orderly manner.

(2) BUSINESS REVIEW

Since 2024, 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”. While consolidating its leading position in cement kiln co-treatment for solid and hazardous waste business, the Group continued to increase research and development and innovation of technologies, and focused on resource utilization, energy saving and carbon reduction and other key areas, further deepening and improving the Group’s presence in environmental protection industry.

At the end of the Reporting Period, the Group put into operation and constructed a total of 85 environmental protection projects in 21 provinces, municipalities, and autonomous regions across the country, including 41 general hazardous waste projects, 6 fly ash washing projects, 6 oil sludge treatment projects, 26 industrial solid waste projects and 6 comprehensive resource utilization projects. The treatment scale of the projects was approximately 12,042,300 tonnes/year (excluding projects subject to approval and to be constructed).

4. BUSINESS REVIEW AND OUTLOOK

Industrial hazardous waste treatment and comprehensive resource utilization

(1) Project expansion

In terms of fly ash treatment, the Group successfully secured a project in Taizhou, Zhejiang Province (50,000 tonnes/year). During the Reporting Period, the Wuhu project of the Group was successfully selected as one of the first batch national-level regional hazardous waste (fly ash) centralized treatment centers, which fully demonstrated the Group's advanced treatment process, extensive technology expertise and strong industrial influence in the fly ash treatment area.

In terms of resource utilization, the Group fully leveraged results of market investigation to continuously expand alternative fuel business and enhance control over the source of alternative fuel business. During the Reporting Period, the Group successfully secured two alternative fuel projects: one in Shenzhen, Guangdong Province (200,000 tonnes/year) and another in Xuancheng, Anhui Province (50,000 tonnes/year).

(2) Project operation

In terms of market expansion, the Group placed great emphasis on customers at the source, achieving further increase in the "number of customers and contracts"; continuously strengthened bidding management as to key waste-generating companies and successively obtained the treatment franchise of barium residue, oil sludge of oil production plants and other key projects; and proactively promoted cross-provincial transportation, successfully opening up the channel for cross-provincial transition of fly ash from Zhejiang Province to Anhui Province.

In terms of operation and management, the Group continuously strengthened production management of cement enterprises and plants, strengthened production organization, optimized cost control in production, procurement and other management processes and solidly promoted 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 1,165,700 tonnes, representing a year-on-year increase of approximately 8.27%, among which approximately 991,000 tonnes were general hazardous waste, approximately 108,000 tonnes were oil sludge, and approximately 66,700 tonnes were fly ash. Approximately 2,800 tonnes of comprehensive resource utilization matte products were sold, and approximately 302,400 tonnes of alternative fuels were produced and sold, representing a year-on-year increase of approximately 198%.

4. BUSINESS REVIEW AND OUTLOOK

Industrial solid waste treatment

(1) Project expansion

The Group conducted in-depth market research on sludge market, fully promoted the launch of high-quality projects and continuously strengthened investigation exchanges of resource utilization technologies of sludge. Combining the energy-saving and consumption-reducing effect of sludge and leveraging the successful operating experience of its existing sludge drying projects, the Group actively explored new cooperation and development model with cement enterprises.

During the Reporting Period, the Group successfully entered into a solid waste treatment project in Qingxin, Guangdong Province (300,000 tonnes/year).

(2) Project operation

The Group actively expanded its presence in industrial solid waste treatment and obtained the treatment franchise for a number of key sludge projects, further enhancing the operating efficiency of the Company. During the Reporting Period, the total treatment volume of industrial solid waste of the Group was approximately 1,815,100 tonnes, representing a year-on-year decrease of approximately 12.38%.

4. BUSINESS REVIEW AND OUTLOOK

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	Region	Project Location	Treatment Capacity	Hazardous Waste Qualification	Actual/Expected Completion Date
1	In operation	East China	Wuhu, Anhui Province	266,000 tonnes/year	130,000 tonnes/year	December 2017
2			Suzhou, Anhui Province	200,000 tonnes/year	125,000 tonnes/year	August 2018
3			Yixing, Jiangsu Province	190,000 tonnes/year	100,000 tonnes/year	December 2019
4			Wuhu, Anhui Province	16,500 tonnes/year	16,500 tonnes/year	January 2021
5			Ningguo, Anhui Province	100,000 tonnes/year	70,000 tonnes/year	January 2022
6			Nanjing, Jiangsu Province	100,000 tonnes/year	94,600 tonnes/year	January 2022
7		Zhejiang	Fuyang, Zhejiang Province	200,000 tonnes/year	90,000 tonnes/year	June 2022
8		Jiangxi	Yiyang, Jiangxi Province	300,000 tonnes/year	170,000 tonnes/year	May 2018
9			Sanming, Fujian Province	200,000 tonnes/year	40,500 tonnes/year	August 2019
10			Fuzhou, Jiangxi Province	100,000 tonnes/year	75,000 tonnes/year	October 2022
11		Hunan	Qiyang, Hunan Province	270,000 tonnes/year	69,500 tonnes/year	January 2020
12			Linxiang, Hunan Province	190,000 tonnes/year	88,500 tonnes/year	January 2021
13			Wuhan, Hubei Province	18,000 tonnes/year	18,000 tonnes/year	December 2023
14		South China	Xingye, Guangxi Region	320,000 tonnes/year	161,500 tonnes/year	August 2018
15			Yangchun, Guangdong Province	205,000 tonnes/year	85,300 tonnes/year	August 2020
16			Chongzuo, Guangxi Region	100,000 tonnes/year	85,000 tonnes/year	March 2021
17			Long'an, Guangxi Region	100,000 tonnes/year	70,000 tonnes/year	March 2021
18			Guilin, Guangxi Region	230,000 tonnes/year	50,000 tonnes/year	July 2021
19			Shaoguan, Guangdong Province	430,000 tonnes/year	180,600 tonnes/year	April 2023
20			Qingyuan, Guangdong Province	70,000 tonnes/year	67,500 tonnes/year	August 2023
21			Luoding, Guangdong Province	300,000 tonnes/year	100,000 tonnes/year	April 2024
22		Southwest China	Zhong County, Chongqing Municipality	448,000 tonnes/year	143,500 tonnes/year	June 2019
23			Wenshan, Yunnan Province	71,000 tonnes/year	66,000 tonnes/year	August 2019
24			Qingzhen, Guizhou Province	150,000 tonnes/year	100,000 tonnes/year	September 2019
25			Nantong, Chongqing Municipality	160,000 tonnes/year	50,000 tonnes/year	December 2022
26		Northwest China	Fuping, Shaanxi Province	100,000 tonnes/year	100,000 tonnes/year	April 2016
27			Qian County, Shaanxi Province	80,100 tonnes/year	80,100 tonnes/year	April 2017
28			Qianyang, Shaanxi Province	100,000 tonnes/year	78,000 tonnes/year	October 2018
29			Tongchuan, Shaanxi Province	100,000 tonnes/year	81,500 tonnes/year	August 2019
30			Pingliang, Gansu Province	130,000 tonnes/year	60,000 tonnes/year	June 2022
31			Jiayuguan, Gansu Province	200,000 tonnes/year	100,000 tonnes/year	June 2022
32			Tongchuan, Shaanxi Province	200,000 tonnes/year	147,000 tonnes/year	April 2024

4. BUSINESS REVIEW AND OUTLOOK

No.	Status of Construction	Region	Project Location	Treatment Capacity	Hazardous Waste Qualification	Actual/Expected Completion Date
33		Shandong	Sishui, Shandong Province	200,000 tonnes/year	100,000 tonnes/year	January 2020
34			Dezhou, Shandong Province	100,000 tonnes/year	75,000 tonnes/year	December 2020
35			Tai'an, Shandong Province	160,000 tonnes/year	100,000 tonnes/year	December 2020
36		Henan	Luoyang, Henan Province	138,000 tonnes/year	72,000 tonnes/year	December 2020
37			Jiyuan, Henan Province	80,000 tonnes/year	50,000 tonnes/year	December 2020
38			Dengfeng, Henan Province	100,000 tonnes/year	80,000 tonnes/year	July 2021
39		Northeast China	Hulunbuir, Inner Mongolia	50,000 tonnes/year	35,000 tonnes/year	June 2022
40			Arong Qi, Inner Mongolia	100,000 tonnes/year	85,000 tonnes/year	June 2022
Subtotal				6,572,600 tonnes/year	3,490,600 tonnes/year	
41	Under construction	Northwest China	Yongdeng, Gansu Province	100,000 tonnes/year	/	April 2025
Subtotal				100,000 tonnes/year	/	
Total				6,672,600 tonnes/year	3,490,600 tonnes/year	

4. BUSINESS REVIEW AND OUTLOOK

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	Region	Project Location	Treatment Capacity	Actual/Expected Completion Date
1	In operation	East China	Wuhu, Anhui Province	100,000 tonnes/year	December 2020
2			Quanjiao, Anhui Province	100,000 tonnes/year	May 2023
3		Jiangxi	Yiyang, Jiangxi Province	100,000 tonnes/year	March 2022
4		Hunan	Yiyang, Hunan Province	49,500 tonnes/year	March 2022
5		Northwest China	Qian County, Shaanxi Province	50,000 tonnes/year	December 2023
Subtotal				399,500 tonnes/year	
6	Under construction	Zhejiang	Taizhou, Zhejiang Province	50,000 tonnes/year	January 2026
Subtotal				50,000 tonnes/year	
Total				449,500 tonnes/year	

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	Region	Project Location	Treatment Capacity	Hazardous Waste Qualification	Actual/Expected Completion Date
1	In operation	Northwest China	Yulin, Shaanxi Province	225,000 tonnes/year	225,000 tonnes/year	May 2020
2			Qingyang, Gansu Province	96,000 tonnes/year	88,000 tonnes/year	April 2024
3		Shandong	Binzhou, Shandong Province	100,000 tonnes/year	100,000 tonnes/year	May 2021
4			Dongying, Shandong Province	160,000 tonnes/year	160,000 tonnes/year	January 2022
5		Northeast China	Jinzhou, Liaoning Province	Oil sludge treatment: 20,000 tonnes/year Incineration: 42,000 tonnes/year	62,000 tonnes/year	September 2023
Subtotal				643,000 tonnes/year	635,000 tonnes/year	
6	Under construction	Southwest China	Zhong County, Chongqing Municipality (Phase 1)	50,000 tonnes/year	/	January 2025
Subtotal				50,000 tonnes/year		
Total				693,000 tonnes/year	635,000 tonnes/year	

4. BUSINESS REVIEW AND OUTLOOK

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	Region	Project Location	Treatment Capacity	Actual/Expected Completion Date
1	In operation	East China	Huaining, Anhui Province	66,000 tonnes/year	September 2017
2			Huaibei, Anhui Province	132,000 tonnes/year	December 2017
3			Fanchang, Anhui Province	210,000 tonnes/year	July 2020
4			Chizhou, Anhui Province	200,000 tonnes/year	November 2020
5			Quanjiao, Anhui Province	60,000 tonnes/year	July 2021
6			Zongyang, Anhui Province	100,000 tonnes/year	July 2021
7			Chaohu, Anhui Province (sludge drying)	200,000 tonnes/year	January 2023
8			Wuhu, Anhui Province (sludge drying)	146,000 tonnes/year	February 2023
9			Tongling, Anhui Province	650,000 tonnes/year	March 2023
10			Hunan	Yiyang, Hunan Province	66,200 tonnes/year
11		Xinhua, Hunan Province		66,000 tonnes/year	January 2022
12		South China	Yunfu, Guangdong Province	160,000 tonnes/year	June 2023
13			Changjiang, Hainan	100,000 tonnes/year	January 2024
14		Southwest China	Liangping, Chongqing Municipality	235,000 tonnes/year	September 2019
15			Guangyuan, Sichuan Province	120,000 tonnes/year	January 2020
16			Shuicheng, Guizhou Province	66,000 tonnes/year	October 2023
17			Mianyang, Sichuan Province	100,000 tonnes/year	March 2024
18			Dazhou, Sichuan Province	155,000 tonnes/year	May 2024
19		Northwest China	Mian County, Shaanxi Province	16,500 tonnes/year	October 2017
20		Shandong	Baoding, Hebei Province	100,000 tonnes/year	March 2021
21			Jining, Shandong Province	50,000 tonnes/year	April 2024
22		Henan	Xin'an, Henan Province	49,500 tonnes/year	June 2022
23		Non-regional projects	Lin'an, Zhejiang Province	100,000 tonnes/year	March 2022
24			Changshou, Chongqing Municipality	149,000 tonnes/year	April 2022
25			Xiangtan, Hunan Province	200,000 tonnes/year	May 2023
26			Changshan, Zhejiang Province	250,000 tonnes/year	January 2024
Subtotal				3,747,200 tonnes/year	

4. BUSINESS REVIEW AND OUTLOOK

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	Region	Project Location	Production Capacity	Actual/Expected Completion Date
1	In operation	South China	Qingyuan, Guangdong Province	30,000 tonnes/year	July 2023
2		East China	Wuhu, Anhui Province	100,000 tonnes/year	November 2023
3			Chizhou, Anhui Province (Phase 1)	100,000 tonnes/year	May 2024
Subtotal				230,000 tonnes/year	
4	Under construction	East China	Xuancheng, Anhui Province	50,000 tonnes/year	January 2025
5			Chizhou, Anhui Province (Phase 2)	100,000 tonnes/year	January 2025
Subtotal				150,000 tonnes/year	
Total				380,000 tonnes/year	

At the end of the Reporting Period, details of the comprehensive utilization project of other resource of the Group are set out in the following table:

No.	Status of Construction	Region	Project Location	Treatment Capacity	Hazardous Waste Qualification	Actual/Expected Completion Date
1	In operation	Zhejiang	Ninghai, Zhejiang Province	100,000 tonnes/year	100,000 tonnes/year	May 2021
2	Under construction	South China	Changjiang, Hainan Province	15,000 vehicles/year	/	January 2025

At the end of the Reporting Period, the treatment capacity of the Group's projects in operation and under construction was approximately 12,042,300 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	
Status	In operation	Under construction	In operation	Under construction	In operation	Under construction	In operation	In operation	Under construction
Treatment capacity	657.26	10	39.95	5	64.3	5	374.72	33	15

4. BUSINESS REVIEW AND OUTLOOK

(3) FUTURE PLAN AND OUTLOOK

2025 marks the final year of the implementation of the “14th Five-Year” Development Plan and a crucial year for the Group to seek breakthroughs and transformational development. From an industry perspective, promoting the establishment of a robust hazardous waste recycling system and strictly controlling hazardous waste landfill disposal will be key focal points of national environmental policies. In February 2025, the General Office of the Ministry of Ecology and Environment issued the “Guiding Opinions on Further Strengthening Environmental Management of Hazardous Waste and Strictly Preventing Environmental Risks” (《關於進一步加強危險廢物環境治理嚴密防控環境風險的指導意見》), which emphasized the need to steadily reduce the proportion of hazardous waste disposed of in landfills and promote the resource utilization of hazardous waste. By 2030, the proportion of hazardous waste disposed of in landfills nationwide should be controlled to within 10%.

The Group will closely follow the guidance of national policies. Guided by the overarching strategy of “giving full play to production capacity, improving efficiency, and accelerating development”, and adhering to the principles of “focusing on front-end initiatives and innovation-driven efforts”, the Group will further enhance the core competitiveness of the enterprise, cultivate new quality productivity, accelerate the transformation and development of the enterprise, and consolidate our Group’s leading position in the solid and hazardous waste disposal industry. To this end, the Group will focus on the following aspects of work:

4. BUSINESS REVIEW AND OUTLOOK

Adhering to front-end efforts and source-level planning to drive transformation and promote development

The Group will focus on the development of its main environmental protection business. By implementing the development concepts of “technological advancement, industrial synergy, and sustainable development”, and making efforts simultaneously in new construction and acquisitions, the Group will actively seek strategic cooperation opportunities with leading environmental protection companies, and spare no effort to promote its high-quality development.

In terms of the cement kiln co-processing business, the Group will accelerate the implementation of sludge drying and general solid waste projects that require small investment and yield quick results, expand the bulk solid waste industry segment, and consolidate and enhance the advantages of its main business. Leveraging the resource advantages of its partner cement enterprises, the Group will also actively explore opportunities for overseas co-processing projects. **In terms of the comprehensive resource utilization business**, on the one hand, the Group will take the layout at the source as the breakthrough point. In regions with favorable conditions, the Group will accelerate the construction of urban green sorting centers to expand the source market for alternative fuels. On the other hand, the Group will accelerate the layout of the resource utilization industry, fully demonstrate the carriers of the reserved resource utilization projects, and focus on sub-sectors such as the recycling of metal resources and the resource utilization of construction waste, further extending, supplementing, and strengthening the industrial chain, as well as enhancing the competitiveness of the enterprise. **In terms of fly ash treatment**, guided by the principle of prioritizing profitability and aligning with the national management policy orientation of approaching zero landfill for hazardous waste, the Group will focus on promoting the implementation of projects in economically developed regions. **In terms of the oil sludge business**, the Group will intensify market research in key oil-producing regions and coastal areas where the petroleum industry is located, strengthen the layout of exploring the source market of oil sludge, and seek cooperation opportunities with large oil fields. **In terms of the medical waste treatment business**, the Group will adopt a market-driven approach, explore the source treatment and source service models, and keep track of the application technologies for the front-end treatment of medical waste in a timely manner. The Group will also focus on capital cities and densely populated urban cities, dynamically track and collect information on the medical waste industry and relevant policies, and actively conduct feasibility demonstrations for investing in high-quality projects.

4. BUSINESS REVIEW AND OUTLOOK

Insisting on increasing prices and volume and coordinating the enhancement of operational quality to reshape core competitiveness

In terms of market expansion, the Group will further strengthen market development and actively promote price stability alongside price increases. The Group will enhance the market expansion of general solid waste, contaminated soil, and alternative fuels, expand channels for bulk solid waste and increase the volume of general solid waste entering its facilities to boost profitability from solid waste management. The Group will focus on improving service quality, well-coordinate bidding efforts for key waste-generating companies, and enhance client retention among major customers. The Group will continue to expand its alternative fuel business, increase the scale of alternative fuel sourcing business, and boost revenue from this sector. Additionally, the Group will fully leverage the demonstration and emergency response functions of the hazardous waste (fly ash) central disposal center in the East China region to accelerate market development for fly ash in Jiangsu, Zhejiang, and Shanghai, so as to increase its market share in the fly ash business stream.

In operation and management, the Group will deepen integration with cement manufacturers in production management, emphasizing process management, experience summarization, and workflow optimization while focusing on improving real-time efficiency and relative operating rates. The Group will actively advance technical reforms and measures, strengthen coordination management and broaden the co-treatment capacity for solid and hazardous waste. Furthermore, the Group will continuously optimize production and operation cost control to enhance efficiency and reduce costs.

4. BUSINESS REVIEW AND OUTLOOK

Upholding technology-driven and mechanism innovation to fully empower quality and efficiency enhancement as well as industry extension

The Group will intensify research and development efforts, and focus on new pollutant treatment, sludge deodorization and wall-breaking agents by leveraging its academician workstation and green technology research center to accelerate the conversion of technological achievements into practical applications. The Group will actively advance technical reforms and measures, encourage innovation across all levels, and gradually implement the transformation and upgrading of intelligent and information systems to enhance operational efficiency and drive cost reduction and efficiency improvements. By aligning its development with market demand and using engineering applications as a vehicle, the Group will promote the practical application of scientific research results, such as low-temperature pyrolysis of fly ash, aiming to establish benchmark projects in key business areas.

Strengthening compliance management and enhancing risk prevention and diffusion capabilities

First, the Group will focus on intensifying commercial customer credit development and financial management oversight while establishing a comprehensive risk prevention and control system to continuously ensure stable and secure cash flow for the Company. Second, the Group will enhance its internal control and regulatory frameworks by concentrating on critical risk areas, and effectively address identified issues. Third, the Group will strengthen its safety management system, solidify the foundation of safety management practices and rigorously fulfill its safety management responsibilities.

5. MANAGEMENT DISCUSSION AND ANALYSIS

(I) FINANCIAL PROFITABILITY

Item	2024 Amount (RMB'000)	2023 Amount (RMB'000)	Change between the Reporting Period and the same period of last year (%)
Revenue	1,686,990	1,881,556	-10.34
Profit before taxation	10,027	352,267	-97.15
(Loss)/profit for the year	-5,368	304,013	-101.77
Net profit attributable to the equity Shareholders of the Company	6,275	264,130	-97.62

During the Reporting Period, the Group recorded revenue of RMB1,686.99 million, representing a year-on-year decrease of 10.34%. Profit before taxation amounted to RMB10.03 million, representing a year-on-year decrease of 97.15%. Loss for the year amounted to RMB5.37 million, representing a year-on-year decrease of 101.77%. Net profit attributable to equity shareholders of the Company amounted to RMB6.28 million, representing a year-on-year decrease of 97.62%.

1. Revenue by business stream

Item	2024		2023		Change in amount	Change in percentage (percentage points)
	Amount (RMB'000)	Percentage (%)	Amount (RMB'000)	Percentage (%)		
Industrial hazardous waste treatment services	1,151,699	68.27	1,220,163	64.85	-5.61	3.42
General hazardous waste	958,226	56.80	1,047,377	55.67	-8.51	1.13
Oil Sludge	107,583	6.38	80,796	4.29	33.15	2.09
Fly ash	85,890	5.09	91,990	4.89	-6.63	0.20
Industrial solid waste treatment services	407,976	24.18	568,674	30.22	-28.26	-6.04
Comprehensive resource utilization	127,315	7.55	92,719	4.93	37.31	2.62
Total	1,686,990	100.00	1,881,556	100.00	-10.34	-

5. MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, revenue of the Group was derived from three main business streams, 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 hazardous waste treatment services** was RMB1,151.70 million, representing a year-on-year decrease of 5.61%, of which:

Revenue from **general hazardous waste** was RMB958.23 million, representing a year-on-year decrease of 8.51%. The decrease in revenue was mainly attributable to the following reasons: firstly, the intensified market competition resulting in the decrease of the market prices in Jiangxi, Chongqing, Hunan, Henan and other provinces and municipalities; and secondly, the additional time of shifting suspension of cement kilns, affecting the treatment of the hazardous waste from companies in Fuyang, Qianyang, Longan and Xingye.

Revenue from **oil sludge treatment** was RMB107.58 million, representing a year-on-year increase of 33.15%. This was primarily due to the faster year-on-year growth of the Dongying project.

Revenue from **fly ash treatment** was RMB85.89 million, representing a year-on-year decrease of 6.63%. This was primarily due to the insufficient treatment volume of fly ash projects, resulting in a decrease in revenue.

- (ii) Revenue from **industrial solid waste treatment services** was RMB407.98 million, representing a year-on-year decrease of 28.26%. This was primarily due to the delays in the execution of certain planned orders for disposal of contaminated soil by the Group, which resulted in insufficient treatment volume.
- (iii) Revenue from **comprehensive resource utilization** was RMB127.32 million, representing a year-on-year increase of 37.31%. This was primarily due to the commencement of operation of alternative fuel projects in Wuhu and Chizhou.

5. MANAGEMENT DISCUSSION AND ANALYSIS

2. Gross profit and gross profit margin

Item	2024		2023		Change in amount (%)	Change in percentage (Percentage points)
	Gross profit	Gross profit margin	Gross profit	Gross profit margin		
	(RMB'000)	(%)	(RMB'000)	(%)		
Industrial hazardous waste treatment services	435,596	37.82	582,865	47.77	-25.27	-9.95
General hazardous waste	360,102	37.58	529,645	50.57	-32.01	-12.99
Oil Sludge	44,264	41.14	24,740	30.62	78.92	10.52
Fly ash	31,229	36.36	28,480	30.96	9.65	5.40
Industrial solid waste treatment services	169,553	41.56	282,403	49.66	-39.96	-8.10
Comprehensive resource utilization	24,123	18.95	28,302	30.52	-14.76	-11.58
Total	629,273	37.30	893,570	47.49	-29.58	-10.19

During the Reporting Period, the Group recorded a gross profit of RMB629.27 million, representing a year-on-year decrease of 29.58%. With a breakdown by business streams:

- (i) Gross profit margin for **industrial hazardous waste treatment services** was 37.82%, representing a year-on-year decrease of 9.95 percentage points, among which:

Gross profit margin for **general hazardous waste** was 37.58%, representing a year-on-year decrease of 12.99 percentage points, which was mainly due to the declining market prices, coupled with the decrease in the operation rate of the synergistic kiln resulting in restricted treatment, and the failure of fixed cost dilution.

Gross profit margin for **oil sludge treatment** was 41.14%, representing a year-on-year increase of 10.52 percentage points, which was mainly due to the effective utilization of the production capacity following the technical upgrades at the oil sludge treatment companies, and the increase in intake as well as cost dilution, which effectively improved the gross profit margin.

Gross profit margin for **fly ash treatment** was 36.36%, representing a year-on-year increase of 5.40 percentage points.

- (ii) Gross profit margin for **industrial solid waste treatment services** was 41.56%, representing a year-on-year decrease of 8.10 percentage points, which was mainly due to the insufficient intake of contaminated soil, leading to a decrease in revenue.
- (iii) Gross profit margin for **comprehensive resource utilization** was 18.95%, representing a year-on-year decrease of 11.58 percentage points, mainly due to the changes in the business structure of comprehensive resource utilization with an increase in the proportion of alternative fuels business, which resulted in a decrease in the overall gross profit margin as a result of its lower gross profit margin.

5. MANAGEMENT DISCUSSION AND ANALYSIS

3. Other net income

During the Reporting Period, the Group's other net income amounted to RMB42.60 million, representing a year-on-year increase of RMB9.63 million, or 29.20%, primarily due to a year-on-year increase in government subsidies received.

4. Distribution costs

During the Reporting Period, the Group's distribution costs amounted to RMB169.83 million, representing a year-on-year increase of RMB24.17 million, primarily due to the increase in number of projects in operation and the rise in marketing expenses.

5. Administrative expenses

During the Reporting Period, the Group's administrative costs amounted to RMB339.24 million, representing a year-on-year increase of RMB26.70 million, or 8.54%, primarily due to the increase in depreciation and amortisation resulting from the capitalization of newly operational projects.

6. Finance costs

During the Reporting Period, the Group's finance costs amounted to RMB117.26 million, representing a year-on-year increase of RMB15.76 million, or 15.52%, primarily due to the decrease in capitalised finance costs resulting from the capitalization of newly operational projects and the basically unchanged finance costs excluding the capitalisation effect.

7. Profit before taxation

During the Reporting Period, the Group's profit before taxation amounted to RMB10.03 million, representing a year-on-year decrease of RMB342.24 million, or 97.15%, and share of profits of associates amounted to RMB-5.52 million, representing a year-on-year decrease of RMB6.21 million.

5. MANAGEMENT DISCUSSION AND ANALYSIS

(II) FINANCIAL POSITION

As at the end of the Reporting Period, the Group's total assets amounted to RMB9,750.38 million, representing an increase of RMB338.11 million as compared to the end of the previous year. The equity attributable to equity shareholders of the Company amounted to RMB2,947.98 million, representing a decrease of RMB45.06 million as compared to the end of the previous year. Gearing ratio (total liabilities/total assets) of the Group was 62.47%, representing an increase of 1.89 percentage points as compared to the end of the previous year. The balance sheet items of the Group are as follows:

Item	As at 31 December 2024 (RMB'000)	As at 31 December 2023 (RMB'000)	Change between the end of the Reporting Period and the end of the previous year (%)
Property, plant and equipment	7,396,978	7,057,252	4.81
Non-current assets	8,242,107	8,003,394	2.98
Current assets	1,508,271	1,408,874	7.06
Non-current liabilities	3,819,517	3,025,752	26.23
Current liabilities	2,271,937	2,676,326	-15.11
Net current liabilities	763,666	1,267,452	-39.75
Equity attributable to equity shareholders of the Company	2,947,980	2,993,037	-1.51
Total assets	9,750,378	9,412,268	3.59
Total liabilities	6,091,454	5,702,078	6.83

5. MANAGEMENT DISCUSSION AND ANALYSIS

1. Non-current assets and current assets

As at the end of the Reporting Period, non-current assets of the Group amounted to RMB8,242.11 million, representing an increase of 2.98% 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 RMB1,508.27 million, representing an increase of 7.06% as compared to the end of the previous year, primarily due to the increase in bank deposits of the Company.

2. Non-current liabilities and current liabilities

As at the end of the Reporting Period, non-current liabilities of the Group amounted to RMB3,819.52 million, representing an increase of 26.23% as compared to the end of the previous year, primarily due to the issuance of the first tranche 5-year green medium-term notes of RMB1.5 billion by Anhui Conch Environment Group during the Reporting Period.

Current liabilities of the Group amounted to RMB2,271.94 million, representing a decrease of 15.11% as compared to the end of the previous year, primarily due to the repayment of long-term borrowings due within one year during the Reporting Period.

As at the end of the Reporting Period, current ratio of the Group was 0.66 (compared to 0.53 at the end of the previous year) and debt to equity ratio (calculated by dividing total amount of loans by total equity) was 1.27 (compared to 1.15 at the end of the previous year).

3. Net current liabilities

As at the end of the Reporting Period, the Group's net current liabilities amounted to RMB763.67 million, representing a decrease of RMB503.79 million as compared to the end of the previous year, mainly due to the Group's proactive efforts to expand fundraising channels in order to address liquidity risk. In August 2024, Anhui Conch Environment Group issued the first tranche green medium-term notes of RMB1.5 billion in the PRC with coupon rate of 2.13% and a term of 5 years, which was mainly used to replace long-term borrowings, in order to optimize capital structure.

4. Equity attributable to equity shareholders of the Company

As at the end of the Reporting Period, the Group's equity attributable to equity shareholders of the Company amounted to RMB2,947.98 million, representing a decrease of 1.51% as compared to the end of the previous year, primarily due to the distribution of dividends of the Group.

5. MANAGEMENT DISCUSSION AND ANALYSIS

(III) LIQUIDITY AND CAPITAL SOURCES

During the Reporting Period, the Group enhanced capital planning and management and conducted reasonable allocation of project loans, so as to fully satisfy the Company's capital needs. As of 31 December 2024, the Group's cash and cash equivalents amounted to RMB345.62 million, which were mainly denominated in RMB.

1. Bank loans

Item	As at 31 December 2024 (RMB'000)	As at 31 December 2023 (RMB'000)
Due within one year	867,687	1,277,159
Due after one year but within two years	882,455	1,218,512
Due after two years but within five years	1,264,658	1,364,472
Due after five years	133,065	397,847
Total	3,147,865	4,257,990

At the end of the Reporting Period, the Group's bank loan balance amounted to RMB3,147.87 million, representing a decrease of RMB1,110.13 million as compared to the end of the previous year. This decrease was primarily due to the Group's issuance of green medium-term notes during the Reporting Period, which were used to replace bank loans. As at 31 December 2024, all of the Group's bank loans were denominated in RMB, and most of the loan interests were subject to variable interest rate.

5. MANAGEMENT DISCUSSION AND ANALYSIS

2. Cash flow

At the end of the Reporting Period, the Group's balance of cash and cash equivalents amounted to RMB345.62 million, representing a year-on-year increase of RMB99.37 million.

Item	2024 (RMB'000)	2023 (RMB'000)
Net cash generated from operating activities	434,083	631,105
Net cash used in investing activities	-540,179	-973,724
Net cash generated from financing activities	205,464	315,815
Net increase/(decrease) in cash and cash equivalents	99,368	-26,804
Cash and cash equivalents at the beginning of the period	246,254	273,058
Cash and cash equivalents at the end of the period	345,622	246,254

Net cash generated from operating activities

During the Reporting Period, net cash generated from operating activities of the Group amounted to RMB434.08 million, representing a year-on-year decrease of RMB197.02 million, primarily due to the increase in procurement payment 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 RMB540.18 million, representing a year-on-year decrease of RMB433.55 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 RMB205.46 million, representing a year-on-year decrease of RMB110.35 million, primarily due to an increase in repayment of loans during the Reporting Period as compared with the corresponding period.

5. MANAGEMENT DISCUSSION AND ANALYSIS

(IV) COMMITMENTS

At the end of the Reporting Period, purchase commitments of the Group in connection with construction contracts were as follows:

Item	As at 31 December 2024 (RMB'000)	As at 31 December 2023 (RMB'000)
Contracted for	77,832	508,872
Authorized but not contracted for	325,836	441,181
Total	403,668	950,053

(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 foreign currencies, with the primary currency being HKD. 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

At the end of the Reporting Period, the Group has issued guarantees for banking facilities of its associate, 雲浮光嘉海中環保科技有限公司 (Yunfu Guangjia Haizhong Environmental Protection Technology Co., Ltd.*) amounting to RMB24,000,000 (2023: nil). These facilities remained fully unutilized (2023: nil) as at 31 December 2024. The Directors do not consider it probable that a claim will be made against the Group under any of these guarantees. The Group have not recognised any deferred income of the above guarantees its associates as their fair value cannot be reliably measured and their transaction price was RMB nil.

(VII) PLEDGE OF ASSETS

At the end of the Reporting Period, the bank loans of the Group amounting to RMB77,280,000 (31 December 2023: RMB44,286,000) were secured by right-of-use assets provided by 洛陽海中環保科技有限責任公司 (Luoyang Haizhong Environmental Protection Technology Co., Ltd.*), a subsidiary of the Company.

At the end of the Reporting Period, the bank loans of the Group amounting to RMB62,853,000 (31 December 2023: RMB nil) were secured by right-of-use assets provided by 忠縣海螺環保科技有限責任公司 (Zhong County Conch Environmental Protection Technology Co., Ltd.*), a subsidiary of the Company.

At the end of the Reporting Period, the bank loans of the Group amounting to RMB47,550,000 (31 December 2023: RMB23,206,000) were secured by plant of 寧海馨源泰環保科技有限公司 (Ninghai Xinyuantai Environmental Protection Technology Co., Ltd.*), a subsidiary of the Company.

5. MANAGEMENT DISCUSSION AND ANALYSIS

(VIII) MATERIAL INVESTMENTS

During the Reporting Period, the Group had no material investment, acquisitions, or disposals.

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

During the Reporting Period, the Board did not approve any future plans for material investment or capital asset acquisition.

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

During the Reporting Period, the Company did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures.

(XI) 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.

The Group is committed to building a diversified and regularized employee training system. During the Reporting Period, the Group carried out training programs to enhance employee capabilities in areas such as production processes, safety and environmental protection, and finance across various professional lines. The Group also continued to advance the application and evaluation of intermediate and senior technical qualifications in the engineering series, as well as national safety-related qualification training and certification. Additionally, the Group revised its employee re-education policy, strengthened the supporting mechanisms, and promoted the skills improvement of specialized talent and the broadening of talent perspectives. The Group further improved the evaluation system for cadre talent, establishing a ranking mechanism for evaluation and implementing dynamic adjustments to the "outstanding young cadre" pool to foster a positive competitive environment. This aims to build a more layered and specialized cadre and talent team, ensuring human resources support for the Group's high-quality development.

As at the end of the Reporting Period, the Group had 3,288 employees (2023: 3,539 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 RMB466.51 million (2023: approximately RMB423.30 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 of the Listing Rules as the basis for the Company’s corporate governance practices.

During the Reporting Period, the Company has complied with all applicable code provisions set out in the CG Code, except for Code Provision F.2.2. Code Provision F.2.2 of the CG Code stipulates that the chairman of the board should attend the annual general meeting. Mr. LI Qunfeng (Chairman of the Board) was unable to attend the Company’s annual general meeting held on 26 June 2024 due to other work commitments. Mr. LI Xiaobo, who was serving as an executive Director of the Company at the time, was appointed to preside over the meeting.

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.

6. CORPORATE GOVERNANCE REPORT

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.

(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 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. WANG Chunjian (appointed on 29 August 2024)	Executive Director and General Manager
Ms. LIAO Dan	Executive Director and Joint Company Secretary
Mr. FAN Zhan	Executive Director
Mr. JIANG Dehong ^(Note)	Non-executive Director
Mr. MA Wei	Non-executive Director
Mr. DING Wenjiang	Independent non-executive Director
Ms. WANG Jiafen	Independent non-executive Director
Ms. LI Chen	Independent non-executive Director
Mr. LI Xiaobo (resigned on 29 August 2024)	Executive Director and General Manager

Note: Mr. JIANG Dehong has resigned as a non-executive Director and a member of the Strategy, Sustainability and Risk Management Committee of the Company due to his personal work arrangement, with effect from 24 March 2025. Mr. LYU Wenbin was appointed as a non-executive Director and a member of the Strategy, Sustainability and Risk Management Committee of the Company on 24 March 2025.

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

6. CORPORATE GOVERNANCE REPORT

Mr. WANG Chunjian, the executive Director who has been appointed during the Reporting Period, has obtained the legal advice referred to in Rule 3.09D of the Hong Kong Listing Rules on 28 August 2024, confirming that he understood his responsibilities as a director of a listed issuer.

Mr. LYU Wenbin, the non-executive Director who has been appointed on 24 March 2025, has obtained the legal advice referred to in Rule 3.09D of the Hong Kong Listing Rules on 21 March 2025, confirming that he understood his responsibilities as a director 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.

Each 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 "Basic Training Course on Information Disclosure, Corporate Governance and Capital Operation Practice for Hong Kong Listed Companies (Phase II)" organized by The Hong Kong Chartered Governance Institute on 27 to 29 November 2024 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. WANG Chunjian	✓	✓
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. WANG Chunjian 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

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 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 Qunfeng, Ms. WANG Jiafen and Ms. LI Chen will retire by rotation at 2025 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. WANG Chunjian, who was appointed as executive Director by the Board on 29 August 2024, and Mr. LYU Wenbin, who was appointed as non-executive Director by the Board on 24 March 2025, will hold office until 2025 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 4 meetings to approve the final results for the year ended 31 December 2023 and interim results for the six months ended 30 June 2024 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 2025, the Company will continue to comply with Code Provision C.5.1 of the CG Code in holding at least one regular Board meeting for each quarter to discuss or approve matters in relation to, among other things, operating strategies, external expansion, financial planning.

6. CORPORATE GOVERNANCE REPORT

The attendance records of each Director at the Board meetings, the Board Committee meetings and general meetings 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
Mr. LI Qunfeng	4/4	N/A	2/2	1/1	0/1
Mr. WANG Chunjian (appointed on 29 August 2024)	1/1	N/A	N/A	0/0	N/A
Ms. LIAO Dan	4/4	N/A	N/A	N/A	1/1
Mr. FAN Zhan	4/4	N/A	N/A	N/A	1/1
Mr. JIANG Dehong	4/4	N/A	N/A	1/1	0/1
Mr. MA Wei	4/4	N/A	N/A	N/A	1/1
Mr. DING Wenjiang	4/4	2/2	2/2	1/1	0/1
Ms. WANG Jiafen	4/4	2/2	2/2	N/A	1/1
Ms. LI Chen	4/4	2/2	2/2	N/A	1/1
Mr. LI Xiaobo (resigned on 29 August 2024)	2/3	N/A	N/A	1/1	1/1

(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) and the website of the Company (www.conchenviro.com) and are available to Shareholders.

6. CORPORATE GOVERNANCE REPORT

1. Audit Committee

(1) Members

As at the date of this report, 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)	Member
Mr. DING Wenjiang (Independent non-executive Director)	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.

(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 2023 and the interim results for the six months ended 30 June 2024 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

2. Remuneration and Nomination Committee

(1) Members

As at the date of this report, 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)	Chairman
Mr. LI Qunfeng (Non-executive Director)	Member
Ms. WANG Jiafen (Independent non-executive Director)	Member
Ms. LI Chen (Independent non-executive Director)	Member

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

(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.

6. CORPORATE GOVERNANCE REPORT

The Company held two 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 service contracts.

(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;

6. CORPORATE GOVERNANCE REPORT

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.

(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.

6. CORPORATE GOVERNANCE REPORT

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.

(5) Employee Gender Diversity

As at the end of the Reporting Period, female employees accounted for approximately 16% 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 strive to achieve the goal of having a female employee ratio of approximately 20% of all employees by 2025.

6. CORPORATE GOVERNANCE REPORT

3. Strategy, Sustainability and Risk Management Committee

(1) Members

On 29 August 2024, Mr. LI Xiaobo resigned as a member of the Strategy, Sustainability and Risk Management Committee and Mr. WANG Chunjian was appointed as a member of the Strategy, Sustainability and Risk Management Committee on the same day. On 24 March 2025, Mr. JIANG Dehong resigned as a member of the Strategy, Sustainability and Risk Management Committee and Mr. LYU Wenbin was appointed as a member of the Strategy, Sustainability and Risk Management Committee on the same day.

As of the date of this report, the Strategy, Sustainability and Risk Management Committee 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. WANG Chunjian (Executive Director) (appointed on 29 August 2024)	Member
Mr. DING Wenjiang (Independent non-executive Director)	Member
Mr. LYU Wenbin (Non-executive Director) (appointed on 24 March 2025)	Member
Mr. LI Xiaobo (Executive Director) (resigned on 29 August 2024)	Member
Mr. JIANG Dehong (Non-executive Director) (resigned on 24 March 2025)	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.

(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.

6. CORPORATE GOVERNANCE REPORT

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 2023 Environmental, Social and Governance Report; and
- b. reviewed the effectiveness of the risk management and internal control system and the internal audit function of the Group for the year 2023, including all material controls, in particular financial controls, operational controls, and compliance controls.

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 2023, please refer to the "Risk Management and Internal Controls" section of the Corporate Governance Report of Annual Report 2023 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.

(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.

6. CORPORATE GOVERNANCE REPORT

(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 2024 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 2024 is set out below:

Services	Fee paid/payable (RMB'000)
Audit services — audit fee for 2024	1,900
Total	1,900

(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 2024, 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.

6. CORPORATE GOVERNANCE 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 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.

The Group has established a risk management framework and defined the risk management process. 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 has cooperative relationship and monitors for each other, establishing an internal control system with powers and responsibilities, which lays a solid foundation for the long-term effective development of the Group.

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.

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.

6. CORPORATE GOVERNANCE REPORT

The Board continues to supervise the risk management and internal control systems of the Company, and reviews the effectiveness of the risk management and internal control systems of the Company and its subsidiaries at the end of the year 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.

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.

6. CORPORATE GOVERNANCE REPORT

(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 Company Secretarial 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. 39 Wenhua Road, Jinghu District, Wuhu City, Anhui Province, the People's Republic of China
Email:	liaodan@conchenviro.com
Attention:	The Board of Directors/Company Secretary
3. The extraordinary general meeting shall be held within two months after the deposit of such requisition.
4. If the Directors fail to proceed to convene such meeting within twenty-one (21) days upon such deposit, the Requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the Requisitionist(s) as a result of the failure of convening such meeting by the Directors shall be reimbursed to the Requisitionist(s) by the Company.

6. CORPORATE GOVERNANCE REPORT

Procedures for raising enquiries

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

Computershare Hong Kong Investor Services Limited

Address: Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
 Email: hkinfo@computershare.com.hk
 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. 39 Wenhua Road, Jinghu District, Wuhu City, Anhui Province, the People's Republic of China
 Email: liaodan@conchenviro.com
 Tel: (86) 553-8398216
 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.
4. Shareholders are reminded to lodge their questions together with their detailed contact information for the prompt response from the Company at the appropriate time.

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

1. To put forward proposals at a general meeting of the Company, a Shareholder should lodge a written notice of his/her/its proposal ("**Proposal**") with his/her/its detailed contact information at the Company's principal place of business in Hong Kong at Room 1920, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong.
2. The request will be verified with the Company's branch share registrar in Hong Kong and upon their confirmation that the request is proper and effective, the Board will include the Proposal in the agenda for the general meeting.

6. CORPORATE GOVERNANCE REPORT

3. The notice period to be given to all the Shareholders for consideration of the Proposal raised by the Shareholder concerned at the general meeting varies according to the type of meeting as follows:
 - (1) Notice of not less than 21 clear days 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 in writing shall be given for all other general meetings (including extraordinary general meetings).

(18) CONSTITUTIONAL DOCUMENTS

In order to reflect amendments to the provisions of the Listing Rules relating to treasury shares effective from 11 June 2024, and incorporate certain housekeeping amendments, the Second Amended and Restated Memorandum and Articles of Association of the Company was approved by Shareholders at the annual general meeting held on 26 June 2024, with effect from 26 June 2024. The latest version of the Second Amended and Restated Memorandum and Articles of Association of the Company is available on the websites of the Company (www.conchenviro.com) and the Stock Exchange (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

To seek and understand the opinions of Shareholders and stakeholders, the Company maintains a website at 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. 39 Wenhua Road, Jinghu District, Wuhu City, Anhui Province, the People's Republic of China

The Principal Place of Business in Hong Kong:

Room 1920, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong

Email: 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 2024.

(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. The Group's principal businesses also include fly ash treatment, oil sludge treatment, sludge treatment, alternative fuels and comprehensive resource utilization. The Group is committed to the research and development of emerging technologies, in a bid to meet the ever-changing industry and customer needs.

(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. 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 97 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 25 to the financial statements and the consolidated statement of changes in equity on page 100 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.

A resolution regarding the payment of final dividend for the year ended 31 December 2023 ("**2023 Final Dividend**") has been approved at the annual general meeting held on 26 June 2024. The 2023 Final Dividend of HKD0.03 per share, amounting to HKD54.80 million was paid in July 2024.

As at 31 December 2024, the Company's reserves available for distribution to its Shareholders amounted to approximately RMB1,166.55 million. The Board did not recommend the payment of the final dividend for the year ended 31 December 2024.

7. REPORT OF THE DIRECTORS

(7) ANNUAL GENERAL MEETING

The Company will arrange the time of convening the forthcoming annual general meeting (the “**2025 AGM**”) as soon as practicable, and the notice convening the 2025 AGM will be published and despatched to the Shareholders who have already provided instructions indicating their preference to receive hard copies in due course. The closure of register of members will be announced by the Company in the notice of the 2025 AGM to be published or in a further announcement.

(8) PROPERTY, PLANT AND EQUIPMENT

As at the end of the Reporting Period, the property, plant and equipment of the Group amounted to approximately RMB7,396.98 million. Details of the changes in property, plant and equipment of the Group during the Reporting Period are set out in note 9 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.

- (1) Progress of Property No. 2 : 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..
- (2) Progress of Property No. 3 and Property No. 4: 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 be further adjusted from December 2024 to December 2025 or before and from December 2024 to June 2025 or before, respectively.

7. REPORT OF THE DIRECTORS

- (3) Progress of Property No. 5: 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 December 2025 or before.
- (4) Progress of Property No. 6 and Property No. 7: As the suppliers of the cement company are in the process of fulfilling the commercial decision-making procedures regarding the transfer of the relevant land use rights, the Group expects that the expected time to obtain the land use right certificates for Property No. 6 and No. 7 among the Relevant Lands will be December 2025 or before.
- (5) Progress of Property No. 8: 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 December 2025 or before.

As of the end of the Reporting Period, there is no update on the remaining 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.

(9) 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.

(10) SHARE CAPITAL

Details of the Company's capital structure are set out in note 25 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

(11) 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)	481,395,879	Long positions	26.35%
	Subtotal	495,295,879		27.11%
China Conch Venture Holdings International Limited	Interest of controlled corporation (note 1)	481,395,879	Long positions	26.35%
Wuhu Conch Venture Property Co., Ltd.	Interest of controlled corporation (note 1)	481,395,879	Long positions	26.35%
Conch Holdings	Interest of controlled corporation (note 1)	481,395,879	Long positions	26.35%
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)	93,872,379	Long positions	5.14%
	Subtotal	481,395,879		26.35%
Conch International Holdings (HK) limited	Beneficial owner	286,134,000	Long positions	15.66%
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%
QI Shengli	Beneficial owner	9,412,500	Long positions	0.52%
	Interests held jointly with another person (note 3)	471,983,379	Long positions	25.84%
	Subtotal	481,395,879		26.35%

7. REPORT OF THE DIRECTORS

Name of Shareholders	Nature of interests	Number of Shares	Long/Short Positions	Approximate percentage of shareholdings
GUO Dan	Interest of controlled corporation (note 6)	32,725,000	Long positions	1.79%
	Interests held jointly with another person (note 3)	448,670,879	Long positions	24.56%
	Subtotal	481,395,879		26.35%
YAN Zi	Interest of controlled corporation (note 7)	35,033,752	Long positions	1.92%
	Interests held jointly with another person (note 3)	446,362,127	Long positions	24.43%
	Subtotal	481,395,879		26.35%
JI Xian	Interest of controlled corporation (note 8)	10,080,000	Long positions	0.55%
	Interests held jointly with another person (note 3)	471,315,879	Long positions	25.80%
	Subtotal	481,395,879		26.35%
WANG Jingqian	Beneficial owner	1,930,000	Long positions	0.11%
	Interests held jointly with another person (note 3)	479,465,879	Long positions	26.25%
	Subtotal	481,395,879		26.35%

Notes:

- (1) Among the above Shares, (i) 195,261,879 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.

7. REPORT OF THE DIRECTORS

- (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) 9,412,500 Shares held by QI Shengli, (iii) 2,050,000 Shares held by LI Qunfeng, (iv) 100,000 Shares held by WANG Chunjian, (v) 32,725,000 Shares held by GUO Dan, (vi) 35,033,752 Shares held by YAN Zi, (vii) 10,080,000 Shares held by JI Xian, (viii) 2,541,127 Shares held by MA Wei and (ix) 1,930,000 Shares held by WANG Jingqian.
- (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 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.
- (7) 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.
- (8) These Shares are owned by Golden Convergence Limited. Golden Convergence Limited is wholly owned by JI Xian. JI Xian is deemed to be interested in the Shares held by Golden Convergence Limited by virtue of the SFO.

According to section 336 of the SFO, 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

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 Director	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	479,345,879	Long positions	26.24%
	Subtotal	481,395,879		26.35%
Mr. WANG Chunjian (Note 1)	Beneficial owner	100,000	Long positions	0.01%
	Interests held jointly with another person	481,295,879	Long positions	26.35%
	Subtotal	481,395,879		26.35%
Mr. MA Wei (Note 1)	Beneficial owner	2,541,127	Long positions	0.14%
	Interests held jointly with another person	478,854,752	Long positions	26.21%
	Subtotal	481,395,879		26.35%
Ms. LIAO Dan (Note 2)	Interest of spouse	481,395,879	Long positions	26.35%

Notes:

- Mr. LI Qunfeng, Mr. WANG Chunjian and Mr. MA Wei are Parties Acting in Concert. Accordingly, Mr. LI Qunfeng, Mr. WANG Chunjian 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) Qi Shengli holds 9,412,500 Shares, (iii) LI Qunfeng holds 2,050,000 Shares, (iv) WANG Chunjian holds 100,000 Shares, (v) GUO Dan holds 32,725,000 Shares, (vi) YAN Zi holds 35,033,752 Shares, (vii) JI Xian holds 10,080,000 Shares, (viii) MA Wei holds 2,541,127 Shares and (ix) WANG Jingqian holds 1,930,000 Shares are interested.

7. REPORT OF THE DIRECTORS

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. Accordingly, Mr. WANG Jingqian is 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) QI Shengli holds 9,412,500 Shares, (iii) LI Qunfeng holds 2,050,000 Shares, (iv) WANG Chunjian holds 100,000 Shares, (v) GUO Dan holds 32,725,000 Shares, (vi) YAN Zi holds 35,033,752 Shares, (vii) JI Xian holds 10,080,000 Shares, (viii) MA Wei holds 2,541,127 Shares and (ix) WANG Jingqian holds 1,930,000 Shares are interested.

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

(12) 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 4% and 12% 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 7% and 16% of the total procurement of the Group respectively.

(13) 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 (including sale of treasury shares (as defined in the Listing Rules)).

As at the end of the Reporting Period, the Company did not hold any treasury shares (including any treasury shares held or deposited with CCASS (as defined in the Listing Rules)).

(14) 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.

7. REPORT OF THE DIRECTORS

(15) EMPLOYEES AND REMUNERATION POLICIES

As at the end of the Reporting Period, the Group had 3,288 employees. As of the end of Reporting Period, 987 employees had bachelor's degrees or above, accounting for 30.02% of the total number of 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 RMB466.51 million (2023: RMB423.30 million).

(16) 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. WANG Chunjian	Executive Director and General Manager	Appointed on 29 August 2024
Ms. LIAO Dan	Executive Director and Joint Company Secretary	Appointed on 9 October 2022
Mr. FAN Zhan	Executive Director	Appointed on 9 October 2022
Mr. LYU Wenbin	Non-executive Director	Appointed on 24 March 2025
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. LI Xiaobo	Executive Director and General Manager	Appointed on 9 October 2022 and resigned on 29 August 2024
Mr. JIANG Dehong	Non-executive Director	Appointed on 11 December 2023 and resigned on 24 March 2025

Pursuant to articles 108(a) and (b) of the Articles of Association, Mr. LI Qunfeng, Ms. WANG Jiafen and Ms. LI Chen will retire from office by rotation and, being eligible, offer themselves for re-election at the 2025 AGM. Pursuant to article 112 of the Articles of Association, Mr. WANG Chunjian, who was appointed as an executive Director by the Board on 29 August 2024, and Mr. LYU Wenbin, who was appointed as a non-executive Director by the Board on 24 March 2025, will hold office until the 2025 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

(17) DIRECTORS' INTERESTS IN MATERIAL TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in the director service contract 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.

(18) INTERESTS OF DIRECTORS IN COMPETING BUSINESS

Save as disclosed in this report and their respective interests in the Group, none of the Directors nor 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.

(19) 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 (excluding those senior management personnel who also serve as Directors) was within the following bands:

Bands (RMB)	Number of individuals
0–1,000,000	3
1,000,001–2,000,000	1

7. REPORT OF THE DIRECTORS

(20) 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.

(21) 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. FAN Zhan was appointed as the executive deputy head of the financial department of Conch Cement with effect from 29 April 2024.
2. Mr. LI Xiaobo has resigned as an executive Director, a member of the Strategy, Sustainability and Risk Management Committee, and general manager of the Company, and ceased to be an authorized representative as required under Rule 3.05 of the Listing Rules with effect from 29 August 2024 due to work arrangement.
3. Mr. WANG Chunjian has been appointed as the executive Director, a member of the Strategy, Sustainability and Risk Management Committee and general manager of the Company and an authorized representative as required under Rule 3.05 of the Listing Rules with effect from 29 August 2024.

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

1. Ms. LI Chen has been appointed as an independent director of Tianshan Material with effect from 11 February 2025.
2. Mr. JIANG Dehong has resigned as a non-executive Director and a member of the Strategy, Sustainability and Risk Management Committee of the Company with effect from 24 March 2025 due to work arrangement.
3. Mr. LYU Wenbin 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 24 March 2025.

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

(22) 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.

(23) 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.

(24) 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 HK, a subsidiary of the Company, and therefore is regarded as a connected person of the Company by virtue of it falling under the definition of a substantial shareholder at the listed issuers’ subsidiary level pursuant to Rule 14A.07(1) of the Listing Rules.

As of the end of the Reporting Period, Conch Cement is the controlling shareholder of the Company which holds and controls approximately 27% of the voting rights attached to all issued shares of the Company together with its subsidiaries and its Parties Acting in Concert. Accordingly, Conch Cement is 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. Conch IT Engineering is a wholly owned subsidiary of Conch Cement^{Note} and Conch Design Institute is a wholly owned subsidiary of Conch Holdings, the holding company of Conch Cement. Accordingly, Conch Design Institute and Conch IT Engineering are the associates of Conch Cement and the connected persons of the Company.

Note: In January 2024, Conch Holdings transferred its 100% equity interest in Conch IT Engineering to Conch Cement. Upon the completion of the transfer, Conch IT Engineering became a wholly owned subsidiary of Conch Cement, and remained as a connected person of the Company.

7. REPORT OF THE DIRECTORS

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:

Historical amount for the three years ended 31 December 2024 (RMB in million)	Proposed annual cap for the three years ending 31 December 2024 (RMB in million)
2022: 87.91	2022: 165
2023: 32.15	2023: 215
2024: 27.61	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

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. 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 with CNBM. 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.

As the Cement Kiln Co-treatment Framework Agreement had expired on 31 December 2024, on 24 February 2025, Haizhong Environmental (for itself and on behalf of its subsidiaries) and CNBM (on behalf of the CNBM Group) renewed the Cement Kiln Co-treatment Framework Agreement by entering into the 2025 Renewed Framework Agreement with CNBM with a term of three years from 1 January 2025 to 31 December 2027. Connected transactions between Haizhong Environmental and CNBM from 1 January 2025 to 24 February 2025 have been fully exempted under Rule 14A.76(1) of the Listing Rules.

As the highest applicable percentage ratio in respect of the annual cap for the 2025 Renewed Framework Agreement with CNBM is more than 1% but less than 5%, the transactions contemplated thereunder are therefore subject to reporting, announcement and annual review requirements but are exempt from the requirement of Independent Shareholders' approval under Chapter 14A of the Listing Rules.

(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.

7. REPORT OF THE DIRECTORS

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.

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"**).

7. REPORT OF THE DIRECTORS

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

The 2023 Industrial Solid and Hazardous Waste Treatment Framework Agreement, the 2023 Engineering Design Services Framework Agreement and the 2023 Information System Procurement Framework Agreement have been approved by Independent Shareholders on 8 March 2023, 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.

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 2024 (RMB in million)	Proposed annual cap for the three years ending 31 December 2025 (RMB in million)
2022: 75.5	2023: 135
2023: 74.41	2024: 150
2024: 71.18	2025: 159

2023 Engineering Design Services Framework Agreement

Historical amount for the three years ended 31 December 2024 (RMB in million)	Proposed annual cap for the three years ending 31 December 2025 (RMB in million)
2022: 6.88	2023: 19
2023: 5.97	2024: 16
2024: 3.42	2025: 15

7. REPORT OF THE DIRECTORS

2023 Information System Procurement Framework Agreement

Historical amount for the three years ended 31 December 2024 (RMB in million)	Proposed annual cap for the three years ending 31 December 2025 (RMB in million)
2022: 11.36	2023: 22
2023: 11.17	2024: 15
2024: 3.32	2025: 13

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).

7. REPORT OF THE DIRECTORS

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. The Group could implement co-treatment of the industrial solid and hazardous waste in a reliable and cost-effective manner by leveraging the existing cement kiln facilities and equipment of Conch Cement through the co-treatment business cooperation with it. 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.

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.

7. REPORT OF THE DIRECTORS

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%.

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.

7. REPORT OF THE DIRECTORS

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

On 29 December 2023, the Company (on behalf of the Group) and Conch Cement entered into the alternative fuel filling-up services framework agreement (the “**2024 Alternative Fuel Framework Agreement**”), pursuant to which, the Group agreed to provide alternative fuel filling-up 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 term of the 2024 Alternative Fuel Framework Agreement is one year commencing from 1 January 2024 to 31 December 2024.

As the highest applicable percentage ratio in respect of the annual cap for the 2024 Alternative Fuel 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.

Historical amount and proposed annual cap

The historical amounts under the 2024 Alternative Fuel Framework Agreement and the annual caps for the transactions contemplated thereunder are set out below:

Historical amount for the two years ended 31 December 2024 (RMB in million)	Proposed annual cap for the year ended 31 December 2024 (RMB in million)
2023: 15.74 2024: 61.58	2024: 79

7. REPORT OF THE DIRECTORS

Pricing Policy of the 2024 Alternative Fuel Framework Agreement

With respect to the service fees payable for the alternative fuel filling-up services, the service fee payable by the Conch Cement Group shall be determined by adding a reasonable profit over the 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, auxiliary 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 for such services 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. The unit price of the ancillary products is mainly determined based on the costs above and a reasonable profit rate, and is ultimately determined based on the arm's length negotiations between the parties to the transactions in accordance with normal commercial terms. The profit rate for such ancillary products was generally ranging from 6% to 10%.

Reasons for entering into the 2024 Alternative Fuel 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 filling-up 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, actively seizes the new industry development opportunities driven by green development and "dual carbon" goals, and accelerates the layout of alternative fuel projects. The Group is in the view that entering into the 2024 Alternative Fuel 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 2024 Alternative Fuel Framework Agreement had expired on 31 December 2024, 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 27 December 2024, the Company (on behalf of the Group) and Conch Cement entered into the alternative fuel filling-up services framework agreement (the **"2025 Renewed Framework Agreement with Conch Cement"**) in relation to, among other things, the provision of alternative fuel filling-up services and products by the Group to the Conch Cement Group with a term from 1 January 2025 to 31 December 2027.

7. REPORT OF THE DIRECTORS

As the highest applicable percentage ratio in respect of the annual caps for the 2025 Renewed Framework Agreement with Conch Cement is more than 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 2025 Renewed Framework Agreement with Conch Cement has been approved by Independent Shareholders on 19 February 2025, and please refer to the Company's announcements dated 27 December 2024 and 19 February 2025 and the circular dated 24 January 2025 for details.

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

Save as disclosed in this 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

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 2024, 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.

(25) SHARE SCHEME

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

(26) 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.

(27) 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.

(28) 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

(29) AUDITOR

In 2024, the Company appointed KPMG as its international auditor for the year ended 31 December 2024 and there had been no change in auditor of the Company after the Listing. The consolidated financial statements for the year ended 31 December 2024 have been audited by KPMG.

(30) 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.

(31) 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.

(32) 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.

(33) COMPLIANCE WITH LAWS AND REGULATIONS

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

7. REPORT OF THE DIRECTORS

During the 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

(34) 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 2024, to be separately published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's own website (www.conchenviro.com) according to the Listing Rules.

(35) DONATION

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

(36) 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.

(37) 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.

(38) 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.

On behalf of the Board
Mr. LI Qunfeng
Chairman of the Board

24 March 2025

8. BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

(I) DIRECTORS

1. Executive Directors

Mr. WANG Chunjian (汪純健先生), aged 56, was appointed as an executive Director of the Company on 29 August 2024. He currently serves as a member of the Strategy, Sustainability and Risk Management Committee, a director and general manager of Anhui Conch Environment Group, and the chairman of Conch CNBM HK. Mr. Wang Chunjian is responsible for the overall management of the Group's production operations. He graduated from Anhui Technical School of Building Materials in cement technology in July 1989, and from Wuhan University of Technology in inorganic non-metallic materials engineering in January 2014, respectively. Mr. Wang Chunjian has extensive experiences in cement technology and corporate management. He joined Conch Cement in 1989. He successively held positions such as deputy head of sales department of Anhui Tongling Conch Cement Co., Ltd. (安徽銅陵海螺水泥有限公司), general manager of Ningbo Conch Cement Co., Ltd. (寧波海螺水泥有限公司), officer-in-charge of the regional committee in Zhejiang and Guangdong of Conch Cement, head of human resources department and deputy secretary of the Party Committee of Conch Cement, and head of organization human resources department, head of the organization department of the Party Committee, director of office of external affair management and head of the united front work department of the Party Committee of Conch Holdings.

Ms. LIAO Dan (廖丹女士), aged 45, was appointed as an executive Director of the Company on 9 October 2022. She currently serves as the joint company secretary of the Company, the director of several subsidiaries including Anhui Conch Environment Group and Haizhong Environmental, and the chairman of several subsidiaries such as Conch Venture Mengxi Technology. 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 business supervisor and deputy director of the board secretary office of Conch Cement, and the affairs representative of Conch Cement.

Mr. FAN Zhan (凡展先生), aged 41, 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, the assistant to department director and the deputy department director of Conch Cement. He is currently an executive deputy head of financial department in Conch Cement. Mr. Fan Zhan has been appointed as a non-executive director of West Cement with effect from 7 June 2023.

8. BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

2. Non-executive Directors

Mr. LI Qunfeng (李群峰先生), aged 54, 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, the chairman of the Strategy, Sustainability and Risk Management Committee, the chairman of Anhui Conch Environment Group, and the directors of various subsidiaries of the Company such as Anhui Conch Venture Environmental Protection Technology Co., Ltd. and China Conch Environment Protection Holdings International Limited. 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 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. LYU Wenbin (呂文斌先生), aged 58, was appointed as a non-executive Director of the Company on 24 March 2025. He currently serves as a member of the Strategy, Sustainability and Risk Management Committee. Mr. Lyu possesses extensive experience in corporate management. He served as an employee and the deputy director of the computing center of Beijing New Building Material Factory (北京新型建築材料總廠) from July 1987 to March 1993, and worked at the computing center of China New Building Materials Corporation (中國新型建築材料公司) from January 1993 to January 2000. He served as the deputy general manager of Beijing China United Guantong Economic and Trade Co., Ltd. (北京中聯貫通經貿有限公司) from January 2000 to June 2002, the deputy manager of the corporate management department and the general manager of the operations management department of China United Cement Corporation (中國聯合水泥集團有限公司) from June 2002 to September 2009, the general manager of the materials department of South Cement Company Limited (南方水泥有限公司) from May 2009 to January 2015, the vice president of South Cement Company Limited (南方水泥有限公司) from September 2009 to May 2014, the executive vice president of South Cement Company Limited (南方水泥有限公司) from June 2014 to January 2022, the president of Hunan South Cement Group Company Limited (湖南南方水泥集團有限公司) from January 2015 to December 2021, a member of the Party Committee of South Cement Company Limited (南方水泥有限公司) from November 2015 to September 2019, a standing member of the Party Committee of South Cement Company Limited (南方水泥有限公司) from September 2019 to January 2022, the secretary of the Party Committee of Hunan South Cement Group Company Limited (湖南南方水泥集團有限公司) from December 2019 to December 2021, the chairman of Jiangxi South Cement Company Limited (江西南方水泥有限公司) from June 2020 to December 2021, and the chairman and president of Sinoma Cement Co., Ltd. (中材水泥有限責任公司) from December 2021 to December 2022. He has also served as the secretary of the Party Committee, chairman and president of Hunan South Cement Group Company Limited (湖南南方水泥集團有限公司) since December 2021, and an employee representative supervisor of Tianshan Material since March 2023.

8. BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Lyu obtained a bachelor's degree in computer science and technology in July 2002 and a master's degree in business administration in June 2008 from Beijing Institute of Technology, respectively. He obtained the senior engineer qualification in November 2004.

Mr. MA Wei (馬偉先生), aged 57, 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 73, 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 to 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

Ms. WANG Jiafen (王嘉奮女士), aged 52, 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 Syensqo Investment Co., Ltd. (formerly known as Solvay 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) as the Compliance Manager of the Asia-Pacific region; 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 41, was appointed as an independent non-executive Director on 27 March 2023. She currently serves as a member of the Audit Committee and a member of the Remuneration and Nomination Committee. Ms. Li has extensive experience in the investment, development and technological innovation of cement and environment protection fields. From September 2015 to September 2016, she served as a researcher in China Building Material Federation (中國建築材料聯合會). From October 2016 to January 2017, she served as a researcher in China Cement Association (中國水泥協會). Since January 2017, she has been serving as the secretary general in the Carbon Emission Reduction Expert Committee (碳減排專家委員會) of China Cement Association. Since December 2019, she has been serving as the deputy secretary general in China Cement Association (中國水泥協會). Ms. Li also has served as a part-time postgraduate tutor in Beijing University of Technology (北京工業大學) since 2020 and an independent director in Gansu Shangfeng Cement Co., Ltd. (甘肅上峰水泥股份有限公司, a company listed on the Shenzhen Stock Exchange, stock code: 000672) since May 2022, as well as an independent director of Tianshan Material since February 2025.

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 qualifications of Senior Engineer in December 2018 and Chief Senior Engineer in December 2023. Ms. Li 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. HU Yong (胡勇先生), aged 45, was appointed as the deputy general manager of the Company on 2 November 2024. He currently also serves as the director of the East China Region of the Group. Mr. Hu graduated from Shaanxi University of Science and Technology (陝西科技大學) in July 2003, majoring in Business Administration. Mr. Hu has extensive experience in corporate management and marketing. He joined Conch Cement Group in August 2003 and has held various positions including director of the marketing planning office of the sales department, assistant to the Sales Department director, deputy director of the general manager's office, and director of the general manager's office at Conch Cement.

Mr. ZHOU Zhengyou (周正友先生), aged 58, was appointed as the deputy general manager of the Company on 26 December 2022. Mr. Zhou currently serves as the chairman of Conch Environmental Protection and a director of several subsidiaries including Conch Venture CNBM HK. Mr. Zhou graduated from Nanjing Chemical College (南京化工學院) in July 1990, majoring in Cement Technology. Mr. Zhou has extensive experience in cement production and project operations. He joined Conch Cement Group in 1990 and has held various positions including assistant general manager, deputy general manager, general manager of Conch Cement subsidiaries, director and president of the Northern Anhui and Jiangxi Regional Management Committees of Conch Cement Group.

Mr. FANG Cun (方存先生), aged 47, was appointed as the assistant general manager of the Company on 26 December 2022. He currently also serves as a director and general manager of several subsidiaries including Haizhong Environmental. Mr. Fang graduated from Anhui University (安徽大學) in July 1999, majoring in Industrial Automation. Mr. Fang has extensive 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.

Mr. LI Limin (李利民先生), aged 46, was appointed as the assistant general manager of the Company on 2 November 2024. He currently also serves as a director and general manager of Wuhu Conch Environmental Protection. Mr. Li graduated from Luoyang Institute of Science and Technology (洛陽理工學院) (formerly known as Luoyang Industrial College (洛陽工業高等專科學校)) in July 2002, majoring in Inorganic Non-metallic Materials Engineering. Mr. Li has extensive experience in cement production and project operations. He joined Conch Cement Group in August 2002 and has held various positions including deputy general manager of Ganzhou Conch Cement Co., Ltd., deputy director of Ningguo Cement Plant of Anhui Conch Cement Co., Ltd., and general manager of Yangchun Conch Cement Co., Ltd..

8. BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

(III) JOINT COMPANY SECRETARIES

Ms. LIAO Dan (廖丹女士), please refer to the resume of the aforementioned executive Director.

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 Company Secretarial Services of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services. Mr. Lee has over 14 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 96 to 190, which comprise the consolidated statement of financial position as at 31 December 2024, 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 2024 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) 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 ("HKSAs") 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

Refer to Note 3 to the consolidated financial statements and the accounting policy on pages 120–121.

The Key Audit Matter	How the matter was addressed in our audit
<p>The principal activities of the Group are provision of treatment solutions for industrial solid and hazardous waste.</p> <p>For the year ended 31 December 2024, the Group’s revenue from treatment solution services for industrial solid waste and hazardous waste amounted to approximately RMB408 million and RMB1,152 million respectively, representing approximately 24% and 68% of the Group’s total revenue for the year.</p> <p>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.</p> <p>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.</p>	<p>Our audit procedures to assess revenue recognition included the following:</p> <ul style="list-style-type: none">• 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)

Refer to Note 3 to the consolidated financial statements and the accounting policy on pages 120–121.

The Key Audit Matter	How the matter was addressed in our audit
----------------------	---

- | | |
|--|---|
| | <ul style="list-style-type: none">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; andinspecting 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

Refer to Note 17 to the consolidated financial statements and the accounting policy on pages 111–114.

The Key Audit Matter	How the matter was addressed in our audit
<p>At 31 December 2024, the Group’s gross trade receivables totalled RMB891 million against which an allowance for expected credit losses (“ECL”) of RMB70 million was recorded.</p> <p>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.</p> <p>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.</p>	<p>Our audit procedures to assess the ECL allowance of trade receivables included the following:</p> <ul style="list-style-type: none">• obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls relating to credit control, debt collection, estimate of expected credit losses and recording related loss allowances in the financial statements;• assessing the appropriateness of the ECL model adopted by management with reference to the requirements of the prevailing accounting standards;

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(Continued)*

Expected credit loss allowance for trade receivables (Continued)

Refer to Note 17 to the consolidated financial statements and the accounting policy on pages 111–114.

The Key Audit Matter

How the matter was addressed in our audit

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards 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 HKSAAs 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 HKSAAs, 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)*

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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 Wong, Chi Yeung.

KPMG

Certified Public Accountants

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

24 March 2025

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2024
(Expressed in Renminbi Yuan)

	Note	2024 RMB'000	2023 RMB'000
Revenue	3	1,686,990	1,881,556
Cost of sales		(1,057,717)	(987,986)
Gross profit		629,273	893,570
Other net income	4	42,600	32,966
Distribution costs		(169,827)	(145,658)
Administrative expenses		(339,243)	(312,539)
Impairment loss on trade and bills receivables	17(b)	(19,630)	(15,258)
Impairment loss on property, plant and equipment	10	(10,370)	–
Profit from operations		132,803	453,081
Finance costs	5(a)	(117,259)	(101,503)
Share of (losses)/profits of associates	14	(5,517)	689
Profit before taxation	5	10,027	352,267
Income tax	6(a)	(15,395)	(48,254)
(Loss)/profit for the year		(5,368)	304,013
Attributable to:			
Equity shareholders of the Company		6,275	264,130
Non-controlling interests		(11,643)	39,883
(Loss)/profit for the year		(5,368)	304,013
Earnings per share	9		
		RMB cents	RMB cents
Basic and diluted		0.34	14.46

The notes on pages 102 to 190 form part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2024
(Expressed in Renminbi Yuan)

	2024 RMB'000	2023 RMB'000
(Loss)/profit for the year	(5,368)	304,013
Other comprehensive income for the year (after tax and reclassification adjustments)	—	—
Total comprehensive income for the year	(5,368)	304,013
Attributable to:		
Equity shareholders of the Company	6,275	264,130
Non-controlling interests	(11,643)	39,883
Total comprehensive income for the year	(5,368)	304,013

The notes on pages 102 to 190 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2024
(Expressed in Renminbi Yuan)

	Note	2024 RMB'000	2023 RMB'000
Non-current assets			
Property, plant and equipment	10	7,396,978	7,057,252
Right-of-use assets	11	319,818	298,214
Intangible assets	12	129,784	139,463
Goodwill		10,254	10,254
Interests in associates	14	73,943	72,860
Non-current portion of trade and other receivables	17	293,991	414,360
Deferred tax assets	21(b)	17,339	10,991
		8,242,107	8,003,394
Current assets			
Inventories	16	38,525	31,465
Trade and other receivables	17	998,218	1,042,136
Financial assets measured at fair value through profit or loss ("FVPL")	15	–	45,000
Restricted bank deposits	18	125,906	39,975
Bank deposits with original maturity over three months	18	–	4,044
Cash and cash equivalents	18	345,622	246,254
		1,508,271	1,408,874
Current liabilities			
Loans and borrowings	19	867,687	1,277,159
Trade and other payables	20	1,382,760	1,378,744
Contract liabilities	22	16,825	13,621
Lease liabilities	23	1,537	1,144
Income tax payables	21(a)	3,128	5,658
		2,271,937	2,676,326
Net current liabilities		(763,666)	(1,267,452)
Total assets less current liabilities		7,478,441	6,735,942

The notes on pages 102 to 190 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2024
(Expressed in Renminbi Yuan)

	Note	2024 RMB'000	2023 RMB'000
Non-current liabilities			
Loans and borrowings	19	2,280,178	2,980,831
Unsecured medium-term notes ("MTN")	24	1,500,000	–
Lease liabilities	23	8,929	6,709
Deferred tax liabilities	21(b)	30,410	38,212
		3,819,517	3,025,752
NET ASSETS		3,658,924	3,710,190
CAPITAL AND RESERVES	25		
Share capital		14,837	14,837
Reserves		2,933,143	2,978,200
Total equity attributable to equity shareholders of the Company		2,947,980	2,993,037
Non-controlling interests		710,944	717,153
TOTAL EQUITY		3,658,924	3,710,190

Approved and authorised for issue by the board of directors on 24 March 2025.

Li Qunfeng
Director

Wang Chunjian
Director

The notes on pages 102 to 190 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2024
(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 25(c))	RMB'000 (Note 25(d)(i))	RMB'000 (Note 25(d)(ii))	RMB'000 (Note 25(d)(iii))	RMB'000	RMB'000		
Balance at 1 January 2023	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	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	264,130	264,130	39,883	304,013
Non-controlling interests arising from establishment of subsidiaries	-	-	-	-	-	-	16,234	16,234
Appropriation to reserves	25(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
Balance at 31 December 2023	14,837	1,184,167	(156,918)	278,937	1,672,014	2,993,037	717,153	3,710,190

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 25(c))	RMB'000 (Note 25(d)(i))	RMB'000 (Note 25(d)(ii))	RMB'000 (Note 25(d)(iii))	RMB'000	RMB'000		
Balance at 1 January 2024	14,837	1,184,167	(156,918)	278,937	1,672,014	2,993,037	717,153	3,710,190
Profit/(loss) for the year	-	-	-	-	6,275	6,275	(11,643)	(5,368)
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	6,275	6,275	(11,643)	(5,368)
Capital contribution by non-controlling interests	25(d)(iii)	-	-	-	-	-	10,171	10,171
Appropriation to reserves	-	-	-	3,159	(3,159)	-	-	-
Profit distribution to non-controlling interests	-	-	-	-	-	-	(4,737)	(4,737)
Dividends approved in respect of the previous years	-	(51,332)	-	-	-	(51,332)	-	(51,332)
Balance at 31 December 2024	14,837	1,132,835	(156,918)	282,096	1,675,130	2,947,980	710,944	3,658,924

The notes on pages 102 to 190 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2024
(Expressed in Renminbi Yuan)

	Note	2024 RMB'000	2023 RMB'000
Operating activities:			
Cash generated from operations	18(b)	466,158	688,606
Income tax paid	21(a)	(32,075)	(57,501)
Net cash generated from operating activities		434,083	631,105
Investing activities:			
Payment for purchase of property, plant and equipment, construction in progress and intangible assets		(560,126)	(768,774)
Proceeds from disposal of property, plant and equipment		727	61
Payment for purchase of right-of-use assets		(28,914)	(59,148)
Acquisition of subsidiaries, net of cash acquired		–	(90,645)
Payment for investments in associates		(8,000)	(9,400)
Payment for purchase of financial assets measured at FVPL		–	(45,000)
Proceeds from disposal of financial assets measured at FVPL		45,000	–
Proceeds from maturity of bank deposits over three months		4,044	–
Payment for bank deposits with maturity over three months		–	(4,044)
Dividends received from associates		1,400	3,148
Interest received		5,690	78
Net cash used in investing activities		(540,179)	(973,724)
Financing activities:			
Proceeds from loans and borrowings	18(c)	1,691,049	1,222,629
Repayment of loans and borrowings	18(c)	(2,801,174)	(739,331)
Proceeds from unsecured MTN issuance	24	1,500,000	–
Unsecured MTN issuance fee		(547)	–
Profit distribution to non-controlling interests		(700)	(14,802)
Interest paid	18(c)	(139,521)	(145,447)
Capital contribution from non-controlling interests		10,171	16,234
Dividends paid to the then-shareholder of acquired subsidiary	29(b)	–	(21,500)
Dividends paid to the shareholders	25(b)	(51,332)	–
Capital element of lease rentals paid	18(c)	(2,028)	(1,670)
Interest element of lease rentals paid	18(c)	(454)	(298)
Net cash generated from financing activities		205,464	315,815
Net increase/(decrease) in cash and cash equivalents		99,368	(26,804)
Cash and cash equivalents at the beginning of the year		246,254	273,058
Cash and cash equivalents at the end of the year	18(a)	345,622	246,254

The notes on pages 102 to 190 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 IFRS Accounting Standards as issued by the International Accounting Standards Board (“IASB”). IFRS Accounting Standards include all individual International Financial Reporting Standards, International Accounting Standards (“IASs”) and related interpretations. These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance, and 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 IFRS Accounting Standards 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 2024 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 IFRS Accounting Standards 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 IFRS Accounting Standards 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 RMB763,666,000 as at 31 December 2024. 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 2024 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 RMB434 million during the year ended 31 December 2024 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 2024, the Group had available unutilised banking facilities of RMB3.07 billion;

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)*

- (3) Anhui Conch Environment Group Co., Ltd. ("Conch Environment Group"), a subsidiary of the Company, has successfully issued Unsecured MTN in the aggregate amount of not more than RMB3.0 billion (the "Medium-term Notes") with a validity period of two years from 25 July 2024, the completion of registration date. On 7 August 2024, the first batch of RMB1.5 billion of the Medium-term Notes has been issued. Conch Environment Group plans to utilise the remaining RMB1.5 billion to repay the interest-bearing bank loans of Conch Environment Group and its subsidiaries in 2025.

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.

Should the Group not be able to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

(d) Changes in accounting policies

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

- Amendments to IAS 1, Presentation of financial statements — Classification of liabilities as current or non-current ("2020 amendments") and amendments to IAS 1, Presentation of financial statements — Non-current liabilities with covenants ("2022 amendments")
- Amendments to IFRS 16, Leases — Lease liability in a sale and leaseback
- Amendments to IAS 7, Statement of cash flows and IFRS 7, Financial instruments: Disclosures — Supplier finance arrangements

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

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)).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES *(Continued)*

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES *(Continued)*

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

(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).

(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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES *(Continued)*

(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)).

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.

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

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.

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.

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)*

The lease liability is also remeasured when there is a lease modification, which means 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.

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

(l) Credit losses and impairment of assets

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

The group recognises a loss allowance for expected credit losses ("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.

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)

Measurement of ECLs (Continued)

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.

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.

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 (Continued)

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

1 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;
- the restructuring of a loan or advance by the group on terms that the group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; 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)*

(I) 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 ("CGUs"). 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.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the group is required to prepare an interim financial report in compliance with IAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(I)(i) and (ii)).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES *(Continued)*

(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.

(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)).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES *(Continued)*

(q) Trade and other payables

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

(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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES *(Continued)*

(t) Income tax *(Continued)*

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES *(Continued)*

(t) Income tax *(Continued)*

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.

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)*

(b) Dividends

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

(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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES *(Continued)*

(w) Translation of foreign currencies *(Continued)*

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES *(Continued)*

(y) Related parties *(Continued)*

- (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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

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.

(iii) Impairment of other non-current assets (other than goodwill)

In considering the impairment losses that may be required for certain of the Group's assets which include property, plant and equipment, right-of-use assets, intangible assets, and investments in its associates, recoverable amount of the assets need to be determined. The recoverable amount is the greater of the net selling price and the value in use. It is difficult to precisely estimate selling price because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the assets are discounted to their present value, which requires significant judgement relating to items such as level of estimated sales volume, selling price and the amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as sales volume, selling price and the amount of operating costs.

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:

	2024 RMB'000	2023 RMB'000
Revenue from contracts with customers within the scope of IFRS15, recognised over time		
Solid and hazardous waste solutions		
Industrial solid waste treatment services	407,976	568,674
Industrial hazardous waste treatment services		
— General hazardous waste	958,226	1,047,377
— Oil sludge	107,583	80,796
— Fly ash	85,890	91,990
	1,559,675	1,788,837
Revenue from contracts with customers within the scope of IFRS15, recognised at point in time		
Solid and hazardous waste solutions		
Comprehensive resource utilization	127,315	92,719
	1,686,990	1,881,556

(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 People's Republic of China (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 NET INCOME

	2024 RMB'000	2023 RMB'000
Interest income on bank deposits	5,690	10,137
Government grants (i)	32,781	23,851
Net loss on disposal of property, plant and equipment	(323)	(15)
Others	4,452	(1,007)
	42,600	32,966

- (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:

	2024 RMB'000	2023 RMB'000
Interest on loans and borrowings (Note 18(c))	137,301	148,822
Interest on lease liabilities (Note 18(c))	454	298
Interest on unsecured MTN (Note 18(c))	13,046	–
*Less: interest expense capitalised in construction in progress	(33,542)	(47,617)
	117,259	101,503

* For the year ended 31 December 2024, the borrowing costs were capitalised at a rate of 2.31%–4.65% per annum (2023: 2.80%–4.85%).

(b) Staff costs:

	2024 RMB'000	2023 RMB'000
Salaries, wages and other benefits	412,566	374,275
Contributions to defined contribution plans (i)	53,948	49,025
	466,514	423,300

- (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:

	2024 RMB'000	2023 RMB'000
Cost of services provided [#]	1,057,717	987,986
Depreciation of owned property, plant and equipment [#]	289,863	234,773
Depreciation of right-of-use assets [#]	10,943	7,445
Amortisation of intangible assets [#]	17,724	15,040
Loss allowance for trade receivables	19,630	15,258
Short-term lease payments not included in the measurement of lease liabilities	3,462	4,634
Auditors' remuneration	1,900	1,900
Impairment loss on property, plant and equipment (Note 10)	10,370	—

[#] For the year ended 31 December 2024, cost of services provided include RMB493,895,000 (2023: RMB416,737,000) 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:

	2024 RMB'000	2023 RMB'000
Current tax — Hong Kong Profits Tax		
Provision for the year	—	—
Current tax — PRC income tax		
Provision for the year	32,367	49,018
Over provision in respect of prior years	(2,822)	(525)
Deferred tax:		
Origination and reversal of temporary differences (Note 21(b))	(14,150)	(239)
	15,395	48,254

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 2024 (2023: Nil) as there are no assessable profits during the years ended 31 December 2024 and 2023.
- (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:

	2024 RMB'000	2023 RMB'000
Profit before taxation	10,027	352,267
Notional tax on profit before taxation, calculated at the rates applicable to profit in the tax jurisdictions concerned	2,506	88,699
Tax effect of unused tax losses not recognised	48,319	51,891
PRC tax concessions	(33,987)	(96,605)
PRC dividend withholding tax	–	4,966
Over provision in respect of prior years	(2,822)	(525)
Share of losses/(profits) of associates	1,379	(172)
Income tax expense	15,395	48,254

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 2024				
		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. Wang Chunjian	(i)	–	210	838	15	1,063
Mrs. Liao Dan		–	423	497	41	961
Mr. Fan Zhan	(ii)	–	–	–	–	–
Non-executive Directors:						
Mr. Li Qunfeng	(iii)	–	–	–	–	–
Mr. Jiang Dehong	(iii)	–	–	–	–	–
Mr. Ma Wei	(iii)	–	–	–	–	–
Independent Non-executive Directors:						
Mr. Ding Wenjiang	(iv)	150	–	–	–	150
Mrs. Wang Jiafen	(iv)	148	–	–	–	148
Mrs. Li Chen	(iv)	150	–	–	–	150
		448	633	1,335	56	2,472

		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	(v)	–	645	1,231	39	1,915
Mrs. Liao Dan		–	427	560	39	1,026
Mr. Fan Zhan	(ii)	–	–	–	–	–
Non-executive Directors:						
Mr. Li Qunfeng	(iii)	–	–	–	–	–
Mr. Jiang Dehong	(iii)	–	–	–	–	–
Mr. Ma Wei	(iii)	–	–	–	–	–
Independent Non-executive Directors:						
Mr. Ding Wenjiang	(iv)	–	–	–	–	–
Mrs. Wang Jiafen	(iv)	–	–	–	–	–
Mrs. Li Chen	(iv)	–	–	–	–	–
		–	1,072	1,791	78	2,941

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

7 DIRECTORS' REMUNERATION *(Continued)*

- (i) Mr. Wang Chunjian has been appointed as Executive Director and General Manager and member of the Strategy, Sustainable Development and Risk Management Committee on 29 August 2024.
- (ii) No amounts were paid by the Group to this director during the years ended 31 December 2024 and 2023.
- (iii) 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 years ended 31 December 2024 and 2023.
- (iv) 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 years ended 31 December 2024.
- (v) Mr. Li Xiaobo resigned as Executive Director and General Manager, and no longer served as a member, authorized representative and agent of legal process documents of the Strategy, Sustainable Development and Risk Management Committee on 29 August 2024.

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 2024 and 2023.

No directors of the Company waived or agreed to waive any remuneration during the years ended 31 December 2024 and 2023.

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 two (2023: one) directors whose emoluments are disclosed in Note 7. The aggregate of the emoluments in respect of the remaining three (2023: four) highest paid individuals, are as follows:

	2024 RMB'000	2023 RMB'000
Salaries, allowances and benefits in kind	1,219	2,612
Discretionary bonuses	1,800	2,866
Contributions to retirement benefit schemes	123	132
	3,142	5,610

The emoluments of the three (2023: four) individuals with the highest emoluments are within the following bands:

	2024 Number of individuals	2023 Number of individuals
HKD		
1,000,001–1,500,000	3	3
1,500,001–2,000,000	–	1

9 EARNINGS PER SHARE

The calculation of basic and diluted earnings per share for the twelve months ended 31 December 2024 is based on the profit attributable to shareholders of the Company for the twelve months ended 31 December 2024 of RMB6,275,000 (2023: RMB264,130,000) and the weighted average number of ordinary shares of 1,826,765,059 in issue (31 December 2023: 1,826,765,059).

Diluted earnings per share for the twelve months ended 31 December 2024 and 2023 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

	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
Cost:						
At 1 January 2023	2,075,000	2,397,937	67,001	139,453	2,214,048	6,893,439
Acquisition of subsidiaries	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 and 1 January 2024	2,380,239	2,846,835	75,105	153,833	2,437,103	7,893,115
Additions	25,860	89,806	488	17,718	520,667	654,539
Transfer from construction in progress	1,060,576	761,527	977	–	(1,823,080)	–
Disposals	–	(331)	(147)	(3,377)	–	(3,855)
At 31 December 2024	3,466,675	3,697,837	76,423	168,174	1,134,690	8,543,799

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
Accumulated depreciation and impairment losses:						
At 1 January 2023	(120,819)	(301,164)	(21,433)	(83,832)	–	(527,248)
Acquisition of subsidiaries	(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 and 1 January 2024	(194,976)	(499,260)	(34,305)	(107,322)	–	(835,863)
Charge for the year	(84,705)	(191,493)	(11,733)	(15,462)	–	(303,393)
Impairment loss	–	(10,260)	(35)	(75)	–	(10,370)
Written back on disposals	–	113	74	2,618	–	2,805
At 31 December 2024	(279,681)	(700,900)	(45,999)	(120,241)	–	(1,146,821)
Net book value:						
At 31 December 2023	2,185,263	2,347,575	40,800	46,511	2,437,103	7,057,252
At 31 December 2024	3,186,994	2,996,937	30,424	47,933	1,134,690	7,396,978

As at 31 December 2024, plant and buildings with carrying amount of RMB132,029,000 (2023: RMB80,348,000) were pledged as collaterals for certain bank loans (see Note 19).

As a result of financial performance of certain plants primarily due to low utilisation of its production capacity, management identified treatment solutions plants related property, plant and equipment having impairment indications. Management performed impairment assessments of these assets as at 31 December 2024 using value-in-use calculations by measuring recoverable amount of these production lines based on discounted cash flow analysis using a after-tax discount rate of 8.20%. Based on the assessments, management concluded that an impairment provision of RMB10.37 million was recognised for the related property, plant and equipment of the Group based on the corresponding recoverable amount of RMB61 million.

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	2024 RMB'000	2023 RMB'000
Properties leased for own use, carried at depreciated cost	(i)	3,111	4,386
Leasehold land for own use, carried at depreciated cost	(ii)	316,707	293,828
		319,818	298,214

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

	2024 RMB'000	2023 RMB'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Properties leased for own use, carried at depreciated cost	1,543	1,472
Leasehold land for own use, carried at depreciated cost	9,400	5,973
	10,943	7,445
Interest on lease liabilities (Note 5(a))	454	298
Expenses relating to short-term leases	3,462	4,644

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
Cost:			
At 1 January 2023	240,710	4,182	244,892
Acquisition of subsidiaries	27,621	–	27,621
Additions	47,368	153	47,521
At 31 December 2023 and 1 January 2024	315,699	4,335	320,034
Additions	30,118	4,371	34,489
At 31 December 2024	345,817	8,706	354,523
Accumulated depreciation:			
At 1 January 2023	(14,145)	(419)	(14,564)
Acquisition of subsidiaries	(5,597)	–	(5,597)
Charge for the year	(5,717)	(328)	(6,045)
At 31 December 2023 and 1 January 2024	(25,459)	(747)	(26,206)
Charge for the year	(10,728)	(882)	(11,610)
At 31 December 2024	(36,187)	(1,629)	(37,816)
Net book value:			
At 31 December 2023	290,240	3,588	293,828
At 31 December 2024	309,630	7,077	316,707

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

As at 31 December 2024, the remaining lease terms of leasehold land for own use ranged from 2–30 years.

As at 31 December 2024, leasehold land for own use with carrying amount of RMB30,605,000 (2023: RMB8,813,000) 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
Cost:					
At 1 January 2023	5,334	5,160	66,078	71,185	147,757
Acquisition of subsidiaries	–	–	17,650	2,500	20,150
Additions	6,172	–	–	7,676	13,848
At 31 December 2023 and 1 January 2024	11,506	5,160	83,728	81,361	181,755
Additions	8,961	–	–	–	8,961
At 31 December 2024	20,467	5,160	83,728	81,361	190,716
Accumulated amortisation:					
At 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 and 1 January 2024	(1,625)	(4,244)	(23,212)	(13,211)	(42,292)
Charge for the year	(852)	(916)	(8,230)	(8,642)	(18,640)
At 31 December 2024	(2,477)	(5,160)	(31,442)	(21,853)	(60,932)
Net book value:					
At 31 December 2023	9,881	916	60,516	68,150	139,463
At 31 December 2024	17,990	–	52,286	59,508	129,784

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") 海建香港控股有限公司 (ii)	Hong Kong 12 February 2019	RMB500,000,000/ RMB500,000,000	50%	—	50%	Investment holding
Anhui Conch Venture Environmental Protection Technology Co., Ltd. 安徽海創環保科技有限公司 (i)	The PRC 5 June 2020	RMB200,000,000/ RMB200,000,000	100%	—	100%	Investment holding
Anhui Conch Venture Environment Technology Co., Ltd. ("Anhui Conch Venture") 安徽海螺環保集團有限公司 (i)	The PRC 24 June 2020	RMB202,020,000/ RMB202,020,000	99%	—	99%	Investment holding
Wuhu Conch Venture Environmental Protection Technology Co., Ltd. ("Wuhu Environmental") 蕪湖海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

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	
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
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/ RMB20,000,000	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	RMB11,400,000/ RMB30,000,000	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	
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
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	RMB380,000/ 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

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	
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 Environmental Protection Technology Co., Ltd. 富平海螺環保科技有限責任公司 (i)	The PRC 18 July 2019	RMB71,247,800/ RMB71,247,800	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
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	RMB20,000,000/ RMB20,000,000	80%	–	80%	Industrial solid and hazardous waste treatment

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

13 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of company	Place and date of incorporation/ establishment	Issued and fully paid up capital/ registered capital	Proportion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by a subsidiary	
Yulin Conch Environmental Protection Technology Co., Ltd. 榆林海螺環保科技有限責任公司	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
Luoyang Haizhong Environmental Protection Technology Co., Ltd. 洛陽海中環保科技有限責任公司 (i)	The PRC 13 June 2019	RMB15,000,000/ RMB15,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Jiyuan Haizhong Environmental Protection Technology Co., Ltd. 濟源海中環保科技有限責任公司 (i)	The PRC 18 June 2019	RMB15,000,000/ RMB15,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Hangzhou Fuyang Haizhong Environmental Protection Technology Co., Ltd. 杭州富陽海中環保科技有限責任公司 (i)	The PRC 17 September 2019	RMB60,000,000/ RMB60,000,000	55%	–	55%	Industrial solid and hazardous waste treatment
Chongzuo Haizhong Environmental Protection Technology Co., Ltd. 崇左海中環保科技有限責任公司 (i)	The PRC 12 October 2019	RMB20,000,000/ RMB20,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Guilin Haizhong Environmental Protection Technology Co., Ltd. 桂林海中環保科技有限責任公司 (i)	The PRC 24 July 2017	RMB21,000,000/ RMB21,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Dengfeng Haizhong Environmental Protection Technology Co., Ltd. 登封海中環保科技有限責任公司 (i)	The PRC 28 August 2019	RMB15,000,000/ RMB15,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Quzhou Haizhong Environmental Protection Technology Co., Ltd. 衢州海中環保科技有限責任公司 (i)	The PRC 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

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	
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責任公司 (i)	The PRC 13 December 2019	RMB10,000,000/ RMB20,000,000	51%	–	51%	Industrial solid and hazardous waste treatment
Xin'an Haizhong Environmental Protection Technology Co., Ltd. 新安海中環保科技有限責任公司 (i)	The PRC 23 July 2020	RMB30,000,000/ RMB30,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Wuhu Conch Venture Logistics Co., Ltd. 蕪湖海創物流有限責任公司(i)	The PRC 3 March 2017	RMB32,000,000/ RMB50,000,000	100%	–	100%	Logistics service for solid and hazardous waste
Yangchun Conch Venture Logistics Co., Ltd. 陽春海創物流有限責任公司 (i)	The PRC 7 April 2020	RMB4,300,000/ RMB10,000,000	100%	–	100%	Logistics service for solid and hazardous waste
Shaanxi Bangda Jieshun Logistics Co., Ltd. 陝西邦達捷順運輸有限責任公司 (i)	The PRC 14 June 2019	RMB10,000,000/ RMB10,000,000	92%	–	92%	Logistics service for solid and hazardous waste
Shimen Conch Venture Environmental Protection Technology Co., Ltd. 石門海螺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	RMB200,000,00/ 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
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

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	
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	RMB1,761,900/ 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	RMB1,220,000/ 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
Chaohu Haichuang Environmental Technology Co., Ltd. 巢湖海環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. 海南省海創環保科技有限責任公司 (i)	The PRC 28 June 2021	RMB3,598,000/ RMB20,000,000	70%	–	70%	Industrial solid and hazardous waste treatment
Chaohu Haihua Environmental Protection Technology Co., Ltd. 巢湖海化環保科技有限責任公司 (i)	The PRC 26 May 2021	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	
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	RMB2,000,000/ RMB50,000,000	60%	–	60%	Industrial solid and hazardous waste treatment
Tongchuan Conch Environmental Protection Technology Co., Ltd. 銅川海螺堯柏環保科技有限責任公司 (i)	The PRC 29 November 2021	RMB20,000,000/ 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	RMB12,000,000/ 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 Nuohe Environmental Technology Co., Ltd. 德州海中諾客環保科技有限責任公司 (i)	The PRC 15 August 2019	RMB30,000,000/ RMB30,000,000	89%	–	89%	Industrial solid and hazardous waste treatment
Juxian Haizhong Environmental Protection Technology Co., Ltd. 莒縣海中環保科技有限責任公司 (i)	The PRC 13 January 2021	–/RMB15,000,000	70%	–	70%	Industrial solid and hazardous waste treatment
Fujian Sanming Haizhong Environmental Protection Technology Co., Ltd. 福建三明海中環保科技有限責任公司 (i)	The PRC 24 April 2017	RMB60,000,000/ RMB60,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Nanjing Haizhong Environmental Protection Technology Co., Ltd. 南京海中環保科技有限責任公司 (i)	The PRC 8 February 2021	RMB50,000,000/ RMB50,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Ganzhou Haihua Environmental Protection Technology Co., Ltd. 贛州海化環保科技有限責任公司 (i)	The PRC 30 July 2021	RMB100,000/ RMB15,000,000	100%	–	100%	Industrial solid and hazardous waste treatment

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	
Lanzhou Haizhong Environmental Protection Technology Co., Ltd. 蘭州海中環保科技有限責任公司 (i)	The PRC 15 October 2021	RMB30,000,000/ RMB30,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Guiding Conch Venture Environmental Technology Co., Ltd. 貴定海螺環保科技有限責任公司 (i)	The PRC 25 October 2021	–/RMB9,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
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	RMB750,000/ RMB20,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Pingliang Conch Environmental Protection Technology Co., Ltd. 平涼海螺環保科技有限責任公司 (i)	The PRC 23 September 2013	RMB35,000,000/ RMB35,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Mianyang Haizhong Environmental Protection Technology Co., LTD 綿陽市海中環保科技有限責任公司 (i)	The PRC 3 March 2022	RMB15,000,000/ RMB15,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Junlian Haizhong Environmental Protection Technology Co., LTD 筠連海中環保科技有限責任公司 (i)	The PRC 8 April 2022	RMB4,450,000/ 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	RMB5,000,000/ RMB10,000,000	85%	–	85%	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/ 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	RMB540,000/ 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	RMB3,867,000/ RMB30,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Qingyuan Conch Environmental Protection Technology Co., LTD 清遠海螺環保科技有限責任公司 (i)	The PRC 3 August 2020	RMB30,000,000/ RMB30,000,000	61%	–	61%	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	
Shaoguan Conch Environmental Protection Technology Co., LTD 韶關海螺環保科技有限公司 (i)	The PRC 19 March 2019	RMB40,000,000/ 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/ 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	RMB2,000,000/ 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	RMB9,000,000/ RMB30,000,000	70%	–	70%	Industrial solid and hazardous waste treatment
Jiande Haizhong Environmental Protection Technology Co. LTD 建德海中環保科技有限責任公司 (i)	The PRC 14 December 2021	RMB1,250,000/ 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/ 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	RMB3,000,000/ 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/ RMB10,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Yiyang Haizhong Environmental Protection Technology Co. LTD 宜陽海中環保科技有限責任公司 (i)	The PRC 10 January 2022	RMB4,400,000/ 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/ RMB50,000,000	70%	–	70%	Industrial solid and hazardous waste treatment
Baoding Haizhong Environmental Protection Technology Co. LTD 保定海中環保科技有限責任公司 (i)	The PRC 13 May 2022	RMB700,000/ RMB30,000,000	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	
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	RMB1,200,000/ RMB30,000,000	100%	–	35%	Industrial solid and hazardous waste treatment
Yushan Haizhong Environmental Protection Technology Co., Ltd. 玉山海中環保科技有限責任公司	The PRC 19 August 2021	–/RMB30,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Sanming Haihua Environmental Protection Technology Co., Ltd. 三明海化環保科技有限責任公司	The PRC 17 May 2022	–/RMB15,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
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	RMB2,000,000/ 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/ 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	RMB600,000/ 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	RMB400,000/ 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	RMB15,000,000/ 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	RMB1,500,000/ RMB1,500,000	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/ RMB5,000,000	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	
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	RMB12,500,000/ RMB15,000,000	67%	–	67%	Industrial solid and hazardous waste treatment
Harbin Haihuanengyuan Environmental Protection Technology Co., Ltd. 哈爾濱海環能遠源保科技有限責任公司	The PRC 16 May 2023	RMB1,000,000/ RMB5,000,000	100%	–	100%	Resource recycling service technical consultation
Zhoushan Haizhong Environmental Protection Technology Co., Ltd. 確山海中環保科技有限責任公司	The PRC 22 May 2023	RMB100,000/ RMB30,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Taizhou Conch Environmental Protection Technology Co., Ltd. 台州海螺環保科技有限責任公司	The PRC 5 July 2024	RMB16,000,000/ RMB36,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Qingyuan Qingxin Conch Environmental Protection Technology Co., Ltd. 清遠市清新海螺環保科技發展有限責任公司	The PRC 27 December 2024	–/RMB3,000,000	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		Principal activities
				Group's effective interest		
				As at 31 December		
				2024	2023	
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.

The information of associates is as below:

	2024 RMB'000	2023 RMB'000
Carrying amount of the associates	73,943	72,860
Amounts of the Group's share of associates (Losses)/profits from continuing operations	(5,517)	689
Other comprehensive income	—	—
Total comprehensive income	(5,517)	689
Dividend received	1,400	3,148

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

15 FINANCIAL ASSETS MEASURED AT FVPL

	2024 RMB'000	2023 RMB'000
Current assets		
Investment in structured deposits (i)	–	45,000

- (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.

16 INVENTORIES

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

	2024 RMB'000	2023 RMB'000
Raw materials	13,232	13,235
Work in progress	23,600	11,847
Finished goods	1,693	6,383
	38,525	31,465

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

	2024 RMB'000	2023 RMB'000
Carrying amount of inventories used	153,302	115,065
Write-down of inventories	–	–
	153,302	115,065

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

17 TRADE AND OTHER RECEIVABLES

	2024 RMB'000	2023 RMB'000
Trade receivables		
— Third parties	808,542	897,583
— Related parties (Note 29(c))	82,112	35,216
Bills receivable, carried at amortised cost	78,526	44,671
Bills receivable, carried at FVOCI	6,337	18,382
Less: allowance for doubtful debts (Note 17(b))	(70,381)	(50,751)
Trade and bills receivables	905,136	945,101
Other receivables		
— Deposits	16,534	18,155
— VAT recoverable	41,860	53,649
— others	12,847	3,292
Prepayments	21,841	15,662
	998,218	1,035,859
Amounts due from related parties (Note 29(c))		
— Others	—	6,277
Current portion of trade and other receivables	998,218	1,042,136
Non-current portion of trade and other receivables (i)	293,991	414,360
Total current and non-current trade and other receivables	1,292,209	1,456,496

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

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

- (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 2024, the Group endorsed undue bills receivable of RMB64,938,000 (2023: RMB31,396,000) to its suppliers to settle trade payables of the same amount and derecognised these bills receivable and payables to suppliers in their entirety from statement of financial position 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 2024, the maximum exposure to loss from its continuous involvement represents the amount of bills receivable of RMB64,938,000 (2023: RMB31,396,000) which the Group endorsed to its suppliers. These undue bills receivable were due within six months from date of issuance.

(a) Ageing analysis

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

	2024 RMB'000	2023 RMB'000
Current	781,455	665,677
Less than 1 year	118,023	279,319
1 to 2 years	5,658	105
	905,136	945,101

Details of the Group's credit policy and credit risk arising from trade receivable and bills receivables are set out in Note 26(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:

	2024 RMB'000	2023 RMB'000
At the beginning of the year	50,751	35,493
Impairment losses recognised	19,630	15,258
At the end of the year	70,381	50,751

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

18 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	2024 RMB'000	2023 RMB'000
Cash at bank and on hand	471,528	290,273
Less: Restricted bank deposits (Note)	(125,906)	(39,975)
Bank deposits with original maturity over three months	–	(4,044)
Cash and cash equivalents in the consolidated statement of financial position and the consolidated cash flow statement	345,622	246,254

Note: As at 31 December 2024, restricted bank deposits of RMB125,906,000 (2023: RMB39,975,000) 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	2024 RMB'000	2023 RMB'000
Profit before taxation		10,027	352,267
Adjustments for:			
Depreciation of owned property, plant and equipment	5(c)	289,863	234,773
Depreciation of right-of-use assets	5(c)	10,943	7,445
Amortisation of intangible assets	5(c)	17,724	15,040
Loss allowance for trade receivables	5(c)	19,630	15,258
Net loss on disposal of right-of-use assets and property, plant and equipment	4	323	15
Impairment loss on property, plant and equipment	5(c)	10,370	—
Finance costs	5(a)	117,259	101,503
Interest income	4	(5,690)	(78)
Unsecured MTN issuance fee		547	—
Share of losses/(profits) of associates		5,517	(689)
Operating profit before changes in working capital		476,513	725,534
Increase in inventories		(7,060)	(11,412)
(Increase)/decrease in restricted bank deposits		(85,931)	12,894
Decrease/(increase) in trade and other receivables		78,215	(152,097)
Increase in trade and other payables		1,217	110,742
Increase in contract liabilities		3,204	2,945
Cash generated from operations		466,158	688,606

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:

	Unsecured MTN RMB'000 (Note 24)	Loans and borrowings RMB'000 (Note 19)	Interest payable RMB'000 (Note (ii))	Dividends payable RMB'000 (Note 20)	Lease liabilities RMB'000 (Note 23)	Total RMB'000
At 1 January 2023	–	3,774,692	1,808	65,993	7,815	3,850,308
Changes from financing cash flows:						
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)
Total changes from financing cash flows	–	483,298	(145,447)	(21,500)	(1,968)	314,383
Other changes:						
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
Total other changes	–	–	148,822	(17,311)	2,006	133,517

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)*

	Unsecured MTN RMB'000 (Note 24)	Loans and borrowings RMB'000 (Note 19)	Interest payable RMB'000 (Note (i))	Dividends payable RMB'000 (Note 20)	Lease liabilities RMB'000 (Note 23)	Total RMB'000
At 31 December 2023 and 1 January 2024	–	4,257,990	5,183	27,182	7,853	4,298,208
Changes from financing cash flows:						
Proceeds from loans and borrowings	–	1,691,049	–	–	–	1,691,049
Repayment of loans and borrowings	–	(2,801,174)	–	–	–	(2,801,174)
Proceeds from bonds issuance	1,500,000	–	–	–	–	1,500,000
Repayment of dividends payable to to non-controlling interests	–	–	–	(700)	–	(700)
Capital element of lease rentals paid	–	–	–	–	(2,028)	(2,028)
Interest element of lease rentals paid	–	–	–	–	(454)	(454)
Interest paid	–	–	(139,521)	–	–	(139,521)
Total changes from financing cash flows	1,500,000	(1,110,125)	(139,521)	(700)	(2,482)	247,172
Other changes:						
Interest expenses (Note 5(a))	–	–	116,805	–	454	117,259
Capitalised borrowing costs (Note 5(a))	–	–	33,542	–	–	33,542
Profit distribution to non-controlling interests	–	–	–	4,737	–	4,737
Increase in lease liabilities from entering into new leases during the period	–	–	–	–	4,641	4,641
Total other changes	–	–	150,347	4,737	5,095	160,179
At 31 December 2024	1,500,000	3,147,865	16,009	31,219	10,466	4,705,559

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:

	2024 RMB'000	2023 RMB'000
Within operating cash flows	3,462	4,634
Within financing cash flows	2,482	1,968
	5,944	6,602

These amounts relate to the following:

	2024 RMB'000	2023 RMB'000
Lease rentals paid	5,944	6,602

19 LOANS AND BORROWINGS

	2024 RMB'000	2023 RMB'000
Current	867,687	1,277,159
Non-current	2,280,178	2,980,831
Total	3,147,865	4,257,990

- (i) As at 31 December 2024, the bank loans and other interest-bearing borrowings were repayable as follows:

	2024 RMB'000	2023 RMB'000
Within one year	867,687	1,277,159
After one year but within two years	882,455	1,218,512
After two years but within five years	1,264,658	1,364,472
After five years	133,065	397,847
Total	3,147,865	4,257,990

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

19 LOANS AND BORROWINGS *(Continued)*

- (ii) As at 31 December 2024, the bank loans and other interest-bearing borrowings were secured as follows:

	2024 RMB'000	2023 RMB'000
Bank loans		
— Secured	187,683	67,492
— Unsecured	2,934,148	4,168,528
— Bills discounted	4,064	—
Other interest-bearing borrowings		
— Guaranteed	21,970	21,970
Total	3,147,865	4,257,990

Note:

As at 31 December 2024, the other interest-bearing borrowings of the Group amounting to RMB21,970,000 (2023: RMB21,970,000) were guaranteed by an independent third party.

As at 31 December 2024, the bank loans of the Group amounting to RMB77,280,000 (2023: RMB44,286,000) were secured by machinery and equipment of Luoyang Haizhong Environmental, a subsidiary of the Group.

As at 31 December 2024, the bank loans of the Group amounting to RMB47,550,000 (2023: RMB23,206,000) were secured by plant and buildings of Ninghai Xinyuantai Environmental, a subsidiary of the Group.

As at 31 December 2024, the bank loans of the Group amounting to RMB62,853,000 (2023: RMB Nil) were secured by plant and building of Zhongxian Conch Environmental, a subsidiary of the Group.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

20 TRADE AND OTHER PAYABLES

	2024 RMB'000	2023 RMB'000
Trade payables		
— Third parties	271,506	257,263
— Related parties (Note 29(c))	66,253	58,286
Bills payable	93,744	80,939
Trade and bills payables	431,503	396,488
Other payables and accruals		
— Construction and equipment payables	434,863	381,063
— Deposits	33,132	30,605
— Other taxes and surcharges payables	10,339	5,458
— Accrued payroll and other benefits	107,924	140,340
— Accrued expenses	65,023	67,708
— Others	42,706	76,815
	1,125,490	1,098,477
Dividends payable	31,219	27,182
Amounts due to related parties (Note 29(c))		
— Construction and equipment payables	224,777	251,833
— Others	1,274	1,252
Trade and other payables	1,382,760	1,378,744

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:

	2024 RMB'000	2023 RMB'000
Within 1 year	431,503	396,488

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:

	2024 RMB'000	2023 RMB'000
Balance at the beginning of the year	5,658	14,666
Provision for current income tax for the year (Note 6(a))	29,545	48,493
Payments during the year	(32,075)	(57,501)
Balance at the end of the year	3,128	5,658

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
Deferred tax assets/ (liability) arising from:							
At 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	-	-	-	-	(9,776)	-	(9,776)
At 31 December 2023 and 1 January 2024	(1,196)	1,178	3,479	7,512	(33,228)	(4,966)	(27,221)
(Debited)/Credited to profit or loss	(332)	392	1,733	3,045	4,346	4,966	14,150
At 31 December 2024	(1,528)	1,570	5,212	10,557	(28,882)	-	(13,071)

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

	2024 RMB'000	2023 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	17,339	10,991
Net deferred tax liabilities recognised on the consolidated statement of financial position	(30,410)	(38,212)
	(13,071)	(27,221)

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 assets not recognised:

In accordance with the accounting policy set out in note 1(t), the Group has not recognised deferred tax assets in respect of tax losses of RMB48,319,000 (2023: RMB51,891,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses will expire within five years under current tax legislation.

(d) Deferred tax liabilities not recognised:

The Group has not recognised deferred tax liabilities as at 31 December 2024 in respect of undistributed earnings of RMB2,252,832,000 (2023: RMB2,117,218,000) of PRC subsidiaries respectively because the Group has no plans to distribute these earnings outside the PRC in the foreseeable future.

22 CONTRACT LIABILITIES

	2024 RMB'000	2023 RMB'000
Receipts in advance from customers for: Provision of treatment solutions for industrial solid and hazardous waste	16,825	13,621

Movements in contract liabilities

	2024 RMB'000	2023 RMB'000
Balance at 1 January	13,621	10,676
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the period	(13,621)	(10,676)
Increase in contract liabilities as a result of receiving forward sales deposits during the year in respect of waste treatment solution contract as at the year end	16,825	13,621
Balance at 31 December	16,825	13,621

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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

23 LEASE LIABILITIES

At 31 December 2024, the lease liabilities were payable:

	2024 RMB'000	2023 RMB'000
Within 1 year	1,537	1,144
After 1 year but within 2 years	947	584
After 2 years but within 5 years	2,344	1,814
After 5 years	5,638	4,311
Balance at the end of the year	10,466	7,853

24 UNSECURED MEDIUM-TERM NOTES ("MTN")

Anhui Conch Environment Group Co., Ltd. ("Conch Environment Group"), a subsidiary of the Company, received the approval of registration from National Association of Financial Market Institutional Investors (Zhong shi xie zhu [2024] GN13) for issuing unsecured MTN in the aggregate amount of not more than RMB3 billion with a validity period of two years from 25 July 2024, the completion of registration date.

From 5 to 6 August 2024, Conch Environment Group publicly issued the first tranche of MTN in inter-bank of the PRC, with an aggregate principal amount of RMB1.5 billion at an interest rate of 2.13% per annum for a term of five years.

25 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
Balance at 1 January 2023	14,837	1,184,167	29,567	(41,659)	1,186,912
Loss and total comprehensive income for the year	–	–	–	(5,664)	(5,664)
Balance at 31 December 2023 and 1 January 2024	14,837	1,184,167	29,567	(47,323)	1,181,248
Profit and total comprehensive income for the year	–	–	–	51,472	51,472
Dividends approved in respect of the previous years	–	(51,332)	–	–	(51,332)
Balance at 31 December 2024	14,837	1,132,835	29,567	4,149	1,181,388

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

25 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(b) Dividends

Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year.

	2024 RMB'000	2023 RMB'000
Final dividend in respect of the previous financial year, approved during the year, of HKD3 cents per share (2023: HKD Nil cents per ordinary share)	51,332	–

Pursuant to a resolution passed at the annual general meeting on 26 June 2024, a final dividend of HKD3 cents per share totaling HKD54,803,000 (equivalent to approximately RMB51,332,000) was approved (2023: HKD Nil, equivalent to approximately RMB Nil), which was paid in July 2024.

No final dividends were proposed after the end of reporting period (2023: HKD3 cents per ordinary share).

(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. There were no movements since 16 March 2022 to 31 December 2024.

The share capital in the consolidated statement of financial position as at 31 December 2024 represented the issued share capital of the Company.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

25 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 during 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") during the year ended 31 December 2022.
- Deemed contribution from the ultimate parent Company represents the liabilities waived by the ultimate parent Company during 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 50% of the entity's registered capital.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

25 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 2024 and 2023 was as follow:

	2024 RMB'000	2023 RMB'000
Total liabilities	6,091,454	5,702,078
Total assets	9,750,378	9,412,268
Debt to asset ratio	62.47%	60.58%

Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

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.

(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 2024, 0.2% (2023: 4%) of the total trade and other receivables were due from the Group's largest customer and 6% (2023: 12%) of the total trade and other receivables were due from the Group's five largest customers. 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.

Except for the financial guarantees given by the Group as set out in note 28, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in note 28.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

26 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 2024			
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	0.47%	785,159	(3,703)
Less than 1 year past due	10.81%	132,320	(14,298)
1 to 2 years past due	79.00%	26,947	(21,289)
Over 2 years	100.00%	12,550	(12,550)
Individual assessment	100.00%	18,541	(18,541)
		975,517	(70,381)

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)
		995,852	(50,751)

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)

26 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 2024					
	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	Carrying amount RMB'000
Loans and borrowings	950,692	959,288	1,323,974	203,949	3,437,903	3,147,865
Unsecured MTN	33,708	33,708	1,582,538	–	1,649,954	1,500,000
Trade and other payables	1,382,760	–	–	–	1,382,760	1,382,760
Lease liabilities	1,613	1,017	2,545	6,890	12,065	10,466
	2,368,773	994,013	2,909,057	210,839	6,482,682	6,041,091

	As at 31 December 2023					
	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	Carrying amount 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
	2,692,807	1,255,384	1,471,607	424,792	5,844,590	5,644,587

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

26 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 2024 and 2023 are set out as follows:

	2024		2023	
	Interest rate %	RMB'000	Interest rate %	RMB'000
Fixed rate:				
Bank deposits with original maturity over three months	N/A	–	1.65%	4,044
Unsecured MTN	2.13%	(1,500,000.00)	N/A	–
		<u>(1,500,000.00)</u>		<u>4,044</u>
Variable rate:				
Cash at bank and on hand	0.10%	384,944	0.25%	246,254
Restricted bank deposits	0.10%	89,102	0.20%–2.05%	39,975
Loans and borrowings	2.31%–4.65%	(3,142,129)	2.80%–4.85%	(4,257,990)
		<u>(2,668,083)</u>		<u>(3,971,761)</u>

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(c) Interest rate risk *(Continued)*

(ii) Sensitivity analysis

At 31 December 2024, 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 loss after tax (2023: decreased/increased the Group's profit after tax) and retained profits by approximately RMB5,590,000 (2023: RMB9,703,000).

The sensitivity analysis above indicates the instantaneous change in the Group's loss 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.

(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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

26 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)

As at 31 December 2024, carrying amount of financial assets and liabilities measured at fair value is RMB6,337,000 (31 December 2023: RMB63,382,000).

	Fair value at 31 December 2024 RMB'000	Fair value measurements as at 31 December 2024 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement				
Financial assets measured at FVPL				
— Bills receivable, carried at FVOCI	6,337	—	6,337	—

	Fair value at 31 December 2023 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	—	45,000	—
— Bills receivable, carried at FVOCI	18,382	—	18,382	—

During the years ended 31 December 2024 and 2023, 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(e) Fair value measurement *(Continued)*

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

All other financial assets and liabilities carried at amortised cost are not materially different from their fair values as at 31 December 2024 and 2023.

27 CAPITAL COMMITMENTS

At 31 December 2024, the Group had capital commitments not provided for in the consolidated financial statements were as follows:

	2024 RMB'000	2023 RMB'000
Contracted for	77,832	508,872
Authorised but not contracted for	325,836	441,181
	403,668	950,053

28 CONTINGENT LIABILITIES

At 31 December 2024, the Group has issued guarantees for banking facilities of its associate, Yunfu Guangjia Haizhong Environmental Protection Technology Co., Ltd. amounting to RMB24,000,000 (2023: Nil). These facilities were utilised to the extent of RMB Nil (2023: Nil) as at 31 December 2024. The directors do not consider it probable that a claim will be made against the Group under any of these guarantees.

The Group have not recognised any deferred income of the above guarantees its associates as their fair value cannot be reliably measured and their transaction price was RMB Nil.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

29 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
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)

29 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)

29 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 ("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)

29 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 Cement
Wuhu Conch Profiles and Science Co., Ltd. ("Conch New Materials") 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 Materials
Wuhu Conch Extrusion Equipment Co., Ltd. 蕪湖海螺擠出裝備有限公司	Subsidiary of Conch New Materials
Wuhu Conch New Material Co., Ltd. ("Wuhu New Material") 蕪湖海螺新材料有限責任公司	Subsidiary of Conch New Materials

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

29 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

Name of party (i)	Relationship
Yingde Conch Profiles Co., Ltd. 英德海螺型材有限責任公司	Subsidiary of Conch New Materials
Baoji Conch Profiles Co., Ltd. 寶雞海螺型材有限責任公司	Subsidiary of Conch New Materials
Ningbo Conch Plastic Profile Co., Ltd. ("Ningbo Plastic") 寧波海螺塑膠型材有限責任公司	Subsidiary of Conch Cement
Anhui Conch Cement Co., Ltd. ("Conch Cement") 安徽海螺水泥股份有限公司	The ultimate parent Company
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)

29 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)

29 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)

29 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)

29 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)

29 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. ("CKEM") 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.

(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:

	2024 RMB'000	2023 RMB'000
Short-term employee benefits	2,385	2,892
Post-employment benefits	81	77
	2,466	2,969

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

29 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Significant related party transactions

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

	2024 RMB'000	2023 RMB'000
Goods sold to:		
Conch Cement	49,473	—
	2024 RMB'000	2023 RMB'000
Service rendered to:		
Conch Venture and its subsidiaries	25,217	29,617
Conch Holdings	40	37
Conch New Materials	289	249
CKEM	70	179
Conch Cement	12,111	15,742
	37,727	45,824

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

29 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

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

	2024 RMB'000	2023 RMB'000
Purchase of goods and equipments from:		
Conch Venture and its subsidiaries	12,878	121,655
Conch IT Engineering	–	11,173
Conch Holdings	142	1,463
Conch New Materials	329	453
Conch Cement	12,808	6,681
	26,157	141,425

	2024 RMB'000	2023 RMB'000
Services received from:		
Conch Venture and its subsidiaries	12,798	15,563
Conch Design Institute	3,417	5,974
Conch IT Engineering	3,315	–
Conch Holdings	1,284	59
Associate of Conch Cement	25	891
Conch Cement	58,372	67,734
	79,211	90,221

	2024 RMB'000	2023 RMB'000
Purchase of right-of-use assets		
Conch Cement	–	8,767

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

29 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

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

	2024 RMB'000	2023 RMB'000
Dividends paid to the then-shareholder of acquired subsidiary		
Conch Venture and its subsidiaries	—	21,500

(c) Balances with related parties

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

	2024 RMB'000	2023 RMB'000
Trade receivables:		
Conch Venture and its subsidiaries	59,830	31,552
Conch Holdings	1,449	—
Conch Cement	20,833	3,664
	82,112	35,216
Other receivables (non-trade):		
Conch Venture and its subsidiaries	—	6,036
Conch Cement	—	60
Conch IT Engineering	—	101
Conch Profiles	—	80
	—	6,277

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

29 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

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

	2024 RMB'000	2023 RMB'000
Trade payables:		
Conch Venture and its subsidiaries	–	522
Conch Cement	62,425	50,566
Conch Cement's associates	3,828	7,198
	66,253	58,286
Other payables (non-trade):		
Conch Venture and its subsidiaries	221,088	246,660
Conch Cement	277	1,253
Conch IT Engineering	3,402	4,301
Conch Design Institute	828	871
Conch Holdings	272	–
Conch New Materials	184	–
	226,051	253,085
Dividends payable to the then-shareholder of acquired subsidiary:		
Conch Venture and its subsidiaries	27,182	27,182

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

(d) Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of Conch Cement, Conch Holdings, Conch New Materials, CKEM, Conch IT Engineering and Conch Design Institute above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in section "Connected transactions" of the Report of the Directors.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

30 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

		As at 31 December	
	Note	2024 RMB'000	2023 RMB'000
Non-current assets			
Investment in a subsidiary		671,464	671,464
Trade and other receivables		508,811	509,588
		1,180,275	1,181,052
Current assets			
Cash and cash equivalents		1,113	196
		1,113	196
Current liabilities		—	—
Net current assets		1,113	196
Total assets less current liabilities		1,181,388	1,181,248
Capital and reserves	25(a)		
Share capital		14,837	14,837
Reserves		1,166,551	1,166,411
Total equity		1,181,388	1,181,248

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

31 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2024

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 2024 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IAS 21, The effects of changes in foreign exchange rates — Lack of exchangeability	1 January 2025
Amendments to IFRS 9, Financial instruments and IFRS 7, Financial instruments: disclosures — Amendments to the classification and measurement of financial instruments	1 January 2026
Annual improvements to IFRS Accounting Standards — Volume 11	1 January 2026
IFRS 18, Presentation and disclosure in financial statements	1 January 2027
IFRS 19, Subsidiaries without public accountability: disclosures	1 January 2027

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.