CONCH VENTURE

2016 ANNUAL REPORT

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

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 586

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

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

Shareholders may send their requests at any time to receive the 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

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

Anhui Panjing:	安徽盤景水泥有限公司 (Anhui Panjing Cement Co., Ltd.*)
Articles of Association:	the articles of association of the Company
associated corporation(s):	has the meaning ascribed thereto under the SFO
Audit Committee:	the audit committee of the Board
Board:	the board of Directors
BOT:	build-operate-transfer, a type of business arrangement used in the construction of a facility
Bozhou CV Green:	亳州海創新型節能建築材料有限責任公司 (Bozhou Conch Venture New Energy-saving Building Material Co., Ltd.*)
Cambodia Battambang:	Cambodia Battambang Conch Cement Co., Ltd. (柬埔寨馬德望海螺水泥有限公司)
China or the PRC:	the People's Republic of China
CK Engineering:	安徽海螺川崎工程有限公司 (Anhui Conch Kawasaki Engineering Co., Ltd.*)
CKEM:	安徽海螺川崎裝備製造有限公司(Anhui Conch Kawasaki Equipment Manufacturing Co., Ltd.*)
CK Equipment:	安徽海螺川崎節能設備製造有限公司(Anhui Conch Kawasaki Energy Conservation Equipment Manufacturing Co., Ltd.*)
Conch Cement:	安徽海螺水泥股份有限公司 (Anhui Conch Cement Co., Ltd.*)
Conch Design Institute:	安徽海螺建材設計研究院 (Anhui Conch Building Materials Design and Research Institute*)
Conch Group:	Conch Holdings and its affiliates (primarily Conch Cement and 蕪湖海螺型材科技股份有限公司 (Wuhu Conch Profiles and Science Co., Ltd.*))
Conch Holdings:	安徽海螺集團有限責任公司 (Anhui Conch Holdings Co., Ltd.*)

DEFINITIONS

Conch IT Engineering:	安徽海螺信息技術工程有限責任公司 (Anhui Conch IT Engineering Co., Ltd.*)
Conch Profiles:	蕪湖海螺型材科技股份有限公司 (Wuhu Conch Profiles and Science Co., Ltd.*)
Conch Venture Green:	安徽海創新型節能建築材料有限責任公司 (Anhui Conch Venture New Energy-saving Building Material Co., Ltd.*)
Confluence:	Confluence Investment Holdings Limited (百匯投資控股有限公司)
Connected person(s):	has the meaning ascribed thereto under the Listing Rules
Company/Conch Venture/We:	China Conch Venture Holdings Limited (中國海螺創業控股有限公司)
CV Investment:	安徽海螺創業投資有限責任公司 (Anhui Conch Venture Investment Co., Ltd.*)
Director(s):	the director(s) of the Company
EPC:	engineering, procurement and construction, a type of business arrangement used in the design and construction of a facility
Golden Convergence:	Golden Convergence Limited (金匯有限公司)
Group:	the Company and its subsidiaries
HC Port:	揚州海昌港務實業有限責任公司 (Yangzhou Haichang Port Industrial Co., Ltd.*)
HK$:	Hong Kong dollar, the lawful currency of Hong Kong
Hong Kong or HK:	the Hong Kong Special Administrative Region of the PRC
Huaibei Zhongcheng:	淮北眾城水泥有限公司 (Huaibei Zhongcheng Cement Co., Ltd.*)
Indonesia PT. Antam:	Indonesia PT. Antam TBK (印度尼西亞安塔姆有限公司)
Indonesia PT. North Sulawesi:	Indonesia PT. Conch North Sulawesi Cement (印度尼西亞北蘇拉威西海螺水泥公司)

DEFINITIONS

Jinzhai Conch Venture:	金寨海創環境工程有限責任公司 (Jinzhai Conch Venture Environment Engineering Co., Ltd.*)
Kawasaki HI:	Kawasaki Heavy Industries Ltd. (川崎重工業株式會社)
Laos Luang Prabang:	Laos Luang Prabang Conch Cement Co., Ltd. (老撾琅勃拉邦海螺水泥有限公司)
Listing Rules:	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
Management:	the members of the senior management of the Company
Nippon Steel & Sumikin:	Nippon Steel & Sumikin Cement Co., Ltd. (日鐵住金水泥株式會社)
Pakistan:	The Republic of Pakistan
PT. Barru:	Indonesia PT. Conch Barru Cement (印度尼西亞巴魯海螺水泥公司)
Remuneration and Nomination Committee:	the remuneration and nomination committee of the Board
Reporting Period:	the year from 1 January 2016 to 31 December 2016
RMB:	the lawful currency of the PRC
SFO:	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (as amended from time to time)
Shaanxi Quanchuang:	陝西全創科工貿有限公司 (Shaanxi Quanchuang Scientific Industrial and Trading Co., Ltd.*)
Shareholders:	Shareholders of the Company
Shengyun Group:	安徽盛運環保（集團）股份有限公司 (Anhui Shengyun Environmental Protection (Group) Co., Ltd.*)
Splendor Court:	Splendor Court Holdings Limited (華廷控股有限公司)

DEFINITIONS

Stock Exchange:	The Stock Exchange of Hong Kong Limited
Tangshan Haigang Hengtai:	唐山海港亨泰建材有限公司 (Tangshan Haigang Hengtai Building Materials Co., Ltd.*)
Thailand SCCC:	Thailand Siam City Power Company Limited (泰國暹羅城電力有限公司)
Tangshan Jidong:	唐山冀東機電設備有限公司 (Tangshan Jidong Mechanical and Electrical Equipment Co., Ltd.*)
Vietnam Xuan Thanh:	Vietnam Xuan Thanh Cement J.S.C (越南春城水泥公司)
Yangpu Landao:	洋浦藍島環保材料有限責任公司 (Yangpu Landao Environmental Protection Materials Co., Ltd.*)
Yaobai Environmental:	西安堯柏環保科技工程有限公司 (Xi'an Yaobai Environmental Protection Technology Engineering Co., Ltd.*)
Yaobai Special Cement:	堯柏特种水泥集團有限公司 (Yaobai Special Cement Group Co., Ltd.*)

1. CORPORATE INFORMATION

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

1. CORPORATE INFORMATION

(VII)	JOINT COMPANY SECRETARIES	Mr. SHU Mao Ms. NG Sin Yee, Clare
(VIII)	AUTHORISED REPRESENTATIVES	Mr. GUO Jingbin Mr. JI Qinying
(IX)	REGISTERED OFFICE OF THE COMPANY	Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
(X)	ADDRESS OF THE HEAD OFFICE IN THE PRC	1011 Jiuhua South Road Wuhu City, Anhui Province, China
(XI)	POSTAL CODE	241070
(XII)	EMAIL ADDRESS OF THE COMPANY	hlcy@conchventure.com
(XIII)	WEBSITE OF THE COMPANY	http://www.conchventure.com
(XIV)	PRINCIPAL PLACE OF BUSINESS IN HONG KONG	Suite 4018, 40/F Jardine House 1 Connaught Place, Central Hong Kong
(XV)	HONG KONG LEGAL ADVISOR:	Chiu & Partners
(XVI)	INTERNATIONAL AUDITOR:	KPMG

1. CORPORATE INFORMATION

(XVII) CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT:	Codan Trust Company (Cayman) Limited Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
(XVIII) HONG KONG BRANCH SHARE REGISTRAR:	Computershare Hong Kong Investor Services Limited Shops 1712–1716 17/F, Hopewell Centre 183 Queen's Road East Wanchai, Hong Kong
(XIX) STOCK CODE:	00586

2. FINANCIAL HIGHLIGHTS

FINANCIAL OVERVIEW (FOR THE YEAR ENDED 31 DECEMBER 2016)

1. Operation results

Unit: RMB'000

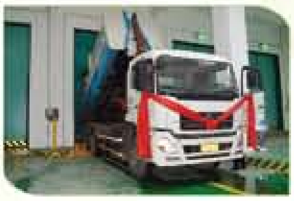
Item	2016	2015	2014	2013	2012
Revenue	**2,032,213**	2,057,494	1,747,892	1,591,382	1,250,435
Profit before taxation	**2,281,837**	2,226,710	2,479,758	2,051,201	1,482,742
Share of profit of an associate	**1,535,505**	1,539,856	1,980,330	1,722,804	1,176,249
Net profit attributable to the equity shareholders of the Company	**1,980,612**	1,944,340	2,238,504	1,836,786	1,299,091

2. Assets and liabilities

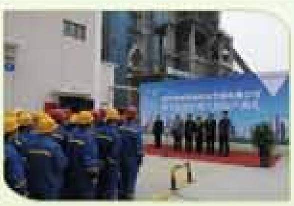
Unit: RMB'000

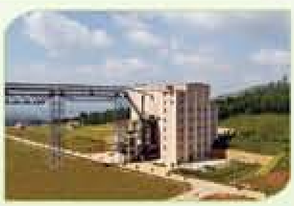
Item	2016	2015	2014	2013	2012
Total assets	**20,213,073**	18,499,709	17,206,867	15,976,669	10,804,688
Total liabilities	**1,866,483**	1,750,315	1,906,416	2,699,547	1,325,932
Equity attributable to the equity shareholders of the Company	**17,747,317**	16,258,446	14,853,647	12,801,011	9,060,993

Putting into Operation



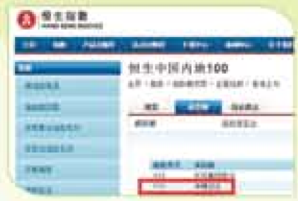
- On 1 January 2016, the 200t/d municipal waste treatment by cement kilns project in Fusui County, Guangxi Province was officially put into operation.
- On 10 January 2016, the 200t/d municipal waste treatment project in Shuicheng County, Guizhou Province was successfully started. This project was one of the key environment construction projects in Guizhou Province.
- On 11 January 2016, the 1×300t/d grate furnace 1×N6MW turbine generator in Jinzhai Conch Venture phase 1 project was officially connected to power grids, with an annual disposal capacity of 100,000 tonnes of waste and annual generation of 30 million kw of electricity.
- On 27 January 2016, the 200t/d municipal waste treatment by cement kilns project in Shuangfeng County, Hunan Province was officially put into operation.
- On 11 April 2016, the completion ceremony of solid waste treatment project of Conch Venture in Fuping County, Shaanxi Province was grandly held. The Fuping solid waste treatment project was the second solid waste treatment project by cement kilns of Conch Venture after the Lantian project. The project's operation will offer valuable experience for the later solid and hazardous waste treatment projects handled by Conch Venture.



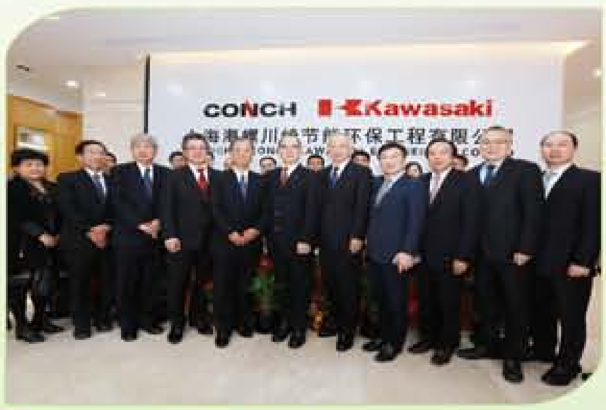


- On 14 August 2016, the municipal waste treatment by cement kilns project in Lingyun, Guangxi Province, invested by the Company was officially put into operation.
- On 3 September 2016, the 200t/d municipal waste treatment by cement kilns project in Nanjiang County, Sichuan Province was officially put into operation.
- On 1 October 2016, the municipal waste treatment by cement kilns project in Baoshan City, Yunnan Province was started with the joyous sound of firecrackers. After the completion of equipment debugging, the project's trial operation started smoothly.

Important information

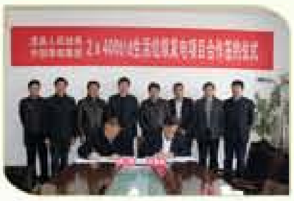


- From 18–20 May 2016, China concrete and cement products association (CCPA) annual meeting of calcium silicate/fiber cement industry was successfully held at Wuhu Conch International Hotel. The meeting was organized by Conch Venture Green. Conch Venture was successfully elected as the vice chairman unit of the CCPA Calcium Silicate/Fiber Cement Association.
- Hang Seng Index (HSI) announced the quarterly review results of its stock index. Conch Venture was included as a constituent stock of "Hang Seng Mainland 100" which took effect after the trading hours of 6 June 2016. It was the second time Conch Venture being incorporated as a constituent stock of such index since 9 June 2014.
- From 10–11 August 2016, Mayor of Yingde City Huang Zhensheng led officers in charge of the development and reform, economic and information, finance, and environmental protection departments to perform expedition at Conch Venture. During the expedition, both parties had deep communication on expanding cooperation projects in energy saving, environmental-friendly and new materials industries, and came to an initial cooperation intent on promotion of the collaborative treatment of municipal waste and solid waste by cement kilns projects.
- On 7 November 2016, the General Manager Mr. Ji Qinying led a team to join the Morocco Marrakech United Nations Climate Conference, met with relevant organizations, and sought overseas development opportunities.
- From 3–8 December 2016, the General Manager Mr. Ji Qinying led a team to an expedition in Bali, Indonesia, promoted the grate furnace power generation project to the planning, environmental protection and construction departments of Bali, and came to an initial cooperation intent.
- On 12 December 2016, Shanghai Conch Kawasaki Engineering Co., Ltd. began operation, marking another milestone of the cooperation between Conch Venture and Kawasaki HI. The opening ceremony was held at eastern suburb center of Shanghai City.



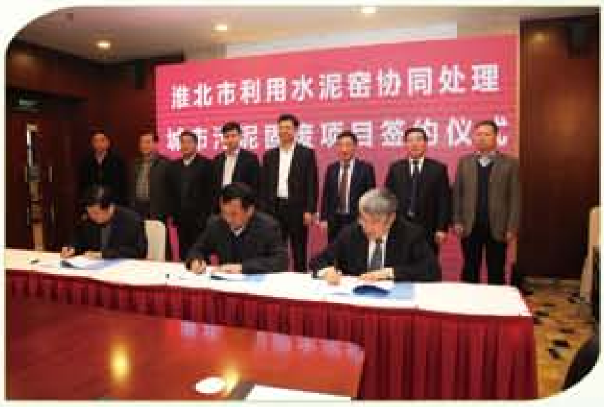
2016 Milestones of Conch Venture

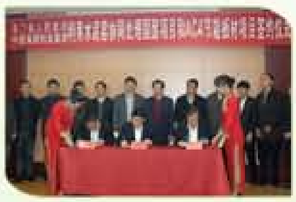
Signing agreements



- On 3 March 2016, the Company and the people's government of Anqing City, Anhui Province came to an investment intention on the project of municipal waste incineration power generation.
- On 11 March 2016, the Company and the people's government of Li County, Hunan Province entered into the cooperation framework agreement about municipal waste incineration power generation project.
- On 12 March 2016, the Company and the government of Shimen County, Hunan Province entered into the cooperation framework agreement about solid waste treatment by cement kilns project.
- On 16 March 2016, the Company, the housing and urban-rural construction committee of Huaibei City and Huaihai Industrial Group Co., Ltd. entered into the investment agreement about sludge and solid waste treatment by cement kilns project.
- On 19 March 2016, the Company and the people's government of Shache County, Xinjiang Province entered into the investment agreement about municipal waste incineration power generation project.
- On 22 March 2016, the Company and the people's government of Huoqiu County, Anhui Province entered into the investment agreement about waste incineration power generation project.
- On 14 April 2016, the Company and the people's government of Bole City, Xinjiang Province entered into the investment agreement about municipal waste incineration power generation project.

- On 18 May 2016, the Company and the government of Wuhu County, Anhui Province entered into the agreement about solid waste treatment by cement kilns project.
- On 30 May 2016, the Company and the government of Tongren City, Guizhou Province entered into the cooperation framework agreement about municipal waste incineration power generation and comprehensive treatment project.
- On 18 July 2016, the Company and the people's government of Suzhou City, Anhui Province entered into the cooperation agreement about solid waste treatment by cement kilns project.
- On 8 August 2016, the Company and the people's government of Zhong County, Chongqing City entered into the investment agreement about solid waste treatment by cement kilns project.





- From 15-16 October 2016, the Company and the people's government of Yiyang County, Jiangxi Province entered into the investment agreement about solid waste treatment by cement kilns project.
- On 15 November 2016, the Company and the people's government of Huaining County, Anhui Province entered into the investment agreement about solid waste treatment by cement kilns project.
- On 28 November 2016, the Company and the people's government of Chaotian District, Guangyuan City, Sichuan Province entered into the cooperation agreement about solid waste treatment by cement kilns project.

4. BUSINESS REVIEW AND OUTLOOK

(I) MACRO ENVIRONMENT

In 2016, along with the Central Government's increased efforts in reform, China's economy maintained a stable and healthy development, with the economy operating upheld within a reasonable range. The GDP recorded a year-on-year increase of 6.7%, basically the same as that in 2015, which showed a slow but steady trend, and set a good start for the "13th Five-Year" plan.

During the Reporting Period, facing the challenging and complicated economic conditions, management and staff of the Group, working under the strong leadership of the Board, grasped firmly the opportunities in the country's green development and increased ecological construction, through expanding vigorously in municipal waste treatment projects, deploying solid and hazardous waste treatment projects, striving to cultivate new building materials market, actively expanding overseas operations and continuing to strengthen internal management, which led to a steady and healthy growth in the principal businesses.

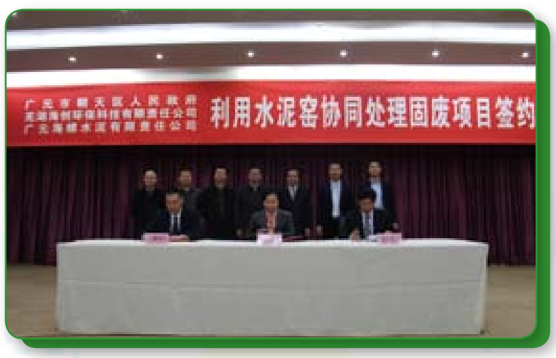
(II) BUSINESS REVIEW

Outstanding Achievement in Environmental Protection Industry

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

During the Reporting Period, the Group secured a total of 15 new environmental protection projects, which included 6 grate furnace power generation projects in Huoqiu and Anqing of Anhui Province, Shache and Bole of Xinjiang Province, Li County of Hunan Province and Tongren of Guizhou Province and 9 solid and hazardous waste treatment projects in Huaibei, Wuhu, Suzhou and Huaining of Anhui Province, Mian County of Shaanxi Province, Shimen of Hunan Province, Zhong County of Chongqing Municipality, Yiyang of Jiangxi Province and Guangyuan of Sichuan Province, and reserved certain project entities.

1. Treatment of Solid and Hazardous Waste by Cement Kilns



In 2016, the Group focused on facilitating the development of the business of treatment of solid and hazardous waste by cement kilns. During the Reporting Period, the Group formulated a project development plan for such business, which strived to implement the national market layout and secured 9 new projects. After the commencement of operation during the Reporting Period, the projects in operation actively developed the customer base, secured the sources of solid and hazardous waste and established a unified dispatching model, which led to stable efficiency of operating system and achieved good social and economic benefits.

4. BUSINESS REVIEW AND OUTLOOK

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

No.	Status of Construction	Project Location	Business Model	Size	Remarks
1	Completed	Lantian County, Shaanxi Province	Proprietary investment	1×250t/d	
2		Fuping County, Shaanxi Province		1×300t/d	
3		Qian County, Shaanxi Province		1×200t/d	
4	Under construction	Huaibei City, Anhui Province		1×300t/d	
5		Wuhu City, Anhui Province		1×300t/d	The same size to be planned in the second phase
6	Approved and under planning	Shimen County, Hunan Province		1×200t/d	
7		Suzhou City, Anhui Province		1×300t/d	The same size to be planned in the second phase
8		Zhong County, Chongqing		1×300t/d	The same size to be planned in the second phase
9		Yiyang County, Jiangxi Province		1×300t/d	The same size to be planned in the second phase
10		Mian County, Shaanxi Province		1×250t/d	
11		Huaining County, Anhui Province		1×200t/d	The same size to be planned in the second phase
12		Guangyuan City, Sichuan Province		1×300t/d	The same size to be planned in the second phase

During the Reporting Period, 2 projects of treatment of industrial solid and hazardous waste by cement kilns were under construction, and 1 project has been completed and was put into operation, which had treated 70,400 tonnes of industrial solid and hazardous waste. As at the end of the Reporting Period, the annual treatment capacity of completed industrial solid and hazardous waste treatment projects is approximately 270,000 tonnes, and the annual treatment capacity of contracted projects under construction and to be constructed is approximately 1,500,000 tonnes.

Wuhu, Huaibei solid waste treatment projects under construction

4. BUSINESS REVIEW AND OUTLOOK

2. Grate Furnace Power Generation

During the Reporting Period, the Group secured 6 new grate furnace power generation projects. Meanwhile, the Group also strengthened its expansion in overseas markets in order to explore cooperation opportunities. The Group conducted field research in the garbage power generation projects in Bali, Indonesia, and the Group communicated with the local government and energy enterprises in Morocco during the participation in United Nations Climate Change Conference, which laid a foundation for its promotion of grate furnace power generation technology overseas.

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

No.	Status of Construction	Project Location	Business Model	Size	Remarks
1	Completed	Jinzhai County, Anhui Province	BOT	1x300t/d	The same size to be planned in the second phase
2	Under construction	Yanshan County, Yunnan Province	BOT	1x300t/d	
3		Anqing City, Anhui Province	BOT	1x400t/d	The same size to be planned in the second phase
4		Li County, Hunan Province	BOT	1x300t/d	The same size to be planned in the second phase
5		Shache County, Xinjiang Province	BOT	1x600t/d	
6		Bole City, Xinjiang Province	BOT	1x300t/d	
7		Huoqiu County, Anhui Province	BOT	1x400t/d	The same size to be planned in the second phase
8		Tongren City, Guizhou Province	BOT	1x600t/d	

During the Reporting Period, 7 projects of grate furnace power generation were under construction, and 1 project has been completed and was put into operation, which had processed 93,000 tonnes of garbage with an on-grid power generation of 21,300,000 kWh. As at the end of the Reporting Period, the annual treatment capacity of the completed grate furnace power generation projects is approximately 100,000 tonnes, and the annual treatment capacity of contracted projects under construction and to be constructed is approximately 1,460,000 tonnes.

Yanshan grate furnace power generation project under construction

4. BUSINESS REVIEW AND OUTLOOK

3. Collaborative Treatment of Municipal Waste by Cement Kilns

During the Reporting Period, 5 projects (3 of which are EPC) of collaborative treatment of municipal waste by cement kilns were under construction, and 7 projects (1 of which is EPC) have been completed and were put into operation, which had processed 361,000 tonnes of garbage. As at the end of the Reporting Period, the annual treatment capacity of the completed collaborative treatment of municipal waste by cement kilns projects is approximately 1,000,000 tonnes (excluding EPC), and the annual treatment capacity of the contracted projects under construction and to be constructed is approximately 200,000 tonnes (excluding EPC).

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

No.	Status of Construction	Project Location	Business Model	Size	Remarks
1	Completed	Pingliang City, Gansu Province	BOT	1×300t/d	
2		Qingzhen City, Guizhou Province	BOT	1×300t/d	
3		Yangchun City, Guangdong Province	BOT	1×200t/d	
4		Yuping County, Guizhou Province	BOT	1×100t/d	A joint venture with China National Building Material Company Limited
5		Qiyang County, Hunan Province	BOT	1×300t/d	
6		Shimen County, Hunan Province	BOT	1×200t/d	
7		Xishui County, Guizhou Province	BOT	1×300t/d	A joint venture with China National Building Material Company Limited
8		Shuicheng County, Guizhou Province	BOT	1×200t/d	
9		Fusui County, Guangxi Province	BOT	1×200t/d	
10		Shuangfeng County, Hunan Province	BOT	1×200t/d	
11		Baoshan City, Yunnan Province	BOT	1×300t/d	
12		Nanjiang County, Sichuan Province	BOT	1×200t/d	
13		Lingyun County, Guangxi Province	BOT	1×100t/d	

4. BUSINESS REVIEW AND OUTLOOK

No.	Status of Construction	Project Location	Business Model	Size	Remarks
14	Completed	Tongling City, Anhui Province	EPC	1×300t/d	
15		Guiding County, Guizhou Province	EPC	1×200t/d	
16		Zunyi City, Guizhou Province	EPC	2×400t/d	
17		Zhong County, Chongqing	EPC	1×200t/d	
18		Anshun City, Guizhou Province	EPC	1×200t/d	A joint venture with Taiwan Cement Corporation
19		Emeishan City, Sichuan Province	EPC	1×400t/d	
20	Under construction	Ningguo City, Anhui Province	BOT	1×300t/d	
21		Linxia, Gansu Province	BOT	1×300t/d	
22	Under construction	Shahe City, Hebei Province	EPC	1×300t/d	
23		Longyan City, Fujian Province	EPC	1×300t/d	
24		Tongling City, Anhui Province (Phase II)	EPC	1×300t/d	

New Breakthrough in Energy Saving Industry

In 2016, the development of the Group's energy saving business was affected and constrained by certain factors such as the decrease in number of newly constructed production lines in cement industry and intensified price competition in residual heat power generation industry. Nevertheless, the Group made timely adjustment to its strategies, increased efforts on overseas market, and advanced the business of cement residual heat power generation, coal-fired power plants and vertical mills in overseas markets, so as to offset the effects from the loss in domestic market.

During the Reporting Period, the Group obtained overseas orders such as Indonesia PT. North Sulawesi and PT. Barru self-owned power plants and residual heat power generation, Thailand SCCC, Vietnam Xuan Thanh, Cambodia Battambang and Laos Luang Prabang, and won the bids of projects of Laos Luang Prabang, Cambodia Battambang and Indonesia PT. North Sulawesi raw materials vertical mills and coal vertical mills. Meanwhile, the Group also actively seized the remaining market shares in domestic residual heat power generation market, and won the bids of residual heat power generation projects of Tangshan Jidong and Huaibei Zhongcheng.

In addition, the Group actively developed external markets, and obtained project orders such as Japan Sukagawa district new clean center residual heat boiler, power generation boilers in Ulanhot and Ulanqab of Shengyun Group, Nippon Steel & Sumikin mineral debris vertical mills, Indonesia PT. Antam coal vertical mills, Anhui Panjing, Yangpu Landao, and Tangshan Haigang Hengtai vertical mills.

4. BUSINESS REVIEW AND OUTLOOK

During the Reporting Period, the Group obtained a total of 12 orders for residual power heat generation, among which 10 came from overseas and 2 came from the cement industry in domestic market, and sold a total of 5 vertical mills.

Increased Sales in New Building Materials Industry

During the Reporting Period, the Group continuously enhanced its brand influence and actively increased its presence in the new building materials industry by holding industry annual meeting and attending industry communication and promotion meetings. The Group also reduced its production cost significantly, improved the quality steadily and strengthened the market competitiveness gradually through a series of measures such as further strengthening the production organization and operation and focusing on improvement of cost index.

After a year of continuous market development and construction, a steady growth in sales volume was recorded. In particular, the monthly sales volume of the products of Conch Venture Green reached over 370,000 sq.m. for two consecutive months in November and December 2016, and the total aggregated sales volume for the year amounted to 3,060,000 sq.m., reaching 2.4 times of the sales level in 2015.

During the Reporting Period, the new building materials industry produced an aggregate of 5,750,000 sq.m. of ACA panels, sold 4,920,000 sq.m. of ACA panels and recorded a revenue of RMB50.80 million.

Stable Income in Port Logistics Business

During the Reporting Period, the Group carried out targeted marketing activities and customized sales services in port logistics business, expanded cargo sources volume from existing customers and strived for new customers. The development in external cargo sources became the major source of growth for the year.

During the Reporting Period, revenue from the port logistics business amounted to RMB141.18 million, and the throughput reached 27,680,000 tonnes.

(III) FUTURE PLANS AND OUTLOOK

Facing with the pressure from continuous economic downturn, the achievement of the above results was not easy and took a solid stride towards the leap-forward development of the Group. Despite this, there are still problems existed in the course of the actual work such as slowdown in growth rate of the principal businesses; constraints on newly contracted projects from issues related to ownership certificate and environment affected the construction progress and the continuing loss of the new building materials business affected the profit growth of the principal businesses. The Group will take targeted measures to solve such problems effectively, thereby continuously improving the standard of operation management.

4. BUSINESS REVIEW AND OUTLOOK

2017 is a critical year for the implementation of "13th Five-Year" plan, and also an important year in strengthening the supply side reform in economic sector. The five development concepts of "Innovation, Balancing, Greening, Opening up and Sharing" have become an important part of the national strategy. With the issue of "13th Five-Year" plan for national environmental protection industry and relevant policies, environmental protection industry will gradually become one of the supporting industries in national economy. PRC's regulations and requirements for "green and harmless treatment" of building materials will also become more stringent. Through several years of rapid development and accumulation of management experiences since listing, the advantages of the Company's technology, management and resources become more prominent. Various favourable policies and factors will have positive enhancement on the market trend and future development of the energy-saving, environmental protection and the new building materials industries as a whole.

In 2017, the Group will continue to focus on quality improvement, cost reduction and efficiency enhancement, intensify the system management and control, innovate the operation model and carry out research and development of new technologies and open up the internationalization progress so as to strive for achieving a steady rise in the performance of the energy-saving industry, a continuous growth in the environmental protection industry and a new breakthrough in the development of the new building materials industry.

Firstly, to achieve continuous growth in environmental protection industry. On one hand, the Group will put efforts in enhancing the operation quality and management level of projects in operation, mainly by developing and exploring the management model of solid and hazardous waste treatment projects, striving to increase the economic benefits from grate furnace power generation projects and strengthening the operation management of completed collaborative treatment of municipal waste by cement kilns projects. On the other hand, the Group will continuously facilitate the rapid development of environmental protection industry effectively, carefully study and understand the policies of environmental protection industry, continue to strengthen the communication with governmental authorities and relevant national industry development alliances and gather updates in policy development in a timely manner, to ensure the completion of 15 newly contracted orders. Meanwhile, the Group will increase its efforts in research and development of other relevant technologies in environmental protection industry such as medical and kitchen waste treatment and soil remediation, and actively strive for winning these projects.

Secondly, to achieve stable operation with growing momentum in energy-saving industry. The Group will focus on residual heat power generation modification market, endeavor to develop the overseas market and follow up on major projects and potential markets with the aim of making the overseas market an important driving force for the stable operation and development of energy-saving business in the next few years.

4. BUSINESS REVIEW AND OUTLOOK

Thirdly, to endeavor in achieving profit contribution from new building materials industry during the year. The Group will increase its efforts in market construction and brand promotion, comprehensively develop the customer base and secure stable growth in sales; continue to strengthen cost management and control, further optimize the production techniques and improve the quality control standard; rely on the nearly built product research and development centre, extend into the deep processing sector in downstream of the industrial chain and increase the additional value of products.

Fourthly, to maintain stable operation in port business, the Group will step up its efforts in policy study and market research and judgment, continuously strengthen the development of external customers, optimize the cargo sources structure, increase the share of quality cargoes and improve the risk resistance capacity. The Group will also diversify its operation, expand the scope of vessel supply service, enhance the loading and unloading efficiency and comprehensively improve the operation quality.

The performance brings us joy but won't stop our pace; the market competition cultivates our resolute will, the harmonious environment and enriched corporate culture nourish our infinite potential to continuously explore, innovate and act bravely.

Looking forward, the Group will actively carry out the work on the basis of "13th Five-Year" plan: insisting on innovation, further enlarging and strengthening the principal businesses of energy-saving, environmental protection and new building materials, realizing the further improvement of the environmental protection industry; optimizing the overseas projects and modern service industry to perfect the strategic layout; continuously seizing opportunities and accelerating development to gather strength and lay the foundation for realizing the Group's leaping development. In the future development, we not only inherit the aim of "creating a better living environment for the mankind in the future", but also commit ourselves to "beautifying our homes and cherishing the earth" and accomplish a business that "contributes to contemporary times and brings benefit to future centuries".

5. MANAGEMENT DISCUSSION AND ANALYSIS

(I) PROFITS

Item	**2016 Amount (RMB' 000)**	2015 Amount (RMB' 000)	Changes between the Reporting Period and the Corresponding period of the previous year (%)
Revenue	**2,032,213**	2,057,494	–1.23%
Profit before taxation	**2,281,837**	2,226,710	2.48%
Profit before taxation from principal businesses	**746,332**	686,854	8.66%
Share of profit of an associate	**1,535,505**	1,539,856	–0.28%
Net profit attributable to equity shareholders of the Company	**1,980,612**	1,944,340	1.87%
Net profit from principal businesses attributable to equity shareholders of the Company	**445,107**	404,484	10.04%

During the Reporting Period, the Group recorded a total revenue of RMB2,023.21 million, representing a year-on-year decrease of 1.23%. Profit before taxation amounted to RMB2,281.84 million, representing a year-on-year increase of 2.48%, among which, profit before taxation from principal businesses amounted to RMB746.33 million, representing a year-on-year increase of 8.66%, and share of profit of an associate amounted to RMB1,535.51 million, representing a year-on-year decrease of 0.28%. Net profit attributable to equity shareholders of the Company amounted to RMB1,980.61 million, representing a year-on-year increase of 1.87%, among which, net profit from principal businesses attributable to equity shareholders of the Company amounted to RMB445.11 million, representing a year-on-year increase of 10.04%. Basic earnings per share amounted to RMB1.10.

5. MANAGEMENT DISCUSSION AND ANALYSIS

1. Revenue by business

Item	2016		2015		Change in amount	Change in percentage
	Amount (RMB' 000)	Percentage (%)	Amount (RMB' 000)	Percentage (%)	(%)	(percentage points)
Waste incineraton solutions	**974,343**	**47.94**	812,141	39.47	19.97	8.47
Solid and hazardous waste treatment	**61,975**	**3.05**	–	–	–	3.05
Residual heat power generation	**631,680**	**31.08**	871,118	42.34	–27.49	–11.26
Vertical mills	**172,236**	**8.48**	203,840	9.91	–15.50	–1.43
New building materials	**50,797**	**2.50**	20,602	1.00	146.56	1.50
Port logistics	**141,182**	**6.95**	149,793	7.28	–5.75	–0.33
Total	**2,032,213**	**100.00**	2,057,494	100.00	–1.23	–

During the Reporting Period, the revenue from waste incineration solutions and new building materials maintained a rapid growth, and the revenue from residual heat power generation, vertical mills and port logistics recorded a decrease. With a breakdown by business:

(i) the revenue from waste incineration solutions amounted to RMB974.34 million, representing a year-on-year increase of 19.97%, which was mainly due to the fact that the Group increased its efforts in market expansion of waste incineration solutions business during the Reporting Period, which led to the increase in numbers of projects under construction and projects in operation, and thus, resulted in the significant increase in revenue.

(ii) the revenue from solid and hazardous waste treatment amounted to RMB61.98 million, which was mainly due to the completion of acquisition of Yaobai Environmental by the Group during the Reporting Period, adding the revenue from solid and hazardous waste treatment market.

(iii) the year-on-year decrease in revenue from residual heat power generation and vertical mills was attributable to decreased in orders which was affected by the decrease in number of newly added cement projects in China.

5. MANAGEMENT DISCUSSION AND ANALYSIS

(iv) the year-on-year increase of 146.56% in revenue from new building materials was mainly due to the fact that the Group actively developed the market, which led to the increase in sales volume, and thus, resulted in the rapid increase in revenue.

(v) the Group actively developed the port logistics service market, and recorded a throughput of 27,680,000 tonnes, representing a year-on-year increase of 4,710,000 tonnes. However, affected by the downturn in shipping market and decrease in cargo handling price, the revenue recorded a year-on-year decrease of 5.75%.

Breakdown of revenue from waste incineration solutions

	2016		2015			
Revenue breakdown	**Amount (RMB' 000)**	**Percentage (%)**	Amount (RMB' 000)	Percentage (%)	Change in amount (%)	Change in percentage (percentage points)
Construction revenue	**887,390**	**91.08**	787,807	97.00	12.64	–5.92
Waste treatment by cement kilns	**423,171**	**43.43**	661,889	81.50	–36.07	–38.07
Waste power generation	**464,219**	**47.65**	125,918	15.50	268.67	32.15
Operation revenue	**35,203**	**3.61**	10,579	1.30	232.76	2.31
Waste treatment by cement kilns	**23,109**	**2.37**	10,579	1.30	118.44	1.07
Waste power generation	**12,094**	**1.24**	–	–	–	1.24
Finance income	**51,750**	**5.31**	13,755	1.70	276.23	3.61
Waste treatment by cement kilns	**45,730**	**4.69**	13,755	1.70	232.46	2.99
Waste power generation	**6,020**	**0.62**	–	–	–	0.62
Total	**974,343**	**100.00**	812,141	100.00	19.97	–

The waste incineration solutions business of the Group mainly includes waste treatment by cement kilns and waste power generation. During the Reporting Period, revenue from waste incineration solutions sector during the construction period amounted to RMB887.39 million, representing a year-on-year increase of 12.64%, which was mainly due to the fact that the Group actively facilitated the construction progress of waste incineration solutions projects, which led to the increase in project construction revenue. Operation revenue from waste incineration solutions sector amounted to RMB35.20 million, representing a year-on-year increase of 232.76%, which was mainly due to the increase in number of waste incineration solutions projects put into operation. During the Reporting Period, projects in Jinzhai, Baoshan, Fusui, Nanjiang and Lingyun were successively put into operation.

5. MANAGEMENT DISCUSSION AND ANALYSIS

2. Revenue by geographical locations

Item	2016 Amount (RMB'000)	2016 Percentage (%)	2015 Amount (RMB'000)	2015 Percentage (%)	Change in amount (%)	Change in percentage (percentage points)
China	**1,621,095**	**79.77**	1,199,387	58.29	35.16	21.48
Aisa (excluding China)	**410,141**	**20.18**	850,241	41.32	–51.76	–21.14
Africa	**201**	**0.01**	6,502	0.32	–96.91	–0.31
South America	**776**	**0.04**	1,364	0.07	–43.11	–0.03
Total	**2,032,213**	**100.00**	2,057,494	100.00	–1.23	–

During the Reporting Period, the Group's revenue derived from the China market amounted to RMB1,621.10 million, representing a year-on-year increase of 35.16%, with its proportion in total revenue increased by 21.48 percentage points, which was mainly due to the rapid increase in revenue from waste incineration solutions in domestic market. The revenue derived from Asian market (excluding China) recorded a year-on-year decrease of 51.76%, with its proportion in total revenue decreased by 21.14 percentage points, which was mainly due to the decrease in number of overseas orders of residual heat power generation and vertical mills as well as the behind-schedule construction progress of certain contracted projects which affected the revenue recognition.

3. Gross profit and gross profit margin

Item	2016 Gross profit (RMB' 000)	2016 Gross profit margin (%)	2015 Gross profit (RMB' 000)	2015 Gross profit margin (%)	Change in amount (%)	Change in percentage (percentage points)
Waste incineration solutions	**389,475**	**39.97**	360,949	44.44	7.90	–4.47
Solid and hazardous waste treatment	**48,348**	**78.01**	–	–	–	–
Residual heat power generation	**264,215**	**41.83**	279,391	32.07	–5.43	9.76
Vertical mills	**40,634**	**23.59**	68,696	33.70	–40.85	–10.11
New building materials	**–13,900**	**–27.36**	–5,980	–29.03	132.44	1.67
Port logistics	**68,606**	**48.59**	78,563	52.45	–12.67	–3.86
Total	**797,378**	**39.24**	781,619	37.99	2.02	1.25

5. MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the consolidated gross profit margin of the Group's products was 39.24%, representing an increase of 1.25 percentage points as compared with the previous year. With a breakdown by segment, (i) the gross profit margin for solid and hazardous waste treatment was 78.01%, mainly affected by the relatively high unit price of solid and hazardous waste treatment; (ii) the gross profit margin for residual heat power generation recorded a year-on-year increase of 9.76 percentage points, mainly due to the strengthened management and control of cost of residual heat power generation by the Group as well as the relatively high gross profit from overseas residual heat power generation projects; (iii) the gross profit margin for vertical mills recorded a year-on-year decrease of 10.11 percentage points, mainly due to the decrease in consolidated gross profit margin affected by the increase in raw material price; and (iv) the new building materials sector recorded a negative gross profit margin, which was mainly due to the fact that the production capacity was not fully utilized, which led to the failure in diluting the fixed costs effectively.

4. Revenue and share of profit

Item	**2016** Amount (RMB'000)	Percentage (%)	2015 Amount (RMB'000)	Percentage (%)	Change in amount (%)	Change in percentage (percentage points)
Revenue	**2,032,213**	**100.00**	2,057,494	100.00	–1.23	–
Other customers	**1,598,384**	**78.65**	1,718,124	83.51	–6.97	–4.86
Conch Cement	**433,829**	**21.35**	339,370	16.49	27.83	4.86
Profit for the year	**2,127,435**	**100.0**	2,059,811	100.00	3.28	–
Share of profit of an associate	**1,535,505**	**72.18**	1,539,856	74.76	–0.28	–2.58
Profit of principal businesses	**591,930**	**27.82**	519,955	25.24	13.84	2.58

During the Reporting Period, the Group's revenue from Conch Cement amounted to RMB433.83 million, accounted for 21.35% of the revenue, representing a year-on-year increase of 4.86 percentage points. Profit of principal businesses amounted to RMB591.93 million, representing a year-on-year increase of 13.84%, which was mainly due to the rapid growth in the Group's waste incineration solutions and solid and hazardous waste treatment businesses.

5. MANAGEMENT DISCUSSION AND ANALYSIS

5. Other income

During the Reporting Period, the Group's other income amounted to RMB147.61 million, representing a year-on-year decrease of RMB23.51 million, or 13.74%, which was mainly due to the decrease in the Group's interest income.

6. Distribution costs

During the Reporting Period, the Group's distribution costs amounted to RMB25.93 million, representing a year-on-year decrease of RMB3.13 million, or 10.78%, which was mainly due to the decrease in costs such as the Group's transportation costs.

7. Administrative expenses

During the Reporting Period, the Group's administrative expenses amounted to RMB147.50 million, representing a year-on-year decrease of RMB50.92 million, or 25.66%, which was mainly due to the decrease in expenses such as provision for allowance of doubtful debts during the Reporting Period.

8. Finance costs

During the Reporting Period, the Group's finance costs amounted to RMB25.23 million, representing a year-on-year decrease of RMB13.17 million, or 34.30%, which was mainly due to the year-on-year decrease in the interest rate of the Group's bank loans.

9. Profit before taxation

During the Reporting Period, the Group's profit before taxation amounted to RMB2,281.84 million, representing a year-on-year increase of RMB55.13 million, or 2.48%, which was mainly due to the increase in profit before taxation from principal businesses. The Group's profit before taxation from principal businesses during the Reporting Period amounted to RMB746.33 million, representing a year-on-year increase of 8.66%; share of profit of an associate amounted to RMB1,535.51 million, representing a year-on-year decrease of 0.28%, which remained flat as compared with the previous year.

5. MANAGEMENT DISCUSSION AND ANALYSIS

(II) FINANCIAL POSITION

As at 31 December 2016, the Group's total assets amounted to RMB20,213.07 million, representing an increase of RMB1,713.36 million as compared with the end of the previous year. The equity attributable to equity shareholders of the Company amounted to RMB17,747.32 million, representing an increase of RMB1,488.87 million as compared with the end of the previous year. Gearing ratio of the Group was 9.23%, representing a decrease of 0.23 percentage point as compared with the end of the previous year. The balance sheet items of the Group are as follows:

Item	**As at 31 December 2016 (RMB'000)**	As at 31 December 2015 (RMB'000)	Change between the end of the Reporting Period and the end of the previous year (%)
Property, plant and equipment	**1,029,576**	998,151	3.15
Non-current assets	**16,871,960**	14,843,259	13.67
Current assets	**3,341,113**	3,656,450	–8.62
Current liabilities	**1,331,216**	1,270,315	4.79
Non-current liabilities	**535,267**	480,000	11.51
Net current assets	**2,009,897**	2,386,135	–15.77
Equity attributable to equity shareholders of the Company	**17,747,317**	16,258,446	9.16
Total assets	**20,213,073**	18,499,709	9.26
Total liabilities	**1,866,483**	1,750,315	6.64

1. Non-current assets and non-current liabilities

As at 31 December 2016, the non-current assets of the Group amounted to RMB16,871.96 million, representing an increase of 13.67% as compared with the end of the previous year, which was mainly due to the increase in receivables for the construction contract work and interest in its associate. The non-current liabilities of the Group amounted to RMB535.27 million, representing an increase of 11.51% as compared with the end of the previous year, which was mainly due to the newly added long-term loans of the Group during the Reporting Period.

5. MANAGEMENT DISCUSSION AND ANALYSIS

2. Current assets and current liabilities

As at 31 December 2016, the current assets of the Group amounted to RMB3,341.11 million, representing a decrease of 8.62% as compared with the end of the previous year, which was mainly due to the acceleration in the construction of the Group's projects. The current liabilities of the Group amounted to RMB1,331.22 million, representing an increase of 4.79% as compared with the end of the previous year. Current ratio and debt to equity ratio (calculated by dividing total amount of loans by total equity) were 2.51 and 0.03, as compared with 2.88 and 0.03 of the previous year respectively.

3. Net current assets

As at 31 December 2016, net current assets of the Group amounted to RMB2,009.90 million, representing a decrease of RMB376.24 million as compared with the end of the previous year, which was mainly due to the acceleration in the construction of the Group's projects which led to a decrease in current assets.

4. Equity attributable to equity shareholders of the Company

As at 31 December 2016, equity attributable to equity shareholders of the Group amounted to RMB17,747.32 million, representing an increase of 9.16% as compared with the end of the previous year, which was mainly due to the increase in interests in the associate attributable to the Group and profit before taxation from principal businesses.

(III) LIQUIDITY AND CAPITAL RESOURCES

During the Reporting Period, the Group's working capital mainly came from the cash derived from daily operations, investments and bank loans. The Group adopted prudential principles to increase the capital income and lower the capital costs so as to guarantee sufficient funds in meeting the operation needs. As at 31 December 2016, the Group's cash and cash equivalents amounted to RMB2,165.64 million, with the main currencies being RMB, Hong Kong dollars and US dollars.

Bank loans and other loans

Item	**As at 31 December 2016 (RMB'000)**	As at 31 December 2015 (RMB'000)
Due within one year	**59,833**	50,000
Due after one year but within two years	**485,833**	–
Due after two years but within five years	**31,499**	480,000
Due after five years	**17,935**	–
Total	**595,100**	530,000

As at 31 December 2016, the balance of bank loans and other loans of the Group amounted to RMB595.10 million, representing an increase of RMB65.10 million as compared with the end of the previous year, which was mainly due to the newly added bank loans and other loans of the Group during the Reporting Period. As at 31 December 2016, the Group's bank loans and other loans were both denominated in RMB, and most of the loan interests are subject to variable interest rates.

5. MANAGEMENT DISCUSSION AND ANALYSIS

Cash flows

Item	2016 (RMB'000)	2015 (RMB'000)
Net cash generated from operating activities	**46,331**	65,020
Net cash generated from investing activities	**285,787**	1,167,249
Net cash used in financing activities	**(498,746)**	(957,584)
Net (decrease)/increase in cash and cash equivalents	**(166,628)**	274,685
Cash and cash equivalents at the beginning of the year	**2,332,268**	2,057,583
Cash and cash equivalents at the end of the year	**2,165,640**	2,332,268

Net cash generated from operating activities

During the Reporting Period, net cash generated from operating activities of the Group amounted to RMB46.33 million, representing a year-on-year decrease of RMB18.69 million, which was mainly due to the increase in the construction of waste incineration solutions projects and the decrease in revenue of the Group.

Net cash generated from investing activities

During the Reporting Period, net cash generated from investing activities of the Group amounted to RMB285.79 million, representing a year-on-year decrease of RMB881.46 million, which was mainly due to the year-on-year decrease in dividends received by the Group from its associate, Conch Holdings, as well as the maturity of RMB650 million structured deposit with a term of over three months in the previous year.

Net cash used in financing activities

During the Reporting Period, net cash used in financing activities of the Group amounted to RMB498.75 million, representing a year-on-year decrease of RMB458.84 million, which was mainly due to the year-on-year increase in net repayment of bank loans of the Group and the year-on-year decrease in dividends distribution.

5. MANAGEMENT DISCUSSION AND ANALYSIS

(IV) COMMITMENTS

As at 31 December 2016, the Group's commitments for purchase in connection with construction contracts and capital commitments were as follows:

Item	As at 31 December 2016 (RMB'000)	As at 31 December 2015 (RMB'000)
Contracted for	**566,772**	209,427
Authorized but not contracted for	**980,140**	846,320
Total	**1,546,912**	1,055,747

(V) FOREIGN EXCHANGE RISK

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

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

(VI) CONTINGENT LIABILITIES

As at 31 December 2016, the Group did not have any material contingent liabilities.

(VII) PLEDGE OF ASSETS

As at 31 December 2016, the Group did not have any pledged assets.

(VIII) MATERIAL INVESTMENTS, ACQUISITIONS OR DISPOSALS

In 2015, the Group, through its wholly-owned subsidiary, Conch Investment, entered into an investment agreement with Shaanxi Quanchuang and Yaobai Special Cement. Conch Investment and Shaanxi Quanchuang injected RMB90 million and RMB30 million into Yaobai Environmental, respectively. Upon completion of the capital injection, Yaobai Environmental was owned as to 60%, 20% and 20% by Conch Investment, Shaanxi Quanchuang and Yaobai Special Cement respectively. Pursuant to the terms of the agreement, the transaction was completed on 1 January 2016 and Yaobai Environmental became a 60%-owned subsidiary of the Group.

Except for the above, neither the Company nor any of its relevant subsidiaries or associates had conducted any material acquisitions or disposals.

5. MANAGEMENT DISCUSSION AND ANALYSIS

(IX) HUMAN RESOURCES

The Group highly values the management of human resources by providing its employees with competitive remuneration packages and various training programs. During the Reporting Period, the Group organized professional and technical seminars and trainings relating to municipal waste treatment technology, basic knowledge of grate furnace technology, marketing and promotion of new building materials, special types of work, production safety and financial literacy. Some of the executive management attended the operating management training organized by the University of Science and Technology of China. The Group helped the management and staff to learn, understand and master various production and operation management techniques and knowledge, so as to raise the overall quality and maintain the healthy development of the Company. The Group also continued to strengthen team building through means such as in-house training, social recruitment and campus recruitment.

As at 31 December 2016, the Group had approximately 1,334 employees. The remuneration of employees is based on qualifications, experience, work performance and market conditions. As required by the PRC regulations on social insurance, the Group participated in the social insurance schemes operated by local government authorities which include pension insurance, medical insurance, unemployment insurance, industrial injuries insurance and maternity insurance. For the year ended 31 December 2016, the total remuneration of employees (including the remuneration of the directors) was approximately RMB106.49 million (2015: RMB103.33 million).

The Company adopted a share option scheme so that the Group may grant options to selected participants as incentives or rewards for their contributions to the Group. Since the listing of the Group, no share option had been granted under the share option scheme.

Administration and human resources training organized by the Company

6. CORPORATE GOVERNANCE REPORT

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

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

The Company has adopted the Corporate Governance Code ("**CG Code**") set out in Appendix 14 to the Listing Rules as the corporate governance code of the Company. The Board confirmed that during the Reporting Period, the Company has complied with the principles and code provisions of the CG Code to formulate its operation and the Company has further refined the corporate governance structure and enhanced its corporate governance under the guidance of the regulatory documents including the Listing Rules and the Articles of Association.

The Company will regularly review and improve its corporate governance practices in order to be continuously in compliance with the CG Code.

(I) MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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

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

6. CORPORATE GOVERNANCE REPORT

(II) THE BOARD

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

Name	Position
Mr. Guo Jingbin	Executive Director and Chairman of the Board
Mr. Ji Qinying	Executive Director and Chief Executive Officer
Ms. Zhang Mingjing	Non-executive Director
Mr. Li Jian (Note 1)	Executive Director and Deputy General Manager
Mr. Li Daming (Note 1)	Executive Director and Deputy General Manager
Mr. Chan Chi On (alias Derek Chan)	Independent Non-executive Director
Mr. Chan Kai Wing (Note 1)	Independent Non-executive Director
Mr. Lau Chi Wah, Alex	Independent Non-executive Director

Note:

1. Mr. Li Jian, Mr. Li Daming and Mr. Chan Kai Wing were re-elected as Directors at the 2016 annual general meeting.

Detailed biographies of the Directors are set out in the section headed "Biographies of Directors and Senior Management" of this annual report.

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

Independence of Independent Non-executive Directors

During the Reporting Period, the Board had complied with the requirements under Rules 3.10 and 3.10A of the Listing Rules, having at least three independent non-executive Directors (representing at least one-third of the Board) with at least one of whom possessing appropriate professional qualifications, or accounting and related financial management expertise. The Company has received written annual confirmations from the independent non-executive Directors, namely Mr. Chan Chi On (alias Derek Chan), Mr. Chan Kai Wing and Mr. Lau Chi Wah, Alex, on their independence pursuant to Rule 3.13 and the Company considers all independent non-executive Directors are independent. The three 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 relevant laws and regulations.

6. CORPORATE GOVERNANCE REPORT

According to Code Provision A.1.1 of the CG Code, the board of directors of any listed company should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. During the Reporting Period, the Board had held four meetings (one for each quarter), two of which were routine meetings to approve the final results for the year ended 31 December 2015 and the interim results for the six months ended 30 June 2016. The Board was of the view that each Director was given sufficient time to supervise the matters of the Company at the meetings held during the year. In 2017, the Company will continue to comply with Code Provision A.1.1 of the CG Code in holding one regular board meeting for each quarter to discuss or approve matters in relation to, among other things, operating strategies, external expansion, financial planning.

The attendance records of each Director at the meetings of the Board, the audit committee and the remuneration and nomination committee and the annual general meeting are set forth as below:

	Number of attendance/Number of meetings during term of office			
Name of Director	**Board Meeting**	**Audit Committee**	**Remuneration and Nomination Committee**	**Annual General Meeting**
Mr. Guo Jingbin	4/4	N/A	N/A	1/1
Mr. Ji Qinying	4/4	N/A	2/2	1/1
Ms. Zhang Mingjing	4/4	N/A	2/2	1/1
Mr. Li Jian	4/4	N/A	N/A	1/1
Mr. Li Daming	4/4	N/A	N/A	1/1
Mr. Chan Chi On (alias Derek Chan)	4/4	2/2	2/2	1/1
Mr. Chan Kai Wing	4/4	2/2	2/2	0/1
Mr. Lau Chi Wah, Alex	4/4	2/2	2/2	0/1

During the year, the Chairman also met with the non-executive Director and the independent non-executive Directors without the presence of the executive Directors.

6. CORPORATE GOVERNANCE REPORT

(III) 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.

The management of the Company is responsible for the daily management of the business operation of the Company, the implementation of strategies and plans, achieving 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 company secretaries, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. Besides, each Director may seek independent professional advice in appropriate circumstances at the Company's expenses, upon making request to the Board.

(IV) CONTINUOUS TRAINING AND DEVELOPMENT OF DIRECTORS

The Company continuously updates Directors the latest developments of the Listing Rules and other applicable regulatory requirements and provides training to improve and update the Directors' knowledge and skills. On 27 October 2016, certain senior management of the Company participated in the "Carbon Audit Seminar for Listed Companies" held in Hong Kong by the Environmental Protection Department of Hong Kong in relation to fighting against climate change and reduction of greenhouse gas emission through various methods, and discussed with management members from different industries on the practical experiences related to carbon management. They then conveyed the relevant seminar information and sharings to all Directors of the Company so as to ensure that the Directors of the Company could understand the importance of establishing a low-carbon economy in a timely manner. The Company also organized seminars for the Directors in relation to environment, safety, health and social responsibility management system, and development strategy and prospect.

During the Reporting Period, in compliance with the requirements of Code Provision A.6.5 of the CG Code, all Directors are consistently provided with the latest information regarding legal and regulatory developments as well as business and market environment for their performance of duties.

6. CORPORATE GOVERNANCE REPORT

(V) CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of the Chairman and Chief Executive Officer of the Company should be divided. In other words, 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.

In order to have clear division of the duties between the Chairman of the Board and the Chief Executive Officer of the Company (i.e. general manager), Mr. Guo Jingbin and Mr. Ji Qinying have been appointed as the Chairman of the Board and the Chief Executive Officer (i.e. general manager) of the Company respectively. Mr. Guo Jingbin is mainly responsible for formulating the overall strategic development of the Group, leading the Board and ensuring the effectiveness of the Board when performing his duties as the Chairman of the Board. Mr. Ji Qinying is mainly responsible for the daily operation and management of the Company and the implementation of the Board's decisions, strategies, plans and business targets of the Company.

(VI) APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

During the Reporting Period, the Company has renewed the services agreements with its executive directors, namely, Mr. Ji Qinying, Mr. Li Jian and Mr. Li Daming, for a term up to 29 November 2019. During the service term, each of Mr. Ji Qinying, Mr. Li Jian and Mr. Li Daming is entitled to a basic salary of RMB790,000 per annum, RMB720,000 per annum and RMB750,000 per annum, respectively, plus discretionary management bonus provided that the aggregate amount of the bonuses payable to all the executive Directors for any financial year of the Company may not exceed 10% of the audited combined net profit of the Group (after taxation, minority interests and payment of such bonuses but before extraordinary items) in respect of that financial year of the Company (which is covered by the service contract).

During the Reporting Period, the Company has renewed the appointment letters with its independent non-executive directors, namely, Mr. Chan Chi On (alias Derek Chan), Mr. Chan Kai Wing and Mr. Lau Chi Wah, Alex, each for a term up to 29 November 2019. During the term of appointment, each of Mr. Chan Chi On (alias Derek Chan), Mr. Chan Kai Wing and Mr. Lau Chi Wah, Alex is entitled to a director's fee of HKD150,000 per annum.

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

Pursuant to article 105(A) of the Articles of Association, 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 shall be subject to retirement at least once every three years. Retiring Directors are eligible to offer themselves for re-election. The Directors to retire in every year shall be those who have been longest in office since their last re-election or appointment but as between persons who became Directors on the same day, those to retire shall (unless otherwise agreed among themselves) be determined by lot. Any Director appointed by the Board to fill up temporary positions or to be new members of the Board shall hold office only until the next following general meeting and shall then be eligible for re-election at the meeting.

Hence, Mr. Guo Jingbin, Ms. Zhang Mingjing and Mr. Chan Chi On (alias Derek Chan) will retire at the forthcoming 2017 annual general meeting. Save and except Ms. Zhang Mingjing who will not seek for re-election at the annual general meeting, Mr. Guo Jingbin and Mr. Chan Chi On (alias Derek Chan), being eligible, will offer themselves for re-election thereat.

(VII) COMMITTEES OF THE BOARD

The Board of the Company has established two committees, namely the Audit Committee and the Remuneration and Nomination Committee and formulated the relevant written terms of references for overseeing particular aspects of the Company's affairs. Each committee of the Board is established with defined written terms of reference. The terms of reference of the committees of the Board are posted on the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the website of the Company (www.conchventure.com) and are available to Shareholders.

1. Audit Committee

(1) Members

The three independent non-executive Directors of the Company are members of the Audit Committee and their positions are as follows:

Name	Position
Mr. Chan Chi On (alias Derek Chan)	Chairman
Mr. Chan Kai Wing	Member
Mr. Lau Chi Wah, Alex	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 defines the duties and rules of the committee. In accordance with the Terms of Reference of the Audit Committee of the Board, the chairman of the committee shall be acted by an independent non-executive director.

6. CORPORATE GOVERNANCE REPORT

(2) Summary of Functions and Works

The primary duties of the Audit Committee of the Company are mainly to make recommendations to the Board on the appointment and dismissal of the external auditor, review the financial statements and information, provide advice in respect of financial reporting and oversee the risk management system and internal control system of the Company and consider any significant or unusual matters and report to the Board for consideration.

For the year ended 31 December 2016, the work done by the Audit Committee was set forth as below:

a. reviewed the audited consolidated annual results for the year ended 31 December 2015 and the interim results for the period ended 30 June 2016, together with the announcement and documents related to the results, and other matters or issues as proposed by the external auditor;

b. reviewed the audit results as submitted by the external auditor;

c. reviewed the independence of the external auditor and consider the appointment of an external auditor for the annual audit services;

d. reviewed the effectiveness of the internal control system of the Group, including all material controls in particular financial, operational, and compliance controls and risk management functions;

e. reviewed and approved of continuing connected transactions of the Group; and

f. supervised, improved, reviewed and regulated the risk management of the Group.

6. CORPORATE GOVERNANCE REPORT

2. Remuneration and Nomination Committee

(1) Members

The Chief Executive Officer, the non-executive Director and the three independent non-executive Directors of the Company are members of the Remuneration and Nomination Committee and their positions are as follows:

Name	Position
Mr. Lau Chi Wah, Alex	Chairman
Mr. Ji Qinying	Member
Mr. Chan Chi On (alias Derek Chan)	Member
Mr. Chan Kai Wing	Member
Ms. Zhang Mingjing	Member

The Terms of Reference of the Remuneration and Nomination Committee of the Board clearly defines 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 Work

The primary functions of the Remuneration and Nomination Committee of the Company 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, make recommendation to the Board on the remuneration packages for each of the executive Directors and senior management; and 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 individuals suitably qualified as potential board members and select 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.

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. In determining the optimal composition of the Board, the Company takes into consideration differences in the skills, regional and industry experience, background, race, gender, and other qualities. The Remuneration and Nomination Committee annually discusses and approves of the measurable objectives that promote the board diversity, and recommends the Board to adopt such measurable objectives.

6. CORPORATE GOVERNANCE REPORT

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

(a) at least 80% of board members have college education background;

(b) at least 60% of board members have obtained accounting or other professional qualifications;

(c) at least 80% of board members have relevant working experiences in China; and

(d) at least one third of the board members are independent non-executive directors.

As at the date of this annual report, the Company had achieved the above targets. The Remuneration and Nomination Committee will regularly review the relevant policies and the measurable objectives to ensure the diversity of the Board.

The compositions of skills, regions, genders, and other qualities of the current Board of the Company are consistent with the diversity principles under the Board Diversity Policy. The number and composition could accommodate the operation and development needs of the Company. To cope with the future development, 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.

For the year ended 31 December 2016, the work done by the Remuneration and Nomination Committee was set forth as below:

a. reviewed the remuneration policies and structure of the directors and senior management of the Company;

b. reviewed and evaluated the independence of the independent non-executive directors;

c. reviewed the structure, number, and composition of the Board (including the skills, knowledge, and experience);

d. discussed the composition of the Board from the aspect of diversity, and implemented the measurable objectives for board diversity;

e. reviewed and approved the resolutions on the re-election of directors; and

f. reviewed the renewal of certain directors' service agreements and engagement letters upon expiry for consideration by the Board.

6. CORPORATE GOVERNANCE REPORT

(VIII) CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in code provision D.3.1 of the CG Code.

The Board has reviewed the corporate governance policies and practices of the Company, the training and continuous professional development of the Directors and senior management, the policies and practices of the Company on compliance with legal and regulatory requirements, the compliance by the Directors and employees of the code of the Group's securities dealing conduct, and the compliance of the Company with the CG Code and the disclosures in this corporate governance report.

(IX) AUDITOR'S REMUNERATION

For the year ended 31 December 2016, the statement of the external auditor of the Company about its reporting responsibilities on the consolidated financial statements of the Group is set out in the section headed "Independent Auditor's Report" on pages 82 to 90.

The remuneration paid or payable to KPMG, the auditor, by the Company for the year ended 31 December 2016 is set out below:

Services	**Fee paid/payable** (RMB'000)
Audit Services – audit fee for 2016	1,943
Non-audit Services (consultation services on the preparation of the Environmental, Social and Governance Report)	94
Total	2,037

(X) DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for each financial year and for ensuring that the financial statements have truly and fairly reflected the financial position of the Group and the Company and the results of operation and cash flow of the Group in the year. During the preparation of the financial statements for the year ended 31 December 2016, the Board has adopted suitable accounting policies and ensured consistent application of such accounting policies, made prudent, fair and reasonable judgements and estimates, and prepared the accounts on a going 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 suitable for the preparation of the financial statements.

6. CORPORATE GOVERNANCE REPORT

(XI) RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is fully in charge of, 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. During the Reporting Period, the Board had complied with the code provisions regarding risk management and internal control systems as set out in the CG Code as amended by the Stock Exchange and became effective during the year.

The Group has formulated internal audit functions and established appropriate risk management and internal control systems to record accounting, risk management and management information in a comprehensive, accurate and timely manner and to review the effectiveness of such system through the Audit Committee on an annual basis. The management is responsible for the design, implementation and supervision of the Group's risk management and internal control systems and shall confirm the effectiveness of the system to the Board. The systems are designed to manage the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material mis-statement or loss. The Company has established an audit department to evaluate the effectiveness of the risk management and internal control systems, and the independent organization will examine the risk management and internal control systems of the Company and its subsidiaries and will report to the Audit Committee and the Board of Directors directly and take reasonable measures and make rectifications in a timely manner in case that serious internal control defaults are found.

During the year, the Company formulated the "Risk Management and Internal Control Work Regulations" and the risk management and internal control systems including financial, operation and compliance aspects, in accordance with the changes in internal and external operational environments, business expansion and amendments of rules and regulations. The above systems provided for the procedures of identifying, assessing and managing significant risks within the duties of the risk management departments and personnel of the Company and its subsidiaries, such as the procedures of identifying, assessing and managing significant risks in finance, operation and compliance, as well as reasonable measures. The Company has established a three-level risk management and internal control systems, which consists of the self-supervision of the risk management of the subsidiaries, and the auditing of Department of Business Supervision and the supervision of Department of Audit of the Company. Meanwhile, through the optimization of business processes and amendment of related systems during the year, we embedded the risk control points into the business processes and achieved a full coverage of specific business risk management.

The Board will continue to supervise the risk management and internal control systems of the Company, and review the effectiveness of the risk management and internal control systems of the Company and its subsidiaries annually. The Board has received the confirmation from the management in respect of the effectiveness of the risk management and internal control systems of the Company and its subsidiaries, and considered that such systems were effective and sufficient. At the meeting of the Audit Committee held on 24 March 2017, the management has confirmed that the risk management and internal control systems of the Group were effective, and the Board has also, through the Audit Committee, examined the effectiveness of the risk management and internal control systems of the Group, including controls of all important aspects especially financial control, operation control and compliance control, and considered the adequacy of resources, staff qualifications and experience, training programmes in respect of the Company's accounting, internal audit and financial reporting function, so as to ensure the effectiveness of the risk management and internal control systems and risks identification and prevention, thereby providing reasonable protection to the effective operation of the Group.

The Company has formulated the Administrative Measures on Information Disclosure, which provided relevant requirements on handling and disclosure procedures of corporate information (including inside information) such as security measures for inside information and management of insider, and will update the registration 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.

(XII) JOINT COMPANY SECRETARIES

Mr. Shu Mao is the internal joint company secretary of the Company.

The Company has appointed Ms. Ng Sin Yee, Clare of Tricor Services Limited (externally engaged) as the joint company secretary. Mr. Shu Mao (as the internal joint company secretary of the Company) is the primary contact person between the Company and Ms. Ng Sin Yee, Clare.

Pursuant to Rule 8.17 of the Listing Rules, the Company must appoint a company secretary who satisfies the requirements under Rule 3.28 of the Listing Rules. Pursuant to Rule 3.28 of the Listing Rules, the Company must appoint an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary as its company secretary.

As the qualifications of Mr. Shu Mao have not yet satisfied the requirements as stipulated in Rule 3.28 of the Listing Rules, upon listing, the Company has applied to the Stock Exchange for, and the Stock Exchange has granted the Company, a waiver from strict compliance with the requirements of Rule 3.28 and Rule 8.17 of the Listing Rules, provided that, upon the expiry of the initial three-year period, the qualifications of Mr. Shu Mao will be re-evaluated to determine whether the requirements as stipulated in Note 2 to Rule 3.28 of the Listing Rules can be satisfied. In the event that Mr. Shu Mao has obtained relevant experience under Note 2 to Rule 3.28 of the Listing Rules at the end of the initial three-year period, the above joint company secretaries arrangement would no longer be necessary. As at the date of this report, the Company has applied to the Stock Exchange to confirm that Mr. Shu Mao is qualified to continue to serve as the company secretary of the Company under Rule 3.28 of the Listing Rules.

6. CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2016, Mr. Shu Mao and Ms. Ng Sin Yee, Clare had taken no less than 15 hours of relevant professional training in accordance with Rule 3.29 of the Listing Rules.

(XIII) SHAREHOLDERS' RIGHTS

Procedures for Shareholders to convene an extraordinary general meeting

The following procedures for Shareholders to convene an extraordinary general meeting ("**EGM**") 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 EGM to be called by the Directors for the transaction of any business specified in such requisition.

2. Such requisition shall be made in writing to the Board or the company secretary of the Company at the following:

Address:	No. 1011 Jiuhua South Road, Wuhu City, Anhui Province, the People's Republic of China
Email:	shumao@conchventure.com
Attention:	The Board of Directors/Company Secretary

3. The EGM 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 of 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 the Directors shall be reimbursed to the Requisitionist(s) by the Company.

Procedures for raising enquiries

1. Shareholders should direct their questions about their shareholdings, share transfer and 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) 2862 8555
Fax:	(852) 2865 0990/2529 6087

6. CORPORATE GOVERNANCE REPORT

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

Address:	N0. 1011 Jiuhua South Road, Wuhu City, Anhui Province, the People's Republic of China
Email:	shumao@conchventure.com
Tel:	86-553-8399461/8399135
Fax:	86-553-8399065
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.conchventure.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 at Suite 4018, 40/F, Jardine House, 1 Connaught Place, Central, 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 in order, the Board will include the Proposal in the agenda for the general meeting.

3. The notice period to be given to all the Shareholders for consideration of the Proposal raised by the Shareholder concerned at the general meeting varies according to the nature of the Proposal as follows:

   (1) Notice of not less than 21 clear days and not less than 20 clear business days in writing if the Proposal requires an ordinary resolution or a special resolution of the Company at an annual general meeting of the Company;

   (2) Notice of not less than 21 clear days and not less than 10 clear business days in writing if the Proposal requires approval by way of a special resolution of the Company at an extraordinary general meeting of the Company;

   (3) Notice of not less than 14 clear days and not less than 10 clear business days in writing if the Proposal requires approval by way of an ordinary resolution of the Company at an extraordinary general meeting of the Company.

6. CORPORATE GOVERNANCE REPORT

At the annual general meeting held by the Company on 21 June 2016, all resolutions were approved by the Shareholders by way of poll. The resolutions in relation to the payment of final dividends, re-election of retiring Directors, and re-election of auditors were approved at the 2016 annual general meeting of the Company.

(XIV) CONSTITUTIONAL DOCUMENTS

During the Reporting Period, no change has been made to the Articles of Association of the Company. The latest version of the Articles of Association is available on the websites of the Company (www.conchventure.com) and Hong Kong Exchanges and Clearing Limited (www. hkexnews.hk).

(XV) COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company recognizes the importance of 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.

The Company maintains a website at www.conchventure.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:

Address:	**Office and Correspondence Address:** No. 1011 Jiuhua South Road, Yijiang District, Wuhu City, Anhui Province, China **Representative Office in Hong Kong:** Suite 4018, 40/F, Jardine House, 1 Connaught Place, Central, Hong Kong
Tel No.:	86-553-8399461/8399135
Fax No.:	86-553-8399065
Email:	hlcy@conchventure.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.

7. REPORT OF THE DIRECTORS

The Board of the Company hereby presents the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2016.

(1) PRINCIPAL ACTIVITIES

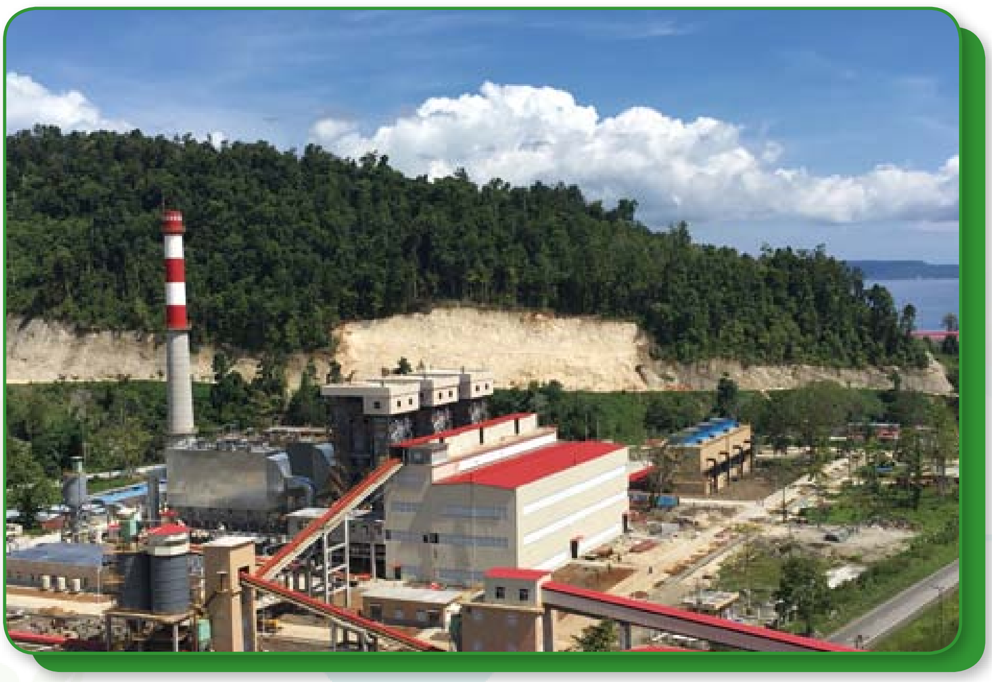
The Company is an investment holding company. Details of the activities of the subsidiaries of the Company are set out in notes 3 and 14 to the financial statements.

The business review and the discussion of future business development of the Group, as well as the analysis of the performance of the Group based on the key financial performance indicators have been set out on pages 12 to 19 of the "Business Review and Outlook" section and pages 20 to 30 of the "Management Discussion and Analysis" section in this Annual Report respectively. These information forms part of the Report of the Directors.

The Company or the Group does not have any material subsequent events occurring after 31 December 2016.

(2) BUSINESS MODELS AND STRATEGIES

The Group's principal activities consist of three major segments, namely energy-saving, environmental-protection and new building materials. Energy-saving business mainly includes residual heat power generation in cement industry, residual heat utilization in steel, metallurgy and ferrosilicon industry, construction of self-owned coal-fired power plants and mills equipment for large-scale industrial mining enterprises. Environmental protection business mainly includes (i) collaborative treatment of municipal waste by cement kilns; (ii) collaborative treatment of solid and hazardous waste by cement kilns; and (iii) grate furnace power generation. In addition, with the advanced technologies introduced from Europe, the Company has set up two production bases in Wuhu and Bozhou, Anhui Province for the production and sale of new energy-saving wall materials such as fiber cement boards.



Self-owned power plant in West Papua, Indonesia constructed by the Company

7. REPORT OF THE DIRECTORS

To consolidate its position as a leading integrated supplier of energy-saving and environmental-protection solutions, the Group has implemented the following strategies: (i) expanding and further developing the project promotion for waste incineration solutions; (ii) striving to develop the international and domestic markets of residual heat power generation in various industries; (iii) accelerating the development of new building materials business; and (iv) making selective prudent acquisitions to complement the business composition.

(3) RELATIONS WITH THE SUBSTANTIAL STAKEHOLDERS

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

The Group has always valued the development of human resources, and provides its employees with a fair workplace environment, competitive remuneration as well as a variety of training programmes including internal trainings and refresher courses provided by professional organizations, so that the staff have more understanding of the market, industry and the latest developments in each of our businesses. The Group recruits graduates from vocational schools, colleges and universities across the country through a variety of channels.

The Group has established different ways to strengthen its communication with the customers so as to provide high-quality customer services, increase the market penetration and expand its businesses. The Group attaches great importance to the opinions of the customers and thus, would find out their thoughts through daily communication, after-sales visits and customer satisfaction surveys. The Group also has staff specially assigned for maintaining the customer relationships and dealing with customer feedback and complaints.

Maintaining good relationship with the major service providers is essential to the Group in the supply chain and during the time when facing the challenges and regulatory requirements. It could generate cost effectiveness and boost long-term commercial interests. The Group's main service providers include systems and equipment suppliers, engineering construction units, external consultants providng professional services and other business partners providing value-added services.

(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 92 of this annual report.

7. REPORT OF THE DIRECTORS

(5) RESERVES AND DIVIDEND

Details of other changes in reserves are set out in note 23 to the financial statements and the consolidated statement of changes in equity on page 95 of this report.

As at 31 December 2016, the Company's reserves available for distribution to its shareholders amounted to approximately RMB1,693.2 million (31 December 2015: RMB2,161.2 million).

The Directors recommend the distribution of final dividend of HK$0.30 per share for the year ended 31 December 2016 (2015: HK$0.3 per share) to the Shareholders.

Subject to the approval of shareholders at the 2017 annual general meeting of the Company to be held on 28 June 2017, the above proposed final dividend will be paid to the shareholders whose names appear on the register of members of the Company as at 6 July 2017. The proposed final dividend will be paid on 17 July 2017.

(6) USE OF PROCEEDS FROM LISTING AND CHANGE IN USE OF PROCEEDS

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

In order to utilize the net proceeds more effectively and to facilitate the efficient allocation of the Company's financial resources, the Board held a meeting on 17 June 2016 to determine: to reallocate an amount of RMB713.6 million (approximately HK$849.5 million), which was originally used for the establishment of production facilities of cellulose cement autoclaved boards in Wuhu and Bozhou, to be used to carry out refuse and solid waste treatment and other environmental-protection business within the Company's business scope by various business models. The remaining amount of RMB150 million (approximately HK$178.5 million) in the cellulose cement autoclaved boards project would be used for the expansion of plants, procurement of raw materials, recruitment of staff and the establishment of sales market. For details, please refer to the announcement of the Company dated 21 June 2016.

7. REPORT OF THE DIRECTORS

Out of the net proceeds, for the year ended 31 December 2015, the Group had utilized an aggregate amount of approximately RMB1,914.6 million of the net proceeds and the remaining balance of the net proceeds amounted to RMB1,204.3 million. During the Reporting Period, the Company further utilized RMB1,081.7 million in the manner set out in the table below:

Usage	Utilized amount during the Reporting Period (RMB million)	Balance as at 31 December 2016 (RMB million)	Actual business progress as at 31 December 2016
To be used for the establishment of production facilities of cellulose cement autoclaved boards in Wuhu, Anhui Province	40.5	68.2	Establishment of production facilities of new building materials industry, procurement of raw materials and establishment of sales markets
To be used for the establishment of production facilities of cellulose cement autoclaved boards in Bozhou, Anhui Province	29.1	21.6	Establishment of production facilities of new building materials industry, procurement of raw materials and establishment of sales markets
To be used to carry out environmental protection businesses including refuse and solid waste treatment within the Company's business scope by applying various business models	1,003.4	–	Construction and operation of waste incineration solutions projects in Ningguo of Anhui Province, Linxia of Gansu Province, Tongren of Guizhou Province and Yanshan of Yunnan Province etc.
General corporate purposes	8.7	32.8	
Subtotal	1,081.7	122.6	

As at 31 December 2016, the Company utilized an aggregate of RMB2.996.3 million of the net proceeds. The remaining net proceeds amounted to RMB122.6 million. The remaining net proceeds were deposited in the banks and recognized financial institutions in Hong Kong and China.

7. REPORT OF THE DIRECTORS

(7) PROPERTY, PLANT AND EQUIPMENT

As at 31 December 2016, the property, plant and equipment of the Group amounted to approximately RMB1,029.58 million. Details of the changes in property, plant and equipment of the Group during the Reporting Period are set out in note 11 to the financial statements.

(8) SUBSIDIARIES AND ASSOCIATED COMPANIES

Details of the major subsidiaries and associated companies of the Company are set out in notes 14 and 15 to the financial statements.

(9) SHARE CAPITAL (AS AT 31 DECEMBER 2016)

The Company was incorporated in the Cayman Islands as an exempted company on 24 June 2013 under the Companies Law of the Cayman Islands. The authorised share capital of the Company on incorporation was HK$15,000,000, divided into 1,500,000,000 shares of a nominal value of HK$0.01 each. Details of the Company's capital structure are set out in Note 23(c) to the financial statements.

As at 31 December 2016, the Company had 1,804,750,000 ordinary shares in issue.

(10) DISCLOSURE OF INTERESTS

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

As at 31 December 2016, the interests of the Directors and chief executive of the Company in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were set out below:

A. The Company

Name of Directors	Capacity/nature of interests	Number of shares (long positions)	Percentage shareholdings (%)
Mr. Guo Jingbin	Interest of controlled corporation (note 1)	62,680,000	3.47
Mr. Ji Qinying	Interest of controlled corporation (note 2)	61,080,000	3.38
	Interest of spouse (note 2)	33,752	0.002
	Total	**61,113,752**	**3.382**
Mr. Li Jian	Beneficial owner	7,396,370	0.41
	Interest of spouse (note 3)	105,346	0.006
	Total	**7,501,716**	**0.416**
Mr. Li Daming	Beneficial owner	6,112,563	0.34
Ms. Zhang Mingjing	Beneficial owner	17,457,675	0.97
	Interest of spouse (note 4)	32,020,909	1.77
	Total	**49,478,584**	**2.74**

7. REPORT OF THE DIRECTORS

Notes:

1. These shares are owned by Splendor Court which is solely owned by Mr. Guo Jingbin.

2. These shares are owned by Golden Convergence which is solely owned by Mr. Ji Qinying. As Ms. Yan Zi is the spouse of Mr. Ji, Mr. Ji is taken to be interested in the shares held by Ms. Yan Zi.

3. Mr. Li Jian is taken to be interested in the shares held by his spouse, Ms. Wang Zhenying.

4. Ms. Zhang Mingjing is taken to be interested in the shares held by her spouse, Mr. Zhu Zhongping through his controlled corporation, Confluence.

B. Associated Corporations of the Company

Name of Directors	Name of associated corporation	Number of shares (A share) (long positions)	Percentage shareholdings (%)	Capacity
Mr. Li Jian	Conch Cement	100,000	0.003	Beneficial owner
Mr. Li Daming	Conch Cement	200,000	0.005	Beneficial owner

2. Substantial Shareholders' Interests or Short Positions

As at 31 December 2016, there were no other persons other than the Directors and chief executive of the Company who had interests or short positions in the shares or underlying shares of the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register of substantial shareholders required to be kept under section 336 of the SFO.

3. Interests and Short Positions of Senior Management

As at 31 December 2016, interests of the senior management of the Company were as follows:

Name of senior management	Capacity	Number of shares (long positions)	Percentage shareholdings (%)
Mr. Wang Xuesen	Beneficial owner	4,125,418	0.23

Save as disclosed above, as at 31 December 2016, none of the Directors and chief executive of the Company had interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to in that section, or which will be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

7. REPORT OF THE DIRECTORS

(11) 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 21.35% and 43.53% 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 4.65% and 16.06% of the total procurement of the Group respectively.

As at 31 December 2016, interests held by Mr. Li Jian and Mr. Li Daming, both being executive Directors of the Company, in Conch Cement, the largest customer of the Group, were as follows:

Name of Directors	Largest customer	Number of shares (A share) (long positions)	Percentage shareholdings (%)	Capacity
Mr. Li Jian	Conch Cement	100,000	0.003	Beneficial owner
Mr. Li Daming	Conch Cement	200,000	0.005	Beneficial owner

To the best knowledge of the Directors, save as disclosed above, none of the other Directors, their close associates or shareholders who held 5% or more of the issued share capital of the Company as at 31 December 2016 had any interests in the five largest customers and suppliers of the Group disclosed above.

(12) 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.

(13) MINIMUM PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that during the year under review and as at the date of this annual report, the Company has maintained the level of public float as required by the Listing Rules.

7. REPORT OF THE DIRECTORS

(14) EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2016, the Group had approximately 1,334 employees. The following table shows a breakdown of the employees by functions as at 31 December 2016.

Functions	**Number**
Production and Operation	995
Management	151
Finance and Administration	46
Others	142
Total	1,334

The Group highly values the management of human resources by providing its employees with competitive remuneration packages and various training programs. During the Reporting Period, the Group organized professional and technical seminars and trainings relating to municipal waste treatment technology, basic knowledge of grate furnace technology, marketing and promotion of new building materials, special types of work, production safety and financial literacy. Some of the executive management attended the operating management training organized by the University of Science and Technology of China. The Group helped the management and staff to learn, understand and master various production and operation management techniques and knowledge, so as to raise the overall quality and maintain the healthy development of the Company. The Group also continued to strengthen team building through means such as in-house training, social recruitment and campus recruitment.

The remuneration of employees of the Group is based on qualifications, experience, work performance and market conditions. As required by the PRC regulations on social insurance, the Group participated in the social insurance schemes operated by local government authorities which include pension insurance, medical insurance, unemployment insurance, industrial injuries insurance and maternity insurance. For the year ended 31 December 2016, the total remuneration of employees (including the remuneration of the directors) was approximately RMB106.49 million (2015: RMB103.33 million).

The Company adopted a share option scheme, details of which are set out in the section headed "(24) Share Option Scheme" in this section, so that the Group may grant options to selected participants as incentives or rewards for their contributions to the Group.

7. REPORT OF THE DIRECTORS

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

Name	Position	Date of appointment
Mr. Guo Jingbin	Executive Director, Chairman	Appointed on 24 June 2013
Mr. Ji Qinying	Executive Director, Chief executive officer	Appointed on 18 July 2013
Ms. Zhang Mingjing	Non-executive Director	Elected on 21 May 2014
Mr. Li Jian (note 1)	Executive Director, Deputy general manager	Appointed on 18 July 2013
Mr. Li Daming (note 1)	Executive Director, Deputy general manager	Appointed on 18 July 2013
Mr. Chan Chi On (alias Derek Chan)	Independent Non-executive Director	Appointed on 3 December 2013
Mr. Chan Kai Wing (note 1)	Independent Non-executive Director	Appointed on 3 December 2013
Mr. Lau Chi Wah, Alex	Independent Non-executive Director	Appointed on 3 December 2013

Note:

1. Mr. Li Jian, Mr. Li Daming and Mr. Chan Kai Wing were re-elected as Directors at the 2016 annual general meeting.

As at the date of this report, the Company had entered into services agreements with all of the executive Directors and had signed appointment letters with all of the non-executive Director and independent non-executive Directors for a term of not exceeding three years. Such appointment may be terminated by either party by written notice of not less than three months.

Pursuant to the Articles of Association, Mr. Guo Jingbin, Ms. Zhang Mingjing and Mr. Chan Chi On (alias Derek Chan) shall retire at the forthcoming 2017 annual general meeting. Save and except Ms. Zhang Mingjing who will not seek for re-election at the annual general meeting, Mr. Guo Jingbin and Mr. Chan Chi On (alias Derek Chan), being eligible, will offer themselves for re-election thereat.

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

Saved as disclosed in this annual report, during the Reporting Period, none of the directors had any interests, direct or indirect, in any transactions, arrangements or contracts entered into by the Company, its holding company or any of its subsidiaries or fellow subsidiaries which was significant to the business of the Group.

None of the Directors proposed to be re-elected at the forthcoming annual general meeting had entered into any service contract with the Company or any of its subsidiaries which was not determinable within one year without payment of compensation (other than statutory compensation).

(17) INTERESTS OF DIRECTORS IN COMPETING BUSINESS

As at the date of issue of this annual report, as far as the Directors are concerned, none of the Directors or their respective close associates had any interests in any business which competes or is likely to compete (either directly or indirectly) with the business of the Group.

7. REPORT OF THE DIRECTORS

(18) DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

The emoluments of the Directors are determined by the Board with the recommendation of the Remuneration and Nomination Committee by reference to 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. The Company regularly reviews and determines the remuneration packages of the Directors and senior management.

Details of Directors' remuneration and the five highest paid individuals of the Company during the Reporting Period are set out in notes 8 and 9 to the financial statements.

(19) THE BOARD AND BOARD COMMITTEES

As at 31 December 2016, the Board comprised eight Directors. The biographies of the Directors are set out in the section headed "Biographies of Directors and Senior Management" in this annual report.

The Board has two committees, namely the Audit Committee and the Remuneration and Nomination Committee. Details of the committees are set out in the section headed "Corporate Governance Report".

(20) CHANGES IN DIRECTORS AND SENIOR MANAGEMENT

During the Reporting Period, there were no changes in the Directors and senior management of the Company.

(21) MANAGEMENT CONTRACT

Save for the service contracts of the executive Directors and senior management of the Company, during the Reporting Period, the Company had not entered into any contract with any individual, company or legal entity for management and administration of the whole or any substantial part of the business of the Company.

(22) CONNECTED TRANSACTIONS

1. Connected Persons

Kawasaki HI holds 49% equity interests in each of CK Engineering and CK Equipment, both are indirect non-wholly owned subsidiaries of the Company. As Kawasaki HI holds more than 30% equity interests in each of CK Engineering and CK Equipment, it is a connected person of the Company under Chapter 14A of the Listing Rules.

CKEM is an entity jointly controlled by Kawasaki HI (which is, as mentioned above, a substantial shareholder of non-wholly-owned subsidiaries of the Company) and Conch Cement, each of them holding 50% equity interests. As CKEM is an associate of Kawasaki HI and more than 30% of its equity is held by Kawasaki HI, it is a connected person of the Company under Chapter 14A of the Listing Rules.

7. REPORT OF THE DIRECTORS

The respective dates of establishment and principal businesses of Kawasaki HI and CKEM are as follows:

Name of Connected Person	Date of Establishment	Principal Business
Kawasaki HI	9 October 1896	Manufacture of a wider range of technological products, including industrial plants, environmental protection facilities, industrial equipment, construction machinery and steel structures
CKEM	21 May 1997	Design, purchase, manufacture, sales and provision of maintenance and after-sale services of cement equipment

Pursuant to the Listing Rules, details of the major connected transactions of the Group during the Reporting Period are as follows:

2. Continuing connected transactions

(1) Transactions with Kawasaki HI

On 30 March 2015, the Group (through CK Engineering and CK Equipment, collectively, the CK Subsidiaries) entered into an agreement ("**Kawasaki Master Agreement**") with Kawasaki HI, whereby the CK Subsidiaries and Kawasaki HI agreed to (i) provide to the other party certain design services and technical assistance; and (ii) supply to the other party equipment, parts and products related to, among other things, residual heat power generation. The annual cap for the transactions contemplated under the Kawasaki Master Agreement for the year ended 31 December 2016 is RMB29.20 million.

According to the Kawasaki Master Agreement, the price of the goods and/or services concerned will be determined by the parties (on arm's length basis and in good faith) with reference to the then prevailing market prices of identical and/or similar goods or services which may be supplied to or sourced from other Independent Third Parties. The price shall be no less favourable than the prices of identical and/or similar goods or services available to or from other Independent Third Parties.

During the Reporting Period, the actual transaction amount of the above transactions contemplated under the Kawasaki Master Agreement was RMB3.4147 million, which did not exceed the annual cap of RMB29.20 million for this year.

7. REPORT OF THE DIRECTORS

(2) Transactions with CKEM

On 30 March 2015, the Group (through CK Engineering and CK Equipment, collectively, the CK Subsidiaries) entered into an agreement ("**CKEM Master Agreement**") with CKEM, whereby the CK Subsidiaries have agreed to supply waste parts, processing services and leasing of certain equipment to CKEM, while CKEM have agreed to supply certain equipment and products, processing services and leasing of certain equipment to the CK Subsidiaries. The annual cap for the transactions contemplated under the CKEM Master Agreement for the year ended 31 December 2016 is RMB2,920 million.

According to the CKEM Master Agreement, the price of the goods and/or services concerned will be determined by the parties (on arm's length basis and in good faith) with reference to the then prevailing market prices of identical and/or similar goods or services which may be supplied to or sourced from other Independent Third Parties. The price shall be no less favourable than the prices of identical and/or similar goods or services available to or from other Independent Third Parties.

During the Reporting Period, the actual amount of the above transaction under the CKEM Master Agreement was RMB15.7095 million, which did not exceed the annual cap of RMB29.20 million for this year.

3. Connected Transaction: Equipment Supply Contract

On 26 March 2014, an equipment supply contract ("**Equipment Supply Contract**") was entered into between CK Engineering (a subsidiary of the Group) and Kawasaki HI. Under the Equipment Supply Contract, Kawasaki HI agreed to purchase and CK Engineering agreed to supply certain equipment and spare parts, including but not limited to thermodynamic equipment, coal feeder, desulphurization system and chemical water treatment, in connection with certain project of construction of power plants in Myanmar.

The contract price payable under the Equipment Supply Contract was approximately US$43.8 million (equivalent to approximately HK$339.9 million). The contract price was determined by both parties thereto with reference to (1) the procurement cost of the raw materials and parts for manufacture of the equipment; (2) the then prevailing market prices of similar equipment and spare parts which may be available to other suppliers (Independent Third Parties); (3) the reasonable profit margin determined at the profit margin of CK Engineering for the previous financial year; and (4) the allocations of cost, insurance and freight at the relevant port at Myanmar in accordance with Incoterms 2010.

During the Reporting Period, the actual transaction amount of the transaction under the Equipment Supply Contract was RMB0.5216 million, and the total transaction amount was RMB270.8667 million, which did not exceed the aggregate quota for such transaction. The Equipment Supply Contract and the transactions contemplated thereunder were approved by the independent shareholders of the Company.

For further details, please refer to the announcement of the Company 26 March 2014 in relation to, among other things, the Equipment Supply Contract.

7. REPORT OF THE DIRECTORS

4. Connected Transactions exempted from reporting, announcement and independent shareholders' approval requirements

(1) Kawasaki RH Licensing Agreement

On 8 February 2007, CK Engineering and Kawasaki Partner entered into a technical licensing agreement (as supplemented by supplementary agreements dated 27 September 2010, 25 September 2008 and 7 August 2013) (collectively, the "**Kawasaki RH Licensing Agreement**"), whereby Kawasaki Partner granted CK Engineering an exclusive licence to use the technology knowhow in respect of residual heat power generation systems and the use of technical information such as drawings and technical data calculation software in China. The initial licensing fee was RMB22 million. Of which RMB6.0 million was paid to Kawasaki Partner before the track record period. To reduce the labour cost incurred by Kawasaki Partner in relation to the technical personnel secondment arrangements between the parties in 2010, they agreed to reduce the licensing fee to RMB13.2 million. Having taken into account the RMB6 million paid, the then outstanding licensing fee was RMB7.2 million. In another project carried out by Kawasaki Partner and CK Engineering together, RMB3.6 million was payable by Kawasaki Partner to CK Engineering in 2010. The parties agreed that RMB3.6 million payable by Kawasaki Partner to CK Engineering was settled through the reduction of the outstanding consideration under the Kawasaki RH Licensing Agreement from RMB7.2 million to RMB3.6 million.

Subsequently, licensing fees of RMB1.2 million were paid by CK Engineering to Kawasaki Partner during each of the three years ended 31 December 2012. Since then there was no outstanding licensing fees in respect of the Kawasaki RH Licensing Agreement. The license is valid until 15 October 2026.

Since all licensing fees in respect of the Kawasaki RH Licensing Agreement were fully paid by CK Engineering to Kawasaki HI (a Connected Person) by 31 December 2012, no licensing fees are payable on or after 1 January 2013 until the expiry of such agreement. The transactions contemplated under the agreement is a continuing connected transaction and is exempt from the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

(2) Kawasaki VM Licensing Agreement

On 7 April 2008, CK Equipment and Kawasaki Partner entered into a technical licensing agreement (the "**Kawasaki VM Licensing Agreement**"), whereby Kawasaki Partner granted CK Equipment an exclusive licence to use the technology knowhow in respect of vertical mill and the use of technical information such as drawings and technical data calculation software in China. Such license is without licensing fee and is valid until 21 September 2027.

Since no licensing fees is payable by CK Equipment to Kawasaki HI (a Connected Person) in respect of the license during the term of the Kawasaki VM Licensing Agreement, such continuing connected transaction is exempt from the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

7. REPORT OF THE DIRECTORS

For disclosure of connected persons, please refer to note 27 to the financial statements.

Pursuant to Rule 14A.56 of the Listing Rules, the Company has engaged its independent external auditor, KPMG, to perform the engagement in accordance with Hong Kong Standard on Assurance Engagements 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", that was, to perform assurance engagement regarding the continuing connected transactions of the Group for the year ended 31 December 2016, and KPMG has issued a letter to the Board of the Company to confirm that, no following matters were identified regarding the continuing connected transactions: (1) the transactions were not approved by the Board; (2) for transactions involving the provision of goods or services by the Group, the transactions were not conducted, in all material respects, in accordance with the pricing policies of the Group; (3) the transactions were not entered into, in all material respects, in accordance with the agreements related to such transactions; and; (4) the transactions exceeded the annual caps.

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive directors of the Company have reviewed the above mentioned continuing connected transactions and the report from KPMG, and recognised that the transactions:

a. were conducted in the ordinary course of business of the Group;

b. were conducted on normal commercial terms or better; and

c. were conducted according to the agreements governing them on terms that were fair and reasonable and in the interests of the Shareholders as a whole.

(23) RELATED PARTY TRANSACTIONS

Save as disclosed in the section headed "Connected Transactions" of this report, no related party transactions were conducted by the Group during the year under review.

In connection with the major related party transactions set out in note 27 to the financial statements, save for the transactions with each of Conch Cement, Conch IT Engineering, Conch Design Institute, Conch Holdings, and Conch Profiles, these related party transactions constituted connected transactions or continuing connected transactions within the meaning of Chapter 14A of Listing Rules. For the year ended 31 December 2016, the Company has complied with the disclosure requirements of Chapter 14A of Listing Rules.

(24) SHARE OPTION SCHEME

Save as the Share Option Scheme set out below, during the year ended 31 December 2016, the Company did not have newly entered or existing equity-linked agreements.

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

The Directors consider the Share Option Scheme, with its broadened basis of participation, will enable the Group to reward the employees, the Directors and other selected participants for their contributions to the Group. Given that the Directors are entitled to determine any performance targets to be achieved as well as the minimum period that an option must be held before an option can be exercised on a case by case basis, and that the exercise price of an option cannot in any event fall below the price stipulated in the Listing Rules or such higher price as may be fixed by the Directors, it is expected that grantees of an option will make an effort to contribute to the development of the Group so as to bring about an increased market price of the Shares in order to capitalise on the benefits of the options granted.

Eligible participants of the Share Option Scheme include:

(1) any employee (whether full-time or part-time and including any executive Director but excluding non-executive Director) of the Company, any of its subsidiaries or any entity ("**Invested Entity**") in which any member of the Group holds an equity interest;

(2) any non-executive Directors (including INEDs) of the Company, any of its subsidiaries or any Invested Entity;

(3) any supplier of goods or services to any member of the Group or any Invested Entity;

(4) any customer of any member of the Group or any Invested Entity;

(5) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;

(6) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;

(7) any advisor (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity;

(8) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group;

7. REPORT OF THE DIRECTORS

and, for the purposes of the Share Option Scheme, the offer for the grant of option may be made to any company wholly owned by one or more persons belonging to any of the above classes of participants.

As at the date of this report, the aggregate number of shares of the Company available for issue under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the shares in issue on the day on which trading of the shares of the Company commenced on the Stock Exchange, i.e. 176,500,000 shares, representing 9.78% of the issued share capital of the Company as at the date of this report.

The total number of shares issued and which may fall to be issued upon the exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being ("**Individual Limit**"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant must be separately approved by the Shareholders in general meeting of the Company with such grantee and his close associates abstaining from voting.

Any grant of options under the Share Option Scheme to a Director, chief executive or substantial shareholder of the Company or any of their respective close associates must be approved by INEDs (excluding INED(s) who or whose close associates is/are the proposed grantee(s) of the options). Where any grant of options to a substantial shareholder or an INED or any of their respective close associates would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant: (i) representing in aggregate over 0.1% of the Shares in issue; and (ii) having an aggregate value, based on the closing price of the Shares at the date of each offer for the grant, in excess of HK$5 million; such further grant of options must be approved by Shareholders in general meeting.

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option. A nominal consideration of HK$1 is payable by the grantee on acceptance of the grant of an option. The exercise periods of options shall be determined by the Board, which may commence from the date of the offer for the grant of options is made, but shall end in any event not later than 10 years from the date of grant of the options subject to the provisions for early termination of the Share Option Scheme.

The subscription price under the Share Option Scheme shall be determined by the Directors, but shall not be less than the highest of (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of the offer for the grant; (ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet for the five trading days immediately preceding the date of the offer for the grant; and (iii) the nominal value of a share of the Company.

Unless there is an early termination of the Share Option Scheme pursuant to the rules of the Share Option Scheme, the Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted, i.e., expiring on 2 December 2023.

Since the listing, the Group has not granted any share option under the Share Option Scheme.

(25) PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the articles of association of the Company 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.

(26) AUDITOR

In 2016, the Company appointed KPMG as its international auditor for the year ended 31 December 2016. The consolidated financial statements have been audited by KPMG.

KPMG retired and offer themselves for re-appointment. A resolution for the re-appointment of KPMG as the auditor of the Company is to be proposed at the forthcoming annual general meeting.

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

(27) ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the Reporting Period 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.

(28) MAJOR RISKS AND UNCERTAINTIES

The Group's principal activities include provision of energy-saving and environmental-protection solutions, manufacturing of new building materials and engaging in port logistics business, which face a variety of major risks and uncertainties, including: 1) the pressure of macroeconomic downturn continues to increase; 2) the Group's operating results are considerably affected by the business performance of associated companies of the Group of which the Group only hold minority interests, and the operations of associated companies are beyond the control of the Group; 3) most of the revenue of the Group is derived from its largest customer, Conch Cement; 4) the residual heat power generation and waste incineration solutions of the Group relied on the proprietary technologies co-designed and co-developed by the Group and Kawasaki Group, therefore the Group has to maintain satisfactory relationship with Kawasaki Group; 5) most of the Group's contracts with customers are on a project basis. If the Group fails to secure new contracts on a continual basis, its operating results may be materially and adversely affected; 6) problems with quality or performance of the Group's residual heat power generation systems or waste incineration systems could result in a loss of clients and decrease in turnover; and 7) overseas expansion of the Group's operations involves risk, including difficulties in transnational operation, currency exchange rate fluctuations, etc.

7. REPORT OF THE DIRECTORS

(29) COMPLIANCE OF 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 through effective communication with the regulatory authorities.

During the year under review, to the best knowledge of the Group, the Group has: 1) for port operation, complied with the Port Law of the People's Republic of China (《中華人民共和國港口法》) and the Regulations on the Administration of Port Operation (《港口經營管理規定》); 2) for manufacturing of special equipment, complied with the Regulations on Safety Supervision of Special Equipment (《特種設備安全監察條例》) and the Supervision and Administration Measures for the Manufacturing of Boilers and Compressed Containers (《鍋爐壓力容器製造監督管理辦法》); 3) for import and export of goods, complied with the Customs Law of the People's Republic of China (《中華人民共和國海關法》), the Provisions of the Customs of the People's Republic of China for the Administration of Registration of Declaration Entities (《中華人民共和國海關對報關單位註冊登記管理規定》) and the Law of the People's Republic of China on Imported and Exported Commodity Inspection (《中華人民共和國進出口商品檢驗法》) and its implementation rules; 4) for contracting foreign projects, complied with the Foreign Trade Law of the People's Republic of China (《中華人民共和國對外貿易法》), the Administrative Regulation on Contracting Foreign Projects (《對外承包工程管理條例》) and the Administrative Measures on the Qualification for Contracting Foreign Projects (《對外承包工程資格管理辦法》); 5) 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 Laws of the People's Republic of China on the Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》), 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 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 Law of the People's Republic of China on Prevention and Control of Noise Pollution (《中華人民共和國環境噪聲污染防治法》) and the Marine Environment Protection Law of the People's Republic of China (《中華人民共和國海洋環境保護法》); and 6) for labour and production safety, complied with the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), 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 the Production Safety Law of the People's Republic of China (《中華人民共和國安全生產法》) and other relevant rules and regulations.

7. REPORT OF THE DIRECTORS

(30) ENVIRONMENT POLICIES AND PERFORMANCES

The Group has realized the importance of environmental protection, and has taken stringent environmental measures to ensure the Group's compliance with existing environmental laws and regulations. For details of the environmental policies and performance of the Group, please refer to the section headed "Environmental, Social and Governance Report" set out in this annual report.

(31) DONATION

During the year, the Group did not made any charitable or any other kind of donations (2015: nil).

(32) PERMITTED INDEMNITY PROVISIONS

Pursuant to the articles of association of the Company, the Directors (including other persons) can be indemnified when any act, costs, expenses, damages, compensation and expenditure are caused or suffered by actions of approval or omission made by their respective jobs or trusts or assumed duties, except that by their own deceit or fraud. The Company has bought and maintained directors' liability insurance throughout the year to provide proper insurance cover for the Directors in cases of certain legal actions.

By Order of the Board
Guo Jingbin
Chairman

Wuhu, China
24 March 2017

8. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

(I) ABOUT ESG REPORT

Basis of Preparation

The environmental, social and governance report ("**ESG Report**") was prepared in accordance with the Appendix 27 "Environmental, Social and Governance Reporting Guide" of the Listing Rules. The reporting period is from 1 January 2016 to 31 December 2016, while part of the content covering a brief review of the relevant activities in the past.

Business of the Group

Conch Venture is a large enterprise group providing "package" solutions on energy-saving and environmental-protection and possesses world's leading technologies in waste disposal, residual utilisation and equipment manufacturing. The current businesses involve in areas such as disposal of municipal waste and industrial solid and hazardous waste, residual heat power generation, high efficiency energy-saving vertical mill, new building materials, and port logistics. At the end of the Reporting Period, the Group has a total of 43 subsidiaries and nearly 1,400 employees with total assets of RMB20.21 billion.

Publication Cycle

The ESG Report is an annual report. The ESG Report for the next reporting period (2017) is expected to be released in April 2018.

Scope

The main scope of the ESG Report is Conch Venture and its subsidiaries.

Sources

The information in this report came from internal documents and relevant statistical information from Conch Venture and its subsidiaries.

8. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

(II) STATEMENT OF SENIOR MANAGEMENT

In 2016, China's economic growth continued to slow down with a complicated and grim economic situation, the contradiction between economic development and ecological environment has become increasingly prominent. Chinese enterprises were no longer just pursuing benefits of economic development, but shall take on the mission of environmental-protection and social responsibility. The concepts of nature of "do not drain the pond to get fish, do not burn the forest to hunt" and the philosophy of "Dao follows the laws of nature, nature and human unites as one" have been existed in Chinese traditional culture. Focusing on ecological environment protection and pursuing a harmony co-existence between people and nature have always been an eternal subject of mankind. Only respecting the natural environment can mankind achieve its sustainable development. As a green and eco-friendly company principally engaged in energy-saving and environmental-protection industry, we thoroughly understand that protecting ecology is protecting the ability of sustainable development, and improving ecology is improving the ability of sustainable development. Three business segments of the Group, namely energy-saving, environmental-protection and new materials, are all closely related to environmental-protection. Although faced with challenges, we will devote ourselves to sustainable development unswervingly. We plan to release our first ESG Report during this year.

In our business activities, we pay great attention to stakeholders as represented by customers, suppliers and employees: it has always been the direction of our efforts to satisfy customers with our high quality services and products, benefit suppliers from providing us with services and products and generously reward employees for their hardship so as to procure our stakeholders to realise sustainable development with us, which will also be the goal guiding us to move forward.

On behalf of the Board of Directors and management of Conch Venture, I hereby would like to extend my sincere gratitude to investors, customers and suppliers for their ongoing concerns and supports of Conch Venture. In the meantime, I would also like to express my appreciation to all Conch Venture people for your hardship and dedication to the development of Conch Venture day after day.

The year of 2016 marks the beginning of the "13th Five-Year" Plan, in which the fulfilment of social and environmental responsibilities is an important part for the long-term implementation of sustainable development. In the new year, we will commit to the fulfilment of social and environment responsibilities and the integration and mutual promotion of corporate development by taking into consideration of the Company's principle businesses, continue to deepen the concept of sustainable development in our corporate decision making, system building and daily operation through transparent corporate behaviours, so as to write the ESG Report with concrete actions.

On behalf of the Board
GUO Jingbin
Chairman

Wuhu, China
24 March 2017

8. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

(III) SUMMARY ON ENVIRONMENT, SOCIETY AND GOVERNANCE

ESG Strategy of the Group

The Group is committed to environmental-protection and development of low-carbon economy, and pays close attention to demands of stakeholders. It has incorporated environmental and social responsibilities into its corporate strategies and decision makings so as to become more environmental friendly and realise social harmony at the time of corporate growth.

Governance Structure of the Group

The Group established the ESG Report Working Committee led by senior management and participated by middle management. Such working committee is led and organized by Li Daming, an executive Director and Deputy General Manager, and composed of representatives of relevant specialised management departments and major subsidiaries. The working committee is responsible for delivering and communicating strategies, new measures and feedbacks in relation to environment, society and governance, which is a significant component of our efforts to promote sustainable development.

Stakeholder Engagement

Stakeholders of the Group's environment, society and governance includes internal stakeholders and external stakeholders. Main stakeholders include employees, suppliers, customers, shareholders and investors, governments and communities where the businesses are located. Since it was the first time for the Group to prepare ESG Report in 2016 in accordance with the Environmental, Social and Governance Reporting Guide of the Stock Exchange, the assessment of materiality of the report was mainly engaged by the management team. In the future, in addition to management's continued engagement in the assessment of materiality, we will also add the engagement of other stakeholders, review and update the assessment of materiality to ensure that the report could fully reflect the latest progress of the Group in sustainable development.

Assessment of Materiality

On the basis of stakeholders and assessment of materiality, we identified the following aspects which have material impact on the Group's sustainable development. Such aspects have been listed as the key areas of the Group's sustainable development.

Environment

- Air pollution
- Hazardous waste discharge
- Electricity consumption

Society

- Health and safety
- Staff development and training
- Product Responsibility

8. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

(IV) ENVIRONMENT PROTECTION

Environmental Policy

We strive to reduce the impact of the business activities on the environment at a higher level of technology through ensuring research and development investment and encouraging technological innovation. We boost public concerns on environment protection and jointly promote sustainable development through promoting environmental-protection and energy-saving technologies of the Group as well as new eco-friendly materials.

The Group complies with the relevant environmental laws and regulations in all business locations. In addition, it has always adhered to environmental management and achieved the goal of reducing emissions and improving the resource utilization efficiency in the following ways:

- increasing resource utilisation efficiency in business activities;
- adopting energy-saving equipment in production and office sites;
- encouraging employees to conserve resources in daily work;
- reducing non-renewable energy consumption through technology innovation.

Emissions

The businesses of the Group are focused on environment protection. Therefore, continuously raised emission standards are both challenges and opportunities for us.

1. **Compliance**

   With respect to compliance, the Group strictly complies with relevant laws and regulations such as Air Pollution Prevention Law of the People's Republic of China, Clean Production Promotion Law of the People's Republic of China, as well as regulations in relation to exhaust emissions such as the Integrated Emission Standards of Air Pollutants. We strictly implement emission standards and improve the monitoring and emission control systems to ensure a up-to-standard emission and clean production. Meanwhile, we are not just satisfied with legally and compliant emissions, on the basis of which, we even request ourselves with higher standards to fulfill the responsibilities as a large-scale enterprise.

   To effectively control dust pollution, reduce dust and exhaust's pollution to air and damage to human, the Group formulated the Measures on the Prevention and Control of Pollutant Emission and also included environmental indicators into the annual comprehensive planning of production and operation with clearly stated responsibilities. Production safety and quality management departments are set up in subsidiaries involved in production activities which were led by leaders with well-established teams and clear demarcation of work.

8. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2. **Exhaust emissions**
Currently, the Group carries out online monitoring and has achieved up-to-standard emissions of pollutants (sulphur dioxide, dust, etc.) produced during the production; the monitoring facilities are connected to environmental-protection department for real-time supervision, which is required by China environmental-protection department and also strictly followed by the Group with concrete actions.

3. **Greenhouse Gas (GHG) Emissions**
GHG emissions are mainly from emissions of disposals of municipal waste, uses of natural gas and so on. Although no carbon emission report has been issued yet, we are able to calculate carbon emission data on the basis of production experience and existing technology standards in terms of composition and caloric value of municipal waste in different areas. The Group's main technologies, i.e. disposal of municipal waste, solid and hazardous waste by cement kiln technology and grate furnace waste incineration power generation technology, allow effective reduction of GHG emissions caused by traditional waste treatment methods such as landfill and incineration, and has fostered a win-win situation of economic and social benefits.

4. **Sewage discharges**
In industrial production, sewage was produced in the project of grate furnace power generation. As such, we adopted sewage treatment facilities and recycled the sewage in the form of cooling water after treatment. The concentrated liquid was not discharged as a result of re-incineration in the furnace; lye water was produced during the new materials production. We made no discharge of lye water by adopting production system with water recycling measure.

5. **Emission Control Measures**
As for the design of new production line and the allocation of production equipment and energy-saving facilities, we have fully implemented energy-saving and emission reduction such as adopting energy-efficient electrical machinery and LED lights, detecting ambient temperature and promoting green plantation in factory areas, etc.

Resource Utilisation

Through the introduction, research and development of new energy-saving and environmental-protection technologies, the Group has improved the efficiency of energy utilisation and made efforts in maximising the energy utilisation and recycling in order to realise minimum emission and the consumption of non-renewable resources to satisfy corporation production and domestic demands. In the meantime, as high quality services could effectively reduce the waste of resources and achieve targets of energy-saving and emission reduction, we also endeavour to improve the quality of services.

The Group owns three environmental-protection technologies, namely disposal of municipal waste by cement kiln technology, disposal of industrial solid and hazardous waste by cement kiln technology and grate furnace waste incineration power generation technology. On the one hand, the Group has disposed municipal waste and industrial solid waste, which solved the livelihood problem of garbage siege, on the other hand, the Group has generated electricity by heat produced in waste incineration, which is a perfect reflection of economy circulation and resource recycling.

8. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environment and Natural Resources

The Group is the inventor of the technology of cement low temperature residual heat power generation in China and owns 13 patent technologies. Such technology allows direct recycling of the residual heat exhaust gas discharged from head and tail of cement kiln during the process of clinker calcination, and electricity is generated by generator which is driven by steam from the residual boiler, which has been listed as one of the "Ten National Major Energy-saving Projects". As at 31 December 2016, the Company has promoted a total of 228 cement residual heat power generation sets (including 23 sets of overseas contracts), 5 steal residual heat power generation sets, 1 wind power generation set and 7 coal-fired power generation sets, the products were exported even to Thailand, Pakistan, Myanmar, Turkey and other countries. Among them, the total installed capacity of residual heat power generation has amounted to 2,558 MW. Calculated by same standard of core-fired power generation, it has saved 6.99 million tons of standard coal and reduced 17.94 million tons of carbon dioxide emissions per year; and the installed capacities of wind, steel and core-fired power generation have reached 1.5MW, 96.3 MW and 284 MW respectively.

With the demands of urban-rural dual structure construction, the Group cooperated with Kawasaki HI to develop and create disposal of municipal waste by cement kiln technology and grate furnace waste incineration power generation technology, which has completely solved the problems of intensive land occupation caused by municipal waste landfill and environment pollution. These two technologies are able to completely degrade dioxins with a full closed processing to prevent odour diffusion and the waste needs not be sorted and fuel needs not be added, which allows less investment and lower operation cost and has no special requirements on locations selection. Compared with landfill, a traditional way of waste treatment, the Company's technologies can effectively solve the problems of resources utilisation such as land, and play a significant role on solving the problems of waste treatment in local and surrounding counties and cities.

In addition, to promote the Company's environmental-protection technologies, the Group established an environmental-protection education base in Jinzhai Conch Venture which is open to the public for publicizing environmental-protection knowledges, which has attracted the attention from all sectors of the society.

The Company's new building materials product, namely fibre cement panels, are produced through the autoclaving reaction of cement together with siliceous materials, which not only inherits the cement's advantages of anti-corrosion and waterproof , but also overcomes the ordinary cement's shortcomings of being easy to dry and shrink; in the meantime, the panels are green and eco-friendly new building materials which are free of asbestos, formaldehyde, benzene or other harmful substances and do not produce toxic gases or radiation during use.

8. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

(V) SOCIAL RESPONSIBILITY

The development of enterprises has an innate dependence on society and enterprises will lose their foundations if they leave the society. Therefore, we have long been concerned about the needs of various stakeholders, and strive to achieve a synchronization of developing enterprise and benefiting society, so as to support the construction of harmonious society.

Employment

Employees are the strategic resources for the development of enterprise and the most powerful momentum for achieving the sustainable development of the Company. The Group provides a fair and impartial workplace environment for employees, advocates democratic and scientific management, protects the legal rights and interests of employees, fosters the vocational skills of employees, so as to provide employees with a stable working and living environment. The employee's remuneration and benefits policy of the Group is based on market conditions and is formulated in accordance with individual responsibility and performance, which is competitive in the market at certain level.

With nearly 1,400 employees, the Group and its subsidiaries both strictly comply with the relevant laws and regulations such as the Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China and the Social Insurance Law of the People's Republic of China, so as to ensure the legal rights and interests of employees and pay them on time and in full amount.

The principle of equal opportunity applies to all aspects of employment, including recruitment, training, career development and staff promotion. The Group promotes fair competition and does not discriminate against any employee by sex, age, marital status, religion, race, nationality and health status.

We adhere to the people-oriented management and attach great importance to the health of employees. Therefore, the Group sets up canteens in business premises, organizes various recreational activities and provides staff with free annual medical examinations, etc, aiming to improve the job satisfaction and enthusiasm of employees through a series of humanistic care.

We attach importance to the satisfaction of employees and encourage them to provide feedback. We provide employees with the appropriate channels to express their dissatisfaction and complaints, which will be processed according to pre-established procedures, so as to ensure that all employees and their demands are treated equally.

8. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Health and Safety

The Group has always paid high attention to the occupational health and safety of employees. We adhere to the principle of "safety first, prevention first" and strictly comply with relevant laws and regulations including the Safety Production Law of the People's Republic of China, Law of Prevention of Occupational Diseases and the Provisions on the Supervision and Administration of Labour Protection Articles. In our daily management and strategic decision-making, providing employees with a healthy and safe working environment has always been highlighted and security violation is resolutely prevented.

Work safety of the enterprise requires both capital and facility investment and also relies on employees with safety awareness and operational skills. CK Equipment has provided employees with trainings and carried out reviews through Anhui Special Operations Training Center to ensure 100% employment with certificates for special types of work. Not only does it protect the personal safety of employees, but the enterprise's achievement of work safety is also ensured.

Work safety is not just a slogan, but a criterion for production and operation. In order to raise the safety awareness of employees, enrich the staff's spare time and vigorously create a safe environment, the Group organized the activity of "Work Safety Month" during the Reporting Period. In the Work Safety Month, by organizing speech competition, fire safety training and various activities, the Group and its subsidiaries have passed on the importance of work safety and relevant knowledges to employees and achieved good educational significance.

The Group strictly followed the work requirements of health and safety. In 2016, no event that has adverse impacts on employees' health and safety occurred due to the failure to meet standard working environment, and no material safety incident has occurred neither.

8. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Development and Training

Conducting employee training is not only an important way to further develop the intellectual capital of enterprises, but also important to meet the needs of employee's career development. As such, the Group always pays great attention to employee training by establishing the Regulations on Staff Training, formulating annual training plans, and supervising and inspecting the subsidiaries' implementation from time to time, including the implementation of attendance system, training contents, examination results and trainers' feedbacks. With our continuous development, we have recruited outstanding graduates from universities every year, provided them comprehensive pre-job training courses so as to help them to adapt corporate culture and acquire working methods quickly. During the Reporting Period, the Group organised 392 technical trainings and 133 non-technical trainings, ensuring scientific training hours of every employee.

As for professional and technical field, the Group not only organised internal trainings, but also invited lecturers from suppliers, for instance, ABB Shanghai Motors Co., Ltd. to comprehensively explain aspects of motor design, usage, maintenance, after-sales and efficiencies etc, which solved the practical problems in our works.

For the management staff, the Group also aims to raise business standards through training and communication. For example, we had carried out publicity and management training for the publicity and management personnel within the Group and systematically lectured basic knowledges about official documents and photo collections as well as other contents.

Furthermore, to further enhance the professionalism of employees and corporate business image, we had also appointed professionals to provide business etiquette training, including knowledge explanation and live demonstration, which had deepened the staff's understanding and mastering of the business etiquette.

Labour Standards

In accordance with national laws and regulations such as Law on the Protection of Minors and Provisions on the Prohibition of Using Child Labour, the Group explicitly prohibits the use of child labour in the recruitment system and conducts a rigorous review of the recruitment process to avoid misuse of child labour. We understand that men shall "take care of one's own children first and then extend the same care to the others' children". Adolescents and children are in a critical period of physical growth and receiving education, which should be protected according to the laws. Therefore, we are strongly against the use of child labour and has included this in the standards for supplier selection.

We adhere to the philosophy of "do not do to others what you would not have them do to you" and fully respect the employment freedom of employees. During the employment period, there is no detaining of employees' valid documents, deposit charging, forced labour or arrears of labour remuneration and other acts. We arrange overtime work of employees on a voluntary basis in accordance with the actual work needs, and provide employees with alternative leave or overtime pay in accordance with relevant laws and regulations including the Labour Law of the People's Republic of China and the Tentative Provisions on Payment of Wages (《工資支付暫行規定》).

During the Reporting Period, no incident of use of child labour or forced labour has occurred.

8. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Supply Chain Management

With respect to the procurement of materials, the Group insists on the principle of fairness and justice, openness and transparency, balance of power and giving priority to efficiency with due consideration to effectiveness. The Group has implemented joint procurement of subsidiaries for materials without geographical restrictions to leverage the scale advantage of centralized procurement, subsidiaries apply on demand and procure by plan on the basis of reasonable reserves, timely organize the unloading, acceptance and warehousing of the materials, settle payment according to the acceptance and relevant terms of contracts, and actively deal with the relevant issues arising in the performance of contracts.

To continuously optimize and stabilize the supply channels and prevent operational risks, the Group conducts a comprehensive credit review during the selection of suppliers, including, but not limited to, production and technical standards, performance capabilities and corporate reputation, product quality and system certification etc. The Group itself is deeply rooted in the field of environmental-protection, and also actively fulfils its social responsibilities. We are deeply aware that promoting suppliers to improve environmental awareness and social responsibility is an important aspect of our commitment to environmental responsibilities and social responsibilities.

The Group has maintained a good relationship with suppliers and is committed to making joint efforts with suppliers to develop together with the corporate growth and achieve the goal of sustainable development.

8. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Product Responsibility

1. Products and service quality

We always believe that the product is fundamental for enterprise's survival and growth, and therefore attach great importance to product responsibility and strive to maintain and improve product and service quality.

The Group has always focused on the production quality control and spared no effort to strengthen the traceability of products produced and sold, improve the quality control of production process, to eliminate the quality hidden damages and reduce product sales risk.

To enhance the awareness of the quality responsibility of the employees, respond to the nation's call for "enhancing supply quality to build a powerful nation of quality", and implement the corporate quality control concept of "quality first, customer first", the Group organized the activity of "Month of Quality" to interpret the business principle of "top quality and sincere service" in rich and colourful forms and received positive responses from subsidiaries.

We have been focusing on the quality control system. With the Group's development strategy, the Group has gradually promoted the implementation of the ISO9001 quality management in our factories. During the Reporting Period, Shanghai Conch Kawasaki Engineering Co., Ltd. (上海海螺川崎節能環保工程有限公司) and Conch Venture Green had obtained ISO9001 quality system certification successively.

2. Intellectual property rights

As a large enterprise with a number of patented technologies in the field of environmental-protection and energy-saving, the Group attaches great importance to and protects intellectual property rights, respects the intellectual property rights of others, and complies with industry standards and specifications. We continuously strengthen the awareness of employees to protect intellectual property rights through intellectual property training, cultivate innovative awareness and strengthen independent research and development capabilities through technical training and scientific researches. As at 31 December 2016, the Group was awarded a total of 135 patents.

3. Customer relationship management

The customer is the foundation of enterprise survival and development. In order to keep abreast of customer satisfaction and preferences for timely adjusting marketing strategies and continuously improving product and service qualities, The Group regularly issues customer satisfaction surveys and invites customers to participate in company's discussion, which establish an effective communication channel to know about customer trends and form statistical analysis for further improvement.

To adjust and improve the marketing strategies and formulate sales policies and prices, the sales departments of the Group and its subsidiaries are responsible for the statistics of customer needs, collecting all kinds of market information, and formulating the management opinions in relation to sales and market information to strictly require the relevant personnel to protect customer information and market information collected. Information leakage and access of non-related personnel are strictly prohibited to effectively protect the customer's information and privacy.

8. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Anti-corruption

The Group is strongly against corruption in the Group's business activities. In the aspect of procurement which is the most vulnerable area of corruption, we formulated the Measures for Purchasing Management (《採購管理辦法》), the Tentative Measures for the Administration of Material Supply (《物資供應管理暫行辦法》) and the Tentative Regulations on Contract Management (《合同管理暫行辦法》) etc., in accordance with relevant laws and regulations.

In terms of system design, division of labour and permission of each secondary sector has been defined to form a balance mechanism for reducing or even eliminating the possibilities of any misconducts; in terms of team building, we have adopted two-way exchanges or shift system on key positions and focused on professional ethics education in daily work to ensure the effective operation and continuous improvement of punishment and prevention system; in terms of supervision and management, the Group has a daily audit supervision department to supervise the work which has been inspected from time to time. All staff have the right to report any violations of laws and regulations and damages of enterprise interests to the management or relevant departments of the Group. Through the above anti-corruption measures, we have strengthened the normative work and increased the transparency of implementation, which is the cornerstone of the long-term stable development of the enterprise and also the protection of the employee's individual career life.

During the Reporting Period, the Group did not find any corruptions incidents.

Community Investment

The Group firmly believes that the success and development of enterprises is closely related to the help and support from society and community, and therefore enterprises should also serve the society and contribute to the community with concrete actions.

From the perspective of business, with the combination of the local governments' demand on municipal waste treatment, we have established cooperative relations with local governments to provide centralized harmlessness treatment on municipal waste collected and provided by relevant government departments, and therefore solved the local problems of municipal waste landfilling, extensive land occupation and environment pollution. In the meantime, we have also continued to publicize and explain the knowledge of science to residents in local communities and invited them to visit the Group's environmental education center, which enhanced people's awareness of environmental-protection and helped them to form environmental-protection behaviours on the one hand, and improved their understanding on our advanced technologies to reduce or even eliminate their worries about the impact on their community environment brought along by the establishment of waste disposal stations on the other hand. It created a positive public opinions atmosphere for successfully promoting these environmental-protection projects which benefit the nation and the people.

8. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

From the perspective of public welfare, the Group always advocates the concept to contributing to the community through corporate development. Whether by donations at the enterprise level, or organisation of employees' participation in public welfare activities, all subsidiaries have participated actively to respond to the call of the local government.

For example, since the establishment and operation of Jinzhai Conch Venture, it has treated a total of 110,000 tons of local municipal waste. In the efforts of environmental protection, it has also actively fulfilled its social responsibilities as a large enterprise and participated local public welfare activities. During the Spring Festival, it organised a group to visit poor households and heirless elderly persons, chatted with them, understood their living conditions and difficulties, expressed their concerns and sent greetings, encouraged them to overcome the difficulties and live in an positive and healthy way with the help of the government and the community.

These public welfare behaviours not only reflected the enterprise's fulfilment of social responsibilities and commitment, but also effectively helped the local community. And by organizing employees to extensively participate in these activities, their awareness of concerning about community has been improved and enthusiasm of public welfare has been widely promoted.

There is no ending on contributing to the society, and we will continue to move forward on the road of public welfare.

9. BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

(I) DIRECTORS

1. Executive Directors

Mr. GUO Jingbin (郭景彬), aged 59, was appointed as a director of the Company with effect from 24 June 2013. He is currently an executive director and the chairman of the Company. He is primarily responsible for overall strategic development of the Group. Mr. Guo graduated from Shanghai Construction Materials College and joined the predecessor of Conch Cement Group in 1980. In July 1998, Mr. Guo received a Master of Business Administration degree from the Post-graduate College of the Social Science Institute of China (中國社會科學院). Mr. Guo held various mid to senior managerial positions including head of automatic measurement department, head of personnel department and deputy plant manager of the former Ningguo Cement Plant and the secretary to the board of and deputy general manager of Conch Cement. He has over 30 years' experience in the building materials industry and rich experience in capital markets, particularly specializing in corporate strategic planning, marketing planning and general and administration management. He has been a director and chairman of the board of directors of CV Investment since February 2011 and May 2013 respectively until end of April 2015. Mr. Guo has been an executive director of Conch Cement from October 1997 to 19 June 2014 and a non-executive director of Conch Cement from 20 June 2014 to 2 June 2016. Mr. Guo has been a director of Conch Holdings since January 1997. He is currently an independent non-executive director of China Logistics Property Holdings Co., Ltd (a company listed on the Main Board of the Stock Exchange, stock code: 01589) and City e-Solutions Limited (a company listed on the Main Board of the Stock Exchange, stock code: 00557).

Mr. JI Qinying (紀勤應), aged 60, was appointed as a director of the Company with effect from 18 July 2013. He is currently an executive director and the chief executive officer of the Company who is primarily responsible for day-to-day management of the Group's business operations. He is also a member of the Remuneration and Nomination Committee. Mr. Ji joined the predecessor of Conch Cement Group after he graduated from Shanghai Construction Materials College in 1980. He held various leading positions including deputy plant operating director of the Ningguo Cement Plant, general manager and executive director of Conch Cement, and general manager and chairman of Conch Profiles. Mr. Ji served as a director of CV Investment from November 2002 to February 2016. He also served as the general manager of CV Investment from May 2013 to April 2015 and the chairman of CV Investment from May 2015 to February 2016. Mr. Ji has over 30 years' experience in the building materials industry specializing in project investment, construction management, market development, production, general operation and industrial management.

9. BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. LI Jian (李劍), aged 55, was appointed as a director of the Company with effect from 18 July 2013. He is currently an executive director and a deputy general manager of the Company. He joined the Group in March 2011 and is primarily responsible for strategic development of the Group and general operation of Conch Venture Green and Bozhou CV Green. He is also directors of Conch Venture Green and Bozhou CV Green and acted as the chairmen of both companies since July 2015. He graduated from Anhui Broadcast and Television University (安徽廣播電視大學) majoring in electrical engineering in July 1994. Mr. Li joined the Anhui Conch Group in 1995, and joined the Group in 2011 and was a director of CK Equipment from March 2011 to March 2012. During the period from February 2011 to March 2012, Mr. Li was an assistant to general manager of CV Investment. He has also been a director and deputy general manager of CV Investment from May 2013 to the end of April 2015. Mr. Li has nearly 20 years' experience in the building materials industry specializing in market development, sales network development and management, building materials production and corporate management. He also has extensive experience in the production and operation management in the new building materials industry.

Mr. LI Daming (李大明), aged 51, was appointed as a director of the Company with effect from 18 July 2013. He is currently an executive director and a deputy general manager of the Company. He is also a director of CK Equipment and CK Engineering and is primarily responsible for energy preservation and environmental protection businesses including residual heat power generation and waste incineration projects, general operation of CK Engineering and CK Equipment. He graduated from Anhui Mechanical and Electrical College (安徽機電學院) majoring in manufacture of electrical equipment in July 1986. Mr. Li joined the Group in December 2006 and has been a director of CK Equipment since September 2007, a director of CK Engineering since November 2006 and deputy general manager of CK Engineering since December 2006. Mr. Li has nearly 20 years' experience in the building materials industry. He also has extensive experience in residual heat power generation and waste management and has established good cooperation relationship with Kawasaki HI in developing the residual heat power generation business.

2. Non-executive Director

Ms. ZHANG Mingjing (章明靜), aged 54, was elected as a non-executive director of the Company on 21 May 2014. She is also a member of the Remuneration and Nomination Committee. Ms. Zhang served as an executive director of Conch Cement from 31 May 2011 to 2 June 2016. She also served as the chairman of the board of directors of Indonesia Conch Cement Co. Ltd (印尼海螺水泥有限公司) from September 2011 to May 2016. She graduated from Anhui Normal University and joined the group comprising Conch Cement and its subsidiaries in 1987. Ms. Zhang held positions such as head of external economic cooperation department and deputy head of development department of the former Ningguo Cement Plant, officer in-charge of the secretariat to the Board, secretary to the board of directors and deputy general manager of Conch Cement. She has extensive experience in capital operation, standard management of listed companies and establishment of internal control system. Ms. Zhang is a senior economist.

9. BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

3. Independent non-executive Directors

Mr. CHAN Chi On (陳志安) (alias Derek CHAN), aged 53, was appointed as an independent non-executive director of the Company with effect from 3 December 2013. He is also the chairman of the Audit Committee and a member of the Remuneration and Nomination Committee. Mr. Chan is currently engaging in corporate finance and securities businesses and serving as the chairman of Halcyon Capital Limited and Halcyon Securities Limited respectively. Mr. Chan graduated from the University of Hong Kong with a Bachelor degree in Social Sciences (majoring in Economics) and from the Hong Kong University of Science & Technology with a Master degree in Business Administration. Mr. Chan worked for the Stock Exchange for seven years, and subsequently served as an executive director in Haitong International Securities Group Limited (previously known as Taifook Securities Group Limited) and head of its corporate finance division for 16 years and was responsible for businesses in listing of enterprises, financing and mergers and acquisition. Mr. Chan is currently an independent non-executive director of Yuexiu REIT Asset Management Ltd. (manager of Yuexiu Real Estate Investment Trust which is listed on the Main Board of the Stock Exchange, stock code: 00405), Longfor Properties Co. Ltd. (a company listed on the Main Board of the Stock Exchange, stock code: 00960) and Tianli Holdings Group Limited (a company listed on the Main Board of the Stock Exchange, stock code: 00117). He served as an independent non-executive director of Global International Credit Group Limited (a company listed on the Main Board of the Stock Exchange, stock code: 01669) from 22 November 2014 to 1 January 2016. He is currently an adjunct professor at the School of Accounting and Finance at the Hong Kong Polytechnic University. Mr. Chan has more than 25 years of experience in financial services industry.

Mr. CHAN Kai Wing (陳繼榮), aged 56, was appointed as an independent non-executive director of the Company with effect from 3 December 2013. He is also a member of the Audit Committee and the Remuneration and Nomination Committee of the Company. Mr. Chan is currently the managing director of Mandarin Capital Enterprise Limited, a company Mr. Chan founded in 2004, and is specialized in providing financial advisory services to companies in the area of accounting services, merger and acquisition, corporate restructuring, and other corporate finance matters. Mr. Chan obtained a bachelor degree in economics from Macquarie University in Sydney, Australia in April 1986 and is a fellow member of CPA Australia. From 1988 to 1991, Mr. Chan worked in the audit department of Ernst & Young in Hong Kong. Mr. Chan is currently an independent non-executive director of China Assurance Finance Group Limited (a company listed on the Growth Enterprise Market of the Stock Exchange, stock code: 08090), Bisu Technology Group International Limited (formerly known as Excel Development (Holdings) Limited) (a company listed on the Main Board of the Stock Exchange, stock code: 01372) and Sino Golf Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 00361). He was also appointed as an independent non-executive director of Nanfang Communication Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 01617) on 24 November 2016.

9. BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. LAU Chi Wah, Alex (劉志華), aged 53, was appointed as an independent non-executive director of the Company with effect from 3 December 2013. He is also the chairman of the Remuneration and Nomination Committee and a member of the Audit Committee. Mr. Lau has over 25 years of experience in the field of corporate finance and accounting in managing initial public offerings and fund-raising exercises and advising listed companies on mergers and acquisitions, takeovers, buyouts and other corporate transactions. He has been the managing director of Ballas Capital Limited since February 2017. Mr. Lau has been an associate of the Institute of Chartered Accountants in England and Wales since June 1988 and an associate of Hong Kong Institute of Certified Public Accountants since 1990. He graduated from the University of East Anglia in the United Kingdom in July 1984 with a bachelor degree in Science. He also obtained Corporate Finance Qualification from the Institute of Chartered Accountants in England and Wales in 2006. He is currently an independent non-executive director of One Media Group Limited (a company listed on the Main Board of the Stock Exchange, stock code: 00426). He also served as an independent non-executive director of Man Sang International Limited (a company listed on the Main Board of the Stock Exchange, stock code: 00938) from 1 September 2004 to 14 July 2016.

(II) SENIOR MANAGEMENT

1. Senior Management Staff

Mr. WANG Xuesen (汪學森), aged 52, is a director of HC Port and a deputy general manager of the Company. He is primarily responsible for general operation of HC Port. He graduated from Anhui Finance and Trade College (安徽財貿學院), majoring in statistical science in May 1988. He also obtained a Master of Business Administration from Shanghai Shipping College (上海海運學院) in September 2003. Mr. Wang joined the Group in 2006 and has since then been the general manager of HC Port.

2. Joint Company Secretaries

Mr. SHU Mao (疏茂) was appointed as the joint company secretary on 3 December 2013. He graduated from Anhui Engineering Science College (安徽工程科技學院) majoring in business administration in 2008. Mr. Shu joined Auhui Conch Group in February 2008 and has served as the assistant of manager of the Board of Directors' Office of Auhui Conch Group and the assistant manager of the office of general manager of CV Investment.

Ms. NG Sin Yee, Clare (吳倩儀) is a director of the Corporate Services Department of Tricor Services Limited. Ms. Ng is a fellow of both the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom. Before joining the group comprising Tricor Services Limited, Ms. Ng has worked in the Company Secretarial Department of Secretaries Limited, a professional service company wholly owned by Deloitte Touche Tohmatsu. Ms. Ng has more than 29 years of experience in company secretarial field and has been providing corporate services to both multi-national companies and listed companies in Hong Kong.

To the shareholders of China Conch Venture Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Conch Venture Holdings Limited ("the Company") and its subsidiaries ("the Group") set out on pages 91 to 166, which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("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") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

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

Accounting for construction revenue in service concession arrangements

Refer to notes 3 and 17 to the consolidated financial statements and the accounting policies on pages 108 and 111.

The Key Audit Matter	How the matter was addressed in our audit
The Group has entered into service concession arrangements with local governments in Mainland China in respect of its waste incineration projects on a Build-Operate-Transfer ("BOT") basis. Under the service concession arrangements, the Group constructs waste incineration plants (construction services) and operates these plants (operation services) for concession periods ranging from 20 to 30 years. The Group is paid for its services over the operation period of these arrangements. Although no cash is received during the construction phase of BOT projects, the Group recognises construction service revenue when project construction commences pursuant to the requirements of the prevailing accounting standards. The Group recognises construction service revenue at fair value based on construction costs plus a mark-up margin for the project.	Our audit procedures to assess the accounting for construction revenue in service concession arrangements included the following: • evaluating the Group's process for applying the requirements of the prevailing accounting standards and inspecting the associated contracts for projects which commenced construction in the current year to assess whether these fell within the scope of the prevailing accounting standards; • assessing the impact of any changes to the terms of arrangements entered into in previous years which could affect the accounting for BOT projects in the current year; • assessing the design, implementation and operating effectiveness of key internal controls relating to management contract reviews, assessing the percentage of completion of construction services and reviewing updates and changes to total budgeted contract costs;

Accounting for construction revenue in service concession arrangements *(Continued)*

Refer to notes 3 and 17 to the consolidated financial statements and the accounting policies on pages 108 and 111.

The Key Audit Matter	How the matter was addressed in our audit
Where construction services are not completed at the end of a reporting period, construction service revenue is recognised using the percentage of completion method, measured by reference to the percentage of actual costs incurred to date to estimated budgeted costs of the entire construction project. The total budgeted costs are estimated based principally on management's assessment of market conditions, the cost of raw materials and equipment and other operating costs. Accounting for BOT arrangements pursuant to the requirements of the prevailing accounting standards can be complex in their implementation which requires the exercise of significant management judgement, particularly in respect of the determination of total budgeted construction costs for each project, determining the stage of completion of each project at the reporting date and assessing the fair value of construction services of each BOT project. We identified accounting for construction revenue in service concession arrangements as a key audit matter because the application of the requirements of the prevailing accounting standards can be complex and involves the exercise of significant management judgement which could give rise to errors in the recognition of construction revenue or could be subject to manipulation to meet targets and expectations.	• engaging our internal valuation specialists to assists us in evaluating the assumptions and judgements adopted by management in determining the fair value of construction services delivered, including the mark-up margins for construction services by benchmarking against mark-up margins for comparable companies with similar projects;comparing the most significant inputs used by management in determining the fair value of construction services delivered, including forecast construction costs, with management's budgets and supplier contracts; • inspecting underlying documents, on a sample basis, for actual costs incurred during the construction phase of contracts and assessing management's judgements applied in the total contract costs estimation by performing a retrospective review of the historical accuracy of contract costs estimation for similar contracts; • re-calculating the percentage of completion of incomplete construction contracts at the end of the reporting period by comparing the actual costs incurred to date with total estimated costs on completion.

INDEPENDENT AUDITOR'S REPORT

Recoverability of trade receivables

Refer to note 17 to the consolidated financial statements and the accounting policies on pages 104 and 105.

The Key Audit Matter	How the matter was addressed in our audit
At 31 December 2016, the Group's gross trade receivables totalled RMB629 million against which an allowance for doubtful debts of RMB113 million was recorded. The Group's allowance for doubtful debts is based on management's estimate of the expected credit losses to be incurred, which is estimated by taking into account the credit history of the Group's customers and current market and customer-specific conditions all of which involve a significant degree of management judgement. The Group's allowance for doubtful debts includes a specific element based on individual debtors and a collective element based on historical experience adjusted for certain current factors. We identified the recoverability of trade receivables as a key audit matter because the Group's non-government customers are principally involved in the cement industry and the construction industry in Mainland China which are both facing challenges in terms of profitability and liquidity which increases the risk that individual trade receivables may not be recoverable.	Our audit procedures to assess the recoverability of trade receivables included the following: • obtaining an understanding of and assessing the design, implementation and operating effectiveness of management's key internal controls relating to credit control, debt collection and making allowances for doubtful debts; • evaluating the Group's policy for making allowances for doubtful debts with reference to the requirements of the prevailing accounting standards; • assessing the classification of trade receivables in the trade receivable ageing report by comparison with sales invoices and other relevant underlying documentation, on a sample basis; • obtaining an understanding of the basis of management's judgements about the recoverability of individual material trade receivable balances and evaluating the allowances for doubtful debts made by management for these individual balances with reference to the debtors' financial condition, the industry in which the debtors are operating, the ageing of overdue balances and historical and post year end payment records; • assessing the assumptions and estimates made by the management for the allowance for doubtful debts calculated based on a collective assessment by performing a retrospective review of the historical accuracy of these estimates and recalculating the Group's allowance with reference to the Group's policy for collective assessment; • inspecting cash receipts from customers subsequent to the financial year end relating to trade receivable balances at 31 December 2016.

Accounting for the interest in an associate

Refer to note 15 to the consolidated financial statements and the accounting policies on page 100.

The Key Audit Matter	How the matter was addressed in our audit
The Group's 49% interest in Anhui Conch Holdings Co., Ltd. ("Conch Holdings") is accounted for in the consolidated financial statements under the equity method. The Group's share of the profit of Conch Holdings for the year ended 31 December 2016 was RMB1,536 million and the carrying value of the Group's interest in Conch Holdings was RMB13,773 million, which accounted for 78% of the Group's net profit attributable to equity shareholders and 68% of the Group's total assets as at 31 December 2016. Anhui Conch Cement Co., Ltd. ("Conch Cement") is a significant associate of Conch Holdings and contributed substantially all of the Group's share of profit of Conch Holdings for the year ended 31 December 2016. Conch Cement is a public company listed on The Stock Exchange of Hong Kong Limited. We identified the accounting for the interest in Conch Holdings as a key audit matter because of its material impact on the Group's consolidated financial statements, particularly in respect of Conch Holding's investment in Conch Cement, and because of the significant judgements required to be exercised by management of Conch Cement in the preparation of Conch Cement's consolidated financial statements, in particular in relation to revenue recognition and assessing impairment of property, plant and equipment.	Our audit procedures to assess the accounting for the interest in Conch Holdings included the following: • evaluating the design, implementation and operating effectiveness of key group-wide internal controls and the consolidation process for equity accounting for the interest in Conch Holdings; • comparing consolidation and reclassification journal adjustments in respect of the interest in Conch Holdings with relevant underlying documentation; • recalculating the Group's share of net assets and the Group's share of profit for the year with reference to the financial information of Conch Holdings; • sending detailed group audit instructions to the auditors of Conch Cement ("the component auditors") requesting them to perform a full scope audit of the financial information of Conch Cement; • participating in the component auditors' risk assessment process to identify significant risks of material misstatement of the financial information of Conch Cement and discussing with the component auditors their responses to address such risks; • discussing with the component auditors their findings and conclusions with regard to their audit and evaluating the sufficiency and appropriateness of the audit evidence for purpose of our audit of the consolidated financial statements by reviewing the component auditors' working papers.

INDEPENDENT AUDITOR'S REPORT

Assessing potential impairment of non-current assets in the new building materials segment

Refer to note 11 to the consolidated financial statements and the accounting policies on pages 106 and 107.

The Key Audit Matter	How the matter was addressed in our audit
The Group's new building materials segment commenced operations in 2015 and sustained an operating loss in the current year primarily due to low utilisation of its production capacity. There is a risk that the carrying value of the non-current assets, which comprise property, plant and equipment ("PP&E") and lease prepayments, in this segment may not be recoverable in full through the future cash flows to be generated from operations or disposal of these assets. Management determined that there was an indication of impairment of the PP&E and lease prepayments allocated to one cash-generating unit within this segment at the reporting date and, therefore, assessed the recoverable amounts of the relevant assets as at 31 December 2016. Having determined that it was not practical to assess the fair value of the PP&E, management performed an impairment assessment based on a discounted cash flow forecast and concluded that no provision for impairment was considered necessary as at 31 December 2016. We identified assessing potential impairment of non-current assets in the new building materials segment as a key audit matter because determining the level of impairment, if any, involves a significant degree of management judgement, particularly in forecasting future cash flows, determining the discount rate and estimating the recoverable amounts of these assets all of which are inherently uncertain and because the selection of these assumptions could be subject to management bias.	Our audit procedures to assess potential impairment of non-current assets in the new building materials segment included the following: • engaging our internal valuation specialists to assist us in evaluating the methodology used by management in the preparation of the discounted cash flow forecast with reference to the requirements of the prevailing accounting standards; • challenging management's assumptions adopted in the discounted cash flow forecast and evaluating the discount rate adopted by benchmarking against other comparable companies in the same industry; • comparing the most significant inputs used in the discounted cash flow forecast, including growth rates for future revenue and future gross profit margins and segment expenses, with the historical performance of this segment, management's budgets and industry reports; • performing sensitivity analyses of key assumptions, including the discount rate and the gross profit margins, and considering the resulting impact on the impairment testing and whether there were any indicators of management bias in the process; • performing a retrospective review of the forecast prepared as at 31 December 2015 by comparing the forecast results with the current year's actual results, discussing material variances with management and considering the impact of these variances on the current year's forecast.

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

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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.

INDEPENDENT AUDITOR'S REPORT

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAs 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 HKSAs, 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.

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

INDEPENDENT AUDITOR'S REPORT

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, related safeguards.

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 Frankie C.Y. Lai.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

24 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2016
(Expressed in Renminbi Yuan)

	Note	**2016** **RMB'000**	2015 RMB'000
Revenue	3	**2,032,213**	2,057,494
Cost of sales		**(1,234,835)**	(1,275,875)
Gross profit		**797,378**	781,619
Other income	4	**147,610**	171,118
Distribution costs		**(25,931)**	(29,065)
Administrative expenses		**(147,500)**	(198,422)
Profit from operations		**771,557**	725,250
Finance costs	5(a)	**(25,225)**	(38,396)
Share of profit of an associate	15	**1,535,505**	1,539,856
Profit before taxation	5	**2,281,837**	2,226,710
Income tax	6(a)	**(154,402)**	(166,899)
Profit for the year		**2,127,435**	2,059,811
Attributable to:			
Equity shareholders of the Company		**1,980,612**	1,944,340
Non-controlling interests		**146,823**	115,471
Profit for the year		**2,127,435**	2,059,811
Earnings per share			
Basic and diluted (RMB)	10	**1.10**	1.08

The notes on pages 98 to 166 form part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016
(Expressed in Renminbi Yuan)

	Note	2016 RMB'000	2015 RMB'000
Profit for the year		**2,127,435**	2,059,811
Other comprehensive income for the year (after tax and reclassification adjustments)	7		
Items that may be reclassified subsequently to profit or loss:			
Share of changes of reserves of an associate, net of tax		**(24,367)**	37,663
		(24,367)	37,663
Total comprehensive income for the year:		**2,103,068**	2,097,474
Attributable to:			
Equity shareholders of the Company		**1,956,245**	1,982,003
Non-controlling interests		**146,823**	115,471
Total comprehensive income for the year		**2,103,068**	2,097,474

The notes on pages 98 to 166 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016
(Expressed in Renminbi Yuan)

	Note	**2016 RMB'000**	2015 RMB'000
Non-current assets			
Property, plant and equipment	11	**1,029,576**	998,151
Lease prepayments	12	**203,524**	204,091
Intangible assets	13	**279,198**	84,023
Interest in an associate	15	**13,773,335**	12,655,775
Non-current portion of trade and other receivables	17	**1,519,694**	790,870
Non-current prepayments	18	**–**	45,000
Deferred tax assets	22(b)	**66,633**	65,349
		16,871,960	14,843,259
Current assets			
Inventories	16	**164,064**	246,116
Trade and other receivables	17	**993,234**	1,076,321
Restricted bank deposits		**18,175**	1,745
Cash and cash equivalents	19(a)	**2,165,640**	2,332,268
		3,341,113	3,656,450
Current liabilities			
Loans and borrowings	20	**59,833**	50,000
Trade and other payables	21	**1,214,530**	1,172,166
Income tax payable	22(a)	**56,853**	48,149
		1,331,216	1,270,315
Net current assets		**2,009,897**	2,386,135
Total assets less current liabilities		**18,881,857**	17,229,394

The notes on pages 98 to 166 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016
(Expressed in Renminbi Yuan)

	Note	2016 RMB'000	2015 RMB'000
Non-current liabilities			
Loans and borrowings	20	**535,267**	480,000
Net assets		**18,346,590**	16,749,394
Capital and reserves	23		
Share capital		**14,347**	14,347
Reserves		**17,732,970**	16,244,099
Equity attributable to equity shareholders of the Company		**17,747,317**	16,258,446
Non-controlling interests		**599,273**	490,948
Total equity		**18,346,590**	16,749,394

Approved and authorised for issue by the board of directors on 24 March 2017.

GUO Jingbin
Directors

JI Qingying
Directors

The notes on pages 98 to 166 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016
(Expressed in Renminbi Yuan)

		Attributable to equity shareholders of the Company							
	Note	Share capital RMB'000 (Note 23 (c))	Share premium RMB'000 (Note 23 (d)(i))	Capital reserve RMB'000 (Note 23 (d)(ii))	PRC statutory reserves RMB'000 (Note 23 (d)(iii))	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2015		14,347	2,790,059	2,023,250	360,033	9,665,958	14,853,647	446,804	15,300,451
Profit for the year		–	–	–	–	1,944,340	1,944,340	115,471	2,059,811
Other comprehensive income	7	–	–	37,663	–	–	37,663	–	37,663
Total comprehensive income		–	–	37,663	–	1,944,340	1,982,003	115,471	2,097,474
Non-controlling interests arising from establishment of new subsidiaries		–	–	–	–	–	–	16,200	16,200
Appropriation to reserves	23(d)(iii)	–	–	–	36,854	(36,854)	–	–	–
Profit distribution to non-controlling interests		–	–	–	–	–	–	(87,527)	(87,527)
Dividends approved in respect of the previous year	23(b)	–	(577,204)	–	–	–	(577,204)	–	(577,204)
Balance at 31 December 2015		14,347	2,212,855	2,060,913	396,887	11,573,444	16,258,446	490,948	16,749,394

The notes on pages 98 to 166 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016
(Expressed in Renminbi Yuan)

		Attributable to equity shareholders of the Company							
	Note	Share Capital RMB'000 (Note 23 (c))	Share premium RMB'000 (Note 23 (d)(i))	Capital reserve RMB'000 (Note 23 (d)(ii))	PRC statutory reserves RMB'000 (Note 23 (d)(iii))	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 31 December 2015 and 1 January 2016		14,347	2,212,855	2,060,913	396,887	11,573,444	16,258,446	490,948	16,749,394
Profit for the year		–	–	–	–	1,980,612	1,980,612	146,823	2,127,435
Other comprehensive income	7	–	–	(24,367)	–	–	(24,367)	–	(24,367)
Total comprehensive income		–	–	(24,367)	–	1,980,612	1,956,245	146,823	2,103,068
Acquisition of non-controlling interests		–	–	–	–	–	–	62,666	62,666
Appropriation to reserves	23(d)(iii)	–	–	–	62,221	(62,221)	–	–	–
Profit distribution to non-controlling interests		–	–	–	–	–	–	(101,164)	(101,164)
Dividends approved in respect of the previous year	23(b)	–	(467,374)	–	–	–	(467,374)	–	(467,374)
Balance at 31 December 2016		14,347	1,745,481	2,036,546	459,108	13,491,835	17,747,317	599,273	18,346,590

The notes on pages 98 to 166 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2016
(Expressed in Renminbi Yuan)

	Note	**2016 RMB'000**	2015 RMB'000
Operating activities:			
Cash generated from operations	19(b)	**193,313**	242,320
Income tax paid	22(a)	**(146,982)**	(177,300)
Net cash generated from operating activities		**46,331**	65,020
Investing activities:			
Payment for purchase of property, plant and equipment, construction in progress and intangible assets		**(226,422)**	(149,072)
Proceeds from disposal of property, plant and equipment		**572**	696
Proceeds from disposal of finance lease receivable		**–**	60,554
Payment for lease prepayments		**(4,054)**	(6,280)
Payment for acquisition of non-controlling interest of a subsidiary		**–**	(41,700)
Net cash received from acquisition of a subsidiary		**40,097**	–
Prepayment for acquisition of a subsidiary		**–**	(45,000)
Proceeds from maturity of bank deposits over three months		**450,000**	650,000
Payment for bank deposits with maturity over three months		**(450,000)**	–
Dividends received from associate		**392,000**	589,931
Interest received		**83,594**	108,120
Net cash generated from investing activities		**285,787**	1,167,249
Financing activities:			
Proceeds from loans and borrowings		**117,100**	1,130,000
Repayment of loans		**(52,000)**	(1,400,000)
Capital contribution from non-controlling shareholders		**30,000**	16,200
Profit distribution to non-controlling interests		**(101,164)**	(87,527)
Dividends paid to equity shareholders of the Company		**(467,374)**	(577,204)
Interest paid		**(25,308)**	(39,053)
Net cash used in financing activities		**(498,746)**	(957,584)
Net (decrease)/increase in cash and cash equivalents		**(166,628)**	274,685
Cash and cash equivalents at beginning of the year		**2,332,268**	2,057,583
Cash and cash equivalents at end of the year	19(a)	**2,165,640**	2,332,268

The notes on pages 98 to 166 form part of these financial statements.

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

(b) Basis of preparation and presentation

The consolidated financial statements for the year ended 31 December 2016 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in an associate.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except that financial instruments classified as available-for-sale are stated at their fair value (see Note 1(f)).

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Changes in accounting policies

The IASB has issued a number of amendments to IFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

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

(d) Subsidiaries and non-controlling interests

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

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Subsidiaries and non-controlling interests *(Continued)*

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

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

(e) Associate

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

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 1(j)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

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

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

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 1(f)).

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Other investments in debt and equity securities

The Group's and the Company's policies for investments in debt and equity securities, other than investments in subsidiaries and associates, are as follows:

Investments in debt and equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in Notes 1(u)(v) and (vi).

Dated debt securities that the Group and/or the Company have the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated at amortised cost less impairment losses (see Note 1(j)).

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated in equity in capital reserve. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (see Note 1(j)). Dividend income from equity securities and interest income from debt securities calculated using the effective interest method are recognised in profit or loss in accordance with the policies set out in Notes 1(u)(v) and (vi). Foreign exchange gain and losses resulting from changes in the amortised cost of debt securities are also recognised in profit or loss.

When the investments are derecognised or impaired (see Note 1(j)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Property, plant and equipment

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

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

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

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

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

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

Construction in progress represents property, plant and equipment under construction, which is stated at cost less accumulated impairment losses (see Note 1(j)).

Capitalisation of construction in progress costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all of the activities necessary to prepare the assets for their intended use are completed.

No depreciation is provided in respect of construction in progress until it is substantially completed and ready for its intended use.

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Intangible assets

The Group recognises an operating right arising from a service concession arrangement when it has a right to charge for use of the concession infrastructure. An operating right received as consideration for providing construction services in a service concession arrangement is measured at fair value on initial recognition with reference to the fair value of the services provided. Subsequent to initial recognition, the operating right is measured at cost, which includes capitalised borrowing costs (see Note 1(w)), less accumulated amortisation and impairment losses (see Note 1(j)).

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(j)).

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

– Software	2–10 years
– Waste incineration project operating rights	26–30 years

Both the period and method of amortisation are reviewed annually.

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

(i) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Lease prepayments

Lease prepayments represent cost of land use right paid to the PRC governmental authorities or third parties.

Lease prepayments are stated at cost less accumulated amortisation and impairment losses (see Note 1(j)). Amortisation is charged to profit or loss on a straight-line basis over the respective periods of the rights.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Leased assets *(Continued)*

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(j) Impairment of assets

(i) Impairment of investments in equity securities and receivables

Investments in equity securities (other than investments in subsidiaries: see Note 1(j)(ii)) and current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Impairment of assets *(Continued)*

(i) Impairment of investments in equity securities and receivables *(Continued)*

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For investments in an associate accounted for under the equity method in the consolidated financial statements (see Note 1(e)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with Note 1(j)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with Note 1(j)(ii).

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Impairment of assets *(Continued)*

(ii) Impairment of other assets

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

- property, plant and equipment;
- lease prepayments;
- intangible assets; and
- investments in subsidiaries in the Company's statement of financial position

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

- Calculation of recoverable amount

  The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

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

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Impairment of assets *(Continued)*

(ii) Impairment of other assets *(Continued)*

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

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

(k) Inventories

Inventories are carried at the lower of cost and net realisable value.

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

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

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

(l) Construction contracts

Construction contracts are contracts specifically negotiated with a customer for the construction of an asset or a group of assets, where the customer is able to specify the major structural elements of the design. The accounting policy for contract revenue is set out in Note 1(u)(ii). When the outcome of a construction contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Construction contracts in progress at the end of the reporting period are recorded at the net amount of costs incurred plus recognised profit less recognised losses and progress billings, and are presented in the statement of financial position as the "Gross amount due from customers for contract work" (as an asset) or the "Gross amount due to customers for contract work" (as a liability), as applicable. Progress billings not yet paid by the customer are included under "Trade and other receivables". Amounts received before the related work is performed are presented as "Receipts in advance" under "Trade and other payables".

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Gross amounts due from customers for contract work

The Group recognises a financial asset arising from a service concession arrangement when it has an unconditional contractual right to receive cash or other financial asset from or at the direction of the grantor for the construction services provided. Such financial assets are measured at fair value on initial recognition and classified as gross amounts due from customers for contract work. Subsequent to initial recognition, the financial assets are measured at amortised cost using the effective interest method.

If the Group is paid for the construction services partly by a financial asset and partly by an intangible asset (see Note 1(h)), then each component of the consideration is accounted for separately and is initially recognised at the fair value of the consideration.

(n) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see Note 1(j)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(o) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(p) Trade and other payables

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

(q) 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.

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Employee benefits

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

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

(ii) Defined contribution retirement plans

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

(s) Income tax

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Income tax *(Continued)*

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

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

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

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

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Provision and contingent liabilities

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

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

(u) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Revenue from construction contract

When the outcome of a contract can be estimated reliably, revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to estimated total contract costs, surveys of work performed or completion of a physical proportion of the contract work for the contract.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

(iii) Revenue from service concession arrangement

Revenue relating to construction services under a service concession arrangement is recognised based on the stage of completion of the work performed, consistent with the Group's accounting policy on recognising revenue from construction contract. Operation or service revenue is recognised in the period in which services are provided by the Group. When the Group provides more than one service in a service concession arrangement the consideration received is allocated by reference to the relative fair values of the services delivered when the amounts are separately identifiable.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Revenue recognition *(Continued)*

(iv) Revenue from services

Revenue arising from services is recognised when the relevant service is rendered without further performance obligations.

(v) Finance income

Finance income is recognised as it accrues using the effective interest method.

(vi) Dividends

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

(vii) 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.

(v) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised in other comprehensive income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

(w) 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.

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Borrowing costs *(Continued)*

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

(x) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third party.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(y) Segment reporting

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

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

2 ACCOUNTING JUDGEMENT AND ESTIMATES

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

In the progress of applying the Group's accounting policies, management had made the following accounting judgements:

Service concession arrangements

The Group entered into Build-Operate-Transfer ("BOT") arrangements in respect of its waste incineration projects.

The Group concluded that all the BOT arrangements are service concession arrangements under International Financial Reporting Interpretations Committee 12 because the local governments control and regulate the services that the Group must provide with the infrastructure at a pre-determined service charge. In respect of BOT arrangements upon expiry of concession right agreement, the infrastructure for BOT arrangements is used in the service concession arrangements for its entire or substantial useful life.

(b) Source of estimation uncertainty

Note 24(e) contains information about the assumptions and their risk factors relating to the fair value of financial instruments. Other key sources of estimation uncertainty are as follows:

(i) Construction contracts

As explained in policy Notes 1(l) and 1(u)(ii), revenue recognition on an uncompleted project is dependent on estimating the total outcome of the construction contract, as well as the work done to date. Based on the Group's recent experience and the nature of the construction activity undertaken by the Group, the Group makes estimates of the point at which it considers the work is sufficiently advanced such that the costs to complete and revenue can be reliably estimated. As a result, until this point is reached the amounts due from customers for contract work will not include profit which the Group may eventually realise from the work done to date. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at each of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

NOTES TO THE FINANCIAL STATEMENTS

2 ACCOUNTING JUDGEMENT AND ESTIMATES *(Continued)*

(b) Source of estimation uncertainty *(Continued)*

(ii) Depreciation and amortisation

As described in Note 1(g), property, plant and equipment 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(h), 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.

(iii) Net realisable value of inventories

As described in Note 1(k), net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale. These estimates are based on the current market condition and historical experience of selling products of similar nature. It could change significantly as a result of changes in market conditions.

Management reassesses these estimations at the end of reporting period to ensure inventory is stated at the lower of cost and net realisable value.

(iv) Impairment of trade and other receivables

Management determines the impairment of trade and other receivables on a regular basis. This estimate is based on the credit history of its customers and current market conditions. If the financial conditions of the customers were to deteriorate, actual write-off would be higher than estimated. Management reassesses the impairment of trade and other receivables at the end of reporting period.

(v) Impairment of other assets

In considering the impairment losses that may be required for certain of the Group's assets which include property, plant and equipment, lease prepayments, intangible assets and investments in its subsidiaries and 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.

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

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

	2016 RMB'000	2015 RMB'000
Energy preservation and environmental protection solutions		
Residual heat power generation	**631,680**	871,118
Vertical mill	**172,236**	203,840
Waste incineration solutions (i)	**974,343**	812,141
Solid waste and hazardous waste solutions	**61,975**	–
Subtotal	**1,840,234**	1,887,099
Port logistics services	**141,182**	149,793
Sale of new building materials	**50,797**	20,602
Total	**2,032,213**	2,057,494

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

	2016 RMB'000	2015 RMB'000
Revenue from waste incineration project construction services	**887,390**	787,807
Revenue from waste incineration project operation services	**35,203**	10,579
Finance income	**51,750**	13,755
Total	**974,343**	812,141

NOTES TO THE FINANCIAL STATEMENTS

3 REVENUE AND SEGMENT REPORTING *(Continued)*

(a) Revenue *(Continued)*

(i) *(Continued)*

The Group has transactions with the PRC local government authorities which in aggregate exceeded 10% of the Group's revenue. Revenue from provision of waste incineration project construction and operation services and finance income derived from local government authorities in the PRC for the year ended 31 December 2016 amounting to RMB920,497,000 (2015: RMB692,451,000). Furthermore, the Group has transactions with one individual customer the aggregate amount of which has exceeded 10% of the Group's revenues in 2016 (2015: two). Revenues from the customer in 2016 amounted to RMB433,829,000. Revenue from two customers in 2015 amounted to RMB569,130,000. Details of concentration of credit risk arising from these customers are set out in Note 24(a).

(b) Segment reporting

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

(1) Energy preservation and environmental protection solutions: this segment includes manufacturing and sales of residual heat power generation, vertical mill, waste incineration, solid waste and hazardous waste disposal and maintenance and related after sales services.

(2) Port logistics services: this segment mainly engages in cargo handling, trans-shipment and warehousing services.

(3) New building materials: this segment mainly engages in alternative wall building materials, such as the cellulose fiber cement sheets, autoclaved boards and wood wool cement boards and currently in initial expansion stage.

(4) Investments: this segment comprises investment in Anhui Conch Holdings Co., Ltd. ("Conch Holdings"). Details of the principal activities of Conch Holdings are set out in Note 15.

(i) For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following basis:

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

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

3 REVENUE AND SEGMENT REPORTING *(Continued)*

(b) Segment reporting *(Continued)*

(i) *(Continued)*

The measure used by the Group's senior executive management to assess segment results is the profit before taxation. Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resources allocation and assessment of segment performance for the years ended 31 December 2016 and 2015 is set out below:

	Year ended 31 December 2016					
	Energy preservation and environmental protection solutions RMB'000	Port logistics services RMB'000	New building materials RMB'000	Investments RMB'000	Unallocated RMB'000	Total RMB'000
Reportable segment revenue	1,840,234	141,182	50,797	–	–	2,032,213
Reportable segment profit/ (loss) before taxation	736,375	45,212	(34,684)	1,535,505	(571)	2,281,837
Interest income	45,865	94	24,997	–	1,957	72,913
Interest expenses	21,748	3,477	–	–	–	25,225
Depreciation and amortisation	20,512	42,703	14,583	–	–	77,798
Provision for impairment losses						
— trade and other receivables	4,648	–	–	–	–	4,648
— inventory	–	–	6,266	–	–	6,266
Reportable segment assets	4,701,052	574,638	1,146,242	13,773,335	17,806	20,213,073
Reportable segment liabilities	1,668,383	107,374	90,580	–	146	1,866,483

NOTES TO THE FINANCIAL STATEMENTS

3 REVENUE AND SEGMENT REPORTING *(Continued)*

(b) Segment reporting *(Continued)*

(i) *(Continued)*

	Year ended 31 December 2015					
	Energy preservation and environmental protection solutions RMB'000	Port logistics services RMB'000	New building materials RMB'000	Investments RMB'000	Unallocated RMB'000	Total RMB'000
Reportable segment revenue	1,887,099	149,793	20,602	–	–	2,057,494
Reportable segment profit/ (loss) before taxation	608,302	51,645	36,820	1,539,856	(9,913)	2,226,710
Interest income	47,237	197	61,469	–	823	109,726
Interest expenses	14,870	4,554	14,281	–	4,691	38,396
Depreciation and amortisation	14,553	42,153	13,451	–	–	70,157
Provision for impairment losses						
— trade and other receivables	58,715	–	–	–	–	58,715
Reportable segment assets	3,584,694	637,457	1,580,130	12,655,775	41,653	18,499,709
Reportable segment liabilities	1,543,044	123,862	83,324	–	85	1,750,315

(ii) Geographic information

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

	2016 **RMB'000**	2015 RMB'000
Revenue		
Mainland China	**1,621,095**	1,199,387
Asia (except Mainland China)	**410,141**	850,241
Africa	**201**	6,502
South America	**776**	1,364
	2,032,213	2,057,494

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

4 OTHER INCOME

	2016 RMB'000	2015 RMB'000
Interest income	**72,913**	109,726
Government grants (i)	**70,228**	57,712
Net gain on disposal of property, plant and equipment	**148**	475
Net gain on disposal of financial lease receivable	**–**	2,192
Net gain on acquisition of a subsidiary (Note 26)	**3,999**	–
Exchange gain	**322**	1,013
	147,610	171,118

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

5 PROFIT BEFORE TAXATION

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

	2016 RMB'000	2015 RMB'000
(a) Finance costs:		
Interest on loans and borrowings	**25,225**	38,473
Less: interest expense capitalised into construction in progress	**–**	(77)
	25,225	38,396

For the year ended 31 December 2015, the borrowing costs had been capitalised at a rate of 5.4% per annum.

	2016 RMB'000	2015 RMB'000
(b) Staff costs:		
Salaries, wages and other benefits	**94,459**	93,144
Contributions to defined contribution plans (i)	**12,034**	10,184
	106,493	103,328

5 PROFIT BEFORE TAXATION *(Continued)*

(b) Staff costs: *(Continued)*

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

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

(c) Other items:

	2016 RMB'000	2015 RMB'000
Cost of inventories	**636,349**	824,683
Cost of construction services	**598,486**	451,192
Depreciation	**69,779**	65,408
Amortisation of lease prepayments	**4,621**	4,404
Amortisation of intangible assets	**3,398**	345
Research and development costs	**12,780**	19,008
Impairment losses on trade receivables	**4,648**	58,715
Operating lease charges	**5,521**	3,204
Auditors' remuneration	**1,943**	1,887

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT AND LOSS

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

	2016 RMB'000	2015 RMB'000
Current tax:		
Provision for PRC income tax for the year	**156,588**	188,205
Over provision in respect of prior years	**(902)**	(2,121)
Provision for current income tax (Note 22(a))	**155,686**	186,084
Deferred tax:		
Origination and reversal of temporary differences (Note 22(b))	**(1,284)**	(19,185)
	154,402	166,899

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT AND LOSS

(Continued)

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

(Continued)

(i) 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.

(ii) No provision for Hong Kong Profits Tax was made for the subsidiary located in Hong Kong as this subsidiary did not have assessable profits subject to Hong Kong Profits Tax during the reporting periods. The payments of dividends by Hong Kong companies are not subject to any Hong Kong withholding tax.

(iii) 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. One of the subsidiaries, Anhui Conch Kawasaki Energy Conservation Equipment Manufacturing Co., Ltd. ("CK Equipment") was accredited as a "High and New Technology Enterprise" ("HNTE") and was entitled to a preferential income tax rate of 15% for a period of three years from 2014 to 2016.

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

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

	2016 **RMB'000**	2015 RMB'000
Profit before taxation	**2,281,837**	2,226,710
Notional tax on profit before taxation, calculated at the rates applicable to profit in the tax jurisdictions concerned	**572,470**	556,517
PRC tax concessions	**(32,839)**	(12,621)
Additional deduction for research and development costs	**(762)**	(748)
Tax effect of non-deductible expenses	**311**	10,836
Over provision in respect of prior years	**(902)**	(2,121)
Share of profit of an associate	**(383,876)**	(384,964)
Income tax expense	**154,402**	166,899

NOTES TO THE FINANCIAL STATEMENTS

7 OTHER COMPREHENSIVE INCOME

Components of other comprehensive income:

	2016 RMB'000	2015 RMB'000
Share of changes of reserves of an associate, net of tax (i)	**(24,367)**	37,663

(i) Share of changes of reserves of an associate represented the share of changes in fair value of available-for-sale equity securities of the associate.

8 DIRECTORS' REMUNERATION

Directors' remuneration disclosed are as follows:

Year ended 31 December 2016

	Directors' fees RMB'000	Salaries allowance and benefits in kind RMB'000	Discretionary bonuses RMB'000	Contributions to retirement scheme RMB'000	Total RMB'000
Executive Directors:					
Mr. Guo Jingbin	–	177	496	–	673
Mr. Ji Qinying	–	164	482	–	646
Mr. Li Jian	–	186	553	32	771
Mr. Li Daming	–	194	567	27	788
Non-executive Director:					
Ms. Zhang Mingjing	–	–	–	–	–
Independent non-executive Directors:					
Mr. Chan Chi On	133	–	–	–	133
Mr. Chan Kai Wing	133	–	–	–	133
Mr. Lau Chi Wah	133	–	–	–	133
	399	721	2,098	59	3,277

8 DIRECTORS' REMUNERATION *(Continued)*

Year ended 31 December 2015

	Directors' fees RMB'000	Salaries allowance and benefits in kind RMB'000	Discretionary bonuses RMB'000	Contributions to retirement scheme RMB'000	Total RMB'000
Executive Directors:					
Mr. Guo Jingbin	–	140	715	–	855
Mr. Ji Qinying	–	137	653	–	790
Mr. Li Jian	–	148	539	25	712
Mr. Li Daming	–	167	553	28	748
Non-executive Director:					
Ms. Zhang Mingjing	–	–	–	–	–
Independent non-executive Directors:					
Mr. Chan Chi On	119	–	–	–	119
Mr. Chan Kai Wing	119	–	–	–	119
Mr. Lau Chi Wah	119	–	–	–	119
	357	592	2,460	53	3,462

No directors of the Company waived or agreed to waive any remuneration during the year.

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 9 below as an inducement to join or upon joining the Group or as compensation for loss of office.

NOTES TO THE FINANCIAL STATEMENTS

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five highest paid individuals of the Group during the year, four (2015: four) are directors of the Company whose emolument is disclosed in Note 8. The aggregate of the emoluments in respect of the remaining individual is as follows:

	2016 RMB'000	2015 RMB'000
Salaries, allowances and benefits in kind	**499**	171
Discretionary bonuses	**761**	332
Contributions to retirement benefit schemes	**34**	29
	1,294	532

The emoluments of the one (2015: one) individual with the highest emoluments are within the following bands:

	2016 Number of individuals	2015 Number of individuals
HKD		
Nil–1,000,000	**–**	1
1,000,001–1,500,000	**1**	–

10 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB1,980,612,000 (2015: RMB1,944,340,000) and 1,804,750,000 (2015: 1,804,750,000) ordinary shares in issue during the year.

(b) Diluted earnings per share

There were no dilutive potential ordinary shares outstanding during the years ended 31 December 2016 and 2015.

11 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 2015	737,850	377,869	8,044	10,453	44,031	1,178,247
Additions	63	6,158	3,551	1,246	44,994	56,012
Transfer from construction in progress	7,115	33,867	–	–	(40,982)	–
Disposals	–	(33)	(47)	(700)	–	(780)
At 31 December 2015 and 1 January 2016	745,028	417,861	11,548	10,999	48,043	1,233,479
Acquisition of subsidiary	2,348	4,030	40	2,953	30,236	39,607
Additions	186	4,839	3,374	10,682	42,940	62,021
Transfer from construction in progress	47,129	24,079	337	–	(71,545)	–
Disposals	–	(340)	(57)	(1,400)	–	(1,797)
At 31 December 2016	794,691	450,469	15,242	23,234	49,674	1,333,310

NOTES TO THE FINANCIAL STATEMENTS

11 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:						
At 1 January 2015	(94,271)	(66,381)	(4,484)	(5,343)	–	(170,479)
Charge for the year	(29,803)	(32,879)	(1,385)	(1,341)	–	(65,408)
Written back on disposals	–	9	41	509	–	559
At 31 December 2015 and 1 January 2016	(124,074)	(99,251)	(5,828)	(6,175)	–	(235,328)
Charge for the year	(30,540)	(34,510)	(1,892)	(2,837)	–	(69,779)
Written back on disposals	–	62	51	1,260	–	1,373
At 31 December 2016	(154,614)	(133,699)	(7,669)	(7,752)	–	(303,734)
Net book value:						
At 31 December 2015	620,954	318,610	5,720	4,824	48,043	998,151
At 31 December 2016	640,077	316,770	7,573	15,482	49,674	1,029,576

As at the date of this report, the Group was in the process of applying for registration of the ownership certificates for plant and buildings. The aggregate carrying amount of such plant and buildings of the Group as at 31 December 2016 was approximately RMB98,835,000 (2015: RMB 80,089,000). The directors are of the opinion that the Group is entitled to legally occupy or use these plant and buildings.

Owing to the low utilisation of production capacity, one cash-generating unit ("CGU") of the Group, Bozhou Conch Venture New Energy-saving Building Material Co., Ltd., which is under the new building materials segment, sustained an operating loss in 2016. The Group identified impairment indicators of its property, plant and equipment and lease prepayments with carrying amount of RMB183.8 million as at 31 December 2016, and performed an impairment assessment of the related assets based on their estimated recoverable amounts.

The recoverable amount of the CGU is estimated using the present value of future cash flows based on the financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 3%, which is consistent with the long-term inflation rate in the PRC. The discount rate used is pre-tax of 14% and reflect specific risks relating to the business activities of the new building materials industry.

As a result of the assessment, no impairment loss was recognised in respect of property, plant and equipment and lease prepayments in this CGU during the year ended 31 December 2016.

12 LEASE PREPAYMENTS

	2016 **RMB'000**	2015 RMB'000
Cost:		
At 1 January	**224,491**	218,211
Additions	**4,054**	6,280
At 31 December	**228,545**	224,491
Accumulated amortisation:		
At 1 January	**(20,400)**	(15,996)
Charge for the year	**(4,621)**	(4,404)
At 31 December	**(25,021)**	(20,400)
Net book value:		
At 31 December	**203,524**	204,091

Lease prepayments represent cost of land use rights in respect of land located in the PRC with lease period of 40–50 years when granted.

As at the date of this report, the Group was in the process of applying for registration of the ownership certificates for certain of its land use rights. The aggregate carrying value of such land use rights of the Group as at 31 December 2016 was approximately RMB32,379,000 (2015: RMB33,230,000). The directors are of the opinion that the Group is entitled to legally occupy or use these land.

NOTES TO THE FINANCIAL STATEMENTS

13 INTANGIBLE ASSETS

	Software RMB'000	Waste incineration project operating rights RMB'000	Total RMB'000
Cost:			
At 1 January 2015	3,403	–	3,403
Additions	156	83,382	83,538
At 31 December 2015 and 1 January 2016	3,559	83,382	86,941
Additions	833	197,740	198,573
At 31 December 2016	4,392	281,122	285,514
Accumulated depreciation:			
At 1 January 2015	(2,573)	–	(2,573)
Charge for the year	(345)	–	(345)
At 31 December 2015 and 1 January 2016	(2,918)	–	(2,918)
Charge for the year	(438)	(2,960)	(3,398)
At 31 December 2016	(3,356)	(2,960)	(6,316)
Net book value:			
At 31 December 2015	641	83,382	84,023
At 31 December 2016	1,036	278,162	279,198

The cost of waste incineration project operating rights represented the fair value of operating rights acquired. The operating rights was deemed to be definite life intangible assets as the operation periods of the related BOT arrangements vary from 26 years to 30 years. It is expected to generate long-term net cash inflow to the Group.

14 INTERESTS IN SUBSIDIARIES

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

Name of companies[(i)]	Registered and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
China Conch Venture Holdings International Limited ("Conch Venture BVI") (中國海創控股國際有限公司)	USD10,000	100%	100%	–	Investment holding
China Conch Venture Holdings (HK) Limited ("Conch Venture HK") (中國海創控股(香港)有限公司)	HKD10,000	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)	Register capital: HKD 10,000 Paid up capital: –	100%	–	100%	Investment holding
Anhui Conch Venture New Energy-saving Building Material Co., Lt d. ("Conch Venture Green") (安徽海創新型節能建築材料有限責任公司)	RMB200,000,000	100%	–	100%	Manufacturing and investment holding
Bozhou Conch Venture New Energy-saving Building Material Co., Ltd. ("Bozhou Conch Venture Green") (亳州海創新型節能建築材料有限責任公司)	RMB125,000,000	100%	–	100%	Manufacturing and sales of new energy-saving building materials
Wuhu Conch Venture Enterprise Limited ("Conch Venture Wuhu") (蕪湖海創實業有限責任公司)	RMB100,000,000	100%	–	100%	Design and construction of energy preservation and environmental protection projects and investment holding
Pingliang Conch Venture Environment Engineering Co., Ltd. (iii) ("Conch Venture Environment") (平涼海創環境工程有限責任公司)	RMB35,000,000	100%	–	100%	Garbage disposal and sludge residue operation management technical service
Anhui Conch Kawasaki Engineering Co., Ltd. ("CK Engineering") (安徽海螺川崎工程有限公司)	RMB100,000,000	51%	–	51%	Design, sales, installation of energy preservation and environmental protection equipment and after sales service

NOTES TO THE FINANCIAL STATEMENTS

14 INTERESTS IN SUBSIDIARIES *(Continued)*

Name of companies[i]	Registered and paid up capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activities
Anhui Conch Kawasaki Energy Conservation Equipment Manufacturing Co., Ltd. ("CK Equipment") (安徽海螺川崎節能設備製造有限公司)	RMB100,000,000	51%	–	51%	Design, sales installation of energy preservation and environmental protection equipment and after sales service
Yangzhou Haichang Port Industrial Co., Ltd. ("HC Port") (揚州海昌港務實業有限責任公司)	RMB220,500,000	100%	–	100%	Cargo handling
Wuhu Conch Investment Ltd. ("WH Investment") (蕪湖海螺投資有限公司)	RMB600,000,000	100%	–	100%	Manufacturing and investment holding
Jinzhai Conch Venture Environment Engineering Co., Ltd. (iii) ("JZ Environment") (金寨海創環境工程有限責任公司)	RMB40,000,000	100%	–	100%	Garbage disposal and sludge residue operation management technical service
Yangchun Conch Venture Environment Engineering Co., Ltd. (iii) ("YC Environment") (陽春海創環境工程有限責任公司)	RMB32,000,000	100%	–	100%	Garbage disposal and sludge residue operation management technical service
Qiyang Conch Venture Environment Engineering Co., Ltd. (iii) ("QY Environment") (祁陽海創環境工程有限責任公司)	RMB35,000,000	100%	–	100%	Garbage disposal and sludge residue operation management technical service
Shimen Conch Venture Environment Engineering Co., Ltd. (iii) ("SM Environment") (石門海創環境工程有限責任公司)	RMB32,000,000	100%	–	100%	Garbage disposal and sludge residue operation management technical service
Nanjiang Conch Venture Environment Engineering Co., Ltd. (iii) ("NJ Environment") (南江海創環境工程有限責任公司)	RMB35,000,000	100%	–	100%	Garbage disposal and sludge residue operation management technical service
Xianyang Conch Venture Environment Engineering Co., Ltd. ("XY Environment") (咸陽海創環境工程有限責任公司)	RMB15,000,000	100%	–	100%	Garbage disposal and sludge residue operation management technical service

NOTES TO THE FINANCIAL STATEMENTS

14 INTERESTS IN SUBSIDIARIES *(Continued)*

Name of companies[i]	Registered and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Shuangfeng Conch Venture Environment Engineering Co., Ltd. (iii) ("SF Environment") (雙峰海創環境工程有限責任公司)	RMB32,000,000	100%	–	100%	Garbage disposal and sludge residue operation management technical service
Fusui Conch Venture Environment Engineering Co., Ltd. (iii) ("FS Environment") (扶綏海創環境工程有限責任公司)	RMB32,000,000	100%	–	100%	Garbage disposal and sludge residue operation management technical service
Shuicheng Conch Venture Environment Engineering Co., Ltd. (iii) ("SC Environment") (水城海創環境工程有限責任公司)	RMB32,000,000	100%	–	100%	Garbage disposal and sludge residue operation management technical service
Baoshan Conch Venture Environment Engineering Co., Ltd. (iii) ("BS Environment") (保山海創環境工程有限責任公司)	RMB10,000,000	100%	–	100%	Garbage disposal and sludge residue operation management technical service
Lingyun Conch Venture Environment Engineering Co., Ltd. (iii) ("LY Environment") (凌雲海創環境工程有限責任公司)	RMB25,000,000	100%	–	100%	Garbage disposal and sludge residue operation management technical service
Xishui Conch Venture Environment Engineering Co., Ltd. (iii) ("XS Environment") (習水海創環境工程有限責任公司)	RMB31,000,000	70%	–	70%	Garbage disposal and sludge residue operation management technical service
Yuping Conch Venture Environment Engineering Co., Ltd. (iii) ("YP Environment") (玉屏海創環境工程有限責任公司)	RMB23,000,000	70%	–	70%	Garbage disposal and sludge residue operation management technical service
Yanshan Conch Venture Environment Engineering Co., Ltd. (iii) ("YS Environment") (硯山海創環境工程有限責任公司)	RMB30,000,000	100%	–	100%	Garbage disposal and sludge residue operation management technical service
Guiyang Conch Venture Environment Engineering Co., Ltd. (iii) ("GY Environment") (貴陽海創環境工程有限責任公司)	RMB33,000,000	100%	–	100%	Garbage disposal and sludge residue operation management technical service

NOTES TO THE FINANCIAL STATEMENTS

14 INTERESTS IN SUBSIDIARIES *(Continued)*

Name of companies[i]	Registered and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Linxia Conch Venture Environment Engineering Co., Ltd. (iii) ("LX Environment") (臨夏海創環境工程有限責任公司)	RMB35,000,000	100%	–	100%	Garbage disposal and sludge residue operation management technical service
Ningguo Conch Venture Environment Engineering Co., Ltd. (iii) ("NG Environment") (甯國海創環境工程有限責任公司)	RMB40,000,000	100%	–	100%	Garbage disposal and sludge residue operation management technical service
Xi'an Yaobai Environmental Protection Technology Engineering Co., Ltd. ("Yaobai Environmental") (西安堯柏環保科技工程有限公司)	RMB150,000,000	60%	–	60%	Garbage disposal and sludge residue operation management technical service
Shanghai Conch Kawasaki Engineering Co., Ltd. ("CK Shanghai") (上海海螺川崎節能環保工程有限公司)	RMB100,000,000	51%	–	51%	Design, sales, installation of energy preservation and environmental protection equipment and after sales service
Huoqiu Conch Venture Environment Engineering Co., Ltd. (iii) ("HQ Environment") (霍邱海創環境工程有限責任公司)	RMB60,000,000	100%	–	100%	Garbage disposal and sludge residue operation management technical service
Susong Conch Venture Environment Engineering Co., Ltd. (iii) ("SS Environment") (宿松海創環境工程有限責任公司)	RMB72,000,000	100%	–	100%	Garbage disposal and sludge residue operation management technical service
Shache Conch Venture Environment Engineering Co., Ltd. (iii) ("SC Environment") (莎車海創環境工程有限責任公司)	RMB100,000,000	100%	–	100%	Garbage disposal and sludge residue operation management technical service
Tongren Conch Venture Environment Engineering Co., Ltd. (iii) ("TR Environment") (銅仁海創環境工程有限責任公司)	RMB80,000,000	100%	–	100%	Garbage disposal and sludge residue operation management technical service

14 INTERESTS IN SUBSIDIARIES *(Continued)*

Name of companies[i]	Registered and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Bole Conch Venture Environment Engineering Co., Ltd. (iii) ("BL Environment") (博樂市海創環境工程有限責任公司)	RMB50,000,000	100%	–	100%	Garbage disposal and sludge residue operation management technical service
Lixian Conch Venture Environmental Protection Technology Co., Ltd. (iii) ("LX Environmental Protection") (澧縣海創環保科技有限責任公司)	RMB50,000,000	100%	–	100%	Garbage disposal and sludge residue operation management technical service
Wuhu Conch Venture Environmental Protection Technology Co., Ltd. ("WH Environmental Protection") (蕪湖海創環保科技有限責任公司)	RMB200,000,000	100%	–	100%	Garbage disposal and sludge residue operation management technical service
Huaibei Conch Venture Environment Engineering Co., Ltd. ("HB Environment") (淮北海創環境工程有限責任公司)	RMB10,000,000	100%	–	100%	Garbage disposal and sludge residue operation management technical service
Suzhou Conch Venture Environmental Protection Technology Co., Ltd. ("SZ Environmental Protection") (宿州海創環保科技有限責任公司)	RMB15,000,000	100%	–	100%	Garbage disposal and sludge residue operation management technical service
Huaining Conch Venture Environmental Protection Technology Co., Ltd. ("HN Environmental Protection") (懷寧海創環保科技有限責任公司)	RMB15,000,000	100%	–	100%	Garbage disposal and sludge residue operation management technical service
Yiyang Conch Venture Environmental Protection Technology Co., Ltd. ("YY Environmental Protection") (弋陽海創環保科技有限責任公司)	Register capital: RMB15,000,000 Paid up capital: –	100%	–	100%	Garbage disposal and sludge residue operation management technical service
Hanzhong Yaobai Environmental Protection Technology Engineering Co., Ltd. ("Hanzhong Environmental") (漢中堯柏環保科技工程有限公司)	Register capital: RMB10,000,000 Paid up capital: –	60%	–	60%	Garbage disposal and sludge residue operation management technical service
Guangyuan Conch Venture Environmental Protection Technology Co., Ltd. ("GY Environmental Protection") (廣元海創環保科技有限責任公司)	Register capital: RMB15,000,000 Paid up capital: –	100%	–	100%	Garbage disposal and sludge residue operation management technical service

NOTES TO THE FINANCIAL STATEMENTS

14 INTERESTS IN SUBSIDIARIES *(Continued)*

(i) Except for the Company, Conch Venture BVI, Conch Venture HK and Conch Venture International, 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) Except for Conch Venture BVI, which is incorporated in British Virgin Islands, and Conch Venture HK and Conch Venture International, which are incorporated in Hong Kong, the above entities are incorporated and operated in the PRC.

(iii) The subsidiaries of the Group entered into service concession arrangements with the local government authorities in the PRC (the "grantors"). Pursuant to the service concession arrangements, the Group has to design, construct, operate and maintain waste incineration plants in the PRC for periods ranging from 20 to 30 years. The Group has the obligation to maintain the waste incineration plants in good condition. The grantors guarantee the Group will receive minimum annual payments in connection with the arrangements.

The service concession arrangements do not contain renewal options. The standard rights of the grantors to terminate the agreements include failure of the Group to construct or operate the waste incineration plants and in the event of a material breach of the terms of the agreements. The standard rights of the Group to terminate the agreements include failure to receive payments for solid waste treatment service from the grantors and in the event of a material breach of the terms of the agreements.

Revenue relates to the construction services provided in constructing the waste incineration projects is recognised as "Gross amounts due from customers for contract work" and "Waste incineration project operating rights" in the consolidated financial statements according to accounting policies as set out in Notes 1(m) and 1(h).

14 INTERESTS IN SUBSIDIARIES *(Continued)*

The following table lists out the information relating to CK Engineering and CK Equipment as at 31 December 2015 and 2016, the subsidiaries of the Group which have material non-controlling interest ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

	2016 RMB'000	2015 RMB'000
NCI percentage	**49%**	49%
Current assets	**2,001,707**	1,875,936
Non-current assets	**407,630**	357,728
Current liabilities	**(1,126,715)**	(1,080,388)
Net assets	**1,282,622**	1,153,276
Carrying amount of NCI	**628,485**	565,105
Revenue	**1,381,515**	1,645,310
Profit for the year	**235,803**	258,229
Total comprehensive income	**235,803**	258,229
Profit allocated to NCI	**115,543**	126,532
Dividend paid to NCI	**101,164**	87,527
Cash flows from operating activities	**122,674**	230,152
Cash flows from investing activities	**14,330**	90,121
Cash flows from financing activities	**(199,888)**	(170,558)

15 INTEREST IN AN ASSOCIATE

	2016 RMB'000	2015 RMB'000
Share of net assets	**13,773,335**	12,655,775

The particulars of the associate are as follows:

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

NOTES TO THE FINANCIAL STATEMENTS

15 INTEREST IN AN ASSOCIATE *(Continued)*

The particulars of Conch Holdings' investment holdings as at 31 December 2016 are as follows:

Name of associate	Form of business structure	Place of incorporation and operation	Particulars of issued and paid up capital	Ownership interest held by Conch Holdings	Principal activities
Conch Cement (安徽海螺水泥股份有限公司)	Incorporated	The PRC	5,299,302,579 ordinary shares of RMB1 each	36.78%	Manufacture and sale of cement related products
Wuhu Conch Profiles and Science Co., Ltd. ("Conch Profiles") (蕪湖海螺型材科技股份有限公司)	Incorporated	The PRC	360,000,000 ordinary shares of RMB1 each	32.62%	Manufacture of new chemical and building materials
Anhui Conch Building Materials Design and Research Institute ("Conch Design Institute") (安徽海螺建材設計研究院)	Incorporated	The PRC	RMB60,000,000	100%	Design and contract cement/ light steel construction
Yingde Conch International Hotel Co., Ltd. (英德海螺國際大酒店有限公司)	Incorporated	The PRC	RMB63,800,000	100%	Hotel service
Wuhu Conch International Hotel Co., Ltd. (蕪湖海螺國際大酒店有限公司)	Incorporated	The PRC	RMB168,500,000	100%	Hotel service
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)	Incorporated	The PRC	RMB5,000,000	100%	Computer system design and development

15 INTEREST IN AN ASSOCIATE *(Continued)*

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

	2016 **RMB'000**	2015 RMB'000
Gross amounts of the associate		
Current assets	**1,122,057**	1,198,151
Non-current assets	**29,998,617**	28,069,156
Current liabilities	**(458,528)**	(794,195)
Non-current liabilities	**(2,553,299)**	(2,645,000)
Net assets	**28,108,847**	25,828,112
Revenue	**833,019**	818,687
Profit after tax for the year	**3,131,363**	3,132,189
Other comprehensive income	**(49,729)**	76,863
Total comprehensive income	**3,081,634**	3,209,052
Dividend received from the associate	**392,000**	589,931
Reconciled to the Group's interest in the associate		
Gross amounts of net assets of the associate	**28,108,847**	25,828,112
Group's effective interest	**49%**	49%
Group's share of net assets of the associate	**13,773,335**	12,655,775
Carrying amount in the consolidated financial statements	**13,773,335**	12,655,775

16 INVENTORIES

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

	2016 RMB'000	2015 RMB'000
Raw materials	**55,834**	45,814
Work in progress	**36,600**	39,431
Finished goods	**71,630**	160,871
	164,064	246,116

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

	2016 RMB'000	2015 RMB'000
Carrying amount of inventories sold	**630,083**	824,683
Write-down of inventories	**6,266**	–
	636,349	824,683

17 TRADE AND OTHER RECEIVABLES

	2016 RMB'000	2015 RMB'000
Trade receivables	**629,027**	605,842
Bills receivable	**117,527**	102,129
Less: allowance for doubtful debts (Note 17(b))	**(113,357)**	(108,709)
Trade and bills receivables	**633,197**	599,262
Gross amounts due from customers for construction contract work (Note 17(c))	**50,462**	79,750
Deposits and prepayments	**92,298**	74,494
Other receivables	**50,206**	134,507
Interest receivables	**4,299**	14,980
Amounts due from third parties	**830,462**	902,993
Amounts due from related parties (Note 27(c))	**162,772**	173,328
Current portion of trade and other receivables	**993,234**	1,076,321
Non-current portion of gross amounts due from customers for construction contract work (Note 17(c))	**1,378,572**	790,870
Other receivables to be recovered after one year	**141,122**	–
Non-current portion of trade and other receivables	**1,519,694**	790,870
Total current and non-current trade and other receivables	**2,512,928**	1,867,191

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

As at 31 December 2016, the Group endorsed the undue bills receivable of RMB49,027,000 (2015: RMB176,715,000) to its suppliers to settle trade payables of the same amount and derecognised these bills receivable and the payables to suppliers in their entirety as the Group's management considered that the risks and rewards of ownership of these undue bills have been substantially transferred. The Group's continuous involvement in these derecognised undue bills receivable is limited to when the issuance banks of these undue bills are unable to settle the amounts to the holders of these bills. As at 31 December 2016, the maximum exposure to loss from its continuous involvement represents the amount of bills receivable of RMB49,027,000 (2015: RMB176,715,000) which the Group endorsed to its suppliers. These undue bills receivable were due within 6 months.

NOTES TO THE FINANCIAL STATEMENTS

17 TRADE AND OTHER RECEIVABLES *(Continued)*

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

(a) Ageing analysis

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

	2016 **RMB'000**	2015 RMB'000
Within 1 year	**419,817**	362,518
After 1 year but within 2 years	**71,712**	164,401
After 2 years but within 3 years	**101,001**	63,184
After 3 years but within 5 years	**40,667**	9,159
	633,197	599,262

Details of the Group's credit policy are set out in Note 24(a). The amounts due from related parties are all aged within 1 year.

(b) Impairment of trade receivables and bills receivable

Impairment losses in respect of trade receivables and bills receivable are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables and bills receivable directly (see Note 1(j)(i)).

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

	2016 **RMB'000**	2015 RMB'000
At the beginning of the year	**108,709**	49,994
Impairment losses recognised	**4,648**	58,715
At the end of the year	**113,357**	108,709

The Group's trade and other receivables of RMB25,021,000 was individually determined to be impaired by the management at 31 December 2016 (2015: RMB18,563,000).

17 TRADE AND OTHER RECEIVABLES *(Continued)*

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

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

	2016 RMB'000	2015 RMB'000
Current	**462,999**	442,830
Less than 1 year past due	**89,145**	109,470
1 to 2 years past due	**67,899**	41,611
2 to 3 years past due	**13,154**	5,351
Total amount past due	**170,198**	156,432
	633,197	599,262

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

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

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

(i) Construction contracts

The aggregate amount of costs incurred plus recognised profits less recognised losses to date, included in the gross amount due from customers for contract work at 31 December 2016 is RMB357,950,000 (2015: RMB381,114,000). The gross amounts due from customers for contract work are expected to be recovered upon contract term.

	2016 RMB'000	2015 RMB'000
Contract costs incurred plus recognised profits less anticipated losses	**357,950**	381,114
Less: Progress billings	**(292,364)**	(240,223)
Net contract work	**65,586**	140,891
Representing:		
Gross amounts due from customers for contract work		
— Non-current	**27,334**	67,026
— Current	**38,252**	73,865
	65,586	140,891

NOTES TO THE FINANCIAL STATEMENTS

17 TRADE AND OTHER RECEIVABLES *(Continued)*

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

(ii) BOT arrangement

The aggregate amount of costs incurred plus recognised profits less recognised losses to date, included in the non-current gross amount due from customers for contract work in relation to BOT arrangements was RMB1,373,353,000 at 31 December 2016 (2015: RMB732,160,000). The amounts for BOT arrangements are settled by revenue to be generated during the operating periods of the arrangements.

	2016	2015
	RMB'000	RMB'000
Contract costs incurred plus recognised profits less anticipated losses	**1,373,353**	732,160
Less: Progress billings	**(9,905)**	(2,431)
Net contract work in relation to BOT arrangements	**1,363,448**	729,729
Representing:		
Gross amounts due from customers for contract work in relation to BOT arrangements		
— Non-current	**1,351,238**	723,844
— Current	**12,210**	5,885
	1,363,448	729,729

"Gross amounts due from customers for contract work in relation to BOT arrangements" mainly represent part of the revenue from construction under BOT arrangements and bear interest at rates of ranging primarily from 6.94% to 9.41% per annum for the year ended 31 December 2016 (2015: 6.94% to 9.68%). Among the total of RMB1,363,448,000 (2015: RMB729,729,000), RMB878,472,000 (2015: RMB333,117,000) relates to BOT arrangements with operation already commenced. The amounts for BOT arrangements are not yet due for payment and will be settled by revenue to be generated during the operating periods of the BOT arrangements.

18 NON-CURRENT PREPAYMENTS

The Group entered into an agreement with two other independent third parties to inject capital of RMB90,000,000 into Yaobai Environmental on 1 November 2015 to acquire 60% equity interest of Yaobai Environmental. The first instalment of capital injection paid by the Group of RMB 45,000,000 was recorded as non-current prepayments as at 31 December 2015. Yaobai Environmental became the subsidiary of the Group after the completion of the acquisition on 1 January 2016 (see Note 26).

19 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	2016 **RMB'000**	2015 RMB'000
Bank deposits with maturity within three months	**1,692,001**	1,712,451
Cash at bank and on hand	**473,639**	619,817
	2,165,640	2,332,268

(b) Reconciliation of profit before taxation to cash generated from operations:

	Note	**2016** **RMB'000**	2015 RMB'000
Profit before taxation		**2,281,837**	2,226,710
Adjustments for:			
Depreciation	5(c)	**69,779**	65,408
Amortisation of lease prepayments	5(c)	**4,621**	4,404
Amortisation of intangible assets	5(c)	**3,398**	345
Impairment loss on trade receivables	5(c)	**4,648**	58,715
Write-down of inventories	16(b)	**6,266**	–
Net gain on disposal of property, plant and equipment	4	**(148)**	(475)
Net gain on disposal of financial lease receivables	4	**–**	(2,192)
Net gain on acquisition of a subsidiary	4	**(3,999)**	–
Finance costs	5(a)	**25,225**	38,396
Interest income	4	**(72,913)**	(109,726)
Share of profit of an associate		**(1,533,927)**	(1,539,700)
Operating profit before changes in working capital		**784,787**	741,885
Decrease/(increase) in inventories		**75,786**	(100,457)
Increase in restricted bank deposits		**(16,430)**	(1,745)
Increase in trade and other receivables		**(656,217)**	(554,357)
Increase in trade and other payables		**5,387**	156,994
Cash generated from operations		**193,313**	242,320

NOTES TO THE FINANCIAL STATEMENTS

20 LOANS AND BORROWINGS

	2016 RMB'000	2015 RMB'000
Current		
Bank loans	**59,500**	50,000
Other loans	**333**	–
	59,833	50,000
Non-current		
Bank loans	**532,600**	480,000
Other loans	**2,667**	–
	535,267	480,000
Total	**595,100**	530,000

(i) As at 31 December 2016, loans and borrowings of RMB595,100,000 were denominated in RMB (2015: RMB530,000,000).

As at 31 December 2016, the loans and borrowings were repayable as follows:

	2016 RMB'000	2015 RMB'000
Within one year	**59,833**	50,000
After one year but within two years	**485,833**	–
After two years but within five years	**31,499**	480,000
After five years	**17,935**	–
Total	**595,100**	530,000

(ii) As at 31 December 2016, the loans and borrowings were secured as follows:

	2016 RMB'000	2015 RMB'000
Guaranteed	**64,100**	–
Unsecured	**531,000**	530,000
Total	**595,100**	530,000

As at 31 December 2016, bank loans of the Group amounting to RMB64,100,000 (31 December 2015: nil) were jointly guaranteed by WH Investment, a subsidiary of the Group, and the non-controlling shareholders of XS Environment and YP Environment.

21 TRADE AND OTHER PAYABLES

	2016 RMB'000	2015 RMB'000
Trade payables	**781,891**	669,972
Bills payable	**92,133**	177,965
	874,024	847,937
Receipts in advance	**32,401**	24,863
Other payables and accruals	**169,748**	152,286
Amounts due to third parties	**1,076,173**	1,025,086
Amounts due to related parties (Note 27(c))	**138,357**	147,080
Trade and other payables	**1,214,530**	1,172,166

As at 31 December 2016, certain bills payable were secured by the following assets of the Group.

	2016 RMB'000	2015 RMB'000
Restricted bank deposits	**–**	1,745

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

	2016 RMB'000	2015 RMB'000
Within 1 year	**836,666**	827,421
1 year to 2 years	**31,602**	17,565
2 years to 3 years	**2,922**	2,951
After 3 year but within 5 years	**2,834**	–
	874,024	847,937

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

NOTES TO THE FINANCIAL STATEMENTS

22 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Income tax payable in the consolidated statement of financial position represent:

	2016 RMB'000	2015 RMB'000
Balance at beginning of the year	**48,149**	39,365
Provision for current income tax for the year (Note 6(a))	**155,686**	186,084
Payments during the year	**(146,982)**	(177,300)
Balance at the end of the year	**56,853**	48,149

(b) Deferred tax assets and liabilities recognised:

(i) Deferred tax assets recognised:

The components of deferred tax assets recognised in the consolidated statement of financial position and the movements during the years are as follows:

	Unrealised profit upon elimination RMB'000	Impairment losses on trade receivables and inventory RMB'000	Tax losses carried forward RMB'000	Total RMB'000
Deferred tax assets arising from:				
At 1 January 2015	34,180	11,930	54	46,164
Credited/(charged) to profit or loss	4,818	14,421	(54)	19,185
At 31 December 2015 and 1 January 2016	38,998	26,351	–	65,349
(Charged)/credited to profit or loss	(1,308)	2,592	–	1,284
At 31 December 2016	37,690	28,943	–	66,633

22 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

(b) Deferred tax assets and liabilities recognised: *(Continued)*

(ii) Deferred tax liabilities not recognised:

The PRC income tax law and its relevant regulations impose a withholding tax at 10%, unless reduced by a tax treaty/arrangement, for dividend distributions out of earnings accumulated beginning on or after 1 January 2008. Undistributed earnings generated prior to 1 January 2008 are exempt from such withholding tax. The Group has not recognised deferred tax liabilities as at 31 December 2016 in respect of undistributed earnings of RMB13,570,026,000 of PRC subsidiaries (2015: RMB11,654,518,000) because it is probable that they will not be distributable to the holding company outside the PRC in the foreseeable future.

23 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Note	Share capital RMB'000 Note23(c)	Share premium RMB'000 Note23(d)(i)	Accumulated losses RMB'000	Total equity RMB'000
Balance at 1 January 2015		14,347	2,790,059	(41,728)	2,762,678
Loss for the year		–	–	(9,965)	(9,965)
Dividends approved in respect of the previous year		–	(577,204)	–	(577,204)
Balance at 31 December 2015 and 1 January 2016	28	**14,347**	**2,212,855**	**(51,693)**	**2,175,509**
Loss for the year		**–**	**–**	**(571)**	**(571)**
Dividends approved in respect of the previous year		**–**	**(467,374)**	**–**	**(467,374)**
Balance at 31 December 2016	28	**14,347**	**1,745,481**	**(52,264)**	**1,707,564**

NOTES TO THE FINANCIAL STATEMENTS

23 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(b) Dividends

Pursuant to a resolution passed at the Directors' meeting on 24 March 2017, a final dividend of HKD0.30 (2015: HKD0.30) per ordinary share totalling HKD541,425,000 (equivalent to approximately RMB481,543,000; 2015: RMB467,374,000) was proposed for shareholders' approval. The dividend has not been provided for in the consolidated financial statements for the year ended 31 December 2016.

(i) Dividends payable to equity shareholders of the company attributable to the year

	2016 RMB'000	2015 RMB'000
Final dividend proposed after the end of the reporting period of HKD0.30 per ordinary share (2015: HKD0.30 per ordinary share)	**481,543**	467,374

(ii) Dividends payable to equity shareholders of the company attributable to the previous financial year, approved and paid during the year

	2016 RMB'000	2015 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HKD0.30 per ordinary share (2015: HKD0.40 per ordinary share)	**467,374**	577,204

(c) Share capital

Authorised and issued share capital

	No. of shares ('000)	**Amount** HKD'000
Authorised:		
Ordinary shares of HKD0.01 each at 31 December 2016 and 2015	15,000,000	150,000

		Amount	
	No. of shares ('000)	HKD'000	**Equivalent to** RMB'000
Issued and fully paid:			
At 31 December 2016 and 2015	1,804,750	18,048	14,347

23 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(d) Nature and purpose of reserves

(i) Share premium and distributability of reserves

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

The aggregated amount of distributable reserves, including share premium but after offsetting the accumulated losses, of the Company as at 31 December 2016 was RMB 1,693,217,000 (2015: RMB2,161,162,000).

(ii) Capital reserve

Capital reserves as at 31 December 2015 and 2016 represent the share of non-distributable reserves of an associate at the respective dates.

(iii) PRC statutory reserves

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

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

(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 gearing ratio. The Group defines gearing ratio as total liabilities divided by total assets.

The Group's strategy was to maintain the gearing ratio at a reasonable level. The Group's gearing ratio as at 31 December 2016 and 2015 was 9.2% and 9.5%.

NOTES TO THE FINANCIAL STATEMENTS

23 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(d) Nature and purpose of reserves *(Continued)*

(iv) Capital risk management *(Continued)*

	2016 RMB'000	2015 RMB'000
Total liabilities	**1,866,483**	1,750,315
Total assets	**20,213,073**	18,499,709
Gearing ratio	**9.2%**	9.5%

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

24 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

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.

In respect of trade and other receivables, 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. Debtors with balances that are more than 30 days past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

In addition, the Group has gross amounts due from customers for construction contracts work and BOT arrangements. The Group does not obtain collateral from customers. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables and gross amounts due from customers for construction contract work are set out in Note 17.

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

(a) Credit risk *(Continued)*

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. At the end of the reporting period, 6% (2015: 9%) and 27% (2015: 26%) of the total trade and other receivables were due from the Group's largest customer and the five largest customers respectively. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statements of financial position.

The Group does not provide any other guarantees to third parties which would expose the Group to credit risk.

(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:

NOTES TO THE FINANCIAL STATEMENTS

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

(b) Liquidity risk *(Continued)*

	At 31 December 2016					
	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	**84,217**	**500,116**	**35,836**	**18,528**	**638,697**	**595,100**
Trade and other payables	**1,214,530**	**–**	**–**	**–**	**1,214,530**	**1,214,530**
	1,298,747	**500,116**	**35,836**	**18,528**	**1,853,227**	**1,809,630**

	At 31 December 2015					
	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	75,274	22,428	486,809	–	584,511	530,000
Trade and other payables	1,172,166	–	–	–	1,172,166	1,172,166
	1,247,440	22,428	486,809	–	1,756,677	1,702,166

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

(c) Interest rate risk

(i) Interest rate profile

The Group's interest rate risk arises primarily from loans and borrowings. 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 and interest-bearing borrowings, and their interest rates as at 31 December 2016 and 2015 are set out as follows:

	2016		2015	
	Interest rate %	**RMB'000**	Interest rate %	RMB'000
Fixed rate:				
Bank deposits with maturity within three months	**1.43%–4.00%**	**1,692,001**	1.10%–3.65%	1,712,451
Loans and borrowings	**1.2%**	**(3,000)**	–	–
		1,689,001		1,712,451
Variable rate:				
Cash at bank and on hand	**0.30%–1.61%**	**473,639**	0.35%–1.50%	619,817
Restricted bank deposits	**1.35%**	**18,175**	0.35%	1,745
Loans and borrowings	**3.87%–4.41%**	**(592,100)**	3.92%–4.28%	(530,000)
		(100,286)		91,562

(ii) Sensitivity analysis

At 31 December 2016, it is estimated that a general increase/decrease of 25 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately RMB190,000 (2015: increased/decreased the Group's profit after tax and retained profits by approximately RMB192,000).

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

(c) Interest rate risk *(Continued)*

(ii) Sensitivity analysis *(Continued)*

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after tax (and retained profits) and other components of consolidated equity is estimated as an annualised impact on interest expenses or income of such changes in interest rates. The analysis is performed on the same basis for 2015.

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currency giving rise to this risk is primarily United States dollars, Hongkong dollars and Japanese Yen. The Group manages this risk as follows:

(i) Recognised assets and liabilities

In respect of trade receivables and payables denominated in foreign currencies, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

(ii) Exposure to currency risk

The following table details the Group's exposure at the end of each of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the year end date.

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

(d) Currency risk *(Continued)*

(ii) Exposure to currency risk *(Continued)*

	At 31 December 2016			
	USD RMB'000	**HKD RMB'000**	**JPY RMB'000**	**Total RMB'000**
Trade and other receivables	**35,159**	**1,003**	**–**	**36,162**
Trade and other payables	**(11,484)**	**–**	**–**	**(11,484)**
Cash and cash equivalents	**32,902**	**957**	**–**	**33,859**
Net exposure arising from — recognised assets and liabilities	**56,577**	**1,960**	**–**	**58,537**

	At 31 December 2015			
	USD RMB'000	HKD RMB'000	JPY RMB'000	Total RMB'000
Trade and other receivables	44,818	577	–	45,395
Trade and other payables	–	(496)	–	(496)
Cash and cash equivalents	3,043	1,332	160	4,535
Net exposure arising from — recognised assets and liabilities	47,861	1,413	160	49,434

NOTES TO THE FINANCIAL STATEMENTS

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

(d) Currency risk *(Continued)*

(iii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax and retained profits and other components of consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure as at 31 December 2015 and 2016 has changed at those dates, assuming all other risk variables remained constant.

	2016		2015	
	Increase in foreign exchange rate	**Increase in profit after tax and retained earnings RMB'000**	Increase in foreign exchange rate	Increase in profit after tax and retained earnings RMB'000
USD	**1%**	**428**	1%	361
HKD	**1%**	**17**	1%	12
JPY	**1%**	**–**	1%	1
		445		374

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translating into RMB at the exchange rate ruling at the end of the reporting period for presentation purpose.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting periods. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2015.

(e) Fair values

The carrying amounts of gross amounts due from customers for BOT arrangement approximate their fair values which are determined based on the discounted cash flow approach. The estimated cash flows are based on the management's best estimates and the discount rate is market-related rate for a similar instrument at the balance sheet date.

All other financial assets and liabilities carried at cost or amortised cost are not materially different from their fair values as at 31 December 2016 and 2015.

25 COMMITMENTS

(a) Purchase commitments

At 31 December 2016, the Group had outstanding purchase commitments related to BOT construction contracts and capital commitments not provided for in the consolidated financial statements were as follows:

	2016 **RMB'000**	2015 RMB'000
Contracted for	**566,772**	209,427
Authorised but not contracted for	**980,140**	846,320
	1,546,912	1,055,747

(b) Operating lease commitments

As at 31 December 2016, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2016 **RMB'000**	2015 RMB'000
Within one year	**6,538**	6,682
After 1 year but within 2 years	**4,971**	6,616
Above 2 years	**–**	5,084
	11,509	18,382

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

NOTES TO THE FINANCIAL STATEMENTS

26 ACQUISITION OF A SUBSIDIARY

On 1 January 2016, the Group acquired 60% of equity interests of Yaobai Environmental with the consideration of RMB 90,000,000 through capital injection, in order to develop a business line for the treatment of hazardous and solid waste.

The fair value of the identifiable assets and liabilities of Yaobai Environmental as at the date of acquisition was as below:

	At 1 January 2016 Fair value recognised on acquisition RMB'000
Property, plant and equipment	**39,607**
Trade and other receivables	**79,849**
Cash and cash equivalents	**40,097**
Trade and other payables	**(2,888)**
Total identifiable net assets	**156,665**
Less: non-controlling interests, based on their proportionate interest in the total identifiable net assets acquired	**(62,666)**
Total identifiable net assets acquired by the Group	**93,999**
Total cash consideration through capital injection	**(90,000)**
Net gain from acquisition of a subsidiary (Note 4)	**3,999**

The net gain from acquisition of a subsidiary represents the excess of the net fair value of the acquiree's identifiable net assets as at the acquisition date over the fair value of the consideration to be transferred, and has been recognised immediately in profit or loss.

For the year ended 31 December 2016, Yaobai Environmental contributed revenue of RMB 61,975,000 and net profit of RMB47,657,000 to the Group's results.

27 MATERIAL RELATED PARTY TRANSACTIONS

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

Name of party (i)	Relationship
Anhui Conch Venture Investment Co., Ltd. ("CV Investment") (ii) 安徽海螺創業投資有限責任公司	Fellow subsidiary and then equity holder
Kawasaki Heavy Industry Ltd. ("Kawasaki HI") 川崎重工業株式會社	Investor of CK Engineering and CK Equipment
Conch Cement 安徽海螺水泥股份有限公司	Associate of Conch Holdings
Conch Profiles 蕪湖海螺型材科技股份有限公司	Associate of Conch Holdings
Shanghai Conch International Investment Development Co., Ltd. ("Conch IID Shanghai") (ii) 上海海螺國際投資發展有限公司	Subsidiary of CV Investment
Wuhu Conch Venture Property Management Co., Ltd. ("Conch Property Management") (ii) 蕪湖海螺物業管理有限公司	Subsidiary of CV Investment
Wuhu Conch Thermal Power Engineering Co., Ltd. ("CTPE") (ii) 蕪湖海螺熱能工程有限責任公司	Subsidiary of CV Investment
Conch Holdings 安徽海螺集團有限責任公司	Associate of the Company
Conch Design Institute 安徽海螺建材設計研究院	Subsidiary of Conch Holdings
Conch IT Engineering 安徽海螺信息技術工程有限責任公司	Subsidiary of Conch Design Institute
Anhui Conch Kawasaki Equipment Manufacturing Co., Ltd. ("CKEM") 安徽海螺川崎裝備製造有限公司	Joint venture of Conch Cement and Kawasaki HI

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

(ii) Due to the change of equity shareholders of the Group, CV Investment and its subsidiaries ceased to be related parties of the Group since 19 June 2015.

NOTES TO THE FINANCIAL STATEMENTS

27 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 8 is as follows:

	2016 **RMB'000**	2015 RMB'000
Short-term employee benefits	**2,820**	3,052
Post-employment benefits	**58**	53
	2,878	3,105

(b) Significant related party transactions

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

	2016 **RMB'000**	2015 RMB'000
Sales of goods to:		
Conch Cement	**386,243**	261,917
Kawasaki HI	**791**	184,698
Conch Design Institute	**16,190**	70,576
CKEM	**1,416**	2,043
Conch Holdings	**5**	218
Conch Profiles	**174**	189
CV Investment	**–**	7
	404,819	519,648

	2016 **RMB'000**	2015 RMB'000
Service rendered to:		
Conch Cement	**47,586**	77,453
CKEM	**600**	375
Kawasaki HI	**–**	98
Conch Profiles	**–**	8
	48,186	77,934

27 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

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

	2016 **RMB'000**	2015 RMB'000
Purchase of goods from:		
Conch Cement	**10,497**	9,616
Conch IT Engineering	**13,182**	19,083
Kawasaki HI	**223**	23
Conch IID Shanghai	**–**	27,499
CKEM	**13,661**	16,613
Conch Profiles	**43**	415
	37,606	73,249

	2016 **RMB'000**	2015 RMB'000
Services received from:		
Conch Cement	**18,766**	3,351
Conch Design Institute	**5,672**	8,294
Conch IT Engineering	**2,248**	2,574
Conch IID Shanghai	**–**	1,379
CV Investment	**–**	1,043
Kawasaki HI	**2,922**	5,235
Conch Property Management	**–**	1,139
CKEM	**33**	42
CTPE	**–**	758
Conch Holdings	**46**	10
	29,687	23,825

The directors of the Company are of the opinion that the above related party transactions were conducted on normal commercial terms and were priced with reference to prevailing market prices, and in the ordinary course of business.

NOTES TO THE FINANCIAL STATEMENTS

27 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(c) Balances with related parties

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

	2016 RMB'000	2015 RMB'000
Amounts due from		
Conch Cement	**111,820**	120,353
CKEM	**545**	352
Kawasaki HI	**24,096**	25,844
Conch Design Institute	**26,311**	26,654
Conch Holdings	**–**	14
Conch Profiles	**–**	111
	162,772	173,328

	2016 RMB'000	2015 RMB'000
Amounts due to		
Conch Cement	**101,027**	133,593
Kawasaki HI	**6,483**	–
Conch IT Engineering	**7,358**	8,185
CKEM	**5,093**	5,220
Conch Design Institute	**14,764**	73
Conch Profiles	**670**	9
Conch Holdings	**2,962**	–
	138,357	147,080

Amounts due from/to related parties are unsecured, non-interest bearing, and are repayable on demand or in accordance with contractual terms which are similar to those terms offered to/by third parties.

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

The related party transactions in respect of Kawasaki HI and CKEM 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 "Continuing connected transactions" of the Report of the Directors.

28 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2016 RMB'000	2015 RMB'000
Non-current assets			
Interests in a subsidiary		**678,880**	678,880
Current assets			
Trade and other receivables		**1,011,024**	1,456,371
Cash and cash equivalents		**17,806**	41,653
		1,028,830	1,498,024
Current liabilities			
Trade and other payables		**146**	1,395
Net current assets		**1,028,684**	1,496,629
Net assets		**1,707,564**	2,175,509
Capital and reserves	23(a)		
Share capital		**14,347**	14,347
Reserves		**1,693,217**	2,161,162
Total equity		**1,707,564**	2,175,509

29 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(i) Subsequent to the end of reporting period, the directors proposed a final dividend. Further details are disclosed in Note 23(b).

NOTES TO THE FINANCIAL STATEMENTS

30 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016

Up to the date of issue of these financial statements, the IASB has issued a few of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2016 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group:

	Effective for accounting periods beginning on or after
Amendments to IAS 12, Income taxes: "Recognition of deferred tax assets for unrealised losses"	1 January 2017
Amendments to IAS 7, Statement of cash flows: "Disclosure initiative"	1 January 2017
Amendments to IFRS 2, Share-based payment: "Classification and measurement of share-based payment transactions"	1 January 2018
Amendments to IFRS 4, Insurance contracts: "Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts"	1 January 2018
IFRS 9, Financial Instruments	1 January 2018
IFRS 15, Revenue from contracts with customers	1 January 2018
IFRS 16, Leases	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments 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 Group's results of operations and financial position, except for the following.

IFRS 9 Financial Instruments

IFRS 9 replaces the existing guidance in IAS 39 Financial instruments: Recognition and measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

30 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016 *(Continued)*

IFRS 15 Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction contracts and IFRIC 13 Customer Loyalty Programs. It also includes guidance on when to capitalize costs of obtaining or fulfilling a contract not otherwise addressed in other standards, and includes expanded disclosure requirements.

IFRS 16 Leases

IFRS 16 provides comprehensive guidance for the identification of lease arrangements and their treatment by lessees and lessors. In particular, IFRS 16 introduces a single lessee accounting model, whereby assets and liabilities are recognized for all leases, subject to limited exceptions. It replaces IAS 17 Leases and the related interpretations including IFRIC 4 Determining whether an arrangement contains a lease.

The Group does not plan to early adopt the above new standards or amendments. With respect to IFRSs 9, 15 and 16, given the Group has not completed its assessment of their full impact on the Group financial statements, their possible impact on the Group's results of operations and financial position has not been quantified.