中國海螺環保控股有限公司

China Conch Environment Protection Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 587

CONCH VENTURE

海螺环保

Listing by way of Introduction

Joint Sponsors

CICC 中金公司

滙豐 HSBC

IMPORTANT

If you are in any doubt about the contents of this listing document, you should obtain independent professional advice.

CONCH VENTURE
海螺环保

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LISTING BY WAY OF INTRODUCTION ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Joint Sponsors

CICC 中金公司 滙豐 HSBC

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This listing document is published in connection with the listing by way of introduction on the Main Board of The Stock Exchange of Hong Kong Limited of the Shares of China Conch Environment Protection Holdings Limited. This listing document contains particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) for the purpose of giving information with regard to our Company and subsidiaries.

This listing document does not constitute an offer of, nor is it calculated to invite offers for, Shares or other securities of our Company, nor have any such Shares or other securities been allotted with a view to any of them being offered for sale to or subscription by members of the public. No new Shares will be allotted to and issued in connection with, or pursuant to, this listing document.

The Shares have not been registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") or securities laws of any state in the United States, and may not be offered or sold within the United States without registration under the Securities Act, or except pursuant to an applicable exemption from, or in a transaction not subject to the registration requirements of the Securities Act and securities laws of any state in the United States. There will be no public offering of securities in the United States. **Neither the U.S. Securities and Exchange Commission nor any other U.S. federal or state securities commission or regulatory authority has approved or disapproved of the Shares or passed an opinion on the adequacy of this listing document. Any representation to the contrary is a criminal offence in the United States.**

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this listing document, including the risk factors set out in "Risk Factors" in this listing document. Information regarding the proposed arrangements for the listing of, and dealings and settlement of dealings in, our Shares following the Introduction is set out in "Listings, Registration, Dealings and Settlement" in this listing document.

March 22, 2022

EXPECTED TIMETABLE[1]

If there is any change to the following expected timetable of the Introduction, we will issue an announcement to be published on the websites of our Company ***www.conchhuanbao.com*** *and the Hong Kong Stock Exchange (****www.hkexnews.hk****).*

Last day of dealings in Conch Venture Shares on a cum entitlement basis	Friday, March 18, 2022
First day of dealings in Conch Venture Shares on an ex entitlement basis	Monday, March 21, 2022
Latest time for lodging transfers of Conch Venture Shares to qualify for entitlement to the Shares pursuant to the Conch Venture Distribution	Tuesday, March 22, 2022
Register of members of Conch Venture closes on	Wednesday, March 23, 2022
Record Date	Wednesday, March 23, 2022
Register of members of Conch Venture re-opens on	Thursday, March 24, 2022
Despatch of share certificates for the Shares[2] on	Tuesday, March 29, 2022
Dealings in the Shares on the Stock Exchange expected to commence at 9:00 a.m. on	Wednesday, March 30, 2022

Notes:

(1) All dates and times refer to Hong Kong local time, unless otherwise stated.

(2) The share certificates of the Shares are expected to be despatched to the Qualifying Conch Venture Shareholders on Tuesday, March 29, 2022. If the Conch Venture Distribution does not become unconditional, the share certificates of the Shares will not become valid and dealings in the Shares on the Stock Exchange will not commence on Wednesday, March 30, 2022.

If there is any change in the expected timetable or if the Listing does not proceed, our Company will make an announcement as soon as practicable thereafter. Any persons who deal in the Shares prior to the receipt of the share certificates of the Shares or prior to such share certificates becoming valid do so entirely at their own risk.

CONTENTS

IMPORTANT NOTICE

You should rely only on the information contained in this listing document to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this listing document. Any information or representation not made in this listing document must not be relied on by you as having been authorized by us, our Directors, our Joint Sponsors, any of their respective directors or any other persons or parties involved in the Introduction.

CONTENTS

Page

This summary aims to give you an overview of the information contained in this listing document. As this is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this listing document. You should read the whole listing document including the appendices hereto, which constitute an integral part of this listing document.

OVERVIEW

We are a leading player providing the eco-friendly and cost-efficient treatment of industrial solid and hazardous waste in China. We headquarter in Wuhu, Anhui province with service coverage of more than 20 provinces in China, including Shaanxi, Henan, Hunan, Shandong, among others. We pioneered the use of cement kiln waste treatment services to facilitate the safe, harmless and efficient treatment of industrial solid and hazardous waste and were ranked as the largest cement kiln waste treatment service provider in terms of revenue in China in 2020.

According to Frost & Sullivan, the solid waste treatment industry in China can be divided into three main segments, namely the industrial solid waste, hazardous waste and municipal solid waste treatment. We provide industrial solid and hazardous waste treatment primarily using cement kiln waste treatment technologies. We were the largest cement kiln waste treatment service provider in terms of revenue in China in 2020. In addition, we were also the largest industrial solid and hazardous waste treatment service provider using cement kiln waste treatment technologies in China in 2020 in terms of (i) treatment capacity in operation, representing approximately 21.7% of the total market share; and (ii) treatment volume, representing approximately 31.1% of the total market share.

Cement kiln waste treatment technologies use cement kiln to co-process waste during the cement production process and is the fastest-growing segment in the hazardous waste treatment industry in terms of treatment capacity and revenue. There are four major waste treatment methods in China, comprising landfill, traditional incineration, cement kiln waste treatment and resource utilization. According to Frost & Sullivan, in comparison with traditional incineration treatment, which produces harmful emission and solid residues and requires further treatment, cement kiln waste treatment can effectively eliminate these pollutants. At the same time, waste materials can be used as an alternative fuel and residues can be reused as raw materials for cement production. Cement kiln waste treatment projects also require lower operation expenditure and capital expenditure, according to Frost & Sullivan. We pioneered the use of cement kiln waste treatment technologies to offer services in the solid and hazardous waste treatment industry in China to facilitate industry upgrade towards safe, harmless and efficient treatment. By leveraging the eco-friendly and cost-efficient cement kiln waste treatment technologies, we were able to increase our revenue significantly from RMB396.7 million in 2018 to RMB737.8 million in 2019 and further to RMB1,144.0 million in 2020. Our revenue also increased from RMB717.6 million in the nine months ended September 30, 2020 to RMB1,194.4 million in the nine months ended September 30, 2021. We believe we are well positioned to capture expected growth in this industry. According to Frost & Sullivan, total treatment revenue of the PRC cement kiln waste treatment services market is expected to increase at a CAGR of 20.3% from RMB4.8 billion in 2020 to RMB12.1 billion in 2025.

The Advantages of Cement Kiln Waste Treatment Technologies

According to Frost & Sullivan, the operating parameters of projects utilizing cement kiln waste treatment technologies are significantly better than those of traditional incineration and landfill in terms of emissions, residues and investment cost. For example, (i) in terms of emission, while traditional incineration produces harmful emission (e.g. emission of Dioxin <0.51 TEG-ng/Nm^3) and requires further treatment, cement kiln waste treatment nearly produces no harmful emission (e.g. emission of Dioxin <0.1 TEG-ng/Nm^3); (ii) in terms of residues, while fly ash would be generated during traditional incineration and landfill leachate would be generated during landfill which both require further treatment, nearly no harmful solid residues are generated during cement kiln waste treatment; and (iii) in terms of investment cost, the investment cost for traditional incineration and landfill projects is higher than that of cement kiln waste treatment projects with the same annual treatment capacity. See "Industry Overview — The PRC Hazardous Waste Treatment Market — Disposal Methods" and "Business — Our Competitive Strengths — We possess leading, eco-friendly cement kiln waste treatment technologies and strong research and development capabilities, enabling us to deliver comprehensive services" for details.

Our Waste Treatment Process

We have established a systematic waste treatment process. Specifically, we (i) collect and transport waste to our waste treatment facilities; (ii) conduct sample testing to ascertain the composition of the collected waste and label and store appropriate waste at our storage pit; (iii) pre-treat waste and design compatibility plans to ensure safe and efficient cement kiln incineration; and (iv) incinerate the pre-treated waste in the cement kilns (which are owned by the cement company suppliers) at a maximum temperature of 1,200 degrees Celsius to substantially eliminate hazardous materials, emissions and residues. See "Business — Our Business — Our Cement Kiln Waste Treatment Solutions — Industrial Solid Waste and Hazardous Waste" for details.

We have established strategic and mutually beneficial relationships with leading companies possessing abundant cement kiln resources. Benefitting from the nationwide cement production networks of our partners, we were able to establish our national waste treatment presence in more than 20 provinces across China. Our industrial solid and hazardous waste treatment capacity increased during the Track Record Period:

	Years ended December 31,			Nine months ended September 30,
	2018	2019	2020	2021
	(in thousand tonnes)			
Industrial solid waste treatment capacity in operation	275.0	350.0	640.0	970.0
Industrial solid waste treatment capacity under construction and signed to be launched	200.0	1,150.0	1,231.5	1,167.5
Industrial hazardous waste treatment capacity in operation(1)	611.6	1,194.0	1,948.1	2,454.8
Industrial hazardous waste treatment capacity under construction and signed to be launched(2)	N/A	N/A	N/A	N/A

(1) Treatment capacity of industrial hazardous waste treatment projects is the maximum amount of annual treatment capacity specified by the local ecology and environment authorities in the Operation License of Hazardous Waste.

(2) The Operation License of Hazardous Waste is required to be obtained before the relevant projects are put into use. For industrial hazardous waste treatment projects which were under construction and signed to be launched, we were not required to obtain such license and therefore the treatment capacity of such projects were not applicable.

The table below sets forth our treatment capacity utilization rate during the Track Record Period.

	Year ended December 31,			Nine months ended September 30,
	2018	**2019**	**2020**	**2021**
Industrial solid waste	98.0%	115.4%(1)	197.7%(2)	166.2%(5)
Industrial hazardous waste(3)(4)	33.4%	37.3%	37.0%	41.3%(5)

(1) Our industrial solid waste treatment volume in 2019 exceeded our industrial solid waste treatment capacity as we treated a portion of industrial solid waste utilizing the spare treatment capacity of our industrial hazardous waste projects. To the best knowledge of our Directors and as advised by our PRC Legal Adviser, no existing mandatory or prohibitive laws or regulations in China prohibit utilizing the spare treatment capacity of industrial hazardous waste projects for industrial solid waste treatment.

(2) Our industrial solid waste treatment volume in 2020 exceeded our industrial solid waste treatment capacity as we (i) provided emergency sludge treatment services for a state-owned industrial company, which were exempted from the limitation of industrial solid waste treatment capacity pursuant to the relevant policies; and (ii) treated a portion of industrial solid waste utilizing the spare treatment capacity of our industrial hazardous waste projects. To the best knowledge of our Directors and as advised by our PRC Legal Adviser, no existing mandatory or prohibitive laws or regulations in China prohibit utilizing the spare treatment capacity of industrial hazardous waste projects for industrial solid waste treatment.

(3) The treatment capacity utilization rate of industrial hazardous waste is calculated by dividing the treatment volume in each period by the average treatment capacity as of the beginning and end of each year/period. In calculating the average treatment capacity of industrial hazardous waste, we included cement kiln waste treatment projects which were controlled by us and excluded projects which were put into operation in the last month of each period considering that it typically took time to procure customers for newly-established project.

(4) For purposes of illustration, the adjusted industrial hazardous waste treatment capacity in 2018, 2019 and 2020 and the nine months ended September 30, 2021 was 57.5%, 47.9%, 71.6% and 70.6%, respectively. Our adjusted industrial hazardous waste treatment capacity (using the total treatment volume of (a) the industrial solid waste which was treated using the spare treatment capacity of our industrial hazardous waste projects and (b) the industrial hazardous waste in each year/period, and divided by the average designed treatment capacity of industrial hazardous waste as of the beginning and end of each year/period. Designed treatment capacity is used as the denominator as the industrial solid waste which was treated using the spare treatment capacity of our industrial hazardous waste projects is not subject to the limit of the relevant Operation License of Hazardous Waste.

(5) Treatment capacity utilization rate in the nine months ended September 30, 2021 has been annualized by 4/3. Accordingly, the annualized treatment capacity utilization rate may not be indicative of that for the full year ending December 31, 2021. Investors are cautioned not to place any undue reliance on such data.

The table below sets forth the movement of our industrial solid and hazardous waste treatment projects in operation, under construction and signed to be launched during the Track Record Period. For purposes of calculating the below movements, the same project in different phases are deemed as one project.

Projects in operation

	Year ended December 31,			Nine months ended September 30,
	2018	2019	2020	2021
At the beginning of the period	7	11	18	30
— Add[1]	4	7[2]	13[3]	11[5]
— Less	—	—	1[4]	—
At the end of the period	11	18	30	41

Projects under construction

	Year ended December 31,			Nine months ended September 30,
	2018	2019	2020	2021
At the beginning of the period	5	8	13	19
— Add	7	10	16	4
— Less[6]	4	5	10	10
At the end of the period	8	13	19	13

Projects signed to be launched

	Year ended December 31,			Nine months ended September 30,
	2018	2019	2020	2021
At the beginning of the period	5	2	22	29
— Add	2	21	22	13
— Less[7]	5[8]	1	15	4
At the end of the period	2	22	29	38

Notes:

(1) Positive movements in projects in operation reflect the changes in the number of projects which were under construction or signed to be launched in the previous periods and put into operation in such period, unless otherwise indicated.

(2) The positive movements in projects in operation in 2019 included two projects we invested in.

(3) The positive movements in projects in operation in 2020 included Shaanxi Bangda, an oil sludge treatment project company which we acquired from an Independent Third Party.

(4) The negative movements in projects in operation in 2020 refer to one project which we ceased operation in 2020 ("Ceased Project") because the cement plant based on which the Ceased Project was built ceased operations. Another project of us located in the same province proactively negotiated and entered into new contracts with the customers of the Ceased Project. As confirmed by our Directors, we were not liable for any liabilities incurred in connection with the Ceased Project and our business and financial position were not adversely and materially affected.

(5) The positive movements in projects in operation in the nine months ended September 30, 2021 included Binzhou Huabin Jucheng Environmental Protection Technology Co., Ltd. ("Huabin Jucheng Environmental"), an oil sludge treatment project company we acquired from an Independent Third Party.

(6) Negative movements in projects under construction reflect the changes in the number of projects which were under construction in the previous periods and put into operation in such period.

(7) Negative movements in projects signed to be launched reflect the changes in the number of projects which were signed to be launched in the previous periods and put into operation or under construction in such period, unless otherwise indicated.

(8) The negative movements in projects signed to be launched include one project which was signed to be launched in the previous periods but terminated in 2018 due to our commercial considerations.

We continue to focus on enhancing our market development, strengthening operational standards, expanding the channels for input of waste and increasing our market share. As of September 30, 2021, we operated a total of 11 industrial solid waste treatment solution projects and 30 industrial hazardous waste treatment solution projects, respectively. As of the same date, we had two industrial solid waste treatment solution projects under construction with total expected treatment capacity of 116,000 tonnes and nine industrial solid waste treatment projects signed to be launched with total expected treatment capacity of 1,051,500 tonnes, and 40 industrial hazardous waste treatment solution projects under construction or signed to be launched. As of the same date, our industrial solid waste treatment capacity in operation was 1.0 million tonnes and our industrial solid waste treatment capacity under construction and signed to be launched was 1.2 million tonnes. As of the same date, our industrial hazardous waste treatment capacity in operation was 2.5 million tonnes.

Our increasing treatment capacity allows us to establish a diversified and high-quality customer base. Our industrial solid waste treatment volume increased at a CAGR of 90.5% from 0.3 million tonnes in 2018 to 1.0 million tonnes in 2020, and our industrial hazardous waste treatment volume increased at a CAGR of 78.5% from 0.1 million tonnes in 2018 to 0.4 million tonnes in 2020. Our industrial solid waste treatment volume increased by 80.2% from 0.6 million tonnes in the nine months ended September 30, 2020 to 1.0 million tonnes in the nine months ended September 30, 2021 and our industrial hazardous waste treatment volume also increased by 95.8% from 0.3 million tonnes in the nine months ended September 30, 2020 to 0.6 million tonnes in the nine months ended September 30, 2021. As a result, our revenue generated from industrial solid waste treatment increased from RMB85.9

million in 2018 to RMB309.9 million in 2020, and that generated from industrial hazardous waste treatment also increased from RMB310.8 million in 2018 to RMB834.1 million in 2020. Our revenue generated from industrial solid waste treatment increased from RMB175.1 million in the nine months ended September 30, 2020 to RMB309.5 million in the nine months ended September 30, 2021 and our revenue generated from industrial hazardous waste treatment also increased from RMB542.5 million in the nine months ended September 30, 2020 to RMB884.8 million in the nine months ended September 30, 2021.

We embrace emerging technologies to meet changing industry needs and strive to further develop our technologies to continuously meet our customers' changing waste treatment needs. For example, we have developed and tailored a thermally-induced pyrolysis desorption process for oil sludge and a multi-step water-washing treatment process for fly ash. We generated revenue of RMB68.4 million and RMB87.7 million, respectively, from oil sludge treatment in 2020 and the nine months ended September 30, 2021 and RMB38.1 million from fly ash treatment in the nine months ended September 30, 2021. We believe our advanced technologies and efforts on research and development will enable us to continually maintain our industry leading position and capture future market opportunities.

OUR VISION

Our vision is to become China's largest and world-leading environmental protection group focusing on the comprehensive treatment and utilization of industrial solid and hazardous waste.

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths are the key to our success and will continue to enable us to compete effectively and capitalize on future growth opportunities:

- We are the largest service provider focusing on the comprehensive treatment of industrial hazardous waste;
- We possess leading, eco-friendly cement kiln waste treatment technologies and strong research and development capabilities, enabling us to deliver comprehensive services;
- Benefiting from our strategic partners' abundant cement kiln resources, we enjoy unique strategic advantages;
- We have established a strong nationwide service network serving a diversified and quality customer base;
- We have delivered strong and resilient financial performance supported by our increasing treatment capacity and project operation capabilities; and
- We have a visionary and experienced management team with strong execution capabilities.

For details, see "Business — Our Competitive Strengths."

OUR STRATEGIES

We plan to further strengthen our leading position as a cement kiln waste treatment service provider by implementing the following business strategies:

- Continue to increase our treatment capacity, expand our national service coverage and strengthen our leading market position;
- Further enhance our management and operating efficiency;
- Enhance our research and development capabilities to further strengthen our technology reserve and improve our competitiveness; and
- Expand our service coverage and make strategic acquisitions.

For details, see "Business — Our Strategies."

RISK FACTORS

Our business and the Introduction involve certain risks, including but not limited to risks relating to our business and industry, risks relating to conducting business in the PRC and risks relating to the Spin-off and the Listing. Some of the major risks that we face include: (i) The development of the environmental protection industry is highly dependent on the PRC government's environmental protection policies, which may change from time to time; (ii) We recorded net current liabilities during the Track Record Period and may record net current liabilities in the future; (iii) Our hazardous waste treatment capacity is subject to risks in relation to the application and renewal of licenses; (iv) Our business involves the handling of hazardous waste and chemicals; and (v) We may not be able to adapt to rapidly changing technologies in a timely manner, or at all.

OUR CUSTOMERS AND SUPPLIERS

Our customers are primarily industrial companies that are in need of treating industrial solid and hazardous waste. In 2018, 2019 and 2020 and the nine months ended September 30, 2021, our five largest customers in each year/period for the Track Record Period contributed 28.9%, 19.1%, 21.7% and 19.5%, respectively, to our total revenue in the same year/period. In addition, our single largest customer in each year/period for the Track Record Period contributed 11.5%, 6.1%, 6.3% and 8.3%, respectively, to our total revenue in the same year/period.

Our suppliers primarily consist of engineering equipment providers, construction service providers and cement company suppliers. In 2018, 2019 and 2020 and the nine months ended September 30, 2021, purchases from our five largest suppliers in each year/period for the Track Record Period accounted for 53.8%, 48.8%, 47.5% and 43.8%, respectively, of our total purchases in the same year/period. In addition, purchases from our single largest supplier in each year/period for the Track Record Period accounted for 27.2%, 26.2%, 27.2% and 26.1%, respectively, of our total purchases in the same year/period. For details, see "Business — Our Suppliers."

During the Track Record Period, we established joint cooperation with CNBM, West China Cement and Mengxi Cement by establishing joint cooperation companies and making capital contributions to the respective joint cooperation companies. In June 2021, we acquired West China Cement's non-controlling interest in the joint cooperation and became the sole owner of projects with West China Cement. Since then, we no longer share any return with West China Cement and only pay fixed amount of service fees for the industrial solid and hazardous waste we treat per tonne to West China Cement.

The table below sets forth the revenue attributable to and gross margin of our projects cooperated with Conch Cement, West China Cement, CNBM, Mengxi Cement and other cement company suppliers.

	Year ended December 31,									Nine months ended September 30,		
	2018			2019			2020			2021		
	(RMB in thousands, except percentages and numbers)											
	Revenue	Gross margin	Number of projects in operation	Revenue	Gross margin	Number of projects in operation	Revenue	Gross margin	Number of projects in operation	Revenue	Gross margin	Number of projects in operation
Conch Cement . . .	269,231	78.7%	8	608,172	73.1%	13	948,032	66.3%	21	951,295	62.3%	26
West China Cement	127,425	74.1%	3	129,600	69.4%	3	103,131	66.6%	2	71,660	51.2%	2
CNBM.	—	—	—	—	—	2[(1)]	—	—	6[(2)]	76,486	60.5%	10
Mengxi Cement[(3)] . .	—	—	—	—	—	—	—	—	—	—	—	—
Total	**396,656**	**77.2%**	**11**	**737,772**	**72.4%**	**18**	**1,051,163[(4)]**	**66.4%[(4)]**	**29**	**1,099,441[(4)]**	**61.4%[(4)]**	**38**

(1) The two projects in 2019 with CNBM are projects we invested in as a non-controlling shareholder.

(2) The six projects in 2020 with CNBM include (a) two projects with CNBM in which we invested as non-controlling shareholder since 2019; and (b) four projects with CNBM which were put into operation towards the end of 2020 and no revenue was generated from such four projects in 2020.

(3) As of the September 30, 2021, all three projects we had with Mengxi Cement were still under construction and signed to be launched and yet to generate revenue.

(4) We had certain projects which do not employ cement kiln waste treatment technologies and therefore such projects did not cooperate with any cement companies. Such projects generated revenue in 2020 and the nine months ended September 30, 2021. As a result, in 2020 and the nine months ended September 30, 2021, our total revenue amounted to RMB1,144.0 million and RMB1,194.4 million, respectively, and our gross margin was 65.5% and 60.4%, respectively.

Total revenue attributable to our projects cooperated with our cement company suppliers increased steadily during the Track Record Period. The gross margin of our projects with Conch Cement decreased primarily due to increased treatment costs. Revenue and gross margin of our projects with West China Cement decreased during the Track Record Period primarily because we adopted competitive pricing strategy by lowering our industrial hazardous waste treatment service fees facing the competition in the Northwest China.

COMPETITION

We operate in a competitive industry. We compete primarily with state-owned and privately-owned companies in the PRC providing industrial solid and hazardous waste treatment services, including new entrants to the market. Competition largely focuses on advancement of technology, price of services, quality and variety of services provided, financial capacity and access to customers.

In addition, when we enter into a new market, we may face intense competition from companies with an established presence in the relevant geographical areas and from other companies with similar expansion targets. We cannot assure you that we will be able to successfully compete to expand into other parts of the PRC. For details, see "Risk Factors — Risks Relating to our Business and Industry — We may not be able to compete effectively in our industry."

THE DISTRIBUTION AND SPIN-OFF

On March 16, 2022, the Conch Venture Board declared the Conch Venture Distribution to the Qualifying Conch Venture Shareholders. The Conch Venture Distribution will be satisfied wholly by way of a distribution in specie to the Qualifying Conch Venture Shareholders of an aggregate of 1,826,765,059 Shares, representing all the issued Shares of our Company, in proportion to their respective shareholdings in Conch Venture as at the Record Date. Pursuant to the Conch Venture Distribution, the Qualifying Conch Venture Shareholders will be entitled to one Share for every one Conch Venture Share held as at the Record Date.

The Spin-off will be implemented by way of a distribution alone, which will not constitute a transaction of Conch Venture under Chapter 14 of the Listing Rules and accordingly, Conch Venture is not required to comply with the notification or shareholders' approval requirements under Chapter 14 of the Listing Rules.

Conch Venture considers that the Spin-off is in the interests of Conch Venture, our Company and their/our respective shareholders as a whole and the Spin-off will position each of the Conch Venture Group and our Group better for growth in their respective businesses and deliver clear benefits to both, as the Spin-off will, among other things, (i) enable more focused development and strategic planning, as well as better allocation of resources for Conch Venture and our Company with respect to their respective businesses given their distinctive business models and cost structures; (ii) strengthen the operational management ability of both Conch Venture and our Company; (iii) enable our Company to build its identity as a separate listed group, and provide a direct and additional platform for our Company to secure funding to support its faster growth and expansion plan and allows our Company to react promptly to market conditions; (iv) increase the operational and financial transparency and improve the corporate governance of our Company and allow investors to appraise and assess our Company's performance and potential; (v) enable existing shareholders of Conch Venture continue to enjoy the benefits from the future development and growth of our Company by way of a distribution in specie; and (vi) enhance the brand value and market influence of our Company and promote its sustainable development. For details, see "The Distribution and Spin-off."

There is a clear delineation between the businesses of our Group and the retained business of Conch Venture after the Spin-off. For details, see "History, Reorganization and Corporate Structure — Clear Delineation between the Business of our Group and the Retained Business of Conch Venture". Our Group is able to function and operate independently from Conch Venture. For details, see "History, Reorganization and Corporate Structure — Our Group is able to Function and Operate Independently from the Retained Group".

CONVERTIBLE BONDS OF CONCH VENTURE

In September 2018, China Conch Venture Holdings International Limited (a subsidiary of Conch Venture) issued zero coupon guaranteed convertible bonds (the "**2018 Convertible Bonds**") in the aggregate principal amount of HK$3,925,000,000 due 2023. As of the Latest Practicable Date, all of the 2018 Convertible Bonds are still outstanding, which is convertible into (1) 103,698,811 shares of Conch Venture, and (2) 103,698,811 shares of our Company with no consideration, representing approximately 5.68% of the issued share capital of our Company immediately upon completion of the Listing and approximately 5.37% of the issued share capital of our Company as enlarged by the issue of the conversion shares. See "History, Reorganization and Corporate Structure — Convertible Bonds of Conch Venture" for more details.

Conch Venture Shareholding Distribution

Conch Venture has engaged a professional firm, which is an Independent Third Party, to make enquires into the shareholding information of Conch Venture pursuant to section 329 of the SFO. Based on the replies received by the aforesaid professional firm from brokerage firms and custodians up to January 6, 2022, and to the best knowledge of directors of Conch Venture after due and careful enquiry, as at November 19, 2021 (being the latest practicable date for Conch Venture to ascertain the shareholding information), the top one identifiable shareholder held an aggregate of 126,651,500 shares of Conch Venture (representing approximately 6.93% of the then entire issued share capital of Conch Venture), the top five, top ten and top 25 identifiable shareholders held an aggregate of 392,886,780 shares, 618,642,603 shares and 992,417,543 shares respectively, representing approximately 21.51%, 33.87% and 54.33% of the then entire issued share capital of Conch Venture, respectively. The remaining 834,347,516 shares (representing 45.67% of the issued shares) were in the hands of other shareholders of Conch Venture. To the best knowledge of the directors of Conch Venture, no persons were interested in 10% or more of the then issued share capital of Conch Venture as at the aforesaid latest practicable date. See "Share Capital — Conch Venture Shareholding Distribution" in this listing document for further details.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables present our summary consolidated financial information for the periods or as of the dates indicated. This summary has been derived from our consolidated financial information set forth in the Accountants' Report in Appendix I to this listing document. The summary of consolidated financial data set forth below should be read together with, and is qualified in its entirety by reference to, the consolidated financial information included in the Accountants' Report in Appendix I to this listing document, including the accompanying notes, and the information set forth in "Financial Information." Our consolidated financial information was prepared in accordance with IFRSs.

Summary Consolidated Statements of Profit or Loss

The following table summarizes our results of operations for the periods indicated:

	Year ended December 31,						Nine months ended September 30,			
	2018		2019		2020		2020		2021	
	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue
	(RMB in thousands, except for percentages)						*(unaudited)*			
Revenue	396,656	100.0	737,772	100.0	1,143,991	100.0	717,581	100.0	1,194,369	100.0
Cost of sales	(90,412)	(22.8)	(203,522)	(27.6)	(394,336)	(34.5)	(259,219)	(36.1)	(472,716)	(39.6)
Gross profit	**306,244**	**77.2**	**534,250**	**72.4**	**749,655**	**65.5**	**458,362**	**63.9**	**721,653**	**60.4**
Other income	30,545	7.7	38,311	5.2	44,080	3.9	33,657	4.7	42,473	3.6
Distribution costs	(17,633)	(4.4)	(47,453)	(6.4)	(88,827)	(7.8)	(52,802)	(7.4)	(90,320)	(7.6)
Administrative expenses	(32,530)	(8.2)	(87,634)	(11.9)	(129,642)	(11.3)	(89,028)	(12.4)	(156,827)	(13.1)
Profit from operations	**286,626**	**72.3**	**437,474**	**59.3**	**575,266**	**50.3**	**350,189**	**48.8**	**516,979**	**43.3**
Finance costs	(2)	(0.0)	(6,862)	(0.9)	(12,187)	(1.1)	(6,608)	(0.9)	(32,208)	(2.7)
Share of profits of associates	—	—	2,339	0.3	11,081	1.0	9,961	1.4	8,601	0.7
Profit before taxation	**286,624**	**72.3**	**432,951**	**58.7**	**574,160**	**50.2**	**353,542**	**49.3**	**493,372**	**41.3**
Income tax	(5,707)	(1.5)	(6,289)	(0.9)	(16,166)	(1.4)	(10,348)	(1.5)	(36,099)	(3.0)
Profit for the year/period	**280,917**	**70.8**	**426,662**	**57.8**	**557,994**	**48.8**	**343,194**	**47.8**	**457,273**	**38.3**
Attributable to:										
Equity shareholders of the company	233,551	58.9	353,314	47.9	468,986	41.0	278,356	38.8	401,003	33.6
Non-controlling interest	47,366	11.9	73,348	9.9	89,008	7.8	64,838	9.0	56,270	4.7

Our revenue increased by 86.0% from RMB396.7 million in 2018 to RMB737.8 million in 2019, and further by 55.1% from RMB737.8 million in 2019 to RMB1,144.0 million in 2020, and increased by 66.4% from RMB717.6 million in the nine months ended September 30, 2020 to RMB1,194.4 million in the same period of 2021, primarily attributable to the increases in revenue from both our industrial solid waste treatment services and industrial hazardous waste treatment services. Our gross margin decreased from 77.2% in 2018 to 72.4% in 2019, primarily due to decrease in the gross margin of (i) our industrial solid waste treatment services primarily because (a) the unit cost of the industrial solid waste treatment services increased from RMB106 per tonne in 2018 to RMB125 per tonne in 2019, mainly due to increased transportation costs and outsourcing treatment fees; and (b) the average unit price of the industrial solid waste we treated decreased from RMB319 per tonne in 2018 to RMB316 per tonne in 2019; and (ii) our industrial hazardous waste treatment services primarily because (a) the average unit price of the industrial hazardous waste we treated decreased from RMB2,242 per tonne in 2018 to RMB2,004 per tonne in 2019, as a result of our measures to increase treatment volumes by including more types of industrial hazardous waste suitable for cement kiln co-processing in the waste mix, while these types of waste had a relatively lower unit price of treatment. In particular, our acquisition of 70% equity interests in Shaanxi Bangda in 2020 expanded our oil sludge treatment business and oil sludge had a relatively lower unit price of treatment at RMB1,473, compared to the same of other types of general hazardous waste at RMB1,938 in 2020; and (b) the unit cost of the industrial hazardous waste treatment services increased from RMB447 per tonne in 2018 to RMB509 per tonne in 2019, mainly due to increased staff costs as a result of increased number of employees for our new projects, as well as increased depreciation and amortization costs mainly relating to new projects which commenced operations. Our gross margin further decreased from 72.4% in 2019 to 65.5% in 2020, primarily due to (i) an increase in the revenue contribution from our industrial solid waste treatment services, which have a relatively lower gross margin compared to our industrial hazardous waste treatment services; and (ii) the decrease in the average unit price of the industrial hazardous waste from RMB2,004 in 2019 to RMB1,706 primarily due to our operation of new oil sludge treatment projects, which had a relatively lower unit price of treatment at RMB1,473, compared to the same of general hazardous waste at RMB1,938 in 2020. Our gross margin decreased from 63.9% in the nine months ended September 30, 2020 to 60.4% in the same period of 2021, primarily because the average unit price of the industrial hazardous waste we treated decreased from RMB1,912 per tonne in the nine months ended September 30, 2020 to RMB1,593 per tonne in the same period of 2021, mainly due to (i) the decrease in the average unit price of the general hazardous waste from RMB1,941 in the nine months ended September 30, 2020 to RMB1,680 in the nine months ended September 30, 2021 and the decrease in the average unit price of the oil sludge from RMB1,593 in the nine months ended September 30, 2020 to RMB1,248 in the nine months ended September 30, 2021, primarily as we adopted competitive pricing strategies particularly in the Northwest China facing market competition and were generally in line with the market trend, according to Frost & Sullivan; and (ii) our operation of new oil sludge and fly ash treatment projects, which had a relatively lower unit price of treatment at RMB1,248 and RMB1,138, respectively, compared to the same of general hazardous waste at RMB1,680 in the nine months ended September 30, 2021.

During the Track Record Period, we generated revenue from two types of waste, namely (i) industrial solid waste, and (ii) industrial hazardous waste. The table below sets forth a breakdown of revenue by types of waste during the Track Record Period:

	Year ended December 31,						Nine months ended September 30,			
	2018		2019		2020		2020		2021	
	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue
	(RMB in thousands, except for percentages)									
							(unaudited)			
Industrial solid waste	**85,878**	**21.7**	**114,098**	**15.5**	**309,869**	**27.1**	**175,066**	**24.4**	**309,535**	**25.9**
Industrial hazardous waste	**310,778**	**78.3**	**623,674**	**84.5**	**834,122**	**72.9**	**542,515**	**75.6**	**884,834**	**74.1**
General hazardous waste	310,778	78.3	623,674	84.5	765,680	66.9	504,207	70.3	759,059	63.6
Oil sludge	—	—	—	—	68,442	6.0	38,308	5.3	87,688	7.3
Fly ash	—	—	—	—	—	—	—	—	38,087	3.2
Total	**396,656**	**100.0**	**737,772**	**100.0**	**1,143,991**	**100.0**	**717,581**	**100.0**	**1,194,369**	**100.0**

Our revenue increased during the Track Record Period. Our revenue increased by 86.0% from RMB396.7 million in 2018 to RMB737.8 million in 2019, and further by 55.1% from RMB737.8 million in 2019 to RMB1,144.0 million in 2020, and increased by 66.4% from RMB717.6 million in the nine months ended September 30, 2020 to RMB1,194.4 million in the same period of 2021, primarily attributable to the increases in revenue from both our industrial solid waste treatment services and industrial hazardous waste treatment services.

The table below sets forth a breakdown of our revenue from the services provided based on the geographical location of the subsidiaries to which our revenue was attributable for the periods indicated:

	Year ended December 31,						Nine months ended September 30,			
	2018		2019		2020		2020		2021	
	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue
	(RMB in thousands, except for percentages)									
							(unaudited)			
Eastern China[1]	164,258	41.4	261,523	35.4	269,784	23.6	160,432	22.3	330,785	27.7
Southern China[2]	5,788	1.5	61,248	8.3	191,560	16.7	108,902	15.2	210,626	17.6
Southwestern China[3]	—	—	129,164	17.5	271,960	23.8	177,100	24.7	202,959	17.0
Northwestern China[4]	162,768	41.0	185,910	25.2	261,128	22.8	172,229	24.0	192,401	16.1
Central China[5]	63,842	16.1	99,927	13.6	144,067	12.6	95,482	13.3	149,339	12.5
Northern China[6]	—	—	—	—	5,493	0.5	3,436	0.5	108,259	9.1
Total	**396,656**	**100.0**	**737,772**	**100.0**	**1,143,991**	**100.0**	**717,581**	**100.0**	**1,194,369**	**100.0**

(1) Eastern China refers to a geographical region of China, consisting of Anhui province, Jiangsu province, Shanghai and Zhejiang province for purposes of this listing document.

(2) Southern China refers to a geographical region of China, consisting of Guangdong province and Guangxi autonomous region for purposes of this listing document.

(3) Southwestern China refers to a geographical region of China, consisting of Chongqing, Sichuan province and Guizhou province for purposes of this listing document.

(4) Northwestern China refers to a geographical region of China, consisting of Shaanxi province, Gansu province and Shanxi province for purposes of this listing document.

(5) Central China refers to a geographical region of China, consisting of Hubei province, Hunan province, Jiangxi province and Fujian province for purposes of this listing document.

(6) Northern China refers to a geographical region of China, consisting of Hebei province, Henan province and Shandong province for purposes of this listing document.

During the Track Record Period, Eastern China, Southwestern China and Northwestern China contributed most of our total revenue. We have been continually expanding our geographical coverage to enlarge our business scale. For example, we started generating revenue from our waste treatment services in Southwestern China in 2019 and in Northern China in the second half of 2020. We expect to focus on the development of industrial solid and hazardous waste treatment services, expanding oil sludge and fly ash treatment services, and continue to increase revenue from various regions through business development.

Summary Consolidated Statements of Financial Position

The following table sets forth selected consolidated statements of our financial position as of the dates indicated:

	As of December 31,			As of September 30,
	2018	2019	2020	2021
	(RMB in thousands)			
Total non-current assets	879,190	1,815,573	3,514,261	5,520,750
Total non-current liabilities	126,500	180,890	1,054,488	1,806,762
Total current assets	462,014	615,899	1,373,851	1,352,872
Total current liabilities	396,013	884,714	2,031,987	2,162,831
Net current assets/(liabilities)	**66,001**	**(268,815)**	**(658,136)**	**(809,959)**
Share capital	340,000	440,000	—	—
Reserves	310,772	595,746	1,053,244	2,213,422
Non-controlling interests	167,919	330,122	748,393	690,607
Total equity	**818,691**	**1,365,868**	**1,801,637**	**2,904,029**

Our net assets increased from RMB818.7 million in 2018 to RMB1,365.9 million in 2019, primarily due to (i) the increase in net profit in 2019; (ii) non-controlling interests arising from establishment of subsidiaries; and (iii) capital injection from the parent company, as partially offset by (i) dividends approved in 2018; and (ii) profit distribution to non-controlling interests. Our net assets increased from RMB1,365.9 million in 2019 to RMB1,801.6 million in 2020, primarily due to (i) the increase in net profit in 2020; (ii) non-controlling interests arising from establishment of subsidiaries; (iii) capital injection from the parent company; and (iv) acquisition of subsidiaries with non-controlling interests, as partially offset by (i) deemed distributions to the controlling shareholder upon the reorganisation; and (ii) dividends approved in 2019. Our net assets further increased to RMB2,905.0 million as of September 30, 2021, primarily due to (i) the increase in net profit in the nine months ended in September 30, 2021; (ii) issuance of ordinary shares by capitalization of the balance due to related parties; and (iii) non-controlling interests arising from establishment of subsidiaries, as partially offset by the acquisition of non-controlling interests.

The following table sets forth our current assets and current liabilities as of the dates indicated:

	As of December 31,			As of September 30,
	2018	2019	2020	2021
	(RMB in thousands)			
Current assets				
Inventories	1,270	2,772	3,642	7,432
Trade and other receivables	248,501	363,431	662,376	778,827
Restricted bank deposits	—	—	37,349	40,482
Bank deposits with original maturity over three months	75,000	—	31,700	21,680
Cash and cash equivalents	137,243	249,696	638,784	504,451
Total current assets	**462,014**	**615,899**	**1,373,851**	**1,352,872**
Current liabilities				
Loans and borrowings	21,500	114,400	120,639	560,296
Trade and other payables	370,502	764,301	1,900,486	1,574,196
Contract liabilities	—	1,773	3,568	8,666
Lease liabilities	41	656	1,010	631
Income tax payables	3,970	3,584	6,284	19,042
Total current liabilities	**396,013**	**884,714**	**2,031,987**	**2,162,831**

The following table sets out a breakdown of our non current assets and liabilities as of the dates indicated:

	As of December 31,			As of September 30,
	2018	2019	2020	2021
	(RMB in thousands)			
Non-current assets				
Property, plant and equipment	853,320	1,645,070	3,066,011	4,544,009
Right-of-use assets	13,907	76,363	136,360	524,820
Intangible assets	360	2,434	67,802	64,174
Goodwill	—	—	—	5,815
Interests in associates	—	66,339	67,770	58,808
Non-current portion of trade and other receivables	11,547	23,177	90,814	235,424
Financial assets measured at fair value through profit and loss	—	—	82,500	82,500
Deferred tax assets	56	2,190	3,004	5,200
Total non-current assets	**879,190**	**1,815,573**	**3,514,261**	**5,520,750**
Non-current liabilities				
Loans and borrowings	126,500	180,637	1,040,833	1,790,574
Lease liabilities	—	253	3,965	3,647
Deferred tax liabilities	—	—	9,690	12,541
Total non-current liabilities	**126,500**	**180,890**	**1,054,488**	**1,806,762**

Our net current liabilities increased during the Track Record Period, amounted to RMB268.8 million, RMB658.1 million and RMB810.0 million as of December 31, 2019 and 2020 and September 30, 2021, respectively. Our net current liabilities as of December 31, 2018, 2019 and 2020 were mainly due to substantial increases in (i) our amounts due to related parties in relation to our corporate reorganization, and (ii) our trade payables, largely in line with our business growth. In August 2021 and September 2021, we fully capitalized our amounts due to related parties of RMB1,199.0 million by issuing shares to Conch Venture. Our net current liabilities further increased as of September 30, 2021 primarily due to (i) increased loans and borrowings to fund our projects; (ii) increased income tax payables; (iii) decreased cash and cash equivalents as we used cash to fund our projects, partially offset by decreased trade and other payables and increased trade and other receivables. As of January 31, 2022, we had unutilized banking facilities of RMB5.9 billion. Going forward, we plan to improve our net current liabilities position by (i) further expand our business and increase our revenue and gross profit from operations; (ii) further improve cash inflows by enhancing payment collection from our customers and continue monitoring payment schedules. For example, we have required our project companies to report details of the outstanding trade receivables which are past due and closely monitor the collection process from time to time; (iii) use more long-term bank borrowings to support our business growth, including construction and purchase of equipment; and (iv) seek alternative financing means other than bank borrowings such as equity issues and bond offerings after the Listing. Accordingly, we believe we will be able to further improve our net current liabilities position in the future.

Selected Consolidated Statements of Cash Flows

The following table sets forth selected cash flow statement information for the periods indicated:

	Year ended December 31,			Nine months ended September 30,	
	2018	**2019**	**2020**	**2020**	**2021**
	(RMB in thousands)				
				(unaudited)	
Net cash generated from operating activities	215,102	319,285	453,462	379,651	576,818
Net cash used in investing activities	(437,745)	(640,109)	(1,634,539)	(1,081,483)	(1,737,941)
Net cash generated from financing activities	234,841	433,277	1,570,165	1,096,877	1,026,790
Net increase/(decrease) in cash and cash equivalents	**12,198**	**112,453**	**389,088**	**395,045**	**(134,333)**
Cash and cash equivalents at the beginning of the year/period	**125,045**	**137,243**	**249,696**	**249,696**	**638,784**
Cash and cash equivalents at the end of the year/period	**137,243**	**249,696**	**638,784**	**644,741**	**504,451**

Our net cash used in investing activities and financing activities are relatively significant during the Track Record Period. In 2018, we had net cash used in investing activities of RMB437.7 million primarily due to our payments for the purchase of property, plant and equipment, construction in progress and intangible assets of RMB428.1 million, payment for bank deposits with maturity over three months of RMB75.0 million and payment for purchase of right-of-use assets of RMB13.6 million, as partially offset by repayment of amount due from related parties of RMB48.2 million and proceeds from maturity of bank deposits over three months of RMB25.0 million. In 2019, we had net cash used in investing activities of RMB640.1 million primarily due to our payments for the purchase of property, plant and equipment, construction in progress and intangible assets of RMB700.7 million, payment for investments in associates of RMB64.0 million, as partially offset by proceeds from maturity of bank deposits over three months of RMB75.0 million and repayment of amount due from related parties of RMB48.8 million. In 2020, we had net cash used in investing activities of RMB1,634.5 million primarily due to our payments for the purchase of property, plant and equipment, construction in progress and intangible assets of RMB1,436.3 million, payment for purchase of financial assets measured at FVPL of RMB82.5 million and payment for purchase of right-of-use assets of RMB49.3 million, as partially offset by dividends received from associates and interest received of RMB11.7

million. In the nine months ended September 30, 2021, we had net cash used in investing activities of RMB1,737.9 million primarily attributable to payments for the purchase of property, plant and equipment, construction in progress and intangible assets of RMB1,305.7 million, payment for purchase of right-of-use assets of RMB374.7 million and acquisition of subsidiary (net of cash acquired) of RMB66.3 million.

In 2018, we had net cash generated from financing activities of RMB234.8 million primarily attributable to the advance from related parties of RMB191.6 million, proceeds from loans and borrowings of RMB148.0 million, as offset by repayment of amounts due to related parties of RMB108.2 million. In 2019, we had net cash generated from financing activities of RMB433.3 million primarily attributable to the advance from related parties of RMB344.7 million, proceeds from loans and borrowings of RMB168.5 million, capital contribution from non-controlling interests of RMB108.7 million and deemed contribution from the parent company of RMB100.0 million, as partially offset by repayment of amounts due to related parties of RMB141.8 million, dividends paid of RMB68.3 million, profit distribution to non-controlling interests of RMB45.6 million and repayment of loans and borrowings of RMB21.5 million. In 2020, we had net cash generated from financing activities of RMB1,570.2 million, primarily attributable to the proceeds from loans and borrowings of RMB1,056.9 million, advance from related parties of RMB708.3 million and capital contribution from non-controlling interests of RMB251.9 million, as partially offset by repayment of amounts due to related parties of RMB335.6 million and repayment of loans and borrowings of RMB190.5 million. In the nine months ended September 30, 2021, we had net cash generated from financing activities of RMB1,026.8 million, primarily attributable to the proceeds from loans and borrowings of RMB1,278.2 million, advance from related parties of RMB219.6 million and capital contribution from non-controlling interests of RMB108.3 million, as partially offset by repayment of amounts due to related parties of RMB393.6 million and repayment of loans and borrowings of RMB97.8 million.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as of the dates or for the periods indicated:

	As of or for the year ended December 31,			As of or for the nine months ended September 30,
	2018	2019	2020	2021
Current ratio(1)	1.2	0.7	0.7	0.6
Return on assets(2)	28.0%	22.6%	15.2%	10.4%
Return on equity(3)	43.7%	41.9%	44.9%	32.7%
Net debt to equity ratio(4)	1.3%	3.3%	29.0%	63.6%
Gross margin(5)	77.2%	72.4%	65.5%	60.4%
Net profit margin(6)	70.8%	57.8%	48.8%	38.3%

(1) Current ratio is calculated by dividing total current assets by total current liabilities as of the closing of the year/period.

(2) Return on assets is calculated as our profit for the year or period divided by our average total assets as of the beginning and the end of the corresponding year or period and multiplied by 100%. Return on assets in the nine months ended September 30, 2021 has been annualized by 4/3. Accordingly, the annualized return on assets may not be indicative of that for the full year ending December 31, 2021. Investors are cautioned not to place any undue reliance on such data.

(3) Return on equity is calculated as our profit attributable to equity shareholders of the Company for the year or period divided by our average equity attributable to equity shareholders of the Company as of the beginning and the end of the corresponding year or period and multiplied by 100%. Return on equity in the nine months ended September 30, 2021 has been annualized by 4/3. Accordingly, the annualized return on equity may not be indicative of that for the full year ending December 31, 2021. Investors are cautioned not to place any undue reliance on such data.
(4) Net debt to equity ratio is calculated by dividing net debt by total equity as of the closing of the year/period and multiplied by 100%. Net debt is defined to include all interest bearing borrowings net of cash and cash equivalents.
(5) Gross margin equals gross profit divided by revenue for the year/period and multiplied by 100%.
(6) Net profit margin equals net profit divided by revenue for the year/period and multiplied by 100%.

Our return on equity decreased in the nine months ended September 30, 2021 as compared to 2020 primarily because we fully capitalized the amounts due to related parties of RMB1,199.0 million by issuing shares to Conch Venture in August 2021 and September 2021, which significantly increased the equity attributable to equity shareholders of the Company. Our net debt to equity ratio increased significantly during the Track Record Period mainly because the increases in our borrowings outpaced the increases in our total equity, as we obtained more borrowings to finance our new projects. For details on the material changes of our key financial ratios, see "Financial Information — Selected Financial Ratios."

REGULATORY COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, we had not been and were not involved in any material noncompliance incidents that have led to fines, enforcement actions or other penalties that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations. See "Business — Legal Proceedings and Regulatory Compliance — Regulatory Compliance." As of the Latest Practicable Date, we had not obtained the land use right certificates for the land occupied by eight properties with a total gross floor area of 39,133.8 square meters. See "Properties — Owned Properties" for details.

UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following unaudited pro forma statement of adjusted net tangible assets of our Group is prepared in accordance with Rule 4.29 of the Listing Rules and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants and is set out below to illustrate the effect of the Listing on the consolidated net tangible assets of our Group as of September 30, 2021 as if the Listing had taken place on September 30, 2021.

The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of our Group had the Listing been completed as of September 30, 2021 or any future date.

	Consolidated net tangible assets of our Group attributable to the equity holders of the Company as of September 30, 2021	Estimated listing expenses	Unaudited pro forma adjusted consolidated net tangible assets attributable to the equity holders of the Company	Unaudited pro forma adjusted consolidated net tangible assets attributable to the equity holders of the Company per share	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HKD*
	(Note 1)	*(Note 2)*		*(Notes 3 and 4)*	*(Note 5)*
Based on 1,826,765,059 shares assumed to be in issue immediately prior to the Listing.	2,162,330	(27,770)	2,134,560	1.168	1.444

1. The consolidated net tangible assets of our Group attributable to equity shareholders of the Company as of September 30, 2021 are calculated based on the consolidated total equity attributable to equity shareholders of the Company as of September 30, 2021 of 2,213,422,000 extracted from the Accountants' Report set out in Appendix I to this listing document, after deducting goodwill of RMB5,815,000 and intangible assets of RMB64,174,000 and adjusting the share of intangible assets attributable to non-controlling interests of RMB18,897,000.

2. The estimated listing expenses mainly include professional fees payable to the sponsor, our Company's legal advisers and reporting accountants and other listing related expenses, which are expected to be incurred by our Group subsequent to September 30, 2021.

3. The unaudited pro forma adjusted consolidated net tangible assets per share is arrived at after the adjustments as described in note 2 above and is based on 1,826,765,059 shares assumed to be in issue immediately prior to the Listing.

4. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets attributable to the equity holders of our Company per share to reflect any trading result or other transactions of our Group entered into subsequent to September 30, 2021, including but not limited to the planned issue of new shares with no consideration to Conch Venture. The issuance of such shares will be accounted for as an equity transaction. Had such shares already been in issue on September 30, 2021, our shares in issue would have been increased by 103,698,811 shares and our unaudited pro forma adjusted consolidated net tangible assets attributable to the equity holders of our Company per share would have been RMB1.106 (equivalent to HKD1.367).

5. For the purpose of this pro forma adjusted consolidated net tangible assets attributable to the equity holders of the Company, the balances stated in RMB are converted into Hong Kong dollars at a rate of RMB0.8092 to HK$1. No representation is made that the Renminbi amounts have been, could have been or may be converted into Hong Kong Dollars, or vice versa at that rate.

For details, see "Appendix II — Unaudited Pro Forma Financial Information."

DIVIDEND

Our Company is a holding company incorporated under the laws of the Cayman Islands. The payment and amount of any future dividend will depend on the availability of dividends received from our subsidiaries.

During the Track Record Period, no dividend was declared or paid by our Company. Any proposed distribution of dividends shall be formulated by our Board and will be subject to approval in our Shareholders' meeting. A decision to declare or to pay any dividends in the future, and the amount of any such dividends, will depend on a number of factors, including our results of operations, cash flows, financial condition, payments by our subsidiaries of cash dividends to us, business prospects, statutory, regulatory and contractual restrictions on our declaration and payment of dividends and other factors that our Board may consider important. We cannot exclude the possibility that no dividend may be declared or distributed in any year after the Listing. For details, see "Financial Information — Dividend."

RECENT DEVELOPMENTS

Since September 30, 2021, both our industrial solid waste treatment services and industrial hazardous waste treatment services continued to grow. We experienced revenue increases from both business lines in 2021 compared to 2020. Our Directors have confirmed that up to the date of this listing document there has been no material adverse change in our financial or trading position or prospects since September 30, 2021 (being the date of our latest audited financial statements) and there has been no event since September 30, 2021 which would materially affect the information shown in the Accountants' Report as set out in Appendix I to this listing document.

Management's Discussion and Analysis of Financial Condition and Operation Results of 2021

The following tables set forth summary financial data from our preliminary financial information for the year ended December 31, 2021, derived from Appendix III to this listing document. The summary financial data sets forth below should be read together with, the preliminary financial information set out in Appendix III to this listing document, including the related notes. The preliminary financial information has not been audited and may be subject to adjustments.

Selected items from the Consolidated Statements of Profit or Loss

	Year ended December 31,	
	2020	**2021**
	RMB'000	*RMB'000* *(unaudited)*
Revenue	1,143,991	1,698,153
Gross profit	749,655	1,015,035
Profit for the year	557,994	646,577

Comparison of Year Ended December 31, 2021 and 2020

Revenue

Our revenue increased by 48.4% from RMB1,144.0 million in 2020 to RMB1,698.2 million in 2021, primarily attributable to the increases in revenue from both our industrial solid waste treatment services and industrial hazardous waste treatment services.

Industrial solid waste treatment services

Revenue generated from the industrial solid waste treatment services increased by 47.2% from RMB309.9 million in 2020 to RMB456.2 million in 2021, primarily because (i) we undertook treatment projects of more types of industrial solid waste; and (ii) several new projects of industrial solid waste business commenced operations in 2021 in areas of Anhui province, Hebei province and Hunan province.

Industrial hazardous waste treatment services

Revenue generated from the industrial hazardous waste treatment services increased by 48.9% from RMB834.1 million in 2020 to RMB1,242.0 million in 2021, primarily because (i) we commenced fly ash treatment services in 2021; and (ii) several new industrial hazardous waste treatment projects commenced operation in 2021 in areas including Anhui province, Zhejiang province, Henan province, Guangxi autonomous and Hunan province.

Gross Profit and Gross Profit Margin

Our gross profit increased by 35.4% from RMB749.7 million in 2020 to RMB1,015.0 million in 2021 and our gross profit margin decreased from 65.5% in 2020 to 59.8% in 2021. The decrease in gross profit margin was due to the decreased gross margin of our industrial solid waste treatment services and industrial hazardous waste treatment services.

Industrial solid waste treatment services

Gross margin of our industrial solid waste treatment services decreased from 58.4% in 2020 to 55.8% in 2021, primarily due to the increased costs in relation to transportation, depreciation and amortization, staff and cement kiln co-processing.

Industrial hazardous waste treatment services

Gross margin of our industrial hazardous waste treatment services decreased from 68.2% in 2020 to 61.2% in 2021, primarily because the average unit price of the industrial hazardous waste we treated decreased from RMB1,889 per tonne in 2020 to RMB1,582 per tonne in 2021, mainly due to (i) the average unit price of the general hazardous waste we treated decreased from RMB1,938 in 2020 to RMB1,689 in 2021, mainly because we adopted competitive pricing strategy by lowering our industrial hazardous waste treatment service fees facing the competition in Northwest China and was generally in line with the market trend, according to Frost & Sullivan; and (ii) our commencement of new oil sludge and fly ash treatment projects in 2021, which have a relatively lower unit price of treatment at RMB1,189 and RMB1,136 in 2021, compared to the same of general hazardous waste at RMB1,689 in 2021 and were lower-margin in nature compared to general hazardous waste.

Selected items from the Consolidated Statement of Financial Position

	Year ended December 31,	
	2020	**2021**
	RMB'000	*RMB'000* *(unaudited)*
Net current liabilities	(658,136)	(291,173)
Net assets	1,801,637	3,089,920

Our net current liabilities decreased from RMB658.1 million as of December 31, 2020 to RMB291.2 million as of December 31, 2021, primarily due to the (i) increased trade and other receivables, mainly in relation to the increased number of projects in operation; and (ii) decreased trade and other payables mainly as we fully capitalized the amounts due to related parties of RMB1,199.0 million by issuing shares to Conch Venture in August 2021 and September 2021, partially offset by the increased loans and borrowings to fund our new projects under construction in 2021.

Our net assets increased from RMB1,801.6 million as of December 31, 2020 to RMB3,089.9 million as of December 31, 2021, primarily due to the (i) increased net profit in 2021; (ii) issuance of ordinary shares by capitalization of the balance due to related parties; (iii) non-controlling interests arising from establishment of subsidiaries, as partially offset by (i) acquisition of non-controlling interests; and (ii) disposal of a subsidiary with non-controlling interest.

In May 2021, the State Council published the Notice of Strengthening the Supervision of Hazardous Waste and the Reformation Implementation Plans to Utilize Treatment Capacity (國務院辦公廳關於印發強化危險廢物監管和利用處置能力改革實施方案的通知). The notice aims to strengthen the supervision of hazardous waste during the collection and transportation process. We have implemented comprehensive protocols regarding packaging, transportation and unloading of waste and require our waste transportation crew to strictly follow. Up to the Latest Practicable Date, our Directors confirm that we were in compliance with the latest environmental-related laws and regulations in all material aspects. Our Directors also confirm that the impact of the latest legal developments on our business operations and financial performance is relatively low. According to Frost & Sullivan, this notice is expected to further strengthen China's hazardous waste regulatory and monitoring system, reducing the improper treatment or transfer of hazardous waste. Therefore, our Directors are of the view that our business and financial results will continue to grow going forward.

In September 2021, the NDRC issued the Plan for Improving the Dual-control of the Energy Consumption Intensity and Volume (《完善能源消費強度和總量雙控制度方案》) (the "**Dual-control Plan**"), aiming to improve the allocation efficiency of energy resources. Specifically, the NDRC and the relevant responsible government authorities plan to strengthen the guidance on high coal consumption projects, implement energy consumption plans for major national projects and encourage renewable energy consumption. In the fourth quarter of 2021, the cement company suppliers of 22 of our waste treatment projects were required by the local government authorities to temporarily suspend their operations for an average of 41 days to lower the total energy consumption in the respective regions in light of the Dual-control Plan. As a result, our waste treatment projects cooperating with such cement company suppliers were temporarily affected during the period, resulting in adverse effect on our waste treatment volume in the fourth quarter of 2021. Based on our estimation, treatment volume of approximately 60,000 tonnes of industrial solid waste and 65,000 tonnes of industrial hazardous waste were affected during the suspension. Assuming the average service fees of industrial solid and hazardous waste per tonne is RMB308 and RMB1,680, respectively, such suspension affected revenue of approximately RMB128 million in the fourth quarter of 2021. Nonetheless, based on our management accounts, our revenue during the fourth quarter of 2021 continued to grow compared to the same period in 2020. We have taken measures promptly to mitigate the adverse effects. For example, the relevant cement company suppliers and us have been actively communicating with the local governments to limit the suspension period going forward. In addition, we have strengthened our research and development efforts to further increase our waste treatment efficiency. We also plan to further enhance our operating efficiency through deepened regional management. Based on the foregoing, our Directors are of the view that our business and financial results will continue to grow going forward.

The COVID-19 Pandemic

There has been an outbreak of a novel strain of coronavirus named COVID-19 that was first reported in late 2019 and has spread within the PRC and globally. COVID-19 is considered highly contagious and may pose a serious public health threat. In order to reduce the risk of a widespread of COVID-19, the PRC government had imposed a lockdown since January 23, 2020 and announced to extend the Chinese New Year holiday and delay the resumption of work in the PRC. Different local governments of the PRC had imposed temporary restrictions or bans on passenger traffic to control the spread of COVID-19.

In response to the government measures, we extended our Chinese New Year holiday in 2020 for our employees. We required certain of our operational employees to remain at our waste treatment facilities to maintain necessary waste treatment operations during the holiday and did not suspend our operation during the Track Record Period and up to the date of the listing document. Other employees were allowed to work from home until early March after the end of the Chinese New Year holiday in 2020. Due to the COVID-19 pandemic, companies, including our customers, suspended their operations during the first half of 2020 and therefore our customers' demand for industrial solid and hazardous waste treatment services and our treatment volume declined during the period. However, we were able to increase our treatment volume in 2020 and our revenue increased from RMB737.8 million in 2019 to RMB1,144.0 million in 2020.

Although the general conditions of the COVID-19 outbreak had been substantially improved since the second half of 2020, there has been temporary, regional cases of COVID-19 in China. In December 2021, Xi'an in Shaanxi province, had more than 1,000 COVID-19 confirmed cases (the "**Xi'an Outbreak**") and the local government locked down Xi'an to contain the spread of the COVID-19. As of the date of the listing document, the Xi'an Outbreak had been effectively controlled. However, the COVID-19 pandemic in China since the fourth quarter of 2021 interrupts the daily business operations in cities like Tianjin and Xi'an and negatively affects the economic development in such areas.

Nonetheless, compared to other industries, industrial production industries (including the industrial solid and hazardous waste treatment market and cement kiln waste treatment market) were generally less affected by the interruption of COVID-19, according to Frost & Sullivan.

To the best knowledge of our Directors, our results of operations in the nine months ended September 30, 2021 and up to the date of this listing document were particularly affected by the COVID-19 pandemic in the following aspects:

- **Delay in projects under construction**. We have two projects under construction in Yiyang and Xinhua in Hunan province which were originally expected to be completed in construction and put into use in November 2021 and September 2021, respectively. However, due to the COVID-19 pandemic, the construction of such two projects were delayed. As of the date of the listing document, the project in Xinhua has been put into operation since January, 2022 and we expect that the project in Yiyang will be put into use in the first half of 2022.

- **Restrictions on inter-provincial transportation**. Due to the evolving COVID-19 pandemic, local governments and transportation authorities have been actively implementing more stringent measures with respect to the inter-provincial transportation of industrial solid and hazardous waste in 2021. As a result, certain of our applications for the transportation of industrial solid and hazardous waste were not approved (which is one-off in nature) and therefore we did not accept such waste for treatment. However, we confirm that we were not held liable by any such customers due to the COVID-19 pandemic.

- **Lockdown of cities in which we have operations**. In response to the evolving COVID-19 pandemic, the local governments locked down the cities or areas with the identified high risks of COVID-19. For example, Xi'an, Shaanxi province, were locked down in December 2021. The business operations of four of our projects located in Shaanxi province were suspended for an average of 12 days in December 2021 as a result. In addition, the business operations of our customers located in Shaanxi province were also suspended or adversely affected and the demand for industrial solid and hazardous waste treatment services in Shaanxi province declined in December 2021.

Nonetheless, our Directors confirm that the above impacts of the COVID-19 on our business are immaterial. Our revenue increased from RMB717.6 million in the nine months ended September 30, 2020 to RMB1,194.4 million in the nine months ended September 30, 2021. In addition, based on our unaudited management accounts, our revenue in the fourth quarter of 2021 continued to grow as compared to the same period in 2020. However, there remains the possibility of further spread of COVID-19, in which case, our business may be impacted by the outbreak and the relevant measures adopted by the government. See "Risk Factors — Risks Relating to Our Business and Industry — COVID-19 pandemic could have a material adverse effect on our business, financial condition and results of operations".

We were committed to supporting staff in every way possible during the critical period. Since the beginning of the outbreaks and up to the date of the listing document, we had not had any suspected or confirmed COVID-19 cases on our premises or among our employees. To prevent any spread of COVID-19 in our offices, we have adopted a series of preventive measures to protect our employees from contracting COVID-19. These measures include:

(i) requiring all employees to report their health condition and travel history to their respective department regularly;

(ii) measuring the temperature of all employees before they enter into working areas;

(iii) providing sanitary masks to employees and requiring employees to wear sanitary masks when entering into working areas, and providing disinfecting products, including hand cleaning gel and alcohol disinfectant to employees for their personal hygiene;

(iv) regularly cleaning and disinfecting our work places and other public areas; and

(v) managing the diversified working arrangements and conducting the production and operation orderly while ensuring the health and safety of our staff.

Meanwhile, we coordinated with the local governments where our projects were located and proactively applied for the resumption of projects under construction. In addition, we also proactively made use of our spare transportation capacity to deliver medical supplies into Hubei province during March 2020 to solve the urgent need of local hospitals.

Our Directors confirmed that, considering that (i) our revenue continued to grow since the outbreak of COVID-19 in 2020; (ii) the industry we are in are generally less affected by the COVID-19 pandemic as compared to other industries according to Frost & Sullivan; and (iii) the PRC national and local governments have been proactively taking measures to contain the spread of COVID-19, the COVID-19 pandemic did not have any material adverse impact on our business and results of operations in the short and long term, and is not expected to bring any permanent or material interruption to our operations.

LISTING EXPENSES

The total listing expenses for the Listing are estimated to be approximately RMB51.4 million, including (i) professional fees paid and payable to the professional parties for their services rendered in relation to the Listing, including sponsor fees, fees paid and payable to legal advisers, reporting accountants, the internal control consultant and the independent industry consultant of approximately RMB43.8 million; and (ii) other fees and expenses of approximately RMB7.6 million. We incurred listing expenses of RMB23.6 million in relation to the Spin-off and the Listing in the nine months ended September 30, 2021. We expect to incur additional listing expenses of RMB27.8 million in relation to the Spin-off and the Listing, and all will be borne by our Group. There is no issue of new Shares of our Company, and therefore no funding will be obtained through the Listing, and therefore, such listing expenses will be charged to our consolidated statement of profit or loss and other comprehensive income for the years ending December 31, 2021 and 2022.

In this listing document, unless the context otherwise requires, the following expressions have the following meanings. Certain other terms are defined in the section headed "Glossary of Technical Terms" in this listing document.

"Anhui Conch Environment"	Anhui Conch Environment Group Co., Ltd. (安徽海螺環保集團有限公司), a company established in the PRC with limited liability on June 24, 2020 and a non-wholly owned subsidiary of our Company
"Articles" or "Articles of Association"	the articles of association of our Company, approved and adopted on March 16, 2022, a summary of which is contained in "Appendix IV — Summary of the Constitution of our Company and Cayman Companies Act" to this listing document, and as amended from time to time
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Beneficial Conch Venture Shareholder(s)"	beneficial owner(s) of Conch Venture Shares whose Conch Venture Shares are registered in the name of the Registered Conch Venture Shareholder(s)
"Board"	the board of Directors
"Business Day"	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
"CAGR"	compound annual growth rate
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant

"China" or "PRC"	the People's Republic of China and, except where the context otherwise requires and only for the purpose of this listing document, references in this listing document to China or the PRC exclude Hong Kong, Macau and Taiwan
"China Clear"	China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限公司)
"CNBM"	China National Building Material Company Limited (中國建材股份有限公司), a company listed on the Stock Exchange (stock code: 3323) which held 50% equity interest in Conch Venture CNBM HK
"Company" or "our Company"	China Conch Environment Protection Holdings Limited (中國海螺環保控股有限公司), a company incorporated under the laws of the Cayman Islands with limited liability on March 2, 2020
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Companies (Winding up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Conch Cement"	Anhui Conch Cement Company Limited (安徽海螺水泥股份有限公司), a joint stock company established in the PRC in 1997 whose shares are listed on Shanghai Stock Exchange (stock code: 600585) and on the Main Board of the Hong Kong Stock Exchange (stock code: 0914)
"Conch Environment Protection"	China Conch Environment Protection Holdings International Limited, an investment holding company established in the British Virgin Islands on March 31, 2020 and a wholly-owned subsidiary of our Company
"Conch Venture"	China Conch Venture Holdings Limited (中國海螺創業控股有限公司), an exempted company incorporated under the laws of the Cayman Islands with limited liability on June 24, 2013. It is a company listed on the Main Board of the Hong Kong Stock Exchange (stock code: 586)
"Conch Venture Board"	the board of directors of Conch Venture
"Conch Venture CNBM HK"	Conch Venture CNBM Hong Kong Holdings Limited, an investment holding company established in Hong Kong on February 12, 2019 and a non-wholly owned subsidiary of our Company

"Conch Venture Distribution"	the conditional special dividend declared by the Conch Venture Board on March 16, 2022 to be satisfied by way of a distribution in specie of an aggregate of 1,826,765,059 Shares to the Qualifying Conch Venture Shareholders, subject to the satisfaction of the conditions as described in the section headed "The Distribution and Spin-off" in this listing document
"Conch Venture Environment Technology"	Anhui Conch Venture Environment Technology Co., Ltd. (安徽海創環保科技有限公司), a company established in the PRC with limited liability on June 5, 2020 and a wholly-owned subsidiary of our Company
"Conch Venture Group" or "Retained Group"	Conch Venture together with its subsidiaries, excluding our Group
"Conch Venture International HK"	Conch Venture International Holdings (HK) Limited, an investment holding company established in Hong Kong on December 7, 2016 and a wholly-owned subsidiary of our Company
"Conch Venture Overseas Shareholder(s)"	Conch Venture Shareholder(s) whose address(es), as shown on the register of members of Conch Venture as at the Record Date, is/are in any jurisdiction other than Hong Kong
"Conch Venture Shareholder(s)"	holder(s) of Conch Venture Shares
"Conch Venture Shares"	ordinary share(s) in the issued share capital of Conch Venture
"connected person(s)"	has the meaning ascribed thereto under the Hong Kong Listing Rules
"controlling shareholder(s)"	has the meaning ascribed thereto under the Hong Kong Listing Rules
"core connected person(s)"	has the meaning ascribed to it under the Listing Rules
"CSRC"	the China Securities Regulatory Commission of the People's Republic of China (中華人民共和國證券監督管理委員會)
"CV Investment"	Anhui Conch Venture Investment Co., Ltd. (安徽海螺創業投資有限責任公司), a company established in the PRC with limited liability on November 5, 2002
"Director(s)"	the director(s) of our Company
"EIT Law"	the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得税法》), as amended, supplemented or otherwise modified from time to time

"Environmental Protection Law"	the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), as amended, supplemented or otherwise modified from time to time
"Excluded Jurisdiction(s)"	the jurisdiction(s) outside Hong Kong in respect of which the Conch Venture Board and our Board have determined after making relevant enquires and based on legal advice received that it is necessary or expedient not to distribute Shares to the Conch Venture Shareholders or the Beneficial Conch Venture Shareholders located or residing in those jurisdictions pursuant to the Conch Venture Distribution, on account of either the legal restrictions under the applicable laws of such jurisdictions and/or the requirements of the relevant regulatory bodies or stock exchanges in those jurisdictions
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent market research and consulting company commissioned by us to prepare a market research report for the purpose of this listing document
"Frost & Sullivan Report"	a report that we commissioned Frost & Sullivan to prepare regarding the solid waste treatment and hazardous waste treatment markets in China for purpose of the Listing
"Group", "our Group", "we" and "us"	our Company together with its subsidiaries, or where the context so requires in respect of the period before our Company became the holding company of its present subsidiaries, the companies that are the present subsidiaries of our Company
"Haizhong Environmental"	Anhui Haizhong Environmental Company Limited (安徽海中環保有限責任公司), a company established in the PRC with limited liability on March 14, 2019 and a non-wholly owned subsidiary of our Company
"HK$" or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong Share Registrar"	Computershare Hong Kong Investor Services Limited
"IFRSs"	International Financial Reporting Standards

"Independent Third Party(ies)"	an individual or a company who, to the best of our Directors' knowledge, information and belief, having made reasonable enquiries, is not a connected person (within the meaning of the Listing Rules)
"Joint Sponsors"	China International Capital Corporation Hong Kong Securities Limited and HSBC Corporate Finance (Hong Kong) Limited
"Latest Practicable Date"	March 13, 2022, being the latest practicable date for the purposes of ascertaining certain information contained in this listing document before its publication
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	the date expected to be on or about March 30, 2022 on which the Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange. For the avoidance of doubt, the Main Board excludes GEM
"Memorandum" or "Memorandum of Association"	the memorandum of association of our Company, approved and adopted on March 16, 2022 which will take effect upon Listing, a summary of which is set out in "Appendix IV — Summary of the Constitution of Our Company and Cayman Companies Act" to this listing document, and as amended and restated from time to time
"Mengxi Cement"	Inner Mongolia Mengxi Cement Group (內蒙古蒙西水泥股份有限公司) a joint stock company established in the PRC on November 10, 1991
"Ministry of Ecology and Environment"	the Ministry of Ecology and Environment of the People's Republic of China (中華人民共和國生態環境部) (formerly known as the Ministry of Environmental Protection of the People's Republic of China (中華人民共和國環境保護部))
"MOF"	the Ministry of Finance of the People's Republic of China (中華人民共和國財政部)
"MOFCOM"	the Ministry of Commerce of the People's Republic of China (中華人民共和國商務部)

"NDRC"	the National Development and Reform Commission of the People's Republic of China (中華人民共和國國家發展和改革委員會)
"Non-Qualifying Conch Venture Shareholders"	those Conch Venture Overseas Shareholders with registered addresses in Excluded Jurisdiction, and Conch Venture Shareholders who are otherwise known by Conch Venture to be residents of, or located in jurisdictions outside Hong Kong on the Record Date who will not receive Shares pursuant to the Conch Venture Distribution where the Conch Venture Board and our Board after making relevant enquiries and based on legal advice provided by their legal advisers consider it necessary or expedient to exclude them from receiving Shares on account either of the legal restrictions under the laws of the relevant jurisdictions where they are located or resident and/or the requirements of the relevant regulatory bodies or stock exchanges in those jurisdictions
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of PRC
"PRC Company Law"	Company Law of the People's Republic of China (中華人民共和國公司法), as amended, supplemented or otherwise modified from time to time
"PRC government"	the government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them
"PRC Legal Adviser"	Jingtian & Gongcheng, the legal advisers to our Company as to the laws of the PRC
"Qualifying Conch Venture Shareholder(s)"	Conch Venture Shareholder(s) whose name(s) appeared on the register of members of Conch Venture as at the Record Date and not being Non-Qualifying Conch Venture Shareholders
"Record Date"	March 23, 2022 being the record date for determining the entitlement of the Conch Venture Shareholders to the Conch Venture Distribution
"Registered Conch Venture Shareholder(s)"	in respect of Beneficial Conch Venture Shareholder(s), any nominee(s), trustee(s), depositary(ies) or any other authorized custodian(s) or third-party(ies) whose name(s) is/are entered in the register of members of Conch Venture as the holder(s) of the Conch Venture Shares in which the Beneficial Conch Venture Shareholder(s) is/are beneficially interested

"RMB" or "Renminbi"	Renminbi, the lawful currency of the People's Republic of China
"SAFE"	the State Administration for Foreign Exchange of the People's Republic of China (中華人民共和國國家外匯管理局)
"SAMR"	the State Administration of Market Regulation of the People's Republic of China (中華人民共和國市場監督管理總局) (formerly known as the State Administration for Industry and Commerce of the People's Republic of China (中華人民共和國國家工商行政管理總局))
"SAT"	the State Administration of Taxation of the People's Republic of China (中華人民共和國國家稅務總局)
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shaanxi Bangda"	Shaanxi Bangda Environmental Engineering Company Limited (陝西邦達環保工程有限公司), a company established in the PRC with limited liability on October 30, 2008 and a non-wholly owned subsidiary of our Company
"Share(s)"	ordinary share(s) with a par value of HK$0.01 each in the share capital of our Company
"Shareholder(s)"	holder(s) of Share(s)
"Spin-off"	the spin-off of our Company by way of distribution and the separate listing of our Shares on the Main Board of the Stock Exchange by way of introduction
"State Council"	the State Council of the People's Republic of China (中華人民共和國國務院)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed thereto in section 15 of the Companies Ordinance
"substantial shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Takeovers Code"	The Codes on Takeovers and Mergers and Share Buybacks issued by the SFC and as amended, supplemented or otherwise modified from time to time

"Track Record Period"	the years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2021
"United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"USD"	the U.S. dollar, the lawfully currency of the United States
"WH Environmental Protection"	Wuhu Conch Venture Environmental Protection Technology Company Limited (蕪湖海創環保科技有限責任公司), a company established in the PRC with limited liability on June 13, 2016 and a non-wholly owned subsidiary of our Company
"Wuhu Conch Investment"	Anhui Haichuang Lvneng Environment Protection Group Co., Ltd. (安徽海創綠能環保集團股份有限公司), previously registered as Wuhu Conch Investment Company Limited (蕪湖海螺投資有限公司), a company established in the PRC with limited liability on February 27, 2014
"Yaobai Environmental"	Xi'an Yaobai Environmental Technology Engineering Company Limited (西安堯柏環保科技工程有限公司), a company established in the PRC with limited liability on June 3, 2013 and a non-wholly owned subsidiary of our Company
"%"	per cent
"14th Five-Year Plan for Economic and Social Development of the People's Republic of China"	(《中華人民共和國國民經濟和社會發展第十四個五年規劃綱要》) is a development plan approved at the Fourth Session of the thirteenth National People's Congress on March 11, 2021

Certain amounts and percentage figures included in this listing document have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

If there is any inconsistency between the Chinese names of entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail. The English translation of company names in Chinese or another language which are marked with "" and the Chinese translation of company names in English which are marked with "*" is for identification purposes only.*

This glossary of technical terms contains terms used in this listing document as they relate to our business. As such, these terms and their meanings may not always correspond to standard industry meaning or usage of these terms.

"cement kiln waste treatment"	technologies to co-process waste during the cement production process to substantially eliminate hazardous materials, emissions and residues and, at the same time, as alternative fuels to recover energy or raw materials for cement production
"cement kiln waste treatment solution services"	the one-stop services covering the collection and transportation, testing and storage, compatibility and transmission, treatment and incineration of industrial solid waste and hazardous waste utilizing cement kiln waste treatment technologies
"compatibility planning"	the process of mixing two or more substances together to pre-treat the waste so that waste can be incinerated safely and efficiently in cement kiln
"designed treatment capacity"	designed treatment capacity are the designed maximum treatment capacity of an industrial hazardous waste treatment project
"dioxins"	chemical compounds belonging to the family of polychlorinated dibenzo-p-dioxins (PCDD) and the family of polychlorinated dibenzofurans (PCDF) which are carcinogenic to human, and are formed when chlorine-containing organic substances (such as polyvinyl chloride) are burned, it is a by-product of various industrial process and is commonly regarded as a highly toxic compound that is an environmental pollutant and persistent organic pollutant
"emulsifiers"	a substance used in industry manufacturing which helps to combine liquids of different thicknesses
"flash point"	the lowest temperature at which its vapors ignite if given an ignition source
"GPS"	a satellite-based radionavigation system that provides geolocation and time information to a receiver anywhere on or near the Earth
"hydrocarbons"	an organic compound containing only carbon and hydrogen
"National Hazardous Waste List"	national list of hazardous waste (國家危險廢物名錄), originally published in 2008 and revised in 2020 by the Ministry of Ecology and Environment
"oxidation"	the addition of oxygen to a compound with a loss of electrons

"pH value"	a scale used to specify the acidity or basicity of an aqueous solution
"pyrolytic carbon"	a carbon material deposited from gaseous hydrocarbon compounds on suitable underlying substrates (carbon materials, metals, ceramics)
"thermal desorption technology"	an environmental remediation technology that utilizes heat to increase the volatility of organic contaminants such that they can be removed or separated from the solid matrix (typically soil, sludge or filter cake)
"thermally-induced pyrolysis desorption process"	a thermochemical decomposition of organic material at elevated temperatures in the absence of oxygen (or any halogen) which involves the simultaneous change of chemical composition and physical phase and is irreversible
"tonne"	a unit of mass, equals to 1,000 kilograms
"treatment capacity"	the treatment capacity of an industrial solid waste treatment projects is the treatment capacity of such projects as approved by the relevant government authorities, while the treatment capacity of an industrial hazardous waste treatment project is the maximum amount of annual treatment capacity specified by the local ecology and environment authorities in the relevant Operation License of Hazardous Waste
"treatment capacity utilization rate"	treatment capacity utilization rate is calculated by dividing the treatment volume in each year/period by the average treatment capacity as of the beginning and end of each year/period
"treatment volume"	treatment volume is the total amount of industrial solid and hazardous waste a waste treatment service provider accepts from its customers

DISTRIBUTION

Information on the Conch Venture Distribution

On March 16, 2022, the Conch Venture Board declared the Conch Venture Distribution to the Qualifying Conch Venture Shareholders. The Conch Venture Distribution will be satisfied wholly by way of a distribution in specie to the Qualifying Conch Venture Shareholders of an aggregate of 1,826,765,059 Shares, representing all the issued Shares of our Company, in proportion to their respective shareholdings in Conch Venture as at the Record Date. Pursuant to the Conch Venture Distribution, the Qualifying Conch Venture Shareholders will be entitled to one Share for every one Conch Venture Share held as at the Record Date.

The Spin-off will be implemented by way of a distribution alone, which will not constitute a transaction of Conch Venture under Chapter 14 of the Listing Rules and accordingly, Conch Venture is not required to comply with the notification or shareholders' approval requirements under Chapter 14 of the Listing Rules.

Condition to the Conch Venture Distribution

The Conch Venture Distribution is conditional on the Stock Exchange granting approval for the listing by way of introduction of, and permission to deal in, our Shares on the Main Board of the Stock Exchange and such approval not having been revoked prior to 8:00 a.m. (Hong Kong time) on the Listing Date. If this condition is not satisfied, the Conch Venture Distribution will not be made and the Spin-off will not take place.

Non-Qualifying Conch Venture Shareholders

The distribution of our Shares under the Conch Venture Distribution to certain Conch Venture Shareholders may be subject to laws of jurisdictions outside Hong Kong. The Conch Venture Shareholders and the Beneficial Conch Venture Shareholders whose addresses registered in the register of members of Conch Venture are in/or who are located or residing in jurisdictions other than Hong Kong should inform themselves about and observe all legal and regulatory requirements applicable to them. It is the responsibility of the Conch Venture Shareholders and the Beneficial Conch Venture Shareholders to satisfy themselves as to the full observance of the laws of the relevant jurisdictions applicable to them in connection with Conch Venture Distribution, including obtaining of any governmental, exchange control or other consents which may be required, or compliance with any other necessary formalities and payment of any issue, transfer or other taxes due in such jurisdiction.

The Conch Venture Overseas Shareholders and the Beneficial Conch Venture Shareholders should consult their professional advisers if they are in any doubt as to the potential applicability of, or consequences under, any provision of law or regulation or judicial or regulatory decisions or interpretations in any jurisdiction, territory or locality therein or thereof and, in particular, whether there will be any restriction or prohibition on the receipt, acquisition, retention, disposal or otherwise with respect to our Shares. It is emphasized that none of Conch Venture, our Company, the Joint Sponsors, any of their respective directors, officers, employees, agents or representatives or any other person involved in the Spin-off accepts any responsibility in relation to the above.

The Non-Qualifying Conch Venture Shareholders refer to the Conch Venture Shareholders with registered addresses in, or the Conch Venture Shareholders or the Beneficial Conch Venture Shareholders who are otherwise known by Conch Venture to be residents of or located in, jurisdictions outside Hong Kong as at the Record Date and whom the Conch Venture Board and the Board, based on enquiries made on their behalf and the legal advice provided by their legal advisers, consider it necessary or expedient to exclude them from receiving the Shares pursuant to the Conch Venture Distribution on account of the legal restrictions under the applicable laws of the relevant jurisdictions where the Conch Venture Shareholders or the Beneficial Conch Venture Shareholders are residents or located in and/or the requirements of the relevant regulatory bodies or stock exchanges in those jurisdictions. The relevant Non-Qualifying Conch Venture Shareholders will not receive any Shares.

Our Shares which the Non-Qualifying Conch Venture Shareholders would otherwise receive pursuant to the Conch Venture Distribution will be sold by Conch Venture on their behalf on the market as soon as reasonably practicable following the commencement of dealings in our Shares on the Main Board of the Stock Exchange. The aggregate proceeds of such sale (net of expenses and taxes) will be paid to the relevant Non-Qualifying Conch Venture Shareholders (in proportion to their respective shareholdings in Conch Venture as at the Record Date) in Hong Kong dollars in full satisfaction of the relevant Shares which they would otherwise receive pursuant to the Conch Venture Distribution, provided that if the amount that a Non-Qualifying Conch Venture Shareholder would be entitled to receive is less than HK$100, such sum will be retained for the benefit of Conch Venture. Such payment of net proceeds to the Non-Qualifying Conch Venture Shareholders is expected to be made on or around April 29, 2022.

As at the Latest Practicable Date, based on the information provided by Conch Venture, there was no Conch Venture Overseas Shareholder whose address registered in the register of members of Conch Venture was located in jurisdictions other than Hong Kong.

If there is any jurisdiction outside Hong Kong in which the address of any Conch Venture Shareholder as shown in the register of members of Conch Venture as at the Record Date is located or any Conch Venture Shareholder or Beneficial Conch Venture Shareholder as at the Record Date is otherwise known by Conch Venture to be located or resident, and such Conch Venture Shareholders should, in the view of the Conch Venture Board and our Board having made the relevant enquiries and having considered the circumstances, be excluded from receiving our Shares pursuant to the Conch Venture Distribution on the basis of the legal restrictions under the applicable laws of such jurisdiction or the requirements of the relevant regulatory bodies or stock exchanges in such jurisdiction, our Company will make an announcement.

With respect to any Excluded Jurisdiction, Conch Venture will send a letter to CCASS Participants (other than CCASS Investor Participants) notifying them that, in light of applicable laws and regulations of the Excluded Justifications to the extent they hold any Conch Venture Shares on behalf of any Beneficial Conch Venture Shareholder with an address located in any of the Excluded Jurisdictions they should sell our Shares which they receive pursuant to the Conch Venture Distribution on behalf of such Beneficial Conch Venture Shareholder(s) and pay the net proceeds of such sale to such Beneficial Conch Venture Shareholder(s).

None of Conch Venture, our Company or the Joint Sponsors take any responsibility for the sale of such Shares or the payment of the net proceeds of the sale of such Shares to any such underlying Beneficial Conch Venture Shareholders.

Conch Venture and our Company reserve the rights, in its and our absolute discretion, to allow the participation of any Conch Venture Shareholder or Beneficial Conch Venture Shareholder in the Conch Venture Distribution.

INFORMATION FOR THE CONCH VENTURE OVERSEAS SHAREHOLDERS

Conch Venture PRC Stock Connect Investors

According to the "Stock Connect Shareholding Search" available on the Stock Exchange's website (**www.hkexnews.hk**), as at the Latest Practicable Date, China Clear held 229,694,000 Conch Venture Shares, representing approximately 12.57% of the total issued Conch Venture Shares. China Clear is a CCASS Participant with HKSCC Nominees.

The Conch Venture Board and our Board have made the relevant enquiries and have been advised by our PRC Legal Adviser that the PRC southbound trading investor(s) through Shanghai-Hong Kong Stock Connect (the "**Shanghai Connect**") and/or Shenzhen-Hong Kong Stock Connect (the "**Shenzhen Connect**") who hold the shares of the Conch Venture through China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限公司) (the "**China Clear**") as nominee (the "**Conch Venture PRC Stock Connect Investors**") may hold our Shares pursuant to the Conch Venture Distribution through China Clear. In addition, according to our PRC Legal Adviser, pursuant to the Shanghai Stock Exchange Measures for the Implementation of Shanghai-Hong Kong Stock Connect (《上海證券交易所滬港通業務實施辦法》) and the Shenzhen Stock Exchange Measures for the Implementation of Shenzhen-Hong Kong Stock Connect (《深圳證券交易所深港通業務實施辦法》), the Conch Venture PRC Stock Connect Investors (or the relevant China Clear participants, as the case may be) whose stock accounts in China Clear are credited with our Shares may only sell them on the Stock Exchange under Shanghai Connect and Shenzhen Connect.

Conch Venture PRC Stock Connect Investors should seek advice from their intermediaries (including brokers, custodians, nominees or China Clear participants) and/or other professional advisers for details of the logistical arrangements as required by China Clear.

All Conch Venture Overseas Shareholders

This listing document is for the exclusive use by Conch Venture Shareholders solely for the purpose of assessing the Conch Venture Distribution and should not be used other than in connection with such purpose. This listing document does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to acquire, the Shares or to take up any entitlements to the Shares or any solicitation or act in furtherance to a trade in any jurisdiction in which such an offer or solicitation or act is unlawful.

Neither the Shares nor this listing document has been or will be registered under the securities laws of any jurisdiction. Accordingly, unless otherwise disclosed above, the Shares may not be offered, sold, pledged, taken up, resold, renounced, transferred or delivered, directly or indirectly, into or within any such jurisdictions, absent registration or qualification under the respective securities laws of such jurisdictions, or exemption from the registration or qualification requirements under applicable rules of such jurisdictions.

It is the responsibility of any person (including but not limited to any agent, custodian, nominee or trustee) outside Hong Kong wishing to receive or purchase, hold or dispose of, or deal in, the Shares or exercise any rights attaching to the Shares to satisfy himself/herself/itself as to the full observance of the laws and regulations of the relevant territory or jurisdiction, including obtaining any governmental or other consents and to pay any taxes, duties and other amounts required to be paid in such territory or jurisdiction in connection therewith.

Conch Venture Shareholders should note that they will not be required to pay or provide any consideration to Conch Venture or us for any Shares received pursuant to the Conch Venture Distribution. Receipt of our Shares by any person pursuant to the Conch Venture Distribution will be deemed to constitute a representation and warranty from such person to our Company that these local laws and requirements have been fully complied with. For the avoidance of doubt, neither HKSCC for HKSCC Nominees Limited will give, or be subject to, any of the representation and warranty. Such persons should consult their professional advisers if in doubt.

THE SPIN-OFF AND LISTING BY INTRODUCTION

If the Spin-off proceeds, it will be implemented in compliance with the Listing Rules. The Spin-off will be effected through a listing of our Shares by way of introduction and the Conch Venture Distribution whereby the Qualifying Conch Venture Shareholders will receive the relevant Shares. The Spin-off does not involve an offering of our Shares or any other securities of our Company for purchase or subscription and no money will be raised in conjunction with the Spin-off.

Reasons for and Benefits of the Spin-off

Conch Venture considers that the Spin-off is in the interests of Conch Venture, our Company and their/our respective shareholders as a whole and the Spin-off will position each of the Conch Venture Group and our Group better for growth in their/our respective businesses and deliver clear benefits to both due to the following reasons:

(a) the Spin-off would enable more focused development and strategic planning, as well as better allocation of resources for Conch Venture and our Company with respect to their/our respective businesses given their distinctive business models and cost structures;

(b) the Spin-off will strengthen the operational management ability of both Conch Venture and our Company, where their/our management teams can focus more efficiently and effectively on their/our respective businesses and improve their abilities to recruit, motivate and retain key management personnel for each line of business as well as to expediently and effectively capitalize on any business opportunities that may arise;

(c) the Spin-off will enable our Company to build its identity as a separate listed group, and provide a direct and additional platform for our Company to secure funding to support its faster growth and expansion plan and allows our Company to react promptly to market conditions. After the Spin-off, both Conch Venture and our Company will have separate fundraising platforms that have direct access to both equity and debt capital markets, which will increase their/our respective financial flexibility and enhance their/our ability to maintain stable cash flow to support sustainable growth;

(d) the Spin-off will increase the operational and financial transparency and improve the corporate governance of our Company and allow investors to appraise and assess our Company's performance and potential. In particular, the size of our Company is relatively smaller as compared to that of Conch Venture, and therefore its value might not be fully realized, the Spin-off will enable our Company to be valued as separate entity and reflecting its intrinsic value on a standalone basis. It will also create an independent platform for a potentially new investor base for our Company after it is listed on the Main Board of the Stock Exchange as it will be able to attract new investors who are seeking focused investments specifically in the industrial solid and hazardous waste treatment sector. Investor will have the choice to invest in either one or both of the businesses and shareholders will have the opportunity to realize the value of their investment in Conch Venture and our Company. The overall value of both Conch Venture and our Company will be enhanced with a clear standalone valuation of our Company, and the Spin-off will provide the shareholders of Conch Venture an opportunity to ascribe a market value of its investment in our Company;

(e) by way of a distribution in specie, the existing shareholders of Conch Venture will therefore continue to enjoy the benefits from the future development and growth of our Company; and

(f) the Spin-off will enhance the brand value and market influence of our Company and promote its sustainable development. As a separately listed group, our Company will be in a better position to negotiate and solicit more businesses, and the shareholders of Conch Venture will in turn be able to benefit from the growth of our Company through their shareholdings in our Company.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Our Company has made an application to the Stock Exchange for the listing of, and permission to deal in, our Shares. No part of the share or loan of our Company is listed or dealt in on any other stock exchange. At present, our Company is not seeking or proposing to seek such listing of, or permission to deal in, the share or loan of our Company on any other stock exchange.

NO CHANGE IN BUSINESS

No change in the business of our Company immediately following the Spin-off is contemplated.

HONG KONG BRANCH REGISTER AND STAMP DUTY

Our Company's Hong Kong branch register of members is maintained by the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited in Hong Kong. Dealings in our Shares on the Stock Exchange will be registered on our Company's Hong Kong branch register of members maintained in Hong Kong. Unless our Company determines otherwise, dividends payable in Hong Kong dollars in respect of our Shares will be paid to our Shareholders listed on our Company's register of members, by way of cheque sent by ordinary post, at our Shareholders' risk, to their registered addresses.

Dealings in our Shares registered on our Company's Hong Kong branch register of members maintained in Hong Kong will be subject to Hong Kong stamp duty.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, our Shares on the Stock Exchange and our Company's compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares on the Stock Exchange or any other date as determined by HKSCC.

Settlement of transactions between Exchange Participants (as defined in the Listing Rules) of the Stock Exchange is required to take place in CCASS on the second settlement day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for our Shares to be admitted into CCASS.

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisers if you are in any doubt as to the tax implications of receiving, purchasing, holding, disposing of and dealing in our Shares. We emphasize that none of us, Conch Venture, the Joint Sponsors, any of our or their respective directors, officers, employees, agents or representatives or any other person involved in the Spin-off accepts responsibility for any tax effects or liabilities resulting from the receipt of, purchase, holding or disposing of, or dealing in, our Shares or your exercise of any rights attaching to our Shares.

COMMENCEMENT OF DEALINGS IN OUR SHARES

Dealings in our Shares on the Stock Exchange are expected to commence on Wednesday, March 30, 2022. Our Shares will be traded in board lots of 500 Shares each. The stock code of our Shares is 587.

The Share certificates are expected to be despatched to the Qualifying Conch Venture Shareholders by ordinary post at their own risk on March 29, 2022 and will only become valid if the Conch Venture Distribution becomes unconditional. If Conch Venture Distribution does not become unconditional, dealings in our Shares on the Stock Exchange will not commence on March 30, 2022.

In respect of our Shares which the Qualifying Conch Venture Shareholders are entitled to receive, each Qualifying Conch Venture Shareholder will be sent one Share certificate for all Shares and will be despatched by ordinary post at their own risk, except for HKSCC Nominees Limited which may request for Share certificates to be issued in such denominations as it may specify.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS LISTING DOCUMENT

This listing document, for which our Directors (including any proposed director who is named as such in the listing document) collectively and individually accept full responsibility, includes particulars given in compliance with the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to our Group.

Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this listing document is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this listing document misleading.

RESTRICTIONS ON THE USE OF THIS LISTING DOCUMENT

This listing document is published solely in connection with the Spin-off. It may not be used for any other purpose and, in particular, no person is authorized to use or reproduce this listing document or any part thereof in connection with any offering of the Shares or other securities of our Company. Accordingly, this listing document does not constitute an offer or invitation in any jurisdiction to acquire, subscribe for or purchase any of the Shares or other securities of our Company nor is it calculated to invite any offer or invitation for any of the Shares or other securities of our Company.

We have not authorized anyone to provide any information that is different from what is contained in this listing document or to make any representation not contained in this listing document. Any information or representation not contained in this listing document must not be relied on by you as having been authorized by us, Conch Venture, the Joint Sponsors, any of our or their respective directors, officers, employees, agents or representatives or any other person involved in the Spin-off. Neither the delivery of this listing document nor the distribution of Shares pursuant to the Conch Venture Distribution should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this listing document or imply that the information contained in this listing document is correct as at any date subsequent to the date of this listing document.

We have included in this listing document forward-looking statements. Statements that are not historical facts, including statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements. We have made these statements with due care and have no reason to believe that the statements are not accurate.

These forward-looking statements include, without limitation, statements relating to our future financial position and results of operations, our strategy, plans, objectives, goals and targets, future developments in the markets where we participate or are seeking to participate, any statements preceded by, followed by or that include the words ''aim'', ''anticipate'', ''believe'', ''consider'', ''continue'', ''could'', ''estimate'', ''expect'', ''going forward'', ''intend'', ''ought to'', ''may'', ''plan'', ''potential'', ''predict'', ''project'', ''seek'', ''should'', ''will'', ''would'' and similar expressions or the negative thereof, and any other statements in this listing document that are not historical facts.

These forward-looking statements are based on current plans and estimates, and speak only as at the date they are made. We undertake no obligation to update or revise any forward-looking statement in light of new information, future events or otherwise. Forward- looking statements involve inherent risks and uncertainties and are subject to assumptions, some of which are beyond our control. We caution you that a number of important factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statement. These factors include, among others, the following:

- our business strategies and plans to execute these strategies;
- our capital expenditure plans;
- our operations and business prospects, including development plans for our existing and new projects and businesses;
- business opportunities that we may pursue;
- projects under construction, projects under planning or projects expected to be acquired pursuant to relevant agreements;
- our financial condition;
- availability of bank loans and other forms of financing;
- our ability to reduce costs;
- the future developments trends, conditions and competitive environment in our industry;
- the effect of the global financial markets and economic crisis;
- changes or volatility in interest rates, foreign exchange rates and overall market changes;
- changes in government policies, laws or regulations, in particular the regulatory environment for our industry in general; and
- the general economic trend of the PRC and general economic conditions.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under the section headed "Risk Factors" and elsewhere in this listing document. Due to these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this listing document might not occur in the way we expect, or at all.

Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this listing document are qualified by reference to this cautionary statement.

An investment in our Shares involves significant risks. You should carefully consider all of the information in this listing document, including the risks and uncertainties described below, before making an investment in our Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material adverse effect on our business, financial condition, results of operations and prospects. In any such case, the market price of our Shares could decline, and you may lose all or part of your investment.

These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in "Forward-looking Statements" in this listing document.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

The development of the environmental protection industry is highly dependent on the PRC government's environmental protection policies, which may change from time to time.

We operate in the PRC environmental protection industry and provide all of our waste treatment services in the PRC. The PRC government has promulgated a series of laws and regulations and adopted preferential policies to support the development of the environmental protection industry, including the 14th Five-Year Plan for Economic and Social Development of the People's Republic of China (《中華人民共和國國民經濟和社會發展第十四個五年規劃綱要》). We benefit directly and indirectly from such laws, regulations and policies. However, there can be no assurance that the favorable laws, regulations and policies which we currently benefit from will be maintained, become more favorable or continue to exist at all. In the event of any changes to laws, regulations or policies, if we cannot respond effectively and in a timely manner, our business, financial condition, results of operations and prospects may be materially and adversely affected.

In addition, these policies and incentives may attract new market entrants and may encourage the introduction of other products or services which may achieve greater pollution control effects than ours. Accordingly, there can be no assurance that we will continually benefit from any of the relevant laws, regulations or policies, and our failure to compete effectively may materially and adversely affect our business, financial condition, results of operations and prospects.

In September 2021, the NDRC issued the Dual-control Plan aiming to improve the allocation of energy and resources. Specifically, the NDRC and relevant responsible government authorities will strengthen the guidance on high coal consumption projects, implement energy consumption plans for major national projects and encourage renewable energy consumption. This resulted in temporary suspension of the cement company suppliers of 22 of our waste treatment projects with an average suspension of 41 days in the fourth quarter of 2021. Our waste treatment projects cooperating with such cement company suppliers were adversely affected during the period, resulting in adverse effect on our waste treatment volume in the fourth quarter of 2021. Based on our estimation, treatment volume of approximately 60,000 tonnes of industrial solid waste and 65,000 tonnes of industrial hazardous waste were affected during the suspension. Although the relevant cement company suppliers and us have been actively communicating with the relevant government authorities to limit the suspension period going forward, we cannot assure you that the suspension period will be limited as we proposed or at all and our business, financial condition and results of operations may be materially and adversely affected as a result. There is no assurance that the competent authorities will not impose additional or more stringent laws, regulations or policies going forward.

We recorded net current liabilities during the Track Record Period and may record net current liabilities in the future.

We recorded net current liabilities of RMB268.8 million and RMB658.1 million as of December 31, 2019 and 2020, respectively, primarily due to substantial increases in (i) our amounts due to related parties in relation to our corporate reorganization, and (ii) our trade payables, largely in line with our business growth. Our net current liabilities further increased to RMB810.0 million as of September 30, 2021 primarily due to (i) increased loans and borrowings to fund our projects; (ii) increased income tax payables; (iii) decreased cash and cash equivalents as we used cash to fund our projects, partially offset by decreased trade and other payables mainly as we fully capitalized the amounts due to related parties of RMB1,199.0 million by issuing shares to Conch Venture in August 2021 and September 2021 and increased trade and other receivables. We cannot assure you that we will be able to obtain adequate financing to meet our future working capital requirements and we may record net current liabilities in the future. We may be unable to generate positive operating cash flow or obtain additional bank loans or other borrowings in a timely manner, on acceptance terms or at all, which would materially and adversely affect our ability to satisfy the working capital requirements.

Our hazardous waste treatment capacity is subject to risks in relation to the application and renewal of licenses.

We are required to obtain the Operation License of Hazardous Waste from the local ecology and environment authorities to carry out hazardous waste treatment services. The local ecology and environment authorities specify the maximum amount of annual treatment capacity of each of our industrial hazardous waste treatment project in each of the Operation License of Hazardous Waste. Therefore, our treatment capacity is limited to the maximum amount of annual treatment capacity specified by the local ecology and environment authorities in each of our Operation License of Hazardous Waste. The maximum amount of annual treatment capacity of our industrial hazardous waste projects specified in the relevant Operation License of Hazardous Waste is typically lower than the maximum amount of annual designed treatment capacity of such projects. We cannot assure you that we will be able to obtain maximum annual treatment capacity of a similar scale or at all in the future due to factors beyond our control. In addition, such Operation License of Hazardous Waste typically are valid for three to five years and subject to renewal. There can be no assurance that our application or renewal of such operation licenses would be successful. In the event that we do not obtain or renew any of such operation licenses, our ability to provide hazardous waste treatment services may be impaired. As a result, our business, financial condition and results of operations may be adversely affected.

In addition to the operation licenses, some of our PRC subsidiaries are engaged in the transportation of hazardous waste and are required to obtain the relevant road transportation business license from the local transportation departments. As of the Latest Practicable Date, all of our subsidiaries which provide hazardous waste transportation services possessed the relevant road transportation business license. In the event that we fail to obtain and renew any necessary licenses promptly or at all for any reason, we would be unable to continue normal operations at the affected plant, which would have an adverse effect on our business and results of operations.

Our business involves the handling of hazardous wastes and chemicals.

We are required to handle a variety of hazardous waste and chemicals in the process of the waste treatment services, typically those related to the chemical treatment processes that we apply to waste. In order to purchase certain hazardous chemicals, we are required to make filings with and/or obtain approvals from the relevant government authorities. In the event that we fail to make filings promptly or at all for any reason, we would be unable to continue normal operations at the affected plant, which would have an adverse effect on our business and results of operations.

Meanwhile, the handling of hazardous waste and chemicals involve a certain degree of risk to our employees, plants and the areas surrounding our plants. In the event of improper handling of hazardous waste or chemicals, defects in the containers or equipment used to handle such waste or chemicals, or any other unforeseen risk, our workers, equipment and the areas surrounding our plants may be exposed to hazardous waste or chemicals. Such exposure could result in death or injury to our workers or nearby residents or damage to the surrounding environment. If such exposure were to occur, we may be subject to legal action and government sanction, and our relationship with our workers and our reputation may be adversely affected, which would in turn have an adverse effect on our business and results of operations.

We may not be able to adapt to rapidly changing technologies in a timely manner, or at all.

In order to maintain and enhance our current competitive position and grow our business, we need to continually introduce advanced and efficient solutions with superior qualities and focus on technology developments and innovations to optimize the performance of our solutions and address the increasingly complex market needs. Meanwhile, new or alternative technologies in the waste treatment markets may be adopted from time to time. There can be no assurance that we will be able to continue to enhance our technologies through research and development efforts, or that we will be able to keep up pace with technological changes in the markets where we operate. If any of our proprietary technologies for waste treatment is outperformed or proven less cost-efficient than new or alternative technologies, our business, results of operations and financial condition may be materially and adversely affected.

Although substantially all the gases and waste water produced during our operations are typically transmitted to and purified at the relevant cement production facilities' existing gas emission and waste water systems pursuant to the agreements with our cement company suppliers, we are still liable for our emissions and discharge and may be required to make substantial investments in the future, thereby increasing our cost of services and expenses. We may be required to conduct a series of modifications and upgrades on our current equipment and operation process to comply with the standards of emission, discharge, health and safety, among other things. The advanced technologies we adopt, including mature technologies available overseas, may turn out to be not suitable or optimal for us due to unexpected compatibility issues with respect to the characteristics of the solid and hazardous waste or practices in the regions where the projects are located, or we may have to invest in research and development and solution design efforts to test, modify and customize such technologies for local conditions. If we fail to adapt to these changes in technologies and our business operations, we may not be able to maintain or improve our competitive position, which could have a material adverse impact on our business, financial condition, results of operations and prospects.

We may have capital requirements in connection with our business strategy and there can be no assurance that we will be able to obtain the financing necessary to fund substantial capital expenditures.

We anticipate funding our capital expenditures with our existing cash balances and credit lines, cash inflow from operations and existing and future bank borrowings. However, in the event of adverse market conditions in the future or changes in our growth plan, operational process, technologies, prices of machinery and equipment or interest rates, our actual expenditures may exceed our planned expenditures and we may not have sufficient sources of liquidity to effect our current operational plan and would need to secure additional financing from external sources. There can be no assurance that external sources of liquidity will be available to fund our ongoing operations or our product development. The failure to obtain financing would hinder our ability to make continued investments in product development or carry out our business strategy, which could materially and adversely affect our business, results of operations and financial condition.

We have not obtained proper land use rights with respect to some of our owned properties.

As of the Latest Practicable Date, we had not obtained the land use right certificates for the land occupied by eight properties. See "Business — Properties — Owned Properties" for details. For lack of land use rights, the relevant authorities may impose fine or penalty on the land use, require us to vacate the premises, demolish the relevant buildings built on the relevant land, or confiscate such buildings. Obtaining valid land use right certificates is also a prerequisite for obtaining subsequent construction related permits and approvals and the application for real property ownership certificates. We may be subject to penalties if we fail to do so. Meanwhile, we cannot assure you that our use of the relevant land and buildings will not be challenged in the future due to factors beyond our control. Any of the foregoing may have a material adverse effect on our business, financial condition, results of operation and prospects. We plan to obtain the land use right certificates and real property ownership certificates for the relevant land and the properties erected on the relevant land. Please see "Business — Properties — Owned Properties" for details of the expected time to obtain the relevant real property ownership certificates. However, the expected time to obtain the relevant real property ownership certificates is estimated by us based on our understanding of the latest status, previous experience and communications with the relevant parties and competent authorities and may vary significantly because the internal process of government authorities in different counties/cities/provinces vary significantly and are subject to factors beyond our control, including, for example, the prolonged process by third parties.

If we fail to obtain or maintain the approvals, permits, licenses and certificates required for our operations, our business, financial condition and results of operations may be materially and adversely affected.

We are required to obtain certain approvals, permits, licenses and certificates from various governmental authorities and to comply with the relevant PRC laws and regulations in order to operate our projects and conduct our business. Some of these approvals, permits, licenses and certificates required for projects and properties include, but are not limit to, the construction land use planning permit and the construction work planning permit. See "Business — Properties — Owned Properties" for details. For risks relating to the approvals, permits, licenses and certificates of our hazardous waste treatment services, see "— Our hazardous waste treatment capacity is subject to risks in relation to the application and renewal of licenses." We cannot assure you that all these required approvals, licenses, permits and certificates can be obtained in a timely manner or at all. If we operate our projects without the required approvals, permits, licenses and certificates, or without complying with the relevant PRC laws and regulations, we may be subject to fines and penalties imposed by the relevant governmental authorities and may be required to suspend the use of our facilities or vacate the relevant premises. In addition, some of these approvals, permits, licenses and certificates are subject to periodic review and renewal by the governmental authorities and the standards of compliance required in relation thereto may be from time to time subject to changes without prior notices. Any changes in the existing policies by the governmental authorities in relation to the industries to which we provide our services may result in increased compliance costs for us or require us to obtain and maintain additional approvals, permits, licenses and certificates, among other things. Any failure for us to comply with such evolving requirements could subject us to fines and other penalties, which would have a material adverse effect on our business and results of operations.

Negative public response to the hazardous waste treatment business in general or our projects specifically may adversely affect our business.

There were instances of social demonstrations which illustrated a growing challenge in China to the construction of large hazardous waste treatment projects when local residents perceive pollution risks as well as concerns about local economy, land use, corruption and governmental transparency. We cannot assure you that such incidents due to negative public response or otherwise will not happen in the future or our business operations will not be disrupted by any such protests or objection, which would, among other things, negatively affect our business, corporate image and reputation. We have implemented public outreach programs including publicly disclosing environmental protection and pollutant emission information and inviting local residents to participate in our facility tours. However, there can be no assurance that these measures will successfully prevent any future protests against our hazardous waste treatment projects. In the event of any protests and negative publicity against our hazardous waste treatment projects, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Problems with quality or performance of our waste treatment equipment could result in loss of customers and our cement kiln company suppliers, a decrease in turnover, unexpected expenses and loss of market share.

Our results of operations depend, in part, on our ability to provide high-quality and high-performance solutions to customers. If we experience deterioration in the performance or quality of any of our waste treatment equipment, it could result in delays in delivery, cancellations of orders or product returns and complaints, loss of goodwill and harm to our brand and reputation. In addition, our cement kiln waste treatment technologies use cement kiln to co-process waste during the cement production process and we therefore cooperate with cement company suppliers in possessing cement kiln resources. Pursuant to our agreements with these cement company suppliers, we agree to minimize our interference in their daily operation and treat waste properly and in accordance with relevant PRC laws and regulations. If we fail to do so, our relationship with such cement company suppliers may worsen and we may be subject to liabilities, which may adversely and materially affect our business operations and financial condition. Furthermore, as our waste treatment equipment are assembled using components and raw materials that are produced by third parties, and if any problem arises, it may be difficult to identify the source of the problem in time. These problems may result in loss of customers or our cement kiln company suppliers, or a decrease in turnover, harm to our brand and reputation, incurrence of unexpected expenses, loss of market share, and diversion of the attention of our technical and management personnel to address these problems, any one of which may materially and adversely affect our business, financial condition and results of operations.

We may fail to construct new projects promptly, or at all.

The construction of our new projects primarily depends on our ability to negotiate with cement plants and our ability to obtain necessary permits, licenses and approvals needed for our business and our business needs. Although the number of our industrial solid and hazardous waste projects increased during the Track Record Period, we cannot assure you that we will be able to continue to construct new projects promptly, or at all.

If we fail to accurately estimate our costs or fail to execute fixed unit price contracts within our cost estimates, our results of operations would be adversely affected.

For each type of industrial solid and hazardous waste, we typically charge service fees based on fixed unit prices and the estimated annual treatment volume. Fixed unit price contracts carry inherent risks, including risks of losses from underestimating costs (including the estimated treatment volume set out with the relevant customers' costs for equipment, materials and labor), operational difficulties and other changes that may occur during the contract period. If our cost estimates for a contract are inaccurate, or if we do not execute the contract within our cost estimates, our project may not be as profitable as we expected. These, in turn, could have a material adverse effect on our business, results of operations and financial condition. Our revenue, operating cost and gross profit on such contracts can vary, sometimes substantially, from the original projections due to changes in a variety of factors, such as failure to properly estimate the cost of materials, equipment and labor, project modifications creating unanticipated costs or execution difficulties, our suppliers' failure to perform and exacerbation of any one or more of these factors as projects grow in size and complexity. These risks may increase if the duration of the relevant project is long-term, because there is an increased probability that the circumstances upon which we based our original estimation will change in a manner that increases our costs.

The design and integration of industrial solid and hazardous waste treatment equipment and projects are subject to project execution risks.

Our business is subject to inherent project execution risks which may be beyond our control, including but not limited to:

- delays in deliveries of equipment or materials;
- shortage of skilled workforce and competent management to carry out the project on time;
- unforeseen engineering, design or environmental problems and unanticipated cost increases;
- delays in receiving requisite approvals, licenses or permits for new projects or renewal for existing projects; and
- work strikes and labor disputes.

Any material disruptions to our operations or failure to timely complete our work due to the foregoing factors or otherwise, may affect our ability to negotiate new contracts with potential customers. In the event of a delay, our existing customers may be entitled to receive liquidated damages as stipulated in the relevant contract or to terminate the contract. We cannot assure you that such terminations or similar events will not happen in the future with respect to our projects. Any of such events could materially and adversely affect our business, financial condition and results of operations.

We may not be able to continue our growth and implement our business strategies successfully.

We have experienced continuous growth in terms of revenue and gross profit during the Track Record Period. We plan to (i) continue to increase our treatment capacity, expand our national service coverage and strengthen our leading market position; (ii) further enhance our management and operating efficiency; (iii) enhance our research and development capabilities to further strengthen our technology reserve and improve our competitiveness; and (iv) expand our service coverage and make strategic acquisitions. The success of our business strategies depends on a wide variety of factors, some of which are beyond our control, including, but not limited to, our ability to (i) maintain and expand our existing customer base; (ii) manage relationships with suppliers; (iii) ensure timely and sufficient supply of raw materials, parts and equipment; and (iv) hire, train and retain qualified personnel. If we encounter difficulties in implementing our business strategies or fail to successfully implement our business strategies, our profitability, growth, prospects, results of operations and financial condition may be materially and adversely affected.

We may not be able to successfully develop and operate new types of waste treatment projects and the performance of such new types of waste treatment services may adversely affect our financial results.

We focused on providing industrial solid and hazardous waste treatment services during the Track Record Period. We actively expand our waste treatment service capabilities and started to provide oil sludge treatment in 2020 and fly ash treatment in 2021. Our ability to develop and operate the new types of waste treatment projects is dependent on a number of factors, many of which are beyond of our control, including, for example, the national and local economic conditions, the development of our target markets, including the development of local economics and the resulting demand for such new types of waste treatment services, the competition in the PRC's relevant waste treatment industries.

In particular, the performance of the new types of waste treatment services may adversely affect our financial results. Oil sludge and fly ash treatment services were lower-margin in nature compared to general hazardous waste treatment during the Track Record Period. The average unit price of oil sludge was RMB1,473 in 2020 and RMB1,248 in the nine months ended September 30, 2021 and the average unit price of fly ash was RMB1,138, which were lower than the same of our general hazardous waste at RMB1,938 and RMB1,680 in 2020 and the nine months ended September 30, 2021, respectively. The gross margin of our industrial hazardous waste decreased in 2020 and the nine months ended September 30, 2021 partially as a result of the foregoing. If we fail to develop and operate such new types of waste treatment projects in a manner sufficient to support our anticipated growth, our financial results could be materially and adversely affected.

Our failure to protect our intellectual property rights may undermine our competitive position, and litigations to protect our intellectual property rights may be costly and may not be resolved in our favor.

Our business relies on a combination of patents. See "Business — Intellectual Property" for details. Our continuous success depends in part on our ability to obtain and maintain trade secrets, patents and other intellectual property protections for our solutions, technologies, designs and know-how as well as to successfully enforce our intellectual property rights and to defend our intellectual property rights against third-party challenges and/or infringement. We can only protect our solutions, technologies and designs from unauthorized use by third parties to the extent that valid and enforceable intellectual property protections cover them. In the event that our patents or other intellectual properties or our applications do not adequately describe, enable or otherwise provide coverage for our solutions, technologies or designs, we would not be able to prevent others from developing or commercializing these solutions, technologies or designs. Competitors may successfully challenge our patents, offer similar solutions that do not infringe our patents. Furthermore, the degree of future protection of our proprietary rights is uncertain because legal means may only provide limited protection and may not adequately protect our rights. Changes in either the patent laws or the interpretations of patent laws in China may diminish the value of our intellectual property.

We may be unaware of current infringement of our intellectual property rights by other parties and may be unable to prevent such infringement in the future. To protect our intellectual property rights and maintain our competitive advantage, we may file suits against parties whom we believe infringe our intellectual property. Litigation relating to intellectual property rights is costly and diverts technical and management personnel from their normal responsibilities. Furthermore, it is difficult, if not impossible, to predict how such disputes would be resolved and we may not prevail in any such litigation or proceeding. In addition, there is a risk that some of our confidential information could be compromised by disclosure during intellectual property litigation.

We may be exposed to infringement or misappropriation claims by third parties, which, if determined adversely to us, could require us to be liable for significant damage.

Our success depends largely on our ability to use and develop our technologies and knowhow without infringing upon the intellectual property rights of third parties. The validity and scope of legal claims relating to the patents covering the key equipment in our solutions involve complex scientific, legal and factual questions and analysis and, therefore, may have highly uncertain outcomes. We may be subject to litigation involving claims of patent infringement or violation of intellectual property rights of third parties. The defense and prosecution of intellectual property suits, patent opposition proceedings and related legal and administrative proceedings can be costly and time consuming and may significantly divert the efforts and resources of our technical and management personnel. An adverse determination in any such litigation or proceeding to which we may become a party, could subject us to significant liability to third parties, require us to seek licenses from third parties, pay ongoing royalties or redesign our solutions or subject us to injunctions prohibiting the use of our technologies and knowhow. Protracted litigation could also result in our clients or potential clients deferring or limiting their use of our services until resolution of such litigation.

We may not be able to compete effectively in our industry.

We are a leading player providing the eco-friendly and cost-efficient treatment of industrial solid and hazardous waste in China. We are one of the first service providers that pioneered the use of cement kiln waste treatment services to facilitate the safe, harmless and efficient treatment of industrial, solid and hazardous waste and were the largest cement kiln waste treatment service provider in terms of revenue and in terms of industrial solid and hazardous waste treatment capacity in China in 2020. We generally compete with waste treatment providers who employ cement kiln waste treatment technologies or competing technologies in the markets for provision of industrial solid and hazardous waste treatment services. It is likely that the competition will intensify in the future as newer and better technologies or solutions may be adopted by existing and new competitors. The existing and potential competitors which have longer operating histories may have more resources than us to respond to technology advancement and changes in customer preferences. In addition, we have adopted competitive pricing strategy to effectively compete in the market. Our continued success depends on our ability to anticipate and respond quickly to various competitive factors, including, among other things, the introduction of new or improved solutions by our competitors, pricing strategies adopted by our competitors and changes in our customers' preferences. Failure to compete effectively within the industry could result in a decrease in our market share and render our solutions less attractive, and thus, our results of operations and financial condition may be materially and adversely affected.

Our historical growth and the historical growth in the industries in which we operate may not be indicative of our performance in the future.

During the Track Record Period, our business had maintained relatively stable overall growth. Our revenue increased from RMB396.7 million in 2018 to RMB737.8 million in 2019 and further to RMB1,144.0 million in 2020. Our revenue also increased from RMB717.6 million in the nine months ended September 30, 2020 to RMB1,194.4 million in the same period of 2021. However, as our business development and financial performance are subject to various factors which are beyond our control, our historical business growth may not be indicative of our performance in the future.

In addition, the industries in which we operate experienced steady growth from 2015 to 2020 and are expected to further grow from 2020 to 2025. According to Frost & Sullivan, the total treatment volume of hazardous waste increased at a CAGR of 21.1% from 32.2 million tonnes in 2015 to 83.9 million tonnes in 2020, and is expected to increase at a CAGR of 10.6% to 138.9 million tonnes in 2025. The revenue of cement kiln waste treatment industry also increased at a CAGR of 51.6% from RM0.6 billion in 2015 to RMB4.8 billion in 2020, and is expected to increase at a CAGR of 20.3% to RMB12.1 billion in 2025. However, as the performance of the relevant industries are subject to various factors which are beyond our control, the historical growth in the industries in which we operate may not be indicative of our performance in the future.

We are subject to seasonality risks.

We typically record lower revenue for our waste treatment solution services during the first quarter every year due to the Chinese New Year holiday. Production at factories in China tends to slow down for at least four weeks before and after the Chinese New Year holiday. Accordingly, our equipment and materials suppliers and contract manufacturers often are not operating during this holiday. Therefore, we generally experience a decrease in our provision of services during this period and an increase in our business for the periods prior to and after the holidays. Accordingly, the results of any prior interim periods should not be relied upon as an indication of our future annual operating performance for our waste treatment solution business, or any future business of similar nature.

We are exposed to environmental compliance risks due to the nature of our operations.

We are exposed to environmental compliance risks due to the nature of our business. Despite our pollutant control efforts, our waste treatment facilities generate gas, waste and ash pollutants. Although our cement company suppliers are typically responsible for the emission of gas, waste and ash pollutants pursuant to our agreements, we still closely monitor the pollutants to ensure our compliance with the applicable environmental laws and regulations and may be held jointly liable in the event of non-compliance accidents. If we are unable to control the emission of gas, water waste, solid waste and ash pollutants in a eco-friendly and efficient manner, our employees, the environment and the society may be materially affected. Moreover, changes in governmental regulations and industry standards may impose more stringent performance or environmental requirements with respect to operating efficiency, emissions and discharge which may require us to adopt new technologies, perform equipment upgrades, or improve our existing technologies. The types and amounts of pollutants from our facilities may increase unexpectedly due to a number of factors, including but not limited to (i) an increase in the volume of the waste we are required to treat; (ii) the change of mix of the waste we are required to treat; (iii) failure to disclose the nature or mix of the waste we are required to treat by our customers to us; and (iv) downtime or occurrence of accidents at our facilities or natural disasters. During the Track Record Period and up to the Latest Practicable Date, we did not receive any material claims for failing to comply with the relevant environmental requirements or had any material environmental-related non-compliance incidents either jointly or individually held liable with our cement company suppliers. However, if we are unable to adequately and effectively operate our facilities in compliance with the relevant environmental laws and regulations, we may be subject to penalties or liabilities, and our reputation may be negatively affected. If we cannot manage our environmental compliance risks efficiently, or at all, our business, financial condition, results of operations and prospects may be materially and adversely affected.

If we fail to maintain an effective quality control system, our business may be materially and adversely affected.

We believe one of our key competitive advantages is our ability to provide high-quality solid and hazardous waste treatment solution services. Therefore, the effectiveness of our quality control system is of critical importance to our business. This requires us to adopt a stringent quality control system to strictly monitor every step of our operations. If we are unable to maintain or implement our quality control system effectively, there may be a decrease in demand and competitiveness of our services. In addition, if our services are unsafe or ineffective, we may be held liable for liability claims or litigations, and our reputation and business prospects could be materially and adversely affected.

We have obtained the ISO 9001:2015, ISO14001:2015 and ISO45001:2018 certificates for certain subsidiaries, which are valid until 2024 and are subject to renewal. Some of our subsidiaries also obtained the Certificate of Class III Safety Operation Quality (安全生產標準化三級企業) and Certificate of Class II Hazardous Waste Transportation (道路危險貨物運輸二級), among other things. Although we have implemented quality control measures from the design of solutions to the final installation and integration of the waste treatment equipment, as well as the procurement process, there can be no assurance that application or renewal for such certifications would be successful. In the event that we do not obtain or renew any of such certifications, our ability to market our services may be impaired. As a result, our business, financial condition and results of operations may be adversely affected.

If we are unable to maintain our relationships with major customers and suppliers, our business could be materially and adversely affected.

We rely on business relationships with our major customers. In 2018, 2019 and 2020 and the nine months ended September 30, 2021, our five largest customers in each year/period during the Track Record Period contributed 28.9%, 19.1%, 21.7% and 19.5%, respectively, to our total revenue in the same year/period. During the same periods, our single largest customer in each year/period during the Track Record Period contributed 11.5%, 6.1%, 6.3% and 8.3%, respectively, to our total revenue in the same year/period. The term of our framework contracts with customers generally ranges from four to 12 months. We cannot assure you we will be able to renew all of the contracts with our existing customers upon contract expiration on commercially acceptable terms or at all, nor can we assure you that we will be able to continue to obtain new customers on commercially acceptable terms. If we cannot maintain our existing customers and procure new customers promptly on commercially acceptable terms, our financial condition and results of operations could be materially and adversely affected.

In 2018, 2019 and 2020 and the nine months ended September 30, 2021, purchases from our five largest suppliers in each year/period during the Track Record Period, which were primarily construction service providers and cement company suppliers, were RMB289.6 million, RMB369.3 million, RMB714.3 million and RMB801.0 million, accounting for 53.8%, 48.8%, 47.5% and 43.8% of our total purchases in the same year/period, respectively. If we are unable to maintain our relationships with any of the major suppliers or if any of them otherwise ceases to cooperate with us or supply equipment or materials, or provide services to us on the same or similar terms, or at all, such changes may result in delays to our projects, which could adversely affect our reputation and results of operations. In addition, replacing a supplier may require us to divert attention and resources away from our business. If we are unable to identify suitable replacement suppliers in a timely manner, or at all, our business and results of operations could be materially and adversely affected.

Material changes in our relationship with major cement company suppliers would adversely affect our operations and financial results.

We cooperate with major cement company suppliers by utilizing their existing cement kilns to carry out our cement kiln waste treatment solution services. We pay service fees to cement company suppliers in return. In 2018, 2019 and 2020 and the nine months ended September 30, 2020 and 2021, purchases of services from cement company suppliers amounted to RMB11.5 million, RMB23.5 million, RMB57.6 million, RMB33.9 million and RMB55.2 million, respectively. We also establish joint cooperation with CNBM and Mengxi Cement. The contract term of our agreements with our major cement company suppliers is 30 years. For details, see "Business — Our Operational Process — Our Strategic Cooperation with Cement Company Suppliers". If we are unable to maintain our business relationship with our cement company suppliers or if any of them otherwise ceases to cooperate with us at same or similar terms, or at all, our business, results of operations and financial condition will be materially and adversely affected.

In addition, any material adverse change in our cement company suppliers' business may also adversely affect our business operations. For example, we ceased the operation of one project in 2020 ("Ceased Project") because the cement plant based on which the project was built ceased operation. As confirmed by our Directors, we were not liable for any liabilities incurred in connection with the Ceased Project and our business and financial position were not adversely and materially affected. However, in the event any similar event occurs in the future, we cannot not assure you that we will not be liable for any liabilities or we will be able to provide alternatives to our customers and our business and financial position may be adversely and materially affected.

Our ability to access credit and capital markets may be adversely affected by factors beyond our control.

Interest rate increases by the PBOC or market disruptions may increase our cost of borrowing or adversely affect our ability to access sources of liquidity upon which we rely to finance our operations and satisfy our obligations as they become due. We intend to continue to make investments to support our business growth and may require additional funds to respond to business challenges. There can be no assurance that the anticipated cash flow from our operations will be sufficient to meet all of our cash requirements, or that we will be able to secure external financing at competitive rates, or at all. Any such failure may adversely affect our ability to finance our operations, meet our obligations or implement our growth strategy.

We are subject to risks associated with changes in government grants and preferential tax treatment.

We received government grants during the Track Record Period. In 2018, 2019 and 2020 and the nine months ended September 30, 2021, we recognized government grants of RMB24.5 million, RMB25.6 million, RMB23.1 million and RMB32.1 million, respectively. We cannot assure you that we will be able to obtain government grants of a similar scale or at all in the future. Alteration or discontinuation of such or similar government grants, resulting from changes to the PRC laws and regulations and policies, among other things, may adversely affect our business and results of operations.

During the Track Record Period, certain of our subsidiaries established in Western China were subject to a reduced income tax rate of 15% as their locations and operations fall within the category of large-scale development of Western China. Further, certain of our subsidiaries were entitled to a three-year tax exemption followed by a three-year 50% tax rate reduction as their operations fall within certain qualified environmental protection and energy conservation sectors as defined by the PRC government. Our effective income tax rate (calculated by dividing our income tax expense by our profit before tax for the corresponding period) in 2018, 2019 and 2020 and the nine months ended September 30, 2020 and 2021 was 2.0%, 1.5%, 2.8%, 2.9% and 7.3%, respectively. For details, see "Financial Information — Consolidated Statements of Profit or Loss — Income Tax". We cannot assure you that the PRC policies on preferential tax treatment will not change or that any preferential tax treatment we enjoy or will be entitled to enjoy will not be terminated. If any change or termination of preferential tax treatment occurs, the increase in our tax charge could materially and adversely affect our results of operations and financial condition.

We are exposed to credit risk for trade and other receivables.

Our exposure to credit risk for trade and other receivables is influenced mainly by the individual characteristics of customers rather than the industry or country in which the customers operate and therefore concentrations of credit risk primarily arise when we have significant exposure to individual customers. As of December 31, 2018, 2019, 2020 and September 30, 2021, our trade and other receivables amounted to RMB248.5 million, RMB363.4 million, RMB662.4 million and RMB778.8 million, respectively. We may not be able to collect all such trade and other receivables due to a variety of factors that are out of our control, including long payment cycle of customers, adverse operating conditions or financial situation of customer and any delay in payment. If any of our customers experience financial difficulties in settling the trade and other receivables, or if the relationship between us and any of our customers is terminated or deteriorates, our corresponding trade and other receivables might be adversely affected in terms of recoverability. If we are not able to manage the credit risk associated with our trade and other receivables effectively, our results of operations may be materially and adversely affected. Furthermore, substantial defaults or delays by our customers could materially and adversely affect our cash flow and we may have to terminate our relationships with such customers.

We are exposed to fair value change for financial assets measurement at fair value through profit or loss and valuation uncertainty due to the use of unobservable inputs.

Our financial assets measured at fair value through profit and loss refer to the unlisted equity securities of Anhui BBCA Biochemical Co., Ltd. ("**Anhui BBCA**"), which we invested in 2020. As of December 31, 2018, 2019, 2020 and September 30, 2021, our financial assets measured at fair value through profit or loss were nil, nil, RMB82.5 million, RMB82.5 million, respectively. Our financial assets are measured at fair value, and the changes in their fair values are recorded under other gains or losses in the consolidated statements of profit or loss and other comprehensive income, which will directly affect our profit and results of operations.

During the Track Record Period, the fair value of our financial assets at fair value through profit or loss was determined by reference to the latest-round financing price of the securities, adjusted by unobservable inputs based on information such as the latest available financial information and is classified as a Level 3 fair value measurement. Changes in these unobservable inputs will affect the estimated fair value of our financial assets at the end of each financial reporting period. Given the inherent uncertainty in the fair value of financial assets at fair value through profit or loss, any significant and adverse changes in fair value could have an adverse effect on our financial position and results of operations.

Our intangible assets and goodwill may be subject to impairment.

As of December 31, 2018, 2019, 2020 and September 30, 2021, we had intangible assets of RMB0.4 million, RMB2.4 million, RMB67.8 million and RMB64.2 million, respectively. We had goodwill of RMB5.8 million as of September 30, 2021.

Pursuant to applicable accounting standards, intangible assets and goodwill, that are not amortized are subject to assessment for impairment annually or more frequently if certain events or changes in circumstances indicate that it might be impaired. An impairment loss is recognized for the amount by which the assets' carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. The impairment may be further affected by the assumptions made by the management. If any of these assumptions does not materialize, or if the performance of our business is not consistent with such assumptions, we may be required to have a significant write-off of our intangible assets and record a significant impairment loss. Any significant impairment of intangible assets could have a material adverse effect on our business, financial condition and results of operations.

Our investments in associates and the share of results of associates may affect our results of operations.

During 2018, 2019 and 2020 and the nine months ended September 30, 2020 and 2021, our payments for investments in associates amounted to nil, RMB64.0 million, RMB1.2 million, RMB1.2 million and RMB14.4 million, respectively. We are subject to the risk that the companies in which we invest may make business, financial or management decisions with which we do not agree, and over which we do not have control, or that the majority shareholders, or the management, of the companies may take risks or otherwise act in a manner that does not serve our interests. In particular, the carrying value of our investments, accounted for using the equity method, may be affected by a number of factors such as share of results, impairment, dilution, issuance of equity securities, and currency translation differences. Any of those above may adversely affect our business and results of operations.

In addition, our investments in associates are subject to liquidity risk. Our investments in associates are not as liquid as other investment products as there is no cash flow until dividends are received, even if our associates reported profits under the equity accounting. Furthermore, our ability to promptly sell one or more of our interests in the associates in response to changing economic, financial and investment conditions is limited. The market is affected by various factors, such as general economic conditions, availability of financing, interest rates and supply and demand, many of which are beyond our control.

We may not be able to fulfil our obligation in respect of contract liabilities.

Our contract liabilities represent our obligations to provide the services to customers. Our contract liabilities mainly arise from the non-refundable consideration made by customers while the underlying products and services are not yet to be provided. As of December 31, 2018, 2019 and 2020 and September 30, 2021, we had contract liabilities of nil, RMB1.8 million, RMB3.6 million and RMB8.7 million, respectively. There is no assurance that we will be able to fulfil our obligations in respect of contract liabilities. If we are not able to fulfil our obligations with respect to our contract liabilities, the amount of contract liabilities will not be recognized as revenue, and we may have to return the advance payment made by our customers. As a result, our results of operations, liquidity and financial position may be materially and adversely affected.

We are a holding company, and a majority of our revenue depends on distributions from our project companies.

Our revenue depends on the revenues and cash flow of, and distributions from, our project companies. We currently conduct, and expect to continue conducting, our operations through project companies. The availability of distributions from our project companies is subject to the satisfaction of various covenants and conditions contained in the relevant companies' financing documents and certain regulatory restrictions. In particular, as our project companies incur debt on their own behalf, the loan agreements governing that debt may restrict their ability to distribute cash to us. Any inability to receive distributions from our project companies may have a material adverse effect on our ability to satisfy our financial obligations and pay dividends to our shareholders.

Our insurance may be inadequate to protect us from potential losses.

During the Track Record Period, we purchased property insurance and equipment insurance. We do not maintain business interruption insurance, which is not mandatory under PRC laws. Any business disruption or natural disaster could result in substantial costs and a diversion of resources, which would have a material and adverse effect on our business and results of operations. Furthermore, although we have property insurance and equipment insurance, our coverage may be inadequate to fully protect us from potential losses.

An occurrence of a natural disaster, widespread health pandemic or epidemic, rising international political tensions or other outbreaks could have a material adverse effect on our business, financial condition and results of operations.

Our business could be materially and adversely affected by natural disasters, such as snowstorms, earthquakes, fires or floods, the outbreak of a widespread health epidemic or pandemic, or other events, such as wars, acts of terrorism, rising international political tensions, environmental accidents, power shortage or communication interruptions. The occurrence of such a disaster or prolonged outbreak of an epidemic or pandemic illness or other adverse developments in the PRC or elsewhere could materially disrupt our business and operations. Such events could also significantly affect our industry and cause a temporary closure of the facilities we or our business partners use for operations, which would severely disrupt our operations and have a material adverse effect on our business, financial condition and results of operations. Our operations could be disrupted if any of our employees or employees of our business partners were suspected of having any of the epidemic or pandemic illnesses, since this could require us or our business partners to quarantine some or all of such employees or disinfect the facilities used for operations. In addition, our revenue and profitability could be materially reduced to the extent that a natural disaster, health epidemic or pandemic, rising international political tensions or other outbreak harms the global or PRC economy in general. Our operations could also be severely disrupted if our customers are affected by such natural disasters, health epidemic or pandemics, rising international political tensions or other outbreaks.

COVID-19 pandemic could have a material adverse effect on our business, financial condition and results of operations.

Since the end of 2019, the outbreaks of an infectious disease caused by a novel strain of coronavirus named COVID-19 has materially and adversely affected the global economy. In response, the PRC government has taken a number of actions, which include, among other things, compulsory quarantine arrangements, travel restrictions, remote work arrangements and public activities restrictions. The COVID-19 pandemic also resulted in temporary closure of many corporate offices, retail stores, manufacturing facilities and factories across China. In response to the government measures, we extended our Chinese New Year holiday in 2020 for our employees. We required certain of our operational employees to remain at our waste treatment facilities to maintain our waste treatment operations during the holiday and did not suspend our operations during the Track Record Period and up to the Latest Practicable Date. Other employees were allowed to work from home until early March after the end of the Chinese New Year holiday in 2020. See "Business — The COVID-19 Pandemic" for details. Although the general conditions of the COVID-19 outbreak had been substantially improved since the second half of 2020, there has been temporary, regional cases of COVID-19 in China. In particular, to the best knowledge of our directors, our business results of operations in the nine months ended September 30, 2021 and up to the date of this listing document were, to certain extent, affected by the COVID-19 pandemic due to the (i) delay in projects under construction; (ii) restrictions on inter-provincial transportation; and (iii) lockdown of cities in which we have operations. See "Business — The COVID-19 Pandemic" for details. There remains the possibility of further spread of COVID-19, in which case, our business may be impacted by the outbreak and the relevant measures adopted by the government.

Meanwhile, the global spread of the COVID-19 pandemic in a significant number of countries around the world has resulted in, and may intensify, global economic distress, and the duration and extent of the impact of COVID-19 outbreaks cannot be reasonably estimated at this time. The extent to which it may affect our results of operations, financial condition and cash flow will depend on the future developments of the outbreaks, which are highly uncertain and unpredictable. Such uncertainty poses operational challenges to our business. Although we had not had any suspected or confirmed COVID-19 cases on our premises or among our employees since the beginning of the outbreaks and up to the Latest Practicable Date, however, if one or more of our employees are suspected of having COVID-19 or another epidemic at our offices in the future, our operations could be disrupted since it could require our employees to be quarantined and/or our offices to be disinfected. In addition, our results of operations could be adversely affected to the extent that the outbreaks harm the PRC economy in general.

Our production activities are subject to risks related to workplace safety, including personal injury, death and legal liability.

Our production activities are subject to risks related to workplace safety, including damage to, or destruction of, production equipment and facilities, or operational accidents, and could also result in personal injury, death, performance delays, monetary losses and legal liability. There can be no assurance that serious accidents or fatalities would not occur in the future. If we fail to prevent serious accidents or fatalities, we will be held liable for damages arising out of or in connection with such incidents or facilities, which could have a material adverse effect on our results of operations, business, financial condition and prospects.

Our success depends upon our ability to retain key members of our management team and other qualified personnel.

We attribute our success to the leadership and contributions of our management team. Our continued success is largely dependent on our ability to retain the services of these key management personnel. The loss of their services without timely and suitable replacement may materially and adversely affect our business, financial condition and results of operations.

Our continued success and the implementation of our strategies also depend on our ability to attract and retain qualified personnel, including, but not limited to, business development personnel, business operation personnel, engineers and technicians who have the necessary experience and expertise to conduct our business. If we are unable to attract and retain a sufficient number of such qualified personnel, our business, financial condition and results of operations may be materially and adversely affected.

Our business relies on the Chinese market.

As of the Latest Practicable Date, all of our revenue was derived from the Chinese market. If China suffers losses due to a severe economic recession, or the demand of the Chinese market for our products or services is affected by factors beyond our control, our revenue and profitability will be negatively affected.

Mergers and acquisitions involve significant risks and uncertainties and we may not be able to identify suitable targets or successfully integrate acquired business.

We have in the past acquired equity interest of our subsidiaries and associates to further our business development. We may continue to pursue suitable merger and acquisition opportunities by acquiring target companies or their teams to expand into strategic businesses. Merger and acquisition activities, however, involve significant risks and uncertainties, including difficulties in identifying suitable targets and competition from other potential buyers or bidders, difficulties in determining the appropriate purchase price of the target, which may result in potential impairment of goodwill, potential increases in debt, which may increase our finance costs, and exposure to unanticipated contingent liabilities of the target.

In addition, integration of a newly acquired business may be costly and time-consuming and could present us with significant risks and difficulties, including (i) integrating the operations and personnel of the acquired business within our corporate culture and management style and implementing uniform information technology systems, controls, procedures and policies; (ii) retaining relationships with key employees, customers, business partners and suppliers of the acquired business; (iii) successfully entering a business or geographic market in which we have limited prior experience; (iv) achieving the anticipated synergies and strategic or financial benefits from the acquisition; and (v) addressing the economic, political, regulatory and foreign exchange risks associated with any new jurisdiction in which the acquired business is located. As a result of the foregoing, we cannot assure you that any mergers and acquisitions that we will conduct in the future will be successful. Failure in executing our merger and acquisition plans could negatively affect our business, financial condition and results of operations.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Uncertainties with respect to the PRC legal system could have a material and adverse effect on our business and operations.

We conduct our business operations within the PRC and are subject to PRC laws and regulations. The PRC legal system is based on written statutes and their interpretations in terms of application and enforcement by relevant legislative and judicial authorities, various administrative regulations and decrees. Prior court decisions may be adduced for reference but have limited preferential value. The PRC has made significant progress in the promulgation of laws and regulations dealing with economic matters, such as shareholders' rights, foreign investment, corporate organization and governance, commercial transactions, taxation and trade. As many of these laws and regulations are relatively new, and given the limited volume of published decisions, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involves uncertainties, which may limit legal protections available to us.

In addition, we cannot predict the effect of future developments in the PRC legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement. Any changes to such laws and regulations may materially increase our costs and regulatory exposure in complying with them.

Changes in the PRC economic, political and social conditions, as well as government policies, could affect our business, prospects, financial condition and results of operations.

We conduct our business operations within the PRC. Accordingly, our financial condition and results of operations are subject, to a significant degree, to the economic, political and social conditions, legal development, and government policies of the PRC. Although the PRC's economy has been transitioning from planned economy to a more market-oriented economy for over four decades, China's economy differs from the economies of most developed countries in many aspects, including with respect to the extent of government involvement, level of development, growth rate and governmental control of foreign exchange. In recent years, the PRC government has implemented economic reform measures emphasizing the use of market forces to drive economic development. However, any economic reform policies or measures in the PRC may from time to time be modified, revised, or applied inconsistently from industry to industry or across different regions of the country. As a result, some of these measures may benefit the overall PRC economy but have a negative effect to the industries in which we operate and subsequently our business.

Any economic slowdown, recession or other developments in the PRC social, political, economic or legal environment may result in fewer opportunities for new solid and hazardous waste treatment projects, or a decline in the needs for the solid and hazardous waste treatment services could result in a lower revenue and income contribution for us. As such, our business, financial position and results of operations would be materially and adversely affected.

Governmental control of currency conversion may limit our ability to use capital effectively.

Renminbi is currently not freely convertible to other foreign currencies, and conversion and remittance of foreign currencies are subject to the PRC foreign exchange regulations. Under the current PRC laws and regulations, payments of current account items, including profit distributions may be made in foreign currencies without prior approval from SAFE, but are subject to procedural requirements including presenting relevant documentary evidence of such transactions and conducting such transactions at designated foreign exchange banks within the PRC that have the licenses to carry out foreign exchange business. Strict foreign exchange control continues to apply to capital account transactions. These transactions must be approved by or registered with SAFE. Under our current corporate structure, our source of funds will primarily consist of dividend payments by our subsidiaries in the PRC denominated in Renminbi. We cannot assure you that we will be able to meet all of our foreign currency obligations or to remit profits out of PRC. If future changes in relevant regulations were to place restrictions on the ability of the subsidiaries to remit dividend payments to our Company, our Company's liquidity and ability to satisfy its third-party payment obligations, and its ability to distribute dividends in respect of the Shares, could be materially and adversely affected.

RISKS RELATING TO THE INTRODUCTION AND OUR SHARES

The shareholding of our Shareholders may be diluted as a result of future equity fundraising.

We may need to raise additional funds in the future to finance our expansion or for other reasons. If additional funds are raised through the issuance of new equity or equity-linked securities other than on a pro rata basis to our then Shareholders, the percentage ownership of individual Shareholders will be reduced. Such new securities may also have preferential rights or options that favor their holders over holders of our Shares, to the extent permitted by law, exchange rules and our constitutional documents.

Future sales or perceived sales of a substantial number of our Shares in public markets could adversely affect the prevailing market price of our Shares and our ability to raise capital in the future.

The market price of our Shares could decline as a result of future sales of a substantial number of our Shares or other securities relating to our Shares in the public market, or the issuance of new shares or other securities, or the perception that such sales or issuances may occur. Future sales, or anticipated sales, of substantial amounts of our securities, including any future offerings, could also materially and adversely affect our ability to raise capital at a time and on terms favorable to us. In addition, our Shareholders may experience dilution in their holdings to the extent we issue additional securities in future offerings.

There can be no assurance that we will pay dividends.

We cannot guarantee when and in what form dividends will be paid on our Shares following the listing. The declaration of dividends is proposed by the Board and is based on, and limited by, various factors, such as our business and financial performance, capital and regulatory requirements and general business and operation conditions. We may not have sufficient or any profits to enable us to make dividend distributions to our Shareholders in the future, even if our financial statements indicate that our operations have been profitable.

The market price and trading volume of the Shares may be volatile.

The trading price of China Conch Venture on the Hong Kong Stock Exchange might not be indicative of the expected market price for our Shares on the Hong Kong Stock Exchange following the Introduction. Furthermore, the trading price of China Conch Venture on the Hong Kong Stock Exchange has been, and might continue to be, subject to substantial fluctuations. The trading price of our Shares could increase or decrease in response to a number of events and factors, including, without limitation to:

- changes in financial estimates by securities analysts;
- announcements made by us or our competitors;
- regulatory developments affecting us, our customers or our competitors;
- investors' perception of us and of the investment environment;
- the operating and securities price performance of companies that investors consider to be comparable to us;
- acquisitions by us or our competitors;
- the depth and liquidity of the market for the Shares; and
- changes in global financial and credit markets and global economies and general market conditions, such as interest or foreign exchange rates as well as stock and commodity valuations and volatility.

The volatility can adversely affect the trading price of our Shares regardless of our operating performance. Additionally, our Shares might trade at prices that are higher or lower than the attributable net asset value of our Shares. There can be no assurance that investors can regain the amount invested. It is possible that investors could lose all or a part of their investment in our Shares.

Forward-looking information in this listing document may prove inaccurate.

This listing document contains certain forward-looking statements and information relating to us that is based on our management's belief and assumptions. The words "anticipate," "believe," "expect," "going forward" and similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. Such statements reflect our management's current views with respect to future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described herein. Should one or more of these risks or uncertainties materialize, or should the underlying assumptions prove incorrect, our financial condition may be adversely affected and may vary materially from those described herein as anticipated, believed, estimated or expected. Prospective investors are strongly cautioned that reliance on any forward-looking statements involves known or unknown risks and uncertainties. Subject to the requirements of the Listing Rules, we do not intend to publicly update or otherwise revise the forward-looking statements in this listing document, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed herein might not occur in the way we expect, or at all. In all cases, investors should consider carefully how much weight or importance they should attach to, or place on, such facts or statistics.

We strongly caution you not to place any reliance on any information contained in press articles or other media regarding us and the Introduction.

Before the publication of this listing document, there may be press and media coverage which contains certain information regarding the Introduction and us that is not set out in this listing document. We have not authorized the disclosure of such information in any press or media. We do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no presentation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information appearing in publications other than this listing document is inconsistent or conflicts with the information contained in this listing document, we disclaim it. Accordingly, prospective investors should not rely on any such information.

We cannot guarantee the accuracy of facts, forecasts and other statistics obtained from official governmental sources or other sources contained in this listing document.

Certain facts, statistics and data contained in this listing document relating to China and the industries where we operate our business have been derived from various official government publications or other third-party reports that we generally believe to be reliable. We have taken reasonable care in the reproduction or extraction of the official government publications or other third-party reports for the purpose of disclosure in this listing document and have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. However, we cannot guarantee the quality or reliability of such source materials.

Such source materials have not been prepared or independently verified by us or the Joint Sponsors or any of their respective affiliates or advisors and, therefore, we make no representation as to the accuracy of such statistics, which may not be consistent with other information compiled within or outside China and Hong Kong. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, such statistics in this listing document may be inaccurate or may not be comparable to statistics produced with respect to other economies. Furthermore, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as the case may be in other jurisdictions. In all cases, investors should give due consideration as to how much weight or importance they should attach to or place on such facts.

In preparation for the Listing, we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

WAIVER IN RESPECT OF MANAGEMENT PRESENCE IN HONG KONG

Rule 8.12 of the Listing Rules requires that a new applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong. This normally means that at least two of its executive directors must be ordinarily residents in Hong Kong. Since our principal business operations are primarily located, managed and conducted in China and will continue to be based in China, our executive Directors and senior management members are and will continue to be based in China after the Listing. At present, none of our executive Directors is ordinarily resident in Hong Kong. We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements set out in Rule 8.12 of the Listing Rules subject to the following conditions:

(a) we have appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules who will act as our principal channel of communication with the Stock Exchange. The two authorized representatives are Mr. Guo Jingbin and Mr. Shu Mao, two executive directors of our Company. See "Directors and Senior Management" for more information about our authorized representatives. Each of the authorized representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable period of time upon request and will be readily contactable by the Stock Exchange by telephone, facsimile and/or email. Our Company will provide contact details of the two authorized representatives to the Stock Exchange and will inform the Stock Exchange as soon as practicable in respect of any changes in our Company's authorized representatives. Both of them have confirmed that they possess valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange within a reasonable period of time, when required;

(b) our authorized representatives have means of contacting all Directors promptly at all times as and when the Stock Exchange wishes to contact our Directors on any matters. To enhance communication between the Stock Exchange, the authorized representatives and our Directors, our Company will implement a policy to provide the up-to-date contact details of each Director (such as office phone numbers, mobile phone numbers, email addresses and facsimile numbers) to the authorized representatives and to the Stock Exchange;

(c) our Company will ensure that each Director who is not ordinarily resident in Hong Kong has valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange in Hong Kong within a reasonable period;

(d) our Company has, in accordance with Rule 3A.19 of the Listing Rules, appointed FUTEC Financial Limited as our compliance advisor, who will act as an additional channel of communication with the Stock Exchange in addition to the authorized representatives of our Company. The compliance advisor will advise on on-going compliance requirements and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong for a period commencing on the Listing Date at least until the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our Company's financial results for the first full financial year after the Listing Date; and

(e) meetings between the Stock Exchange and our Directors could be arranged through our authorized representatives or our Company's compliance advisor, or directly with our Directors within a reasonable period. Our Company will inform the Stock Exchange as soon as practicable in respect of any change in the authorized representatives, the Directors and/or the compliance advisor of our Company in accordance with the Listing Rules.

WAIVER IN RESPECT OF CONTINUING CONNECTED TRANSACTION

We have entered into, and are expected to continue, certain transactions which will constitute the non-exempt continuing connected transaction of our Company under the Listing Rules upon the Listing.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver in relation to certain continuing connected transactions between us and certain connected persons under Chapter 14A of the Listing Rules. See "Continuing Connected Transactions."

WAIVER IN RELATION TO RULE 4.04(1) OF THE LISTING RULES

Pursuant to Rule 4.04(1) of the Listing Rules, the accountants' report contained in this listing document must include, among others, the results of our Company in respect of each of the three financial years immediately preceding the issue of this listing document or such shorter period as may be acceptable to the Stock Exchange.

The Accountants' Report for each of the three years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2021 has been prepared and is set out in Appendix I to this listing document and the unaudited preliminary financial information for the year ended December 31, 2021 and a commentary on the results for the year have been included in Appendix III to this listing document.

Pursuant to the relevant requirements set forth above, our Company is required to produce three full years of audited accounts for the years ended December 31, 2019, 2020 and 2021. However, an application was made to the Hong Kong Stock Exchange for a waiver from strict compliance with Rule 4.04(1) of the Listing Rules, and such waiver has been granted by the Hong Kong Stock Exchange on the conditions that:

(a) our Company shall list on the Stock Exchange within three months after the latest financial year end of the Company (i.e. on or before March 31, 2022); and

(b) this listing document contains the financial information for the year ended December 31, 2021 and a commentary on the results for the year, which (i) follows the same content requirements as for a preliminary results announcements under Rule 13.49 of the Listing Rules and (ii) is agreed with the reporting accountants following their work under Practice Note 730 "Guidance for Auditors Regarding Preliminary Announcements of Annual Results" issued by the Hong Kong Institute of Certified Public Accountants.

The application to Hong Kong Stock Exchange for a waiver from strict compliance with Rule 4.04(1) of the Listing Rules has been made on the grounds, among others, that strict compliance with the above requirements would be unduly burdensome and the waiver would not prejudice the interests of the investing public as:

(a) there would not be sufficient time for our Company and the reporting accountant of our Company (the "**Reporting Accountant**") to finalize the audited financial statements for the year ended December 31, 2021 for inclusion in this listing document. If the financial information for the year ended December 31, 2021 is required to be audited, our Company and the Reporting Accountant would have to carry out substantial volume of work to prepare, update and finalize the Accountants' Report and the listing document, and the relevant sections of the listing document will need to be updated to cover such additional period. This would involve additional time and costs since substantial work is required to be carried out for audit purposes. It would be unduly burdensome for the audited results for the year ended December 31, 2021 to be finalized in such short period of time. Our Directors consider that the benefits of such work to the existing and prospective shareholders of our Company may not justify the additional work and expenses involved and the delay of the listing timetable of our Company;

(b) our Directors confirm that after performing all reasonable due diligence work which they consider appropriate, up to the date of the listing document, except to the extent disclosed in the paragraph headed "Summary — Recent Developments" above and the listing expense in connection with the Listing, there has been no material adverse change to the financial and trading positions or prospects of our Group since September 30, 2021 (being the date of the latest audited statement of financial position in the Accountants' Report set out in Appendix I to this listing document) up to December 31, 2021 and there has been no event which would materially affect the information shown in the Accountants' Report as set out in Appendix I to this listing document, the "Financial Information" section and information regarding our Company's recent development subsequent to the Track Record Period and up to the Latest Practicable Date, since September 30, 2021;

(c) in accordance with Guidance Letter HKEX-GL25-11, the unaudited preliminary financial information for the year ended December 31, 2021 and a commentary on the results for the year included in this listing document (a) follows the same content requirements as for a preliminary results announcements under Rule 13.49 of the Listing Rules and (b) is agreed with the reporting accountants following their work under Practice Note 730 "Guidance for Auditors Regarding Preliminary Announcements of Annual Results" issued by the Hong Kong Institute of Certified Public Accountants, which would provide the potential investors with reasonably sufficient information to enable potential investors to have an informed assessment of the business, assets and liabilities, financial position, trading position, management and prospects of our Group. Therefore, the waiver would not prejudice the interests of the investing public; and

(d) our Company's legal adviser as to the Cayman Islands law has confirmed that our Company will not breach our Articles or laws and regulations of the Cayman Islands regarding our obligation to publish annual results announcements if our Company does not publish the preliminary results announcements for the year ended December 31, 2021 in accordance with Rule 13.49(1) of the Listing Rules. Pursuant to the Note to Rule 13.49(1) of the Listing Rules, our Company will publish an announcement after the Listing and no later than March 31, 2022 stating that the relevant financial information has been included in this listing document. As to the publication of the annual report, we will comply with the requirements under Rule 13.46(2) of the Listing Rules and currently expects to issue our annual report for the financial year ended December 31, 2021 on or before April 30, 2022. In this regard, our Directors consider that our Shareholders, the investing public as well as potential investors of our Company will be kept informed of the financial results of our Group for the financial year ended 31 December 2021.

WAIVER IN RESPECT OF SHARE ISSUE RESTRICTION

Our Company has applied to the Stock Exchange for a waiver from strict compliance with the restrictions on further issue of securities within the six months from the Listing Date under Rule 10.08 of the Listing Rules, and the Stock Exchange has granted such a waiver on conditions that:

(a) any issue of new Shares (or convertible securities) or the entering into of an agreement in this regard by our Company during the six months after Listing must be either for cash to fund a specific acquisition or establishment of joint venture or as part or full consideration for a specific acquisition or establishment of joint venture; and

(b) such acquisition or establishment of joint venture must be for assets or businesses which, in our Company's assessment, will contribute to the growth of our Group's operations.

The reasons for the application for a waiver from strict compliance with Rule 10.08 by our Company are, among others, as follows:

(a) our Company does not have current plans to raise funds in the short-term, but it is essential for our Company to have the flexibility to raise funds by way of further issue of Shares or entering into further acquisitions or establishment of joint venture for share consideration should an appropriate opportunity arise. Any issue of new Shares by our Company will enhance the Shareholder base and increase the trading liquidity of the Shares, and the interests of the existing Shareholders and prospective investors would be prejudiced if our Company could not raise funds for our Group's business development or expansion due to the restrictions under Rule 10.08 of the Listing Rules;

(b) the Listing by way of introduction will not involve any issue of new Shares and will therefore not result in any dilution of the interests of the Qualifying Conch Venture Shareholders at the Listing; and

(c) the interests of the Shareholders are well protected since any further issue of Shares by our Company would be subject to Rule 13.36 of the Listing Rules.

For further information on our Directors, see "Directors and Senior Management."

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. GUO Jingbin (郭景彬)	Room 102, Building 16 No. 270, Jiuhuashan Road Jinghu District, Wuhu City Anhui Province PRC	Chinese
Mr. SHU Mao (疏茂)	Room 1201, Building 7 Zhongxing Garden, No. 8 Tieyi Road Jinghu District, Wuhu City Anhui Province PRC	Chinese
Mr. ZHANG Keke (張可可)	Room 1201, Yijiangnan No. 102 Yinhu North Road Jinghu District, Wuhu City Anhui Province PRC	Chinese
Non-executive Directors		
Mr. JI Qinying (紀勤應)	Room 302, Unit 2, Building 14 No. 270, Jiuhuashan Road Jinghu District, Wuhu City Anhui Province PRC	Chinese
Mr. LI Daming (李大明)	Room 101, Unit 1, Building 7 Xiangzhang City Garden, Wuning Road Jinghu District, Wuhu City Anhui Province PRC	Chinese
Mr. Xiao Jiaxiang (肖家祥)	Room 703, Building 5 Ocean Mansion, Jinhua South Road, Gongshu District, Hangzhou Zhejiang Province PRC	Chinese

Name	Address	Nationality
Independent non-executive Directors		
Mr. CAI Hongping (蔡洪平)	27A, No. 9 Star Street Hong Kong	Chinese (Hong Kong)
Mr. HAO Jiming (郝吉明)	Room 1005, Building 7 Lanqiying, Haidian District Beijing PRC	Chinese
Mr. DAI Xiaohu (戴曉虎)	Room 901, Building 48, Lane 999, Zhenghe Road Yangpu District Shanghai PRC	Chinese

PARTIES INVOLVED IN THE SPIN-OFF AND LISTING

Joint Sponsors	**China International Capital Corporation Hong Kong Securities Limited** 29/F, One International Finance Centre 1 Harbour View Street Central Hong Kong **HSBC Corporate Finance (Hong Kong) Limited** 1 Queen's Road Central Hong Kong
Legal Advisers to our Company	*As to Hong Kong law and United States law* **Clifford Chance** 27/F, Jardine House One Connaught Place Hong Kong *As to PRC law* **Jingtian & Gongcheng** 34/F, Tower 3 China Central Place 77 Jianguo Road Beijing PRC *As to Cayman Islands law* **Ogier** 11th Floor Central Tower 28 Queen's Road Central Central Hong Kong
Legal Advisers to the Joint Sponsors	*As to Hong Kong law and United States law* **Paul Hastings** 22/F, Bank of China Tower 1 Garden Road Central Hong Kong *As to PRC law* **Zhong Lun Law Firm** 6/10/11/16/17F, Two IFC 8 Century Avenue Pudong New Area Shanghai PRC

Auditor and Reporting Accountant	**KPMG** 8th Floor Prince's Building 10 Chater Road Central Hong Kong
Industry Consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** 2504 Wheelock Square 1717 Nanjing West Road Shanghai PRC

Registered Office in the Cayman Islands	**Conyers Trust Company (Cayman) Limited** Cricket Square, Hutchins Drive PO Box 2681, Grand Cayman KY1-1111, Cayman Islands
Head Office and Principal Place of Business in the PRC	**Conch International Conference Center** No. 1005, South Jiuhua Road Yijiang District, Wuhu City Anhui Province PRC
Principal Place of Business in Hong Kong	Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Company Website	**www.conchhuanbao.com** *(the information contained on the website does not form part of this listing document)*
Company Secretary	**Mr. Shu Mao** *(member of The Hong Kong Institute of Chartered Secretaries)* Room 1201, Building 7 Zhongxing Garden, No. 8 Tieyi Road Jinghu District, Wuhu City Anhui Province PRC
Authorized Representatives	**Mr. Guo Jingbin** Room 102, Building 16 No. 270, Jiuhuashan Road Jinghu District, Wuhu City Anhui Province PRC **Mr. Shu Mao** Room 1201, Building 7 Zhongxing Garden, No. 8 Tieyi Road Jinghu District, Wuhu City Anhui Province PRC
Audit Committee	Mr. Cai Hongping *(Chairman)* Mr. Hao Jiming Mr. Dai Xiaohu

Remuneration and Nomination Committee	Mr. Dai Xiaohu *(Chairman)* Mr. Guo Jingbin Mr. Cai Hongping Mr. Hao Jiming
Strategy, Sustainability and Risk Management Committee	Mr. Guo Jingbin *(Chairman)* Mr. Dai Xiaohu Mr. Xiao Jiaxiang Mr. Shu Mao Mr. Zhang Keke
Principal Share Registrar	**Conyers Trust Company (Cayman) Limited** Cricket Square, Hutchins Drive PO Box 2681, Grand Cayman KY1-1111, Cayman Islands
Hong Kong Share Registrar	**Computershare Hong Kong Investor Services Limited** Shops 1712–1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Compliance Advisor	**FUTEC Financial Limited** Suite 622, Ocean Centre Harbour City, Tsim Sha Tsui Hong Kong
Principal Banks	**Industrial and Commercial Bank of China Co., Ltd. Wuhu Zheshan Sub-branch** No. 36-2, Wenhua Road, Jinghu District, Wuhu City Anhui Province PRC **Industrial Bank Wuhu Middle Yinhu Road Sub-branch** Building 3, Public Building, Dafu New Village Yinhu Middle Road Jinghu District, Wuhu City Anhui Province PRC **Business Department, Bank of China Fanchang Sub-branch** No. 105, Jin'e Road, Fanchang District, Wuhu City Anhui Province PRC

The information and statistics set out in this section and elsewhere in this listing document relating to the waste treatment markets in China are derived from government publications, other publications and market research report prepared by Frost & Sullivan, which was commissioned by us.

The information derived from official government publications have not been independently verified by our Company, the Joint Sponsors, any other party involved in the Listing or any of our or their respective directors, officers, representatives, affiliates or advisors and no representation is given as to its accuracy. Accordingly, the information from official government sources contained herein may not be accurate and should not be unduly relied upon.

SOURCE AND RELIABILITY OF INFORMATION

We commissioned Frost & Sullivan, an independent market research consulting firm, to conduct an analysis on the solid waste treatment, hazardous waste treatment and cement kilns waste treatment sectors in China, and to report on the industry, development trends and competitive landscape of the relevant markets (the "**Industry Report**"). Frost & Sullivan is a global consulting company founded in 1961 in New York and has over 40 global offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists. A total fee of RMB500,000 was paid to Frost & Sullivan for the Industry Report, and our Directors consider that such fee reflects market rates and are of the view that the payment of the fee does not affect the fairness of conclusions drawn in the Industry Report.

The Industry Report derived its data from primary research that involved interviews with industry experts and market participants, as well as secondary research that involved official statistical sources, public company filings, independent research reports and Frost & Sullivan's internal database.

Frost & Sullivan developed estimates and forecasts based on the following assumptions: (i) China's economy is assumed to maintain a steady growth during the Forecast Period; (ii) China's social, economic, and political environment is assumed to remain stable during the Forecast Period; (iii) growing number of enterprises, change of policies, and favourable government policies are likely to drive the future growth of the industry; and (iv) the impact of COVID-19 has been factored into the assumptions.

THE PRC SOLID WASTE TREATMENT MARKET

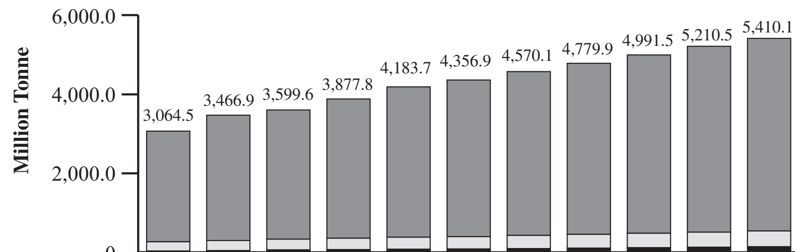
Overview

Solid waste refers to the solid, semisolid and container placed gaseous substances generated from production and living activities. The solid waste treatment industry in China can be divided into three main segments: (i) industrial solid waste treatment; (ii) hazardous waste treatment; and (iii) municipal solid waste treatment. In particular, the industrial solid waste treatment refers to the treatment of solid waste including industrial sludge and contaminated soil generated by industrial production and not categorized as hazardous waste. Hazardous waste treatment refers to the treatment of waste of significant hazards to the environment and humans, as defined by the relevant national standards for identifying hazardous waste. Municipal solid waste treatment refers to the treatment of solid waste produced by the activities of daily living and are categorized as municipal solid waste based on relevant laws and regulations.

Market Size

According to Frost & Sullivan, the treatment volume of the PRC solid waste market increased from 3,064.5 million tonnes in 2015 to 4,356.9 million tonnes in 2020, at a CAGR of 7.3% from 2015 to 2020, which is expected to maintain steady growth from 2020 to 2025, at a CAGR of 4.4%. The hazardous waste treatment segment accounted for approximately 1.9% of PRC solid waste treatment market by treatment volume, and increased at a faster CAGR of 21.1% from 2015 to 2020 compared with other segments, and is expected to further increase at a CAGR of 10.6% by 2025.

Treatment Volume of Solid Waste (China), 2015–2025E



	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E	CAGR 15–20	CAGR 20–25E
Total	3,064.5	3,466.9	3,599.6	3,877.8	4,183.7	4,356.9	4,570.1	4,779.9	4,991.5	5,210.5	5,410.1	7.3%	4.4%
Industrial Solid Wastes	2,799.6	3,170.1	3,268.1	3,522.2	3,802.3	3,962.1	4,143.7	4,326.7	4,511.1	4,701.5	4,871.3	7.2%	4.2%
Municipal Solid Waste	232.7	253.6	271.8	287.7	306.1	310.9	333.1	349.3	365.3	382.3	399.9	6.0%	5.2%
Hazardous Waste	32.2	43.2	59.7	67.9	75.3	83.9	93.3	103.9	115.1	126.7	138.9	21.1%	10.6%

Source: Ministry of Ecology and Environment, Frost & Sullivan

Entry Barriers

New market entrants to the PRC solid waste treatment market are confronted with a number of barriers, including those relating to:

- ***Certification and qualification:*** In China, companies must have a valid Operation License of Hazardous Waste to conduct hazardous waste treatment business. Considering the risks associated with such business, regulators tend to be selective in granting the relevant licenses to companies and prefer those with prior experience and existing capabilities in hazardous waste treatment.

- ***Capital barrier:*** Solid waste treatment facilities generally require significant upfront investment and operating capital to support operations, which presents a high capital barrier as new market participants may not have substantial capital strength and financing capabilities.

- ***Technical barrier:*** Technology is critical to the solid waste treatment, especially for treating hazardous waste. Secondary pollutants may be produced if the treatment procedures of hazardous waste are not compliant with national treatment standards. As a result, the hazardous waste treatment requires technical industry know-how, which is accumulated through years of operations with strict quality control measures.

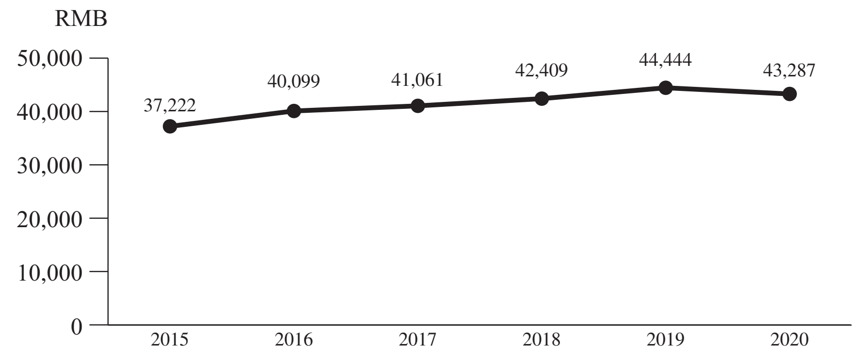
- ***Government relationship:*** Due to the number of licenses and approvals required, a positive relationship with the PRC government is crucial for waste treatment companies to obtain the relevant licenses and approvals to conduct relevant businesses.

Treatment of the Industrial Solid Waste and Hazardous Waste

Treatment methods for the industrial solid waste and hazardous waste include (i) resource utilization and (ii) disposal. Resource utilization is mainly used to treat valuable solid wastes such as metal salts, from which valuable resources can be recovered. Disposal mainly includes traditional incineration, landfill and cement kilns waste treatment. Traditional incineration refers to the disposal of solid waste in traditional incinerations other than cement kilns waste treatment, which mainly include rotary kilns, fluidized bed furnace and other incinerators. In 2020, disposal accounted for approximately 41.0% and 42.3% by treatment volume of the industrial solid waste and hazardous waste segments in China, respectively.

Labor Cost Analysis

Average Annual Wages of Employees in Solid Waste Treatment Industry (China), 2015–2020



Labor cost is a major type of cost in the solid waste treatment industry. The average annual wages of employees in this industry increased from approximately RMB37,222 in 2015 to approximately RMB44,444 in 2019, representing a CAGR of 4.5%. In 2020, due to the COVID-19 pandemic, the average annual wages in this industry decreased to RMB43,287 in 2020. Driven by the continuous development in China's economy and the solid waste treatment industry, the average annual wages of employees in this industry are expected to increase steadily with an annual growth rate of approximately 2.0% to 5.0% in the next five years.

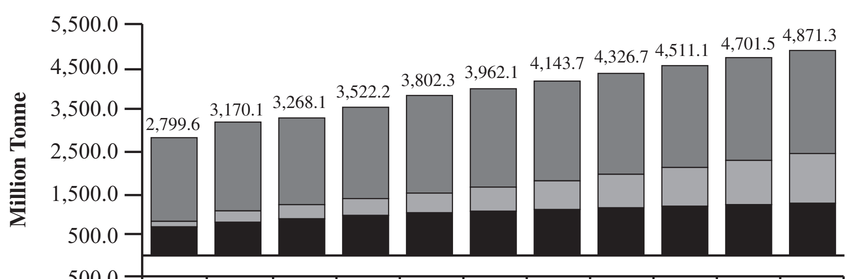
THE PRC INDUSTRIAL SOLID WASTE TREATMENT MARKET

Overview

Industrial solid waste refers to the solid waste generated via industrial production activities, including any waste residues, dust and other waste discharged during industrial production. The industrial solid waste segment accounts for the largest share of the PRC solid waste treatment market by treatment volume.

The treatment of the industrial solid waste is via resource utilization or disposal. The treatment volume of the industrial solid waste by disposal in China increased from 811.5 million tonnes in 2015 to 1,624.9 million tonnes in 2020, at a CAGR of 14.9%, which is expected to reach 2,422.5 million tonnes in 2025, at a CAGR of 8.3% from 2020 to 2025.

Treatment Volume Breakdown of Industrial Solid Waste (China), 2015–2025E



	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E	CAGR 15–20	CAGR 20–25E
Treatment Volume	2,799.6	3,170.1	3,268.1	3,522.2	3,802.3	3,962.1	4,143.7	4,326.7	4,511.1	4,701.5	4,871.3	7.2%	4.2%
Resource Utilization	1,988.1	2,110.0	2,060.0	2,170.0	2,320.0	2,337.2	2,369.9	2,397.1	2,419.6	2,442.1	2,448.8	3.3%	0.9%
Disposal-Outsourced	131.3	270.3	336.7	399.7	467.7	573.0	680.8	797.2	921.1	1,050.1	1,181.6	34.3%	15.6%
Disposal-Self-service	680.2	789.8	871.4	952.5	1,014.6	1,051.9	1,093.0	1,132.4	1,170.4	1,209.3	1,240.9	9.1%	3.4%

Source: Frost & Sullivan

The disposal of the industrial solid waste can be either outsourced or self-serviced. The outsourced treatment volume of the industrial solid waste by disposal increased at a faster CAGR of 34.3% from 2015 to 2020 compared with others, and is expected to increase by a CAGR of 15.6% by 2025. The treatment fee of disposal of such waste is around RMB300 to RMB700 per tonne in 2020.

Market Drivers

The growth of the PRC industrial solid waste treatment segment is driven by the following factors:

- ***Significant market demand:*** China, as one of the leading manufacturing markets, generates significant amounts of industrial solid waste. The added value of the secondary industry in China increased from RMB27.4 trillion in 2015 to RMB38.4 trillion in 2020, at a CAGR of 7.0% from 2015 to 2020. The continuous development of the manufacturing industry in China is likely to continually contribute to the growth of the PRC industrial solid waste disposal market.

- ***Sustainable waste management:*** According to the Guiding Opinions of the State Council on Accelerating the Establishment of a Sound Economic System with Green, Low-carbon and Circular Development (《國務院關於加快建立健全綠色低碳循環發展經濟體系的指導意見》) issued by the State Council in February 2021, China would pay more attention to the management and utilization of industrial solid waste. Following China's development targets and its national commitment towards a low-carbon and circular economy, China will continue to strengthen its efforts to reduce greenhouse gas emissions and increase the usage of industrial solid waste for the production of energy, which is expected to bring additional opportunities to the waste disposal market.

Competitive Landscape

The industrial solid waste treatment by disposal market in China is extremely fragmented with thousands of market players. There is no clear market leader with a market share over 1% in terms of treatment volume in 2020 in China. The Group, with a treatment volume 1.0 million tonnes in 2020, accounted for approximately 0.2% market share in terms of treatment volume in China.

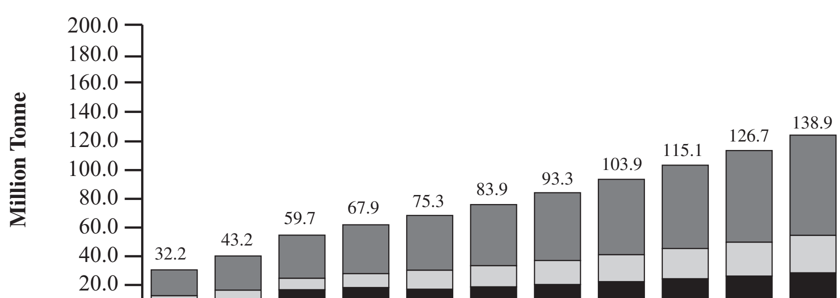
THE PRC HAZARDOUS WASTE TREATMENT MARKET

Overview

Based on the National Catalogue of Hazardous Wastes issued in 2020 by the Ministry of the Environmental Protection, National Development and Reform Commission and the Ministry of Public Security of China, hazardous waste is defined as: (i) waste that has one or more hazardous characteristics such as corrosivity, toxicity, ignitability, reactivity and infectivity; and (ii) waste that is likely to be harmful to the environment or human body. There are 46 categories of hazardous wastes based on the National Catalogue of Hazardous Wastes issued in 2020. The treatment of hazardous wastes requires relatively more advanced technology in order to prevent the generation of secondary pollutants, leading to a higher cost of disposal compared to that of industrial solid waste or municipal solid waste.

The treatment of the hazardous waste is via either resource utilization or disposal. The treatment volume of the hazardous waste by disposal in China increased from 11.7 million tonnes in 2015 to 35.5 million tonnes in 2020, at a CAGR of 24.9%, which is expected to reach 59.5 million tonnes in 2025, at a CAGR of 10.9% from 2020 to 2025.

Treatment Volume Breakdown of Hazardous Waste (China), 2015–2025E



	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E	CAGR 15–20	CAGR 20–25E
Treatment Volume	32.2	43.2	59.7	67.9	75.3	83.9	93.3	103.9	115.1	126.7	138.9	21.1%	10.6%
Resource Utilization	20.5	27.1	34.2	38.7	43.4	48.4	53.7	59.7	66.0	72.6	79.4	18.7%	10.4%
Disposal-Outsourced	5.1	9.0	9.1	11.0	15.1	16.8	19.0	21.4	24.0	26.8	29.7	26.9%	12.1%
Disposal-Self-service	6.6	7.1	16.4	18.2	16.8	18.7	20.6	22.8	25.1	27.3	29.8	23.2%	9.8%

Source: Ministry of Ecology and Environment, Frost & Sullivan

The outsourced treatment volume of the hazardous waste by disposal in China increased from 5.1 million tonnes in 2015 to 16.8 million tonnes in 2020, accounting for 47.3% of the total treatment volume of the hazardous waste by disposal in China. In light of the increasing demand for hazardous waste treatment and growing investment in the industry, the outsourced treatment volume of such waste by disposal will likely experience rapid growth from 2020 to 2025, at a CAGR of 12.1%. The outsourced segment grew at a faster rate compared to the self-service segment, primarily due to the development of industrial parks and stricter supervision of hazardous waste treatment in China. Small and medium-sized enterprises in industrial parks prefer to outsource the treatment of hazardous wastes to professional service providers due to lower costs.

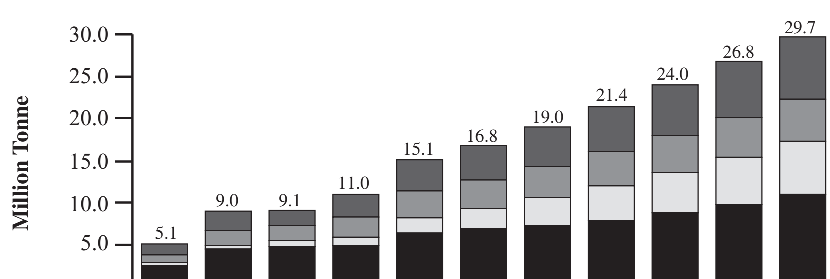
Disposal Methods

The primary methods of treating hazardous waste via disposal in China are traditional incineration, landfill and cement kilns waste treatment, accounting for approximately 24.4%, 20.2% and 14.3% respectively, of total outsourced disposal volume of such waste in 2020. The table below compares cement kilns waste treatment to traditional incineration and landfill in treatment of hazardous waste:

Methods	Cement kilns Waste Treatment	Traditional Incineration	Landfill
Emission	Nearly no harmful emission (e.g. emission of Dioxin <0.1 TEG-ng/Nm^3	Harmful emission (e.g. emission of Dioxin <0.5 TEG-ng/Nm^3) would be generated and would require further treatment	Not applicable
Residuals	Nearly no harmful solid residuals	Fly ash would be generated and would require further treatment	Landfill leachate would be generated and would require further treatment
Investment Cost . . .	General investment cost for a kiln with an annual capacity of 10,000 tonnes/year is approximately RMB8–15 million	General investment cost for a incinerator with an annual capacity of 10,000 tonnes/year is approximately RMB30–100 million	General investment cost for a landfill project with an annual capacity of 10,000 tonnes/year is over RMB100 million

Disposal of the hazardous waste via cement kilns is expected to grow at a faster CAGR of approximately 21.3% from 2020 to 2025, compared with other disposal methods.

Outsourced Treatment Volume Breakdown of Hazardous Waste by Disposal Method (China), 2015–2025E



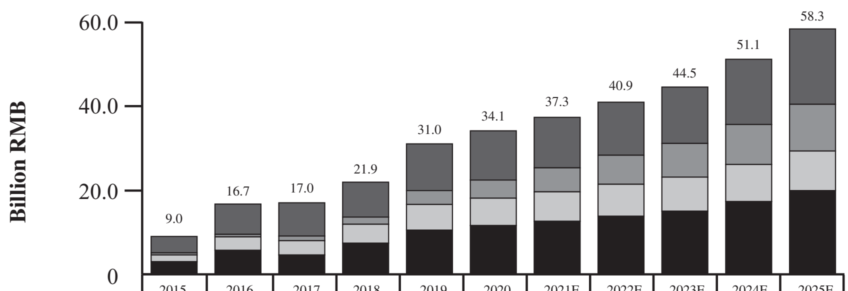
	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E	CAGR 15–20	CAGR 20–25E
Total	5.1	9.0	9.1	11.0	15.1	16.8	19.0	21.4	24.0	26.8	29.7	26.9%	12.1%
Traditional Incineration	1.3	2.3	1.8	2.7	3.7	4.1	4.7	5.3	6.0	6.7	7.4	25.8%	12.5%
Landfill	0.9	1.8	1.8	2.4	3.2	3.4	3.7	4.1	4.4	4.7	5.0	30.5%	8.0%
Cement Kilns	0.4	0.4	0.7	1.0	1.8	2.4	3.3	4.1	4.8	5.6	6.3	43.1%	21.3%
Others	2.5	4.5	4.8	4.9	6.4	6.9	7.3	7.9	8.8	9.8	11.0	22.5%	9.8%

Source: Ministry of Ecology and Environment, Frost & Sullivan

Despite that traditional incineration accounted for 34.0% of the total outsourced disposal revenue of the hazardous waste in China in 2020, the revenue generated by cement kilns waste treatment has experienced the fastest growth among the different disposal methods, which increased from RMB0.5

billion in 2015 to RMB4.3 billion in 2020, at a CAGR of 53.8% from 2015 to 2020, representing a share of 5.6% in 2015 to 12.6% in 2020, and is expected to increase to 19.0% in 2025, or RMB11.1 billion, of the total outsourced disposal revenue of the hazardous waste in China. The utilization rate of cement kilns waste treatment of hazardous waste is around 35% in 2020. The treatment fee of hazardous waste through cement kilns ranged between RMB1,500 per tonne to RMB2,500 per tonne in 2020.

Revenue Breakdown of Outsourced Treatment of Hazardous Waste by Disposal Method (China), 2015–2025E



	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E	CAGR 15–20	CAGR 20–25E
Total	9.0	16.7	17.0	21.9	31.0	34.1	37.3	40.9	44.5	51.1	58.3	30.5%	11.3%
Traditional Incineration	3.0	5.7	4.6	7.4	10.5	11.6	12.6	13.8	15.0	17.3	19.9	31.1%	11.4%
Landfill	1.6	3.2	3.4	4.5	6.1	6.5	7.0	7.6	8.1	8.8	9.4	32.4%	7.7%
Cement Kilns	0.5	0.6	1.1	1.7	3.3	4.3	5.7	6.9	8.0	9.5	11.1	53.8%	20.9%
Others	3.9	7.2	7.9	8.3	11.1	11.7	12.0	12.6	13.4	15.5	17.9	24.6%	8.9%

Source: Ministry of Ecology and Environment, Frost & Sullivan

The PRC Fly Ash Treatment Market

Fly ash is a kind of hazardous waste. It is the bottom ash produced during the incineration process of solid wastes and contains heavy metals and dioxins contents, which are harmful to the environment and human health. The main treatment methods of fly ash are cement solidification, asphalt curing and wet chemical treatment. From the perspective of craftsmanship, operation, material source and strength of solidified products, cement solidification method is prevalent in fly ash treatment market.

The PRC fly ash treatment market presents huge potential for growth. As the environmental standards become stricter, the compliance cost of service providers in treating such waste may rise accordingly. It might be hard for enterprises with less competitive advantages to continue providing such services. As a result, this market is expected to become more concentrated in the future. The treatment volume of fly ash increased at a CAGR of 15.8% from 3.5 million tonnes in 2015 to 7.3 million tonnes in 2020, and is expected to increase at a CAGR of 12.7% to 13.3 million tonnes in 2025. The treatment revenue of fly ash increased at a CAGR of 20.9% from RMB1.9 billion in 2015 to RMB4.9 billion in 2020, and is expected to increase at a CAGR of 15.8% to RMB10.2 billion in 2025. The treatment fee of outsourced fly ash treatment projects ranged from RMB1,000 per tonne to RMB2,000 per tonne in 2020.

The PRC Oil Sludge Treatment Market

Oil sludge is a kind of hazardous waste. It is a complex mixture containing different quantities of waste oil, waste water, sand, and mineral matter. Petroleum exploitation and extraction industries are responsible for the generation of large quantities of oil sludge, which is a major source of environmental pollution.

Currently, the treatment rate of annual new output of oil sludge in China is still low, at less than 30% in 2020. Nevertheless, the relatively low treatment rate and the huge number of inventories of oil sludge present potential for growth of the PRC oil sludge disposal market. The current mainstream methods for treating oil sludge are incineration and solidification. Incineration treatment requires high consumption of energy, high cost and contains high risk of waste gas pollution. Solidification treatment employs various kinds of curing agents, which are potentially pollution sources and may cause the leak of oil sludge if the solidified body were damaged. More efficient and environmentally friendly treatment method needs to be applied. In recent years, oil sludge is also increasingly being treated by thermal desorption methods, which have the advantages of low environmental impact and high resource utilization rate. The treatment volume of oil sludge remained relatively stable at 1.4 million tonnes in 2015 and 2020, and is expected to increase at a CAGR of 4.0% to 1.7 million tonnes in 2025. The treatment revenue of oil sludge increased at a CAGR of 3.9% from RMB2.4 billion in 2015 to RMB2.9 billion in 2020, and is expected to increase at a CAGR of 7.2% to RMB4.1 billion in 2025.

Competitive Landscape

The hazardous waste treatment by disposal market in China is relatively fragmented, with the top five players accounting for 15.9% of the market share in terms of treatment capacity in operation in 2020. Our Group ranks first in this market in terms of treatment capacity in operation in 2020. The following tables set forth some details of the top five players of the PRC hazardous waste treatment by disposal market in terms of treatment capacity in operation, treatment capacity under construction/signed to be launched, treatment volume and revenue in 2020:

Ranking	Company	Treatment Capacity in Operation in 2020	Market Share
		(Million Tonnes Per Year)	
1.	Our Group	1.9	4.4%
2.	Company A[(1)]	1.6	3.7%
3.	Company B[(2)]	1.3	3.0%
4.	Company C[(3)]	1.2	2.8%
5.	Company D[(4)]	0.8	1.9%
Top 5 Subtotal		6.8	15.9%
Others		36.1	84.1%
Total		42.9	100.0%

Ranking	Company	Treatment Volume in 2020	Market Share
		(Million Tonnes Per Year)	
1.	Company A	0.6	3.6%
2.	Company B	0.5	3.0%
2.	Our Group	0.4	2.4%
4.	Company E[(5)]	0.4	2.4%
5.	Company C	0.3	1.8%
Top 5 Subtotal		2.2	13.3%
Others		14.3	86.7%
Total		16.5	100.0%

Ranking	Company	Revenue in 2020	Market Share
		(Billion RMB)	
1.	Company A	1.2	3.6%
2.	Company B	1.1	3.3%
3.	Our Group	0.8	2.4%
3.	Company E	0.8	2.4%
5.	Company C	0.6	1.8%
Top 5 Subtotal		4.5	13.5%
Others		28.8	86.5%
Total		33.3	100.0%

Source: Frost & Sullivan

Note:

Treatment capacity in operation is measured by capacity in operation license.

(1) Company A is a listed company established in 2005 and headquartered in Guangdong, China, primarily providing solid waste treatment and property development services, among others.

(2) Company B is a listed company established in 1999 and headquartered in Guangdong, China, primarily providing resources recovery and industrial and municipal waste treatment services, among others.

(3) Company C is a private company established in 1999 and headquartered in Zhejiang, China, primarily providing cement kilns waste treatment and resource utilization services, among others.

(4) Company D is a listed company established in 1992 and headquartered in Jilin, China, primarily providing building materials, environmental protection services and new energy resources, among others.

(5) Company E is a listed company established in 2005 and headquartered in Beijing, China, primarily providing property development, building material production and solid waste treatment services, among others.

Impact of the Covid-19 Pandemic

As affected by the COVID-19 pandemic, many companies including the customers of industrial solid and hazardous waste treatment services industry, suspended their operations during the first half of 2020 and therefore the demand for industrial solid and hazardous waste treatment services witnessed a decline in the first half of 2020. As the COVID-19 pandemic situation eases in China, companies in China generally resumed normal operation since the second half of 2020. Compared to the retail industry, the industrial solid and hazardous waste treatment services industry are generally less affected by the COVID-19 pandemic. The treatment volume of industrial solid and hazardous waste witnessed a moderate growth at 4.2% and 11.4% from 2019 to 2020, respectively. Looking forward, as China's economy gradually recover from the pandemic, the demand for industrial solid and hazardous waste treatment services is still expected to have a steady growth along with the development of China's economy.

THE PRC CEMENT KILNS WASTE TREATMENT MARKET

Overview

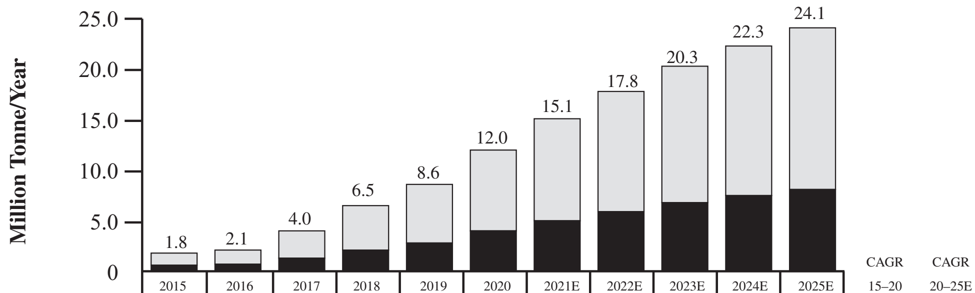
Cement kilns waste treatment is one of the major disposal methods for industrial solid wastes and hazardous wastes disposal. Cement kilns waste treatment refers to the treatment process of pretreated solid waste via cement kiln whilst undergoing cement clinker production, in order to achieve a harmless disposal process.

Cement kilns waste treatment was gradually introduced to the market from 2006 to 2014. From 2014 to 2019, preferential policies for cement kilns waste treatment projects such as the Development Plan of Construction Materials Industry (2016–2020) (《建材工業發展規劃2016–2020年》) and the Guiding Opinions on Improving the Capability of Environmental Supervision, Utilization and Disposal of Hazardous Wastes and Preventing Environmental Risks (《關於提升危險廢物環境監管能力、利用處置能力和環境風險防範能力的指導意見》) were published, driving enterprises to focus on the improvement of harmless disposal and disposal technology. Since 2016, the approval of licenses for solid waste disposal in China has been standardized, encouraging enterprises to develop cement kilns waste treatment capacity.

Treatment Capacity

The treatment capacity of hazardous waste by cement kilns in China increased from 1.2 million tonnes in 2015 to 8.0 million tonnes in 2020, at a CAGR of 46.1% from 2015 to 2020, which is expected to reach 16.0 million tonnes in 2025, at a CAGR of 14.9% from 2020 to 2025.

Treatment Capacity of Industrial Solid Waste and Hazardous Waste by Cement Kilns (China), 2015–2025E



	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E	CAGR 15–20	CAGR 20–25E
Total	1.8	2.1	4.0	6.5	8.6	12.0	15.1	17.8	20.3	22.3	24.1	46.1%	15.0%
Hazardous Waste	1.2	1.4	2.7	4.4	5.8	8.0	10.1	11.9	13.5	14.8	16.0	46.1%	14.9%
Industrial Solid Waste	0.6	0.7	1.3	2.1	2.8	4.0	5.0	5.9	6.8	7.5	8.1	46.1%	15.2%

Source: Frost & Sullivan

Competitive Landscape

The top five players of the PRC cement kilns waste treatment of industrial solid waste and hazardous waste market accounted for 56.7% in terms of total treatment capacity in operation. Our Group ranks first in the PRC cement kilns waste treatment market in terms of revenue, treatment volume, treatment capacity in operation in 2020. The following tables set forth some details of the top five players of the PRC cement kilns waste treatment market in terms of treatment capacity in operation, treatment volume and revenue in 2020:

Ranking	Company	Treatment Capacity in Operation in 2020	Market Share
		(Million Tonnes Per Year)	
1.	Our Group	2.6	21.7%
2.	Company C	1.9	15.8%
3.	Company G(1)	0.9	7.5%
4.	Company E	0.8	6.7%
5.	Company D	0.6	5.0%
Top 5 Subtotal		6.8	56.7%
Others		5.2	43.3%
Total		12.0	100.0%

Ranking	Company	Treatment Volume in 2020	Market Share
		(Million Tonnes Per Year)	
1.	Our Group	1.4	31.1%
2.	Company C	0.7	15.6%
2.	Company E	0.5	11.1%
4.	Company D	0.2	4.4%
5.	Company H(2)	0.1	2.2%
Top 5 Subtotal		2.9	64.4%
Others		1.6	35.6%
Total		4.5	100.0%

Ranking	Company	Revenue in 2020	Market Share
		(Billion RMB)	
1.	Our Group	1.1	22.9%
2.	Company E	0.8	16.7%
3.	Company C	0.7	14.6%
3.	Company D	0.5	10.4%
5.	Company H	0.2	4.2%
Top 5 Subtotal		3.3	68.8%
Others		1.5	31.2%
Total		4.8	100.0%

Source: The data of our Group comes from our Group, Frost & Sullivan

Notes:

(1) Company G is a listed company established in 2003 and headquartered in Guangdong, China, primarily providing cement and concrete operation, and cement kilns waste treatment services, among others.

(2) Company H is a private company established in 1981 and headquartered in Beijing, China, primarily providing building materials production and solid waste treatment services, among others.

Market Drivers

The growth of the PRC cement kilns waste treatment market is driven by the following factors:

- ***Competitive advantages over other treatment methods:*** Compared with other disposal methods such as landfill and traditional incineration, cement kilns waste treatment has a number of competitive advantages such as lower investment costs, lower operating costs and less secondary pollution or environmental issues. In addition, the construction period of cement kilns waste treatment projects is generally less than one year, whilst for other disposal methods, the construction period could be one to two years. The competitive advantages of cement kilns waste treatment have led to the rapid growth of this market historically and is likely to drive future growth.

- ***Favorable regulations and policies:*** The PRC government has issued a series of favorable regulations and policies to promote the development of the cement kilns waste treatment industry. The Ministry of Industry and Information Technology issued the Development Plan of Construction Materials Industry (2016–2020) (《建材工業發展規劃2016–2020年》) in 2016 to encourage the development of cement kilns waste treatment of municipal solid waste and hazardous waste. In 2019, the Ministry of Ecology and Environment issued the Guiding Opinions on Improving the Capability of Environmental Supervision, Utilization and Disposal of Hazardous Wastes and Preventing Environmental Risks (《關於提升危險廢物環境監管能力、利用處置能力和環境風險防範能力的指導意見》) to standardize and promote the sound development of this industry. Such favorable regulations and policies are likely to further drive future growth of this market. Key targets of such policies include, among others, to reinforce the treatment capacity of industrial hazardous waste, improve the collection system of the industrial hazardous waste, develop cement kiln industrial hazardous waste treatment project, further improve the standards and regulation systems of industrial hazardous waste storage, incineration and cement kiln waste treatment. Such key targets set forth in such policies are likely to further drive the market, and companies in the cement kiln waste treatment industry are expected to continue to benefit from the future development.

The legal and regulatory environment where our Group's business operates in the PRC is set out below.

LAWS AND REGULATIONS RELATING TO FOREIGN INVESTMENT

Laws and regulations relating to the establishment, operation and management of foreign-invested enterprises

The establishment, operation and management of companies in the PRC are primarily governed by the provisions of the Standing Committee of the National People's Congress ("**SCNPC**") issued in December 1993 and further amended in December 1999, August 2004, October 2005, December 2013 and October 2018 respectively. The relevant provisions of the amended Company Law of the People's Republic of China (the "**PRC Company Law**"), which divides the types of companies into limited liability companies and joint stock companies, apply to foreign-invested limited liability companies and joint stock companies in accordance with the PRC Company Law, and where the law on foreign investment provides otherwise, its provisions shall apply.

On 15 March 2019, the National People's Congress ("**NPC**") promulgated the Law of the People's Republic of China on Foreign Investment ("**Foreign Investment Law**"), which came into effect on 1 January 2020, replacing the original three laws governing foreign investment enterprises in the PRC, namely the Law of the People's Republic of China on Chinese-Foreign Equity Joint Ventures, the Law of the People's Republic of China on Chinese-Foreign Cooperative Enterprises and the Law of the People's Republic of China on Foreign Investment Enterprises (collectively, the "**Three Foreign Investment Laws**"). On 26 December 2019, the State Council promulgated the Regulations on the Implementation of the Foreign Investment Law of the People's Republic of China (the "**Implementation Regulations of the FIL**"), which came into effect on 1 January 2020. Upon the commencement of the regulations, the former Articles of Implementation of the Three Foreign Investment Laws and the subsidiary regulations were repealed at the same time. Under the Foreign Investment Law, foreign-invested enterprises established prior to the implementation of the Foreign Investment Law may continue to retain their original form of business organisation for a period of five years after the implementation of the Foreign Investment Law.

According to the Implementation Regulations of the FIL and the Measures for Reporting Foreign Investment Information issued by the Ministry of Commerce of the People's Republic of China ("**MOFCOM**") and the State Administration of Market Supervision on 30 December 2019 and effective from 1 January 2020, if a foreign investor, directly or indirectly, conducts investment activities in the PRC, the foreign investor or foreign-invested enterprise shall report investment information to the competent department of commerce through the enterprise registration system and the national enterprise information system, and the market supervision department shall promptly forward the said investment information reported by the foreign investor or foreign-invested enterprise to the competent department of commerce which shall be able to obtain through departmental information sharing, and shall not require foreign investors or foreign-invested enterprises to submit any investment information that is available through departmental information sharing.

Policy on Foreign Investment in the Environmental Protection Sector

According to the Foreign Investment Law, the State adopts the management system of pre-establishment national treatment and negative list for foreign investment. Foreign investors are not allowed to invest in areas where investment is prohibited under the Negative List for Foreign Investment Access; in areas where investment is restricted under the Negative List for Foreign Investment Access, foreign investors shall comply with the conditions stipulated in the Negative List; areas outside the Negative List for Foreign Investment Access shall be managed in accordance with the principle of consistency between domestic and foreign investment. If a foreign investor invests in an industry or field that requires a permit in accordance with the law, the foreign investor shall apply for the relevant permit in accordance with the law; the relevant competent department shall examine the foreign investor's application for a permit in accordance with the same conditions and procedures as those for domestic investment, except where otherwise provided by law or administrative regulations. In addition, the Implementation Regulations of the FIL further clarify that the State encourages and promotes foreign investment, protects the legitimate rights and interests of foreign investors, regulates the management of foreign investment, continues to optimise the foreign investment environment and promotes a higher level of openness to the outside world.

According to the Catalogue of Industries to Encourage Foreign Investment (2020 Edition) issued by the MOFCOM and the National Development and Reform Commission ("**NDRC**") on 27 December 2020 and effective on 27 January 2021, and the Special Administrative Measures for Foreign Investment Entry (Negative List) (2021 Edition) issued by the MOFCOM and the NDRC on 27 December 2021 and effective on 1 January 2022, environmental protection industries such as hazardous waste treatment and solid waste treatment do not fall within the scope of industries in which foreign investment is prohibited or restricted; the comprehensive utilisation and treatment and disposal of waste gas, waste liquid and waste slag; the use of new dry process cement kilns and sintered wall materials to produce harmlessly disposed solid waste; the construction and operation of waste treatment plants, hazardous waste treatment and disposal plants (incineration plants, landfills) and environmental pollution control facilities fall within the scope of the Catalogue of Industries to Encourage Foreign Investment.

LAWS AND REGULATIONS GOVERNING THE SOLID WASTE DISPOSAL INDUSTRY IN THE PRC

According to the Law of the People's Republic of China on the Prevention and Control of Pollution of the Environment by Solid Waste ("**Law on the Prevention and Control of Pollution by Solid Waste**"), which was issued by the SCNPC on 30 October 1995 and was last amended on 29 April 2020 and came into effect on 1 September 2020, prevention and control of pollution of the environment by solid waste adheres to the principle of who pollutes who is responsible; entities and individuals who generate, collect, store, transport, utilize and dispose of solid waste shall take measures to prevent or reduce pollution of the environment by solid waste and shall be responsible for the environmental pollution caused in accordance with law. Entities and other producers and operators that generate, collect, store, transport, utilize and dispose of solid wastes shall take measures to prevent dispersion, loss, leakage or other measures to prevent pollution to the environment, and shall not dump, pile, discard or scatter solid wastes without authorization.

According to the Law on the Prevention and Control of Pollution by Solid Waste, if solid waste is transferred out of the administrative region of a province, autonomous region or municipality directly under the Central Government for storage or disposal, an application shall be submitted to the competent department of ecological environment of the people's government of the province, autonomous region or municipality directly under the Central Government from where the solid waste is transferred. Without approval, no transfer shall be allowed. The transfer of solid waste out of the administrative region of a province, autonomous region or municipality directly under the Central Government for use shall be reported to the competent department of the ecological environment of the people's government of the province, autonomous region or municipality directly under the Central Government from which the solid waste is transferred for the record.

LAWS AND REGULATIONS OF THE HAZARDOUS WASTE DISPOSAL INDUSTRY IN THE PRC

Hazardous Waste Operation Permit

According to the Law on the Prevention and Control of Environmental Pollution by Solid Waste, entities engaged in the collection, storage, utilisation and disposal of hazardous waste business activities shall apply for a permit in accordance with the relevant state regulations. The specific management methods of the permit shall be formulated by the State Council. It is prohibited to engage in the operation of collection, storage, utilisation and disposal of hazardous wastes without a permit or without following the provisions of the permit. If an entity engages in the operation activities of collection, storage, utilisation or disposal of hazardous waste without a permit, the competent department of ecology and environment shall order rectification and impose a fine of not less than RMB1 million and not more than RMB5 million, and shall report to the people's government with the power of approval for approval for ordering the closure of the business; the legal representative, the principal person in charge, the person in charge directly responsible and other responsible persons shall be fined not less than RMB100,000 and not more than RMB1 million.

According to the National List of Hazardous Wastes (2021 Edition), promulgated on 4 January 1998, last revised on 25 November 2020 and effective from 1 January 2021, it provides detailed provisions on the definition, categories, industry sources, codes, hazardous characteristics, identification criteria and methods of hazardous waste.

According to the Measures for the Administration of Hazardous Waste Business Licenses issued by the State Council on 30 May 2004 and last revised and implemented on 6 February 2016, entities engaged in hazardous waste collection, storage and disposal business activities within the territory of the People's Republic of China shall obtain hazardous waste business licenses in accordance with the provisions of these Measures. Hazardous waste business license is divided into comprehensive business license for hazardous waste collection, storage and disposal and business license for hazardous waste collection. An entity that receives a license for comprehensive operation of hazardous wastes may engage in the collection, storage and disposal of hazardous wastes of various categories.

Qualification for hazardous waste transportation

According to the Law on the Prevention and Control of Environmental Pollution by Solid Wastes, whoever transports hazardous waste must adopt measures for the prevention and control of environmental pollution and observe regulations on the control of transportation of hazardous goods. According to the Regulation of the People's Republic of China on Road Transport issued on 30 April 2004, which was last amended and came into force on 2 March 2019, anyone who wishes to engage in freight transport business involving dangerous cargoes shall file an application with the road transport administrative organ on the districted municipality level and submit relevant materials; the road transport administrative organ that receives an application shall, upon examination and approval, issue a road transport business operation license to the applicant.

According to the "Provisions on the Administration of Road Transport of Dangerous Goods" issued by the Ministry of Transport and Communications on 23 January 2013, which was last amended and effective on 28 November 2019, municipal road transport authorities should implement the administrative permit for the transport of dangerous goods by road and conduct on-site verification in accordance with clear procedures and time limits. In the case of approval of the licensing, the road transport administrative organ shall issue to the licensee an Administrative Licensing Decision on the Road Transport of Dangerous Goods, and shall, within 10 days, issue a Road Transport Business License to the applicant for the business road transport operation of dangerous goods.

According to the above Provisions on the Administration of Road Transport of Dangerous Goods, where an entity unauthorized engages in the transport of dangerous goods without obtaining a License for the Road Transport of Dangerous Goods, the road transport authorities at or above the county level shall order the cessation of transport operations, and the illegal gains shall be confiscated, if any, and a fine ranging from 2 to 10 times the illegal gains may be given concurrently; if there are no illegal gains or the illegal gains are less than RMB20,000, a fine of RMB30,000 up to RMB100,000 shall be imposed; where an illegal act constitutes a crime, criminal responsibility shall be investigated in accordance with law.

Hazardous waste operation monitoring system

According to the Law on the Prevention and Control of Environmental Pollution by Solid Wastes, the hazardous waste generation entity should develop a hazardous waste management plan in accordance with the relevant national regulations; establish a hazardous waste management ledger, record the relevant information, and report the type of hazardous waste, generation, flow, storage, disposal and other relevant information to the local ecological environment authorities through the national hazardous waste information management system.

According to the Management Measures for Hazardous Wastes Movement (《危險廢物轉移管理辦法》) issued on 30 November 2021 and effective on 1 January 2022, when transferring hazardous wastes, the electronic movement manifest for hazardous wastes shall be filled out and run through the national hazardous waste information management system, and information on the prevention and control of environmental pollution related to the transfer of hazardous wastes shall be disclosed in accordance with relevant state regulations.

According to the Guiding Opinions on Improving the Capabilities of Environmental Monitoring, Utilization and Disposal, and Environmental Risk Prevention for Hazardous Wastes (《關於提升危險廢物環境監管能力、利用處置能力和環境風險防範能力的指導意見》), which was promulgated and implemented by the Ministry of Ecology and Environment on 15 October 2019, by the end of 2025, the environmental system of monitoring hazardous wastes, which is characterized by "strict prevention at the beginning, strict control in the process and severe punishment for consequences" shall be established and improved. An environmental creditability assessment system for enterprises shall be established and those violating the relevant laws shall be added to the list of illegal and dishonest enterprises in the ecological environment protection field; such list shall be released to the public; and joint punishment shall be imposed. The projects of cooperative disposal of hazardous wastes in cement kilns shall be developed properly, and such projects shall be considered as a beneficial supplement for the capability of utilization and disposal of hazardous wastes. During the heavy pollution weather warning period, for the cement kilns capable of effectively performing their functions of cooperative disposal of hazardous waste, corresponding emission reduction measures applied to those cement kilns may be reduced or exempted based on their actual disposal capabilities.

According to the Notice by the General Office of the State Council Regarding Issuing the Implementation Plan for the Reform to Improve the Capacity for Regulation, Utilization and Disposal of Hazardous Wastes (《國務院辦公廳關於印發強化危險廢物監管和利用處置能力改革實施方案的通知》), which was promulgated and implemented by the General Office of the State Council on 11 May 2021, by the end of 2022, hazardous waste regulatory systems and mechanisms will have been further improved, and a mechanism for interaction between safety supervision and environmental supervision will have been established; and the high incidence of cases of illegal transfer and dumping of hazardous waste shall be effectively curbed. By the end of 2025, the system of monitoring hazardous wastes, which is characterized by "strict prevention at the beginning, strict control in the process and severe punishment for consequences" shall be established and improved. "Streamlining Administration, Delegating Power and Strengthening Regulation and Improving Services" shall be implemented as the reform requires, and the construction of large-scale hazardous waste utilization facilities by means of diversified investment and market orientation shall be encouraged.

Hazardous Waste Disposal Price Mechanism

According to the Price Law of the People's Republic of China (《中華人民共和國價格法》), which was promulgated on 29 December 1997 by SCNPC and implemented on 1 May 1998, the State shall introduce and gradually improve the mechanism of regulation of prices mainly through market force and under a form of macroeconomic control. Under such a mechanism, the price of most of the merchandises and services should be made to adopt market regulated prices while only a few of them to be put under government-set or guided prices. The pricing authority and the specific scope of application of the government-guided prices and government-set prices shall be based on priced catalogues issued by the central and local governments. The competent price departments and other relevant departments of the people's governments of provinces, autonomous regions and municipalities directly under the Central Government shall set government-guided prices and government-set prices for their own regions according to the pricing authority and the specific scope of application defined in the local priced catalogues.

According to the Announcement on the List of Business Service Charges Priced by the Government (2022 version) (《政府定價的經營服務性收費目錄清單(2022版)》), which was promulgated and implemented by the National Development and Reform Commission on 30 December 2021, industrial hazardous waste treatment services fees belong to the business service charging items that are set or guided by the local government.

LAWS AND REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

Environmental Protection Law

According to the relevant provisions of the Environmental Protection Law of the People's Republic of China ("**Environmental Protection Law**") issued by the SCNPC on 26 December 1989, which was last amended on 24 April 2014 and came into effect on 1 January 2015, an discharge permit management system is implemented in the PRC, where enterprises, institutions and other production operators that are subject to discharge permit management shall discharge pollutants in accordance with the requirements of the discharge permit. For those without an discharge permit, no discharge of pollutants is allowed. Enterprises, institutions and other production operators that discharge pollutants shall take effective measures to prevent and control pollution and hazards caused to the environment. Facilities for the prevention and control of pollution in construction projects shall be designed, constructed and put into use at the same time as the main project. The competent environmental protection department shall record environmental violations in the social integrity file and publish the list of offenders to the society in a timely manner. Enterprises and institutions that discharge pollutants shall establish a system of responsibility for environmental protection and clarify the responsibilities of those in charge of the entity and relevant personnel.

Environmental Impact Assessment Law

According to the relevant provisions of the Environmental Impact Assessment Law of the People's Republic of China, which was issued by the SCNPC on 28 October 2002 and was last amended and came into effect on 29 December 2018, the State implements classification management of the environmental impact assessment of construction projects according to the degree of impact of the construction projects on the environment. The construction entity shall organize the preparation of an environmental impact report, an environmental impact report form or the completion of an environmental impact registration form (hereinafter collectively referred to as environmental impact assessment documents) in accordance with the following provisions:(1) for those that may cause significant environmental impact, an environmental impact report shall be prepared to conduct a comprehensive evaluation on the resulting environmental impact; (2) for those that may cause mild environmental impact, an environmental impact report form shall be prepared to conduct an analysis or special evaluation on the resulting environmental impact; (3) for those that may cause minimal environmental impact and no environmental impact assessment is required, an environmental impact registration form shall be completed. Those construction entities whose environmental impact assessment documents for a construction project have not been examined by the approval authority in accordance with the law or have not been approved after examination shall not commence construction. During the construction of a construction project, the construction entity shall simultaneously adopt the environmental impact report, the environmental impact report form and the environmental protection countermeasures proposed in the environmental impact assessment documents approval department's approval opinion. In the event that there are significant changes to the nature, scale, location, production process used or measures adopted in the construction project to prevent and control the pollution or ecological damage after an approval for the environmental impact assessment documents of a construction project is obtained the construction entity shall resubmit the environmental impact assessment documents of the construction project for approval.

Law on Prevention and Control of Air Pollution

According to the relevant provisions of the Law of the People's Republic of China on the Prevention and Control of Air Pollution ("**Air Pollution Prevention and Control Law**"), which was issued by the SCNPC on 5 September 1987 and was last amended and came into effect on 26 October 2018, enterprises and institutions discharging industrial waste gas or toxic and hazardous air pollutants listed in Article 78 of the Air Pollution Prevention and Control Law, production and operation entities of coal-fired heat sources for centralized heat supply facilities and other entities subject to the regulation of discharge permits in accordance with the law shall obtain discharge permits. Enterprises and other production operators shall, in accordance with relevant state regulations and monitoring standards, monitor their discharges of industrial waste gases and toxic and hazardous air pollutants listed in Article 78 of the Air Pollution Prevention and Control Law, and keep original monitoring records. Among them, key discharge entities shall install and use automatic monitoring equipment for air pollutant discharges and connect with the monitoring equipment of the competent ecological and environmental authorities to ensure the normal operation of the monitoring equipment and disclose discharge information in accordance with the law.

Environmental Protection of Construction Project

According to relevant requirements of the Management Regulations of Environmental Protection of Construction Project (《建設項目環境保護管理條例》), which was promulgated by the State Council on 29 November 1998 and last amended on 16 July 2017 with effect from 1 October 2017, where the preparation of the environmental impact report or environmental impact statement is required for a construction project under the law, prior to commencement of construction, the construction entity shall submit the environmental impact report and the environmental impact statement to the competent administrative department of environmental protection with approval authority for approval. Where the environmental impact assessment file of a construction project is not reviewed by the competent approval authority or, upon review, is not approved, the construction entity must not commence construction. Construction of ancillary environmental protection facilities required by construction projects shall be designed, constructed and commence production and operation at the same time as the main project. The construction entity shall, after the completion of the construction projects requiring the preparation of the environmental impact report or environmental impact statement, conduct inspection and acceptance of the environmental protection facilities and prepare inspection and acceptance report in accordance with the standards and procedures prescribed by the environmental protection administrative department under the State Council. A construction project requiring the preparation of the environmental impact report or the environmental impact statement shall not commence production or operation until the environmental protection facilities have passed the inspection and acceptance. Any project that has not received inspection or acceptance or failed to pass the inspection or acceptance shall not commence production or operation.

Pursuant to relevant provisions under the Measures for the On-going and Ex-post Supervision and Administration of Construction Project Environmental Protection (Trial) (《建設項目環境保護事中事後監督管理辦法(試行)》) which was promulgated by the Ministry of Environmental Protection of the PRC (the "**MEP**") and came into force on 10 December 2015, the construction entity is the competent body for implementing the construction project environmental protection responsibilities. The construction entity must legally obtain the approval file of environmental impact assessment for the construction project before commencement of construction and any major changes. During the construction period of the project, each environmental protection requirement prescribed in the environmental impact assessment file and its approval file shall be implemented to ensure normal operation of the environmental protection facilities.

Pursuant to the relevant requirements under the Provisional Measures on Completion Acceptance of Environmental Protection for Development Projects (《建設項目竣工環境保護驗收暫行辦法》) promulgated by MEP and implemented on 20 November 2017, the construction entity is the responsible body for the environmental protection inspection and acceptance of a completed construction project, and shall, in accordance with the procedures and standards prescribed by such Provisional Measures, arrange for the inspection and acceptance of the ancillary environmental protection facilities and the preparation of the inspection and acceptance report as well as publicize relevant information for public supervision. The main body of a construction project shall not commence production or operation until the ancillary environmental protection facilities have passed the inspection and acceptance. Any project that has not received inspection or acceptance or failed to pass the inspection or acceptance shall not commence production or operation.

Pollutant Discharge License

According to the Environmental Protection Law, the competent department of environmental protection under the State Council formulates the national pollutant discharge standards according to the national environmental quality standards and national economic and technical conditions. The people's governments of provinces, autonomous regions and municipalities directly under the Central Government may formulate local pollutant discharge standards for items not specified in the national pollutant discharge standards; with regard to items already specified in the national pollutant discharge standards, they may formulate local pollutant discharge standards that are more stringent than the national pollutant discharge standards. The local pollutant discharge standards shall be submitted to the competent department of environmental protection under the State Council for record. Enterprises and institutions and other producers and operators implementing pollutant discharge license management must discharge pollutants in accordance with the requirements of the pollutant discharge license, and shall not discharge pollutants without a pollutant discharge license.

Pursuant to the relevant provisions of the Administrative Measures of Pollutant Discharge (《排污許可管理條例》) issued by the State Council on 24 January 2021 and implemented on 1 March 2021, enterprises and institutions and other producers and operators implementing pollutant discharge license management in accordance with laws and regulations are required to apply for and obtain the pollutant discharge license as required by such provisions, and shall not discharge pollutants without a pollutant discharge license.

Pursuant to the relevant provisions of the Measures for the Administration of Pollutants Discharge Licenses (trial) (《排污許可管理辦法(試行)》) promulgated by MEP on 10 January 2018 and last amended and implemented on 22 August 2019, MEP legally formulated and announced the Catalogue of Fixed Source Pollutant Discharge License for Administration (固定污染源排污許可分類管理名錄), which specified and included the scope of administration of pollutant discharge license and timeframe for application and collection. Enterprises and institutions and other producers and operators included in the Catalogue of Fixed Source Pollutant Discharge License for Administration must apply for and obtain the pollutant discharge license in accordance with the prescribed timeframe.

Legal supervisions over labor protection

The Labour Law of the PRC (《中華人民共和國勞動法》), which was issued by the SCNPC on 5 July 1994 and last amended and implemented on 29 December 2018 provides regulations regarding promoting employment, labour contract, working hours and leaves, payroll, labour safety and health, special protection for female employees and underage workers, occupational trainings, social security and welfare, labour disputes and other areas.

According to Labour Contract Law of the PRC (《中華人民共和國勞動合同法》), which was promulgated by the SCNPC on 29 June 2007, amended on 28 December 2012 and implemented on 1 July 2013, and the Implementation Regulations on Labour Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》), which was promulgated by the State Council and implemented on September 18, 2008, the establishment of the employment relationship between the employers and employees starts from the date of employment, and shall enter into written labour contracts at the same time. The entering into the labour contract and its performance, amendment, discharge and termination is subject to the abovementioned laws and regulations.

According to the laws, rules and regulations such as the Social Insurance Law of the People's Republic of China, which was promulgated on 28 October 2010, last amended and came into effect on 29 December 2018, the Provisional Ordinance on the Collection of Social Insurance Contributions, which was promulgated on 22 January 1999, last amended and came into effect on 24 March 2019, the Trial Measures on Maternity Insurance for Employees of Enterprises, which was promulgated on 14 December 1994 and effective from 1 January 1995, the Work Injury Insurance Ordinance, which was promulgated on 27 April 2003, amended on 20 December 2010 and effective from 1 January 2011, the Unemployment Insurance Ordinance, which was promulgated on 22 January 1999 and the Housing Fund Management Ordinance, which was promulgated on 3 April 1999, last amended and came into effect on 24 March 2019, an employer in the People's Republic of China shall pay social insurance premiums including basic pension insurance, basic medical insurance, work injury insurance, unemployment insurance and maternity insurance for its employees, and deposit housing provident fund for its employees. For employers who failed to pay the social insurance premiums in full and on time, the social insurance levying authority has the power to order them to pay the premiums or make up any shortfalls within a certain period of time, and to impose a late payment fee of 5/10,000 each day from the date of non-payment; failure of which will be subject to a fine of one time to three times the amount of non-payment by relevant administrative department. For employers who failed to pay or underpaid the housing fund, the housing fund management centre shall order the payment within a certain period of time; failure of which may be subject to a compulsory enforcement by application to the people's court.

REGULATIONS ON FOREIGN EXCHANGE

According to the "Regulations of the People's Republic of China on the Management of Foreign Exchanges" issued by the SAFE on 29 January 1996 and latest amended and effective on 5 August 2008, foreign currency earnings of domestic entities or individuals can be transferred back to the PRC or deposited overseas and RMB is convertible into other currencies. The State implements the classification administration of the foreign exchange activities under current accounts and capital accounts. The foreign exchange income under current accounts can be retained or sold to the financial institution engaging in foreign exchange settlement and sales business in accordance with the relevant state regulations; enterprises can pay the foreign exchange expenditure of domestic enterprises under the current account with self-owned foreign currency or foreign currency purchased from financial institutions engaging in foreign exchange settlement and sales business by presenting the valid document based on their needs and in accordance with the administrative provisions of the foreign exchange control department of the State Council on payments of foreign currencies and purchase of foreign currencies. Any foreign organization or individual that seeks to make a direct investment in the territory of the PRC, or engage in the issuance or trading of negotiable securities or derivative products in the territory of the PRC, and any domestic organization or individual that seeks to make a direct investment overseas or engage in the issuance or trading of negotiable securities or derivative products overseas shall complete the registration as required by the foreign exchange administrative department under the State Council. In addition, any foreign exchange income under the capital account may be retained or sold to a financial institution engaging in foreign exchange settlement and sales business, provided that approval shall be obtained from the relevant foreign exchange administrative authority, except approval is not required by the State. The foreign exchange or the settled foreign exchange funds under the capital account can be used if approved by the relevant authorities and the foreign exchange administrative body.

According to the "Notice of the State Administration of Foreign Exchange on Issuing the Provisions on the Foreign Exchange Administration of Domestic Direct Investment of Foreign Investors and the Supporting Documents" issued by the SAFE on 10 May 2013 and effective on 13 May 2013 (some provisions were amended on 10 October 2018 and 30 December 2019, respectively), domestic direct investment is administered by registration. Institutions and individuals involved in domestic direct investment activities shall register with the SAFE and its branches. Banks shall handle businesses related to domestic direct investment in accordance with the information registered with foreign exchange bureaus.

According to the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment issued by the SAFE on 13 February 2015 and effective on 1 June 2015 (some provisions were amended on 30 December 2019), the SAFE decided to further simplify and improve policies for the foreign exchange administration of direct investment around the entire nation, by cancelling two administrative approval items: approval of foreign exchange registration under domestic direct investment and approval of foreign exchange registration under overseas direct investment and, instead, banks shall directly examine and handle foreign exchange registration under domestic direct investment and foreign exchange registration under overseas direct investment, and the SAFE and its branch offices shall indirectly regulate the foreign exchange registration of direct investment through banks and simplifying the procedures for some foreign exchange transactions under direct investment.

According to the Notice of the State Administration of Foreign Exchange on Reform of the Administration of Foreign Exchange Capital Surrender under Foreign Investment issued by the SAFE on 30 March 2015 and effective on 1 June 2015 (some provisions were amended on 30 December 2019), the foreign exchange capital in the capital account of foreign-invested enterprises for which the confirmation of interests of monetary contribution by the foreign exchange bureau (or the book-entry registration of monetary contribution by the banks) has been handled can be settled at the banks based on the actual operational needs of the enterprises. The proportion of discretionary settlement of foreign exchange capital from foreign investment enterprises is temporarily set at 100%. The SAFE may adjust the above proportion in accordance with the international balance of payment situation as appropriate. The use of the capital of foreign-invested enterprises and their remittance of RMB funds should follow the principle of truthfulness and self-use within the business scope of the enterprise. It cannot be used for the payment beyond the business scope or the payment prohibited by national laws and regulations, investment in securities unless otherwise provided by laws and regulations, granting entrust loans in RMB (unless permitted by the scope of business), repaying inter-company borrowings (including advances by third parties), repaying bank loans in RMB that have been on-lent to a third party, and the purchase of real estate not for self-use, except for the foreign-invested real estate enterprises.

On 9 June 2016, the SAFE issued and implemented the Notice on Reforming and Standardizing the Administrative Policies on Foreign Exchange Settlement of Capital Accounts, which clarifies that the foreign exchange income from capital accounts of domestic institutions and the RMB funds derived from their settlement can be used for recurring expenditures within their own business scope, as well as expenditures under capital permitted by laws and regulations, and further clarifies the scope of prohibited use of foreign exchange income from capital projects and the RMB funds derived from their settlement.

According to the Circular on Further Promoting the Facilitation of Cross-border Trade and Investment issued by the SAFE on 23 October 2019, the SAFE has lifted the restrictions on domestic equity investment in the capital of non-investment foreign-invested enterprises and non-investment foreign investment enterprises shall be allowed to use capital funds for domestic equity investment in accordance with the law under the premise of not violating the existing Special Management Measures for the Market Entry of Foreign Investment (Negative List) and compliance of their domestic invested projects.

Regulation on taxations

Enterprise Income Tax

According to the Enterprise Income Tax Law of the People's Republic of China, which was promulgated by the NPC on 16 March 2007, last amended and implemented on 29 December 2018 (the "**EIT Law**"), and the Implementation Regulations of the Enterprise Income Tax Law of the People's Republic of China, which was promulgated by the State Council on 6 December 2007, last amended and implemented on 23 April 2019 (the "**Implementation Regulations of the EIT Law**"), payers of the enterprise income tax are divided into resident enterprises and non-resident enterprises. Resident enterprises refer to enterprises that are set up in accordance with the PRC law, or that are set up in accordance with the law of the foreign country but with its actual administration institution in China. Resident enterprises (including domestic invested enterprises and foreign invested enterprises) shall pay enterprise income tax for income originating both within and outside China at the uniform tax rate of

25%. Non-resident enterprises refer to entities established under foreign law whose actual administration institution is not within China but have institution or premises in China, or which do not have institution or premises in China but have income sourced within China. Non-resident enterprises that have set up institutions or premises in China shall pay enterprise income tax at the tax rate of 25% in relation to the income originated from China and obtained by the aforementioned institutions or premises, as well as the income incurred outside China, provided there is an actual relationship between such income and the aforementioned institutions or premises. For non-resident enterprises which have no institutions or premises in China, or, although they have institutions or premises in China, there is no actual relationship between the income and the aforementioned institutions or premises, they shall pay enterprise income tax at the reduced tax rate of 10% in relation to the income originated from China, instead of the applicable tax rate of 20%.

According to the EIT Law and the Implementation Regulations of EIT Law, income of enterprises engaged in qualifying environmental protection, energy and water saving projects may be exempted from the enterprise income tax or levied at a reduced rate. income of enterprises engaged in qualifying environmental protection, energy and water saving projects is not subject to the enterprise income tax in the first to third year starting from the assessment year in which the first production and operation income from the project was generated, and is subject to the enterprise income tax at a halved rate in the fourth to sixth year. Specific conditions and criteria of project are formulated by competent authority of the State Council of finance and taxation matters in consultation with relevant departments of the State Council and will be implemented upon the approval by the State Council.

According to the Notice on Issuing the "Catalogue of Preferential Enterprise Income Tax of Environmental Protection, Energy and Water Saving Projects (2021 Edition)" and the "Catalogue of Resources for Comprehensive Utilization Entitling Enterprises to Income Tax Preferences (2021 Edition)" (The Ministry of Finance, the State Administration of Taxation, the National Development and Reform Commission, and the Ministry of Ecology and Environment Announcement No. 36 [2021]) (《關於公佈〈環境保護、節能節水項目企業所得稅優惠目錄(2021年版)〉以及〈資源綜合利用企業所得稅優惠目錄(2021年版)〉的公告》) (財政部、稅務總局、發展改革委、生態環境部公告2021年第36號), promulgated by the Ministry of Finance, the SAT, the National Development and Reform Committee and the Ministry of Ecology and Environment on 16 December 2021 and implemented on 1 January 2021, qualifying industrial solid waste utilization and disposal projects and hazardous waste utilization and disposal projects are included in the Catalogue of Preferential Enterprise Income Tax of Environmental Protection, Energy and Water Saving Projects.

Regulation on Dividend Distributions

Pursuant to the EIT Law and the Implementation Regulations of EIT Law, dividends payable by foreign-invested companies in China to their foreign investors that are non-resident enterprises as defined under the law are subject to withholding tax at a reduced rate of 10%. Where the treaty between the PRC governments and another foreign country contains provisions different from those provided under the EIT Law, the provisions under the relevant treaty shall prevail.

According to the Notice of the SAT on the Issues Concerning the Application of the Dividends Clauses of Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》), which was promulgated by the SAT and implemented on 20 February 2009, where a PRC resident company pays dividends to a fiscal resident of the other contracting party to a tax treaty and such fiscal resident of the other party (or dividend recipient) is the beneficiary of such dividends, such dividends received by the fiscal resident of the other party are entitled to the preferential tax treatment, i.e. payment of its income tax payable in China at the rate stated in the tax treaties. If the tax rate stated in the tax treaties is higher than that as stipulated in the PRC tax laws, the taxpayer may enjoy the lower one. Such fiscal resident of the other party shall meet the following requirements to enjoy such preferential tax treatment under the tax treaties: (1) the fiscal resident of the other contracting party shall be a company; (2) the fiscal resident of the other contracting party shall directly hold a specified percentage of all the owners' equity and voting shares of the said PRC resident company as per relevant regulations; (3) the percentage of the capital of the said PRC resident company held by the fiscal resident of the other contracting party shall consistently comply with the tax agreements in the 12 months before obtaining dividends.

According to the Arrangement between Mainland China and Hong Kong SAR concerning Avoiding Double Taxation and Preventing Tax Evasion on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) (promulgated on August 21 2006 and came into effect on 6 December 2019), for a Hong Kong tax resident that directly holds no less than 25% equity of a PRC resident enterprise, the tax levied shall not be more than 5% of the total dividend. Otherwise, the tax levied shall not be more than 10% of the total dividend.

Value-added Tax

According to the Provisional Regulations of the People's Republic of China on Value-added Tax (《中華人民共和國增值稅暫行條例》) (promulgated on 13 December 1993, last amended and implemented on 19 November 2017), the Implementation Rules for the Provisional Regulations of the People's Republic of China on Value-added Tax (《中華人民共和國增值稅暫行條例實施細則》) (promulgated on 25 December 1993, last amended on 28 October 2011 and implemented on 1 November 2011), the Notice of the Ministry of Finance and the SAT on Adjustment to the Value-added Tax Rate (《財政部、稅務總局關於調整增值稅稅率的通知》) (promulgated on 4 April 2018 and implemented on 1 May 2018), and the Notice on Deepening the Policies Related to Value-added Tax Reform (《關於深化增值稅改革有關政策的公告》) (promulgated on 20 March 2019 and implemented on 1 April 2019), all entities and individuals engaged in sale of goods, processing services, repairs and replacement services, sales of intangible assets and immovable properties or import of goods within the PRC are subject to value-added tax at the tax rates of 13%, 9%, 6% and 0% based on the specific taxable items.

According to the Announcement on Improving the Value-Added Tax Policies for the Comprehensive Utilization of Resources (《關於完善資源綜合利用增值稅政策的公告》) promulgated by the Ministry of Finance and the SAT on 30 December 2021 and implemented on 1 March 2022, taxpayers who are engaged in the sale of products made by themselves through comprehensive utilization of resources and the provision of services involving the comprehensive utilization of resources may enjoy the VAT policy of immediate refund upon payment. According to the appendix of the aforementioned notice, Catalogue of Preferential Value-added Tax Policies for Products and Labor Services Generated from the Comprehensive Utilization of Resources (2022 Edition) (《資源綜合利用產

品和勞務增值稅優惠目錄(2022年版)》), as long as relevant technical standards and conditions are satisfied, taxpayers engaged in the provision of waste treatment and sludge treatment and disposal service may enjoy a refund proportion of 70% under the VAT policy of immediate refund upon payment.

Urban Maintenance and Construction Tax and Educational Surcharges

According to the Notice of the State Council on Unifying the System of Urban Maintenance and Construction Tax and Education Surcharge Paid by Domestic and Foreign-invested Enterprises and Individuals (《國務院關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知》), which was promulgated on 18 October 2010 and implemented on 1 December 2010, since 1 December 2010, the Temporary Regulation on Urban Maintenance and Construction Tax of the PRC (《中華人民共和國城市維護建設稅暫行條例》), which was promulgated in 1985 by the State Council, the Temporary Provisions on the Collection of Educational Surcharges (《徵收教育費附加的暫行規定》), which was promulgated in 1986 by the State Council, are applicable to foreign-invested enterprises, foreign enterprises and foreign individuals; and other rules, regulations and policies promulgated since 1985 and 1986 by the State Council and other competent departments in charge of relevant financial and tax authorities of the State Council in relation to urban maintenance and construction tax and education surcharge shall also apply to foreign-invested enterprises, foreign enterprises and foreign individuals.

According to the Law of the People's Republic of China on Urban Maintenance and Construction Tax (《中華人民共和國城市維護建設稅法》) which was promulgated by SCNPC on 11 August 2020 and implemented on 1 September 2021, all entities and individuals paying value-added tax or consumption tax within the territory of the PRC are taxpayers of urban maintenance and construction tax, and shall pay urban maintenance and construction tax in accordance with this Law. If the location of the taxpayer is in city downtown area, the tax rate shall be 7%; if the location of the taxpayer is in a county or town, the tax rate shall be 5%; the tax rate shall be 1% for taxpayer located out of city downtown area, country or town.

According to the Temporary Provisions on the Collection of Educational Surcharges (《徵收教育費附加的暫行規定》), which was promulgated by the State Council on 28 April 1986, last amended and implemented on 8 January 2011, entities and individuals who pay consumption tax, value-added tax and business tax shall pay the education surcharge at a rate of 3% in accordance with the provisions, except entities who pay rural education industry surcharge.

According to the Notice of the Ministry of Finance on the Relevant Matters on Unifying the Policies on Local Education Surcharges (《財政部關於統一地方教育附加政策有關問題的通知》) promulgated and implemented on 7 November 2010, a uniform 2% regional educational surcharge is levied on the amount of value-added tax, business tax and consumption tax actually paid by entities or individuals, including foreign-invested enterprises, foreign enterprises and foreign individuals. Provinces with the approval from the Ministry of Finance to impose a rate lower than 2% shall adjust the rate of regional educational surcharge to 2%.

REGULATIONS RELATING TO INTELLECTUAL PROPERTY RIGHTS

Trademark

According to the Trademark Law of the People's Republic of China issued by the SCNPC on 23 August 1982, last amended on 23 April 2019 and effective from 1 November 2019, and the Regulations on the Implementation of the Trademark Law of the People's Republic of China issued by the State Council on 3 August 2002, last amended on 29 April 2014 and effective from 1 May 2014, the exclusive right to use a registered trademark is limited to the trademark approved for registration and the goods approved for use. The validity period of a registered trademark is ten years from the date of approval of registration. For the purpose of a continuous use of a registered trademark when it expires, the trademark registrant shall go through the renewal procedure as required within twelve months before the expiry date; failure of which within this period may be granted a six-month grace period. Each renewal of registration shall be valid for ten years. Without the permission of the trademark registrant, the utilization of a trademark identical to its registered trademark on the same commodity; without the permission of the trademark registrant, the utilization of a trademark similar to its registered trademark on the same commodity, or the utilization of a trademark identical or similar to its registered trademark on similar commodities, which is likely to cause confusion; the sale of goods infringing the exclusive right to use the registered trademark; forgery, unauthorized manufacture of another person's registered trademark logo or the sale of forged or unauthorizedly manufactured registered trademark logo; without the consent of the trademark registrant, the replacement of a registered trademark and the re-introduction of the goods with the replaced trademark into the market; the intentional provision of facilities for the infringement of the exclusive right to use a trademark of another person, the assistance of another person in committing the infringement of the exclusive right to use a trademark, and the causing of other damage to the exclusive right to use a registered trademark of another person, shall constitute the infringement of an exclusive right to use a registered trademark. The infringer is required to stop the infringing act and pay compensation, etc. The infringer may also be subject to a fine or even be held criminally liable.

Patents

According to the Patent Law of the People's Republic of China issued on 12 March 1984, last amended on 17 October 2020 and effective from 1 June 2021, and the Rules for the Implementation of the Patent Law of the People's Republic of China issued by the State Council on 15 June 2001, last amended on 9 January 2010 and effective from 1 February 2010, the patent administration department of the State Council is responsible for managing patent work nationwide, unifying the acceptance and examination of patent applications and granting patent rights in accordance with the law. The patent administration departments of the people's governments of provinces, autonomous regions and municipalities directly under the Central Government are responsible for the administration of patents within their administrative regions. Chinese patents are divided into three categories: invention patents, utility model patents and design patents. The term of an invention patent is twenty years, the term of a utility model patent is ten years and the term of a design patent is fifteen years, all calculated from the date of application. The patent system in China is based on the first-to-file principle, i.e. if two or more applicants apply for a patent for the same invention or creation, the patent is granted to the first to apply. To be granted a patent, an invention or utility model must satisfy three criteria: novelty, inventiveness and practicability. After a patent for an invention or utility model has been granted, no entity or individual may implement the patent without the permission of the patentee, except as otherwise provided in the Patent Law of the People's Republic of China, i.e. manufacture, use, promise to sell, sell or import its patented products for the purpose of production and operation, or use its patented method and use, promise to sell, sell or import the products obtained directly in accordance with the patented method.

Domain Names

According to the Administrative Measures of Internet Domain Names issued by the Ministry of Industry and Information Technology of the People's Republic of China ("**MIIT**") on 24 August 2017 and effective on 1 November 2017, MIIT implements supervision and management of domain name services nationwide, and the Communications Administration of each province, autonomous region and municipality directly under the Central Government implements supervision and management of the domain name services within their administrative areas. If a domain name root server, domain name root server operating organization, domain name registration management organization and domain name registration service organization is established in the territory, it shall obtain the corresponding license from the Ministry of Industry and Information Technology or the communications administration of the province, autonomous region or municipality directly under the Central Government in accordance with the Administrative Measures.

OVERVIEW

Our history can be traced back to the end of 2015 when Conch Venture made capital injection in Yaobai Environmental and established WH Environmental Protection in June 2016. Since then, our business has been principally conducted via Yaobai Environmental and WH Environmental Protection, and we have become a leading player providing the eco-friendly and cost-efficient treatment of industrial solid and hazardous waste in China.

Conch Venture was an exempted company incorporated in Cayman Islands on June 24, 2013 and shares of which have been listed on the Main Board of the Stock Exchange (stock code: 586) since December 2013. In anticipation of the Listing, our Company was incorporated in the Cayman Islands on March 2, 2020 and we undertook a corporate reorganization whereupon our Company became the holding company and the listing vehicle of our Group. After completion of the Spin-off and the Listing, our Group will continue to be principally engaged in our already established industrial solid and hazardous waste treatment business; whilst the Conch Venture Group will continue to be principally engaged in waste-to-energy projects, new building materials and port logistics businesses.

KEY BUSINESS MILESTONES

The table below sets out various milestones in the history of our business development:

Year	Milestones
2015	Capital injection in Yaobai Environmental and commencement of cement kiln co-treatment of industrial solid and hazardous waste treatment business
2016	Establishment of WH Environmental Protection
	Establishment of the first wholly-owned cement kiln co-treatment of industrial solid and hazardous waste project and was officially put into operation in December 2017
2018	Awarded ''Demonstration Project'' (示範工程獎) by China Building Materials Federation (中國建築材料聯合會) and China Cement Association (中國水泥協會) at the National Cement Kiln Co-Treatment Innovation and Development Conference (全國水泥窯協同處置創新發展大會)
2019	Establishment of Haizhong Environmental to expand the business market of cement kiln co-treatment of industrial solid and hazardous waste across China
2020	Entering into cooperation agreement with Sinochem International Holdings Limited (中化國際（控股）股份有限公司) to carry out in-depth cooperation in the field of fly ash treatment business
	Acquisition of 70% equity interest in Shaanxi Bangda to expand our business to oil sludge treatment business

Year	Milestones
	Entering into cooperation agreement with Shanghai Nengyuan Environmental Technology Development Company Limited (上海能遠環境科技發展有限公司) to further promote the soil remediation and contaminated soil treatment business
	Establishment of Conch Venture Environment Technology and Anhui Conch Environment

See "Business — Awards and Recognitions" for further details.

OUR MAJOR SUBSIDIARIES

We conduct our business principally through the following subsidiaries which made a material contribution to our results of operations during the Track Record Period:

Name	Principal business activities	Date of establishment/ acquisition	Place of establishment
Anhui Conch Venture Environment Technology Co., Ltd. (安徽海創環保科技有限公司) ("**Conch Venture Environment Technology**")	Investment holding	June 5, 2020	PRC
Anhui Conch Environment Group Co., Ltd. (安徽海螺環保集團有限公司) ("**Anhui Conch Environment**")	Investment holding	June 24, 2020	PRC
Xi'an Yaobai Environmental Technology Engineering Company Limited (西安堯柏環保科技工程有限公司) ("**Yaobai Environmental**")	Industrial solid and hazardous waste treatment	December 31, 2015	PRC
Wuhu Conch Venture Environmental Protection Technology Company Limited (蕪湖海創環保科技有限責任公司) ("**WH Environmental Protection**")	Industrial solid and hazardous waste treatment	June 13, 2016	PRC
Anhui Haizhong Environmental Company Limited (安徽海中環保有限責任公司) ("**Haizhong Environmental**")	Management of industrial solid and hazardous waste treatment business	March 14, 2019	PRC

Conch Venture Environment Technology

Conch Venture Environment Technology was established in the PRC by Conch Venture International HK as a wholly foreign owned enterprise on June 5, 2020. The principal business activity of Conch Venture Environment Technology is investment holding.

Anhui Conch Environment

Anhui Conch Environment was established in the PRC by Conch Venture Environment Technology as a limited liability company on June 24, 2020. The principal business activity of Conch Venture Environment Technology is investment holding.

Yaobai Environmental

Yaobai Environmental is principally engaged in industrial solid and hazardous waste treatment business. It was first established in the PRC on June 3, 2013 by an Independent Third Party. In December 2015, Conch Venture through its wholly-owned subsidiary, Wuhu Conch Investment, acquired 60% equity interest in Yaobai Environmental by way of capital injection of RMB90 million in Yaobai Environmental. Upon completion of the aforesaid acquisition, Yaobai Environmental became a subsidiary of Conch Venture.

In preparation for the Spin-off and the Listing, Yaobai Environmental has undergone several transfers of equity interest whereupon Yaobai Environmental became a wholly-owned subsidiary of our Company, see "— Corporate Reorganization" for further details.

WH Environmental Protection

WH Environmental Protection is principally engaged in industrial solid and hazardous waste treatment business. It was established in the PRC in June 13, 2016 by Wuhu Conch Investment.

In preparation for the Spin-off and the Listing, WH Environmental Protection has undergone the transfer of equity interest whereupon WH Environmental Protection became a wholly-owned subsidiary of our Company, see "— Corporate Reorganization" for further details.

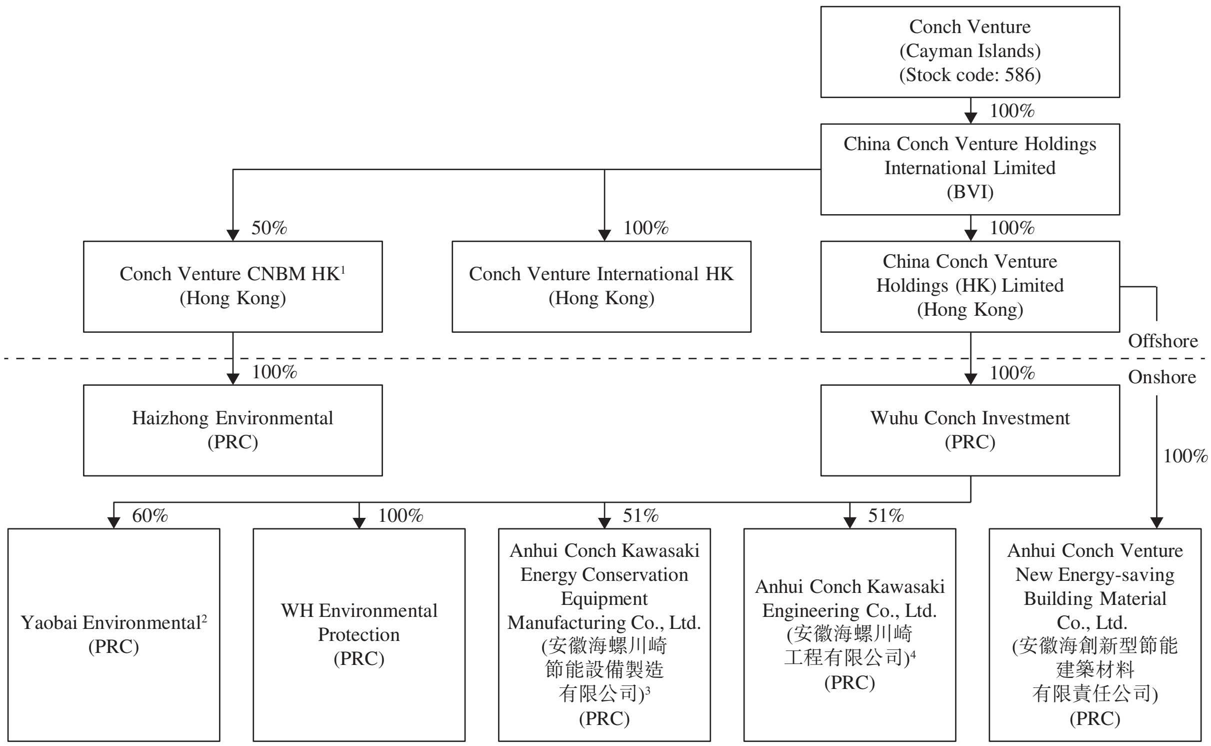
Haizhong Environmental

Haizhong Environmental is principally engaged in management of industrial solid and hazardous waste treatment business. It was established in the PRC on March 14, 2019 by Conch Venture CNBM HK. Conch Venture CNBM HK was established in Hong Kong as an investment holding company on February 12, 2019, which was indirectly held by Conch Venture and CNBM as to 50% and 50%, respectively.

In preparation for the Spin-off and the Listing, Conch Venture CNBM HK has undergone the transfer of equity interest whereupon it became a subsidiary of our Company, see "— Corporate Reorganization" for further details.

CORPORATE REORGANIZATION

Since March 2020, we commenced the Corporate Reorganization in preparation for the Listing, whereupon our Company became the holding company of our Group and the listing vehicle. Immediately before the corporate reorganization, our simplified shareholding and corporate structure are as follows:



Notes:

1. The remaining 50% equity interest in Conch Venture CNBM HK was indirectly held by CNBM.

2. The remaining 40% equity interest in Yaobai Environmental was held by Independent Third Parties.

3. The remaining 49% equity interest in Anhui Conch Kawasaki Energy Conservation Equipment Manufacturing Co., Ltd. was held by an Independent Third Party.

4. The remaining 49% equity interest in Anhui Conch Kawasaki Engineering Co., Ltd. was held by an Independent Third Party.

1. Establishment of offshore holding structure

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on March 2, 2020 and is the ultimate holding company of our Group. Upon incorporation, our Company has an authorized share capital of HK$150,000,000 divided into 15,000,000,000 shares of a nominal or par value of HK$0.01 each. On March 2, 2020, one share was allotted and issued for cash at par value to the initial subscriber and was subsequently transferred to Conch Venture, and on the same day, another 99 shares were allotted and issued for cash at par value to Conch Venture. Our Company became a wholly-owned subsidiary of Conch Venture.

Conch Environment Protection was established in the British Virgin Islands as an investment holding company on March 31, 2020, which is wholly-owned by our Company.

2. Establishment of onshore subsidiaries

Conch Venture Environment Technology was established in the PRC as an investment holding company on June 5, 2020, and was wholly owned by Conch Venture International HK.

Anhui Conch Environment was established in the PRC as an investment holding company on June 24, 2020 and was wholly owned by Conch Venture Environment Technology.

3. Restructuring

In preparation for the Spin-off, we have undergone the following restructuring.

(1) Transfer of equity interest in Conch Venture International HK

Conch Venture International HK was first established by Conch Venture in Hong Kong as an investment holding company on December 7, 2016. On April 21, 2020, in preparation for the Spin-off, Conch Venture transferred its 100% equity interest in Conch Venture International HK to Conch Environment Protection at the consideration of HKD10,000, which was determined based on arm's length negotiations among parties, and has been fully settled in April 2020. Upon completion of the aforesaid transaction, Conch Venture International HK became a wholly-owned subsidiary of Conch Environment Protection.

(2) Transfer of equity interest in Yaobai Environmental

On July 20, 2020, Wuhu Conch Investment and Anhui Conch Environment entered into an equity transfer agreement, pursuant to which, Wuhu Conch Investment agreed to transfer 60% equity interest in Yaobai Environmental to Anhui Conch Environment at a consideration of RMB216.53 million, which was determined based on the appraised net asset value pursuant to the valuation report prepared by an independent valuer, and has been fully settled in August 2020. See "— Corporate Reorganization — 3. Restructuring — (4) Capital injection in Anhui Conch Environment" for details of settlement. Upon completion of such transfer, Yaobai Environmental was held by Anhui Conch Environment and another two Independent Third Party shareholders as to 60% and 40%.

On June 7, 2021, our Company entered into the sale and purchase agreement with then Independent Third Party shareholders of Yaobai Environmental, pursuant to which, our Company acquired the remaining (i) 40% minority interest in Yaobai Environmental, as well as (ii) 35% minority interest in Chongqing Conch Venture Environmental Protection Technology Co., Ltd (重慶海創環保科技有限責任公司) (being our subsidiary, "**Chongqing Environmental**"), both indirectly held by such Independent Third Party shareholders, at a total consideration of HK$806,999,411 (the "**Consideration**"). The Consideration was determined after arm's length negotiations between parties with reference to (among other matters) (i) the historical performance of Yaobai Environmental and Chongqing Environmental during the three years ended December 31, 2020; (ii) the business development and prospects of Yaobai Environmental and Chongqing Environmental; (iii) the historical performance of the price of the shares of Conch Venture; and (iv) the prevailing market conditions. The Consideration has been fully settled by way of allotment and issue of 22,015,059 consideration shares of Conch Venture at the issue price of HK$36.6567 per share on 28 June 2021. As a result of such transaction, a sum of HK$806,999,411 (which represents the Consideration, the "**Indebtedness**") has become indebted from our Company to Conch Venture. On August 27, 2021, our Company set off against the Indebtedness by way of allotment and issuing one new Share, credited as fully paid, to Conch Venture. The acquisition of remaining 40% minority interest in Yaobai Environmental and 35% minority interest in Chongqing Environmental allowed us to have full control of the operations of such subsidiaries so as to ensure the efficiency and management of their industrial solid and hazardous waste treatment projects, and further strengthen our Group's market position in the industrial solid and hazardous waste treatment industry in the PRC. Upon completion of the aforesaid transactions, Yaobai Environmental and Chongqing Environmental became wholly-owned subsidiaries of our Company.

(3) Transfer of equity interest in WH Environmental Protection

On July 20, 2020, Wuhu Conch Investment and Anhui Conch Environment entered into an equity transfer agreement, pursuant to which, Wuhu Conch Investment transferred 100% equity interest in WH Environmental Protection to Anhui Conch Environment at the consideration of RMB392.82 million, which was determined based on the appraised net asset value pursuant to the valuation report prepared by an independent valuer, and has been fully settled in August 2020. See "— Corporate Reorganization — 3. Restructuring — (4) Capital injection in Anhui Conch Environment" for details of settlement. Upon completion of the aforesaid transaction, WH Environmental Protection became a wholly-owned subsidiary of our Company.

(4) Capital injection in Anhui Conch Environment

On July 20, 2020, Wuhu Conch Investment entered into capital injection agreement with Anhui Conch Environment, pursuant to which, Wuhu Conch Investment subscribed for 1% equity interest in Anhui Conch Environment by way of transferring its 60% equity interest in Yaobai Environmental and its 100% equity interest in WH Environmental Protection to Anhui Conch Environment as disclosed above. Upon completion of the aforesaid transaction, Anhui Conch Environment was held by Conch Venture Environment Technology and Wuhu Conch Investment as to 99% and 1% and remained as our subsidiary.

(5) Transfer of equity interest in Conch Venture CNBM HK

On November 10, 2020, Conch Venture transferred 50% equity interest in Conch Venture CNBM HK held through its wholly-owned subsidiary to Conch Environment Protection at the consideration of RMB255,086,659.72. The consideration was determined based on the net assets of Conch Venture CNBM HK and satisfied by issuing a promissory note with a principal amount of RMB255,086,659.72 by Conch Environment Protection to such wholly-owned subsidiary of Conch Venture. On August 26, 2021, upon agreement among parties, the promissory note was discharged and deemed to be fully settled by allotting and issuing one new Share, credited as fully paid, of our Company to Conch Venture. Upon completion of the aforesaid transaction, both Conch Venture CNBM HK and its wholly-owned subsidiary Haizhong Environmental became our subsidiaries.

(6) Disposal of CV Shanghai after the Track Record Period

Conch Venture Shanghai Environmental Protection Technology (Shanghai) Co., Ltd. (海螺創業環保科技(上海)有限公司) ("**CV Shanghai**") was previously held by Conch Venture International HK and an Independent Third Party as to 65% and 35%, respectively, and were principally engaged in the investment business and the headquarter property construction and development which are not in the same or ancillary business of our Group. In line with our development strategy to further strengthen our leading position as a cement kiln waste treatment service provider, we intend to focus our resources on increase of our treatment capacity and expansion of our national service coverage as well as streamline our operations, and therefore we disposed of 65% equity interest we held in CV Shanghai to a subsidiary of Conch Venture at the consideration of RMB65 million determined based on the registered share capital of CV Shanghai. The scale of the businesses operated by CV Shanghai as compared to that of our Group is immaterial. For illustration purposes only, CV Shanghai recorded net loss for the year ended 31 December 2020, and the highest applicable percentage ratio of such disposal is less than 25% and therefore does not constitute a major disposal. Our Company is of the view that the disposal of CV Shanghai does not have a material impact on our Group's operations and financial position. The disposal was completed in December 2021 and immediately after such disposal, we ceased to hold any interest in CV Shanghai.

(7) Allotment and issue of Shares to Conch Venture

Pursuant to the written resolutions of our Company dated March 16, 2022, our Company allotted and issued 1,826,764,954 Shares credited as fully paid at a par value of HK$0.01 each to Conch Venture by way of capitalisation. Upon completion of the allotment, the number of total issued Shares of our Company was 1,826,765,059 Shares which were wholly-owned by Conch Venture.

COMPLIANCE WITH PRC LAWS AND REGULATION

Our PRC Legal Adviser has confirmed that all relevant approvals or registration procedures in relation to the acquisitions and subscriptions of PRC subsidiaries as described above have been obtained and the procedures involved have been carried out in accordance with the PRC laws and regulations. Our PRC Legal Adviser has further confirmed that the acquisitions and subscriptions of PRC subsidiaries as described above have been properly and legally completed.

SPIN-OFF AND DISTRIBUTION

Our Listing constitutes a spin-off of our Company from Conch Venture under Practice Note 15 of the Listing Rules. Conch Venture has submitted a proposal for the Spin-off to the Hong Kong Stock Exchange pursuant to Practice Note 15 to the Listing Rules. Conch Venture and our Company will comply with the requirements under Practice Note 15 to the Listing Rules and the applicable requirements of the Listing Rules regarding the Spin-off as and when necessary.

Clear Delineation between the Business of our Group and the Retained Business of Conch Venture

Upon completion of the Spin-off, our Group will principally engage in industrial solid and hazardous waste treatment solution, whilst the Conch Venture Group will continue to carry on its retained businesses of waste-to-energy projects, port logistics services and new building materials business.

Our Group's business is clearly delineated from that of Conch Venture in all material aspects as to be elaborated below.

	Our Group	Conch Venture
Principal business segment and business model . . .	• **Industrial solid and hazardous waste treatment solution business:** the provision of comprehensive treatment solutions for industrial solid waste and hazardous waste utilizing (i) technologies including water-washing for fly ash treatment and thermally-induced desorption technology for oil-bearing sludge treatment, to pre-treat industrial solid and hazardous waste, and (ii) cement kiln incineration solution technologies to incinerate the pre-treated industrial solid and hazardous waste.	• **Waste-to-energy projects:** the investment, design, development and production, installation and operation of municipal solid waste treatment projects, providing services including the incineration of municipal solid waste and the generation of residue power from the incineration process. • **Port logistics services:** the provision of marine and inner-river transshipment services for dry bulk cargos and generating revenue mainly from service fees. • **New building materials:** the development, production, processing, sales and installation of alternative wall building materials and generating revenue mainly from sales and service fees.

	Our Group	Conch Venture
Target customers	• **Industrial solid and hazardous waste treatment solution business:** mainly industrial companies which are in need of treating industrial solid and hazardous waste, including, for example, energy-chemical companies, petrochemical engineering companies, electronic equipment manufacturer and automobile manufacturer.	• **Waste-to-energy projects:** mainly municipal governments and power companies which are in need of power and municipal governments which are in need of treating municipal solid waste. • **Port logistics services:** mainly large-to-medium size electricity, chemical engineering and cement companies which are in need of coals to be delivered to their premises to generate power. • **New building materials:** mainly building material manufacturer and construction companies which are in need of alternative building materials.
Suppliers	• **Industrial solid and hazardous waste treatment solution business:** mainly cement companies, construction equipment manufacturers and waste incineration equipment manufacturers.	• **Waste-to-energy projects:** mainly construction equipment manufacturers and waste incineration equipment manufacturers. • **Port logistics services:** mainly dock transportation equipment suppliers. • **New building materials:** mainly raw materials manufacturers providing cement, quartz and paper pulp.
Major operational licenses/permits	• **Industrial solid and hazardous waste treatment solution business:** Operation License for Hazardous Waste (危險廢物經營許可證) [1]	• **Waste-to-energy projects:** build-operate-transfer concession right in relation to waste-to-energy projects (垃圾發電項目特許經營權) [2] • **Port logistics services:** N/A • **New building materials:** N/A

In particular, further detailed difference between industrial solid and hazardous waste treatment solution business of our Group and the waste-to-energy projects of Conch Venture are set out as below:

	Our Group	Conch Venture
Type of waste treated	Industrial solid and hazardous waste, including, for example, contaminated soil, sludge, fly ash and oil sludge.	Municipal waste, including, for example, food residue, plastic bags, napkins and disposable dinnerware.
Core technologies adopted	Incineration of industrial solid and hazardous waste utilizing cement kiln, a co-processing treatment method burning industrial solid and hazardous waste at a high temperature as fuel and alternative raw materials in the cement production process. Therefore, projects need to be built on the premises of cement companies leveraging their cement production facilities.	Incineration of municipal waste utilizing grate furnace（爐排爐）to generate electricity. Therefore, projects can be independently built up.
Types of projects	Contracts with industrial companies. Specifically, our Company provides industrial solid and hazardous treatment solution services, covering the collection, and transportation, storage, treatment and disposal.	Build-operate-transfer arrangements with local governments. Specifically, Conch Venture builds, operates and then transfers the waste-to-energy projects to government customers.
Revenue model . .	Service fees per tonne ranged depending on the types of industrial solid/hazardous waste treated, and the average service fees of industrial solid/hazardous waste is much higher (usually several tens or hundreds of times greater) than those of municipal waste.	Services fees for the municipal waste treated per tonne primarily ranged from RMB60.0 to RMB70.0, and electricity generation fees of approximately RMB0.65 per kWh of electricity generated.

Notes:

1. Pursuant to the Administration Measures of Operation License for Hazardous Waste (《危險廢物經營許可證管理辦法》), the entity applying for the Operation License for Hazardous Waste is required to meet the following requirements: (i) have more than three technical personnel majored in environment engineering or have relevant medium-grade professional title, and have at least three years' experience in solid waste treatment; (ii) have transportation devices meeting the requirements of hazardous transportation as required by the transportation department of the State Council; (iii) have the packing, transiting and storage facilities, equipment meeting the national and local environmental protection and safety standards; (iv) have hazardous waste treatment facilities and equipment meeting the environmental protection and safety requirements of the relevant national and local hazardous waste treatment plans; and (v) have appropriate hazardous waste treatment technologies and skills, among others.

2. The entity applying for the build-operate-transfer concession right in relation to waste-to-energy projects is required to (i) have the necessary facilities and equipment to carry out the relevant services; (ii) have good bank credit rates, financial status and solvency; (iii) have relevant industry experience and good track record; (iv) have a certain number key personnel (v) have a feasible business plan; and (vi) meet any other requirements as stipulated by any PRC laws and regulations.

Based on the foregoing, our Company believes that the principal businesses of our Group can be clearly delineated from that of Conch Venture. Upon the Spin-off, Conch Venture will focus on the development of its own principal businesses, and is not expected to engage in or bid for the industrial solid and hazardous waste treatment business or other integrated project mixed with industrial solid and hazardous waste treatment business going forward. In addition, in order to effectively mitigate and manage any potential competition that may arise in future, both our Group and Conch Venture will adopt appropriate corporate governance measures.

Overlapping Business in Xianyang Project

As of the Latest Practicable Date, the Retained Group also retains a small-scale industrial solid waste treatment services in Xianyang, Shaanxi Province, where the Retained Group provides both waste-to-energy services and a small-scale industrial solid waste treatment services in Xianyang, Shaanxi Province with an operation period of 30 years from 2018 (the "**Xianyang Project**"). The Retained Group secured the Xianyang Project through bidding process in 2018. It is specified in the tender documents of the customer that bidders are required to (i) hold the licence of concession right in relation to waste-to-energy projects, and (ii) provide a comprehensive waste treatment solution for both municipal waste and industrial solid waste as a whole package arrangement. Due to the package arrangement requirements, it is practically infeasible for our Company to include such small-scale industrial solid waste treatment services in the Xianyang Project for its future development.

The actual treatment volume of industrial solid waste of the Retained Group in Xianyang Project is approximately 0.07 million tonnes in 2020. The revenue generated by the Retained Group in providing the abovementioned industrial solid waste treatment services was RMB4.19 million in 2019 and RMB12.73 million in 2020, accounting for approximately 0.1% and 0.2% of the total revenue of the Retained Group for the respective year and approximately 0.6% and 1.1% of the total revenue of our Group for the respective year. Given the industrial solid waste treatment service that retained by the Retained Group was and is expected to be of such an insignificant scale as compared to that of the Retained Group and our Group in terms of the revenue as illustrated above, our Company believes that there is no substantive competition between our business and the overlapping business in Xianyang Project. Based on the review of unaudited management accounts, internal operation record of Xianyang Project and financial information of both the Retained Group and our Group, and the discussion with Company, taking into consideration (i) the historical financial performance of the Xianyang Project, (ii) the historical waste treatment volume of the Xianyang Project, and (iii) the Directors' confirmation that there will not be any material change in relation to the operation and scale of the Xianyang Project, nothing has come to the attention of the Joint Sponsors that would reasonably lead to the Joint Sponsors to disagree with the view of the Directors that (i) the revenue of Xianyang Project as compared to the total revenue of the Retained Group and our Group, respectively; and (ii) the actual waste treatment volume of Xianyang Project as compared to our total waste treatment volume are unlikely to materially increase in the future.

On March 16, 2022, the Conch Venture Board declared the Conch Venture Distribution to the Qualifying Conch Venture Shareholders. The Conch Venture Distribution will be satisfied wholly by way of a distribution in specie to the Qualifying Conch Venture Shareholders of an aggregate of 1,826,765,059 Shares, representing all the issued Shares of our Company, in proportion to their respective shareholdings in Conch Venture as at the Record Date. Pursuant to the Conch Venture Distribution, the Qualifying Conch Venture Shareholders will be entitled to one Share for every one Conch Venture Share held as at the Record Date.

For further details of the Spin-off and the Conch Venture Distribution, please refer to the section headed "The Distribution and Spin-off" in this listing document.

OUR GROUP IS ABLE TO FUNCTION AND OPERATE INDEPENDENTLY FROM THE RETAINED GROUP

Our Group will be able to operate independently from the Retained Group following the Spin-off.

Independent administrative capability — all essential administrative functions will be carried out independently by our Group through its team of staff employed by our Group directly and will be carried out independently from the Retained Group. Our Group has its own organizational structure with independent function (for example operational, financial, human resources and legal and compliance functions), each with specific areas of responsibility carrying out essential administrative functions without the Retained Group's support.

Operational independence — our Group has its own operation facilities, management systems, and operation staff and departments, which enables it to operate its business independently from the Retained Group after the Spin-off: (i) our Group has its own operation bases with its own office buildings leased from third parties (other than the Retained Group), which are separate and distinct from those of the Retained Group; (ii) our Group has its own business operation management systems in all necessary aspects, including but not limited to, information collection, customer management, order management, purchasing management, engineering and project management, logistics management, administration management and financial management; (iii) our Group has its own staff team for its business operations and own departments specializing for its operations, including but not limited to business operations, finance, sales and marketing, information and technology, and human resources, which are independent of the Retained Group, and (iv) our Group has independent resources to obtain and retain customers without undue reliance on the Retained Group. It also has a set of internal control procedures to facilitate the effective operation of its business.

Historically, our Group has maintained certain business relationship with the Retained Group. It is currently expected that after the completion of the Spin-off, (i) our Group will continue to procure from the Retained Group certain equipment and instalment services; (ii) the Retained Group will continue to procure from our Group small-scale solid waste treatment services (i.e. fly ash treatment services) in the ordinary and usual course of business of our Group. The procurement amount for certain equipment and instalment services from the Retained Group for the year ended 31 December 2020 accounted for approximately 27.2% of the total procurement costs of our Group, and around 7.0% of the total revenue of the Retained Group in 2020, respectively. The provision amount for small-scale solid waste treatment services to the Retained Group for the year ended 31 December 2020 accounted for approximately 0.6% of the revenue of our Group. The above transactions will be conducted in the ordinary and usual course of business of our Group. If any of such transactions conducted between our Group and the Retained Group constitutes a connected transaction of our Company under the Listing Rules, our Company will strictly comply with relevant Listing Rules.

CONVERTIBLE BONDS OF CONCH VENTURE

In September 2018, China Conch Venture Holdings International Limited (a subsidiary of Conch Venture) issued zero coupon guaranteed convertible bonds (the "**2018 Convertible Bonds**") in the aggregate principal amount of HK$3,925,000,000 due 2023, which were listed on the Frankfurt Stock Exchange in September 2018. According to the terms and conditions of the 2018 Convertible Bonds (the "**2018 CB Terms and Conditions**") as disclosed in the announcement of Conch Venture on the website of the Stock Exchange on August 30, 2018, the 2018 Convertible Bonds can be convertible into the ordinary shares of Conch Venture at the initial conversion price of HK$40.18 (subject to the adjustment according to 2018 CB Terms and Conditions) at any time on and after October 16, 2018 up to the close of business on the 10th day prior to September 5, 2023, the maturity date of the 2018 CB.

According to the 2018 CB Terms and Conditions, in the event of the occurrence of the Spin-off, no adjustment to the conversion price shall occur and a bondholder may only exercise their conversion right in respect of both the shares of Conch Venture and the shares of our Company jointly and may not exercise such rights individually. As of the Latest Practicable Date, all of the 2018 Convertible Bonds are still outstanding, which is convertible into (1) 103,698,811 shares of Conch Venture based on the current conversion price of HK$37.85, representing approximately 5.68% of the issued share capital of Conch Venture and approximately 5.37% of the issued share capital of Conch Venture as enlarged by the issue of the conversion shares, and (2) 103,698,811 shares of our Company with no consideration, representing approximately 5.68% of the issued share capital of our Company immediately upon completion of the Listing and approximately 5.37% of the issued share capital of our Company as enlarged by the issue of the conversion shares. Upon the Listing, in the event of the occurrence of conversion of the 2018 Convertible Bonds within six months from the date of commencement of dealings in our Shares on the Stock Exchange, our Company may issue shares for the purpose of conversion pursuant to Rule 10.08(4) of the Listing Rules, as the subscription agreement of 2018 Convertible Bonds was entered into in 2018, the 2018 CB Terms and Conditions have been disclosed in the announcement of Conch Venture on the website of the Stock Exchange on 30 August 2018, and key terms of conversion in the event of the occurrence of the Spin-off have been illustrated as above.

SIMPLIFIED CORPORATE STRUCTURE OF OUR GROUP IMMEDIATELY UPON COMPLETION OF THE CORPORATE REORGANIZATION AND BEFORE COMPLETION OF THE LISTING

Notes:

1. Splendor Court Holdings Limited is wholly owned by Mr. Guo Jingbin. Mr. Guo Jingbin is deemed to be interested in the shares held by Splendor Court Holdings Limited by virtue of the SFO.

2. Fortune Gold Limited is wholly owned by Mr. Ji Qinying's spouse, Ms. Yan Zi. Ms. Yan Zi and Mr. Ji Qinying are deemed to be interested in the shares held by Fortune Gold Limited by virtue of the SFO.

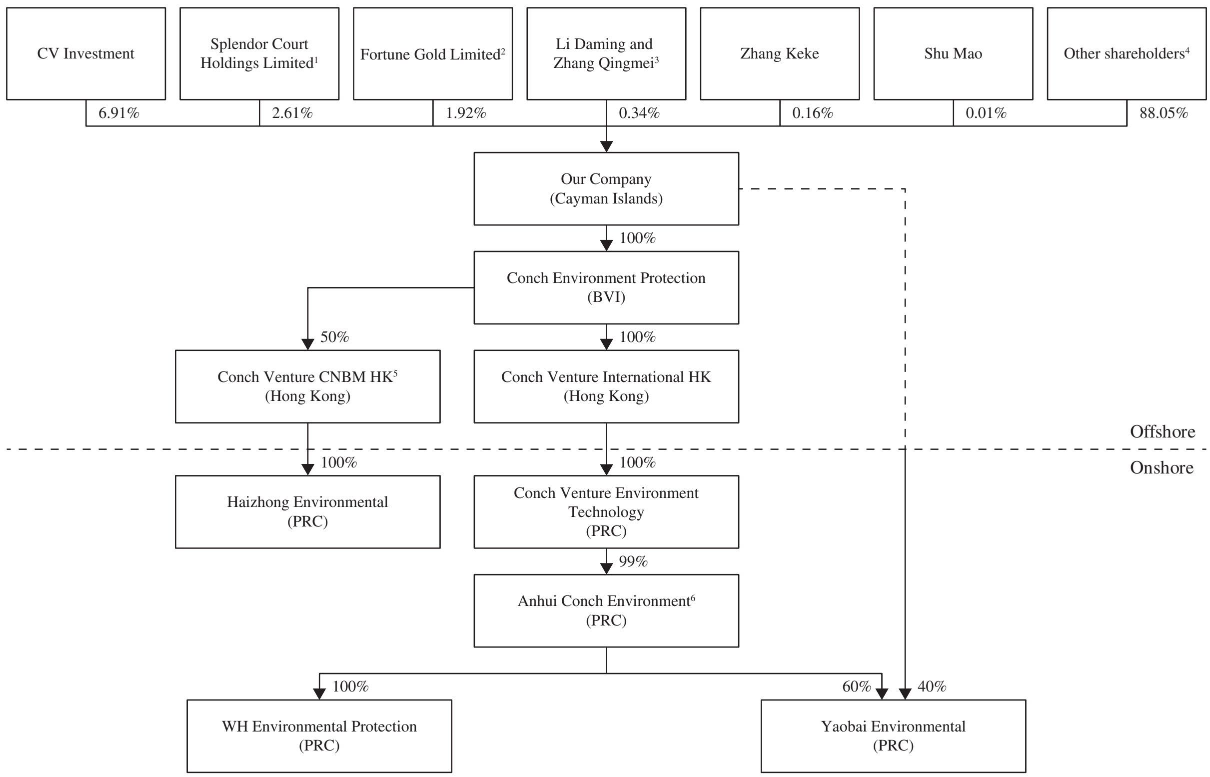
3. Among these shares, 6,200,563 shares are owned by Mr. Li Daming and the remaining 10,000 shares are owned by Mr. Li Daming's spouse, Ms. Zhang Qingmei. Mr. Li Daming is deemed to be interested in the shares held by his spouse by virtue of the SFO.

4. Other holders of shares of Conch Venture, among such shareholders, to the best knowledge of our Company, none of such shareholders held more than 5% equity interest in Conch Venture.

5. The remaining 50% equity interest in Conch Venture CNBM HK is indirectly held by CNBM.

6. The remaining 1% equity interest in Anhui Conch Environment is held by Wuhu Conch Investment, an indirectly wholly-owned subsidiary of Conch Venture.

SIMPLIFIED CORPORATE STRUCTURE OF OUR GROUP IMMEDIATELY UPON COMPLETION OF THE LISTING



Notes:

1. Splendor Court Holdings Limited is wholly owned by Mr. Guo Jingbin. Mr. Guo Jingbin is deemed to be interested in the shares held by Splendor Court Holdings Limited by virtue of the SFO.

2. Fortune Gold Limited is wholly owned by Mr. Ji Qinying's spouse, Ms. Yan Zi. Ms. Yan Zi and Mr. Ji Qinying are deemed to be interested in the Shares held by Fortune Gold Limited by virtue of the SFO.

3. Among these shares, 6,200,563 Shares are expected to be owned by Mr. Li Daming and the remaining 10,000 Shares are expected to be owned by Mr. Li Daming's spouse, Ms. Zhang Qingmei. Mr. Li Daming is deemed to be interested in the Shares held by his spouse by virtue of the SFO.

4. Among other shareholders, to the best knowledge of our Company, at least 80% of the total issued Shares are expected to be held by the public shareholders and none of such shareholders held more than 5% equity interest in our Company.

5. The remaining 50% equity interest in Conch Venture CNBM HK is indirectly held by CNBM.

6. The remaining 1% equity interest in Anhui Conch Environment is held by Wuhu Conch Investment.

OUR VISION

Our vision is to become China's largest and world-leading environmental protection group focusing on the comprehensive treatment and utilization of industrial solid and hazardous waste.

OVERVIEW

We are a leading player providing the eco-friendly and cost-efficient treatment of industrial solid and hazardous waste in China. We pioneered the use of cement kiln waste treatment services to facilitate the safe, harmless and efficient treatment of industrial solid and hazardous waste and were ranked as the largest cement kiln waste treatment service provider in terms of revenue in China in 2020.

According to Frost & Sullivan, the solid waste treatment industry in China can be divided into three main segments, namely the industrial solid waste, hazardous waste and municipal solid waste treatment. We provide industrial solid and hazardous waste treatment primarily using cement kiln waste treatment technologies. We were the largest cement kiln waste treatment service provider in terms of revenue in China in 2020. In addition, we were also the largest industrial solid and hazardous waste treatment service provider using cement kiln waste treatment technologies in China in 2020 in terms of (i) treatment capacity in operation, representing approximately 21.7% of the total market share; and (ii) treatment volume, representing approximately 31.1% of the total market share.

Cement kiln waste treatment technologies use cement kiln to co-process waste during the cement production process and is the fastest-growing segment in the hazardous waste treatment industry in terms of treatment capacity and revenue. There are four major waste treatment methods in China, comprising landfill, traditional incineration, cement kiln waste treatment and resource utilization. According to Frost & Sullivan, in comparison with traditional incineration treatment, which produces harmful emission and solid residues and requires further treatment, cement kiln waste treatment can effectively eliminate these pollutants. At the same time, waste materials can be used as an alternative fuel and residues can be reused as raw materials for cement production. Cement kiln waste treatment projects also require lower operation expenditure and capital expenditure, according to Frost & Sullivan. We pioneered the use of cement kiln waste treatment technologies to offer services in the solid and hazardous waste treatment industry in China to facilitate industry upgrade towards safe, harmless and efficient treatment. By leveraging the eco-friendly and cost-efficient cement kiln waste treatment technologies, we were able to increase our revenue significantly from RMB396.7 million in 2018 to RMB737.8 million in 2019 and further to RMB1,144.0 million in 2020. Our revenue also increased from RMB717.6 million in the nine months ended September 30, 2020 to RMB1,194.4 million in the nine months ended September 30, 2021. We believe we are well positioned to capture expected growth in this industry. According to Frost & Sullivan, total treatment revenue of the PRC cement kiln waste treatment services market is expected to increase at a CAGR of 20.3% from RMB4.8 billion in 2020 to RMB12.1 billion in 2025.

We have established strategic and mutually beneficial relationships with leading companies possessing abundant cement kiln resources. Benefitting from the nationwide cement production networks of our partners, we were able to establish our national waste treatment presence in more than 20 provinces across China. Our industrial solid and hazardous waste treatment capacity increased during the Track Record Period:

	Years ended December 31,			Nine months ended September 30,
	2018	2019	2020	2021
	(in thousand tonnes)			
Industrial solid waste treatment capacity in operation	275.0	350.0	640.0	970.0
Industrial solid waste treatment capacity under construction and signed to be launched	200.0	1,150.0	1,231.5	1,167.5
Industrial hazardous waste treatment capacity in operation(1)	611.6	1,194.0	1,948.1	2,454.8
Industrial hazardous waste treatment capacity under construction and signed to be launched(2)	N/A	N/A	N/A	N/A

(1) Treatment capacity of industrial hazardous waste treatment projects is the maximum amount of annual treatment capacity specified by the local ecology and environment authorities in the Operation License of Hazardous Waste.

(2) The Operation License of Hazardous Waste is required to be obtained before the relevant projects are put into use. For industrial hazardous waste treatment projects which were under construction and signed to be launched, we were not required to obtain such license and therefore the treatment capacity of such projects were not applicable.

Our increasing treatment capacity allows us to establish a diversified and high-quality customer base. Our industrial solid waste treatment volume increased at a CAGR of 90.5% from 0.3 million tonnes in 2018 to 1.0 million tonnes in 2020, and our industrial hazardous waste treatment volume increased at a CAGR of 78.5% from 0.1 million tonnes in 2018 to 0.4 million tonnes in 2020. As a result, our revenue generated from industrial solid waste treatment increased from RMB85.9 million in 2018 to RMB309.9 million in 2020, and that generated from industrial hazardous waste treatment also increased from RMB310.8 million in 2018 to RMB834.1 million in 2020.

We embrace emerging technologies to meet changing industry needs and strive to further develop our technologies to continuously meet our customers' changing waste treatment needs. For example, we have developed and tailored a thermally-induced pyrolysis desorption process for oil sludge and a multi-step water-washing treatment process for fly ash. We generated revenue of RMB68.4 million and RMB87.7 million, respectively, from oil sludge treatment in 2020 and the nine months ended September 30, 2021 and RMB38.1 million from fly ash treatment in the nine months ended September 30, 2021. We believe our advanced technologies and efforts on research and development will enable us to continually maintain our industry leading position and capture future market opportunities.

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths are the key to our success and will continue to enable us to compete effectively and capitalize on future growth opportunities.

We are the largest service provider focusing on the comprehensive treatment of industrial hazardous waste.

We ranked the first among all service providers in the PRC cement kiln waste treatment market in terms of revenue in 2020 in China, according to Frost & Sullivan. In addition, we were also the largest industrial solid and hazardous waste treatment service provider utilizing cement kiln waste treatment technologies in China in 2020 in terms of (i) treatment capacity in operation, representing approximately 21.7% of the total market share; and (ii) treatment volume, representing approximately 31.1% of the total market share, according to Frost & Sullivan.

As the largest player in the PRC cement kiln waste treatment services market, we believe we are well positioned to benefit from favorable national policies, high entry barriers and our eco-friendly and cost-efficient technologies.

- *Favorable national policies* — The PRC government has promulgated a series of favorable policies to encourage cement kiln waste treatment services. In 2006, the National Development and Reform Commission published the Development Policies of the Cement Production Industry (水泥工業產業發展政策) to encourage large-scale cement companies to co-process solid waste using cement kilns. In 2016, the Ministry of Ecology and Environment published the Prevention Policies on Solid Waste Cement Kiln Co-processing Treatment Technologies (水泥窯協同處置固體廢物污染防治技術政策) that introduce and encourage cement kiln waste treatment. In May 2017, the Ministry of Environmental Protection published the Reviewing Guidance for the Operation License of Hazardous Waste utilizing Cement Kilns (Trial) (《水泥窯協同處置危險廢物經營許可證審查指南(試行)》) aiming to provide clear guidance for cement kiln waste treatment. In addition, the PRC government has promulgated a series laws and regulations to establish stringent standards for companies which produce industrial solid and hazardous waste to properly handle and treat the waste they produced.

- *High entry barriers* — The waste treatment industry, particularly the hazardous waste treatment segment, is heavily regulated in China. Companies must possess the Operation License for Hazardous Waste (危險廢物經營許可證) to carry out the relevant business. Because of the risk and importance of hazardous waste treatment, regulators tend to issue operation licenses to companies with the relevant experience and expertise. Companies applying for the Operation License for Hazardous Waste have to satisfy a series of stringent requirements in relation to their treatment facilities, transportation equipment and technologies, resulting in relatively high entry barriers to new entrants. We have obtained the Operation License for Hazardous Waste for all of our hazardous waste treatment projects in operation and therefore are well positioned to compete in the market.

- *Eco-friendly and cost-efficient technologies* — Cement kiln waste treatment technologies differ from traditional waste treatment technologies in that they: (i) substantially eliminate hazardous materials, emissions and residues; (ii) use waste materials as an alternative source for primary energy and can reuse residues as raw materials for cement production; and (iii) require less investment cost (RMB8.0 million to RMB15.0 million for each cement kiln waste treatment project with a treatment capacity of 10,000 tonnes per year, as compared with RMB30.0 million to RMB100.0 million for each traditional incineration project with a treatment capacity of 10,000 tonnes per year and more than RMB100.0 million for each landfill project with a treatment capacity of 10,000 tonnes per year) and incur lower capital expenditure. In addition, the cement kiln waste treatment market has a significant growth potential in China. According to Frost & Sullivan, the cement kiln waste treatment market is the fastest-growing segment in the hazardous waste treatment industry in terms of treatment capacity and revenue, and is expected to increase at a CAGR of 14.9% and 20.9%, respectively, from 2020 to 2025. As a pioneer and leader in the industry, we believe we will continue to benefit from the rapid development of the industry.

As a result of such favorable national policies, high entry barriers and eco-friendly and cost-efficient technologies, our industrial solid and hazardous waste treatment volumes experienced rapid growth during the Track Record Period, with our industrial solid waste treatment volume increasing at a CAGR of 90.5% from 0.3 million tonnes in 2018 to 1.0 million tonnes in 2020, and industrial hazardous waste treatment volume increasing at a CAGR of 78.5% from 0.1 million tonnes in 2018 to 0.4 million tonnes in 2020. In the nine months ended September 30, 2021, our industrial solid waste and hazardous waste treatment volumes were 1.0 million tonnes and 0.6 million tonnes, respectively. As a result, our revenue increased significantly from RMB396.7 million in 2018 to RMB737.8 million in 2019 and further to RMB1,144.0 million in 2020. In the nine months ended September 30, 2021, our revenue increased to RMB1,194.4 million from RMB717.6 million in the same period of 2020.

We possess leading, eco-friendly cement kiln waste treatment technologies and strong research and development capabilities, enabling us to deliver comprehensive services.

We provide one-stop waste treatment solution services covering the collection and transportation, testing and storage, compatibility and transmission, treatment and incineration of industrial solid waste and hazardous waste utilizing our cement kiln waste treatment technologies. We pioneered the use of cement kiln waste treatment technologies to treat industrial solid and hazardous waste. According to Frost & Sullivan, the operating parameters of projects utilizing cement kiln waste treatment technologies are significantly better than those of traditional treatment in terms of emissions and residues. The table below sets forth a comparison of the operating parameters utilizing cement kiln waste treatment technologies and traditional treatment methods:

	Cement Kiln Waste Treatment Technologies	Traditional Incineration	Landfill
Emissions	Emission of less than 0.1 TEG-ng/Nm^3	Emission of Dioxin less than 0.5 TEG-ng/Nm^3	N/A
Residues	All residues generated are re-used for cement production.	Fly ash and other harmful residues are generated and further treatment is needed.	Landfill leachate is generated and further treatment is needed.

Compared to other state-owned and sizable competitors which typically treat industrial solid and hazardous waste through traditional incineration and landfill, our cement kiln waste treatment technologies allow us to treat industrial solid and hazardous waste effectively and eco-friendly. In addition, we strategically cooperate with cement companies to treat industrial solid and hazardous waste using their existing cement kilns, allowing us to effectively lower capital expenditures and therefore possess competitive pricing edge over the other competitors. In addition, we ranked the first among all services providers in the PRC cement kiln waste treatment market in terms of revenue and have established our national presence with service network covering more than 20 provinces. Up to the Latest Practicable Date, we had served more than 5,000 customers and provided stable one-stop industrial solid and hazardous waste treatment solution services to them. We believe we are well positioned to further leverage our leading position in the industry going forward.

We embrace emerging technologies to meet changing industry needs and strive to further develop our technologies to continuously meet our customers' changing waste treatment needs. For example, we have developed and tailored a thermally-induced pyrolysis desorption process for oil sludge and a multi-step water-washing treatment process for fly ash and generated revenue of RMB68.4 million and RMB87.7 million, respectively, from oil sludge treatment in 2020 and the nine months ended September 30, 2021 and RMB38.1 million from fly ash treatment in the nine months ended September 30, 2021. As of the Latest Practicable Date, we had registered 68 patents and had 27 pending patent registrations in China primarily relating to our waste treatment services. We believe our advanced technologies and research and development efforts will enable us to continually maintain our industry leading position and capture future market opportunities.

Benefiting from our strategic partners' abundant cement kiln resources, we enjoy unique strategic advantages.

We have established strategic and long-term relationships with leading companies possessing cement kiln resources in China. Cement kiln waste treatment technologies are used specifically for co-processing waste in cement kilns. To minimize our capital investment, we closely cooperate with leading companies possessing abundant cement kiln resources to construct cement kiln waste treatment facilities, including the leading cement manufacturers in China such as Conch Cement, West China Cement Limited, CNBM and Inner Mongolia Mengxi Cement Co Ltd., the cement plant of which covered more than 25 provinces in China in aggregate. For details, see "— Our Operational Process — Our Strategic Cooperation with Cement Company Suppliers." In August 2021, we also signed a letter of intent with a subsidiary of China Resources Cement Holdings Limited with respect to an industrial solid and hazardous waste treatment project. This project has an estimated treatment capacity of 0.1 million tonnes in aggregate. Benefiting from our strategic partners' nationwide cement production networks, we have been able to establish our waste treatment presence across China and deliver stable services to our customers. As of September 30, 2021, our industrial solid and hazardous waste treatment capacity in operation amounted to 3.4 million tonnes and industrial solid waste treatment capacity under construction and signed to be launched amounted to 1.2 million tonnes.

We believe we have built a stable and mutually beneficial relationship with our strategic partners because companies possessing cement kiln resources can use waste as an alternative source for primary energy and can reuse all residues as raw materials for cement production while, at the same time, gaining additional revenue by providing their cement kiln resources to waste treatment service providers. We believe we will continue to benefit from our stable strategic partners' abundant cement kiln resources, reputation and brand names and capitalize on our accumulated industry experience and reputation to secure more projects and further capture business opportunities in the future.

We have established a strong nationwide service network serving a diversified and quality customer base.

As of September 30, 2021, we had established a nationwide service network covering more than 20 provinces in China. The waste treatment industry is generally subject to regional restrictions as hazardous waste transportation typically requires extra caution and approval from government authorities. Our established nationwide service network allows us to efficiently serve customers' instant needs for hazardous waste treatment across China.

Through the years, we have established a diversified and high-quality customer base. Our customers include large-scale companies with waste treatment needs operating in a wide variety of industries including energy-chemical, petrochemical, engineering, electronic equipment manufacturing and automobile manufacturing, among many other industries. We have established seven regional centers to ensure a seamless service experience and professional sales and we have placed marketing personnel staffed across the nation to maintain customer relationships and explore new business opportunities. In addition, we have established strategic cooperation with our major customers, pursuant to which we agree to serve our customers' long term industrial solid and hazardous waste treatment needs. We also actively invite our customers to visit our project sites regularly and invite our customers to our forums and introduce our services to our customers from time to time.

Benefiting from our nationwide service networks and well-established, diversified and high-quality customer base, we experienced rapid revenue growth during the Track Record Period, increasing from RMB396.7 million in 2018 to RMB737.8 million in 2019 and further to RMB1,144.0 million in 2020. Our revenue also increased from RMB717.6 million in the nine months ended September 30, 2020 to RMB1,194.4 million in the nine months ended September 30, 2021.

We have delivered strong and resilient financial performance supported by our increasing treatment capacity and project operation capabilities.

We have delivered a strong and resilient financial performance. From 2018 to 2020, our revenue increased at a CAGR of 69.8% from RMB396.7 million to RMB1,144.0 million, much higher than the growth rate of 58.9% in the revenue for the cement kiln waste treatment market in China during the same years, according to Frost & Sullivan. In addition, we were able to record a gross profit margin of 65.5%, a net profit margin of 48.8%, a net profit of RMB558.0 million and an operating cash inflow of RMB453.5 million in 2020. In 2020, our average hazardous waste treatment fee per tonne was RMB1,889.2.

Our strong project reserve and rapidly growing treatment capacity have contributed to our strong and resilient financial performance. Our industrial solid waste treatment capacity under construction and signed to be launched increased at a CAGR of 148.1% from 0.2 million tonnes in 2018 to 1.2 million tonnes in 2020. In the nine months ended September 30, 2021, our industrial solid waste treatment capacity under construction and signed to be launched was 1.2 million tonnes.

Our continued efforts to optimize our project operation capabilities have also contributed to our strong and resilient financial performance. We have established a diversified and high-quality customer base consisting of large-scale corporate customers. In addition, we have established seven regional management teams to manage the projects in each region and promote regional cooperation. We are well prepared to further expand our business and service coverage.

We have a visionary and experienced management team with strong execution capabilities.

We have a seasoned management team with extensive experience in the environmental protection industry, particularly the industrial solid and hazardous waste treatment industry. Our management team has an average industry experience of more than 30 years and with its keen business insight can identify potential business opportunities. In particular, Mr. Jingbin Guo, our chairman, has more than 40 years of accumulated experience in the cement production, construction material production and environmental protection industries. Mr. Jingbin Guo previously served as the director of CV Investment, the executive director of Conch Cement and the chairman of the board of Conch Profiles and Science and now serves as the director of the Conch Holdings and the chairman of the board in Conch Venture. In addition, Mr. Jingbin Guo possesses extensive experience in corporate governance and capital markets. He has served as a key management member for the public offerings of Conch Cement (listed on both the Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange), Conch Profiles and Science (listed on the Shenzhen Stock Exchange) and Conch Venture (listed on the Stock Exchange of Hong Kong Limited). His experience is well recognized and valued in the industry. He also serves as the vice president of the China Cement Association (中國水泥協會). With his deep understanding of the cement kiln waste treatment market, we were able to expand our business significantly to solidify our leading position and enhance our presence in the industrial solid and hazardous waste treatment industry.

Our proven track record is also supported by our management team's vision and strong execution capabilities. In recent years, we have maintained a leading position in the industrial hazardous waste treatment industry and strived to expand our service coverage to fly ash and oil sludge to meet customers' changing needs. By keeping a close eye on the business opportunities brought by favorable government policies, our management team has led us to deliver solid financial results during the Track Record Period.

Our management team is supported by a solid and professional team that comprises skilled engineers and technical staff dedicated to the research, design, integration, commissioning and maintenance of industrial solid and hazardous waste treatment services. We believe our experienced engineers and staff are critical for the efficient and effective execution of our projects and have established a corporate culture that promotes cooperation, efficiency, motivation, sense of responsibility and achievement among our employees.

OUR STRATEGIES

We plan to further strengthen our leading position as a cement kiln waste treatment service provider by implementing the following business strategies:

Continue to increase our treatment capacity, expand our national service coverage and strengthen our leading market position.

We intend to maintain and strengthen our leading position in the cement kiln waste treatment service market. We plan to continue to obtain projects, maintain existing customers and procure new customers, and expand to new regions. Specifically, we have formulated a five-year (2019–2023) plan, targeting to achieve an annual industrial solid and hazardous waste treatment capacity in operation, under construction and signed to be launched of 10.0 million tonnes by 2023, pursuant to which we plan to expand into new markets by capitalizing on (i) our experience, capabilities and reputation gained through existing projects; (ii) our strategic cooperation with leading companies possessing abundant cement production resources; and (iii) our continuous market research and development efforts.

Further enhance our management and operating efficiency.

We strive to further enhance our management and operating efficiency by utilizing more of our waste treatment capacity. In 2018, 2019 and 2020 and the nine months ended September 30, 2020 and 2021, our industrial solid waste treatment volume amounted to 0.3 million tonnes, 0.4 million tonnes, 1.0 million tonnes, 0.6 million tonnes and 1.0 million tonnes, respectively. In the same periods, our industrial hazardous waste treatment volume amounted to 0.1 million tonnes, 0.3 million tonnes, 0.4 million tonnes, 0.3 million tonnes and 0.6 million tonnes, respectively, achieving industrial hazardous waste treatment capacity utilization rate of 37.0% in 2020 and 41.3% (annualized) in the nine months ended September 30, 2021, higher than the national average of 35.0% in 2020, according to Frost & Sullivan. We plan to further increase our utilization rate through our continuous business development, technology research and development and the experience we gained through daily operations.

We also plan to further enhance operating efficiency through deepened regional management. We have established seven regional management teams responsible for project operation and overall market development in the East, South, North, Central, Northeast, Northwest and Southwest China regions. This regional management scheme helps us better manage the projects in each region and promotes regional cooperation. Going forward, we plan to further strengthen regional management by assigning specific sales and production target to each project company and conduct budget planning and monitoring. Our plan is for our regional management teams to closely monitor the sales and production of the project companies in the relevant regions and establish a reward system to incentivize better performance.

Enhance our research and development capabilities to further strengthen our technology reserve and improve our competitiveness.

We believe that our strong commitment to research and development forms an important part of our strategy to strengthen our market position in China. We have established a research center with sufficient resources to conduct targeted and application-oriented research in anticipation of technological advancement and increasingly stringent environmental standards in the industry. To date, we have developed technologies tailored for treating oil sludge and fly ash and generated revenue of RMB68.4 million and RMB87.7 million, respectively, from oil sludge treatment in 2020 and the nine months ended September 30, 2021 and RMB38.1 million from fly ash treatment in the nine months ended September 30, 2021. Going forward, we plan to further improve our research capabilities so that we can continue to develop new technologies that are well suited to our customers' changing needs.

In addition, we plan to further enhance the feasibility and adaptability of our developed technologies and identify preliminary flaws timely and effectively. To achieve this, we need to purchase various research and engineering related equipment, and install pilot-run and testing systems and facilities, as well as conduct reformation work on the pilot-run and testing systems and facilities to cater for changing project needs and business scenarios.

Expand our service coverage and make strategic acquisitions.

Our services currently focus on the collection and transportation, storage, treatment and disposal of industrial solid and hazardous waste. We are now seeking opportunities to expand our services to serve the needs of a broader range of customers. For example, we plan to recycle, sort and reuse lithium batteries, wind turbine blades and solar panels. We have conducted comprehensive market research and study to deepen our understanding of the industries and the leading technologies adopted in the relevant industries. In addition, we have started to conduct internal experiments with the aim of applying these technologies into use in the near future.

We also seek to expand our service value chain by acquiring local players in this industry. China's hazardous waste treatment industry is highly fragmented. As an industry leader, we are well positioned to capture the significant acquisition opportunities that the industry presents. Our ideal targets are upstream and downstream players that can further reduce our operational cost and improve our operation capabilities. We acquired several companies during the Track Record Period for the purposes of expanding our business.

OUR BUSINESS

We were the largest cement kiln waste treatment service provider in terms of revenue in China in 2020. In addition, we were also the largest industrial solid and hazardous waste treatment service provider using cement kiln waste treatment technologies in China in 2020 in terms of (i) treatment capacity in operation, representing approximately 21.7% of the total market share; and (ii) treatment volume, representing approximately 31.1% of the total market share. We mainly provide treatment solutions for industrial solid waste and hazardous waste utilizing cement kiln waste treatment technologies.

The table below sets forth the treatment volume of our cement kiln waste treatment solution services by types of waste treated during the Track Record Period:

	Years ended December 31,			Nine months ended September 30,	
	2018	**2019**	**2020**	**2020**	**2021**
	(in thousand tonnes)				
Industrial solid waste	269.5	360.7[(1)]	978.5[(2)]	556.9	1,003.6
Industrial hazardous waste	138.6	311.3	441.5	283.7	555.6
— General hazardous waste	138.6	311.3	395.0	259.7	451.9
— Oil sludge	—	—	46.5	24.0	70.2
— Fly ash	—	—	—	—	33.5
Total	**408.1**	**672.0**	**1,420.0**	**840.6**	**1,559.2**

(1) Our industrial solid waste treatment volume in 2019 exceeded our industrial solid waste treatment capacity as we treated a portion of industrial solid waste utilizing the spare treatment capacity of our industrial hazardous waste projects. To the best knowledge of our Directors and as advised by our PRC Legal Adviser, no existing mandatory or prohibitive laws or regulations in China prohibit utilizing the spare treatment capacity of industrial hazardous waste projects for industrial solid waste treatment.

(2) Our industrial solid waste treatment volume in 2020 exceeded our industrial solid waste treatment capacity as we (i) provided emergency treatment services for approximately 204,892 tonnes of sludge for a state-owned industrial company, which were exempted from the limitation of industrial solid waste treatment capacity pursuant to the relevant policies; and (ii) treated approximately 278,600 tonnes of industrial solid waste utilizing the spare treatment capacity of our industrial hazardous waste projects. To the best knowledge of our Directors and as advised by our PRC Legal Adviser, no existing mandatory or prohibitive laws or regulations in China prohibit utilizing the spare treatment capacity of industrial hazardous waste projects for industrial solid waste treatment.

The table below sets forth our treatment capacity utilization rate during the Track Record Period.

	Year ended December 31,			Nine months ended September 30,
	2018	2019	2020	2021
Industrial solid waste	98.0%	115.4%(1)	197.7%(2)	166.2%(5)
Industrial hazardous waste(3)(4)	33.4%	37.3%	37.0%	41.3%(5)

(1) Our industrial solid waste treatment volume in 2019 exceeded our industrial solid waste treatment capacity as we treated a portion of industrial solid waste utilizing the spare treatment capacity of our industrial hazardous waste projects. To the best knowledge of our Directors and as advised by our PRC Legal Adviser, no existing mandatory or prohibitive laws or regulations in China prohibit utilizing the spare treatment capacity of industrial hazardous waste projects for industrial solid waste treatment.

(2) Our industrial solid waste treatment volume in 2020 exceeded our industrial solid waste treatment capacity as we (i) provided emergency sludge treatment services for a state-owned industrial company, which were exempted from the limitation of industrial solid waste treatment capacity pursuant to the relevant policies; and (ii) treated a portion of industrial solid waste utilizing the spare treatment capacity of our industrial hazardous waste projects. To the best knowledge of our Directors and as advised by our PRC Legal Adviser, no existing mandatory or prohibitive laws or regulations in China prohibit utilizing the spare treatment capacity of industrial hazardous waste projects for industrial solid waste treatment.

(3) The treatment capacity utilization rate of industrial hazardous waste is calculated by dividing the treatment volume in each period by the average treatment capacity as of the beginning and end of each year/period. In calculating the average treatment capacity of industrial hazardous waste, we included cement kiln waste treatment projects which were controlled by us and excluded projects which were put into operation in the last month of each period considering that it typically took time to procure customers for newly-established projects.

(4) For purposes of illustration, the adjusted industrial hazardous waste treatment capacity in 2018, 2019 and 2020 and the nine months ended September 30, 2021 was 57.5%, 47.9%, 71.6% and 70.6%, respectively. Our adjusted industrial hazardous waste treatment capacity (using the total treatment volume of the industrial solid waste which was treated using the spare treatment capacity of our industrial hazardous waste projects and the industrial hazardous waste in each period divided by the average designed treatment capacity of industrial hazardous waste as of the beginning and end of each year/period. Designed treatment capacity is used as the denominator as the industrial solid waste which was treated using the spare treatment capacity of our industrial hazardous waste projects is not subject to the limit of the relevant Operation License of Hazardous Waste.

(5) Treatment capacity utilization rate in the nine months ended September 30, 2021 has been annualized by 4/3. Accordingly, the annualized treatment capacity utilization rate may not be indicative of that for the full year ending December 31, 2021. Investors are cautioned not to place any undue reliance on such data.

The table below sets forth the movement of our industrial solid and hazardous waste treatment projects in operation, under construction and signed to be launched during the Track Record Period. For purposes of calculating the below movements, the same project in different phases are deemed as one project.

Projects in operation

	Year ended December 31,			Nine months ended September 30,
	2018	2019	2020	2021
At the beginning of the period	7	11	18	30
— Add[(1)]	4	7[(2)]	13[(3)]	11[(5)]
— Less	—	—	1[(4)]	—
At the end of the period	11	18	30	41

Projects under construction

	Year ended December 31,			Nine months ended September 30,
	2018	2019	2020	2021
At the beginning of the period	5	8	13	19
— Add[(6)]	7	10	16	4
— Less	4	5	10	10
At the end of the period	8	13	19	13

Projects signed to be launched

	Year ended December 31,			Nine months ended September 30,
	2018	2019	2020	2021
At the beginning of the period	5	2	22	29
— Add[(7)]	2	21	22	13
— Less	5[(8)]	1	15	4
At the end of the period	2	22	29	38

Notes:

(1) Positive movements in projects in operation reflect the changes in the number of projects which were under construction or signed to be launched in the previous periods and put into operation in such period, unless otherwise indicated.

(2) The positive movements in projects in operation in 2019 included two projects we invested in.

(3) The positive movements in projects in operation in 2020 included Shaanxi Bangda, an oil sludge treatment project which we acquired from an Independent Third Party.

(4) The negative movements in projects in operation in 2020 refer to one project which we ceased operation in 2020 ("Ceased Project") because the cement plant based on which the Ceased Project was built ceased operations. Another project of us located in the same province proactively negotiated and entered into new contracts with the customers of the Ceased Project. As confirmed by our Directors, we were not liable for any liabilities incurred in connection with the Ceased Project and our business and financial position were not adversely and materially affected.

(5) The positive movements in projects in operation in the nine months ended September 30, 2021 included Huabin Jucheng Environmental, an oil sludge treatment project company we acquired from an Independent Third Party.

(6) Negative movements in projects under construction reflect the changes in the number of projects which were under construction in the previous periods and put into operation in such period.

(7) Negative movements in projects signed to be launched reflect the changes in the number of projects which were signed to be launched in the previous periods and put into operation or under construction in such period, unless otherwise indicated.

(8) The negative movements in projects signed to be launched include one project which was signed to be launched in the previous periods but terminated in 2018 due to our commercial considerations.

The table below sets forth a revenue breakdown by business segment during the Track Record Period:

	Year ended December 31,						Nine months ended September 30,			
	2018		2019		2020		2020		2021	
	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue
	(RMB in thousands, except for percentages)									
							(unaudited)			
Industrial solid waste	85,878	21.7	114,098	15.5	309,869	27.1	175,066	24.4	309,535	25.9
Industrial hazardous waste	310,778	78.3	623,674	84.5	834,122	72.9	542,515	75.6	884,834	74.1
— General hazardous waste	310,778	78.3	623,674	84.5	765,680	66.9	504,207	70.3	759,059	63.6
— Oil sludge	—	—	—	—	68,442	6.0	38,308	5.3	87,688	7.3
— Fly ash	—	—	—	—	—	—	—	—	38,087	3.2
Total	**396,656**	**100.0**	**737,772**	**100.0**	**1,143,991**	**100.0**	**717,581**	**100.0**	**1,194,369**	**100.0**

Our Cement Kiln Waste Treatment Solutions

We provide one-stop waste treatment solution services covering the collection and transportation, testing and storage, compatibility and transmission, treatment and incineration of industrial solid waste and hazardous waste utilizing our cement kiln waste treatment technologies. We have established a nationwide service network covering more than 20 provinces in China as of September 30, 2021, allowing us to efficiently serve customers' instant needs for hazardous waste treatment across China.

Cement kiln waste treatment technologies are designed to incinerate pre-treated waste in cement kilns during the cement production process. Due to the high temperature in cement kilns, hazardous materials, emissions and residues can be effectively eliminated and, at the same time, waste and the materials recovered can be used as alternative fuel to recover energy or as raw materials for cement production.

We have established strategic, long-term and mutually-beneficial relationships with leading companies possessing abundant cement kiln resources to construct cement kiln waste treatment equipment and facilities at their cement production plants. For details on our cooperation with cement companies, see "— Our Operational Process — Our Strategic Cooperation with Cement Company Suppliers". Benefiting from our cement company suppliers' nationwide cement production networks, we have been able to establish our waste treatment presence across China, covering more than 20 provinces, and deliver stable services to our customers. As of September 30, 2021, our industrial solid and hazardous waste treatment capacity in operation amounted to 3.4 million tonnes and industrial solid waste treatment capacity under construction and signed to be launched amounted to 1.2 million tonnes.

The below are pictures of our cement kiln waste treatment projects in Wuhu, Chongqing, Guiyang and Yiyang.

Wuhu, Anhui Province

Zhongxian, Chongqing

Guiyang, Guizhou Province

Yiyang, Jiangxi Province

We have formulated a comprehensive treatment process for industrial solid waste and general hazardous waste using cement kiln waste treatment technologies. In 2018, 2019 and 2020 and the nine months ended September 30, 2020 and 2021, revenue generated from our treatment of industrial solid waste amounted to RMB85.9 million, RMB114.1 million, RMB309.9 million, RMB175.1 million and RMB309.5 million, respectively. In the same periods, revenue generated from our treatment of general hazardous waste amounted to RMB310.8 million, RMB623.7 million, RMB765.7 million, RMB504.2 million and RMB759.1 million, respectively.

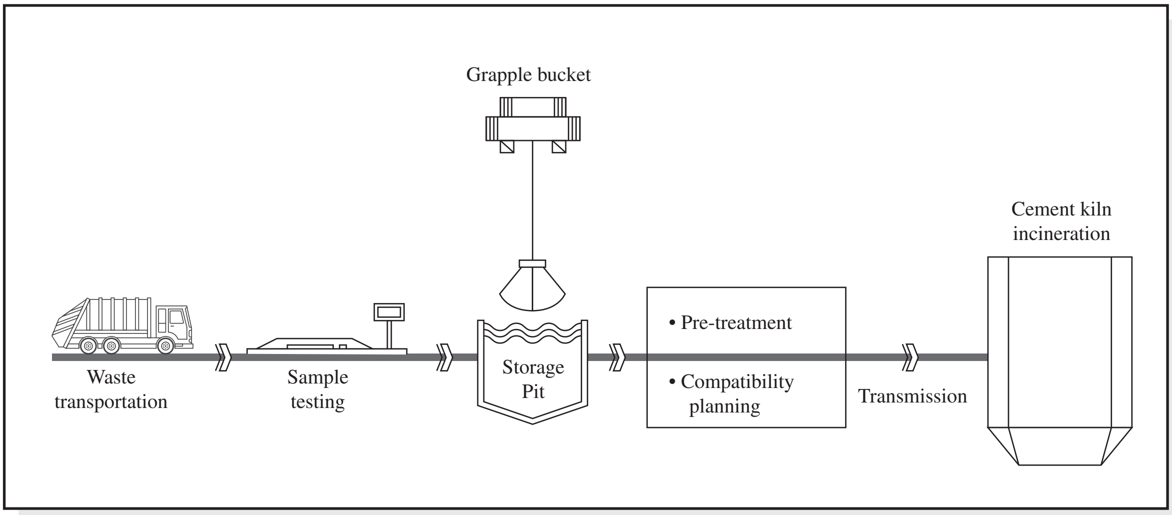
We embrace emerging technologies to meet changing industry needs and strive to further develop our technologies to continuously meet our customers' changing waste treatment needs. We have developed and tailored a thermally-induced pyrolysis desorption process for oil sludge and a multi-step water-washing treatment process for fly ash. In 2020 and the nine months ended September 30, 2020 and 2021, revenue generated from our treatment of oil sludge and fly ash amounted to RMB68.4 million, RMB38.3 million and RMB125.8 million, respectively. In the nine months ended September 30, 2021, revenue generated from our treatment of fly ash amounted to RMB38.1 million.

Industrial Solid Waste and General Hazardous Waste

Industrial solid waste refers to the solid, semi-solid and liquid substances generated from an industrial or manufacturing process. Hazardous waste refers to items that are listed in the National Hazardous Waste List (國家危險廢物名錄) or otherwise identified as corrosive, toxic, flammable, reactive, or infectious according to the hazardous waste identification standards and methods prescribed by the PRC government. We were approved by the relevant government authorities to treat 38 types of hazardous waste as of the Latest Practicable Date, including a number of heavy metal wastes, medical wastes, pesticide wastes, organic wastes, hydrocarbon/water mixtures or emulsifiers, and distillation residues, among many others.

We (i) collect and transport waste to our waste treatment facilities; (ii) conduct sample testing to ascertain the composition of the collected waste and label and store appropriate waste at our storage pit; (iii) pre-treat waste and design compatibility plans to ensure safe and efficient cement kiln incineration; and (iv) incinerate the pre-treated waste in the cement kilns (which are owned by the cement company suppliers) at a maximum temperature of 1,200 degrees Celsius to substantially eliminate hazardous materials, emissions and residues.

The diagram below illustrates how we typically treat industrial solid and hazardous waste utilizing our cement kiln waste treatment solution services:



(1) Collection and transportation

We provide door-to-door waste collection from our customers' premises to our waste treatment facilities. Collection and transportation are two of the most important steps in the process of handling industrial solid and hazardous waste, as the collection and transportation methods will determine the likelihood of an accident or spillage to occur. As advised by our PRC Legal Adviser, the transportation of hazardous waste requires the approval and issuance of a road transportation business license by the local traffic management authorities. We have established a dedicated in-house transportation team across China and all of our subsidiaries providing hazardous waste transportation services possessed the requisite road transportation business licenses as of the Latest Practicable Date. From time to time, we also engage qualified third-party waste transportation service providers. All third-party waste transportation service providers we engaged during the Track Record Period and up to the Latest Practicable Date possessed the requisite road transportation businesses licenses as of the Latest Practicable Date. In addition, we require the waste transportation crew to strictly follow our protocols regarding packaging, transportation and unloading of waste. Specifically, we require the transportation crew to commit to proper preparedness and inspection of the freight to ensure the compliance with the relevant national standards and that there is no potential leakage. We also require the transportation crew to (i) keep the necessary records and reports, maintain adequate facility standards, and properly manage tanks and containers; and (ii) make sure all loads are properly placed on vehicles — all loads should be secured with straps, clamps, braces or other measures should be taken to prevent movement and loss. We require the transportation crew to pay close attention to the load at all times and make reports to us in case of any emergency. We also equip our transport vehicles with a GPS and location tracking system in order to keep track of the vehicles and take prompt actions when necessary. Upon arrival, the transportation crew will unload the waste to our designated points only.

(2) Sample testing and storage

We conduct sample testing prior to entering into agreements with our customers to ascertain the type, composition, characteristics, pH value, flash point and other relevant indicators of the waste and therefore provide relevant service fee quotes with respect to each type of waste. Our contracts with customers typically set forth the types of waste to be treated, the unit price with respect to the different types of waste. For details of our framework contracts with customers, see "— Our Customers — Our framework contracts with customers". In addition, we also conduct manual sorting before transportation to ensure no waste is obviously beyond our scope of work in the relevant contract. Once the waste is unloaded to our designated point in our treatment facilities, we typically conduct on-site sample testing to make sure the testing results are generally consistent with those from our previous sample testing. Waste that fails to pass our on-site sample testing will either: (i) be returned to our customers in the event that the waste contains any additional content beyond our scope of work and treatment capacity, in which case any transportation costs incurred in connection with the return should be borne by the relevant customers; or (ii) in the event that the waste contains any additional content beyond our scope of work but within our treatment capacity, we can propose and negotiate a new quotation for our services with the customers. See "— Our Customers — Our framework contracts with customers" for details.

We then pre-sort and label waste that passes onsite sample testing based on its type, composition and characteristics and store the labelled waste at our storage pit for further treatment. We have also implemented protocols in place to prevent chemical reactions during storage. For example, based on the chemical composition and characteristics of each waste, we have specific guidance on the storage humidity and temperature, and storage distance from other waste, among many others. We require different types of hazardous waste to be stored separately with distance of at least 0.8 to 1.5 meters. We also evaluate the maximum volume of waste that can be stored in each of our storage pit and require our personnel to strict monitor and ensure the stored waste volume is below the relevant threshold. We assign dedicated personnel to make record of all the waste stored in the storage pit, including the type and name of the waste, the source, quantity, characteristics and packaging container of the waste, the storage location, the date of entry, date of treatment, inspection record, among many others. In addition, we install infrared temperature monitoring system in storage pit to monitor the temperature of the waste storage area in real time to prevent fire accidents.

The below is a picture of our storage pit.

Storage pit

(3) Compatibility planning, pre-treatment and transmission

In order to optimize the treatment effect, and to ensure system stability and cost-effectiveness, we pre-treat waste using certain procedures including screening, shredding and blending. We also carefully devise compatibility plans to assess and maintain the waste material's constant gross calorific value and ensure it is fed for incineration in regular piece sizes and continual batches and can be safely and effectively incinerated, by taking into account factors such the composition, characteristics, calorific value, degree of humidity and amount of organic substance of the waste being fed into the cement kiln. We transmit waste to cement kiln using three different transmission systems based on the waste type and humidity, namely: solid waste transmission system, semi-solid waste transmission system and liquid waste transmission system, so that the waste can be securely and properly fed into the cement kiln for further incineration.

(4) Cement kiln incineration

We do not build or own any cement kilns by ourselves and instead cooperating with companies possessing cement kiln resources and construct cement kiln waste treatment facilities based on their existing cement kilns. See "— Our Operational Process — Our Strategic Cooperation with Cement Company Suppliers" for details. We feed waste into the cement kiln and incinerate it at a maximum temperature of 1,200 degrees Celsius to substantially eliminate hazardous materials, residues and emissions. Incinerating waste at such a high degree in a cement kiln ensures that (i) all organic materials are completely incinerated and eliminated in the cement kiln; and (ii) all inorganic materials form residues and ashes and all heavy metals can be solidified in residues and ashes, which can be then re-used as raw materials for cement production. We closely monitor emissions to ensure our compliance with the national treatment standards. All the gases produced during the incineration process are typically purified at the cement production facilities' existing gas emission systems to minimize environmental impact and comply with applicable environmental laws and regulations. Meanwhile, the incineration can help cement plants to generate additional heat, which can be used as energy to support the cement production process, effectively reducing carbon emissions. As of the Latest Practicable Date, as confirmed by our Directors and advised by our PRC Legal Adviser, we were in compliance with all applicable environmental laws and regulations in all material aspects.

Oil Sludge

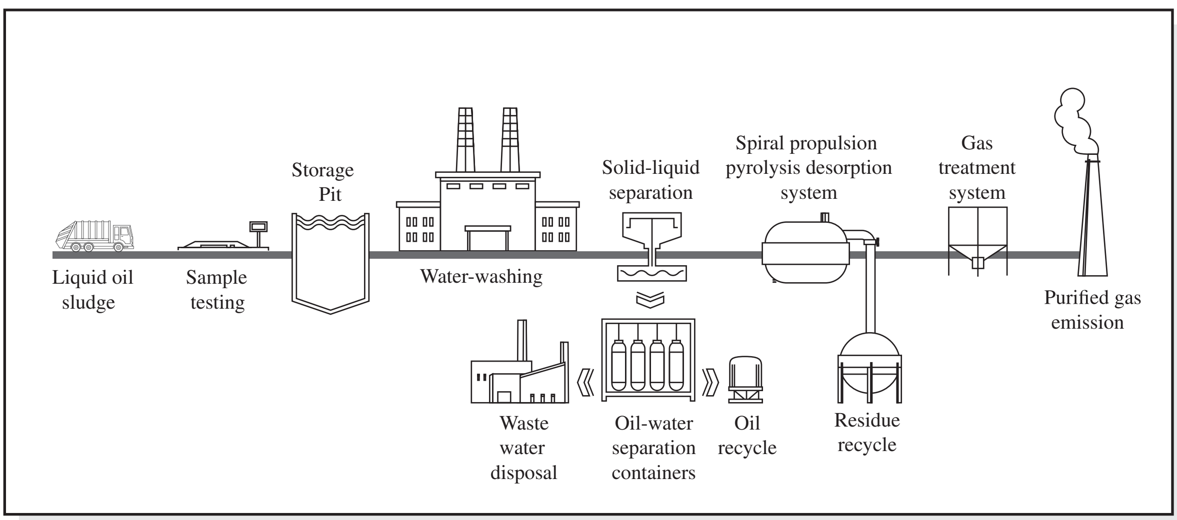
Oil sludge mainly refers to the liquid and solid oil sludge and oily contaminants that are produced during the process of oil exploration, storage, transportation and refining. Oil sludge typically comprises mud, water, organic chemicals, hydrocarbons, crude oil and heavy metals, posing significant risks to the environment and human health as well as to wildlife if treated improperly.

We have developed a thermally-induced pyrolysis desorption process to pre-treat the three types of oil sludge based on its composition and characteristics, heating the waste material to a specified temperature (or sequence of temperatures) in order to change the physical state of the volatile contaminants and vaporize them from the material in order to facilitate their removal and subsequent recovery, whilst preventing their destruction. Our thermal desorption technology is an environmental remediation technology and has the advantages of low environmental impact and high level of resource utilization. The oil and pyrolytic carbon produced during the process can be recycled as fuel for the thermal process and the residues can be re-used as raw materials for cement production.

(1) Liquid oil sludge

Liquid oil sludge is mainly the liquid impurities precipitated in the oil tank. Liquid oil sludge mainly consists of water and oil, which are relatively difficult to be separated. We first undergo a water-washing process, mixing chemical agents with liquid oil sludge and then heat the mixture to approximately 70 to 80 degrees Celsius to accelerate the separation of semi-solid and liquid materials. We then allow the mixture to rest in containers so that oil can be separated from the other residues. We then (i) collect and store the separated oil for recycling; (ii) further purify the water to meet the disposal standards of our Group and local governments and then dispose the water either to oil production wells or local sludge sewage systems; and (iii) feed the semi-solid materials to a spiral propulsion pyrolysis desorption system for thermal decomposition. Inflammable gas produced during the pyrolysis desorption process is then purified and recycled as fuel for the pyrolysis desorption system and the residue produced is fed into cement kilns for further incineration and recycle as raw materials for cement production. All the gases produced during the incineration process are transmitted to and purified at gas emission systems to minimize environmental impact and comply with the national treatment standards.

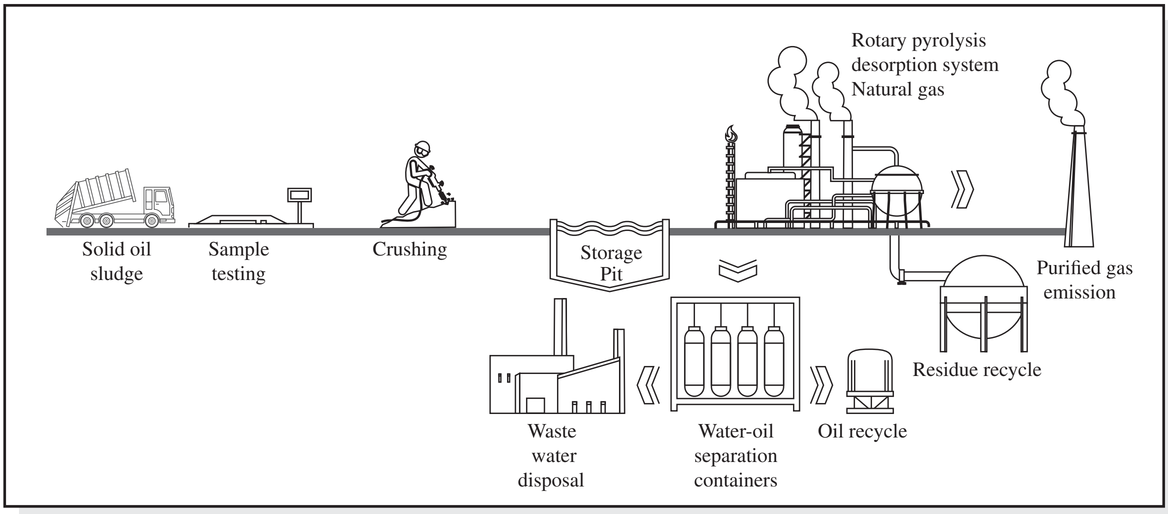
The diagram below illustrates our typical liquid oil sludge treatment process:



(2) Solid oil sludge

Solid oil sludge is the soil contaminated with crude oil primarily during the process of oil extraction, production and transportation. As solid oil sludge typically consists of rocks and metals in relatively large sizes, we first crush solid oil sludge into small pieces and use vibrating screening devices to further separate the surface tension between particles, in turn forcing them to further separate into smaller sizes. Similar to the liquid oil sludge treatment process, we mix chemical agents with the pre-treated solid oil sludge and rest the mixture in containers so that oil can be separated from the other residues and recycled. We feed the solid oil sludge to a rotary pyrolysis desorption system for thermal decomposition to ensure thorough destruction and oxidation of the solid oil sludge. The residue produced is fed into a cement kiln for further incineration and then recycle as raw materials for cement production. Gases produced during the treatment process are purified for emissions.

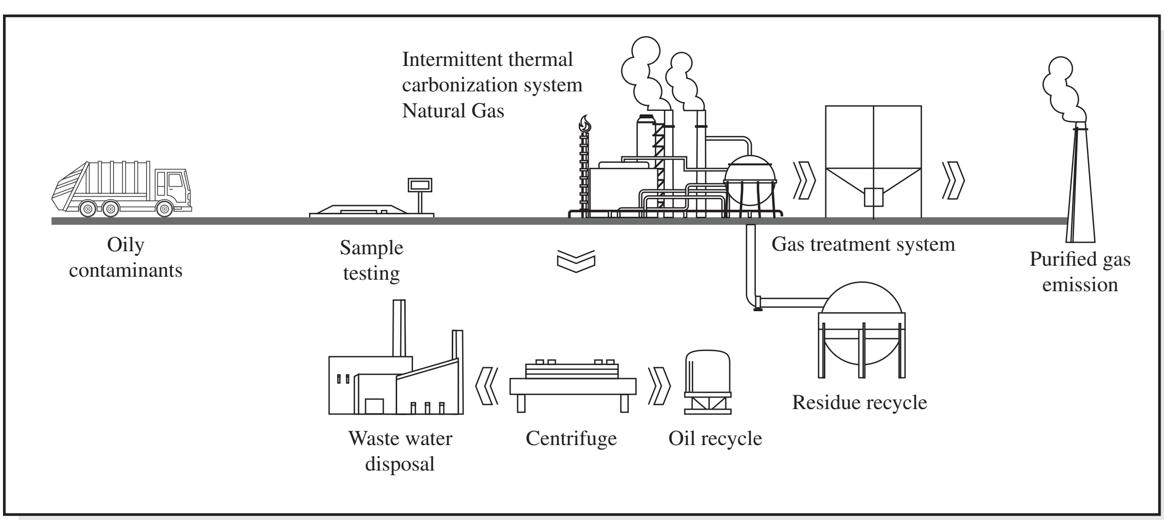
The diagram below illustrates our typical solid oil sludge treatment process:



(3) Oily contaminants

Oily contaminants are semi-solid and solid materials contaminated with crude oil, including, for example, packages, rocks, metals and safety production devices, among many others. As the characteristics and composition of oily contaminants vary significantly, we have designed an intermittent thermal carbonization system, which is a semi-automatic feeding and discharging system to ensure efficient thermal carbonization so that oil contaminants can be carbonized into residues and liquid containing water and oil. We further purify the water to meet the disposal standards of our Group and local governments and then dispose the water either to oil production wells or local sludge sewage systems. We feed the liquid in centrifuge so that oil can be separated from water and recycled. We feed all the residues into cement kilns for further incineration and recycle as raw materials for cement production.

The diagram below illustrates the typical oily contaminant treatment process:



Fly Ash

Fly ash is a by-product of the waste incineration process, which typically contains toxic substances, including dioxins and heavy metals, and is classified as hazardous waste in China.

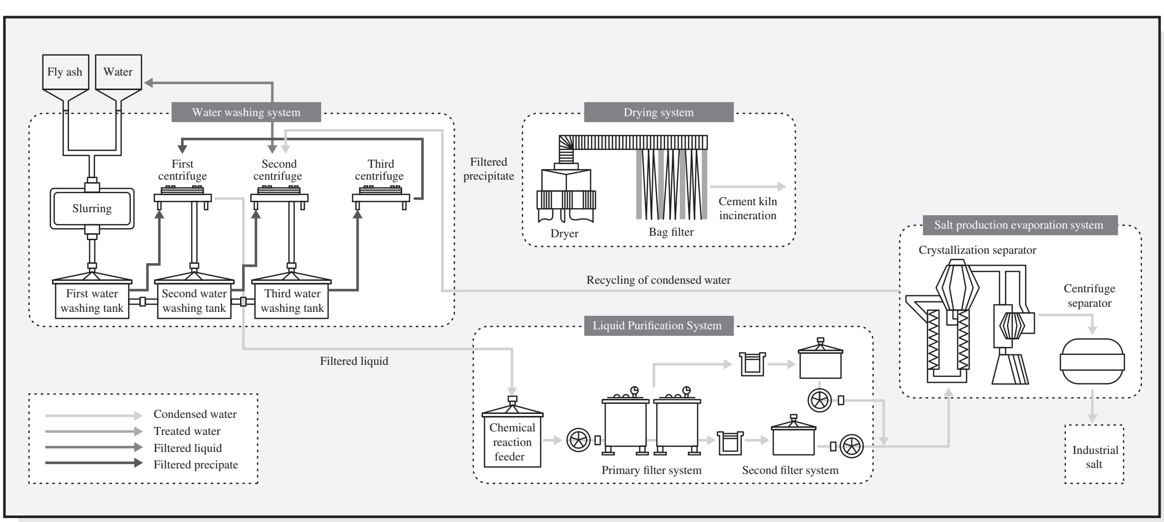
As the chloride, sulfate, and organic matter condensed and enriched in fly ash affect the stability of cement kiln incineration, we have designed a multi-step water washing process to pre-treat fly ash. Specifically, we add water to fly ash three times in our de-chlorination system so that soluble salts can be dissolved in water and the chloride ion in fly ash can be reduced to facilitate further treatment. We centrifuge the mixture every time after we add water to the fly ash so that liquid and semi-solid content can be separated more effectively.

We feed the liquid content to our liquid purification system to solidify soluble calcium ion and heavy metal ion contained in fly ash through chemical precipitation. Specifically, we add chemicals (such as sodium carbonate, sodium hydroxide, sodium thiosulfate and ferrous sulfate) to force the dissolved calcium ions and heavy metal ions to form precipitate. We then filter the precipitate from the liquid and in respect of:

- the filtered precipitate, we feed it to our drying system to eliminate moisture and then transmit the properly dried precipitate through sealed pipes for complete incineration at cement kilns, during which dioxins and organic materials can be completely decomposed by the high temperature in cement kilns, and any heavy metals can be solidified in lattice for cement production. In contrast with the traditional landfill treatment of fly ash, which leads to toxicity in soil due to the heavy metal contained in fly ash, our fly ash pre-treatment, together with our cement kiln waste treatment technologies, effectively eliminates the adverse environmental impact and enables efficient utilization of fly ash; and

- the filtered liquid, we filter it twice and then feed it into our salt production evaporation system for crystallization, separating and extracting potassium chloride and sodium chloride using mechanical vapor recompression ("**MVR**") and flash evaporation technologies for recycling as industrial salt. Condensed water generated in the salt production evaporation system is recycled and re-used at our water-washing process.

The diagram below illustrates the typical fly ash treatment process:



Our Waste Treatment Projects

We continue to focus on enhancing our market development, strengthening operational standards, expanding the channels for input of waste and increasing our market share. As of September 30, 2021, we operated a total of 11 industrial solid waste treatment solution projects and 30 industrial hazardous waste treatment solution projects, respectively. We have been continuing to increase our industrial hazardous waste treatment capacity during the Track Record Period, despite the fact that we did not fully utilize our industrial hazardous waste treatment capacity, primarily because (i) transferring industrial hazardous waste out of province is prohibited unless obtaining the approval from the competent provincial environmental protection authorities; (ii) constructing local waste treatment projects can effectively lower our transportation costs; and (iii) the treatment capacity of an industrial hazardous waste project is the maximum amount of annual treatment capacity specified by the local ecology and environment authorities in the relevant Operation License of Hazardous Waste and cannot be shared among different projects at different locations. Therefore, we continue to construct new projects in different provinces and cities to expand our service network to serve the local needs in a more time- and cost-efficient way.

The table below sets forth our industrial solid and hazardous waste treatment capacity during the Track Record Period:

	Years ended December 31,			Nine months ended September 30,
	2018	2019	2020	2021
	(in thousand tonnes)			
Industrial solid waste treatment capacity in operation	275.0	350.0	640.0	970.0
Industrial solid waste treatment capacity under construction and signed to be launched	200.0	1,150.0	1,231.5	1,167.5
Industrial hazardous waste treatment capacity in operation(1)	611.6	1,194.0	1,948.1	2,454.8
Industrial hazardous waste treatment capacity under construction and signed to be launched(2)	N/A	N/A	N/A	N/A

Notes:

(1) Treatment capacity of industrial hazardous waste treatment projects is the maximum amount of annual treatment capacity specified by the local ecology and environment authorities in the Operation License of Hazardous Waste.

(2) The Operation License of Hazardous Waste is required to be obtained before the relevant projects are put into use. For industrial hazardous waste treatment projects which were under construction and signed to be launched, we were not required to obtain such license and therefore the treatment capacity of such projects were not applicable.

The table below sets forth some details of our industrial solid waste treatment solution projects as of September 30, 2021:

No.	Status of Construction	Project Location	Capacity tonnes/year	Actual/Expected Completion Date
1	In operation	Huaining, Anhui Province	70,000	September 2017
2		Mian County, Shaanxi Province	45,000	October 2017
3		Huaibei, Anhui Province	70,000	December 2017
4		Liangping, Chongqing City	75,000	September 2019
5		Guangyuan, Sichuan Province	70,000	January 2020
6		Fanchang, Anhui Province	210,000	July 2020
7		Chizhou, Anhui Province	100,000	November 2020
8		Yiyang, Hunan Province	70,000	January 2021
9		Baoding, Hebei Province	100,000	March 2021
10		Quanjiao, Anhui Province	60,000	July 2021
11		Zongyang, Anhui Province (Phase I)	100,000	July 2021
Subtotal			**970,000**	
1	Under construction(1)	Xinhua, Hunan Province	66,000	December 2021
2		Xin'an, Henan Province	50,000	April 2022
1	Signed to be launched(2)	Rizhao, Shandong Province	100,000	N/A
2		Quzhou, Zhejiang Province	100,000	
3		Zongyang, Anhui Province (Phase 2)	100,000	
4		Chaohu, Anhui Province	200,000	
5		Changzhi, Shanxi Province	50,000	
6		Wolong, Henan	100,000	
7		Dengzhou, Henan Province	50,000	
8		Anyang, Henan Province	100,000	
9		Tengzhou, Shandong Province	201,500	
10		Guiding, Guizhou Province	50,000	
Subtotal			**1,167,500**	
Total			**2,137,500**	

Notes:

(1) The expected completion date of projects which are under construction is estimated based on our understanding of the latest status and previous experience and the actual completion date of such projects may vary due to factors beyond our control, including, for example, the prolonged process by third parties.

(2) The expected completion date of projects which are signed to be launched is subject to various approval of the relevant government authorities, which are beyond our control and therefore are not available.

The table below sets forth some details of our industrial hazardous waste treatment solution projects as of September 30, 2021:

No.	Types of Waste	Status of Construction	Project Location	Designed Treatment Capacity [1] *(tonnes/year)*	Treatment capacity [2] *(tonnes/year)*	Actual/Expected Completion Date
1	General hazardous waste	In operation	Fuping, Shaanxi Province	100,000	100,000	April 2016
2			Qian County, Shaanxi Province	70,000	63,600	April 2017
3			Qianyang, Shaanxi Province	100,000	100,000	October 2018
4			Tongchuan, Shaanxi Province	100,000	81,500	August 2019
5			Wuhu, Anhui Province	200,000	130,000	December 2017
6			Yiyang, Jiangxi Province	200,000	170,000	May 2018
7			Xingye, Guangxi Province	200,000	161,500	August 2018
8			Suzhou, Anhui Province	200,000	125,000	August 2018
9			Zhong County, Chongqin	200,000	90,000	June 2019
10			Wenshan, Yunnan Province (Phase I)	100,000	66,000	August 2019
11			Sishui, Shandong Province	100,000	14,900	January 2020
12			Qiyang, Hunan Province	100,000	69,500	January 2020
13			Yangchun, Guangdong Province	100,000	65,300	August 2020
14			Qingzhen, Guizhou Province	100,000	100,000	September 2019
15			Long'an, Guangxi Province	100,000	70,000	March 2021
16			Linxiang, Hunan Province	100,000	88,500	January 2021
17			Sanming, Fujian Province	100,000	20,500	August 2019
18			Yixing, Jiangsu Province	100,000	100,000	December 2019
19			Chongzuo, Guangxi Province	100,000	85,000	March 2021
20			Luoyang, Henan Province	100,000	72,000	December 2020
21			Jiyuan, Henan Province	100,000	50,000	December 2020
22			Dezhou, Shandong Province	100,000	75,000	December 2020
23			Tai'an, Shandong Province	100,000	100,000	December 2020
24			Wuhu, Anhui Province	16,500	16,500	January 2021
25			Ninghai, Zhejiang Province	100,000	100,000	May 2021
26			Guilin, Guangxi Province	100,000	60,000	July 2021
27			Dengfeng, Henan Province	100,000	80,000	July 2021
28	Oil sludge		Yulin, Shaanxi Province (Bangda)	100,000	100,000	May 2020 (Acquisition)
29			Binzhou (Huabin), Shandong Province	100,000	100,000	May 2021 (Acquisition)
30	Fly ash		Wuhu, Anhui Province	100,000	N/A [3]	December 2020
Subtotal				**3,386,500**	**2,454,800**	

No.	Types of Waste	Status of Construction	Project Location	Designed Treatment Capacity [(1)] *(tonnes/year)*	Treatment capacity [(2)] *(tonnes/year)*	Actual/Expected Completion Date
1	General hazardous waste	Under construction[(4)]	Fuyang, Zhejiang Province	200,000	N/A	June 2022
2			Ningguo, Anhui Province	100,000	N/A	December 2021
3			Hulunbuir, Inner Mongolia	50,000	N/A	April 2022
4			Arong Qi, Inner Mongolia	100,000	N/A	June 2022
5			Jiayuguan, Gansu Province	100,000	N/A	June 2022
6	Oil sludge		Jinzhou, Liaoning Province	Oil sludge treatment: 20,000 Incineration: 42,000	N/A	May 2022
7			Dongying, Shandong Province	160,000	N/A	December 2021
8	Fly ash		Yiyang, Hunan Province	50,000	N/A	April 2022
9			Yiyang, Jiangxi Province	100,000	N/A	April 2022
10			Quanjiao, Anhui Province	100,000	N/A	April 2022
11			Qianxian County, Shaanxi Province	100,000	N/A	June 2022
Subtotal				**1,122,000**	**N/A**	

No.	Types of Waste	Status of Construction	Project Location	Designed Treatment Capacity (1) (tonnes/year)	Treatment capacity (2) (tonnes/year)	Actual/Expected Completion Date
1	General hazardous waste	Signed to be launched(5)	Wenshan, Yunnan Province (Phase II)	100,000	N/A	
2			Ganzhou, Jiangxi Province	100,000	N/A	
3			Luoding, Guangdong Province	80,000	N/A	
4			Yunfu, Guangdong Province	100,000	N/A	
5			Fuzhou, Jiangxi Province	100,000	N/A	
6			Baoshan, Yunnan Province	100,000	N/A	
7			Qingyuan, Guangdong Province	100,000	N/A	
8			Dazhou, Sichuan Province	200,000	N/A	
9			Ordos, Inner Mongolia	100,000	N/A	
10			Longkou, Shandong Province	200,000	N/A	
11			Yongdeng, Gansu Province	100,000	N/A	
12	Oil sludge		Leizhou, Guangdong Province	Oil sludge treatment: 150,000 Comprehensive utilization of resources: 50,000	N/A	
13			Yan'an, Shaanxi Province	170,000	N/A	
14			Changjiang, Hainan Province	50,000	N/A	
15			Qingyang, Gansu Province	80,000	N/A	
16	Fly ash		Chaohu, Anhui Province	100,000	N/A	
17			Jining, Shandong Province	100,000	N/A	
18			Xin'an, Henan Province	50,000	N/A	
19			Rizhao, Shandong Province	100,000	N/A	
20			Qingzhen, Guizhou Province	100,000	N/A	
21			Changjiang, Hainan Province	100,000	N/A	
22			Yangchun, Guangdong Province	50,000	N/A	
23			Ganzhou, Jiangxi Province	100,000	N/A	
24			Xinhua, Hunan Province	50,000	N/A	
25			Dengzhou, Henan Province	50,000	N/A	
26			Anyang, Henan Province	100,000	N/A	
27			Longyan, Fujian Province	100,000	N/A	
28			Changzhi, Shanxi Province	50,000	N/A	
29			Guiding, Guizhou Province	50,000	N/A	
30			Yongdeng, Gansu Province	50,000	N/A	
Subtotal				**2,930,000**	**N/A**	
Total				**7,438,500**	**N/A**	

Notes:

(1) Designed treatment capacity is the designed maximum treatment capacity of an industrial hazardous waste treatment project.

(2) As advised by our PRC Legal Adviser, the Operation License of Hazardous Waste must be obtained from the local ecology and environment authorities to carry out hazardous waste treatment services. The maximum amount of annual treatment capacity is specified in the Operation License of Hazardous Waste. Therefore, our treatment capacity the maximum amount of annual treatment capacity specified by the local ecology and environment authorities in each of our Operation License of Hazardous Waste.

(3) The fly ash waste treatment project in Wuhu, Anhui province is operated in accordance with the requirements set out in the Standard of Pollution Control on Co-Processing of Solid Waste in Cement Kilns (GB30485) (《水泥窯協同處置固體廢物污染控制標準(GB30485)》) and the Technical Standard of Environmental Protection on Co-Processing of Solid Waste in Cement Kilns (HJ662) (《水泥窯協同處置固體廢物環境保護技術規範(HJ662)》). Therefore, as confirmed by our PRC Legal Adviser, such fly ash waste treatment project is exempted from obtaining the relevant Operation License of Hazardous Waste pursuant to PRC laws and regulations.

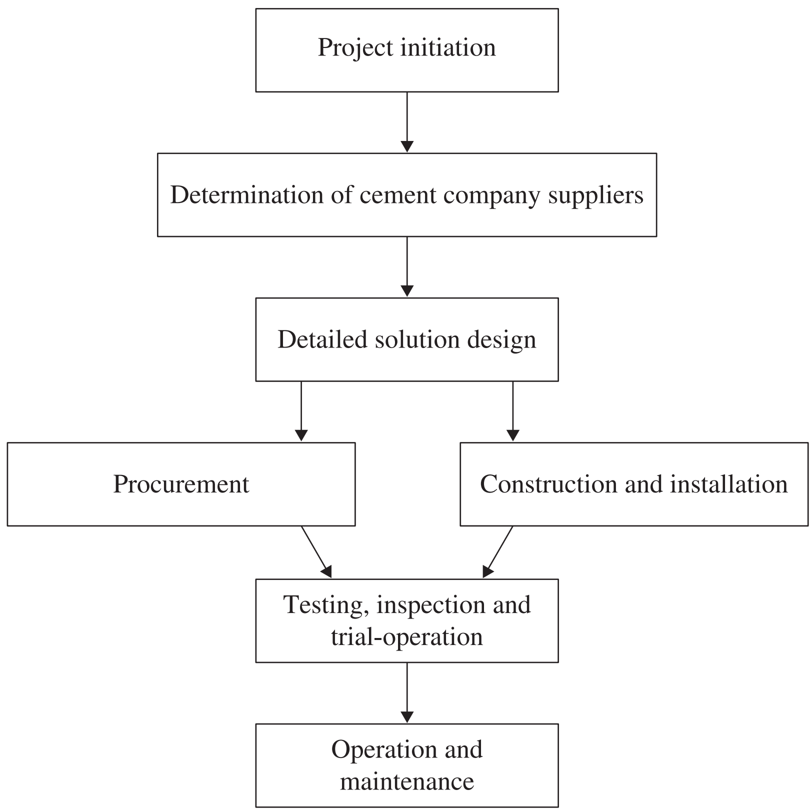
(4) The expected completion date of projects which are under construction is estimated based on our understanding of the latest status and previous experience and the actual completion date of such projects may vary due to factors beyond our control, including, for example, the prolonged process by third parties.

(5) The expected completion date of projects which are signed to be launched is subject to various approval of the relevant government authorities, which are beyond our control and therefore are not available.

As of the Latest Practicable Date, one of our industrial solid waste treatment project located at Xinhua, Hunan province and two of our industrial hazardous waste treatment projects located at Ningguo, Anhui province and Dongying, Shandong province, which were under construction as of September 30, 2021 had been put into use.

OUR OPERATIONAL PROCESS

We have a systematic operational process in place to maintain the quality and consistency of the services we deliver. The following diagram illustrates the major steps of our typical business operational process:



Our operational process consists of the following steps:

- **Project initiation**. The project development team and senior management team of our project companies are primarily responsible for seeking potential market opportunities. Specifically, the project development team will first collect extensive information through research and on-site visits to locate potential projects and then internally assess the feasibility of the projects by taking into account factors such as project size, duration, technical requirements, our understanding of the local market, estimated budget and targeted profitability, impact of acquisition on cash flow and customer profiles. Our project development team will then prepare a project feasibility report based on its research and submit it to our management for consideration and approval.

- **Determination of cement company suppliers**. Cement kiln waste treatment technologies are used specifically for co-processing waste in cement kilns. We typically build/install cement kiln waste treatment facilities based on existing cement kilns in cement plants. We carefully evaluate cement companies' suitability for our projects, taking into account important factors, including location, feasibility to construct cement kiln waste treatment facilities, price and reputation and closely negotiate with suitable cement companies. We typically require cement companies to provide the site plans and floor plans of their cement plants and environmental evaluation reports for our evaluation. See "— Our Strategic Cooperation with Cement Company Suppliers" for details of the contract term with our cement company suppliers.

- **Detailed solution design**. Before commencing the construction of a treatment project, certain approvals and permits are required from the relevant authorities. After obtaining the necessary approvals and permits, our project companies will conduct further research and prepare a project implementation plan, taking into account relevant PRC laws and regulations. In particular, we require cement companies to provide the electricity and water supply plans of their cement plants and the design specifications of their cement kilns for our detailed solution design. This design process typically takes approximately three to six months depending on the complexity of the project. We will need to submit the implementation proposal to the government for examination and approval and cannot proceed with construction work until we obtain the relevant approvals. We prepare feasibility reports based on the detailed solution plan, in which we set out detailed analysis and guidance with respect to budget and costs of each project, including details of the facilities to be installed and the construction services to be provided by third party service providers and the construction plan.

- **Procurement, construction and installation**. We procure equipment and materials needed for the project from suppliers. After the delivery of all the necessary equipment and materials, we will install the treatment system in accordance with our solution design. We are also responsible for the integration, testing and debugging of the treatment systems. The solution design and integration plan may be modified based on the progress of the project and any technical problems we may need to address. This implementation process typically takes less than eight months to purchase the required equipment and construction materials and approximately three months to construct and install equipment depending on the scale and complexity of the project.

- **Testing and debugging**. We generally conduct trial deployments before completion of a project, as well as the necessary testing and debugging of the systems. Depending on the scale and complexity of the project, as well as other external factors beyond our control such as inspections of environment impact assessment and other government administrative permits we may need, the implementation process usually takes approximately from one to three months for applications for government approvals and permits, such as the Operation License for Hazardous Waste, and another one month for trial operation, system functionality evaluation.

- **Operation and maintenance**. We have developed comprehensive plans for operating and maintaining treatment facilities, including quality control systems for the treatment supply storage, equipment maintenance and repair systems, process and operational management systems and safety systems.

Our Strategic Cooperation with Cement Company Suppliers

We use cement kiln waste treatment technologies to process industrial solid and hazardous waste. As cement kilns are facilities used for cement production, we do not build or own cement kilns by ourselves and instead cooperating with companies possessing cement kiln resources and construct cement kiln waste treatment facilities based on their existing cement kilns because cement kiln waste treatment technologies we use are technologies to co-process waste in cement kilns using the high temperature produced during the cement production process. Cooperating with cement production company possessing cement kiln resources allows us to focus on our principal business of waste treatment and, at the same time, minimize our capital investment. According to Frost & Sullivan, it is an industry norm for a hazardous treatment service provider to use cement kilns provided by cement companies.

In selecting cement company suppliers, we primarily consider factors including (i) the ranking and reputation of the relevant cement companies in terms of cement production; and (ii) the location of the cement plants of the relevant cement companies and our service coverage strategies. During the Track Record Period, we closely cooperated with companies possessing abundant cement kiln resources across China, including (i) Conch Cement; (ii) West China Cement; (iii) CNBM; and (iv) Mengxi Cement.

We typically acquire the land on which we build up our cement kiln waste treatment facilities from the relevant cement companies through transfer and obtain the ownership of the relevant land. We then build cement kiln waste treatment facilities on such land and own all the facilities on such land.

The table below sets forth the respective roles of our Company and cement company suppliers during our operational process.

Operational process	Our Roles	Roles of cement company suppliers and their cement plants
Project initiation	We take full control of this process.	—
Determination of cement company suppliers	We take full control of this process.	Cement companies typically provide us the site plans and floor plans of their cement plants and environmental evaluation reports for our evaluation.
Detailed solution design	We take full control of this process.	Cement companies typically provide electricity and water supply plans of their cement plants and design specifications of their cement kilns.
Procurement, construction and installation	We take full control of this process and coordinate with cement company suppliers for safety and logistics arrangements.	Cement companies coordinate with us for safety and logistics arrangements.

Operational process	Our Roles	Roles of cement company suppliers and their cement plants
Testing and debugging	We take full control of this process and coordinate with cement company suppliers for safety and logistics arrangements.	Cement companies coordinate with us for safety and logistics arrangements. If needed, they also assist us in obtaining necessary government approvals and licenses for waste treatment services.

During the Track Record Period, we established joint cooperation with CNBM, Mengxi Cement and West China Cement by establishing joint cooperation companies and making capital contributions to the respective joint cooperation companies. As of the Latest Practicable Date, the capital investment of our Group and CNBM in our joint cooperation company was 50% and 50%, respectively, and the capital investment of our Group and Mengxi Cement in our joint cooperation company was 65% and 35%, respectively. The joint cooperation companies with CNBM and Mengxi Cement were under our control and were accounted for as subsidiaries of our Group as of the date of the listing document. With regards to the cooperation with West China Cement, we acquired 60% equity interest in the then-joint cooperation company, Yaobai Environment, by way of capital injection in December 2015. Upon the completion of aforesaid acquisition, Yaobai Environment became a subsidiary of our Group, which was under our control and was accounted for a subsidiary of our Group as of the date of the listing document. In June 2021, we acquired West China Cement's non-controlling interest in Yaobai Environment and became the sole owner of the projects with West China Cement. Since then, we no longer share any return with West China Cement and only pay fixed amount of service fees for the industrial solid and hazardous waste we treat per tonne to West China Cement.

In return for the provision of cement kiln resources, we pay fixed amounts of service fees for the industrial solid and hazardous waste we treat using cement kilns per tonne to our cement company suppliers. During the Track Record Period, the service fees we pay for industrial solid waste per tonne ranged from RMB30 to RMB60 and the service fees for industrial hazardous waste ranged from RMB40 to RMB100. According to Frost & Sullivan, based on its interviews with industry participants, our service fee arrangement with our major cement company suppliers for the industrial solid and hazardous waste treated per tonne using their cement kilns are generally in line with industry practice and the amount of service fees we pay are within the industry range of RMB20 to RMB200, which were primarily determined with reference to the valuation on the projects by independent third party professional valuers, taking into account of a few project-specific factors including the calorific value of the waste and the impacts to the cement company supplier's energy and coal consumption during the treatment, among others.

The table below sets forth the revenue attributable to and gross margin of our projects cooperated with Conch Cement, West China Cement, CNBM, Mengxi Cement and other cement company suppliers.

	Year ended December 31,									Nine months ended September 30,		
	2018			2019			2020			2021		
	(RMB in thousands, except percentages and numbers)											
	Revenue	Gross margin	Number of projects in operation	Revenue	Gross margin	Number of projects in operation	Revenue	Gross margin	Number of projects in operation	Revenue	Gross margin	Number of projects in operation
Conch Cement	269,231	78.7%	8	608,172	73.1%	13	948,032	66.3%	21	951,295	62.3%	26
West China Cement	127,425	74.1%	3	129,600	69.4%	3	103,131	66.6%	2	71,660	51.2%	2
CNBM	—	—	—	—	—	2[(1)]	—	—	6[(2)]	76,486	60.5%	10
Mengxi Cement[(3)]	—	—	—	—	—	—	—	—	—	—	—	—
Total	**396,656**	**77.2%**	**11**	**737,772**	**72.4%**	**18**	**1,051,163**[(4)]	**66.4%**[(4)]	**29**	**1,099,441**[(4)]	**61.4%**[(4)]	**38**

(1) The two projects in 2019 with CNBM are projects we invested in as a non-controlling shareholder.

(2) The six projects in 2020 with CNBM include (a) two projects with CNBM in which we invested as non-controlling shareholder since 2019; and (b) four projects with CNBM which were put into operation towards the end of 2020 and no revenue was generated from such four projects in 2020.

(3) As of the September 30, 2021, all three projects we had with Mengxi Cement were still under construction or signed to be launched and yet to generate revenue.

(4) We had certain projects which do not employ cement kiln waste treatment technologies and therefore such projects did not cooperate with any cement companies. Such projects generated revenue in 2020 and the nine months ended September 30, 2021. As a result, in 2020 and the nine months ended September 30, 2021, our total revenue amounted to RMB1,440.0 million and RMB1,194.4 million, respectively, and our gross margin was 65.5% and 60.4%, respectively.

Total revenue attributable to our projects cooperated with our cement company suppliers increased steadily during the Track Record Period. The gross margin of our projects with Conch Cement decreased primarily due to increased depreciation and amortization costs and staff costs during the Track Record Period. Revenue and gross margin of our projects with West China Cement decreased during the Track Record Period primarily because we adopted competitive pricing strategy in projects with West China Cement, facing the competition in the Northwest China.

Conch Cement and West China Cement

Conch Cement was the second largest cement manufacturer in China in terms of cement production capacity in 2020, which accounted for approximately 12.9% of the total market share in China, according to Frost & Sullivan. Conch Cement occupied 14.9% of the total market share in 2020 in terms of revenue in China, according to Frost & Sullivan. Benefiting from Conch Cement's nationwide cement production networks, we were able to establish our waste treatment presence across China and deliver stable services to our customers. As of September 30, 2021, with Conch Cement, we had nine projects in operation with an industrial solid waste treatment capacity of 0.8 million tonnes, four projects under construction and signed to be launched with an industrial solid waste treatment capacity of 0.4 million tonnes, 16 projects in operation with an industrial hazardous waste treatment capacity of 1.4 million tonnes and one fly ash project with designed treatment capacity of 0.1 million tonnes and 16 projects under construction and signed to be launched with an industrial hazardous waste designed treatment capacity of 1.5 million tonnes. We believe our cooperation with Conch Cement is stable and expect to further deepen our cooperation by establishing more projects with Conch Cement going forward. To the best knowledge of our Directors, Conch Cement, as our cement company supplier, will not constitute a connect person of our Company immediately upon Listing and therefore is an Independent Third Party.

West China Cement is one of the leading cement producers headquartered in Shaanxi province with service coverage in Shaanxi, Xinjiang and Guizhou Provinces with cement production capacity of 33.2 million tonnes as of December 31, 2020, which accounted for approximately 1.1% of the total market share in China, ranked among the top 50 players in terms of cement production capacity in China in 2020, according to Frost & Sullivan. West China Cement occupied 0.7% of the total market share in 2020 in terms of revenue in China, according to Frost & Sullivan. As of September 30, 2021, with West China Cement, we had one project in operation with an industrial solid waste treatment capacity of 45,000 tonnes and one project in operation with an industrial hazardous waste designed treatment capacity of 0.1 million tonnes. To the best knowledge of our Directors, West China Cement, as our cement company supplier, will not constitute a connected person of our Company immediately upon Listing and therefore is an Independent Third Party.

Our Contracts with Conch Cement and West China Cement

We cooperate with Conch Cement and West China Cement and construct cement kiln waste treatment equipment/facilities at their production plants. We entered into a framework agreement with Conch Cement and West China Cement with a contract term of 30 years, pursuant to which Conch Cement and West China Cement agrees to cooperate with us to establish cement kiln waste treatment projects. We enter into project agreements with Conch Cement and West China Cement for each of our projects. The general terms of our project agreements with Conch Cement and West China Cement are summarized as follows:

- ***Term.*** The term of our project agreements with Conch Cement is typically three years.

- ***Scope of work.*** The contract sets out Conch Cement's and West China Cement's scope of services, including providing cement kilns and ancillary facilities to us for our cement kiln waste treatment. Conch Cement and West China Cement are typically responsible for the stable operation of the cement kiln facilities for ensuring gas emissions and any waste disposal from our cement kiln waste treatment comply with the relevant laws and regulations. Conch Cement and West China Cement also agree to provide the necessary technical raw materials, and to maintain good working and equipment conditions to facilitate our on-site work.

- ***Payment.*** We typically pay fixed amounts of service fees for the industrial solid and hazardous waste we treat per tonne to Conch Cement and West China Cement periodically, subject to further adjustments mutually agreed by parties. Service fees are determined on a cost plus basis based on (i) the direct costs for electricity and (ii) the indirect costs primarily in relation to the net thermal energy to be consumed during the cement kiln waste treatment process, which are typically calculated by independent third party thermal energy measuring agencies using the total estimated thermal energy needed for the treatment by deducting the total estimated thermal energy to be contributed by the treatment using the waste as raw materials and energy. Such service fees are typically subject to adjustments from time to time based on negotiations. We do not charge any additional fees to Conch Cement or West China Cement for the use of the waste as energy resources or raw materials as the total thermal energy contributed by the treatment has been taken into consideration for pricing.

- ***Undertakings and warranties.*** We guarantee to minimize our interference with the daily operation of Conch Cement and West China Cement and to treat waste properly and in accordance with relevant PRC laws and regulations.

- ***Contract termination.*** The contract typically can be terminated by mutual consent.

CNBM and Mengxi Cement

CNBM is a leading building material manufacturer in China listed on the Stock Exchange with stock code of 3323, with a cement production capacity of 0.5 billion tonnes per year by 2020, which accounted for approximately 16.1% of the total market share in China, ranked as the largest player in terms of cement production capacity in China in 2020, according to Frost & Sullivan. CNBM occupied 17.7% of the total market share in 2020 in terms of revenue in China, according to Frost & Sullivan. Mengxi Cement is a major cement producer in Inner Mongolia with a cement production capacity of 16.0 million tonnes per year by 2020, which accounted for approximately 0.5% of the total market share in China, ranked among the top 50 players in terms of cement production capacity in China in 2020, according to Frost & Sullivan. CNBM and Mengxi Cement both possess abundant cement kiln resources. We are a close partner of CNBM and Mengxi Cement. We establish project companies with them through joint cooperations and are in control of the daily operation of such project companies. As of September 30, 2021, with CNBM, we had one project in operation with an industrial solid waste treatment capacity of 0.1 million tonnes, seven projects under construction and signed to be launched with an industrial solid waste treatment capacity of 0.7 million tonnes, nine projects in operation with an industrial hazardous waste treatment capacity of 0.6 million tonnes and 13 projects under construction and signed to be launched with an industrial hazardous waste designed treatment capacity of 1.2 million tonnes. As of the same date, with Mengxi Cement, we had three projects under construction and signed to be launched with an industrial hazardous waste designed treatment capacity of 0.3 million tonnes. To the best knowledge of our Directors, (i) CNBM, as our cement company supplier, holds 50% equity interest in our joint cooperation company and will constitute a connect person of our Company immediately upon Listing by virtue of it falling under the definition of a substantial shareholder at the subsidiary level, and (ii) Mengxi Cement, as our cement company supplier, holds 35% equity interest in our joint cooperation company, which is an insignificant subsidiary of our Company under Rule 14A.09 of the Listing Rules, and will not constitute a connect person of our Company immediately upon Listing and therefore is an Independent Third Party. Our Directors are of the view, and the Joint Sponsors concur that, Mengxi Cement does not constitute a connected person of our Company under Chapter 14A of the Listing Rules.

Our Joint Cooperation Agreement with CNBM and Mengxi Cement

We establish joint cooperation with CNBM and Mengxi Cement. The general terms of our joint cooperation agreements with CNBM and Mengxi Cement are summarized as follows:

- ***Term.*** The term of our joint cooperation agreements with CNBM and Mengxi Cement is 30 years.

- ***Investment percentage and share of return.*** The relevant joint cooperation agreements set forth the percentage of capital contributions between us and each of CNBM and Mengxi Cement. We have the right to receive return in proportion to the capital contributions we made.

- ***Undertakings and warranties.*** We guarantee to minimize our interference with their daily operation and treat waste properly and in accordance with relevant PRC laws and regulations.

- ***Contract termination.*** The contract typically can be terminated by mutual consent.

In addition, we enter into agreements with the cement plants of CNBM and Mengxi Cement with respect to each waste treatment project we cooperate. The general terms of the agreements with their cement plants are summarized as follows:

- ***Term.*** The term of such agreements is typically 30 years.

- ***Scope of work.*** The agreement sets out the scope of services of the cement plants of CNBM and Mengxi Cement, including, providing cement kilns and ancillary facilities to us for our cement kiln waste treatment and assisting in obtaining necessary government approvals and licenses. They are typically responsible for the stable operation of cement kiln facilities and ensuring that any gas emission and waste disposal from our cement kiln waste treatment comply with the national and local standards.

- ***Payment.*** We typically pay fixed amounts of service fees for the industrial solid and hazardous waste we treat using their cement kilns per tonne periodically. Service fees are determined on a cost plus basis based on (i) the direct costs for electricity and (ii) the indirect costs primarily in relation to the net thermal energy to be consumed during the cement kiln waste treatment process, which are typically calculated by independent third party thermal energy measuring agencies using the total estimated thermal energy needed for the treatment by deducting the total estimated thermal energy to be contributed by the treatment using the waste as raw materials and energy. Such service fees are typically subject to adjustments from time to time based on negotiations. We do not charge any additional fees to CNBM or Mengxi Cement for the use of the waste as energy resources or raw materials as the total thermal energy contributed by the treatment has been taken into consideration for pricing.

- ***Contract termination.*** The agreement typically can be terminated by mutual consent.

We cooperate with major cement company suppliers by utilizing their existing cement kilns to carry out our cement kiln waste treatment solution services. We believe it is unlikely that our relationship with major cement company suppliers will materially change or terminate considering that:

(i) We have established long term cooperation arrangements with our cement company suppliers. The term of our framework agreement with Conch Cement and West China Cement and the term of our joint cooperation agreements with CNBM and Mengxi Cement are all 30 years, pursuant to which such cement company suppliers agree to provide cement kilns and ancillary facilities to us for our cement kiln waste treatment; and

(ii) We have built a mutually beneficial relationship with our cement company suppliers. We pay fixed amount of service fees for the industrial solid and hazardous waste we treat per tonne to our cement company suppliers, allowing them to generate additional revenue by providing cement kiln resources. Meanwhile, they can use waste as an alternative source for primary energy during their cement production process and reuse all residues as raw materials for cement production. In addition, we establish joint cooperation with CNBM and Mengxi Cement and share return with them in proportion to the capital investment they made. We believe such arrangements drives cement company suppliers to continue to cooperate with us going forward.

The Dual-control Plan and Impacts on Our Business

In September 2021, the NDRC issued the Plan for Improving the Dual-control of the Energy Consumption Intensity and Volume (《完善能源消費強度和總量雙控制度方案》) (the "**Dual-control Plan**"), aiming to improve the allocation efficiency of energy resources. Specifically, the NDRC and the relevant responsible government authorities plan to strengthen the guidance on high coal consumption projects, implement energy consumption plans for major national projects and encourage renewable energy consumption. In the fourth quarter of 2021, the cement company suppliers of 22 of our waste treatment projects were required by the local government authorities to temporarily suspend their operations for an average of 41 days to lower the total energy consumption in the respective regions in light of the Dual-control Plan. As a result, our waste treatment projects cooperating with such cement company suppliers were temporarily affected during the period, resulting in adverse effect on our waste treatment volume in the fourth quarter of 2021. Based on our estimation, treatment volume of approximately 60,000 tonnes of industrial solid waste and 65,000 tonnes of industrial hazardous waste were affected during the suspension. Assuming the average service fees of industrial solid and hazardous waste per tonne is RMB308 and RMB1,680, respectively, such suspension affected revenue of approximately RMB128 million in the fourth quarter of 2021. Nonetheless, based on our management accounts, our revenue during the fourth quarter of 2021 continued to grow compared to the same period in 2020. We have taken measures promptly to mitigate the adverse effects. For example, the relevant cement company suppliers and us have been actively communicating with the local governments to limit the suspension period going forward. In addition, we have strengthened our research and development efforts to further increase our waste treatment efficiency. We also plan to further enhance our operating efficiency through deepened regional management. Based on the foregoing, our Directors are of the view that our business and financial results will continue to grow going forward.

SALES AND MARKETING

We have built a professional sales and marketing team staffed across the nation to maintain customer relationships and explore new business opportunities. The sales and marketing team and the senior management team of each of our project companies are responsible for maintaining customer relationships and promoting our services. For example, we frequently visit potential and existing customers to promote our services and also actively participate and hold forums and seminars to expand our brand influences, increase our exposure and develop potential customers. We have also established seven regional management teams responsible for the overall market development in the East, South, North, Central, Northeast, Northwest and Southwest regions of China. Meanwhile, we also engage third parties for marketing our industrial solid and hazardous waste treatment services, supplementary to our in-house team.

OUR CUSTOMERS

Our customers are primarily industrial companies that are in need of treating industrial solid and hazardous waste. Our customers primarily include public, private and state-owned companies engaged in the business such as the production and sales of electronic products, chemical raw materials, industrial materials and new silicone materials, manufacture of batteries, auto parts and electronic components, onshore oil production, and environmental protection engineering services during the Track Record Period. In 2018, 2019 and 2020 and the nine months ended September 30, 2021, our five largest customers in each year/period during the Track Record Period contributed 28.9%, 19.1%, 21.7% and 19.5%, respectively, to our total revenue in the same year/period. In addition, our single largest customer in each year/period during the Track Record Period contributed 11.5%, 6.1%, 6.3% and 8.3%, respectively, to our total revenue in the same year/period.

The following table sets forth some details of our top five customers for the Track Record Period. Due to our confidential obligations, we set forth below the principal business, instead of specific identities, of our five largest customers during the Track Record Period.

For the year ended December 31, 2018

Customer	Principal business	Services provided	Years of business relationship	Amount of revenue	% of the total revenue
				(RMB'000)	
Customer A	Production and sales of electronic products	Industrial solid and hazardous waste treatment services	Since 2016	45,700	11.5%
Customer B	Manufacture of batteries, auto parts and electronic components	Industrial hazardous waste treatment services	Since 2016	38,947	9.8%
Customer C	Production and sales of chemical raw materials	Industrial hazardous waste treatment services	Since 2018	12,838	3.2%
Customer D	Production and sales of new silicone materials	Industrial hazardous waste treatment services	Since 2018	8,970	2.3%
Customer E	The People's Government of Yuezhangji Town, Fengtai County, Huainan, Anhui province (the "**People's Government of Yuezhangji Town**")(1)	Industrial hazardous waste treatment services	Since 2018	8,459	2.1%
Total				**114,914**	**28.9%**

Note:

(1) We provided emergency industrial hazardous waste treatment services for the People's Government of Yuezhangji Town in 2018.

For the year ended December 31, 2019

Customer	Principal business	Services provided	Years of business relationship	Amount of revenue	% of the total revenue
				(RMB'000)	
Customer A	Production and sales of electronic products	Industrial solid and hazardous waste treatment services	Since 2016	44,688	6.1%
Customer F	Procurement and supply of industrial materials	Industrial hazardous waste treatment services	Since 2019	44,623	6.0%
Customer D	Production and sales of new silicone materials	Industrial hazardous waste treatment services	Since 2018	21,461	2.9%
Customer C	Production and sales of chemical raw materials	Industrial hazardous waste treatment services	Since 2018	19,532	2.6%
Customer G	Production and sales of liquid crystal display	Industrial solid and hazardous waste treatment services	Since 2018	10,952	1.5%
Total				**141,256**	**19.1%**

For the year ended December 31, 2020

Customer	Principal business	Services provided	Years of business relationship	Amount of revenue	% of the total revenue
				(RMB'000)	
Customer H	Environmental protection engineering	Industrial solid waste treatment services	Since 2020	71,519	6.3%
Customer F	Procurement and supply of industrial materials	Industrial hazardous waste treatment services	Since 2019	59,220	5.2%
Customer A	Production and sales of electronic products	Industrial solid and hazardous waste treatment services	Since 2016	52,442	4.6%
Customer I	Onshore oil production	Industrial hazardous waste treatment services	Since 2020	33,217	2.9%
Customer D	Production and sales of new silicone materials	Industrial hazardous waste treatment services	Since 2018	30,800	2.7%
Total				**247,198**	**21.7%**

For the nine months ended September 30, 2021

Customer	Principal business	Services provided	Years of business relationship	Amount of revenue	% of the total revenue
				(RMB'000)	
Customer H	Environmental protection engineering	Industrial solid waste treatment services	Since 2020	99,101	8.3%
Customer F	Procurement and supply of industrial materials	Industrial hazardous waste treatment services	Since 2019	39,883	3.3%
Customer A	Production and sales of electronic products	Industrial solid and hazardous waste treatment services	Since 2016	33,732	2.8%
Customer I	Onshore oil production	Industrial hazardous waste treatment services	Since 2020	31,280	2.6%
Customer J	Waste classification and utilization	Industrial solid and hazardous waste treatment services	Since 2018	28,946	2.5%
Total				**232,942**	**19.5%**

Our framework contracts with customers

We generally enter into framework contracts with our customers for the treatment of industrial solid and hazardous waste. The term of our framework contracts generally ranges from four to 12 months. The general terms of our project contracts are summarized as follows:

- **Scope of work.** The contracts set out our scope of work including the collection and transportation and treatment of industrial solid and hazardous waste, together with any agreed after-sales and technical support services. We are also responsible for overseeing and managing the entire treatment process.

- **Pricing and payment.** For each type of industrial solid and hazardous waste, we typically charge a fixed amount of unit price per tonne. In 2018, 2019 and 2020 and the nine months ended September 30, 2021, the average unit price of the industrial solid waste we treated per tonne was RMB319, RMB316, RMB317 and RMB308, respectively, and the average unit price of the industrial hazardous waste we treated per tonne was RMB2,242, RMB2,004, RMB1,889 and RMB1,593, respectively. We generally grant a maximum credit term of one to three months for each instalment of payment.

- **Transportation.** We typically require customers to report composition of waste to us in advance and we conduct sample testing prior to entering into agreements with our customers to ascertain the type, composition, characteristics, pH value, flash point and other relevant indicators of the waste and therefore provide relevant fee quotes with respect to each type of waste. We typically conduct onsite sample testing to make sure the testing results are generally consistent with those from our previous sample testing once the waste is unloaded to our designated point in our treatment facilities. Waste that fails to pass our onsite sample testing will either (i) be returned to our customers in the event that the waste contains any additional content beyond our scope of work and treatment capacity, in which case any transportation costs incurred in connection with the return should be borne by the relevant customers; or (ii) in the event that the waste contains any additional content beyond our scope of work but is within our treatment capacity, we can propose and negotiate new quotations with such customers. In addition, we typically charge additional transportation fees from customers if our customers seek waste transportation services but less than 60% of our vehicle load capacity is utilized for such services.

- **Health, safety and environmental protection.** Both parties shall comply with the applicable health, safety and environmental protection laws and regulations of the PRC, as well as the internal policies of the respective parties.

Pricing Policy and Payment

We typically obtain new contracts through commercial negotiations. We generally negotiate prices with our customers on a case-by-case basis taking into account a number of factors such as the expected treatment and complexity of the project and waste type, our estimated costs plus a reasonable profit margin, customer profiles and our relationship with such customers, any payment terms, and the prices of any competing solutions. We generally assess the relevant factors and review market conditions to adjust our pricing on a regular basis. Our waste treatment service fees are determined based on the type and volume of hazardous waste we treat. Waste treatment service fees may also vary significantly according to the types of hazardous waste based on its characteristics, the difficulty of the treatment process and the guidance price range for the applicable category of industrial hazardous waste set by the local government. In addition, the agreements typically allow us to adjust waste treatment fees through negotiation with our customers under certain circumstances. As advised by our PRC Legal Adviser, while industrial solid waste treatment services are not subject to any price control or regulations by the PRC governmental authorities, industrial hazardous waste treatment services are subject to the guidance price range as published by provincial- and municipal-level government authorities from time to time. As confirmed by our PRC Legal Adviser, during the Track Record and up to the Latest Practicable Date, (i) our pricing policies of industrial hazardous waste treatment services are in compliance with the guidance price range as published by the relevant competent governmental authorities on the hazardous waste treatment services; and (ii) we had not been subject to any penalties or investigations in relation to the non-compliance with the guidance price range as published by the relevant competent governmental authorities on the hazardous waste treatment services.

We carefully evaluate customers' credit history. Depending on their credit history and our negotiations, we may require advance payments or grant credit period of one to three months to our customers. In particular, we typically grant longer credit term to oil sludge treatment services customers due to the relatively longer project cycle and also to large customers including central state-owned enterprises. We typically require our customers to settle with us monthly by wire transfer and bills. For details, see "Financial Information — Major Factors Affecting our Results of Operations — Pricing".

Seasonality

We typically record lower revenue from our waste treatment solutions during the first quarter of every year due to the Chinese New Year holiday. Production at factories in the PRC tends to slow down for at least four weeks before and after the Chinese New Year holiday. Our equipment and materials suppliers and contract manufacturers are often not operating during such holiday period as a result. Therefore, we generally experience a decrease in our provision of services during such period and an increase in our business activities for the period prior to and after the holidays.

OUR SUPPLIERS

Our suppliers primarily consist of engineering equipment providers, construction service providers and cement company suppliers. For details of our arrangement with cement company suppliers, see "— Our Operational Process — Our Strategic Cooperation with Cement Company Suppliers." In 2018, 2019 and 2020 and the nine months ended September 30, 2021, purchases from our five largest suppliers in each year/period during the Track Record Period accounted for 53.8%, 48.8%, 47.5% and 43.8%, respectively, of our total purchases in the same year/period. In addition, purchases from our single largest supplier in each year/period during the Track Record Period accounted for 27.2%, 26.2%, 27.2% and 26.1%, respectively, of our total purchases in the same year/period.

The following table sets out some details of our top five suppliers for the Track Record Period:

For the year ended December 31, 2018

Supplier	Principal business	Products/services provided	Years of business relationship	Amount of purchase	% of total cost of purchase amount
				(RMB'000)	
Supplier A	Manufacture and sales of cement equipment	Engineering equipment	Since 2017	146,583	27.2%
Supplier B	Engineering construction services	Engineering construction services	Since 2018	66,094	12.3%
Supplier C	Engineering construction services	Engineering construction services	Since 2017	26,694	5.0%
Supplier D	Engineering construction services	Engineering construction services	Since 2017	25,131	4.7%
Supplier E	Engineering construction services	Engineering construction services	Since 2018	25,053	4.6%
Total				**289,555**	**53.8%**

For the year ended December 31, 2019

Supplier	Principal business	Products/services provided	Years of business relationship	Amount of purchase	% of total cost of purchase amount
				(RMB'000)	
Supplier A	Manufacture and sales of cement equipment	Engineering equipment	Since 2017	198,044	26.2%
Supplier B	Engineering construction services	Engineering construction services	Since 2018	53,760	7.1%
Supplier E	Engineering construction activities	Engineering construction services	Since 2018	44,588	5.9%
Conch Cement	Manufacture and sales of cement	Cement kiln co-processing services	Since 2017	38,473	5.1%
Supplier F	Engineering construction services	Engineering construction services	Since 2018	34,410	4.5%
Total				**369,275**	**48.8%**

For the year ended December 31, 2020

Supplier	Principal business	Products/services provided	Years of business relationship	Amount of purchase	% of total cost of purchase amount
				(RMB'000)	
Supplier A	Manufacture and sales of cement equipment	Engineering equipment	Since 2017	409,762	27.2%
Conch Cement	Manufacture and sales of cement	Cement kiln co-processing services	Since 2017	92,830	6.2%
Supplier G	Engineering services	Engineering construction services	Since 2019	81,530	5.4%
Supplier H	Engineering services	Engineering construction services	Since 2019	77,837	5.2%
Supplier D	Engineering construction services	Engineering construction services	Since 2017	52,347	3.5%
Total				**714,306**	**47.5%**

For the nine months ended September 30, 2021

Supplier	Principal business	Products/services provided	Years of business relationship	Amount of purchase	% of total cost of purchase amount
				(RMB'000)	
Supplier A	Manufacture and sales of cement equipment	Engineering equipment	Since 2017	476,136	26.1%
Supplier H	Engineering services	Engineering construction services	Since 2019	100,463	5.5%
CNBM	Manufacture and sales of cement equipment and engineering services	Engineering equipment, engineering design and cement kiln co-processing	Since 2020	84,332	4.6%
Supplier I	Garbage disposal	Engineering equipment and plants	Since 2021	73,630	4.0%
Conch Cement	Manufacture and sales of cement	Cement kiln co-processing	Since 2017	66,463	3.6%
Total				**801,024**	**43.8%**

Supplier A, our largest supplier of our Group in 2018, 2019, 2020 and the nine months ended September 30, 2021, was a subsidiary of Conch Venture as of the Latest Practicable Date. Supplier A is principally engaged in providing engineering equipment and construction services and provided engineering equipment to us during our Track Record Period based on arm's length negotiations. The amount of purchase from Supplier A was RMB146.6 million, RMB198.0 million, RMB409.8 million and RMB476.1 million, respectively, in 2018, 2019 and 2020 and the nine months ended September 30, 2021. CNBM, our third largest supplier in the nine months ended September 30, 2021, also held 50% equity interest in Conch Venture CNBM HK as of the Latest Practicable Date. CNBM is a leading material and construction company in China, from which we purchased engineering equipment and utilized their cement kilns for co-treatment of waste during the Track Record Period based on arm's lengths negotiations. The amount of purchase from CNBM was RMB20.9 million and RMB84.3 million, respectively, in 2020 and the nine months ended September 30, 2021. Supplier I, our fourth largest supplier in the nine months ended September 30, 2021 was a subsidiary of Conch Venture as of the Latest Practicable Date. Supplier I is principally engaged in garbage disposal services and provided engineering equipment to us during the Track Record Period based on arm's length negotiations. The amount of purchase from Supplier I was RMB73.6 million in the nine months ended September 30, 2021. None of our Directors and, to the knowledge of our Directors, their respective close Associates, nor any of the Shareholders holding more than 5% of our issued share capital had any interests in any of our five largest suppliers as of the Latest Practicable Date.

QUALITY CONTROL

We have obtained the ISO 9001:2015, ISO14001:2015 and ISO45001:2018 certificates for certain of our subsidiaries, which is valid until 2024 and subject to renewal. Certain of our subsidiaries also obtained the Certificate of Class III Safety Operation Quality (安全生產標準化三級企業), and the Certificate of Class II Hazardous Waste Transportation (道路危險貨物運輸二級), among other authorities. We have also a dedicated quality control department responsible for overseeing the treatment process, including testing treatment samples and reviewing treatment plans. We have implemented extensive quality control measures at every major stage of our operational process, from the design of solutions to the final installation and integration of the waste treatment systems, as well as the procurement process. We typically undergo multiple rounds of inspections on our suppliers through site visits and evaluation, as well as sample testing, before supplying any equipment and/or raw materials to us. This ensures that the equipment and raw materials we procure can meet the standards and quality requirements set by us and our customers. We perform inspections on the equipment/raw materials after delivery by the suppliers to our project site before putting them into use and return sub-quality products identified during our inspections.

INTERNAL CONTROL AND RISK MANAGEMENT

We have engaged an Internal Control Consultant in July 2021 to review the effectiveness of our internal controls associated with our major business processes, including entity level control, financial closing and reporting, revenue and collection, purchasing and payment, production and quality management, health, safety and environment management, fixed assets management, project management, payroll management, treasury management, investment management, contract management, research and development and intangible assets management, information technology general control and insurance management. The Internal Control Consultant identified internal control deficiencies and provided recommendations accordingly. We have adopted the corresponding remediation actions to improve the effectiveness of internal control system. The Internal Control Consultant performed a follow up review with regard to the actions taken by us in September 2021 and confirmed that no material deficiencies were identified. With respect to the system design of the internal control mechanism, our Directors are of the view that our enhanced internal control system is adequate and effective for our current operations.

OCCUPATIONAL SAFETY, HEALTH AND ENVIRONMENTAL MATTERS

We have taken measures to ensure compliance with applicable national and local laws and regulations concerning workplace safety. We have implemented detailed procedures and protocols to ensure the safety operation and handling of industrial solid and hazardous waste, including the following, among many others:

(i) **collection**. We established management measures of the collection of industrial solid and hazardous waste setting out the detailed requirements and protocols to follow during the waste collection process. In particular, we require to conduct sample testing process prior to entering into agreements with our customers to ascertain the type, composition, characteristics, pH value, flash point and other relevant indicators for our formulation of detailed treatment plans based on the waste type to ensure its safety and efficient treatment and handling. We properly keep all testing results on our system for record-keeping purposes;

(ii) **waste transportation**. We require the waste transportation crew to strictly follow our protocols regarding the packaging, transportation and unloading of waste. Specifically, we require the transportation crew to commit to proper preparedness and inspection of the freight to ensure compliance with the relevant national standards and that there is no potential leakage. In addition, we provide detailed guidance and trainings to our transportations crew to ensure that all industrial solid and hazardous waste is clearly labelled, and properly stored and loaded during the transportation. We also require our operation staff to summarize and submit the details of the waste to be transported to the transportation team prior to the date of the transportation and formulate daily transportation schedule together for the transportation crew to follow. Meanwhile, we also require the transportation crew to (a) keep the necessary records and reports, maintain adequate facility standards, and properly manage tanks and containers; (b) make sure that all loads are properly placed on vehicles, and are secured with straps, clamps, braces or that other measures to prevent movement and loss are in place. We require the transportation crew to pay close attention to the load at all times and report to us in case of any emergency;

(iii) **sample testing**. We also conduct sample testing after the waste is unloaded to our designated point in our treatment facilities, to ensure the type, composition, characteristics, pH value, flash point and other relevant indicators of the waste are consistent with the sample testing results prior to entering into agreements with the relevant customers so that we can follow our treatment plans based on the waste type to ensure its safety and efficient treatment and handling. We properly keep all testing results on our system for record-keeping purposes;

(iv) **storage**. We label waste and store the labelled waste at our storage pit for further treatment. To prevent chemical reactions during storage, we have specific guidance on the storage humidity and temperature, and storage distance from other waste based on the chemical composition and characteristics of each waste. We also make records of the stored waste, including, for example, the storage date and the remaining treatment amount. In addition, we have dedicated staff to routinely inspect our storage pit to make sure all waste is properly and safely stored;

(v) **operational safety**. We regularly provide operation- and safety-related trainings to our personnel and require all personnel to properly follow the instructions of each equipment/ facilities they are responsible for. We have established an emergency reporting system, requiring prompt reporting to management in case of any emergency events and we conduct regular and ad hoc inspections on our equipment/facilities to ensure operational safety. We have full-time safety management personnel responsible for supervising workplace safety and occupational health, hygiene and safety, as well as performing internal safety checks during the production process to minimize accidents, injuries and occupational diseases;

(vi) **emissions**. All the gases and waste water produced during our business are typically handled by our cement kiln company suppliers pursuant to our agreements. Gases are only discharged after meeting the emission standards in cement kilns. Meanwhile, all the emission parameters are monitored in real time and an alarm will be triggered in the event of any excessive emission. Waste water is only discharged to municipal sewage when it meets the standard of national and local water discharge requirements. From time to time, we also conduct regular tests to ensure that the surrounding environment and our discharge is safe. Due to the nature of cement kiln waste treatment technologies, the chances of producing excessive emission is extremely low and generally do not produce any solid waste as we can use all the solid residues for cement production. As confirmed by our Directors, we did not experience any material environmental pollution accident during the Track Record Period and up to the Latest Practicable Date; and

(vii) **occupational health.** We evaluate the current situation and test the hazardous factors regularly, and the results are announced in the plant. Our employees are organized to carry out occupational health checkups and the occupational health management files are formed accordingly.

As of the Latest Practicable Date, according to our PRC Legal Advisor, we had complied with the applicable PRC laws and regulations in environmental and occupational health and safety in all material aspects, and there are no significant violations and administrative penalties. In addition, based on the agreed work scope, the sampling work procedures conducted and the internal control policies put into place, our Internal Control Consultant is of the view that our internal control measures in relation to our safety operation and handling of industrial solid and hazardous waste are adequate and effective for our operations. Based on (i) the review of internal control report and discussion with the Internal Control Consultant in relation to the work procedures performed by them, (ii) the review of relevant internal control policies and (iii) the view of the Internal Control Consultant, nothing has come to the attention of the Joint Sponsors that would reasonably lead to the Joint Sponsors to disagree with the view of the Internal Control Consultant that the internal control measures regarding safety operation and handling of industrial solid and hazardous waste of the Group are adequate and effective for its operations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG")

The major pollutants generated by our waste treatment facilities are air pollutants and exhaust and greenhouse gas. Due to our business nature to use cement kiln to co-process waste, cement company suppliers bear the responsibility to ensure its compliance with the emission standards as applicable to their cement production, and we only bear the responsibility to ensure our waste treatment is in compliance with the Standard for Pollution Control on Co-processing Solid Waste in Cement Kiln (水泥窰協同處置固體廢物污染控制標準) issued by the Ministry of Environmental Protection and the General Administration of Quality Supervision, Inspection and Quarantine in 2013 (the "**Standard for Pollution Control**"). Pursuant to the Standard for Pollution Control, the maximum concentration standard of hydrogen fluoride and hydrogen chloride is $1mg/m^3$ and $10\ mg/m^3$, respectively. In 2019, 2020 and 2021, the total costs of compliance with applicable PRC national and local environmental laws and regulations were approximately RMB1.0 million, RMB2.1 million, RMB2.9 million, respectively.

Governance

We acknowledge our responsibilities on environmental protection, social responsibilities and are aware of the climate-related issues that may have impact on our business. We are committed to complying with environmental, social and governance ("**ESG**") reporting requirements upon listing. We undertake to establish ESG policies (the "**ESG policy**") in accordance with the standards of Appendix 27 to the Listing Rules after the Listing, which will outline, among others, (i) the appropriate risk governance on ESG matters, including climate-related risks and opportunities; (ii) identification of key stakeholders and the communication channels to engage with them; (iii) ESG governing structure, (iv) ESG strategy formation procedures; (v) ESG risk management and monitoring; and (vi) the identification of key performance indicators (the "**KPIs**"), the relevant measurements and mitigating measures.

Our ESG Policy will also set out the respective responsibility and authority of different parties in managing the ESG matters. Our Board will be responsible for overseeing and determining our Group's environmental-related, climate-related and social-related risks and opportunities impacting our Group, establishing and adopting the ESG Policy, strategies and targets of our Group, and reviewing our Group's performance annually against ESG-related targets and revising the ESG strategies as appropriate if significant variance from the target is identified.

We undertake to have our strategic sustainable development and risk management committee to be responsible for the ESG-related matters after the Listing to assist our Board to oversee ESG governance, ensure implementation of ESG policies, monitor ESG-related performance and targets, adjust ESG strategies as appropriate and prepare the ESG report. Our strategic sustainable development and risk management committee will support our Board in implementing the agreed ESG Policy, targets and strategies, conducting materiality assessments of environmental-related, climate-related, social-related risks and assessing how we adapt our business in light of climate change, collecting ESG data from the relevant interested parties while preparing for the ESG report, and continuously monitoring the implementation of measures to address our Group's ESG-related risks and responsibilities. Our strategic sustainable development and risk management committee will in general be responsible for the investigation of deviation from targets and liaise with the production department and environmental safety department to take prompt rectification actions. Our strategic sustainable development and risk management committee will report to our Board via board meeting on the ESG performance of our Group, the effectiveness of these ESG systems and any applicable recommendations. We also plan to engage an independent ESG consultant after the Listing to further assist our responsibilities relating to ESG matters.

ESG-related risks and opportunities

We are subject to the PRC national and local environmental laws and regulations, including but not limited to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), the Environmental Impact Assessment Law of the PRC (《中華人民共和國環境影響評價法》), the Law of the PRC on Prevention and Control of Air pollution (《中華人民共和國大氣污染防治法》) and the Management Regulations of Environmental Protection of Construction Project (《建設項目環境保護管理條例》). For details, see "Regulatory Environment — Laws and regulations relating to environmental protection" in this listing document.

Our business operations are highly regulated by the PRC environmental laws and regulations. In 2019, 2020 and 2021, the total costs of compliance with applicable PRC national and local environmental laws and regulations were approximately RMB1.0 million, RMB2.1 million, RMB2.9 million, respectively. Failure to comply with applicable PRC environmental protection laws and regulations may result in significant consequences, including administrative, civil and criminal fines or penalties imposed by the relevant authorities, liability for damages, costly litigation or negative reputation. Further, failure to manage environmental compliance risks efficiently, our business, financial condition, results of operations and prospects may be materially and adversely affected.

During the Track Record Period and up to the Latest Practicable Date, we had not received any material fines or penalties associated with the non-compliance with any environmental laws and regulations. As confirmed by our Directors, we have complied with the latest environmental-related laws and regulations in all material aspects. Our directors also confirm that the impact of the latest legal development on our business operations and financial performance is relatively low.

In addition, we may be exposed to potential financial loss and non-financial detriments arising from environmental and climate-related risks, which includes the transition risks and physical risks. Acute physical risks can arise from extreme weather conditions such as flooding and storms, and chronic physical risk can arise from sustained high temperature, which may have potential financial implications for our Group. The operation of our waste treatment facilities may be interrupted and direct damage to our assets may result upon occurrence of extreme weather conditions. Also, we may experience indirect impacts from supply chain disruption if our suppliers suffered from extreme weather conditions like flooding. Severe flooding caused by heavy rain or continuing rainfall may have material impact on our business, but we have established emergency response plans and procedures in order to reduce the risks caused by extreme weather, and the emergency response mechanism will be constantly reviewed by our Board and improved accordingly. Upon evaluation, it is concluded that our Group's risk of exposure to extreme weather conditions that cause operational and supply chain disruption is relatively low. As confirmed by our Directors, our Group has not suffered any operational supply chain disruption due to the extreme weather conditions since its establishment. While sustained high temperature may result in an elevation of electricity consumption, we have adopted energy conservation measures in managing such risk.

The laws and regulations on environmental protection in the PRC may change from time to time and any change may increase our cost of compliance and place burden on our operations. See "Risk Factors — Risks relating to conducting business in the PRC — Changes in the PRC economic, political and social conditions, as well as government policies, could affect our business, prospects, financial condition and results of operations" in this listing document for further information. Such regulatory developments, together with existing laws, regulations and expectations, may have impact on our business operations and thus present transition risks to us.

We actively identify and monitor the climate-related risks and opportunities over the short, medium and long term. We are seeking to incorporate such risks and opportunities into our business, strategy and financial planning. Set forth below is a summary of the climate-related risks and opportunities our Group identified.

A. *Climate-related risks*

	Climate-related risks	**Potential impacts**
Short term (current annual reporting period)	• Extreme weather conditions such as flooding or heat	• Damage to assets • Negative effects on business operations • Disruption to supply chain and impact on revenue
Medium term (one to three years).	• Heightened pollutant discharge policies • Environmental regulatory compliance risks	• Higher operating costs due to increased costs for pollutant discharge, fines and penalties as a result of non-compliance and higher operating costs incurred in connection with investment in new equipment • Increased operating costs of environmental regulatory compliance
Long term (four to 10 years)	• Worldwide initiatives for reducing carbon emissions	• Higher operating costs or tax burdens

B. *Opportunities*

Opportunities		**Potential Impacts**
Resource efficiency. . .	• More energy-efficient machinery, equipment and technologies • Supportive policy incentives on raising the efficiency of resources consumed, such as water and energy	• Reduced operating costs

Opportunities		Potential Impacts
Market	• Governmental encouragement of circular economy leads to increasing demand for waste treatment services • More recycling channels of industrial solid and hazardous waste to promote the growth of the market	• Increased revenue
Technology	• More technology research and development efforts on industrial solid and hazardous waste resource utilization to enhance the utilization value of industrial solid and hazardous waste	• Increased profit

Strategies in addressing ESG-related risks and opportunities

We are actively practicing the concept of sustainable development, establishing and continuously improving the ESG management structure, and promoting and optimising ESG management. Our Group's goals are to step up the presence in the environmental protection industry, facilitate ecological civilisation construction and promote the development of low-carbon economy. We pay attention to the needs of all stakeholders, take environmental responsibilities, promote sustainable development to a new level and create sustainable value for the society.

Our Board of directors is responsible for assessing and identifying ESG-Related risks to the Group, examining and approving ESG policies and will examine and approve the ESG report upon listing. In addition, our strategic sustainable development and risk management committee conducting research and making suggestions for our medium and long-term development strategies, conducting research, analysis and risk assessment on its ESG-related issues, ensuring the establishment of an effective risk management system to continuously monitor its risk management measures and will review the ESG report prepared by our functional departments and subsidiaries. Our functional departments and our subsidiaries also assigning dedicated individuals to be responsible for the collection of ESG-related data, reporting regularly to the management of the Company to assist them in assessing and determining whether ESG-related risk management and internal control system is appropriate and effective and will prepare the ESG report upon listing.

Our environmental protection performance

In line with our vision for sustainable development, we pay more attention on our environmental protection performance. The table below sets forth an analysis of our environmental protection performance in 2021:

A. *Air pollutant emissions*[1]

	Year ended December 31, 2021
	(tonne)
Nitrogen oxides (NOx) emissions	43.81
Sulfur oxide (SOx) emissions	0.07
Particulate matter (PM) emissions	4.34

Note:

(1) The air pollutant emissions are mainly generated by our transportation vehicles, and the calculations are based on the Vehicle Emission Calculation (VEC) model of the Environmental Protection Department of Hong Kong (EMFAC-HK) and the MOBILE6.1 Particulate Emission Factor (PEF) of the United States Environmental Protection Agency (USEPA).

B. *Exhaust gas emissions*

	Year ended December 31, 2021
	(tonne)
Hydrogen Fluoride (HF)[1]	69
Hydrogen chloride (HCl)[2]	362

Notes:

(1) Pursuant to the Standard for Pollution Control, the maximum concentration standard of hydrogen fluoride is 1mg/m^3. We engage local third party professional monitoring companies to regularly monitor the concentration of our hydrogen fluoride emissions regularly in each year. In 2021, the test results of the concentration of our hydrogen fluoride emissions of all our projects are below the maximum concentration standard prescribed in the Standard for Pollution Control.

(2) Pursuant to the Standard for Pollution Control, the maximum concentration standard of hydrogen chloride is 10mg/m^3. We engage local third party professional monitoring companies to regularly monitor the concentration of our hydrogen chloride emissions regularly in each year. In 2021, the test results of the concentration of our hydrogen chloride emissions of all our projects are below the maximum concentration standard prescribed in the Standard for Pollution Control.

*C. Greenhouse gas ("**GHG**") emissions*[1]

	Year ended December 31, 2021
	(tCO_2e)
GHG emissions	
— Scope 1 Direct	19,561
— Scope 2 Indirect	55,321
Total GHG emissions	74,882
GHG intensity (per thousand RMB operating revenue[2])	0.04
	(unaudited)

Notes:

(1) The calculation of GHG emission is based on the GHG Protocol ("溫室氣體核算體系") issued by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD), the 2006 IPCC Guidelines for National Greenhouse Gas Inventories ("**2006年IPCC國家溫室氣體清單指南**") issued by the Intergovernmental Panel on Climate Change (IPCC), and the Guidelines for Accounting Methods and Reporting of Greenhouse Gas Emissions of Enterprises in Other Industries (for Trial Implementation) ("工業其他行業企業溫室氣體排放核算方法與報告指南(試行)") issued by the National Development and Reform Commission of the People's Republic of China.

(2) The GHG intensity per thousand RMB operating revenue is calculated based on our management account.

D. Energy consumption[1]

	Year ended December 31, 2021
Direct energy consumptions[2] (MWh)	80,402
— Natural gas (m^3)	2,715,528
— Liquefied petroleum gas (kg)	507
— Coal-fired (tonne)	256
— Diesel (l)	4,584,867
— Gasoline (l)	444,660
Indirect energy consumptions[3] (MWh)	86,152
Total energy consumptions (MWh)	166,554
Energy consumptions intensity (per thousand RMB operating revenue [4])	0.10
	(unaudited)

Notes:

(1) The applicable standard was the National Standard of the People's Republic of China "General Rules for Calculating Comprehensive Energy Consumption" ("綜合能耗計算通則") (GB2589-2020).

(2) Direct energy consumptions are mainly included natural gas, liquefied petroleum gas, coal-fired, diesel and gasoline used in our business operation process.

(3) Indirect energy consumptions are mainly from the purchased electricity consumption.

(4) The energy consumptions intensity per thousand RMB operating revenue is calculated based on our management account.

E. Water consumption

	Year ended December 31, 2021
Municipal water consumption (tonne)[(1)]	102,696
Municipal water consumption intensity (per thousand RMB revenue)[(2)]	0.06
	(unaudited)

Notes:

(1) Municipal water is mainly the domestic water used by our employees in the production plant.

(2) The municipal water consumption intensity per thousand RMB revenue is calculated based on our management account.

Metrics and targets

Further, our Group will actively set metrics and targets for material KPIs at the beginning of each financial year with reference to the disclosure requirement of Appendix 27 to the Listing Rules. Our Group strive to reduce gas emissions through strict internal management and innovative research and development. In setting targets for the KPIs, our Group has taken into account their respective historical levels during the Track Record Period and has considered its future business expansion in a thorough and prudent manner with a view of balancing business growth and environmental protection to achieve sustainable development. Set forth below are some key metrics and targets for the material KPIs we have currently identified:

(i) in relation to pollutants discharged and emissions, the key metrics mainly include direct scope 1 and scope 2 GHG emissions in tonnes of carbon dioxide equivalent, and GHG emitted per revenue in tonnes of carbon dioxide equivalent per RMB. We target to reduce our GHG emitted per revenue; Also, for air pollutant emissions generated by our transportation vehicle, we target to optimize the transportation routes to reduce the emissions in transportation. For non-kiln projects, we target to further optimize the flue gas purification process through technological innovation to reduce the harmful gas emissions;

(ii) in relation to use of resources, the key metrics mainly include the amount of direct energy and indirect energy, the volume of water in tonnes and the energy and water consumed per revenue. We target to reduce our consumption of energy and water per revenue; For the cement kiln treatment waste project, we target to save and replace part of the coal required for cement kiln production for the purpose of saving resources and reducing emissions;

(iii) in relation to waste generated, we target to maintain 100% compliance rate in relation to the industrial solid and hazardous waste treatment; and

(iv) save for the abovementioned targets, we target to maintain zero environmental pollution accidents for our overall environmental matters.

The metrics and targets used to assess social-related risks mainly include employee gender structure, employee turnover rate, employee age distribution, frequency of employee training, and completion of learning hours. Our Group has taken measures to ensure compliance with applicable national and local laws and regulations concerning workplace safety, including those on the handling of industrial solid and hazardous waste. See "— Occupational Safety, Health and Environmental Measures — Environmental, Social and Governance" for further details. As of the Latest Practicable Date, according to our PRC Legal Advisor, we had complied with the applicable PRC laws and regulations in environmental and occupational health and safety in all material aspects, and there are no significant violations and administrative penalties, including those in relation to the violations of environmental performance indicators. Our Group targets to continuously provide a safe workplace environment and maintain a clean record of material work-related injuries.

Upon the Listing, our Directors confirm that we will closely monitor and ensure strict compliance with Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules, the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 of the Listing Rules and all relevant rules and regulations in relation to environmental, social and governance aspects.

THE COVID-19 PANDEMIC

There has been an outbreak of a novel strain of coronavirus named COVID-19 that was first reported in late 2019 and has spread within the PRC and globally. COVID-19 is considered highly contagious and may pose a serious public health threat. In order to reduce the risk of a widespread of COVID-19, the PRC government had imposed a lockdown since January 23, 2020 and announced to extend the Chinese New Year holiday and delay the resumption of work in the PRC. Different local governments of the PRC had imposed temporary restrictions or bans on passenger traffic to control the spread of COVID-19.

In response to the government measures, we extended our Chinese New Year holiday in 2020 for our employees. We required certain of our operational employees to remain at our waste treatment facilities to maintain necessary waste treatment operations during the holiday and did not suspend our operation during the Track Record Period and up to the date of the listing document. Other employees were allowed to work from home until early March after the end of the Chinese New Year holiday in 2020. Due to the COVID-19 pandemic, companies, including our customers, suspended their operations during the first half of 2020 and therefore our customers' demand for industrial solid and hazardous waste treatment services and our treatment volume declined during the period. Nevertheless, we were able to increase our treatment volume in 2020 and our revenue increased from RMB737.8 million in 2019 to RMB1,144.0 million in 2020.

Although the general conditions of the COVID-19 outbreak had been substantially improved since the second half of 2020, there has been temporary, regional cases of COVID-19 in China. In December, Xi'an in Shaanxi province, had more than 1,000 COVID-19 confirmed cases (the "**Xi'an Outbreak**") and the local government locked down Xi'an to contain the spread of the COVID-19. As of the date of the listing document, the Xi'an Outbreak had been effectively controlled. However, the COVID-19 pandemic in China since the fourth quarter of 2021 interrupts the daily business operations in cities like Tianjin and Xi'an and negatively affects the economic development in such areas. Nonetheless, compared to other industries, industrial production industries (including the industrial solid and hazardous waste treatment market and cement kiln waste treatment market) were generally less affected by the interruption of COVID-19, according to Frost & Sullivan.

To the best knowledge of our Directors, our results of operations in the nine months ended September 30, 2021 and up to the date of this listing document were particularly affected by the COVID-19 pandemic in the following aspects:

- **Delay in projects under construction**. We have two projects under construction in Yiyang and Xinhua in Hunan province which were originally expected to be completed in construction and put into use in November 2021 and September 2021, respectively. However, due to the COVID-19 pandemic, the construction of such two projects were delayed. As of the date of the listing document, the project in Xinhua has been put into operation since January, 2022 and we expect that the project in Yiyang will be put into use in the first half of 2022.

- **Restrictions on inter-provincial transportation**. Due to the evolving COVID-19 pandemic, local governments and transportation authorities have been actively implementing more stringent measures with respect to the inter-provincial transportation of industrial solid and hazardous waste in 2021. As a result, certain of our applications for the transportation of industrial solid and hazardous waste were not approved (which is one-off in nature) and therefore we did not accept such waste for treatment. However, we confirm that we were not held liable by any such customers due to the COVID-19 pandemic.

- **Lockdown of cities in which we have operations**. In response to the evolving COVID-19 pandemic, the local governments locked down the cities or areas with the identified high risks of COVID-19. For example, Xi'an, Shaanxi province, were locked down in December 2021. The business operations of four of our projects located in Shaanxi province were suspended for an average of 12 days in December 2021 as a result. In addition, the business operations of our customers located in Shaanxi province were also suspended or adversely affected and the demand for industrial solid and hazardous waste treatment services in Shaanxi province declined in December 2021.

Nonetheless, our Directors confirm that the above impacts of the COVID-19 on our business are immaterial. Our revenue increased from RMB717.6 million in the nine months ended September 30, 2020 to RMB1,194.4 million in the nine months ended September 30, 2021. In addition, based on our management accounts, our revenue in the fourth quarter of 2021 continued to grow as compared to the same period in 2020. However, there remains the possibility of further spread of COVID-19, in which case, our business may be impacted by the outbreak and the relevant measures adopted by the government. See "Risk Factors — Risks Relating to Our Business and Industry — COVID-19 pandemic could have a material adverse effect on our business, financial condition and results of operations".

We were committed to supporting staff in every way possible during the critical period. Since the beginning of the outbreaks and up to the date of the listing document, we had not had any suspected or confirmed COVID-19 cases on our premises or among our employees. To prevent any spread of COVID-19 in our offices, we have adopted a series of preventive measures to protect our employees from contracting COVID-19. These measures include:

(i) requiring all employees to report their health condition and travel history to their respective department regularly;

(ii) measuring the temperature of all employees before they enter into working areas;

(iii) providing sanitary masks to employees and requiring employees to wear sanitary masks when entering into working areas, and providing disinfecting products, including hand cleaning gel and alcohol disinfectant to employees for their personal hygiene;

(iv) regularly cleaning and disinfecting our work places and other public areas; and

(v) managing the diversified working arrangements and conducting the production and operation orderly while ensuring the health and safety of our staff.

Meanwhile, we coordinated with the local governments where our projects were located and proactively applied for the resumption of projects under construction. In addition, we also proactively made use of our spare transportation capacity to deliver medical supplies into Hubei province during March 2020 to solve the urgent need of local hospitals.

Our Directors confirmed that, considering that (i) our revenue continued to grow since the outbreak of COVID-19 in 2020; (ii) the industry we are in are generally less affected by the COVID-19 pandemic as compared to other industries according to Frost & Sullivan; and (iii) the PRC national and local governments have been proactively taking measures to contain the spread of COVID-19, the COVID-19 pandemic did not have any material adverse impact on our business and results of operations in the short and long term, and is not expected to bring any permanent or material interruption to our operations.

COMPETITION

We operate in a competitive industry. We generally compete with waste treatment providers who employ cement kiln waste treatment technologies or competing technologies in the markets for the provision of industrial solid and hazardous waste treatment services, including with new entrants to the market. Competition largely focuses on advancement of technology, price of services, quality and variety of services provided, financial capacity and access to customers.

In addition, when we enter into a new market, we may face intense competition from companies with an established presence in the relevant geographical areas and from other companies with similar expansion targets. We cannot assure you that we will be able to successfully compete to expand into other parts of the PRC. For details, see "Risk Factors — Risks Relating to our Business and Industry — We may not be able to compete effectively in our industry".

INTELLECTUAL PROPERTY

We rely on a combination of patent, copyright, trademark and trade secret laws and restrictions on disclosure to protect our intellectual property rights. As of the Latest Practicable Date, we had registered 68 and applied for 27 patents, and registered 26 trademarks in the PRC. As of the same date, we had registered five domain names. See "Appendix V — General Information — B. Further Information about our Business — 2. Intellectual Property Rights".

We had not been subject to any material infringement of our intellectual property rights or allegations of infringement by third parties during the Track Record Period.

EMPLOYEES

We believe that our professional workforce is the foundation of our long-term growth. The following table sets forth a breakdown of our employees by business function as of September 30, 2021.

	Number of Employees	Percentage
Management	390	12.0%
Technology, Research and Development	1,729	53.3%
Operation	374	11.5%
Financial	103	3.2%
Human Resource	319	9.8%
Transportation	331	10.2%
Total	**3,246**	**100.0%**

The following table sets forth a breakdown of our employees by region as of September 30, 2021:

	Number of Employees	Percentage
East China	1,004	30.9%
South China	502	15.5%
North China	551	17.0%
Central China	332	10.2%
Southwest China	251	7.7%
Northwest China	529	16.3%
Northeast China	77	2.4%
Total	**3,246**	**100.0%**

As of September 30, 2021, 855 employees had bachelor's degrees or above, accounting for 26.3% of our total employees.

We are committed to establishing a competitive and fair remuneration. In order to effectively motivate our employees, we continually refine our remuneration and incentive policies through market research. We conduct performance evaluation for our employees annually to provide feedback on their performance. Compensation for our employees typically consists of basic salary and a performance-based bonus.

We provide social insurance plans and housing provident funds in accordance with applicable PRC laws and regulations to our employees. We pay great attention to our employees' welfare, and continually improve our welfare system. We offer employees additional benefits such as annual leave, stipend, supplementary medical insurance, annuity, health examinations and medical insurance for family members, among other things.

During the Track Record Period, we did not have any strikes, protests or other material labor conflicts that may materially impair our business and image. As of the Latest Practicable Date, we had no labor union.

INSURANCE

We purchase and maintain insurance for the operation of our waste treatment solution services in accordance with local laws and regulations and government policies. We purchased property insurance and equipment insurance during the Track Record Period. We do not maintain any business interruption insurance, which is not mandatory under PRC laws. We do not maintain keyman life insurance, insurance policies covering damages to our network infrastructures or information technology systems or any insurance policies for our properties. Our Directors believe that our insurance coverage is in line with what is usual and common practice in our industries in the PRC. See "Risk Factors — Risks Relating to Our Business and Industry — Our insurance may be inadequate to protect us from potential losses".

During the Track Record Period and up to the Latest Practicable Date, we had not had any material claims or liabilities arising from any accidents relating to our operations or properties, nor did we experience any material property loss, damage, business interruptions or product liability incidents. During the Track Record Period, we did not make any material insurance claims in relation to our business.

PROPERTIES

We own and occupy certain properties in the PRC in connection with our business operations. These properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. As of the Latest Practicable Date, we occupied 129 parcels of land in the PRC with a total gross site area of 637,700.5 square meters, owned 22 properties in the PRC with an aggregate gross floor area of 169,001.8 square meters, and leased three parcels of land in the PRC, with an aggregate gross site area of 32,190.2 square meters.

As of September 30, 2021, none of the properties held or leased by us had a carrying amount of 15% or more of our consolidated total assets. According to Chapter 5 of the Hong Kong Listing Rules and section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this listing document is exempt from the requirements of section 342(1)(b) of the Companies (Winding up and Miscellaneous Provisions) Ordinance to include all interests in land or buildings in a valuation report as described under paragraph 34(2) of the Third Schedule to the Companies (Winding up and Miscellaneous Provisions) Ordinance.

Owned Properties

As of the Latest Practicable Date, we occupied 129 parcels of land in the PRC with a total gross site area of approximately 637,700.5 square meters in aggregate. We had obtained the relevant land use right certificates for 121 parcels of land with a total gross site area of approximately 553,447.3 square meters and therefore owned the land use rights of such land as of the Latest Practicable Date. We obtain the land use rights of land through transfer from cement company suppliers through the bidding process, acquisition of projects or transfer from the local government through the bidding process. The table below sets forth the breakdown of the 121 parcels of land for which we obtained the land use right certificates as of the Latest Practicable Date.

	Number of parcels of land
Transferred from cement company supplier through the bidding process	113
Acquisition of projects	7
Transferred from the local government through the bidding process	1

We had not obtained the land use right certificates for the land occupied by eight properties with a total gross floor area of 39,133.8 square meters (the ''Relevant Lands''). As confirmed by our PRC Legal Adviser, although we have not obtained the land use right certificates of the Relevant Lands and therefore have not obtained the real property ownership certificates of the eight properties erected on the Relevant Lands, we complied with all the relevant building safety and fire safety regulations for the properties erected on the Relevant Lands. Our PRC Legal Advisor also confirmed that our lack of the land use right ownership of the Relevant Lands and the lack of the real property ownership of the properties erected on the Relevant Lands do not affect our ability to derive income from the Relevant Lands and the properties erected on the Relevant Lands.

We typically acquire the land use rights of the land in and/or around our cement company suppliers to carry out our operations. Specifically, when choosing the cement company supplier to cooperate with and the target project company for acquisition, we carefully evaluate the suitability taking into consideration a number of important factors, including, among others:

- **Location and demand**. We conduct market research on whether there is strong industrial solid and hazardous waste treatment demand around the area in which any cement company supplier candidate and target project company is located;

- **Technical feasibility**. We evaluate the technical feasibility to construct cement kiln waste treatment facilities on and/or next to the cement company supplier and target project company;

- **Operational history**. We conduct due diligence on whether the cement company supplier is in good standing and whether there is any outstanding material investigation or litigation; and

- **Compliance**. We also take into account the compliance status of the cement company supplier's and target project company's land and properties by conducting due diligence on whether there is any property-related risk before cooperation and/or acquisition for our operations. We will carefully evaluate the defective title risks, including the likelihood to cure the defects and the materiality of the defects, while also comprehensively taking into consideration of other important factors set forth above, especially whether the cement company supplier and/or the target project company with defective titles will, however, support us with strong industrial solid and hazardous waste treatment demand and whether there was any outstanding investigation, penalty or request for remedial actions from the relevant competent authorities. Therefore, during the Track Record Period and up to the Latest Practicable Date, we acquired (i) the land use rights from certain cement company suppliers and (ii) certain project companies, despite their defective titles, as we believe (i) the location of the cement company suppliers and target project companies with defective titles can support us with strong industrial solid and hazardous waste treatment demand; (ii) the risks of not being able to continue to use the relevant land are remote considering that, among others, there was no outstanding investigation, penalty or request for remedial actions from the relevant competent authorities; (iii) we proactively work with the relevant parties and competent authorities to cure the defective titles; and (iv) we are committed to comply with the relevant PRC laws and regulations for the construction and completion and acceptance of the properties to be built on the acquired land in all material aspects.

The table below sets forth the details of the Relevant Lands which we had not obtained the land use right certificates as of the Latest Practicable Date.

	Gross site area[(1)]	Gross floor area[(2)]	Current use	Reasons for the noncompliance	Rectification status	Expected time to obtain the real property ownership certificate[(3)]	PRC Legal Adviser's view
	(square meters)						
1[(4)]	1,500	1,200	Waste treatment plant	This parcel of land is located within the cement company supplier's plant and occupied and used by the cement company supplier. However, we understand that the cement company supplier failed to obtain the relevant land use right certificates for its entire plant. Based on our experience, it is more practicable for the cement company supplier to transfer the land use right certificate of this parcel of land to us after it obtains the land use right certificate for all the land within its plant. We chose to acquire the land use rights and cooperate with the cement company supplier after comprehensively considering the overall risks and benefits.	We have obtained a written confirmation letter from the relevant competent authorities with respect to the completion and acceptance of the property located on the land, indicating that we could continue to use such property. On January 28, 2022, the cement company supplier granted us the pre-emptive right to acquire the land use right of the land after its obtaining of the land use right certificates of the entire plant, and it undertakes to cooperate during the transfer process. In addition, we understand from the cement company supplier that it has been actively taking measures to apply for the land use right certificates for all the land within its plant. We also conducted an interview with the competent land resources and planning department on January 29, 2022, indicating that the cement company supplier's obtaining of land use right certificates of its plant would take two to three years, and the transfer of the land use right certificates from the cement company supplier to us only takes a relatively short period of time and we could continue to use the land in the interim.	By September 2025	Our PRC Legal Adviser confirms that there is no legal impediment or obstacle in obtaining the land use right certificate of the land after the cement company supplier (i) obtains the land use right certificates for its entire plant and (ii) transfers the land use right of the land occupied by us to us. With respect to (i), the cement company supplier is in the process of obtaining the land use right certificates of its land and the interview with the director of the competent government authority confirms that (a) it is aware that the land has been used by the cement company supplier for more than 20 years despite the lack of land use right certificates; (b) the possibility of relocation or discontinuation of operation is remote (c) it is aware that the cement company supplier is in the process of obtaining the relevant land use right certificates and it estimates that it would take two to three years for the cement company supplier to obtain the land use right certificates of its plant and the transfer from the cement company supplier to us only takes a relatively short period of time; and (d) we could continue to use the land in the interim. With respect to (ii), the cement company supplier has granted the pre-emptive right to acquire the land use right of the relevant land to us. Our PRC Legal Adviser is of the view that the cement company supplier is eligible to legally transfer the land use right certificate to us after its obtaining of the land use right certificates of its plant, considering that (i) the cement company supplier confirmed that it has not been subject to any penalties or investigations in relation to land by the relevant competent authorities nor received any notice or request of relocation since its inception; (ii) as confirmed by the director of the competent land resources and planning department, the possibility of requiring the cement company to relocate or discontinue its operations is remote considering the cement company supplier's long stable operation history; and (iii) the cement company supplier is in the process of obtaining the land use right certificates. Our PRC Legal Adviser is also of the view that the possibility of our construction and operation of waste treatment project on the land being investigated or penalized is remote, particularly considering that (i) the local government entered into an agreement with the cement company supplier and us, acknowledging the cement company supplier and us to be responsible for the sludge treatment for the city, which is viewed by us as an implied consent by the local government to ensure the stable operation of such project; (ii) the written confirmation letter from the relevant competent authorities with respect to the completion and acceptance of the property located on the land indicates that we could continue to use the property; and (iii) the director of the competent land resources and planning department confirms that the possibility of requiring the cement company to relocate or discontinue its operations is remote.

	Gross site area[1]	Gross floor area[2]	Current use	Reasons for the noncompliance	Rectification status	Expected time to obtain the real property ownership certificate[3]	PRC Legal Adviser's view
	(square meters)						
2[5]	27,226.67	6,914.33	Waste treatment plant	We prepared and submitted the relevant land use rights application materials to competent authorities on a timely basis, however, the prolonged internal administrative process of agreeing and approving the land use right listing for sale and auction by the local government delayed the grant of land use rights.	We have obtained a written confirmation letter from the relevant competent authorities, indicating that we could continue to use the properties on the land. We have been communicating with the local competent resource department with respect to the land use right sale process from time to time. On January 24, 2022, the local government approved the land use right listing for sale and issued the approval of the land use right listing for sale to the local natural resources department. On January 25, 2022, the land use right has been listed for sale by auction with a notice period till March 2. We were in process of participating in the auction as of the date of this listing document.	By March 2023	Our PRC Legal Adviser confirms that there is no legal impediment or obstacle in obtaining the land use right certificate of the land after we wins the land auction and enters into the land use right transfer agreement (土地使用權出讓協議) with the local government.
3[6]	970	970	Waste treatment plant	The independent constructor we engaged negligently built a small part of our waste treatment facilities on a piece of land with a gross site area of 970 square meters, the land use rights of which was owned by the cement company supplier as of the Latest Practicable Date.	We have obtained a written confirmation letter from the relevant competent authorities, indicating that we could continue to use the properties on the land. In addition, the cement company supplier has granted the pre-emptive right to acquire the additional land use rights for a gross site area of 970 square meters to us on January 29, 2022 and we are in the process of applying for the land use right certificate with the relevant competent authorities.	By September 2023	Our PRC Legal Adviser confirms that there is no legal impediment or obstacle in obtaining the land use right certificate of the land after the cement company supplier transfers the land use right certificate of the relevant land to us as the cement company supplier owns the land use right of the relevant land and the cement company supplier has granted the pre-emptive right to acquire the land use right of the relevant land to us.
4[7]	5,993.33	2,086.7	Waste treatment plant	We prepared and submitted the relevant land use rights application materials to competent authorities on a timely basis, however, the prolonged internal administrative process of land use right auction by the relevant authorities delayed the grant of land use rights.	We have obtained a written confirmation letter from the relevant competent authorities, indicating that we could continue to use the properties on the land. In addition, we entered into a land use right transfer agreement with the cement company supplier on July 28, 2020 and paid the total consideration of RMB894,500 by September 3, 2020. We have been closely communicating with the relevant competent authorities with regard to the latest status of its internal administrative process.	By September 2023	Our PRC Legal Adviser confirms that there is no legal impediment or obstacle in obtaining the land use right certificate of the land as the cement company supplier owns the land use right of the relevant land and we have entered into the land use right transfer agreement with the cement company supplier and paid the full consideration of the land use right to the cement company supplier.

	Gross site area[1]	Gross floor area[2]	Current use	Reasons for the noncompliance	Rectification status	Expected time to obtain the real property ownership certificate[3]	PRC Legal Adviser's view
	(square meters)						
5[8]	27,240	20,181.48	Waste treatment plant	This is an acquired project with pre-existing defective title issue as the acquired project company failed to obtain the relevant land use right certificates for this parcel of land. We chose to acquire the project company after comprehensively considering the overall risks and benefits.	We have obtained a written confirmation letter from the relevant competent authorities, indicating that we could continue to use the properties on the land. In addition, we obtained the transfer confirmation on November 11, 2021, paid the total consideration of RMB18.22 million by November 19, 2021 and executed the land use right transfer agreement with the local government on November 25, 2021. We understand from the local government that additional time is needed to complete the other necessary internal administrative process. Based on the foregoing, our PRC Legal Adviser confirms that there is no legal impediment to obtain the relevant land use right certificate for the land.	By March 2023	Our PRC Legal Adviser is also of the view that the possibility of our construction and operation of oil sludge treatment project on the land being investigated or penalized is remote, particularly considering that we obtained written confirmation letters from the relevant competent authorities, indicating that we could continue to use the land and the property. Our PRC Legal Adviser confirms that there is no legal impediment or obstacle in obtaining the land use right certificate of the land and we have entered into the land use right transfer agreement (土地使用權出讓協議) with the local government and paid the full consideration of the land use right to the local government.
6[9]	10,287	3,983.32	Waste treatment plant	Our waste treatment plant is built on the piece of land to which our cement company supplier has the land use right. Our cement company supplier is undergoing its internal process of transferring the land use right to us, and during the interim period, it consented to our building waste treatment plant on the relevant piece of land.	We have obtained a written confirmation letter from the relevant competent authorities, indicating that we could continue to use the properties on the land. In addition, the cement company supplier granted the pre-emptive right to acquire the land use right of the land on September 8, 2021. We have been closely communicating with the cement company supplier with regard to the latest status of its internal process.	By June 2024	Our PRC Legal Adviser confirms that there is no legal impediment or obstacle in obtaining the land use right certificate of the land after the cement company supplier transfers the land use right certificate of the relevant land to us as the cement company supplier owns the land use right of the relevant land and the cement company supplier has granted the pre-emptive right to acquire the land use right of the relevant land to us.
7[10]	400	342	Waste treatment plant	Our waste treatment plant is built on the piece of land to which our cement company supplier has the land use right. Our cement company supplier is undergoing its internal process of transferring the land use right to us, and during the interim period, it consented to our building waste treatment plant on the relevant piece of land.	We have obtained a written confirmation letter from the relevant competent authorities, indicating that we could continue to use the properties on the land. In addition, the cement company supplier granted the pre-emptive right to acquire the land use right of the land on September 8, 2021. We have been closely communicating with the cement company supplier with regard to the latest status of its internal process.	By June 2024	Our PRC Legal Adviser confirms that there is no legal impediment or obstacle in obtaining the land use right certificate of the land after the cement company supplier transfers the land use right certificate of the relevant land to us as the cement company supplier owns the land use right of the relevant land and the cement company supplier has granted the pre-emptive right to acquire the land use right of the relevant land to us.

	Gross site area[1]	Gross floor area[2]	Current use	Reasons for the noncompliance	Rectification status	Expected time to obtain the real property ownership certificate[3]	PRC Legal Adviser's view
	(square meters)						
8[11]	10,636.19	3,456	Waste treatment plant	Our waste treatment plant is built on the piece of land to which our cement company supplier has the land use right. Our cement company supplier is undergoing its internal process of transferring the land use right to us, and during the interim period, it consented to our building waste treatment plant on the relevant piece of land.	We have obtained a written confirmation letter from the relevant competent authorities, indicating that we could continue to use the properties on the land. In addition, the cement company supplier granted the pre-emptive right to acquire the land use right of the land on January 29, 2022. We have been closely communicating with the cement company supplier with regard to the latest status of its internal process.	By September 2023	Our PRC Legal Adviser confirms that there is no legal impediment or obstacle in obtaining the land use right certificate of the land after the cement company supplier transfers the land use right certificate of the relevant land to us as the cement company supplier owns the land use right of the relevant land and the cement company supplier has granted the pre-emptive right to acquire the land use right of the relevant land to us.
Total	**84,253.19**	**39,133.83**					

Notes:

As advised by our PRC Legal Advisor, all the Relevant Lands are state-owned lands. According to the Land Administration Law of the People's Republic of China (中華人民共和國土地管理法), land use right of state-owned land can be transferred. According to the Interim Regulations of the People's Republic of China Concerning the Assignment and Transfer of the Right to the Use of the State-owned Land in the Urban Areas (2020 Revision) (中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例 (2020年修訂)), land use right of state-owned land can be transferred (出讓) by the relevant government authorities through land auction and can also be transferred (轉讓) by entities which owns the land use right of the relevant lands.

(1) Gross site area refers to the total area of the land.

(2) Gross floor area refers to the sum of the floor area of the spaces within the building.

(3) The expected time to obtain the relevant real property ownership certificates is estimated by us based on our understanding of the latest status, previous experience and communications with the relevant parties and competent authorities and may vary significantly because the internal process of government authorities in different counties/cities/provinces vary significantly and are subject to factors beyond our control, including, for example, the prolonged process by third parties. The time needed for us to obtain land use right certificates for land ranged from 14 months to 31 months after signing the land use right transfer agreements with the relevant cement company suppliers or the project construction and investment agreements with the relevant local governments, as applicable, during the Track Record Period. To the best knowledge of Frost & Sullivan, the basis of the expected time for obtaining each of the outstanding land certificates and real property certificates is generally in line with their understanding of the industry norm according to its interview with industry experts.

(4) The gross area of such land accounted for approximately 0.2% of the total gross site area of the total land we occupied as of the Latest Practicable Date. The gross site area of such property accounted for approximately 0.7% of the total gross floor area of the total properties we owned as of the Latest Practicable Date.

(5) The gross area of such land accounted for approximately 4.3% of the total gross site area of the total land we occupied as of the Latest Practicable Date. The gross site area of such property accounted for approximately 4.1% of the total gross floor area of the total properties we owned as of the Latest Practicable Date.

(6) The gross area of such land accounted for approximately 0.2% of the total gross site area of the total land we occupied as of the Latest Practicable Date. The gross site area of such property accounted for approximately 0.6% of the total gross floor area of the total properties we owned as of the Latest Practicable Date. This parcel of land is within the land on which this project company of us is built. The total gross site area of the land is 14,928.7 square meters, among which we had obtained the land use right certificates for a gross site area of 13,958.7 square meters as of the Latest Practicable Date.

(7) The gross area of such land accounted for approximately 0.9% of the total gross site area of the total land we occupied as of the Latest Practicable Date. The gross site area of such property accounted for approximately 1.2% of the total gross floor area of the total properties we owned as of the Latest Practicable Date.

(8) The gross area of such land accounted for approximately 4.3% of the total gross site area of the total land we occupied as of the Latest Practicable Date. The gross site area of such property accounted for approximately 11.9% of the total gross floor area of the total properties we owned as of the Latest Practicable Date.

(9) The gross area of such land accounted for approximately 1.6% of the total gross site area of the total land we occupied as of the Latest Practicable Date. The gross site area of such property accounted for approximately 2.4% of the total gross floor area of the total properties we owned as of the Latest Practicable Date.

(10) The gross area of such land accounted for approximately 0.1% of the total gross site area of the total land we occupied as of the Latest Practicable Date. The gross site area of such property accounted for approximately 0.2% of the total gross floor area of the total properties we owned as of the Latest Practicable Date.

(11) The gross area of such land accounted for approximately 1.7% of the total gross site area of the total land we occupied as of the Latest Practicable Date. The gross site area of such property accounted for approximately 2.0% of the total gross floor area of the total properties we owned as of the Latest Practicable Date.

As illustrated above, among the eight properties, we had obtained written confirmation letters from the relevant competent authorities, indicating that we could continue to use the seven properties with a total gross floor area of 37,933.8 square meters, and the obtaining of relevant title certificates has no legal impediment or substantial obstacle. Based on the foregoing, our PRC Legal Adviser and Directors are of the view that the legal risk of penalties imposed on us by the relevant authorities for these properties was remote and there is no practical risk of being required to relocate prior to the obtaining the relevant land use right certificates. With respect to the remaining one property, as of the Latest Practicable Date, (i) we had not received any penalty or been subject to any investigation by the relevant competent authorities since the inception of our use of this property; (ii) we had obtained a written confirmation letter from the relevant competent authority with respect to the completion and acceptance of this property indicating that we could continue to use this property; and (iii) we conducted an interview with the director of the competent land resources and planning department on January 29, 2022, confirming that (a) the land on which the property is built on is within its jurisdiction; (b) it is aware that the cement company supplier has used the land on which its plant is built for more than 20 years despite the fact that the cement company supplier has not obtained the relevant land use right certificates and, therefore, the possibility of requiring the cement company to relocate or discontinue its operations is remote considering the cement company supplier's long stable operation history; (c) it is aware that the cement company supplier is in the process of obtaining the relevant land use right certificates and estimates the cement company supplier's obtaining of land use right certificates of its plant would take two to three years; and (d) we could continue to use the land in the interim. Once the cement company supplier obtains the land use right certificates, the land use right transfer from the cement company supplier to us only takes a relatively short period of time. As confirmed by our PRC Legal Adviser, the government authorities which issued the written confirmation letters are competent authorities with respect to the eight properties with a total gross floor area of 39,133.83 square meters.

In addition, we have enhanced our internal control policies to prevent future noncompliance and ensure ongoing compliance. We established the management measures on the new project investment in March 2021 (the ''Measures''). The Measures set out the responsibilities of our departments in new project investment, requiring our investment team and the relevant departments to conduct due diligence regarding the land, properties and the relevant government approval process and submit research report to our management for evaluation for all newly constructed and acquired projects. Our management will continue to comprehensively evaluate the projects based on important factors including the location and demand, technical feasibility, operational history and property compliance status. We also provide trainings to our project execution personnel to ensure that extra caution must be taken before commencement of any future projects. In the event there is any property-related pre-existing issues, we carefully assess the time and effort needed for rectification. We plan to keep monitoring the latest national and local regulations and procedural requirements regarding properties and seek to actively consult with the competent authorities from time to time. Our Internal Control Consultant conducted sampling examination during the period from June 2020 to June 2021 and no additional deficiencies were identified. Based on the agreed work scope, the sampling work procedures conducted and the internal control policies put into place, our Internal Control Consultant is of the view that our internal control measures are adequate and effective for our operations. Based on the review of relevant internal control policies and the view of the Internal Control Consultant, the Joint Sponsors are of the view that there have not been material inadequacies or material deficiencies in the internal control system of the Group that would render the Company unsuitable for Listing.

As advised by our PRC Legal Adviser, the failure to obtain the land use right certificates for the Relevant Lands will not have a material adverse effect on our continual use of these properties, and the risk that the relevant competent government authority may require us to demolish the relevant buildings erected on the Relevant Lands or relocate from or cease to use the Relevant Lands and building erected on the Relevant Lands or may impose any administrative penalties on us is remote. For the land occupied by the entities using the eight properties, the gross site area of the Relevant Lands accounted for approximately 13.2% of the total gross site area of the land we occupied as of the Latest Practicable Date. The below table sets forth the details of the contribution of the entities using the eight properties erected on the Relevant Lands on our business operations and financial performance during the Track Record Period.

	Year ended December 31,			Nine months ended September 30,
	2018	2019	2020	2021
		(%)		
Industrial solid waste treatment volume as a percentage of our total industrial solid waste treatment volume	43.3	37.7	33.9	23.1
Industrial hazardous waste treatment volume as a percentage of our total industrial hazardous waste treatment volume	44.6	20.3	25.3	22.0
Revenue as a percentage of our total revenue[(1)]	50.2	34.2	31.4	22.8
Gross profit as a percentage of our total gross profit[(1)].	49.5	32.9	28.1	19.2
Net profit as a percentage of our total net profit[(1)]	50.2	33.1	26.5	20.3

Note:

(1) There is one entity which occupies the land of a total gross site area of 14,928.7 square meters, among which it had obtained the land use right certificates for a gross site area of 13,958.7 square meters and had not obtained the land use right certificates for a gross site area of 970 square meters on which our facilities were negligently built as of the Latest Practicable Date. For the purposes of calculation, all the gross profit and net profit attributable to the entity is included, despite the fact that it has obtained the land use right certificates for the most of the land it occupies. As the gross floor area of the land on which our facilities were negligently built as the percentage of the total land of the entity is approximately 6.5%, the pro-rata (i) revenue attributable to the negligently-built property was RMB2.2 million, RMB4.5 million, RMB4.1 million and RMB3.5 million in 2018, 2019 and 2020 and the nine months ended September 30, 2021, respectively; (ii) gross profit attributable to the negligently-built property was RMB1.6 million, RMB3.1 million, RMB2.7 million and RMB2.0 million in 2018, 2019 and 2020 and the nine months ended September 30, 2021, respectively; (iii) and net profit attributable to the negligently-built property was RMB1.5 million, RMB2.3 million. RMB1.9 million and RMB1.4 million in 2018, 2019 and 2020 and the nine months ended September 30, 2021, respectively.

Considering that, among others, (i) the aforesaid written confirmation letters issued by the relevant competent authorities and advice received from our PRC Legal Adviser; and (ii) we had not been subject to any penalties or investigations by the relevant competent authorities nor received any notice or request of relocation, our Directors are of the view that the lack of the land use right certificates of the Relevant Lands will not affect our use of such properties and these deficiencies are not expected to have any material adverse effect on our business operations or prospects.

We have not obtained the land use right certificates of the Relevant Lands and therefore have not obtained the real property ownership certificates of the eight properties erected on the Relevant Lands. Nonetheless, according to the Interim Regulation on Real Estate Registration (不動產登記暫行條例) and the relevant implementation rules, and considering that (i) we have obtained written confirmation letters from the relevant competent construction departments indicating that we could continue to use the eight properties erected on the Relevant Lands; and (ii) we have been using the eight properties erected on the Relevant Lands without being subject to any penalty or investigation by the relevant competent authorities since the inception of use of these properties, our PRC Legal Advisor is of the view that there is no legal impediment or substantial obstacles for our Group to obtain the relevant building ownership certificates after we obtain the land use rights of the Relevant Lands.

We strive to take proactive actions to obtain the land use right certificates of the Relevant Lands and obtain the real property ownership certificates of the eight properties erected on the Relevant Lands. We undertake to provide the status of the land use right certificates and real property ownership certificates in relation to the eight parcels of land in our interim reports and annual reports after the Listing. In addition, Mr. Shu, the executive Director, the General Manager and the company secretary of our Company, will be responsible for overseeing the status of the land use right certificates and relevant matters of our Group going forward.

As of the Latest Practicable Date, we owned 22 properties in the PRC with a total gross floor area of 169,001.8 square meters, which are primarily used for business purposes. We had filed records of completion and acceptance for 19 properties with a total gross floor area of 143,054.8 square meters. For properties that we had not filed records of completion and acceptance, we had obtained written confirmation letters from the relevant competent authorities, indicating that we could continue to use the relevant properties. As confirmed by our PRC Legal Adviser, the government authorities which issued the written confirmation letters are competent authorities with respect to such matter. Based on the foregoing, our PRC Legal Adviser and Directors are of the view that the legal risk of penalties imposed on us by the relevant authorities for these properties was low. As advised by our PRC Legal Adviser, we have the right to use the aforementioned properties in accordance with the law. Based on the foregoing, our Directors are of the view that the defects of such properties would not materially and adversely affect our business operations.

Leased Properties

As of the Latest Practicable Date, we leased three parcels of land in the PRC, with an aggregate gross site area of 32,190.2 square meters. Our leased land in the PRC are primarily used for waste treatment facilities and offices. The land use right owners of the leased land used for waste treatment facilities are the relevant cement company suppliers we cooperate with. The relevant lease agreements have lease expiration dates ranging from October 2017 to July 2050. Our landlords had obtained the land use right certificates for our leased land in the PRC.

PERMITS, LICENSES AND APPROVALS

Our Directors, as advised by our PRC Legal Adviser, confirm that during the Track Record Period and up to the Latest Practicable Date, we had obtained all requisite material licenses, approvals and permits material to our operations (including the collection, storage and treatment of industrial solid and hazardous waste) in the PRC from the relevant authorities. We renew all such licenses, approvals and permits from time to time to comply with the relevant laws and regulations. Our PRC Legal Adviser and Frost & Sullivan have advised us that there is no material legal impediment to renewing such permits or licenses.

The following table sets forth the details of the Operation License of Hazardous Waste held by us as of the Latest Practicable Date:

No.	Holder	First granting date	Period of validity	Expiry date
1.	Jiyuan Haizhong Environmental Protection Technology Co., Ltd. (濟源海中環保科技有限責任公司)	December 2, 2020	Five years	December 2, 2025
2.	Luoyang Haizhong Environmental Protection Technology Co., Ltd. (洛陽海中環保科技有限責任公司)	December 2, 2020	Five years	December 2, 2025
3.	Dezhou Haizhong Nuoke Environmental Protection Technology Co., Ltd. (德州海中諾客環保科技有限責任公司)	August 25, 2021	Five years	August 24, 2026
4.	Tai'an Dezheng Haizhong Environmental Protection Technology Co., Ltd. (泰安德正海中環保科技有限責任公司)	December 29, 2020	One year	November 22, 2026
5.	Fujian Sanming Haizhong Environmental Technology (福建三明海中環保科技有限責任公司)	May 5, 2019	Four years and eleven months	August 13, 2025
6.	Xi'an Yaobai Environmental Protection Technology Engineering Co., Ltd. (西安堯柏環保科技工程有限公司)	March 23, 2017	Five years	March 22, 2022[(1)]
7.	Tongchuan Conch Venture Environmental Protection Technology Co., Ltd. (銅川海創環保科技有限責任公司)	October 11, 2019	Five years	October 10, 2024

No.	Holder	First granting date	Period of validity	Expiry date
8.	Qianyang Conch Venture Environmental Protection Technology Co., Ltd. (千陽海創環保科技有限責任公司)	October 10, 2019	Five years	October 9, 2024
9.	Xianyang Conch Venture Environment Engineering Co., Ltd. (咸陽海創環境工程有限公司)	August 15, 2018	Five years	August 14, 2023
10.	Wuhu Conch Venture Environmental Protection Technology Company Limited (蕪湖海創環保科技有限責任公司)	December 7, 2017	Three years	November 15, 2022(2)
11.	Jining Conch Venture Environment Technology Co., Ltd. (濟寧海螺創業環境科技有限責任公司)	May 20, 2020	Five years	May 12, 2026
12.	Wenshan Conch Venture Environmental Protection Technology Co., Ltd. (文山海創環保科技有限責任公司)	August 4, 2019	Five years	July 9, 2025
13.	Longan Conch Venture Environmental Protection Technology Co., Ltd. (隆安海創環保科技有限責任公司)	March 23, 2021	One year	March 22, 2022(1)
14.	Yangchun Conch Venture Environmental Protection Technology Co., Ltd. (陽春海創環保科技有限責任公司)	August 11, 2020	Five years	August 11, 2026
15.	Qiyang Conch Venture Environmental Protection Technology Co., Ltd. (祁陽海創環保科技有限責任公司)	April 3, 2020	Five years	June 16, 2026
16.	Xingye Conch Venture Environmental Protection Technology Co., Ltd. (興業海創環保科技有限責任公司)	August 29, 2018	Five years	January 10, 2026
17.	Yiyang Conch Venture Environmental Protection Technology Co., Ltd. (弋陽海創環保科技有限責任公司)	May 28, 2018	Five years	November 18, 2025

No.	Holder	First granting date	Period of validity	Expiry date
18.	Suzhou Conch Venture Environmental Protection Technology Co., Ltd. (宿州海創環保科技有限責任公司)	September 6, 2018	Five years	December 21, 2025
19.	Linxiang Conch Venture Environmental Protection Technology Company Limited (臨湘海創環保科技有限責任公司)	May 21, 2021	One year	May 21, 2022[2]
20.	Guiyang Conch Venture Environmental Protection Technology Co., Ltd. (貴陽海創環保科技有限責任公司)	September 20, 2019	Five years	September 24, 2024
21.	Ninghai Xinyuantai Environmental Protection Technology Company Limited (寧海馨源泰環保科技有限公司)	May 7, 2021	One year	May 6, 2022[1]
22.	Chongqing Conch Venture Environmental Protection Technology Co., Ltd. (重慶海創環保科技有限責任公司)	May 30, 2019	Three years	May 29, 2023
23.	Shaanxi Bangda Environmental Engineering Co., Ltd. (陝西邦達環保工程有限公司)	March 20, 2009	Five years	March 19, 2024
24.	Binzhou Huabin Jucheng Environmental Protection Technology Co., Ltd. (濱州市華濱聚成環保科技有限責任公司)	January 24, 2017	Four years and nine months	January 10, 2026
25.	Wuhu Conch Venture Renewable Resources Comprehensive Utilization Co., Ltd. (蕪湖海創再生資源綜合利用有限責任公司)	February 5, 2021	Five years	February 4, 2026
26.	Dengfeng Haizhong Environmental Protection Technology Co., Ltd. (登封海中環保科技有限責任公司)	July 6, 2021	Five years	July 6, 2026
27.	Guilin Haizhong Environmental Protection Technology Co., Ltd. (桂林海中環保科技有限責任公司)	August 30, 2021	One year	August 29, 2022[2]

No.	Holder	First granting date	Period of validity	Expiry date
28.	Dongying Haiying Environmental Protection Technology Co., Ltd. (東營海瀛環保科技有限責任公司)	November 16, 2021	One year	November 15, 2022[2]
29.	Ningguo Haichuang Environmental Protection Technology Co., Ltd. (寧國海創環保科技有限責任公司)	December 7, 2021	Five years	December 6, 2026
30.	Nanjing Haizhong Environmental Protection Technology Co., Ltd. 南京海中環保科技有限責任公司	June 8, 2018	Three years and ten months	October, 2025
31.	Jiayuguan Haizhong Environmental Protection Technology Co., Ltd. 嘉峪關海中環保科技有限責任公司	10 December, 2021	Three months	June 6, 2022[2]

Notes:

(1) We were in the process of renewing the license as of the Latest Practicable Date.

(2) We plan to start the license renewal process two months before the expiry date.

The following table sets forth a list of material licenses, approvals and permits held by us as of the Latest Practicable Date:

License/Permit	Holder	Granting authority	Effective Date	Expiry date
Pollution Discharge Permit (排污許可證)	Chongqing Haichuang Environmental Technology Co., Ltd. (重慶海創環保科技有限責任公司)	Chongqing Municipal Bureau of Ecological Environment (重慶市生態環境局)	May 17, 2019	May 16, 2022[1]
Pollution Discharge Permit (排污許可證)	WH Environmental Protection	Wuhu Municipal Bureau of Ecological Environment (蕪湖市生態環境局)	May 7, 2021	May 6, 2026
Pollution Discharge Permit (排污許可證)	Yiyang Haichuang Environmental Protection Technology Co., Ltd. (弋陽海創環保科技有限責任公司)	Shangrao City Ecological Environment Bureau (上饒市生態環境局)	June 30, 2019	September 29, 2022

License/Permit	Holder	Granting authority	Effective Date	Expiry date
Pollution Discharge Permit (排污許可證)	Shaanxi Bangda	Yulin City Ecological Environment Bureau (榆林市生態環境局)	June 27, 2019	June 26, 2022[(2)]
Safety Production License (安全生產許可)	Shaanxi Bangda	Yulin City Work Safety Supervision Administration (榆林市安全生產監督管理局)	January 16, 2019	March 31, 2022[(1)]
Hazardous Chemical Registration (危險化學品登記)	Shaanxi Bangda	Shaanxi Provincial Office of Hazardous Chemicals Registration and Administration (陝西省危險化學品登記註冊管理辦公室), Chemical Registration Center of the State Administration of Work Safety (國家安全生產監督管理總局化學品登記中心)	January 28, 2022	January 27, 2025
Hazardous Chemical Business License (危險化學品經營許可證)	Shaanxi Bangda	Dingbian County Emergency Management Bureau (定邊縣應急管理局)	September 12, 2019	September 11, 2022[(2)]
Pollution Discharge Permit (排污許可證)	Xi'an Yaobai Environmental Technology Engineering Co., Ltd. (西安堯柏環保科技工程有限公司)	Weinan City Ecological Environment Bureau (渭南市生態環境局)	December 29, 2020	December 28, 2025
Road transport business license (道路運輸經營許可)	Xi'an Yaobai Environmental Technology Engineering Co., Ltd. (西安堯柏環保科技工程有限公司)	Xi'an Transportation Management Office (西安市交通運輸管理處)	December 04, 2020	December 03, 2024

Notes:

(1) We were in the process of renewing the license as of the Latest Practicable Date.

(2) We plan to start the permit/license renewal process two months before the expiry date.

AWARDS AND RECOGNITIONS

During the Track Record Period, we had received awards and recognitions for the quality of our services. Representative awards and recognitions are set forth below:

Award/Recognition	Company	Award Year	Awarding Institution/ Authority
Environmental Protection Committee of the Anhui Cement Association (“安徽省水泥協會環保專業委員會”)	WH Environmental Protection	2018	Anhui Cement Association (“安徽省水泥協會”)
Director Enterprise of the Anhui Cement Association (“安徽省水泥協會理事單位”)		2018	Anhui Cement Association (“安徽省水泥協會”)
Advanced Director Enterprise of the Anhui Cement Association (“安徽省水泥協會先進理事單位”)		2019	Anhui Cement Association (“安徽省水泥協會”)
Group member of the Chinese Society of Environmental Sciences (“中國環境科學學會團體會員”)		2019	Chinese Society of Environmental Sciences (“中國環境科學學會”)
Outstanding Enterprise of the Labor Security Integrity in Anhui Province (“安徽省勞動保障誠信示範單位”)		2020	Human Resources and Social Security Bureau of Anhui Province (“安徽省人社局”)
Outstanding Enterprise of the Harmonious Labor Relations in Wuhu City (“蕪湖市和諧勞動關係示範企業”)		2020	Wuhu Municipal Bureau of Human Resources and Social Security, Federation of Trade Unions, Enterprise Confederation, Federation of Industry and Commerce (“蕪湖市人社局、總工會、企業聯合會、工商業聯合會”)
Outstanding Base of the Chongqing Technology Innovation and Application Demonstration Project (“重慶市技術創新與應用示範項目示範基地”)	Chongqin Haichuang (“重慶海創環保科技有限責任公司”)	2020	School of Environment and Ecology, Chongqing University (“重慶大學環境與生態學院”)

Award/Recognition	Company	Award Year	Awarding Institution/ Authority
Environmental Science Teaching Practice Base of Chongqing University ("重慶大學環境科學教學實踐基地")		2020	School of Environment and Ecology, Chongqing University ("重慶大學環境與生態學院")
Ecological Civilization Education Base ("生態文明教育基地")		2020	Chongqing Municipal Bureau of Ecological Environment ("重慶市生態環境局")
Enterprise Environmental Credit Enterprise ("企業環境信用單位")		2019	Zhongxian County Ecological Environment Bureau ("忠縣生態環境局")
Shangrao City's Contract-abiding and Trustworthy Enterprise ("上饒市守合同重信用單位")	Yiyang Haichuang ("弋陽海創環保科技有限責任公司")	2020	Shangrao City Market Supervision Administration ("上饒市市場監督管理局")
Xi'an Road Hazardous Cargo Transportation Enterprise 2018 Quality and Credit Assessment AAA level ("西安市道路危險貨物運輸企業2018年度質量信譽考核AAA")	Xi'an Yaobai Environmental Technology Engineering ("西安堯柏環保科技工程有限公司")	2018	Xi'an Transportation Management Office ("西安市交通運輸管理處")
Xi'an Road Transportation Industry 2019 Safety Production Outstanding Enterprise ("西安市道路運輸行業2019年度安全生產先進單位")		2019	Xi'an Transportation Management Office ("西安市交通運輸管理處")
Xi'an Road Hazardous Cargo Transportation Enterprise 2020Quality and Credit Assessment AAA level ("西安市道路危險貨物運輸企業2020年度質量信譽考核AAA")		2020	Xi'an Transportation Management Office ("西安市交通運輸管理處")

LEGAL PROCEEDINGS AND REGULATORY COMPLIANCE

Legal Proceedings

As of the Latest Practicable Date, there were no litigations or arbitration proceedings or administrative proceedings pending or threatened against us or any of our Directors which would individually or in the aggregate, had a material adverse effect on our business, financial condition and results of operations.

Regulatory Compliance

During the Track Record Period and up to the Latest Practicable Date, we had not been and were not involved in any material noncompliance incidents (including environmental-related) that have led to fines, enforcement actions or other penalties that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations. During the Track Record Period and up to the Latest Practicable Date, as confirmed by our PRC Legal Advisor, we had been in compliance with all the laws and regulations in relation to the solid waste disposal industry and hazardous waste disposal industry in the PRC in all material aspects. See "Regulatory Environment — Laws and Regulations Governing the Solid Waste Disposal Industry in the PRC" and "Regulatory Environment — Laws and Regulations Governing the Hazardous Waste Disposal Industry in the PRC".

OVERVIEW

Prior to the Listing, our Group has entered into certain transactions with our connected persons which are continuing in nature and are expected to continue after the Listing. Upon Listing, such transactions between us and our connected persons will constitute our continuing connected transactions under Chapter 14A of the Listing Rules.

OUR CONNECTED PERSONS

The table below sets forth the parties who will become our connected persons upon Listing and the nature of their relationship with our Group:

Name of our connected persons	Connected relationship
Shaanxi Oufeide Environmental Protection Technology Co., Ltd. (陝西歐菲德環保科技有限公司) ("**Shaanxi Oufeide**")	Shaanxi Oufeide held approximately 26.15% equity interest in Shaanxi Bangda as at the Latest Practicable Date, and therefore is regarded as a connected person of our Company by virtue of it falling under the definition of a substantial shareholder at the subsidiary level pursuant to Rule 14A.07(1) of the Listing Rules.
CNBM, together with its subsidiaries and associates, "**CNBM Group**"	CNBM held 50% equity interest in Conch Venture CNBM HK as at the Latest Practicable Date, and therefore is regarded as a connected person of our Company by virtue of it falling under the definition of a substantial shareholder at the subsidiary level pursuant to Rule 14A.07(1) of the Listing Rules.

SUMMARY OF OUR CONTINUING CONNECTED TRANSACTIONS

Continuing connected transaction	Applicable Listing Rules	Waivers sought	Historical amounts for the three years ended December 31, 2020 and nine months ended September 30, 2021	Proposed annual caps for the three years ending December 31, 2024
			(RMB in millions)	*(RMB in millions)*
Exempt Continuing Connected Transaction				
1. Procurement Framework Agreement	14A.34 14A.52 14A.53 14A.76	N/A	N/A	N/A

Continuing connected transaction	Applicable Listing Rules	Waivers sought	Historical amounts for the three years ended December 31, 2020 and nine months ended September 30, 2021	Proposed annual caps for the three years ending December 31, 2024
			(RMB in millions)	*(RMB in millions)*
Non-exempt Continuing Connected Transaction				
2. Cement Kiln Co-Treatment Framework Agreement	14A.34 14A.35 14A.46 14A.49 14A.52–59 14A.71 14A.105	Announcement, circular and independent shareholders' approval requirement under Chapter 14A of the Listing Rules	2018: 0 2019: 0 2020: 20.9 2021(9M): 84.3	2022: 165 2023: 215 2024: 240

EXEMPT CONTINUING CONNECTED TRANSACTION

Procurement Framework Agreement

On March 16, 2022, Shaanxi Oufeide entered into a chemicals procurement framework agreement (the "**Procurement Framework Agreement**") with Shaanxi Bangda, pursuant to which Shaanxi Bangda will procure chemicals from Shaanxi Oufeide. Historically, Shaanxi Bangda has been procuring chemicals produced by Shaanxi Oufeide for its oil-bearing sludge treatment. Upon Listing, Shaanxi Bangda expects to continue to procure chemicals from Shaanxi Oufeide as Shaanxi Oufeide is familiar with our quality standard and has been providing us with such chemicals with standard and quality commensurate with our requisite requirements. The procurement price will be determined after arm's length negotiations with reference to market prices of comparable chemicals. The precise type of chemicals, procurement price, method of payment and other details will be agreed between the relevant parties separately. We currently estimate that the procurement amount payable by our Group under the Procurement Framework Agreement will not exceed RMB1.8 million on an annual basis.

The initial term of the Procurement Framework Agreement shall commence from the Listing Date to December 31, 2024, subject to renewal upon the mutual consent of both parties.

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

NON-EXEMPT CONTINUING CONNECTED TRANSACTION

We set out below a summary of the continuing connected transaction of our Group, which is subject to the reporting, annual review, announcement, and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Cement Kiln Co-treatment Framework Agreement

Description of the Agreement

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

The initial term of the Cement Kiln Co-treatment Framework Agreement shall commence from the Listing Date to December 31, 2024.

Reasons for the Transactions

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

Pricing Policy

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

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

Historical Amounts

The aggregate amount of fees incurred in relation to cement kiln co-treatment services and related supporting services provided by CNBM Group for the three years ended December 31, 2020 and the nine months ended September 30, 2021 are set out in the table below:

	For the year ended December 31,			For the nine months ended September 30,
	2018	**2019**	**2020**	**2021**
	(RMB in millions)			
Fees incurred in relation to cement kiln co-treatment services and related supporting services provided by CNBM Group	—[1]	—[1]	20.9	84.3

Note:

(1) Haizhong Environmental was established in 2019 and relevant fees were incurred since 2020, therefore there is no previous transaction amount in 2018 and 2019.

Annual Caps and Basis of Caps

The proposed annual caps for the fees to be incurred in relation to cement kiln co-treatment services and related supporting services provided by CNBM Group under the Cement Kiln Co-treatment Framework Agreement for the three years ending December 31, 2024 are set out as follows:

	For the year ending December 31,		
	2022	**2023**	**2024**
	(RMB in millions)		
Fees under the Cement Kiln Co-treatment Framework Agreement	165	215	240

The proposed annual caps were determined primarily based on (i) the number of current projects for which we have engaged CNBM Group to provide cement kiln co-treatment services, i.e. as at December 31, 2021, we have 10 projects in operation with CNBM Group, (ii) the historical transaction amounts and growth trends of no less than 30% during the Track Record Period, and (iii) the expected 30% increase in demand for cement kiln co-treatment services for the years ending December 31, 2024 after taking into account (a) our historical growth trends of the overall operating and financial results and (b) our business development strategy and plan and future cooperation opportunities with CNBM Group, in particular, our industrial solid waste treatment volume increased at a CAGR of approximately 75.01% from 0.3 million tonnes in 2018 to 1.4 million tonnes in 2021, and our industrial hazardous waste treatment volume increased at a CAGR of approximately 78.24% from 0.1 million tonnes in 2018 to 0.8 million tonnes in 2021, as a result of which, our revenue generated from industrial solid waste treatment increased from RMB85.9 million in 2018 to RMB456.2 million in 2021, and that generated from industrial hazardous waste treatment also increased from RMB310.8 million in 2018 to RMB1,242 million in 2021. As our Group plans to continue to increase its treatment capacity and volume and expand its national service coverage, it is expected that the growth trend to continue in the foreseeable future.

Listing Rules Implications

As the highest applicable percentage ratio for each of the proposed annual caps for the three years ending December 31, 2024 is expected to exceed 5%, the transactions contemplated under the Cement Kiln Co-treatment Framework Agreement will constitute a continuing connected transaction of our Company and are subject to reporting, annual review, announcement and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTERNAL CONTROL MEASURES FOR NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

For non-exempt continuing connected transactions, we will establish the following internal review procedures upon the Listing to ensure that the pricing under the non-exempt continuing connected transactions is fair and reasonable:

- we will adopt and implement a management system on connected transactions and our Board and the various internal departments of our Company (including the finance, legal and internal control departments) will be responsible for the control and daily management in respect of the continuing connected transactions;

- our Board and various internal departments of our Company (including the finance, legal and internal control departments) will be jointly responsible for evaluating the terms under the Cement Kin Co-treatment Framework Agreement for the continuing connected transactions, in particular, the fairness of the pricing policies and annual caps under each transaction;

- we will, to the extent commercially practicable, seek to obtain quotations from Independent Third Parties for similar services and will compare the commercial terms offered by the Independent Third Parties with those offered by CNBM Group;

- our Board and various internal departments of our Company will regularly monitor the fulfillment status and the transaction updates under the Cement Kiln Co-treatment Framework Agreement. In addition, the management of our Company will also regularly review the pricing policies of the Cement Kiln Co-treatment Framework Agreement; and

- our independent non-executive Directors and auditors will conduct an annual review of the continuing connected transactions under the Cement Kiln Co-treatment Framework Agreement and provide annual confirmation to ensure that, in accordance with the Listing Rules, the transactions are conducted in accordance with the terms of the Cement Kiln Co-Treatment Framework Agreement, on normal commercial terms and in accordance with the pricing policy.

WAIVER APPLICATIONS

In respect of the continuing connected transactions described above under the Cement Kiln Co-treatment Framework Agreement, the highest applicable percentage ratios calculated for the purpose of Chapter 14A of the Listing Rules for the three years ending December 31, 2024 are expected to exceed 5%. Accordingly, the continuing connected transactions under the Cement Kiln Co-treatment Framework Agreement are subject to reporting, annual review, announcement and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the transactions under the Cement Kiln Co-treatment Framework Agreement are expected to be carried out on a recurring basis, our Directors consider that strict compliance with the aforesaid announcement requirement will be impractical, and such requirement will lead to unnecessary administrative costs and create an onerous burden on us. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, pursuant to Rule 14A.105 of the Listing Rules, a waiver from strict compliance with announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions under the Cement Kiln Co-treatment Framework Agreement, provided that the total amount of transactions for each of the three years ending December 31, 2024 will not exceed the relevant proposed annual caps as set out in this section.

The independent non-executive Directors and auditors of our Company will review whether the transactions under the above continuing connected transactions have been entered into pursuant to the principal terms and pricing policies under the Cement Kiln Co-treatment Framework Agreement as disclosed in this section. The confirmation from our independent non-executive Directors and our auditors will be disclosed annually according to the requirements of the Listing Rules. Apart from the announcement and independent shareholders' approval requirements, for which waiver has been sought and granted, our Group will comply with the relevant requirements under Chapter 14A of the Listing Rules.

DIRECTORS' CONFIRMATION

Our Directors (including independent non-executive Directors) are of the view that the non-exempt continuing connected transactions set out above have been and will be entered into in the ordinary and usual course of business on normal commercial terms or better which are fair and reasonable and in the interests of our Company and our Shareholders as a whole, and the proposed annual caps in respect of non-exempt continuing connected transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

JOINT SPONSORS' CONFIRMATION

Having considered the above, the Joint Sponsors are of the view that the aforesaid non-exempt continuing connected transactions have been and will be entered into in the ordinary and usual course of business of our Company on normal commercial terms which are fair and reasonable, and in the interests of our Company and our Shareholders as a whole, and the proposed annual caps in respect of non-exempt continuing connected transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

DIRECTORS

Upon Listing, our Board will consist of nine Directors, including three executive Directors, three non-executive Directors and three independent non-executive Directors. The following table provides certain information about our Directors:

Name	Age	Position	Roles and Responsibilities	Date of joining our Group	Date of appointment as a Director
Mr. Guo Jingbin (郭景彬)	64	Executive Director and Chairman of the Board	Responsible for the overall operations and management, strategic business and financial planning of our Group	December 2015	March 2, 2020
Mr. Shu Mao (疏茂).	36	Executive Director and General Manager	Responsible for daily operations and management and strategic investment of our Group	April 2020	February 25, 2021
Mr. Zhang Keke (張可可)	59	Executive Director and Deputy General Manager	Responsible for daily operations and management, marketing and sales of our Group	June 2016	February 25, 2021
Mr. Ji Qinying (紀勤應)	65	Non-executive Director	Responsible for providing strategic advice on the overall development of our Group	December 2015	February 25, 2021
Mr. Li Daming (李大明)	56	Non-executive Director	Responsible for providing strategic advice on the overall development of our Group	December 2015	September 17, 2021
Mr. Xiao Jiaxiang (肖家祥)	58	Non-executive Director	Responsible for providing strategic advice on the overall development of our Group	February 2019	September 17, 2021
Mr. Cai Hongping (蔡洪平)	67	Independent Non-executive Director	Responsible for providing professional opinion and Judgement to the Board	September 17, 2021	September 17, 2021(1)

Name	Age	Position	Roles and Responsibilities	Date of joining our Group	Date of appointment as a Director
Mr. Hao Jiming (郝吉明)	75	Independent non-executive Director	Responsible for providing independent opinion and judgment to the Board	September 17, 2021	September 17, 2021[(1)]
Mr. Dai Xiaohu (戴曉虎)	59	Independent non-executive Director	Responsible for providing independent opinion and judgment to the Board	September 17, 2021	September 17, 2021[(1)]

(1) Our independent non-executive Directors were appointed on September 17, 2021 and their appointments will take into effect from the date of the listing document.

None of our Directors and members of senior management are related to other Directors or members of senior management.

Executive Directors

Mr. Guo Jingbin (郭景彬), aged 64, was appointed as a Director on March 2, 2020 and re-designated as an executive Director and the Chairman of the Board on September 17, 2021. Mr. Guo is responsible for the overall operations and management, strategic business and financial planning of our Group.

Mr. Guo has over 30 years of experience in the field of corporate management, strategic development, investment decision and capital operation. Mr. Guo joined our Group since December 2015 when he was appointed as the chairman of the board of directors of Yaobai Environmental. Mr. Guo also currently serves as chairman of the board of directors of Anhui Conch Environment and holds various directorships in our subsidiaries. Prior to joining our Group, from February 1980 to June 2016, Mr. Guo held various positions in Conch Cement, including head of personnel department and deputy plant manager of Ningguo Cement Plant, and the secretary to the board of directors, deputy general manager and director of Conch Cement. From May 2000 to October 2005, Mr. Guo served as the chairman of the board of directors in Wuhu Conch Profiles and Science Co., Ltd. (蕪湖海螺型材科技股份有限公司, a company listed on the Shenzhen Stock Exchange, stock code: 000619) ("**Conch Profiles**"). Mr. Guo served as a director and chairman of the board of directors of CV Investment from February 2011 and May 2013 respectively until April 2015. Since January 1997, Mr. Guo has been serving as a director of Anhui Conch Holdings Co., Ltd. (安徽海螺集團有限責任公司). Since June 2013, Mr. Guo has been serving as a director and chairman of the board of Conch Venture, while for the purpose of the Spin-off, he ceased to hold the executive directorship position with Conch Venture and was re-designated as a non-executive director of Conch Venture in September 2021.

Mr. Guo has also been serving as an independent non-executive director of China Logistics Property Holdings Co., Ltd (中國物流資產控股有限公司, a company listed on the Stock Exchange (stock Code: 01589)) since August 2016 and has been serving as an independent non-executive of China Tian Yuan Healthcare Group Limited (previously known as City e-Solutions Limited, 中國天元醫療集團有限公司, a company listed on the Stock Exchange (stock code: 00557)) since June 2013.

Mr. Guo obtained a diploma in automated management from Tongji University (同濟大學), previously known as Shanghai Construction Materials College (上海建築材料工業學院), in February 1980 and a master's degree in business administration from the Post-graduate College of the Social Science Institute of China (中國社會科學院) in July 1998. Mr. Guo obtained the qualification of Senior Engineer in April 2009 and was appointed as the vice president of China Cement Association (中國水泥協會) in August 2020.

Mr. Shu Mao (疏茂), aged 36, was appointed as a Director on February 25, 2021 and re-designated as an executive Director and General Manager of our Company on September 17, 2021. Mr. Shu is responsible for daily operations and management and strategic investment of our Group. Mr. Shu also serves as a director of Anhui Conch Environment and holds various directorships in our subsidiaries.

Mr. Shu has over 10 years' experience in the field of administrative management, compliance and corporate management. Prior to joining our Group, from February 2008 to June 2009, Mr. Shu served as administration head in the general manager office of Anhui Tongling Conch Cement Company Limited (安徽銅陵海螺水泥有限公司), a subsidiary of Conch Cement. From June 2009 to April 2014, Mr. Shu served as administrative head in the general manager office and assistant to manager of the board of directors' office in Anhui Conch Holdings Co., Ltd. From May 2013 to April 2015, Mr. Shu served as the deputy manager of the office of general manager of CV Investment. Mr. Shu served as the head of the general management department, the company secretary and deputy general manager of Conch Venture from August 2013, December 2013 and December 2020, respectively, and for the purpose of the Spin-off, he ceased to hold senior managerial positions with Conch Venture in September, 2021 and was appointed as a non-executive director of Conch Venture in September 2021.

Mr. Shu obtained a bachelor's degree in business administration from Anhui Polytechnic University (安徽工程大學), previously known as Anhui Engineering Science College (安徽工程科技學院), in February 2008. Mr. Shu became a member of the Hong Kong Institute of Chartered Secretaries in March 2021.

Mr. Zhang Keke (張可可), aged 59, was appointed as a Director on February 25, 2021 and re-designated as an executive Director and Deputy General Manager of our Company on September 17, 2021. Mr. Zhang is responsible for daily operations and management, marketing and sales of our Group.

Mr. Zhang has more than 30 years of extensive experience in the building materials industry and marketing and sales. Mr. Zhang joined our Group since June 2016 when he was appointed as the chairman of the board of directors and the general manager of WH Environmental Protection. He has also been a director of Haizhong Environmental since its establishment in March 2019, and a director of Anhui Conch Environment since its establishment in June 2020, also he currently holds various directorships in our subsidiaries. Prior to joining our Group, from June 1984 to October 2000, Mr. Zhang served in various positions in Conch Cement, such as deputy secretary of the Youth League Committee of Ningguo Cement Plant and the head of supply department of Conch Cement. From October 2000 to May 2016, Mr. Zhang held senior managerial positions in Anhui Conch Holdings Co., Ltd. and its subsidiaries, including the deputy general manager of Conch Profiles from September 2000 to March 2011. Mr. Zhang served as the assistant to general manager of Conch Venture from April 2018 to December 2020, and was appointed as the deputy general manager in December 2020, while for the purpose of the Spin-off, he ceased to hold such senior managerial position with Conch Venture in September 2021.

Mr. Zhang obtained a diploma in law from Anhui Kaifang University (安徽開放大學), previously known as Anhui Radio and TV University (安徽廣播電視大學), in July 1988.

Non-Executive Directors

Mr. Ji Qinying (紀勤應), aged 65, was appointed as a non-executive Director of our Company on September 17, 2021. Mr. Ji is responsible for providing strategic advice on the overall development of our Group.

Mr. Ji has over 30 years' experience in the project investment, development and operation in the building materials industry. Mr. Ji successively held various positions, including deputy plant operating director of the Ningguo Cement Plant, executive director and general manager of Conch Cement, and several leading positions in its subsidiaries during the period from February 1980 to May 2013. He also served as the vice chairman and general manager from August 2003 to April 2008 and then the chairman from April 2008 to October 2009 in 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. Since July 2013, Mr. Ji has served as an executive director and chief executive officer in Conch Venture.

Mr. Ji obtained a diploma in industrial electrical automatization from Tongji University (同濟大學), previously known as Shanghai Construction Materials College (上海建築材料工業學院), in July 1979.

Mr. Li Daming (李大明), aged 56, was appointed as a non-executive Director of our Company on September 17, 2021. Mr. Li is responsible for providing strategic advice on the overall development of our Group.

Mr. Li has over 20 years' experience in the energy-saving equipment research and manufacturing and engineering construction. From July 1986 to December 2006, Mr. Li successively held various positions in Conch Cement, including the deputy factory director of the Ningguo Cement Plant and the deputy head of the equipment department in Conch Cement. Mr. Li has served as a director and executive deputy general manager of Anhui Conch Kawasaki Engineering Company Limited (安徽海螺川崎工程有限公司) since November 2006, and a director and executive deputy general manager of Anhui Conch Kawasaki Energy Conservation Equipment Manufacturing Company Limited (安徽海螺川崎節能設備製造有限公司) since September 2007. Since July 2013, Mr. Li has served as an executive director and deputy general manager in Conch Venture.

Mr. Li obtained a diploma in machinery manufacturing process and equipment from Anhui Polytechnic University (安徽工程大學), previously known as Anhui Mechanical and Electrical College (安徽機電學院), in July 1986. Mr. Li obtained the title of Senior Engineer (高級工程師) in April 2009.

Mr. Xiao Jiaxiang (肖家祥), aged 58, was appointed as a non-executive Director of our Company on September 17, 2021. Mr. Xiao is responsible for providing strategic advice on the overall development of our Group.

Mr. Xiao has almost 30 years' experience in business management and investment and financing in capital markets. Mr. Xiao joined our Group since February 2019 when he was appointed as a director of Haizhong Environmental. Prior to joining our Group, from July 1982 to July 1991, Mr. Xiao successively served as an engineer and the head of the workshop of Guizhou Shuicheng Cement Plant (貴州水城水泥廠). From July 1991 to November 2001, he successively held various positions in Huaxin Cement Company Limited (華新水泥股份有限公司, a company listed on the Shanghai Stock Exchange, stock code: 600801), including a director and the vice general manager. From November 2001 to January 2006, Mr. Xiao served as deputy party secretary, mayor, secretary of Party Committee and director of the Standing Committee in Daye City. From February 2006 to December 2008, he served as the CEO of Tianrui Group Co., Ltd. (天瑞集團股份有限公司) and the chairman and general manager of China Tianrui Group Cement Company Limited (中國天瑞集團水泥有限公司, a company listed on the Stock Exchange, stock code: 1252). Mr. Xiao has held various managerial positions in CNBM and its subsidiaries since February 2009.

Mr. Xiao obtained a bachelor's degree in non-metallic mining engineering from Wuhan University of Technology (武漢理工大學), previously known as Wuhan Institute of Building Materials Industry (武漢建築材料工業學院), in August 1982, a master's degree in management from Wuhan University of Technology (武漢理工大學), previously known as Wuhan Polytechnic University (武漢工業大學), in July 1997 and a doctor's degree in management and engineering from Huazhong University of Science and Technology (華中科技大學) in June 2011. He was granted as a professor-grade senior engineer in November 2002 and is entitled to a special government allowance provided by the State Council in February 2013. Since April 2007, Mr. Xiao consecutively acts as the vice chairman of China Cement Association.

Independent Non-Executive Directors

Mr. Cai Hongping (蔡洪平), aged 67, was appointed as our independent non-executive Director on September 17, 2021. Mr. Cai is responsible for providing independent opinion and judgment to the Board.

Mr. Cai is a seasoned finance and operations executive with more than 30 years of professional experience in financial management and investment banking. Mr. Cai served as the general manager of the investment banking division of Peregrine Asia from January 1996 to January 1998 and worked in the investment banking division of BNP Paribas Capital (Asia Pacific) Limited from April 2003 to March 2006. He also served as the chairman of UBS AG in Asia from March 2007 to July 2010, and the executive chairman of Deutsche Bank in the Asia Pacific region from September 2010 to March 2015.

Mr. Cai has been serving as the chairman and founding partner of AGIC Capital since February 2015. He also has been serving as an independent non-executive director of China Eastern Airlines Corporation Ltd. (中國東方航空股份有限公司, a company listed on the Stock Exchange, stock code: 00670, and listed on the Shanghai Stock Exchange, stock code: 600115) since June 2016, an independent non-executive director of BYD Company Limited (比亞迪股份有限公司, a company listed on the Stock Exchange, stock code: 1211, and listed on the Shenzhen Stock Exchange, stock code: 002594) since September 2020, an independent non-executive director of COSCO SHIPPING Development CO., Ltd. (中遠海運發展股份有限公司, a company listed on the Stock Exchange, stock code: 2866, and listed on the Shanghai Stock Exchange, stock code: 601866) since June 2016, and an independent director of Shanghai Pudong Development Bank Co., Ltd. (上海浦東發展銀行股份有限公司, a company listed on the Shanghai Stock Exchange, stock code: 600000) since December 2019, China Oceanwide Holding Limited (中汎控股有限公司, a company listed on the Stock Exchange, stock code: 00715) from November 2014 to May 2019.

Mr. Cai obtained a bachelor's degree in journalism from Fudan University (復旦大學) in July 1988.

Mr. Hao Jiming (郝吉明), aged 75, was appointed as our independent non-executive Director on September 17, 2021. Mr. Hao is responsible for providing independent opinion and judgment to the Board.

Mr. Hao has approximately 40 years' experience in the field of environmental engineering. Since 1970, Mr. Hao started to work at Tsinghua University and was appointed as professor in 1990 and was appointed as the dean of the Tsinghua University Environment Science and Engineering Institute (清華大學環境科學與工程研究院) in 1999. Mr. Hao was elected as a member of the Chinese Academy of Engineering (中國工程院院士) in 2005, a foreign member of National Academy of Engineering of the United States America in 2018, and a member of the National Ecological and Environmental Protection Expert Committee (國家生態環境保護專家委員會) in December 2019.

Mr. Hao has served as an independent non-executive director of Huaxi Holdings Company Limited (華禧控股有限公司, a company listed on the Stock Exchange, stock code: 01689) since January 2019 and Zhejiang Runtu Co., Ltd. (浙江閏土股份有限公司, a company listed on the Shenzhen Stock Exchange, stock code: 002440) since August 2020. Mr. Hao was also an independent director of Keda Manufacturing Co., Ltd. (previously known as Keda Clean Energy Co., Ltd.) (科達製造股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 600499) from August 2015 to June 2020, Xingyuan Environmental Technology Co., Ltd. (興源環境科技股份有限公司, a company listed on the Shenzhen Stock Exchange, stock code: 300266) from June 2009 to June 2016, and Dongjiang Environmental Co., Ltd. (東江環保股份有限公司, a company listed on the Shenzhen Stock Exchange, stock code: 002672) from June 2008 to June 2014.

Mr. Hao obtained a bachelor's degree in water supply and sewage engineering from Tsinghua University in March 1970, a master's degree in environmental engineering from Tsinghua University in January 1981, a doctorate degree in civil and environmental engineering from the University of Cincinnati, the United States of America.

Mr. Dai Xiaohu (戴曉虎), aged 59, was appointed as our independent non-executive Director on September 17, 2021. Mr. Dai is responsible for providing independent opinion and judgment to the Board.

Mr. Dai has made many pioneering achievements in the fields of environmental engineering, pollution control, solid waste recycling, energy saving and emission reduction. He was the convener of the Expert Group on Pollution Control Technology in the Field of National High-Tech Research and Development Program (863 Program) Resources and Environmental Technology (國家高技術研究發展計劃(863計劃)資源環境技術領域污染控制技術主題專家組主題召集人) from March 2012 to March 2015, a member of the 6th Expert Advisory Committee of the Ministry of Engineering and Materials Science of the National Natural Science Foundation of China (國家自然科學基金工程與材料科學部第六屆專家諮詢委員會委員) from April 2014 to April 2017 and the 7th Deputy Director of the Department of Environment, Civil Engineering and Hydraulic Engineering, Science and Technology Commission of the Ministry of Education (第七屆教育部科技委環境與土木水利學部副主任) from May 2015 to May 2020.

Mr. Dai has been the director of the National Engineering Research Center for Urban Pollution Control of Tongji University (同濟大學城市污染控制國家工程研究中心主任) since February 2010 and the Dean of College of Environment Science and Engineering of Tongji University since 2012. Mr. Dai has also been the member of the 7th and 8th State Council Disciplinary Appraisal Group (第七屆、第八屆國務院學科評議組成員) since April 2015, the member of the National Water Special Expert Group (國家水專項總體專家組成員) since February 2014, the Deputy leader of the overall expert group for the key special project of the National Key R&D Program "Solid Waste Recycling" (國家重點研發計劃"固廢資源化"重點專項總體專家組副組長) since January 2019.

Mr. Dai obtained a bachelor's degree in environmental engineering from Tongji University (同濟大學) in July 1985, and a doctorate degree in environment engineering from Department of Civil Engineering, Ruhr University Bochum, Germany in February 1992.

Save as disclosed in the section headed "— Directors", none of our Directors held any directorship in public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years immediately preceding the date of this listing document.

SENIOR MANAGEMENT

The following table provides certain information about our senior management:

Name	Age	Position	Roles and Responsibilities	Date of joining our Group	Date of appointment as a senior manager of our Company
Mr. Shu Mao (疏茂)	36	Executive Director and General Manager	Responsible for daily operations management and strategic investment of our Group	April 2020	September 2021
Mr. Zhang Keke (張可可)	59	Executive Director and Deputy General Manager	Responsible for daily operations and management, marketing and sales of our Group	June 2016	September 2021
Mr. Wan Changbao (萬長寶)	41	Deputy General Manager	Responsible for the production operation and engineering management	May 2019	September 2021
Mr. Zhang Bangzhi (章邦志)	49	Assistant General Manager	Responsible for the implementation of strategic development plan and sludge business	June 2016	September 2021
Mr. Wang Jianli (王建禮)	58	Chief Engineer	Responsible for the industrial technology and process management	December 2015	September 2021

For biographical details of Mr. Shu Mao and Mr. Zhang Keke, see "— Directors — Executive Directors."

Mr. Wan Changbao (萬長寶), aged 41, was appointed as the Deputy General Manager of our Company on September 17, 2021. Mr. Wan is responsible for the production operation and engineering management of our Company.

Mr. Wan has over 20 years' experience in the field of cement production management, technical innovation and environmental protection. Mr. Wan joined our Group since May 2019 when he was appointed as the general manager of Haizhong Environmental and currently holds various directorships in our subsidiaries. Prior to joining our Group, from July 2007 to March 2015, Mr. Wan successively served as the deputy director in the Manufacturing Branch of Ningguo Cement Plant of Conch Cement, the assistant to director of Ningguo Cement Plant, and the deputy general manager of China Cement Plant (中國水泥廠). From March 2015 to September 2015, Mr. Wan served as the deputy director in

Guangxi region of Conch Cement. Then from September 2015 to May 2019, he successively served as the executive deputy director and the director in Sichuan and Chongqing Region of Conch Cement, and the general manager of Chongqing Conch Cement Co., Ltd. (重慶海螺水泥有限責任公司).

Mr. Wan graduated from Luoyang Institute of Technology (洛陽理工學院) in silicate technology in June 2000 and obtained a correspondence diploma in inorganic non-metallic materials engineering technology from Wuhan University of Technology in July 2013. Mr. Wan obtained the title of Engineer (工程師職稱) in January 2017.

Mr. Zhang Bangzhi (章邦志), aged 49, was appointed as our Assistant General Manager on September 17, 2021. Mr. Zhang is responsible for the implementation of strategic development plan and sludge business.

Mr. Zhang has over 20 years' experience in the field of safety and environmental protection and project development. Mr. Zhang joined our Group since June 2016 when he was appointed as the director of WH Environmental Protection. He also currently holds various directorships in our subsidiaries. Prior to joining our Group, he successively held various positions in the subsidiaries of Conch Cement, including the director of quality control department of the Ningguo Cement Plant and the assistant to general manager of Yueqing Conch Cement Company Limited (樂清海螺水泥有限責任公司), and the assistant to head of development department in Conch Cement from August 1993 to September 2012. From September 2012 to March 2014, Mr. Zhang served as an assistant to the director of development department in Anhui Conch Holdings Co., Ltd. From March 2014 to February 2020, Mr. Zhang served as deputy director of strategy department in Conch Venture. Mr. Zhang has served as the general manager in the subsidiaries of our Company since April 2016.

Mr. Zhang graduated from Anhui Vocational and Technical College (安徽職業技術學院), previously known as Anhui Building Materials Industry School (安徽省建材工業學校), in silicate technology in July 1993 and then obtained a diploma in silicate technology in Wuhan University of Technology (武漢理工大學), previously known as Wuhan University of Technology (武漢工業大學), in December 1998. Mr. Zhang obtained the title of Engineer in November 2018.

Mr. Wang Jianli (王建禮), aged 58, was appointed as the chief engineer in on September 17, 2021. Mr. Wang is responsible for the industrial technology and process management.

Mr. Wang has over 30 years' experience in process design and technological upgrading of building materials industry. Mr. Wang has served as the general manager of Yaobai Environmental since December 2015, and has been also appointed as the chairman of the board of directors of Yaobai Environmental in March 2021. Prior to joining our Group, he served as an assistant to the dean and the director of the Second Branch of the Shaanxi Provincial Building Materials Industry Design and Research Institute (陝西省建築材料工業設計研究院) from February 1983 to March 2002. Then he served as the chief engineer in Yaobai Special Cement Group Company Limited (堯柏特種水泥集團有限公司) ("**Yaobai Group**") from March 2002 to January 2004, the chief engineer and deputy general manager in Yaobai Group from January 2004 to November 2006. He served as the director and chief engineer of West China Cement Limited (中國西部水泥有限公司) and the vice president of Yaobai Group from November 2006 to July 2015.

Mr. Wang graduated from Luoyang Institute of Science and Technology (洛陽理工學院), previously known as Luoyang College of Building Materials Industry (洛陽建築材料工業學校) in cement process in December 1982, and obtained a bachelor's degree in engineering in industrial electrical automation from Xi'an University of Technology (西安理工大學), previously known as Shaanxi Institute of Mechanical Engineering (陝西機械學院) in December 1988. Mr. Wang completed an EMBA course in School of Economics and Management of Northwest University (西北大學) in December 2005, and the course of High-level Capacity Building Seminar in the field of new materials in Zhejiang University in September 2014. Mr. Wang obtained the title of Senior Engineer in October 2014 and was awarded the title of ''National Model Worker in Building Materials Industry'' (全國建材行業勞動模範) by the Ministry of Human Resources and Social Security and China Building Materials Federation (中國建築材料聯合會) in May 2020.

Save as disclosed in the section headed ''— Senior Management'', none of the senior management of our Company held any directorship in public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years immediately preceding the date of this listing document.

COMPANY SECRETARY

Mr. Shu Mao (疏茂) was appointed as the company secretary of our Company on September 17, 2021. Mr. Shu is also an executive Director of our Company. See ''— Directors — Executive Directors'' in this section for his biography.

DIRECTORS' AND SENIOR MANAGEMENT REMUNERATION

For details of the service contracts and appointment letters that we have entered into with our Directors, see ''General Information — C. Further Information about our Directors — 1. Particulars of Directors' service contracts and appointment letters'' in Appendix V to this listing document.

The aggregate amount of fees, salaries, allowances, discretionary bonus, retirement benefits scheme contributions and benefits in kind of our Directors for the years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2021 were approximately RMB1.6 million, RMB3.7 million, RMB4.3 million and RMB3.1 million, respectively. Further information on the remuneration of each Director during the Track Record Period is set out in the Accountants' Report in Appendix I to this listing document.

Under the arrangements currently in force, the aggregate amount of remuneration (excluding any discretionary bonus which may be paid) payable by our Company to our Directors for the financial year ending December 31, 2022 is expected to be approximately RMB6.9 million.

The five highest paid individuals of our Company for the years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2021 included one, three, four and two Directors, respectively, whose remuneration is included in the aggregate amount of wages, salaries, bonuses, pensions, and other social security costs, and other benefits we paid to the relevant Directors as set out above. For the years ended December 31, 2018, 2019 and 2020 and nine months ended September 30, 2021, the aggregate amount of salaries, allowance and benefits in kind, discretionary bonuses, and retirement benefits schemes contribution for the remaining four, two, one and three individuals were

RMB2.9 million, RMB2.0 million, RMB1.3 million and RMB2.4 million, respectively. Further details on the remuneration of the five highest paid individuals during the Track Record Period is set out in the Accountants' Report in Appendix I to this listing document.

During the Track Record Period, no remuneration was paid to any Director or any of the five highest paid individuals of our Company as an inducement to join or upon joining our Company. No compensation was paid to or receivable by any Director or any of the five highest paid individuals during the Track Record Period for the loss of any office in connection with the management of the affairs of any member of our Company. None of our Directors waived any emoluments during the Track Record Period. No other payments have been paid or are payable in respect of the Track Record Period to our Directors by our Group.

CORPORATE GOVERNANCE

Audit Committee

We have established an audit committee in compliance with Rule 3.21 of the Listing Rules and with written terms of reference in compliance with the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls system of our Group, review and approve connected transactions and to advise the Board. The audit committee comprises three independent non-executive Directors, namely Mr. Cai Hongping, Mr. Hao Jiming and Mr. Dai Xiaohu. Mr. Cai Hongping is the chairman of the audit committee. Mr. Cai Hongping is appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules.

Remuneration and Nomination Committee

We have established a remuneration and nomination committee in compliance with Rule 3.25 of the Listing Rules and Code on Corporate Governance set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration and nomination committee are to review and make recommendations to our Board regarding the terms of remuneration packages, bonuses and other compensation payable to our Directors and senior management, and make recommendations to our Board regarding the appointment of Directors and Board succession. The remuneration and nomination committee comprises one executive Director, namely Mr. Guo Jingbin and three independent non-executive Directors, namely Mr. Cai Hongping, Mr. Hao Jiming and Mr. Dai Xiaohu. Mr. Dai Xiaohu is the chairman of the remuneration and nomination committee.

Strategy, Sustainability and Risk Management Committee

We have established a strategy, sustainability and risk management committee to oversee the strategic issues, sustainable development and risk management of our Group. The primary duties of the strategy, sustainability and risk management committee are to make recommendations to our Board in relation to the long-term development, strategic plans and risk management of our Company. The strategy, sustainability and risk management committee comprises Mr. Guo Jingbin, Mr. Dai Xiaohu, Mr. Xiao Jiaxiang, Mr. Shu Mao and Mr. Zhang Keke. Mr. Guo Jingbin is the chairman of the strategy, sustainability and risk management committee.

MANAGEMENT PRESENCE

We have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirement under Rule 8.12 of the Listing Rules in relation to the requirement of management presence in Hong Kong. For details of the waiver, see "Waivers from Strict Compliance with the Listing Rules — Waiver in Respect of Management Presence in Hong Kong."

BOARD DIVERSITY POLICY

We have adopted a diversity policy of the Board which sets out the objective and provides that all appointments of the members of the Board should be made on merit, in the content of the talents, skills and experience the Board as a whole requires to be effective. Our remuneration and nomination committee will review and assess the composition of the Board and make recommendations to the Board on appointment of members of the Board. Meanwhile, our remuneration and nomination committee will consider the benefits of all aspects of diversity and seek to achieve Board diversity through the consideration of a number of factors, including without limitation, professional experience, skills, knowledge, education background, age, gender, cultural and ethnicity and length of service, in order to maintain an appropriate range and balance of talents, skills, experience and diversity of perspectives on the Board. Under the current composition of our Board, our Board has a balanced mix of knowledge, skills and experiences, including experiences in industrial technology development, environmental engineering, solid waste recycling, investment, accounting and financial markets. Our Directors have a diverse education background including automated management, business administration, industrial electrical automatization, machinery manufacturing process and equipment, environmental engineering, economic management.

We recognize that the gender diversity at the Board level can be improved given its current composition of all male Directors. Our Company will appoint at least one female Director to the Board within one year from the Listing Date. In order to fulfil our commitment to appoint at least one female Director to the Board within one year from the Listing Date, our Company will actively identify female individuals suitably qualified to become the Board member through internal promotion, referrals, engaging employment agencies or other reasonable means and select several female individuals with a diverse range of skills, experience and knowledge in different fields from time to time, and maintain a list of such female individuals who possess qualities to become our Board members. While we recognize that any Board appointment will be based on meritocracy and candidates will be considered against objective criteria having due regard for the benefits of diversity on the Board, we will strive to enhance female representation and achieve an appropriate balance of gender diversity with reference to stakeholders' expectation and international and local recommendation best practices, with the ultimate goal of bringing our Board to gender parity. We will also ensure that there is gender diversity when recruiting staff at mid to senior level and we are committed to provide career development opportunities for female staff so that we will have a pipeline of female senior management and potential successors to our Board in a few years' time.

Our remuneration and remuneration and nomination committee is delegated by our Board to be responsible for compliance with relevant codes governing board diversity under the Corporate Governance Code. Upon Listing, our remuneration and nomination committee will review our diversity policy of the Board and compliance with the Corporate Governance Code to ensure its continued effectiveness and we will disclose in our corporate governance report about the implementation of the diversity policy of the Board on annual basis.

COMPLIANCE ADVISOR

We have appointed FUTEC Financial Limited as our compliance advisor (the "**Compliance Advisor**") pursuant to Rule 3A.19 of the Listing Rules. Our Compliance Advisor will provide us with guidance and advice as to compliance with the Listing Rules and applicable Hong Kong laws. Pursuant to Rule 3A.23 of the Listing Rules, our Compliance Advisor will advise our Company in certain circumstances including:

(a) before the publication of any regulatory announcement, circular, or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases; and

(c) where the Stock Exchange makes an inquiry to our Company regarding unusual movements in the price or trading volume of its listed securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

The term of appointment of our Compliance Advisor shall commence on the Listing Date and is expected to end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date.

CORPORATE GOVERNANCE CODE

Our Directors recognize the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of our Group to achieve effective accountability. Our Company intends to comply with all code provisions in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules after the Listing.

So far as is known to our Directors or chief executive officer of our Company as at the Latest Practicable Date, assuming no change to the total number of Conch Venture Shares from the Latest Practicable Date to the Record Date, immediately following the completion of the Spin-off, no persons are expected to be, directly or indirectly, interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company.

As of the date of this listing document, the authorized and issued share capital of our Company is as follows:

Authorized Share Capital	Aggregate nominal value
15,000,000,000 shares of HK$0.01 each	HK$150,000,000

Issued Share Capital	Aggregate nominal value
1,826,765,059 shares of HK$0.01 each	HK$18,267,650.59

The issued share capital of our Company immediately upon the completion of the Spin-off and the Listing will be as follows:

Issued Share Capital	Aggregate nominal value
1,826,765,059 shares of HK$0.01 each	HK$18,267,650.59

ASSUMPTIONS

The above table assumes that the Conch Venture Distribution becomes unconditional and does not take into account any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

RANKING

The Shares are ordinary shares in the issued Shares of our Company and rank equally with all Shares upon Listing, and, in particular, will rank in full for all dividends or other distributions declared, made or paid and other rights and benefits attaching or accruing to the Shares following the completion of the Listing.

ALTERATION OF SHARE CAPITAL

Our Company may from time to time by ordinary resolution or special resolution (as the case may be) of shareholders alter the share capital of our Company. For a summary of the provisions in the Articles regarding alterations of share capital, see "Summary of the Constitution of our Company and Cayman Companies Act — 2. Articles of Association — (a) Shares — (iii) Alteration of capital" in Appendix IV to this listing document for further information.

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS ARE REQUIRED

Our Company has only one class of Shares, namely ordinary shares, and each ranks pari passu with the other Shares.

Pursuant to the Companies Act and the terms of the Memorandum of Association and Articles of Association, our Company may from time to time by ordinary resolution of shareholders (i) increase its authorized share capital; (ii) consolidate and divide its share capital into shares of larger amount; (iii) subdivide its shares into shares of smaller amount; and (iv) cancel any shares which have not been taken. In addition, our Company may subject to the provisions of the Companies Act reduce its share capital or capital redemption reserve by its shareholders passing a special resolution. See "Summary of the Constitution of our Company and the Cayman Companies Act — 2. Articles of Association — (a) Shares — (iii) Alteration of capital" in Appendix IV to this listing document for further details.

GENERAL MANDATE TO ISSUE SHARES

Our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with a total nominal value of not more than the sum of:

- 20% of the aggregate nominal value of our Shares in issue as at the Listing Date; and
- the aggregate nominal value of Shares repurchased by us under the authority referred to in the paragraph headed "— General Mandate to Repurchase Shares" in this section.

This general mandate to issue Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or
- the expiration of the period within which our Company's next annual general meeting is required by the Articles of Association or any other applicable laws to be held; or
- the date on which it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

See "General Information — A. Further Information about our Company and our Subsidiaries — 4. Resolutions of the Sole Shareholder of Our Company dated March 16, 2022" in Appendix V to this document for further details of this general mandate to allot, issue and deal with Shares.

GENERAL MANDATE TO REPURCHASE SHARES

Our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase our own securities with nominal value of up to 10% of the aggregate nominal value of our Shares in issue as at the Listing Date.

The repurchase mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which our Shares are listed (and which are recognized by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed "General Information — A. Further Information about our Company and our Subsidiaries — 4. Resolutions of the Sole Shareholder of Our Company dated March 16, 2022" in Appendix V to this listing document.

This general mandate to repurchase Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or

- the expiration of the period within which our Company's next annual general meeting is required by the Articles of Association or any other applicable laws to be held; or

- the date on which it is varied or revoked by an ordinary resolution of our Shareholders passed in a general meeting.

See "General Information — A. Further Information about our Company and our Subsidiaries — 4. Resolutions of the Sole Shareholder of Our Company dated March 16, 2022" in Appendix V to this listing document for further details of the repurchase mandate.

Conch Venture Shareholding Distribution

Conch Venture has engaged a professional firm, which is an Independent Third Party, to make enquires into the shareholding information of Conch Venture pursuant to section 329 of the SFO. Based on the replies received by the aforesaid professional firm from brokerage firms and custodians up to January 6, 2022, and to the best knowledge of directors of Conch Venture after due and careful enquiry, as at November 19, 2021 (being the latest practicable date for Conch Venture to ascertain the shareholding information), the top one identifiable shareholder held an aggregate of 126,651,500 shares of Conch Venture (representing approximately 6.93% of the then entire issued share capital of Conch Venture), the top five, top ten and top 25 identifiable shareholders[1] held an aggregate of 392,886,780 shares, 618,642,603 shares and 992,417,543 shares, respectively, representing approximately 21.51%, 33.87% and 54.33% of the then entire issued share capital of Conch Venture, respectively. The remaining 834,347,516 shares (representing 45.67% of the issued shares) were in the hands of other shareholders of Conch Venture. To the best knowledge of the directors of Conch Venture, no persons were interested in 10% or more of the then issued share capital of Conch Venture as at the aforesaid latest practicable date.

[1] For prudence's sake, shareholders within same group or shareholders who hold shares through multiple brokerage accounts with different brokerage firms would be deemed as one single identified shareholder and the respective shareholdings have been aggregated; and the PRC southbound trading investors through Shanghai-Hong Kong Stock Connect and/or Shenzhen-Hong Kong Stock Connect were not included in the top 25 identifiable shareholders. Among the top 25 identifiable shareholders, save as (a) China Building Material Holdings Co., Limited, which was a wholly-owned subsidiary of CNBM, (b) Splendor Court Holdings Limited, which was wholly owned by our Director, Mr. Guo Jingbin, and (c) Fortune Gold Limited, which was wholly owned by the spouse of our Director, Mr. Ji Qinying, to the best knowledge of our Directors, other top 25 identifiable shareholders were all Independent Third Parties and were not financed directly or indirectly by nor were accustomed to taking instruction from our Company, our subsidiaries, our Directors, senior management or any of their respective associates.

The following discussion and analysis should be read in conjunction with our consolidated financial statements included in "Appendix I — Accountants' Report" together with the accompanying notes. Our consolidated financial statements have been prepared in accordance with IFRSs.

The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis that we make in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed in "Risk Factors" and "Forward-Looking Statements" and elsewhere in this listing document.

OVERVIEW

We are a leading player providing the eco-friendly and cost-efficient treatment of industrial solid and hazardous waste in China. We provide one-stop waste treatment solution services covering the collection and transportation, testing and storage, compatibility and transmission, treatment and incineration of industrial solid waste and hazardous waste utilizing our cement kiln waste treatment technologies. In particular, our solutions encompass (i) industrial solid waste treatment services and (ii) industrial hazardous waste treatment services.

Our revenue increased steadily during the Track Record Period. Our revenue increased from RMB396.7 million in 2018 to RMB737.8 million in 2019 and further to RMB1,144.0 million in 2020, and increased from RMB717.6 million in the nine months ended September 30, 2020 to RMB1,194.4 million in the same period of 2021, primarily in line with the increases in our industrial solid and hazardous waste treatment volume.

BASIS OF PREPARATION

Our consolidated financial information has been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board, which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board.

The preparation of our consolidated financial information in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying our accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to our consolidated financial information are disclosed in note 3 to the Accountants' Report as set out in Appendix I to this listing document.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our financial condition and results of operations are affected by a number of factors, including those set out below:

Market Demand for Our Solutions

Our business is affected by the general market demand for waste treatment solutions, in particular, demands for industrial solid and hazardous waste treatment. Our revenue increased from RMB396.7 million in 2018 to RMB737.8 million in 2019 and further to RMB1,144.0 million in 2020, representing a CAGR of 69.8% from 2018 to 2020. We further recorded revenue of RMB1,194.4 million in the nine months ended September 30, 2021. Such growth is attributable to the increasing customer demand for our waste treatment solutions, which we believe has been driven by the relevant favorable government policies, industry regulations and economic condition, and we expect the customer demand to likely continue to be driven by such favorable factors. Other factors affecting our customer demand include the production volumes of our customers, the quality of our treatment services and our relationship with customers. Our results of operations will be affected by our ability to seize opportunities from, and respond competitively to, customer demand driven by such factors.

In particular, the actual treatment volume of our industrial solid and hazardous waste treatment facilities depends significantly on the demand for such services. Most of our hazardous waste treatment facilities have not been fully utilized. If the demand increases, we may continue to increase our actual waste treatment volume until it reaches the designed treatment capacity of our facilities. We will continue to develop the customer base of our industrial solid and hazardous waste treatment projects to further increase the actual waste treatment volume and utilization rate, thereby improving our operational efficiency and hence the overall profitability. We have also been developing new projects during the Track Record Period to cover more geographic areas and grasp the market demand. As we serve customers of more regions, we expect to establish our presence in such regions to attract more customers to use our waste treatment solutions, thereby improving our results of operations.

Competitiveness in Technologies

We provide one-stop waste treatment solution services covering the collection and transportation, testing and storage, compatibility and transmission, treatment and incineration of industrial solid waste and hazardous waste utilizing our cement kiln waste treatment technologies. Cement kiln waste treatment technologies are technologies to incinerate pre-treated waste in cement kilns during the cement production process to substantially eliminate hazardous materials, emissions and residues and, at the same time, use waste and the materials recovered as alternative fuel to recover energy or as raw materials for cement production. We believe our capability to maintain advanced and commercially viable technologies is key to the success of our business. Our technical personnel conducting research and development activities have extensive relevant experience in the waste treatment industry. However, market competition may intensify in the future and have an influence on our competitiveness and market share, as existing competitors may introduce new technologies or provide more competitive offerings, and more new entrants to the market may emerge driven by the favorable government policies and industry regulations. As a result, our ability to offer quality solutions embedded with up-to-date technologies and compete effectively with existing and new market players will have a significant impact on our results of operations and business growth.

Our Relationship with Cement Company Suppliers and Customers

To ensure the stability of our operations and to minimize our capital investment, we closely cooperate with cement company suppliers, including certain leading companies possessing abundant cement kiln resources to construct cement kiln waste treatment equipment and facilities at their cement production plants to enable our cement kiln waste treatment services. For example, we cooperate with Conch Cement and construct cement kiln waste treatment equipment/facilities at their production plants. In return, we pay fixed service fees determined based on a variety of factors for the industrial solid and hazardous waste we treat periodically to cement company suppliers, subject to adjustment through annual evaluations of the actual costs to such cement companies. If we are unable to maintain our relationship with any of the cement company suppliers or if any of them otherwise ceases to cooperate with us on the same or similar terms, or at all, such changes may result in delays to our projects, which could adversely affect our results of operations.

Meanwhile, our relationship with customers is also crucial to our results of operations. Our customers primarily consist of industrial companies in need of treating industrial solid and hazardous waste. Benefiting from our cement company suppliers' nationwide cement production networks, we were able to establish our waste treatment presence covering more than 20 provinces in China and deliver stable services to our customers. If we are unable to maintain our relationship with any of our customers or if any of them otherwise ceases to choose our services, such changes may adversely affect our results of operations.

Pricing

Our results of operations are affected by our ability to price our service solutions at desired level and by changes in the market prices of the equipment and materials needed for the commissioning of our projects. Our pricing and bargaining power can be affected by market factors including competition from other service providers, changes in demand for our waste treatment solution services, technological capacities as well as relationship with our suppliers and customers. During the Track Record Period, we also implemented pricing strategies to maintain market competitiveness and attractiveness of our services.

Seasonality

We typically record lower revenue for our waste treatment solution services during the first quarter every year due to the Chinese New Year holiday. Production at factories in China tends to slow down for at least four weeks before and after the Chinese New Year holiday. Accordingly, our equipment and materials suppliers and contract manufacturers are often not operating during those holidays. Therefore, we generally experience a decrease in our provision of services during these periods and an increase in our business for the periods prior to and after the holidays. For details, see "Risk Factors — Risks Relating to Our Business and Industry — We are subject to seasonality risks."

The PRC Government Policies and Regulations

In the PRC industrial solid and hazardous waste treatment industries, regulatory standards play a critical role in influencing the demand for our services. Our operations are sensitive to changes in the PRC laws and regulations relating to such industries, or changes in the implementation of such laws and regulations. Any changes in the applicable legislative, regulatory or industrial requirements may have an impact on our business.

In recent years, the PRC government has been increasingly focused on environmental protection. With increasingly stringent environmental regulations imposed by the PRC government, a number of regions in China face shortages in solid and hazardous waste treatment facilities, which in turn could increase the demand for our services. Meanwhile, there has been a trend of permitted cross-province transportation of hazardous waste subject to regulatory approval in China, which could potentially expand our customer base. Nevertheless, the PRC government has been setting stricter environmental regulatory requirements, which could potentially increase our compliance costs. For details, see "Regulatory Environment."

Taxation

Our Company and subsidiaries are subject to the PRC taxation, including income tax and VAT. During the Track Record Period, the statutory PRC enterprise income tax rate was 25%, as determined in accordance with relevant PRC income tax rules and regulations. Pursuant to PRC Enterprise Income Tax Law Implementing Regulations issued by State Council of the PRC, certain of our subsidiaries engaged in waste treatment services are eligible for three-year tax exemption and three-year 50% tax reduction. In addition, pursuant to Notice No.23 issued by the State Administration of Taxation on April 23, 2020 and relevant local tax authorities' notices, certain of our subsidiaries are entitled to a preferential income tax rate of 15% as qualifying companies located in western areas in the PRC. As a result, our effective income tax rate (calculated by dividing our income tax expense by our profit before tax for the corresponding period) in 2018, 2019 and 2020 and the nine months ended September 30, 2020 and 2021 were 2.0%, 1.5%, 2.8%, 2.9% and 7.3%, respectively. However, there can be no assurance that the preferential tax treatments we currently enjoy will remain unchanged. Changes in the PRC taxation regulations and our preferential tax treatments would impact our financial condition and results of operations.

THE COVID-19 PANDEMIC

There has been an outbreak of a novel strain of coronavirus named COVID-19 that was first reported in late 2019 and has spread within the PRC and globally. COVID-19 is considered highly contagious and may pose a serious public health threat. In order to reduce the risk of a widespread of COVID-19, the PRC government had imposed a lockdown since January 23, 2020 and announced to extend the Chinese New Year holiday and delay the resumption of work in the PRC. Different local governments of the PRC had imposed temporary restrictions or bans on passenger traffic to control the spread of COVID-19.

In response to the government measures, we extended our Chinese New Year holiday in 2020 for our employees. We required certain of our operational employees to remain at our waste treatment facilities to maintain necessary waste treatment operations during the holiday and did not suspend our operation during the Track Record Period and up to the date of the listing document. Other employees were allowed to work from home until early March after the end of the Chinese New Year holiday in 2020. Due to the COVID-19 pandemic, companies, including our customers, suspended their operations during the first half of 2020 and therefore our customers' demand for industrial solid and hazardous waste treatment services and our treatment volume declined during the period. However, we were able to increase our treatment volume in 2020 and our revenue increased from RMB737.8 million in 2019 to RMB1,144.0 million in 2020.

Although the general conditions of the COVID-19 outbreak had been substantially improved since the second half of 2020, there has been temporary, regional cases of COVID-19 in China. In December, Xi'an in Shaanxi province, had more than 1,000 COVID-19 confirmed cases (the "**Xi'an Outbreak**") and the local government locked down Xi'an to contain the spread of the COVID-19. As of the date of the listing document, the Xi'an Outbreak had been effectively controlled. However, the COVID-19 pandemic in China since the fourth quarter of 2021 interrupts the daily business operations in cities like Tianjin and Xi'an and negatively affects the economic development in such areas. Nonetheless, compared to other industries, industrial production industries (including the industrial solid and hazardous waste treatment market and cement kiln waste treatment market) were generally less affected by the interruption of COVID-19, according to Frost & Sullivan.

To the best knowledge of our Directors, our results of operations in the nine months ended September 30, 2021 and up to the date of this listing document were particularly affected by the COVID-19 pandemic in the following aspects:

- **Delay in projects under construction**. We have two projects under construction in Yiyang and Xinhua in Hunan province which were originally expected to be completed in construction and put into use in November 2021 and September 2021, respectively. However, due to the COVID-19 pandemic, the construction of such two projects were delayed. As of the date of the listing document, the project in Xinhua has been put into operation since January, 2022 and we expect that the project in Yiyang will be put into use in the first half of 2022.

- **Restrictions on inter-provincial transportation**. Due to the evolving COVID-19 pandemic, local governments and transportation authorities have been actively implementing more stringent measures with respect to the inter-provincial transportation of industrial solid and hazardous waste in 2021. As a result, certain of our applications for the transportation of industrial solid and hazardous waste were not approved (which is one-off in nature) and therefore we did not accept such waste for treatment. However, we confirm that we were not held liable by any such customers due to the COVID-19 pandemic.

- **Lockdown of cities in which we have operations**. In response to the evolving COVID-19 pandemic, the local governments locked down the cities or areas with the identified high risks of COVID-19. For example, Xi'an, Shaanxi province, were locked down in December 2021. The business operations of four of our projects located in Shaanxi province were suspended for an average of 12 days in December 2021 as a result. In addition, the business operations of our customers located in Shaanxi province were also suspended or adversely affected and the demand for industrial solid and hazardous waste treatment services in Shaanxi province declined in December 2021.

Nonetheless, our Directors confirm that the above impacts of the COVID-19 on our business are immaterial. Our revenue continued increased from RMB717.6 million in the nine months ended September 30, 2020 to RMB1,194.4 million in the nine months ended September 30, 2021. In addition, based on our management accounts, our revenue in the fourth quarter of 2021 continued to grow as compared to the same period in 2020. However, there remains the possibility of further spread of COVID-19, in which case, our business may be impacted by the outbreak and the relevant measures adopted by the government. See "Risk Factors — Risks Relating to Our Business and Industry — COVID-19 pandemic could have a material adverse effect on our business, financial condition and results of operations".

Our Directors confirmed that, considering that (i) our revenue continued to grow since the outbreak of COVID-19 in 2020; (ii) the industry we are in are generally less affected by the COVID-19 pandemic as compared to other industries according to Frost & Sullivan; and (iii) the PRC national and local governments have been proactively taking measures to contain the spread of COVID-19, the COVID-19 pandemic did not have any material adverse impact on our business and results of operations in the short and long term, and is not expected to bring any permanent or material interruption to our operations.

SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. The preparation of our consolidated financial statements also requires management to make judgements, estimates and assumptions based on historical experience and various other factors that management believes to be reasonable under the circumstances. Our significant accounting policies and critical accounting estimates and judgements, which are important for an understanding of our financial condition and results of operations, are set out in further details in notes 2 and 3 to the Accountants' Report as set out in Appendix I to this listing document. We set out below those accounting policies that we believe are of critical importance to us or involve the most significant estimates and judgements used in the preparation of our financial statements.

Revenue Recognition

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

Further details of our revenue and other income recognition policies are as follows:

(i) Revenue from services

We provide industrial solid and hazardous waste treatment solutions to customers, and generally charge a fixed price per volume of services during the contract period. We recognize services revenue for which it has a right to invoice in the period during which the related volume of services is performed.

(ii) Interest income

Interest income is recognized as it accrues using the effective interest method. For financial assets measured at amortized cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortized cost of the asset.

(iii) Dividends

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

(iv) Government grants

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

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labor, 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.

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 recognized 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:

Plants and buildings	20 to 30 years
Machinery and equipment	10 to 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.

Capitalization 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.

Credit Losses and Impairment of Assets

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

We recognize a loss allowance for expected credit losses (ECLs) on financial assets measured at amortized cost (including cash and cash equivalents, bank deposits and trade receivables and other receivables).

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

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

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

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

- variable-rate financial assets: current effective interest rate.

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

Measurement of ECLs

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

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

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

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

Significant increases in credit risk

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

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

- failure to make payments of principal or interest on their contractually due dates;

- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

- an actual or expected significant deterioration in the operating results of the debtor; and

- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to us.

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

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

Basis of calculation of interest income

Interest income recognized in accordance with note 2(i)(ii) to the Accountants' Report as set out in Appendix I to this listing document is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortized cost of the financial asset.

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

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

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

Write-off policy

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

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

(ii) Impairment of other non-current assets

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

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

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

Calculation of recoverable amount

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

Recognition of impairment losses

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

Reversals of impairment losses

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

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

Fair Value Measurements

We measure fair value of financial instruments on a recurring basis, categorise into the three-level fair value hierarchy as defined in IFRS 13.

- Level 1 valuations: Fair value measured using only Level 1 inputs (i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date)

- Level 2 valuations: Fair value measured using Level 2 inputs (i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs). Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs

As of December 31, 2020 and September 30, 2021, our unlisted equity securities were measured at fair value using level 3 inputs. As of December 31, 2018 and 2019, we had no financial instruments carried at fair value. The fair value of our Group's unlisted equity securities is determined with reference to the latest-round financing price of the securities, adjusted by unobservable inputs based on information such as the latest available financial information of the investee, where applicable.

Details of the fair value measurement of unlisted equity securities, particularly the fair value hierarchy, the valuation techniques and key inputs, are disclosed in note 25(e) to the historical financial information of our Group for the Track Record Period as set out in the Accountants' Report issued by the Reporting Accountants in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 "Accountants' Report on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants in Appendix I. The reporting accountants' opinion on the historical financial information of our Group for the Track Record Period as a whole is set out on I-2 of Appendix I to this listing document.

In relation the valuation of the unlisted equity securities, our Directors, based on the professional advices received, adopted the following procedures: (i) reviewed the terms of investment agreements; (ii) conducted risk assessments on the effectiveness of its valuation models; (iii) considered material adjustments to existing valuation models or any implementation of any new valuation models; (iv) discussed with the Reporting Accountants in respect of the audit work they have conducted in this regard; and (v) discussed with management in relation to investment and internal policies in valuation methodologies, techniques, assumptions, models and procedures for assessing the fair value of financial assets and liabilities. In addition, Based on the above, our Directors are of the view that the valuation analysis is fair and reasonable, and our financial statements are properly prepared.

In relation to the valuation of the unlisted equity securities, the Joint Sponsors have conducted relevant due diligence work, including but not limited to, (i) review of relevant notes in the Accountants' Report as contained in Appendix I and relevant investment agreement; and (ii) discussed with the Company and the Reporting Accountants about the key basis and assumptions for the valuation of the unlisted equity securities. Having considered the work done by the Directors and Reporting Accountants and the relevant due diligence done as stated above, nothing has come to the Joint Sponsors' attention that would cause the Joint Sponsors to question the valuation analysis performed by the Company and the Reporting Accountants.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

The following table summarizes our results of operations for the periods indicated:

	Year ended December 31,						Nine months ended September 30,			
	2018		2019		2020		2020		2021	
	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue
	(RMB in thousands, except for percentages)									
							(unaudited)			
Revenue	396,656	100.0	737,772	100.0	1,143,991	100.0	717,581	100.0	1,194,369	100.0
Cost of sales	(90,412)	(22.8)	(203,522)	(27.6)	(394,336)	(34.5)	(259,219)	(36.1)	(472,716)	(39.6)
Gross profit	**306,244**	**77.2**	**534,250**	**72.4**	**749,655**	**65.5**	**458,362**	**63.9**	**721,653**	**60.4**
Other income	30,545	7.7	38,311	5.2	44,080	3.9	33,657	4.7	42,473	3.6
Distribution costs	(17,633)	(4.4)	(47,453)	(6.4)	(88,827)	(7.8)	(52,802)	(7.4)	(90,320)	(7.6)
Administrative expenses	(32,530)	(8.2)	(87,634)	(11.9)	(129,642)	(11.3)	(89,028)	(12.4)	(156,827)	(13.1)
Profit from operations	**286,626**	**72.3**	**437,474**	**59.3**	**575,266**	**50.3**	**350,189**	**48.8**	**516,979**	**43.3**
Finance costs	(2)	(0.0)	(6,862)	(0.9)	(12,187)	(1.1)	(6,608)	(0.9)	(32,208)	(2.7)
Share of profits of associates	—	—	2,339	0.3	11,081	1.0	9,961	1.4	8,601	0.7
Profit before taxation	**286,624**	**72.3**	**432,951**	**58.7**	**574,160**	**50.2**	**353,542**	**49.3**	**493,372**	**41.3**
Income tax	(5,707)	(1.5)	(6,289)	(0.9)	(16,166)	(1.4)	(10,348)	(1.5)	(36,099)	(3.0)
Profit for the year/period	**280,917**	**70.8**	**426,662**	**57.8**	**557,994**	**48.8**	**343,194**	**47.8**	**457,273**	**38.3**
Attributable to:										
Equity shareholders of the company	233,551	58.9	353,314	47.9	468,986	41.0	278,356	38.8	401,003	33.6
Non-controlling interest	47,366	11.9	73,348	9.9	89,008	7.8	64,838	9.0	56,270	4.7

Revenue

During the Track Record Period, we generated revenue from two business lines, namely (i) industrial solid waste treatment services, and (ii) industrial hazardous waste treatment services. The table below sets forth a breakdown of revenue by business line during the Track Record Period:

	Year ended December 31,						Nine months ended September 30,			
	2018		2019		2020		2020		2021	
	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue
	(RMB in thousands, except for percentages)									
							(unaudited)			
Industrial solid waste treatment services	**85,878**	**21.7**	**114,098**	**15.5**	**309,869**	**27.1**	**175,066**	**24.4**	**309,535**	**25.9**
Industrial hazardous waste treatment services	**310,778**	**78.3**	**623,674**	**84.5**	**834,122**	**72.9**	**542,515**	**75.6**	**884,834**	**74.1**
General hazardous waste	310,778	78.3	623,674	84.5	765,680	66.9	504,207	70.3	759,059	63.6
Oil sludge	—	—	—	—	68,442	6.0	38,308	5.3	87,688	7.3
Fly ash	—	—	—	—	—	—	—	—	38,087	3.2
Total	**396,656**	**100.0**	**737,772**	**100.0**	**1,143,991**	**100.0**	**717,581**	**100.0**	**1,194,369**	**100.0**

Our revenue increased during the Track Record Period. Our revenue increased by 86.0% from RMB396.7 million in 2018 to RMB737.8 million in 2019, and further by 55.1% from RMB737.8 million in 2019 to RMB1,144.0 million in 2020, and increased by 66.4% from RMB717.6 million in the nine months ended September 30, 2020 to RMB1,194.4 million in the same period of 2021, primarily attributable to the increases in revenue from both our industrial solid waste treatment services and industrial hazardous waste treatment services.

The table below sets forth a breakdown of our revenue from the services provided based on the geographical location of the subsidiaries to which our revenue was attributable for the periods indicated:

	Year ended December 31,						Nine months ended September 30,			
	2018		2019		2020		2020		2021	
	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue
	(RMB in thousands, except for percentages)									
							(unaudited)			
Eastern China(1)	164,258	41.4	261,523	35.4	269,784	23.6	160,432	22.3	330,785	27.7
Southern China(2)	5,788	1.5	61,248	8.3	191,560	16.7	108,902	15.2	210,626	17.6
Southwestern China(3)	—	—	129,164	17.5	271,960	23.8	177,100	24.7	202,959	17.0
Northwestern China(4)	162,768	41.0	185,910	25.2	261,128	22.8	172,229	24.0	192,401	16.1
Central China(5)	63,842	16.1	99,927	13.6	144,067	12.6	95,482	13.3	149,339	12.5
Northern China(6)	—	—	—	—	5,493	0.5	3,436	0.5	108,259	9.1
Total	**396,656**	**100.0**	**737,772**	**100.0**	**1,143,991**	**100.0**	**717,581**	**100.0**	**1,194,369**	**100.0**

(1) Eastern China refers to a geographical region of China, consisting of Anhui province, Jiangsu province, Shanghai and Zhejiang province for purposes of this listing document.

(2) Southern China refers to a geographical region of China, consisting of Guangdong province and Guangxi autonomous region for purposes of this listing document.

(3) Southwestern China refers to a geographical region of China, consisting of Chongqing, Sichuan province and Guizhou province for purposes of this listing document.

(4) Northwestern China refers to a geographical region of China, consisting of Shaanxi province, Gansu province and Shanxi province for purposes of this listing document.

(5) Central China refers to a geographical region of China, consisting of Hubei province, Hunan province, Jiangxi province and Fujian province for purposes of this listing document.

(6) Northern China refers to a geographical region of China, consisting of Hebei province, Henan province and Shandong province for purposes of this listing document.

During the Track Record Period, Eastern China, Southwestern China and Northwestern China contributed most of our total revenue. We have been continually expanding our geographical coverage to enlarge our business scale. For example, we started generating revenue from our waste treatment services in Southwestern China in 2019 and in Northern China in the second half of 2020. We expect to focus on the development of industrial solid and hazardous waste treatment services, expanding oil sludge and fly ash treatment services, and continue to increase revenue from various regions through business development.

Industrial solid waste treatment services

In 2018, 2019 and 2020 and the nine months ended September 30, 2020 and 2021, our revenue generated from the industrial solid waste treatment services was RMB85.9 million, RMB114.1 million, RMB309.9 million, RMB175.1 million and RMB309.5 million, respectively, representing 21.7%, 15.5%, 27.1%, 24.4% and 25.9%, respectively, of our total revenue. The increases in the revenue from our industrial solid waste treatment services during the Track Record Period were largely in line with the increases in our industrial solid waste treatment volume, which was 0.3 million tonnes, 0.4 million tonnes, 1.0 million tonnes, 0.6 million tonnes and 1.0 million tonnes, respectively, in 2018, 2019 and 2020 and the nine months ended September 30, 2020 and 2021. The increases in the revenue of our industrial solid waste treatment services were mainly driven by (i) commencement of new projects of this business, and (ii) an increase in the types of industrial solid waste that we treat.

Industrial hazardous waste treatment services

In 2018, 2019 and 2020 and the nine months ended September 30, 2020 and 2021, our revenue generated from the industrial hazardous waste treatment services was RMB310.8 million, RMB623.7 million, RMB834.1 million, RMB542.5 million and RMB884.8 million, respectively, representing 78.3%, 84.5%, 72.9%, 75.6% and 74.1%, respectively, of our total revenue. The increases in revenue from our industrial hazardous waste treatment services during the Track Record Period were largely in line with the increases in our industrial hazardous waste treatment volume, which was 0.1 million tonnes, 0.3 million tonnes, 0.4 million tonnes, 0.3 million tonnes and 0.6 million tonnes, respectively, in 2018, 2019 and 2020 and the nine months ended September 30, 2020 and 2021. The increases in the revenue of our industrial hazardous waste treatment services were mainly driven by (i) commencement of new projects of this business, and (ii) commencement of treatment services of oil sludge in the nine months ended September 30, 2020 and fly ash in the nine months ended September 30, 2021.

Cost of Sales

Our cost of sales primarily consists of: (i) transportation cost; (ii) depreciation and amortization; (iii) staff cost; (iv) cost of cement kiln co-processing; (v) cost of equipment accessories; (vi) outsourcing treatment fees; and (vii) loading fees. The following table sets forth a breakdown of our cost of sales by nature for the periods indicated:

	Year ended December 31,						Nine months ended September 30,			
	2018		2019		2020		2020		2021	
	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue
	(RMB in thousands, except for percentages)						*(unaudited)*			
Transportation cost	25,732	6.5	55,219	7.5	95,137	8.3	57,427	8.0	117,795	9.9
Depreciation and amortization	16,364	4.1	42,767	5.8	83,130	7.3	58,565	8.2	102,787	8.6
Staff cost	17,313	4.4	51,279	7.0	84,914	7.4	62,646	8.7	98,662	8.3
Cost of cement kiln co-processing	11,492	2.9	23,491	3.2	57,586	5.0	33,890	4.7	55,207	4.6
Cost of equipment accessories	7,118	1.8	10,089	1.4	28,573	2.5	17,953	2.5	35,195	2.9
Outsourcing treatment fees	4,516	1.1	6,649	0.9	19,131	1.7	11,072	1.5	18,947	1.6
Loading fees	3,845	1.0	5,407	0.7	6,550	0.6	7,560	1.1	18,299	1.5
Others[1]	4,032	1.0	8,621	1.1	19,315	1.7	10,106	1.4	25,824	2.2
Total	**90,412**	**22.8**	**203,522**	**27.6**	**394,336**	**34.5**	**259,219**	**36.1**	**472,716**	**39.6**

(1) Others primarily consist of maintenance fees, utility fees, inspection fees and sorting vehicle fees.

Transportation cost primarily represents costs in relation to transportation vehicles in the course of transportation of industrial solid and hazardous waste. Depreciation and amortization mainly refers to costs recognized in relation to new projects that commenced operations over their respective useful life. Staff cost primarily represents wages and welfare payments paid to our staff of our industrial solid and hazardous waste treatment services. Cost of cement kiln co-processing refers to co-processing fees paid to co-processing cement company suppliers for treating industrial solid and hazardous waste. Cost of equipment accessories refers to expenses incurred in relation to tools and parts consumed for treatment of industrial solid and hazardous waste in the course of our daily operations. Outsourcing treatment fees refer to fees incurred for residues generated in the course of our treatment of industrial hazardous waste that are outsourced to third parties for treatment.

The following table sets forth a breakdown of our cost of sales by business line for the periods indicated:

	Year ended December 31,						Nine months ended September 30,			
	2018		2019		2020		2020		2021	
	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue
	(RMB in thousands, except for percentages)									
							(unaudited)			
Industrial solid waste treatment services	**28,470**	**7.2**	**45,033**	**6.1**	**128,983**	**11.3**	**75,717**	**10.5**	**135,051**	**11.3**
Industrial hazardous waste treatment services	**61,942**	**15.6**	**158,489**	**21.5**	**265,353**	**23.2**	**183,502**	**25.6**	**337,665**	**28.3**
General hazardous waste	61,942	15.6	158,489	21.5	229,172	20.0	162,291	22.6	264,929	22.2
Oil sludge	—	—	—	—	36,181	3.2	21,211	3.0	44,647	3.7
Fly ash	—	—	—	—	—	—	—	—	28,089	2.4
Total	**90,412**	**22.8**	**203,522**	**27.6**	**394,336**	**34.5**	**259,219**	**36.1**	**472,716**	**39.6**

Our cost of sales increased significantly during the Track Record Period. Our cost of sales increased from RMB90.4 million in 2018 to RMB203.5 million in 2019 and further to RMB394.3 million in 2020, and increased from RMB259.2 million in the nine months ended September 30, 2020 to RMB472.7 million in the same period of 2021, primarily due to our increased waste treatment volume, which has led to increases in our transportation cost, depreciation and amortization, staff cost and cement kiln co-processing cost.

Gross Profit and Gross Margin

The following table sets forth our gross profit in absolute amounts and as a percentage of revenue, or gross margins, by business line for the periods indicated:

	Year ended December 31,						Nine months ended September 30,			
	2018		2019		2020		2020		2021	
	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin
	(RMB in thousands, except percentages)									
							(unaudited)			
Industrial solid waste treatment services	**57,408**	**66.8**	**69,065**	**60.5**	**180,886**	**58.4**	**99,349**	**56.7**	**174,484**	**56.4**
Industrial hazardous waste treatment services	**248,836**	**80.1**	**465,185**	**74.6**	**568,769**	**68.2**	**359,013**	**66.2**	**547,169**	**61.8**
General hazardous waste	248,836	80.1	465,185	74.6	536,509	70.1	341,916	67.8	494,130	65.1
Oil sludge	—	—	—	—	32,260	47.1	17,097	44.6	43,041	49.1
Fly ash	—	—	—	—	—	—	—	—	9,998	26.3
Total	**306,244**	**77.2**	**534,250**	**72.4**	**749,655**	**65.5**	**458,362**	**63.9**	**721,653**	**60.4**

In 2018, 2019 and 2020 and the nine months ended September 30, 2020 and 2021, our gross profit was RMB306.2 million, RMB534.3 million, RMB749.7 million, RMB458.4 million and RMB721.7 million, respectively, and our gross margin was 77.2%, 72.4%, 65.5%, 63.9% and 60.4%, respectively. Gross profit margin decreased during the Track Record Period primarily due to (i) changes in service mix as our industrial solid waste treatment services have a relatively lower gross margin compared to our industrial hazardous waste treatment services and (ii) the decreased gross margin of our industrial hazardous waste treatment services as the average unit price of the industrial hazardous waste decreased during the Track Record Period primarily due to the decrease in the average unit price of the general hazardous waste during the Track Record as we adopted competitive pricing strategies particularly in the Northwest China facing market competition and we commenced oil sludge and fly ash treatment projects, which had a relatively lower unit price of treatment compared to other types of industrial hazardous waste. As confirmed by our Directors, we had not had any material loss-making projects during the Track Record Period and up to the date of this listing document.

Industrial solid waste treatment services

In 2018, 2019 and 2020 and the nine months ended September 30, 2020 and 2021, the gross margin of our industrial solid waste treatment services was 66.8%, 60.5%, 58.4%, 56.7% and 56.4%, respectively. The decreases in the gross margins from 2018 to 2019 and from 2019 to 2020 were primarily due to certain marketing strategies adopted by us in order to increase our competitiveness in new regions into which we entered. While our gross margin in 2020 and the nine months ended September 30, 2021 remained relatively stable, the gross margin from the nine months ended September 30, 2020 was lower, mainly because our treatment volume was adversely affected by the COVID-19 pandemic, while our cost of sales did not reduce proportionately.

In general, the gross margins of our industrial solid waste treatment services were generally lower than those of our industrial hazardous waste treatment services during the Track Record Period, primarily because the unit service prices for industrial solid waste treatment were lower than those for industrial hazardous waste treatment.

Industrial hazardous waste treatment services

In 2018, 2019 and 2020 and the nine months ended September 30, 2020 and 2021, the gross margin of our industrial hazardous waste treatment services was 80.1%, 74.6%, 68.2%, 66.2% and 61.8%, respectively. The decreases in the gross margins from 2018 to 2019, from 2019 to 2020 and from the nine months ended September 30, 2020 to the same period of 2021 were primarily due to (i) commencement of oil sludge and fly ash treatment projects, which had a relatively lower unit price of treatment compared to other types of industrial hazardous waste, (ii) our measures to increase treatment volumes by including more types of industrial hazardous waste suitable for cement kiln co-processing in the waste mix, while these types of waste had a relatively lower unit price of treatment, and (iii) certain marketing strategies adopted by us in order to increase our competitiveness in new regions into which we entered.

Other Income

Our other income primarily consists of: (i) interest income on bank deposits; (ii) government grants, which represent grants received from certain government authorities for our business; (iii) net gain on disposal of right-of-use assets and property, plant and equipment, which represents the proceeds from the sales of the relevant assets, mainly transportation and mechanical equipment; and (iv) recognition of negative goodwill as income, mainly in relation to our acquisition of Shaanxi Bangda in 2020, which represented the difference between the consideration we paid of RMB216.0 million and the valuation of the net asset value of Shaanxi Bangda as of the acquisition date of RMB322.2 million, of which RMB225.5 million were attributable to the shareholders of our company. The valuation of Shaanxi Bangda was carried out by Beijing Industrial and Commercial Asset Valuation Co., Ltd.* (北京工商企業資產評估有限公司), a third-party valuer certified by the China Appraisal Society, which was established in 1995 with registered capital of RMB3.0 million. We believe we were able to acquire Shaanxi Bangda at a consideration lower than the valuation of the net assets value of Shaanxi Bangda mainly because the then-shareholders of Shaanxi Bangda had limited capital resources at the time of acquisition and sought to establish long-term strategic cooperation with a company with solid industry experience, technologies, capital resources and management capabilities to help further grow Shaanxi Bangda's oil sludge treatment business. The following table sets forth a breakdown of our other income for the periods indicated:

	Year ended December 31,						Nine months ended September 30,			
	2018		2019		2020		2020		2021	
	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue
	(RMB in thousands, except for percentages)									
							(unaudited)			
Interest income on bank deposits	6,098	1.5	8,263	1.1	11,979	1.0	6,551	0.9	7,196	0.6
Government grants	24,458	6.2	25,602	3.5	23,058	2.1	18,193	2.5	32,125	2.7
Net (loss)/gain on disposal of right-of-use assets and property, plant and equipment	—	—	282	0.0	8	0.0	8	0.0	(10)	(0.0)
Gain on previously held interest in associates	—	—	—	—	—	—	—	—	856	0.1
Recognition of negative goodwill as income	—	—	—	—	9,538	0.8	9,538	1.3	928	0.1
Others	(11)	(0.0)	4,164	0.6	(503)	(0.0)	(633)	(0.0)	1,378	0.1
Total	**30,545**	**7.7**	**38,311**	**5.2**	**44,080**	**3.9**	**33,657**	**4.7**	**42,473**	**3.6**

Distribution Costs

Our distribution costs primarily consist of: (i) business development service fees, which refer to commissions paid to the third parties in relation to marketing of our industrial solid and hazardous waste services; (ii) staff cost; and (iii) travelling expenses. The following table sets forth a breakdown of our distribution costs for the periods indicated:

	Year ended December 31,						Nine months ended September 30,			
	2018		2019		2020		2020		2021	
	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue
	(RMB in thousands, except for percentages)									
							(unaudited)			
Business development service fees	9,034	2.3	22,100	3.0	51,499	4.5	26,956	3.8	47,745	4.0
Staff cost	3,971	1.0	17,472	2.4	23,938	2.1	17,690	2.5	28,423	2.4
Traveling expenses	998	0.3	2,644	0.4	4,050	0.4	2,388	0.3	3,652	0.3
Business entertainment expenses	1,193	0.3	1,602	0.2	2,637	0.2	1,668	0.2	3,355	0.3
Advertising fees	22	0.0	278	0.0	3	0.0	—	0.0	0	0.0
Others	2,415	0.5	3,357	0.4	6,700	0.6	4,100	0.6	7,145	0.6
Total	**17,633**	**4.4**	**47,453**	**6.4**	**88,827**	**7.8**	**52,802**	**7.4**	**90,320**	**7.6**

Administrative Expenses

Our administrative expenses primarily consist of: (i) staff cost; (ii) business entertainment expenses; (iii) depreciation and amortization; (iv) taxes, mainly including real estate tax, land use tax and surcharges; (v) production safety cost; and (vi) others. The following table sets forth a breakdown of our administrative expenses for the periods indicated:

	Year ended December 31,						Nine months ended September 30,			
	2018		2019		2020		2020		2021	
	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue
	(RMB in thousands, except for percentages)									
							(unaudited)			
Staff cost	17,725	4.5	39,656	5.4	64,206	5.6	47,247	6.6	64,069	5.4
Business entertainment expenses	3,498	0.9	8,267	1.1	15,361	1.3	8,795	1.2	12,077	1.0
Depreciation and amortization	1,006	0.3	4,155	0.6	7,968	0.7	5,438	0.7	10,564	0.9
Taxes	1,369	0.3	4,020	0.5	7,332	0.6	4,899	0.7	7,951	0.7
Production safety cost	1,782	0.4	3,594	0.5	7,459	0.6	5,194	0.7	8,476	0.7
Expected credit loss	374	0.1	14,227	1.9	4,908	0.4	4,070	0.6	7,630	0.6
Traveling expenses	2,038	0.5	4,347	0.6	4,417	0.4	2,788	0.4	3,377	0.3
Car expenses	741	0.2	1,965	0.3	3,050	0.3	2,063	0.3	2,846	0.2
Communication fees	542	0.1	859	0.1	1,532	0.1	1,023	0.1	1,269	0.1
Rent fees	665	0.2	911	0.1	1,747	0.2	687	0.1	1,227	0.1
Office cost	401	0.1	1,350	0.2	1,949	0.2	1,231	0.2	1,729	0.1
Environmental fees	446	0.1	316	0.0	916	0.1	529	0.1	1,104	0.1
Research and development	—	—	—	—	1,068	0.1	440	0.1	993	0.1
Insurance expenses	107	0.0	386	0.1	625	0.1	291	0.0	435	0.0
Listing expenses	—	—	—	—	—	—	—	—	23,576	2.0
Others[1]	1,836	0.5	3,581	0.5	7,104	0.6	4,333	0.6	9,505	0.8
Total	**32,530**	**8.2**	**87,634**	**11.9**	**129,642**	**11.3**	**89,028**	**12.4**	**156,827**	**13.1**

(1) Others primarily consist of greening cost, material consumption cost and temporary staff cost.

Finance Costs

Finance costs primarily consist of interest expenses on loans and borrowings. The following table sets forth a breakdown of our finance costs for the periods indicated:

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	(RMB in thousands)				
				(unaudited)	
Interest on loans and borrowings	2,511	12,557	26,891	15,212	57,786
Interest on lease liabilities	2	27	163	114	130
Less: Interest expense capitalized in construction in progress	(2,511)	(5,722)	(14,867)	(8,718)	(25,708)
Total	**2**	**6,862**	**12,187**	**6,608**	**32,208**

Share of Profits of Associates

Our share of profits of associates mainly relates to certain unlisted corporate entities. In 2018, 2019 and 2020 and the nine months ended September 30, 2020 and 2021, our share of profits of associates was nil, RMB2.3 million, RMB11.1 million, RMB10.0 million and RMB8.6 million, respectively. For details, see note 14 to the Accountants' Report as set out in Appendix I to this listing document.

Income Tax

In 2018, 2019 and 2020 and the nine months ended September 30, 2020 and 2021, our income tax expense was RMB5.7 million, RMB6.3 million, RMB16.2 million, RMB10.3 million and RMB36.1 million, respectively.

We are subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which our Company and its subsidiaries are domiciled and operate. We are subject to various rates of income tax under different jurisdictions. The following sets forth our principal applicable taxes and tax rates:

PRC

Our income tax provision in respect of our operations in the PRC was subject to statutory tax rate of 25.0% on the assessable profits for the Track Record Period, based on the existing legislation, interpretations and practices in respect thereof.

Pursuant to the PRC Enterprise Income Tax Law Implementing Regulations issued by the State Council, certain subsidiaries engaged in the provision of industrial solid waste solutions are eligible for a preferential tax treatment of income tax exemption for the first three years starting from which revenue is generated and 50% income tax reduction for the next three years.

Pursuant to Notice No.23 issued by the State Administration of Taxation on April 23, 2020 and relevant local tax authorities' notices, certain subsidiaries are entitled to a preferential income tax rate of 15.0% as qualifying companies in western China.

Cayman Islands and British Virgin Islands

Our Company is incorporated as an exempted company with limited liability under the laws of the Cayman Islands, and its wholly owned subsidiary, Conch Environment Protection, was established in the British Virgins Islands. Pursuant to the Companies Act of Cayman Islands and the Companies Law of British Virgin Islands we are not subject to any income tax in Cayman Islands and British Virgin Islands.

Hong Kong

Our subsidiaries incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% for taxable income earned in Hong Kong during the Track Record Period. No provision had been made for Hong Kong profits tax as we did not earn income subject to Hong Kong profits tax during the Track Record Period.

RESULTS OF OPERATIONS

Comparisons between the Nine Months Ended September 30, 2021 and the Same Period of 2020

Revenue

Our revenue increased by 66.4% from RMB717.6 million in the nine months ended September 30, 2020 to RMB1,194.4 million in the same period of 2021, primarily due to the increases in revenue from both of our industrial solid waste treatment services and industrial hazardous waste treatment services.

Industrial solid waste treatment services

Revenue generated from our industrial solid waste treatment services increased significantly from RMB175.1 million in the nine months ended September 30, 2020 to RMB309.5 million in the same period of 2021, primarily because (i) we undertook treatment projects of more types of industrial solid waste, and (ii) several new projects of this business commenced operations in the nine months ended September 30, 2021 in areas including Anhui province, Hebei province and Hunan province.

Industrial hazardous waste treatment services

Revenue generated from our industrial hazardous waste treatment services increased by 63.1% from RMB542.5 million in the nine months ended September 30, 2020 to RMB884.8 million in the same period of 2021, primarily because (i) we commenced fly ash treatment services in 2021; and (ii) several new industrial hazardous waste treatment projects commenced operations in the nine months ended September 30, 2021 in areas including Henan province, Guangxi province and Hunan province.

Cost of sales

Our cost of sales increased significantly from RMB259.2 million in the nine months ended September 30, 2020 to RMB472.7 million in the same period of 2021, primarily due to increased treatment capacity as a result of new projects that commenced operations, particularly oil sludge and fly ash treatment projects, leading to increases in our transportation cost, cement kiln co-processing cost, depreciation and amortization and staff cost.

Industrial solid waste treatment services

Cost of sales of our industrial solid waste treatment services increased significantly from RMB75.7 million in the nine months ended September 30, 2020 to RMB135.1 million in the same period of 2021, primarily due to: (i) increased transportation cost, mainly in line with our increased waste treatment volume; (ii) increased depreciation and amortization, mainly relating to new projects that commenced operations; (iii) increased staff cost, as a result of increased average salary levels to attract and retain our employees; and (iv) increased cement kiln co-processing cost, mainly in line with our increased waste treatment volume.

Industrial hazardous waste treatment services

Cost of sales of our industrial hazardous waste treatment services increased significantly from RMB183.5 million in the nine months ended September 30, 2020 to RMB337.7 million in the same period of 2021, primarily due to: (i) increased production costs resulting from new projects that commenced operations; and (ii) the fact that treatment costs of oil sludge and fly ash projects were relatively higher than general hazardous waste projects.

Gross profit and gross margin

As a result of the foregoing, our gross profit increased by 57.4% from RMB458.4 million in the nine months ended September 30, 2020 to RMB721.7 million in the same period of 2021.

Our gross margin decreased from 63.9% in the nine months ended September 30, 2020 to 60.4% in the same period of 2021, primarily due to the decreased gross margin of our industrial hazardous waste treatment services.

Industrial solid waste treatment services

Gross margin of our industrial solid waste treatment services remained relatively stable at 56.7% in the nine months ended September 30, 2020 and 56.4% in the same period of 2021.

Industrial hazardous waste treatment services

Gross margin of our industrial hazardous waste treatment services decreased from 66.2% in the nine months ended September 30, 2020 to 61.8% in the same period of 2021, primarily because the average unit price of the industrial hazardous waste we treated decreased from RMB1,912 per tonne in the nine months ended September 30, 2020 to RMB1,593 per tonne in the same period of 2021, mainly due to (i) the decrease in the average unit price of the general hazardous waste from RMB1,941 in the nine months ended September 30, 2020 to RMB1,680 in the nine months ended September 30, 2021 and the decrease in the average unit price of the oil sludge from RMB1,593 in the nine months ended September 30, 2020 to RMB1,248 in the nine months ended September 30, 2021, primarily as we adopted competitive pricing strategies particularly in the Northwest China facing market competition and were generally in line with the market trend, according to Frost & Sullivan; and (ii) our operation of new oil sludge and fly ash treatment projects, which had a relatively lower unit price of treatment at RMB1,248 and RMB1,138, respectively, compared to the same of general hazardous waste at RMB1,680 in the nine months ended September 30, 2021.

Other income

Our other income increased by 26.2% from RMB33.7 million in the nine months ended September 30, 2020 to RMB42.5 million in the same period of 2021, primarily due to the increased government grants.

Distribution costs

Our distribution costs increased by 71.1% from RMB52.8 million in the nine months ended September 30, 2020 to RMB90.3 million in the same period of 2021, primarily due to (i) increased business development service fees, which was largely in line with our revenue growth; and (ii) increased staff cost mainly as a result of increased number of marketing and distribution employees in relation to our new projects.

Administrative expenses

Our administrative expenses increased by 76.2% from RMB89.0 million in the nine months ended September 30, 2020 to RMB156.8 million in the same period of 2021, primarily due to increased staff cost mainly as a result of increased number of administrative employees in relation to our new projects.

Finance costs

Our finance costs increased significantly from RMB6.6 million in the nine months ended September 30, 2020 to RMB32.2 million in the same period of 2021, primarily due to increased financing for our new projects.

Share of profits of associates

Our shares of profits of associates decreased by 14.0% from RMB10.0 million in the nine months ended September 30, 2020 to RMB8.6 million in the same period of 2021, primarily due to increased net loss of one of our associates.

Income tax

Our income tax expense increased significantly from RMB10.3 million in the nine months ended September 30, 2020 to RMB36.1 million in the same period of 2021. Our effective income tax rate (calculated as income tax expense divided by profit before income tax) increased from 2.9% in the nine months ended September 30, 2020 to 7.3% in the same period of 2021, primarily because certain of our subsidiaries enjoyed tax exemption from 2017 to 2020 and started to enjoy 50% tax reduction in 2021.

Profit for the period

As a result of the foregoing, our profit for the period increased by 33.2% from RMB343.2 million in the nine months ended September 30, 2020 to RMB457.3 million in the same period of 2021.

Comparisons between 2020 and 2019

Revenue

Our revenue increased by 55.1% from RMB737.8 million in 2019 to RMB1,144.0 million in 2020, attributable to the increases in revenue from both of our industrial solid waste treatment services and industrial hazardous waste treatment services.

Industrial solid waste treatment services

Revenue generated from our industrial solid waste treatment services increased significantly from RMB114.1 million in 2019 to RMB309.9 million in 2020, primarily because (i) we undertook treatment projects of more types of industrial solid waste, and (ii) new projects of this business commenced operations.

Industrial hazardous waste treatment services

Revenue generated from our industrial hazardous waste treatment services increased by 33.7% from RMB623.7 million in 2019 to RMB834.1 million in 2020, primarily in line with the increase in our industrial hazardous waste treatment volume, contributed by (i) our acquisition of equity interests in Shaanxi Bangda in 2020, which expanded our oil sludge treatment business, and (ii) new projects of this business that commenced operations.

Cost of sales

Our cost of sales increased significantly from RMB203.5 million in 2019 to RMB394.3 million in 2020, primarily in line with our increased waste treatment volume, leading to increases in our transportation cost, depreciation and amortization, staff cost and cement kiln co-processing cost. In particular, cost of sales of our industrial solid waste treatment services increased significantly from RMB45.0 million in 2019 to RMB129.0 million in 2020, and cost of sales of our industrial hazardous waste treatment services increased by 67.4% from RMB158.5 million in 2019 to RMB265.4 million in 2020, primarily due to: (i) increased transportation cost, mainly in line with our increased waste treatment volume; (ii) increased staff cost, as a result of an increased number of employees and increased average salary levels; (iii) increased depreciation and amortization, mainly relating to new projects that commenced operations; and (iv) increased cement kiln co-processing cost, mainly in line with our increased waste treatment volume.

Gross profit and gross margin

As a result of the foregoing, our gross profit increased by 40.3% from RMB534.3 million in 2019 to RMB749.7 million in 2020.

Our gross margin decreased from 72.4% in 2019 to 65.5% in 2020, primarily due to (i) an increase in the revenue contribution from our industrial solid waste treatment services, which have a relatively lower gross margin compared to our industrial hazardous waste treatment services; and (ii) the decrease in the average unit price of the industrial hazardous waste from RMB2,004 in 2019 to RMB1,706 primarily due to our operation of new oil sludge treatment projects, which had a relatively lower unit price of treatment at RMB1,473, compared to the same of general hazardous waste at RMB1,938 in 2020.

Industrial solid waste treatment services

Gross margin of our industrial solid waste treatment services remained relatively stable at 60.5% in 2019 and 58.4% in 2020.

Industrial hazardous waste treatment services

Gross margin of our industrial hazardous waste treatment services decreased from 74.6% in 2019 to 68.2% in 2020, primarily due to (i) the average unit price of the industrial hazardous waste we treated decreased from RMB2,004 per tonne in 2019 to RMB1,889 per tonne in 2020, as a result of our measures to increase treatment volumes by including more types of industrial hazardous waste suitable for cement kiln co-processing in the waste mix, while these types of waste had a relatively lower unit price of treatment. In particular, our acquisition of 70% equity interests in Shaanxi Bangda in 2020 expanded our oil sludge treatment business and oil sludge had a relatively lower unit price of treatment at RMB1,473, compared to the same of general hazardous waste at RMB1,938 in 2020; and (ii) the unit cost of the industrial hazardous waste treatment services increased from RMB509 per tonne in 2019 to RMB601 per tonne in 2020, mainly due to increased transportation costs, as well as increased depreciation and amortization costs mainly relating to new projects which commenced operations.

Other income

Our other income increased by 15.1% from RMB38.3 million in 2019 to RMB44.1 million in 2020, primarily attributable to increased interest income on bank deposits, mainly due to our increased bank time deposits and structured deposits; and (ii) increased recognition of negative goodwill as income, mainly in relation to our acquisition of Shaanxi Bangda in 2020, which represented the difference between the consideration we paid and the valuation of Shaanxi Bangda as of the acquisition date by a third party valuer.

Distribution costs

Our distribution costs increased by 86.9% from RMB47.5 million in 2019 to RMB88.8 million in 2020, primarily due to: (i) increased business development service fees, which was largely in line with our revenue growth; and (ii) increased staff cost, mainly as a result of an increased number of marketing employees in relation to our new projects.

Administrative expenses

Our administrative expenses increased by 47.9% from RMB87.6 million 2019 to RMB129.6 million in 2020, primarily due to increased staff cost, largely in line with our steady business growth.

Finance costs

Our finance costs increased by 76.8% from RMB6.9 million in 2019 to RMB12.2 million in 2020, primarily due to the increases in interest expenses from our loans to finance our business expansion.

Share of profits of associates

Our shares of profits of associates increased significantly from RMB2.3 million in 2019 to RMB11.1 million in 2020, primarily attributable to increased profit and total comprehensive income of our associates.

Income tax

Our income tax expense increased significantly from RMB6.3 million in 2019 to RMB16.2 million in 2020. Our effective income tax rate (calculated as income tax expense divided by profit before income tax) increased to 2.8% in 2020 from 1.5% in 2019, primarily because (i) certain of our subsidiaries enjoyed tax exemption from 2016 to 2019 and started to enjoy 50% tax reduction in 2020; and (ii) Shaanxi Bangda, a company acquired by us in 2020, and certain other subsidiaries started to enjoy a preferential income tax rate of 15% as they are companies located in western areas in the PRC.

Profit for the year

As a result of the foregoing, our profit for the year increased by 30.8% from RMB426.7 million in 2019 to RMB558.0 million in 2020.

Comparisons between 2019 and 2018

Revenue

Our revenue increased by 86.0% from RMB396.7 million in 2018 to RMB737.8 million in 2019, primarily attributable to the increases from both of our industrial solid waste treatment services and industrial hazardous waste treatment services.

Industrial solid waste treatment services

Revenue generated from our industrial solid waste treatment services increased by 32.8% from RMB85.9 million in 2018 to RMB114.1 million in 2019, primarily in line with the increase in our industrial solid waste treatment capacity.

Industrial hazardous waste treatment services

Revenue generated from our industrial hazardous waste treatment services increased significantly from RMB310.8 million in 2018 to RMB623.7 million in 2019, primarily in line with the increase in our industrial hazardous waste treatment volume contributed by new projects that commenced operations in areas including Southwestern China.

Cost of sales

Our cost of sales increased significantly from RMB90.4 million in 2018 to RMB203.5 million in 2019, primarily due to our increased waste treatment volume, leading to increases in our transportation cost, staff cost, cement kiln co-processing cost and depreciation and amortization. In particular, cost of sales of our industrial solid waste treatment services increased by 57.9% from RMB28.5 million in 2018 to RMB45.0 million in 2019, and cost of sales of our industrial hazardous waste treatment services increased significantly from RMB61.9 million in 2018 to RMB158.5 million in 2019, primarily due to: (i) increased transportation cost, mainly in line with our increased waste treatment volume; (ii) increased staff cost, as a result of an increase in the number of our employees, in line with our business growth; and (iii) increased depreciation and amortization, mainly relating to new projects that commenced operations.

Gross profit and gross margin

As a result of the foregoing, our gross profit increased by 74.5% from RMB306.2 million in 2018 to RMB534.3 million in 2019.

Our gross margin decreased from 77.2% in 2018 to 72.4% in 2019, primarily due to decreases in the gross margins of both our industrial solid waste treatment services and industrial hazardous waste treatment services.

Industrial solid waste treatment services

Gross margin of our industrial solid waste treatment services line decreased from 66.8% in 2018 to 60.5% in 2019, primarily because (i) the unit cost of the industrial solid waste treatment services increased from RMB106 per tonne in 2018 to RMB125 per tonne in 2019, mainly due to increased transportation costs and outsourcing treatment fees; and (ii) the average unit price of the industrial solid waste we treated decreased from RMB319 per tonne in 2018 to RMB316 per tonne in 2019.

Industrial hazardous waste treatment services

Gross margin of our industrial hazardous waste treatment services line decreased from 80.1% in 2018 to 74.6% in 2019, primarily because (i) the average unit price of the industrial hazardous waste we treated decreased from RMB2,242 per tonne in 2018 to RMB2,004 per tonne in 2019; and (ii) the unit cost of the industrial hazardous waste treatment services increased from RMB447 per tonne in 2018 to RMB509 per tonne in 2019, mainly due to increased staff costs as a result of increased number of employees for our new projects, as well as increased depreciation and amortization costs mainly relating to new projects which commenced operations.

Other income

Our other income increased by 25.6% from RMB30.5 million in 2018 to RMB38.3 million in 2019, primarily due to the increases in our interest income on bank deposits, government grants and others.

Distribution costs

Our distribution costs increased significantly from RMB17.6 million in 2018 to RMB47.5 million in 2019, primarily due to: (i) increased business development service fees mainly in relation to our marketing and distribution activities, which was largely in line with our revenue growth of industrial hazardous waste treatment services; and (ii) increased staff cost, mainly as a result of increased number of distribution employees in relation to our new projects.

Administrative expenses

Our administrative expenses increased significantly from RMB32.5 million 2018 to RMB87.6 million in 2019, primarily due to increased staff cost mainly as a result of increased number of administrative employees in relation to our new projects, largely in line with our business growth.

Finance costs

Our finance costs increased significantly from RMB2,000 in 2018 to RMB6.9 million in 2019, primarily due to increases in interest expenses from our loans to finance our operations in relation to our new projects in construction.

Share of profits of associates

Our shares of profits of associates increased significantly from nil in 2018 to RMB2.3 million in 2019, primarily attributable to the investment in our associates through our subsidiary Anhui Haizhong in 2019, from which we generated profits in 2019.

Income tax

Our income tax expense increased by 10.5% from RMB5.7 million in 2018 to RMB6.3 million in 2019. Our effective income tax rate (calculated as income tax expense divided by profit before income tax) decreased to 1.5% in 2019 from 2.0% in 2018, primarily because we had more newly established subsidiaries that commenced operation in 2019 as compared to 2018 which enjoyed tax exemption.

Profit for the year

As a result of the foregoing, our profit for the year increased by 51.9% from RMB280.9 million in 2018 to RMB426.7 million in 2019.

DESCRIPTION OF CERTAIN COMPONENTS OF OUR CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth the components of our consolidated statements of financial position as of the dates indicated:

	As of December 31,			As of September 30,
	2018	**2019**	**2020**	**2021**
	(RMB in thousands)			
Non-current assets				
Property, plant and equipment	853,320	1,645,070	3,066,011	4,544,009
Right-of-use assets	13,907	76,363	136,360	524,820
Intangible assets	360	2,434	67,802	64,174
Goodwill	—	—	—	5,815
Interests in associates	—	66,339	67,770	58,808
Non-current portion of trade and other receivables	11,547	23,177	90,814	235,424
Financial assets measured at fair value through profit and loss	—	—	82,500	82,500
Deferred tax assets	56	2,190	3,004	5,200
Total non-current assets	**879,190**	**1,815,573**	**3,514,261**	**5,520,750**
Current assets				
Inventories	1,270	2,772	3,642	7,432
Trade and other receivables	248,501	363,431	662,376	778,827
Restricted bank deposits	—	—	37,349	40,482
Bank deposits with original maturity over three months	75,000	—	31,700	21,680
Cash and cash equivalents	137,243	249,696	638,784	504,451
Total current assets	**462,014**	**615,899**	**1,373,851**	**1,352,872**

	As of December 31,			As of September 30,
	2018	2019	2020	2021
	(RMB in thousands)			
Current liabilities				
Loans and borrowings	21,500	114,400	120,639	560,296
Trade and other payables	370,502	764,301	1,900,486	1,574,196
Contract liabilities	—	1,773	3,568	8,666
Lease liabilities	41	656	1,010	631
Income tax payables	3,970	3,584	6,284	19,042
Total current liabilities	**396,013**	**884,714**	**2,031,987**	**2,162,831**
Non-current liabilities				
Loans and borrowings	126,500	180,637	1,040,833	1,790,574
Lease liabilities	—	253	3,965	3,647
Deferred tax liabilities	—	—	9,690	12,541
Total non-current liabilities	**126,500**	**180,890**	**1,054,488**	**1,806,762**
Capital and reserves				
Share capital	340,000	440,000	—	—
Reserves	310,772	595,746	1,053,244	2,213,422
Equity attributable to equity shareholders of the Company	**650,772**	**1,035,746**	**1,053,244**	**2,213,422**
Non-controlling interests	**167,919**	**330,122**	**748,393**	**690,607**
Total equity	**818,691**	**1,365,868**	**1,801,637**	**2,904,029**

Property, Plant and Equipment

Our property, plant and equipment mainly consist of buildings, plant and machinery, fixtures and equipment and construction in progress. As of December 31, 2018, 2019 and 2020 and September 30, 2021, our property, plant and equipment was RMB853.3 million, RMB1,645.1 million, RMB3,066.0 million and RMB4,544.0 million, respectively. The significant increases in our property, plant and equipment during the Track Record Period were primary due to our continuous investment in new projects.

Right-of-use Assets

Our right-of-use assets primarily represent our right to use the underlying assets for all leases except for short-term leases and leases of low-value assets.

As of December 31, 2018, 2019 and 2020 and September 30, 2021, our right-of-use assets were RMB13.9 million, RMB76.4 million, RMB136.4 million and RMB524.8 million, respectively. The increases in our right-of-use assets during the Track Record Period were primarily due to our continuous investment in new projects, requiring us to obtain additional land use rights for our operations.

Financial Assets Measured at Fair Value through Profit and Loss

Our financial assets measured at fair value through profit and loss refer to the unlisted equity securities of Anhui BBCA Biochemical Co., Ltd. ("Anhui BBCA"), which we invested in 2020. CV Shanghai invested in Anhui BBCA for investment returns. However, we disposed CV Shanghai in December 2021 and therefore no longer holds any interest in Anhui BBCA since the disposal. See "History, Reorganization and Corporate Structure — Corporate Reorganization — 3. Restructuring — (6) Disposal of CV Shanghai after the Track Record Period" for details. For details, see notes 15 and 25(e) to the Accountants' Report as set out in Appendix I to this listing document. As of December 31, 2018, 2019 and 2020 and September 30, 2021, our financial assets measured at fair value through profit and loss were nil, nil, RMB82.5 million and RMB82.5 million, respectively. The fair value of the unlisted equity securities as of December 31, 2020 and September 30, 2021 was mainly determined with reference to the latest round financing price of the securities in October 2020, adjusted by unobservable inputs based on information such as the latest available financial information of the investee, where applicable. The financial assets measured at fair value through profit and loss were the same as of December 31, 2020 and September 30, 2021 mainly due to (i) no further financing took place since October 2020 in which our Group was involved; and (ii) no significant changes for the operating environment and financial performance of the investee according to the available financial information.

We have implemented investment policies and internal control measures to monitor our investment risks. Prior to making any material investment decisions, we require the relevant department to submit detailed investment proposal taking into account of a number of factors, including market and investment conditions, competitive landscape, economic developments, cost and duration of investment, the expected return and the risks expected to be involved. In addition, we have established an investment management committee consisting of our directors, senior management and the head of each department, to be responsible for the review and approval of the investment proposals. We also closely monitor our investment to obtain a reasonable level of investment return while ensuring that we maintain the overall level of risks related to investment under control. On the basis of the foregoing, we believe that our relevant internal controls and risk management measures are sufficient in terms of effectiveness, practicability and comprehensiveness.

Trade and Other Receivables

The following table sets forth our trade and other receivables as of the dates indicated:

	As of December 31,			As of September 30,
	2018	2019	2020	2021
	(RMB in thousands)			
Trade receivables				
— Third parties	129,255	270,015	469,550	616,209
— Related parties	283	1,595	3,073	8,384
Bills receivable	11,292	22,632	51,874	61,473
Less: allowance for doubtful debts	(374)	(14,602)	(19,380)	(27,680)
Total trade and bills receivables	**140,456**	**279,640**	**505,117**	**658,386**
Other receivables				
— Deposits and prepayments	3,900	5,446	9,438	14,996
— VAT recoverable	47,988	69,341	131,599	87,698
— others	7,140	8,777	9,350	15,468
Total other receivables	**59,028**	**83,564**	**150,387**	**118,162**
Dividends receivable	—	—	6,400	1,150
Amounts due from related parties	49,017	227	472	1,129
Total current trade and other receivables	**248,501**	**363,431**	**662,376**	**778,827**
Other receivables and prepayments to be recovered after one year	11,547	23,177	60,814	235,424
Amounts due from related parties to be recovered after one year	—	—	30,000	—
Total non-current portion of trade and other receivables	**11,547**	**23,177**	**90,814**	**235,424**
Total current and non-current trade and other receivables	**260,048**	**386,608**	**753,190**	**1,014,251**

The following table sets forth the balances of trade and bills receivables and other receivables from related parties as of the dates indicated:

	As at December 31,			As at September 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables:				
Conch Venture and its subsidiaries	232	1,243	2,946	8,245
Conch Profiles	19	12	22	23
Conch Cement	32	340	105	116
	283	1,595	3,073	8,384
Other receivables (non-trade):				
Conch Venture and its subsidiaries	48,947	169	178	584
Sanming Haizhong	—	56	—	—
Conch Cement	70	2	228	545
Dezhou Haizhong (i)	—	—	30,066	—
	49,017	227	30,472	1,129

All the balances of other receivables from related parties as of December 31, 2018, 2019 and 2020 and September 30, 2021 were non-trade in nature.

Trade and Bills Receivables

Our trade and bills receivables primarily consist of amounts due from third-party customers and related parties for the services we performed in the ordinary course of business. As of December 31, 2018, 2019 and 2020 and September 30, 2021, our total trade and bills receivables were RMB140.5 million, RMB279.6 million, RMB505.1 million and RMB658.4 million, respectively. The increases in our total trade and bills receivables during the Track Record Period were largely in line with our business growth.

During the Track Record Period, most of our trade and bills receivables were outstanding for less than one year. The following table sets forth an aging analysis of trade and bills receivables, based on the past due aging and net of loss allowance at the end of the reporting period:

	As of December 31,			As of September 30,
	2018	2019	2020	2021
	(RMB in thousands)			
— Current	139,777	269,913	479,864	570,867
— Less than one year	679	9,727	25,126	87,092
— One year to two years	—	—	127	427
Total	**140,456**	**279,640**	**505,117**	**658,386**

As of January 31, 2022, RMB408.6 million, or 59.6% of our trade and bills receivables as of September 30, 2021 were subsequently settled.

The following table sets forth the turnover days of our trade receivables for the periods indicated:

	Year ended December 31,			Nine months ended September 30,
	2018	2019	2020	2021
	(days)			
Trade receivables turnover days[(1)]	74	98	117	124

(1) Trade receivables turnover days equal the average of the opening and closing balances of trade receivables divided by total revenue from contracts with customers for the same year/period and multiplied by 360 days for 2018, 2019 and 2020 or 270 days for the nine months ended September 30, 2021.

Our trade receivable turnover days were 74 days and 98 days in 2018 and 2019, respectively, largely in line with the typical credit term that we extended to customers (which is one to three months). Our trade receivable turnover days increased to 117 days in 2020 and further to 124 days in the nine months ended September 30, 2021, primarily due to: (i) increased amount of trade receivables in line with our revenue growth, with an increasing contribution from large customers including central state-owned enterprises to whom we extended relatively longer credit terms; and (ii) commencement of our oil sludge treatment services since 2020, for which we granted a credit term of up to 180 days to customers, given that this type of projects usually has a long project cycle.

We measure loss allowances for trade and bills receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix based on our historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the end of each reporting period. Our trade and bills receivables mainly derive from companies providing production and sales of electronic products, chemical raw materials and onshore oil production, among others, with which we have cooperated for a relatively long term. In particular, we typically grant longer credit term to oil sludge treatment service customers due to the relatively longer project cycle and also to large scale customers including central state-owned companies. There was no significant change in our customer base, credit risk profile of customers, credit policies, economic conditions and our view of economic conditions over the expected lives of the receivables during the Track Record Period. In addition, the subsequent settlement patterns are consistent with the credit terms provided by our customers. Accordingly, our Directors are of the view that we have made sufficient provision in relation to the trade and bills receivables.

To strengthen the recovering outstanding trade and bill receivables, we have been continually enhancing our collection efforts and internal procedures for invoicing and collection of trade and bill receivables, and built such into our KPI systems. In particular, we have established effective customer credit policies, implemented strengthened credit term review and approval procedures and strengthened the receivables management performance review with respect to relevant personnel. To manage risk arising from outstanding trade and bill receivables, we have credit policies in place to ensure that credit terms are made to customers and related parties with an appropriate credit history. The information of customers and related parties including operational performance and solvency are considered as part of credit history evaluations. We also assign the responsible person to make monthly collection plans and track the implementation of such plans. The responsible team should send reminders in a timely manner to customers over the contract term. If the customer fails to make immediate payment, the responsible team will contract the customer and related parties and implement a payment plan to ensure the recoverability of the trade and bill receivables. For claims that are one to two years or more than two years overdue and claims with significant risks, such as refusal to pay, breach of contract, or abnormal customer operation, our responsible team shall submit a report to the senior management and transfer the case to our legal department after obtaining the approval from the senior management. Our legal department will handle the case and initiate legal proceeding for collection if necessary.

We have assessed the recoverability of the relevant outstanding trade and bill receivables. Specifically, we monitor long-aging trade receivables closely, update the collection status on a regular basis, and perform an impairment analysis at the end of each period within the Track Record Period. We have also taken more active steps to mitigate risk exposure to customers with trade receivables aged one to two years or over two years by enhancing the collection efforts.

During the Track Record Period, the trade receivables were mainly due from third-party customers and related parties for the services we performed in the ordinary course of business. Most of our trade and bills receivables are outstanding for less than one year. We have assessed the recoverability of the relevant outstanding trade and bill receivables, and have maintained frequent communication with our customers and related parties to ensure effective credit control. We believe that the risk of not being able to recover the relevant trade and bill receivables is relatively low primarily because (i) we have evaluated customers and related parties' historical credit standings; and (ii) we have not had any material collection issues with these customers and related parties in the past.

Other Receivables

Our other receivables consist of deposits and prepayments, VAT recoverable and others. As of December 31, 2018, 2019 and 2020 and September 30, 2021, our other receivables were RMB59.0 million, RMB83.6 million, RMB150.4 million and RMB118.2 million, respectively. The increases in our other receivables as of December 31, 2020 compared to December 31, 2019 and as of December 31, 2019 compared to December 31, 2018 were primarily due to increased VAT recoverable, as a result of increased capital expenditure of new projects established in 2019 and 2020. The decrease in our other receivables as of September 30, 2021 compared to December 31, 2020 was primarily due to decreased VAT recoverable, which was utilized as more newly established projects commenced operations in the nine months ended September 30, 2021.

Our other receivables during the Track Record Period include the interest-bearing amounts due from Dezhou Haizhong Nuoke Environmental Protection Technology Co., Ltd. ("**Dezhou Haizhong**"), which amounted to RMB30.1 million as of December 31, 2020. We no longer record such interest-bearing amount as of September 30, 2021 because Dezhou Haizhong became a subsidiary of us in January 2021 and has been consolidated into our Group. According to the General Lending Provision (《貸款通則》), only financial institutions may legally engage in the business of extending loans, and loans between companies that are not financial institution are prohibited. The People's Bank of China (the "**PBOC**") may impose penalties on the lender equivalent to one to five times of the illegal income generated from loan advancing activities. However, according to the Provisions of the Supreme People's Court on Several Issues concerning the Application of Law in the Trial of Private Lending Cases (《最高人民法院關於審理民間借貸案件適用法律若干問題的規定》) (the "**Supreme Court Provisions**"), lending contracts among companies are valid if they are made for the purposes of supporting production or business operations. Pursuant to the Supreme Court Provisions, private lending contracts concluded between legal persons or other organizations are effective and valid under PRC law except where the contracts for the lending (i) are void under the Article 146, 153 and 154 of the PRC Civil Code (《中華人民共和國民法典》) or (ii) fall within the scope of void lending contracts as particularly provided in the Article 13 of the Supreme Court Provisions; and our lending agreement with Dezhou Haizhong do not fall into either of such two exempted categories. PRC courts will also support a company's claim for agreed interest rate not exceeding four times of the loan prime rate for one year, or the LPR for one year, meaning the loan prime rate for one-year loan announced monthly by the National Interbank Funding Center as authorized by the PBOC, at the time of conclusion of the contract.

The lending agreement with Dezhou Haizhong is made for the purposes of supporting production or business operations and the interest rate of 7.2% per annum agreed in the lending agreement is lower than the upper limit stipulated in the Supreme Court Provisions. Meanwhile, we have not received any administrative fine or investigation relating to the private loan.

Based on the facts above, our PRC Legal Advisor is of the view that our private loan to Dezhou Haizhong is legal and valid and the risk that the Company becomes subject to any penalty with respect to the Company's interest bearing amounts to Dezhou Haizhong pursuant to the General Lending Provisions is low.

Trade and Other Payables

Our trade and other payables represent the amounts due to our suppliers. The following table sets forth our trade and other payables as of the dates indicated:

	As of December 31,			As of September 30,
	2018	2019	2020	2021
	(RMB in thousands)			
Trade payable				
— Third parties	9,271	16,821	31,408	88,555
— Related Parties	4,528	8,787	19,234	25,795
Bills payable	—	—	44,847	73,615
Total trade and bills payables	**13,799**	**25,608**	**95,489**	**187,965**
Other payables and accruals				
— Construction and equipment payables	45,067	142,638	204,238	325,422
— Deposits	12,206	18,940	27,865	34,835
— Other taxes and surcharges payables	2,817	4,049	2,818	4,213
— Accrued payroll and other benefits	18,844	42,760	73,344	53,355
— Accrued expenses	6,033	11,227	40,086	69,900
— Others	5,758	8,726	21,487	22,176
Total other payables and accruals	**90,725**	**228,340**	**369,838**	**509,901**
Dividends payable to the then equity shareholders	—	—	288,319	264,319
Amounts due to related parties				
— Advances from related parties	83,949	286,776	659,447	213,012
— Interest payables	—	—	—	4,379
— Construction and equipment payables	176,507	208,786	154,404	313,832
— Payables for acquisitions in connection with Reorganization	—	—	305,087	50,000
— Others	5,522	14,791	27,902	30,788
Total trade and other payables	**370,502**	**764,301**	**1,900,486**	**1,574,196**

The dividends payable to the then equity shareholders as of September 30, 2021 is expected to be settled prior to the Listing.

The following table sets forth the balances of trade and bills payables and other payables and accruals to related parties as of the dates indicated:

	As at December 31,			As at September 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables:				
Conch Venture and its subsidiaries	—	—	189	157
Conch Cement	4,528	8,787	19,045	25,638
	4,528	8,787	19,234	25,795
Other payables (non-trade):				
Conch Venture and its subsidiaries	265,725	508,352	1,143,957	609,160
Conch Cement	3	12	256	239
Conch IT Engineering	—	1,050	1,104	609
Conch Design Institute	244	921	1,505	1,512
Conch Profiles	6	18	18	491
	265,978	510,353	1,146,840	612,011

All the balances of other payables to related parties as of December 31, 2018, 2019 and 2020 and September 30, 2021 were non-trade in nature. The balances arising from the construction and purchase of equipment will be settled based on the payment terms stated in the relevant contracts and the balances arising from the Reorganization will be settled prior to the Listing.

Trade and Bills Payables

As of December 31, 2018, 2019 and 2020 and September 30, 2021, our trade payables were RMB13.8 million, RMB25.6 million, RMB95.5 million and RMB188.0 million, respectively. The increases in our trade payables during the Track Record Period were largely in line with our business growth.

The following table sets forth an ageing analysis of our trade and bills payables as of the dates indicated:

	As of December 31,			As of September 30,
	2018	2019	2020	2021
	(RMB in thousands)			
— Within 1 year	13,799	25,608	95,489	187,965
Total	**13,799**	**25,608**	**95,489**	**187,965**

As of January 31, 2022, RMB102.8 million, or 54.7% of our trade and bills payables as of September 30, 2021 were subsequently settled.

The following table sets forth the turnover days of our trade payables for the periods indicated:

	Year ended December 31,			Nine months ended September 30,
	2018	2019	2020	2021
	(days)			
Trade payables turnover days[(1)]	31	35	35	47

(1) Trade payables turnover days equal the average of the opening and closing balances of trade payables divided by total cost of sales for the same year/period and multiplied by 360 days for 2018, 2019 and 2020 or 270 days for the nine months ended September 30, 2021.

Our trade payable turnover days remained relatively stable from 2018 to 2020. Our trade payable turnover days increased from 35 in 2020 to 47 in the nine months ended September 30, 2021, primarily due to the increase in trade payables outpaced the increase in cost of sales.

Other Payables and Accruals

As of December 31, 2018, 2019 and 2020 and September 30, 2021, our other payables and accruals were RMB90.7 million, RMB228.3 million, RMB369.8 million and RMB509.9 million, respectively. The increases in our other payables and accruals during the Track Record Period were largely in line with our business growth. Our other payables and accruals increased from RMB90.7 million as of December 31, 2018 to RMB228.3 million as of December 31, 2019 and further to RMB369.8 million as of December 31, 2020, primarily attributable to the increases in construction and equipment payables mainly because we continued to construct new projects and the number of projects which were under construction increased from 8 as of December 31, 2018 to 13 as of December 31, 2019 and further to 19 as of December 31, 2020. Specifically, we had 13 projects which were under construction as of December 31, 2019, including 10 new projects which were under construction compared to 2018, as offset by five projects which were under construction in 2018 and put into operation in 2019.

The following table sets forth the details of the 13 projects which were under construction as of December 31, 2019 and which contributed to the increase in construction and equipment payables as of December 31, 2019.

No.	Types of waste	Project location	Treatment capacity of industrial solid waste treatment projects/ Designed treatment capacity of industrial hazardous waste treatment projects *(tonnes/year)*
1	Industrial solid waste	Guangyuan. Sichuan Province	70,000
2		Fanchang, Anhui Province	210,000
3		Yiyang, Hunan Province	70,000
4		Chizhou, Anhui Province	100,000
5	General hazardous waste	Sishui, Shandong Province	100,000
6		Qiyang, Hunan Province	100,000
7		Yangchun, Guangdong Province	100,000
8		Linxiang, Hunan Province	100,000
9		Dezhou, Shandong Province	100,000
10		Luoyang, Henan Province	100,000
11		Jiyuan, Henan Province	100,000
12		Ninghai, Zhejiang Province	100,000
13	Fly ash	Wuhu, Anhui Province	100,000

We had 19 projects which were under construction as of December 31, 2020, including 16 new projects which were under construction compared to 2019, as offset by 10 projects which were under construction in 2019 and put into operation in 2020.

The following table sets forth the details of the 19 projects which were under construction as of December 31, 2020 and which contributed to the increase in construction and equipment payables as of December 31, 2020.

No.	Types of waste	Project location	Treatment capacity of industrial solid waste treatment projects/ Designed treatment capacity of industrial hazardous waste treatment projects *(tonnes/year)*
1	Industrial solid waste	Yiyang, Hunan Province	70,000
2		Quanjiao, Anhui Province	60,000
3		Zongyang, Anhui Province (Phase I)	100,000
4		Xinhua, Hunan Province	66,000
5		Baoding, Hebei Province	100,000
6	General hazardous waste	Linxiang, Hunan Province	100,000
7		Ningguo, Anhui Province	100,000
8		Chongzuo, Guangxi Province	100,000
9		Dengfeng, Henan Province	100,000
10		Guilin, Guangxi Province	100,000
11		Fuyang, Zhejiang Province	200,000
12		Hulunbuir, Inner Mongolia	50,000
13		Arong Qi, Inner Mongolia	100,000
14		Wuhu, Anhui Province	16,500
15		Ninghai, Zhejiang Province	100,000
16	Oil sludge	Jinzhou, Liaoning Province	62,000
17	Fly ash	Yiyang, Hunan Province	50,000
18		Yiyang, Jiangxi Province	100,000
19		Quanjiao, Anhui Province	100,000

Our other payables and accruals increased from RMB369.8 million as of December 31, 2020 to RMB509.9 million as of September 30, 2021 mainly attributable to the increase in construction and equipment payables mainly because four fly ash projects were under construction in the nine months ended September 30, 2021 which typically require higher investment while the number of projects which were under construction decreased from 19 as of December 31, 2020 to 13 as of September 30, 2021 as we had four new projects which were under construction compared to 2020, as offset by ten industrial solid and hazardous waste treatment projects which were under construction in 2020 and put into operation in the nine months ended September 30, 2021.

The following table sets forth the details of the 13 projects which were under construction as of September 30, 2021 and which contributed to the increase in construction and equipment payables as of September 30, 2021.

No.	Types of waste	Project location	Treatment capacity of industrial solid waste treatment projects/ Designed treatment capacity of industrial hazardous waste treatment projects *(tonnes/year)*
1	Industrial solid waste	Xinhua, Hunan Province	66,000
2		Xin'an, Henan Province	50,000
3	General hazardous waste	Fuyang, Zhejiang Province	200,000
4		Ningguo, Anhui Province	100,000
5		Hulunbuir, Inner Mongolia	50,000
6		Arong Qi, Inner Mongolia	100,000
7		Jiayuguan, Gansu Province	100,000
8	Oil sludge	Jinzhou, Liaoning Province	62,000
9		Dongying, Shandong Province	160,000
10	Fly ash	Yiyang, Hunan Province	50,000
11		Yiyang, Jiangxi Province	100,000
12		Quanjiao, Anhui Province	100,000
13		Qianxian County, Shaanxi Province	100,000

NET CURRENT ASSETS/LIABILITIES

The following table sets forth the components of our current assets and liabilities as of the dates indicated:

	As of December 31,			As of September 30,	As of January 31,
	2018	2019	2020	2021	2022
	(RMB in thousands)				
					(unaudited)
Current assets					
Inventories	1,270	2,772	3,642	7,432	12,021
Trade and other receivables	248,501	363,431	662,376	778,827	772,557
Financial assets measured at FVPL	—	—	—	—	75,000
Restricted bank deposits	—	—	37,349	40,482	30,380
Bank deposits with original maturity over three months	75,000	—	31,700	21,680	1,680
Cash and cash equivalents	137,243	249,696	638,784	504,451	546,215
Total current assets	**462,014**	**615,899**	**1,373,851**	**1,352,872**	**1,437,853**

	As of December 31,			As of September 30,	As of January 31,
	2018	2019	2020	2021	2022
	(RMB in thousands)				
					(unaudited)
Current liabilities					
Loans and borrowings	21,500	114,400	120,639	560,296	676,891
Trade and other payables	370,502	764,301	1,900,486	1,574,196	1,029,524
Contract liabilities	—	1,773	3,568	8,666	9,834
Lease liabilities	41	656	1,010	631	530
Income tax payables	3,970	3,584	6,284	19,042	9,389
Total current liabilities	**396,013**	**884,714**	**2,031,987**	**2,162,831**	**1,726,168**
Net current assets/(liabilities)	**66,001**	**(268,815)**	**(658,136)**	**(809,959)**	**(288,315)**

Our net current liabilities decreased from RMB810.0 million as of September 30, 2021 to RMB288.3 million as of January 31, 2022, primarily due to the (i) increased financial assets measured at FVPL as we purchased wealth management products in January 2022; (ii) increased cash and cash equivalents as we collected payments from customers in the fourth quarter of 2021; and (iii) decrease in trade and other payables, mainly in relation to decrease in dividends payable to the then equity shareholders and advances from related parties, partially offset by the increased loans and borrowings to fund our new projects under construction in the fourth quarter of 2021.

Our net current liabilities increased from RMB658.1 million as of December 31, 2020 to RMB810.0 million as of September 30, 2021, primarily due to (i) increased loans and borrowings to fund our projects; (ii) increased income tax payables; (iii) decreased cash and cash equivalents as we used cash to fund our projects, partially offset by decreased trade and other payables mainly as we fully capitalized the amounts due to related parties of RMB1,199.0 million by issuing shares to Conch Venture in August 2021 and September 2021 and increased trade and other receivables.

Our net current liabilities increased from RMB268.8 million as of December 31, 2019 to RMB658.1 million as of December 31, 2020, primarily due to increased trade and other payables, mainly in relation to increases in advances from related parties, payables for acquisitions in connection with Reorganization and dividends payable to the then equity shareholders, as partially offset by increased cash and cash equivalents as well as increased trade and other receivables, in line with our revenue growth.

We recorded net current assets liabilities of RMB268.8 million as of December 31, 2019, and we recorded net current assets of RMB66.0 million as of December 31, 2018, primarily due to (i) increased trade and other payables, mainly in relation to advances from related parties, and other payables and accruals in line with our business growth, and (ii) increased loans and borrowings, in relation to increased investment in fixed assets in 2019, as partially offset by increased cash and cash equivalents and increased trade and other receivables in line with our revenue growth.

Our net current liabilities during the Track Record Period were mainly due to substantial increases in (i) our amounts due to related parties in relation to our corporate reorganization, and (ii) our trade payables, largely in line with our business growth. In August 2021 and September 2021, we fully capitalized our amounts due to related parties of RMB1,199.0 million by issuing shares to Conch Venture. Meanwhile, we expect to utilize long-term loans and borrowings to enhance our short-term liquidity position. As of September 30, 2021, we had unutilized banking facilities in the amount of RMB5.3 billion. We may also consider alternative financing means other than loans and borrowings such as equity issues and bond offerings in the future. In addition, during the Track Record Period, we had increasing cash flows generated from operating activities. Accordingly, we believe we will be able to further improve our net current liabilities position in the future.

INDEBTEDNESS

During the Track Record Period, our indebtedness included loans and other borrowings and lease liabilities. The table below sets forth some details of our indebtedness as of the dates indicated:

	As of December 31,			As of September 30,	As of January 31,
	2018	**2019**	**2020**	**2021**	**2022**
	(RMB in thousands)				
					(unaudited)
Current					
Loans and borrowings.	21,500	114,400	120,639	560,296	676,891
Lease liabilities.	41	656	1,010	631	530
Non-current					
Loans and borrowings.	126,500	180,637	1,040,833	1,790,574	2,584,517
Lease liabilities.	—	253	3,965	3,647	3,591
Total indebtedness	**148,041**	**295,946**	**1,166,447**	**2,355,148**	**3,265,529**

Our Directors confirmed that, as of January 31, 2022, being the latest practicable date for the purpose of determining indebtedness, save as disclosed in "— Indebtedness," we did not have any outstanding or authorized but unissued debt securities, term loans, other borrowings or indebtedness in the nature of borrowing, acceptance credits, mortgages and charges, contingent liabilities or guarantees outstanding on a consolidated basis. Our Directors also confirmed that there was no material adverse change in our indebtedness position since January 31, 2022 and up to the date of this listing document.

Loans and Borrowings

As of December 31, 2018, 2019 and 2020 and September 30, 2021 and January 31, 2022, the aggregate balance of our loans and borrowings was RMB148.0 million, RMB295.0 million, RMB1,161.5 million, RMB2,350.9 million and RMB3,261.4 million, respectively.

The following table sets forth a breakdown of our loans and borrowings based on repayment schedule as of the dates indicated:

	As of December 31,			As of September 30,	As of January 31,
	2018	2019	2020	2021	2022
	(RMB in thousands)				
					(unaudited)
Within 1 year	21,500	114,400	120,639	560,296	676,891
1 year to 2 years	83,000	90,937	227,906	307,606	388,436
2 years to 5 years	37,000	85,700	725,095	1,364,011	1,064,854
Over 5 years	6,500	4,000	87,832	118,957	1,131,227
Total	**148,000**	**295,037**	**1,161,472**	**2,350,870**	**3,261,408**

The following table sets forth the details of our loans and borrowings as of the dates indicated:

	As of December 31,			As of September 30,	As of January 31,
	2018	2019	2020	2021	2022
	(RMB in thousands)				
					(unaudited)
Bank loans					
Guaranteed	148,000	295,037	589,635	52,637	47,637
Secured	—	—	50,000	50,000	50,000
Guaranteed and secured	—	—	—	8,000	7,000
Unsecured	—	—	439,373	2,157,733	3,156,771
Other borrowings					
Unsecured	—	—	82,500	82,500	—
Total	**148,000**	**295,037**	**1,161,472**	**2,350,870**	**3,261,408**

The following table sets for the effective interest rates per annum of our loans and borrowings as of the date indicated:

	As of December 31,			As of September 30,	As of January 31,
	2018	2019	2020	2021	2022
			(%)		
Bank loans					
Guaranteed	4.275–4.450	4.275–4.445	3.600–4.650	3.263–4.075	3.263–4.075
Guaranteed and secured	—	—	4.650	4.500–4.650	4.500–4.650
Unsecured	—	—	3.900–4.000	2.650–4.650	2.650–4.650
Other borrowings					
Unsecured	—	—	7.000	7.000	—

As of January 31, 2022, we had unutilized banking facilities of RMB5.9 billion. During the Track Record Period and up to the Latest Practicable Date, we had not defaulted on any obligation in any material respect under our bank loan agreements and we had not experienced any material difficulties in obtaining bank loans.

Our other borrowings represented our borrowing from a related party, which bears an interest rate of 7.0% per annum and matures in October 2025. For details, see note 19 to the Accountants' Report as set out in Appendix I to this listing document. Such borrowing from our related party is expected to be fully settled before the Listing.

All the guarantee and borrowings provided from the related parties as of December 31, 2018, 2019 and 2020 and September 30, 2021 were non-trade in nature. The balances of guarantee and borrowings will be released and settled prior to the Listing.

Lease Liabilities

Our lease liabilities primarily arise from leases of certain office properties and leasehold land from third parties. As of December 31, 2018, 2019 and 2020 and September 30, 2021 and January 31, 2022, the aggregate balance of our lease liabilities was RMB0.0 million, RMB0.9 million, RMB5.0 million, RMB4.3 million and RMB4.1 million, respectively.

CONTINGENT LIABILITIES

As of September 30, 2021, we were not involved in any material legal, arbitration or administrative proceedings that were expected to materially and adversely affect our financial condition or results of operations, although there can be no assurance that this will not be the case in the future. Our Directors confirm that there was no material change in our contingent liabilities since September 30, 2021 and up to the date of this listing document.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Historically, we have funded our working capital primarily from our cash generated from our operations, as well as loans and borrowings. We currently do not have any plans for material additional external financing.

Working Capital Sufficiency

Taking into account the financial resources available to us, including cash flow from operations, our Directors are of the opinion that we have sufficient working capital for our requirements within at least the next 12 months from the date of this listing document.

Cash Flows

The following table sets forth selected cash flow statement information for the periods indicated:

	Year ended December 31,			Nine months ended September 30,	
	2018	**2019**	**2020**	**2020**	**2021**
	(RMB in thousands)				
				(unaudited)	
Net cash generated from operating activities	215,102	319,285	453,462	379,651	576,818
Net cash used in investing activities	(437,745)	(640,109)	(1,634,539)	(1,081,483)	(1,737,941)
Net cash generated from financing activities	234,841	433,277	1,570,165	1,096,877	1,026,790
Net increase/(decrease) in cash and cash equivalents	**12,198**	**112,453**	**389,088**	**395,045**	**(134,333)**
Cash and cash equivalents at the beginning of the year/period	**125,045**	**137,243**	**249,696**	**249,696**	**638,784**
Cash and cash equivalents at the end of the year/period	**137,243**	**249,696**	**638,784**	**644,741**	**504,451**

Net Cash Used in Operating Activities

In the nine months ended September 30, 2021, we had net cash generated from operating activities of RMB576.8 million, primarily reflecting (i) profit before tax of RMB493.4 million; (ii) positive adjustments before movements in working capital of RMB136.7 million mainly due to depreciation of owned property, plant and equipment of RMB105.3 million and financial costs of RMB32.2 million, as partially offset by RMB7.2 million of interest income; and (iii) negative movements in working capital of RMB26.2 million primarily due to an increase of RMB84.8 million in trade and other receivables, as partially offset by an increase of RMB60.3 million in trade and other payables.

In 2020, we had net cash generated from operating activities of RMB453.5 million, primarily reflecting (i) profit before tax of RMB574.2 million; (ii) positive adjustments before movements in working capital of RMB75.8 million mainly due to depreciation of owned property, plant and equipment of RMB82.8 million, finance costs of RMB12.2 million, as partially offset by interest income of RMB12.0 million and share of profits of associates of RMB11.1 million; and (iii) negative movements in working capital of RMB182.2 million primarily due to an increase of RMB270.5 million in trade and other receivables, as partially offset by an increase of RMB122.4 million in trade and other payables.

In 2019, we had net cash generated from operating activities of RMB319.3 million, primarily reflecting (i) profit before tax of RMB433.0 million; (ii) positive adjustments before movements in working capital of RMB57.3 million mainly due to depreciation of owned property, plant and equipment of RMB46.2 million, loss allowance for trade receivables of RMB14.2 million, as partially offset by an increase of RMB8.3 million in interest income; and (iii) negative movements in working capital of RMB162.2 million primarily due to an increase of RMB180.5 million in trade and other receivables, as partially offset by an increase of RMB18.0 million in trade and other payables.

In 2018, we had net cash generated from operating activities of RMB215.1 million, primarily reflecting (i) profit before tax of RMB286.6 million; (ii) positive adjustments before movements in working capital of RMB11.8 million mainly due to depreciation of owned property, plant and equipment of RMB17.3 million, as partially offset by interest income of RMB6.1 million; and (iii) negative movements in working capital of RMB80.2 million primarily due to an increase of RMB142.8 million in trade and other receivables, as partially offset by an increase of RMB63.5 million in trade and other payables.

Net Cash Used in Investing Activities

In the nine months ended September 30, 2021, we had net cash used in investing activities of RMB1,737.9 million primarily attributable to payments for the purchase of property, plant and equipment, construction in progress and intangible assets of RMB1,305.7 million, payment for purchase of right-of-use assets of RMB374.7 million and acquisition of subsidiary (net of cash acquired) of RMB66.3 million.

In 2020, we had net cash used in investing activities of RMB1,634.5 million primarily due to our payments for the purchase of property, plant and equipment, construction in progress and intangible assets of RMB1,436.3 million, payment for purchase of financial assets measured at FVPL of RMB82.5 million and payment for purchase of right-of-use assets of RMB49.3 million, as partially offset by dividends received from associates and interest received of RMB11.7 million.

In 2019, we had net cash used in investing activities of RMB640.1 million primarily due to our payments for the purchase of property, plant and equipment, construction in progress and intangible assets of RMB700.7 million, payment for investments in associates of RMB64.0 million, as partially offset by proceeds from maturity of bank deposits over three months of RMB75.0 million and repayment of amount due from related parties of RMB48.8 million.

In 2018, we had net cash used in investing activities of RMB437.7 million primarily due to our payments for the purchase of property, plant and equipment, construction in progress and intangible assets of RMB428.1 million, payment for bank deposits with maturity over three months of RMB75.0 million and payment for purchase of right-of-use assets of RMB13.6 million, as partially offset by repayment of amount due from related parties of RMB48.2 million and proceeds from maturity of bank deposits over three months of RMB25.0 million.

Net Cash Generated from Financing Activities

In the nine months ended September 30, 2021, we had net cash generated from financing activities of RMB1,026.8 million, primarily attributable to the proceeds from loans and borrowings of RMB1,278.2 million, advance from related parties of RMB219.6 million and capital contribution from non-controlling interests of RMB108.3 million, as partially offset by repayment of amounts due to related parties of RMB393.6 million and repayment of loans and borrowings of RMB97.8 million.

In 2020, we had net cash generated from financing activities of RMB1,570.2 million, primarily attributable to the proceeds from loans and borrowings of RMB1,056.9 million, advance from related parties of RMB708.3 million and capital contribution from non-controlling interests of RMB251.9 million, as partially offset by repayment of amounts due to related parties of RMB335.6 million and repayment of loans and borrowings of RMB190.5 million.

In 2019, we had net cash generated from financing activities of RMB433.3 million primarily attributable to the advance from related parties of RMB344.7 million, proceeds from loans and borrowings of RMB168.5 million, capital contribution from non-controlling interests of RMB108.7 million and deemed contribution from the parent company of RMB100.0 million, as partially offset by repayment of amounts due to related parties of RMB141.8 million, dividends paid of RMB68.3 million, profit distribution to non-controlling interests of RMB45.6 million and repayment of loans and borrowings of RMB21.5 million.

In 2018, we had net cash generated from financing activities of RMB234.8 million primarily attributable to the advance from related parties of RMB191.6 million, proceeds from loans and borrowings of RMB148.0 million, as offset by repayment of amounts due to related parties of RMB108.2 million.

SELECTED FINANCIAL RATIOS

The following table sets forth our key financial ratios as of the dates or for the periods indicated:

	As of or for the year ended December 31,			As of or for the nine months ended September 30,
	2018	2019	2020	2021
Current ratio[(1)]	1.2	0.7	0.7	0.6
Return on assets[(2)]	28.0%	22.6%	15.2%	10.4%
Return on equity[(3)]	43.7%	41.9%	44.9%	32.7%
Net debt to equity ratio[(4)]	1.3%	3.3%	29.0%	63.6%
Gross margin[(5)]	77.2%	72.4%	65.5%	60.4%
Net profit margin[(6)]	70.8%	57.8%	48.8%	38.3%
Cash conversion cycle[(7)]	46	67	85	80

(1) Current ratio is calculated by dividing total current assets by total current liabilities as of the closing of the year/period.

(2) Return on assets is calculated as our profit for the year or period divided by our average total assets as of the beginning and the end of the corresponding year or period and multiplied by 100%. Return on assets in the nine months ended September 30, 2021 has been annualized by multiplying by 4/3. Accordingly, the annualized return on assets may not be indicative of that for the full year ending December 31, 2021. Investors are cautioned not to place any undue reliance on such data.

(3) Return on equity is calculated as our profit attributable to equity shareholders of the Company for the year or period divided by our average equity attributable to equity shareholders of the Company as of the beginning and the end of the corresponding year or period and multiplied by 100%. Return on equity in the nine months ended September 30, 2021 has been annualized by multiplying by 4/3. Accordingly, the annualized return on equity may not be indicative of that for the full year ending December 31, 2021. Investors are cautioned not to place any undue reliance on such data.

(4) Net debt to equity ratio is calculated by dividing net debt by total equity as of the closing of the year/period and multiplied by 100%. Net debt is defined to include all interest bearing borrowings net of cash and cash equivalents.

(5) Gross margin equals gross profit divided by revenue for the year/period and multiplied by 100%.

(6) Net profit margin equals net profit divided by revenue for the year/period and multiplied by 100%.

(7) Cash conversion cycle is calculated using the inventory turnover days in each year/period (calculated based on the average of the opening and closing balance of inventories divided by cost of sales for the relevant year/period and multiplied by 360 for 2018, 2019 and 2020 or 270 days for the nine months ended September 30, 2021) plus the trade receivable turnover days in the respective year/period minus the trade payable turnover days in the respective year/period.

Current Ratio

Our current ratio decreased from 1.2 as of December 31, 2018 to 0.7 as of December 31, 2019, primarily because the increase in our current liabilities outpaced the increase in our current assets, mainly due to faster increases in our trade and other payables than trade and other receivables. Our current ratio remained relatively stable at 0.7 as of December 31, 2019 and December 31, 2020. Our current ratio decreased from 0.7 as of December 31, 2020 to 0.6 as of September 30, 2021, primarily due to the increase in our current liabilities and the decrease in our current assets, mainly due to increases in our loans and borrowings to finance our projects.

Return on Assets

In 2018, 2019 and 2020 and the nine months ended September 30, 2021, our return on assets was 28.0%, 22.6%, 15.2% and 10.4%, respectively. The decreases in our return on assets were mainly because the increases in our total assets outpaced the increases in our net profit, primarily resulting from increases in property, plant and equipment and trade and other receivables, in line with our business growth.

Return on Equity

In 2018, 2019 and 2020 and the nine months ended September 30, 2021, our return on equity was 43.7%, 41.9%, 44.9% and 32.7%, respectively. The decrease in our return on equity in the nine months ended September 30, 2021 compared to 2020 was primarily because we fully capitalized the amounts due to related parties of RMB1,199.0 million by issuing shares to Conch Venture in August 2021 and September 2021, which significantly increased the equity attributable to equity shareholders of the Company.

Net Debt to Equity Ratio

As of December 31, 2018, 2019 and 2020 and as of September 30, 2021, our net debt to equity ratio was 1.3%, 3.3%, 29.0% and 63.6%, respectively. The increases in our net debt to equity ratio were mainly because the increases in our borrowings outpaced the increases in our total equity, as we obtained more borrowings to finance our new projects.

Gross Margin

For the discussion on the material changes in our gross margins, see "— Consolidated Statements of Profit or Loss — Gross Profit and Gross Margin."

Net Profit Margin

In 2018, 2019 and 2020 and the nine months ended September 30, 2021, our net profit margin was 70.8%, 57.8%, 48.8% and 38.3%, respectively. The decreases in our net profit margins were primarily due to (i) decreases in our gross margins, and (ii) increases in our distribution costs and administrative expenses as a percentage of revenue, mainly in relation to our business expansion.

Cash Conversion Cycle

In 2018, 2019 and 2020, our cash conversion cycle was 46, 67 and 85. Our cash conversion cycle increased from 2018 to 2020 primarily due to the increase in trade receivable turnover days. Our cash conversion cycle remained relatively stable at 85 in 2020 and 80 in the nine months ended September 30, 2021.

CAPITAL EXPENDITURES AND COMMITMENTS

Capital Expenditures

During the Track Record Period, we incurred capital expenditures mainly for purchase of property, plant and equipment, construction in progress and intangible assets, acquisition of subsidiaries and purchase of right-of-use assets. Our capital expenditures paid in 2018, 2019 and 2020 and the nine months ended September 30, 2021 were RMB441.8 million, RMB744.6 million, RMB1,506.9 million and RMB1,746.8 million, respectively.

We estimated that our capital expenditures for 2021 will be approximately RMB2,275.0 million, which we intend to use primarily for our business expansion. We expect to fund these capital expenditures with our available cash resources.

Capital Commitments

The following table sets forth our capital commitments as of the dates indicated:

	As of December 31,			As of September 30,
	2018	**2019**	**2020**	**2021**
	(RMB in thousands)			
Contracted for	286,524	520,640	1,282,602	845,430[1]
Authorized but not contracted for	724,026	1,188,697	1,657,329	3,054,129[1]
Total	**1,010,550**	**1,709,337**	**2,939,931**	**3,899,559**

Note:

(1) Of the total capital commitments as of September 30, 2021, capital commitments in relation to CV Shanghai amounted to RMB2,096.8 million, consisting of capital commitments contracted for of RMB62.4 million and capital commitments authorized but not contracted for of RMB2,034.4 million. As of December 31, 2021, the disposal of our interest in CV Shanghai had been completed.

RELATED PARTY TRANSACTIONS AND BALANCES

During the Track Record Period, we entered into a number of related party transactions, pursuant to which we: (i) provided services to related parties; (ii) purchased goods and services from related parties; and (iii) provided and received loans from related parties, among other things.

Our Directors believe that our transactions with related parties during the Track Record Period were conducted on normal commercial terms and on an arm's length basis and would not distort our results of operations or make our historical results not reflective of our future performance.

For further details, see note 28 to the Accountants' Report as set out in Appendix I to this listing document.

OFF-BALANCE SHEET ARRANGEMENTS

As of the Latest Practicable Date, we did not have any outstanding off-balance sheet arrangements.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT FINANCIAL RISKS

Our activities expose us to a variety of financial risks: market risk (including currency risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance. Risk management is carried out by our senior management and approved by the executive Directors.

Credit Risk

We are exposed to credit risk primarily in relation to our bank deposits held with banks located in the PRC, as well as trade receivables and other receivables. To manage this risk, deposits are mainly placed with state-owned or reputable financial institutions in the PRC and reputable international financial institutions outside of the PRC. There has been no recent history of default in relation to these financial institutions.

Our 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 we have significant exposure to individual customers. As of December 31, 2018, 2019 and 2020 and September 30, 2021, 2.0%, 3.0%, 4.0% and 3.0% of the total trade and other receivables were due from our largest customer, respectively, 7.0%, 7.0%, 10.0% and 12.0% of the total trade and other receivables were due from our 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.

We perform individual credit evaluations on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 to 180 days from the date of billing. We normally do not obtain collateral from customers.

We measure loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As our historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between our different customer bases.

We do not provide any other guarantees to third parties which would expose us to credit risk. For details, please see note 25(a) to the Accountants' Report as set out in Appendix I to this listing document.

Liquidity Risk

Liquidity risk refers to the risk that we might not be able to get timely capital injection or obtain external financing at reasonable costs to repay debts that are due, fulfill other payment obligations or satisfy the capital needs for normal business operation.

Individual operating entities within our 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. Our policy is to regularly monitor our liquidity requirements and our compliance with lending covenants, to ensure that we maintain sufficient reserves of cash and readily realizable marketable securities and adequate committed lines of funding from major financial institutions to meet our liquidity requirements in the short and longer term. For details, please see note 25(b) to the Accountants' Report as set out in Appendix I to this listing document.

Going forward, we plan to improve our net current liabilities position by (i) further expand our business and increase our revenue and gross profit from operations; (ii) further improve cash inflows by enhancing payment collection from our customers and continue monitoring payment schedules. For example, we have required our project companies to report details of the outstanding trade receivables which are past due and closely monitor the collection process from time to time; (iii) use more long-term bank borrowings to support our business growth, including construction and purchase of equipment; and (iv) seek alternative financing means other than bank borrowings such as equity issues and bond offerings after the Listing.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Our interest rate risk arises primarily from bank loans. Borrowings issued at variable rates and at fixed rates expose us to cash flow interest rate risk and fair value interest rate risk respectively. For details, please see note 25(c) to the Accountants' Report as set out in Appendix I to this listing document.

DIVIDEND

Our Company is a holding company incorporated under the laws of the Cayman Islands. The payment and amount of any future dividend will depend on the availability of dividends received from our subsidiaries.

During the Track Record Period, no dividend was declared or paid by our Company. Any proposed distribution of dividends shall be formulated by our Board and will be subject to approval in our Shareholders' meeting. A decision to declare or to pay any dividends in the future, and the amount of any such dividends, will depend on a number of factors, including our results of operations, cash flows, financial condition, payments by our subsidiaries of cash dividends to us, business prospects, statutory, regulatory and contractual restrictions on our declaration and payment of dividends and other factors that our Board may consider important. We cannot exclude the possibility that no dividend may be declared or distributed in any year after the Listing.

DISTRIBUTABLE RESERVES

Our Company was incorporated in the Cayman Islands on March 2, 2020 and has not carried out any business since the date of its incorporation. As of September 30, 2021, our Company did not have any distributable reserves available for distribution to our shareholders.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of our Group is prepared in accordance with Rule 4.29 of the Listing Rules and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants and is set out below to illustrate the effect of the Listing on the consolidated net tangible assets of our Group as of September 30, 2021 as if the Listing had taken place on September 30, 2021.

The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of our Group had the Listing been completed as of September 30, 2021 or any future date.

	Consolidated net tangible assets of our Group attributable to the equity holders of the Company as of September 30, 2021	Estimated listing expenses	Unaudited pro forma adjusted consolidated net tangible assets attributable to the equity holders of the Company	Unaudited pro forma adjusted consolidated net tangible assets attributable to the equity holders of the Company per share	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HKD*
	(Note 1)	*(Note 2)*		*(Notes 3 and 4)*	*(Note 5)*
Based on 1,826,765,059 shares assumed to be in issue immediately prior to the Listing.	2,162,330	(27,770)	2,134,560	1.168	1.444

1. The consolidated net tangible assets of our Group attributable to equity shareholders of the Company as of September 30, 2021 are calculated based on the consolidated total equity attributable to equity shareholders of the Company as of September 30, 2021 of 2,213,422,000 extracted from the Accountants' Report set out in Appendix I to this listing document, after deduction of goodwill of RMB5,815,000 and intangible assets of RMB64,174,000 and adjusting the share of intangible assets attributable to non-controlling interests of RMB18,897,000.

2. The estimated listing expenses mainly include professional fees payable to the sponsor, our Company's legal advisers and reporting accountants and other listing related expenses, which are expected to be incurred by our Group subsequent to September 30, 2021.

3. The unaudited pro forma adjusted consolidated net tangible assets per share is arrived at after the adjustments as described in note 2 above and is based on 1,826,765,059 shares assumed to be in issue immediately prior to the Listing.

4. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets attributable to the equity holders of our Company per share to reflect any trading result or other transactions of our Group entered into subsequent to September 30, 2021, including but not limited to the planned issue of new shares with no consideration to Conch Venture. The issuance of such shares will be accounted for as an equity transaction. Had such shares already been in issue on September 30, 2021, our shares in issue would have been increased by 103,698,811 shares and our unaudited pro forma adjusted consolidated net tangible assets attributable to the equity holders of our Company per share would have been RMB1.106 (equivalent to HKD1.367).

5. For the purpose of this pro forma adjusted consolidated net tangible assets attributable to the equity holders of the Company, the balances stated in RMB are converted into Hong Kong dollars at a rate of RMB0.8092 to HK$1. No representation is made that the Renminbi amounts have been, could have been or may be converted into Hong Kong Dollars, or vice versa at that rate.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that, except as otherwise disclosed in this document, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that up to the date of this listing document there has been no material adverse change in our financial or trading position or prospects since September 30, 2021 (being the date of our latest audited financial statements) and there has been no event since September 30, 2021 which would materially affect the information shown in the Accountants' Report as set out in Appendix I to this listing document.

LISTING EXPENSES

The total listing expenses for the Listing are estimated to be approximately RMB51.4 million, including (i) professional fees paid and payable to the professional parties for their services rendered in relation to the Listing, including sponsor fees, fees paid and payable to legal advisers, reporting accountants, the internal control consultant and the independent industry consultant of approximately RMB43.8 million; and (ii) other fees and expenses of approximately RMB7.6 million. We incurred listing expenses of RMB23.6 million in relation to the Spin-off and the Listing in the nine months ended September 30, 2021. We expect to incur additional listing expenses of RMB27.8 million in relation to the Spin-off and the Listing, and all will be borne by our Group. There is no issue of new Shares of our Company, and therefore no funding will be obtained through the Listing, and therefore, such listing expenses will be charged to our consolidated statement of profit or loss and other comprehensive income for the years ending December 31, 2021 and 2022.

The following is the text of a report set out on pages I-1 to I-91, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this listing document.

KPMG

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF CHINA CONCH ENVIRONMENT PROTECTION HOLDINGS LIMITED AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED AND HSBC CORPORATE FINANCE (HONG KONG) LIMITED

INTRODUCTION

We report on the historical financial information of China Conch Environment Protection Holdings Limited (the ''Company'') and its subsidiaries (together, the ''Group'') set out on pages I-4 to I-91, which comprises the consolidated statements of financial position of the Group as at December 31, 2018, 2019 and 2020 and September 30, 2021, the statement of financial position of the Company as at December 31, 2020 and September 30, 2021, and the consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements, for each of the years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2021 (the ''Relevant Periods''), and a summary of significant accounting policies and other explanatory information (together, the ''Historical Financial Information''). The Historical Financial Information set out on pages I-4 to I-91 forms an integral part of this report, which has been prepared for inclusion in the listing document of the Company dated March 22, 2022 (the ''Listing Document'') in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

DIRECTORS' RESPONSIBILITY FOR HISTORICAL FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 ''Accountants' Reports on Historical Financial Information in Investment Circulars'' issued by the Hong Kong Institute of Certified Public Accountants (''HKICPA''). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Group's financial position as at December 31, 2018, 2019 and 2020 and September 30, 2021, the Company's financial position as at December 31, 2020 and September 30, 2021, and of the Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

REVIEW OF STUB PERIOD CORRESPONDING FINANCIAL INFORMATION

We have reviewed the stub period corresponding financial information of the Group which comprises 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 statement of cash flows for the nine months ended September 30, 2020 and other explanatory information (the ''Stub Period Corresponding Financial Information''). The directors of the Company are responsible for the preparation and presentation of the Stub Period Corresponding Financial Information in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Corresponding Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 ''Review of Interim Financial Information Performed by the Independent Auditor of the Entity'' issued by the HKICPA. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Corresponding Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 24(b) to the Historical Financial Information which contains information about the dividend paid by the Company in respect of the Relevant Periods.

No historical financial statements for the Company

No financial statements have been prepared for the Company since its incorporation.

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

March 22, 2022

HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP Shanghai Branch in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

(Expressed in Renminbi)

		Year ended December 31,			Nine months ended September 30,	
		2018	2019	2020	2020	2021
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue	4	396,656	737,772	1,143,991	717,581	1,194,369
Cost of sales		(90,412)	(203,522)	(394,336)	(259,219)	(472,716)
Gross profit		306,244	534,250	749,655	458,362	721,653
Other income	5	30,545	38,311	44,080	33,657	42,473
Distribution costs		(17,633)	(47,453)	(88,827)	(52,802)	(90,320)
Administrative expenses		(32,530)	(87,634)	(129,642)	(89,028)	(156,827)
Profit from operations		286,626	437,474	575,266	350,189	516,979
Finance costs	6(a)	(2)	(6,862)	(12,187)	(6,608)	(32,208)
Share of profits of associates	14	—	2,339	11,081	9,961	8,601
Profit before taxation	6	286,624	432,951	574,160	353,542	493,372
Income tax	7(a)	(5,707)	(6,289)	(16,166)	(10,348)	(36,099)
Profit for the year/period		280,917	426,662	557,994	343,194	457,273
Attributable to:						
Equity shareholders of the Company		233,551	353,314	468,986	278,356	401,003
Non-controlling interests		47,366	73,348	89,008	64,838	56,270
Profit for the year/period		280,917	426,662	557,994	343,194	457,273
Earnings per share	10					
Basic and diluted		N/A	N/A	N/A	N/A	N/A

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Expressed in Renminbi)

	Year ended December 31,			Nine months ended September 30,	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Profit for the year/period	280,917	426,662	557,994	343,194	457,273
Other comprehensive income for the year/period (after tax and reclassification adjustments)	—	—	—	—	—
Total comprehensive income for the year/period	280,917	426,662	557,994	343,194	457,273
Attributable to:					
Equity shareholders of the Company	233,551	353,314	468,986	278,356	401,003
Non-controlling interests	47,366	73,348	89,008	64,838	56,270
Total comprehensive income for the year/period	280,917	426,662	557,994	343,194	457,273

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Renminbi)

		As at December 31,			As at September 30,
		2018	2019	2020	2021
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Property, plant and equipment	*11*	853,320	1,645,070	3,066,011	4,544,009
Right-of-use assets	*12*	13,907	76,363	136,360	524,820
Intangible assets	*13*	360	2,434	67,802	64,174
Goodwill	*26(c)*	—	—	—	5,815
Interests in associates	*14*	—	66,339	67,770	58,808
Non-current portion of trade and other receivables	*17*	11,547	23,177	90,814	235,424
Financial assets measured at fair value through profit and loss ("FVPL")	*15*	—	—	82,500	82,500
Deferred tax assets	*21(b)*	56	2,190	3,004	5,200
		879,190	1,815,573	3,514,261	5,520,750
Current assets					
Inventories	*16*	1,270	2,772	3,642	7,432
Trade and other receivables	*17*	248,501	363,431	662,376	778,827
Restricted bank deposits	*18*	—	—	37,349	40,482
Bank deposits with original maturity over three months	*18*	75,000	—	31,700	21,680
Cash and cash equivalents	*18*	137,243	249,696	638,784	504,451
		462,014	615,899	1,373,851	1,352,872
Current liabilities					
Loans and borrowings	*19*	21,500	114,400	120,639	560,296
Trade and other payables	*20*	370,502	764,301	1,900,486	1,574,196
Contract liabilities	*22*	—	1,773	3,568	8,666
Lease liabilities	*23*	41	656	1,010	631
Income tax payables	*21(a)*	3,970	3,584	6,284	19,042
		396,013	884,714	2,031,987	2,162,831
Net current assets/(liabilities)		66,001	(268,815)	(658,136)	(809,959)
Total assets less current liabilities		945,191	1,546,758	2,856,125	4,710,791

The accompanying notes form part of the Historical Financial Information.

		As at December 31,			As at September 30,
		2018	2019	2020	2021
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current liabilities					
Loans and borrowings	*19*	126,500	180,637	1,040,833	1,790,574
Lease liabilities	*23*	—	253	3,965	3,647
Deferred tax liabilities	*21(b)*	—	—	9,690	12,541
		126,500	180,890	1,054,488	1,806,762
Net assets		818,691	1,365,868	1,801,637	2,904,029
Capital and reserves	*24*				
Share capital		340,000	440,000	—	—*
Reserves		310,772	595,746	1,053,244	2,213,422
Equity attributable to equity shareholders of the Company		650,772	1,035,746	1,053,244	2,213,422
Non-controlling interests		167,919	330,122	748,393	690,607
Total equity		818,691	1,365,868	1,801,637	2,904,029

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

The accompanying notes form part of the Historical Financial Information.

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

(Expressed in Renminbi)

	Note	As at December 31, 2020	As at September 30, 2021
		RMB'000	*RMB'000*
Non-current assets			
Investment in a subsidiary	*29*	—	671,464
Trade and other receivables	*17*	—	494,403
		—	1,165,867
Current assets			
Trade and other receivables	*17*	—	27,487
Cash and cash equivalents		—	2,479
		—	29,966
Current liabilities			
Trade and other payables		—	9,635
Net current assets		—	20,331
Total assets less current liabilities		—	1,186,198
Capital and reserves	*24(a)*		
Share capital		—	—*
Reserves		—	1,186,198
Total equity		—	1,186,198

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

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in Renminbi)

		Attributable to equity shareholders of the Company							
		Share capital	Share premium	Capital reserve	PRC statutory reserves	Retained earnings	Sub-total	Non-controlling interests	Total equity
	Note	*RMB'000 (Note 24(c))*	*RMB'000 (Note 24(d)(i))*	*RMB'000 (Note 24(d)(ii))*	*RMB'000 (Note 24(d)(iii))*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2018		340,000	—	(907)	6,268	71,860	417,221	114,689	531,910
Profit for the year		—	—	—	—	233,551	233,551	47,366	280,917
Other comprehensive income		—	—	—	—	—	—	—	—
Total comprehensive income		—	—	—	—	233,551	233,551	47,366	280,917
Non-controlling interests arising from establishment of subsidiaries		—	—	—	—	—	—	5,864	5,864
Appropriation to reserves	*24(d)(iii)*	—	—	—	10,445	(10,445)	—	—	—
Balance at December 31, 2018		340,000	—	(907)	16,713	294,966	650,772	167,919	818,691

The accompanying notes form part of the Historical Financial Information.

	Note	Attributable to equity shareholders of the Company							
		Share capital	**Share premium**	**Capital reserve**	**PRC statutory reserves**	**Retained earnings**	**Sub-total**	**Non-controlling interests**	**Total equity**
		RMB'000 (Note 24(c))	*RMB'000 (Note 24(d)(i))*	*RMB'000 (Note 24(d)(ii))*	*RMB'000 (Note 24(d)(iii))*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2019		340,000	—	(907)	16,713	294,966	650,772	167,919	818,691
Profit for the year		—	—	—	—	353,314	353,314	73,348	426,662
Other comprehensive income		—	—	—	—	—	—	—	—
Total comprehensive income		—	—	—	—	353,314	353,314	73,348	426,662
Non-controlling interests arising from establishment of subsidiaries		—	—	—	—	—	—	108,735	108,735
Capital injection from the parent company		100,000	—	—	—	—	100,000	—	100,000
Acquisition of a subsidiary with non-controlling interests		—	—	—	—	—	—	25,680	25,680
Appropriation to reserves	*24(d)(iii)*	—	—	—	37,117	(37,117)	—	—	—
Profit distribution to non-controlling interests		—	—	—	—	—	—	(45,560)	(45,560)
Dividends approved in respect of the previous year	*24(b)*	—	—	—	—	(68,340)	(68,340)	—	(68,340)
Balance at December 31, 2019		440,000	—	(907)	53,830	542,823	1,035,746	330,122	1,365,868

The accompanying notes form part of the Historical Financial Information.

		Attributable to equity shareholders of the Company							
		Share capital	Share premium	Capital reserve	PRC statutory reserves	Retained earnings	Sub-total	Non-controlling interests	Total equity
	Note	*RMB'000 (Note 24(c))*	*RMB'000 (Note 24(d)(i))*	*RMB'000 (Note 24(d)(ii))*	*RMB'000 (Note 24(d)(iii))*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2020		440,000	—	(907)	53,830	542,823	1,035,746	330,122	1,365,868
Profit for the year		—	—	—	—	468,986	468,986	89,008	557,994
Other comprehensive income		—	—	—	—	—	—	—	—
Total comprehensive income		—	—	—	—	468,986	468,986	89,008	557,994
Non-controlling interests arising from establishment of subsidiaries		—	—	—	—	—	—	251,880	251,880
Capital injection from the parent company		150,000	—	—	—	—	150,000	—	150,000
Acquisition of subsidiaries with non-controlling interests	*26*	—	—	—	—	—	—	111,666	111,666
Appropriation to reserves	*24(d)(iii)*	—	—	—	55,386	(55,386)	—	—	—
Profit distribution to non-controlling interests		—	—	—	—	—	—	(44,603)	(44,603)
Dividends approved in respect of the previous year	*24(b)*	—	—	—	—	(286,081)	(286,081)	—	(286,081)
Deemed distributions to the controlling shareholder upon the Reorganisation	*24(c) &(d)(ii)*	(590,000)	—	274,593	—	—	(315,407)	10,320	(305,087)
Balance at December 31, 2020		—	—	273,686	109,216	670,342	1,053,244	748,393	1,801,637

The accompanying notes form part of the Historical Financial Information.

		Attributable to equity shareholders of the Company							
		Share capital	**Share premium**	**Capital reserve**	**PRC statutory reserves**	**Retained earnings**	**Sub-total**	**Non-controlling interests**	**Total equity**
	Note	*RMB'000 (Note 24(c))*	*RMB'000 (Note 24(d)(i))*	*RMB'000 (Note 24(d)(ii))*	*RMB'000 (Note 24(d)(iii))*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2021		—	—	273,686	109,216	670,342	1,053,244	748,393	1,801,637
Profit for the period		—	—	—	—	401,003	401,003	56,270	457,273
Other comprehensive income		—	—	—	—	—	—	—	—
Total comprehensive income		—	—	—	—	401,003	401,003	56,270	457,273
Non-controlling interests arising from establishment of subsidiaries		—	—	—	—	—	—	108,320	108,320
Acquisition of subsidiaries with non-controlling interests		—	—	—	—	—	—	19,759	19,759
Acquisition of non-controlling interests	*24(d)(ii)*	—	—	(439,829)	—	—	(439,829)	(231,635)	(671,464)
Issuance of ordinary shares by capitalization of the balance due to related parties	*24(d)(i)*	—*	1,199,004	—	—	—	1,199,004	—	1,199,004
Profit distribution to non-controlling interests		—	—	—	—	—	—	(10,500)	(10,500)
Balance September 30, 2021		—*	1,199,004	(166,143)	109,216	1,071,345	2,213,422	690,607	2,904,029

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

The accompanying notes form part of the Historical Financial Information.

	Note	Attributable to equity shareholders of the Company							
		Share capital	Share premium	Capital reserve	PRC statutory reserves	Retained earnings	Sub-total	Non-controlling interests	Total equity
	Note	*RMB'000* *(Note 24(c))*	*RMB'000* *(Note 24(d)(i))*	*RMB'000* *(Note 24(d)(ii))*	*RMB'000* *(Note 24(d)(iii))*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
(Unaudited)									
Balance at January 1, 2020		440,000	—	(907)	53,830	542,823	1,035,746	330,122	1,365,868
Profit for the period		—	—	—	—	278,356	278,356	64,838	343,194
Other comprehensive income		—	—	—	—	—	—	—	—
Total comprehensive income		—	—	—	—	278,356	278,356	64,838	343,194
Non-controlling interests arising from establishment of subsidiaries		—	—	—	—	—	—	221,596	221,596
Capital injection from the parent company		150,000	—	—	—	—	150,000	—	150,000
Acquisition of subsidiaries with non-controlling interests	*26*	—	—	—	—	—	—	111,666	111,666
Profit distribution to non-controlling interests		—	—	—	—	—	—	(20,603)	(20,603)
Dividends approved in respect of the previous year	*24(b)*	—	—	—	—	(286,081)	(286,081)	—	(286,081)
Deemed distributions to the controlling shareholder upon the Reorganisation	*24(c) &(d)(ii)*	(340,000)	—	279,680	—	—	(60,320)	10,320	(50,000)
Balance at September 30, 2020		250,000	—	278,773	53,830	535,098	1,117,701	717,939	1,835,640

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED CASH FLOW STATEMENTS

(Expressed in Renminbi)

		Year ended December 31,			Nine months ended September 30,	
		2018	2019	2020	2020	2021
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Operating activities:						
Cash generated from operations	*18(b)*	218,240	328,094	467,742	388,161	603,850
Income tax paid	*21(a)*	(3,138)	(8,809)	(14,280)	(8,510)	(27,032)
Net cash generated from operating activities		215,102	319,285	453,462	379,651	576,818
Investing activities:						
Payment for purchase of property, plant and equipment, construction in progress and intangible assets		(428,139)	(700,683)	(1,436,275)	(998,786)	(1,305,713)
Proceeds from disposal of property, plant and equipment and right-of-use assets		6	1,369	407	98	627
Payment for purchase of right-of-use assets		(13,630)	(9,871)	(49,321)	(28,976)	(374,738)
Acquisition of subsidiaries, net of cash acquired	*26*	—	—	(20,129)	(20,129)	(66,310)
Payment for investments in associates		—	(64,000)	(1,200)	(1,200)	(14,400)
Advance to related parties		—	—	(30,000)	(20,000)	—
Repayment of amounts due from related parties		48,163	48,785	—	—	—
Payment for purchase of financial assets measured at FVPL		—	—	(82,500)	—	—
Proceeds from maturity of bank deposits over three months		25,000	75,000	—	—	31,700
Payment for bank deposits with maturity over three months		(75,000)	—	(31,700)	(21,700)	(21,680)
Dividends received from associates		—	—	4,450	2,700	5,250
Interest received		5,855	9,291	11,729	6,510	7,323
Net cash used in investing activities		(437,745)	(640,109)	(1,634,539)	(1,081,483)	(1,737,941)

The accompanying notes form part of the Historical Financial Information.

		Year ended December 31,			Nine months ended September 30,	
		2018	2019	2020	2020	2021
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Financing activities:						
Proceeds from loans and borrowings	*18(c)*	148,000	168,537	1,056,939	504,242	1,278,200
Repayment of loans and borrowings	*18(c)*	—	(21,500)	(190,504)	(112,900)	(97,802)
Advance from related parties	*18(c)*	191,597	344,662	708,261	641,212	219,626
Repayment of amounts due to related parties	*18(c)*	(108,203)	(141,835)	(335,590)	(248,360)	(393,608)
Profit distribution to non-controlling interests paid		—	(45,560)	(20,603)	(20,603)	(34,500)
Capital injection from the parent company	*24(c)*	—	100,000	150,000	150,000	—
Dividends paid		—	(68,340)	(21,762)	(21,762)	—
Interest paid	*18(c)*	(2,381)	(11,028)	(27,501)	(15,899)	(52,499)
Capital contribution from non-controlling interests		5,864	108,735	251,880	221,596	108,320
Capital element of lease rentals paid	*18(c)*	(34)	(367)	(792)	(535)	(817)
Interest element of lease rentals paid	*18(c)*	(2)	(27)	(163)	(114)	(130)
Net cash generated from financing activities		234,841	433,277	1,570,165	1,096,877	1,026,790
Net increase in cash and cash equivalents		12,198	112,453	389,088	395,045	(134,333)
Cash and cash equivalents at the beginning of the year/period		125,045	137,243	249,696	249,696	638,784
Cash and cash equivalents at the end of the year/period	*18(a)*	137,243	249,696	638,784	644,741	504,451

The accompanying notes form part of the Historical Financial Information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

China Conch Environment Protection Holdings Limited (''the Company'') was incorporated in the Cayman Islands on 2 March 2020 as an exempted company with limited liability under the Companies Law CAP, 22 (as consolidated and revised) of the Cayman Islands.

The Company is an investment holding company and has not carried on any business since the date of its incorporation save for the reorganisation mentioned below. The Company and its subsidiaries (together, ''the Group'') mainly provide treatment solutions for industrial solid and hazardous waste primarily utilizing cement kiln waste treatment technologies (the ''Spin-off Business'') in the People's Republic of China (the ''PRC'').

The Company's immediate holding company is China Conch Venture Holdings Limited (''Conch Venture''), an exempted company incorporated in the Cayman Islands with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the ''Stock Exchange'').

The listing of the Company's shares on the Main Board of the Stock Exchange will constitute a spin-off from Conch Venture (the ''Spin-off''). After the completion of the Spin-off, Conch Venture and its subsidiaries excluding the Group are collectively referred to as the Retained Group.

Prior to the completion of the reorganisation as detailed in the section headed ''History, Development and Reorganisation'' in the Listing Document (the ''Reorganisation''), Conch Venture indirectly owned the companies operating the Spin-off Business (the ''Operating Companies'') and other companies, which are engaged in construction and operation of waste-to-energy projects, port logistics services, the manufacturing and sales of new building materials and investments (the ''Excluded Companies'').

To rationalise the corporate structure in preparation of the listing of the Company's shares on the Stock Exchange, the Reorganisation was undertaken pursuant to which the Operating Companies engaged in the Spin-off Business were transferred to the Company and the Excluded Companies remained in the Retained Group.

Upon completion of the Reorganisation, the Company became the holding company of the Group. The companies now comprising the Group, which were under common control of Conch Venture, the immediate holding company, immediately before and after the Reorganisation. There were no changes in the economic substance of the ownership and the Operating Companies during the Relevant Periods both before and after the Reorganisation. The Reorganisation is considered as a business combination of entities under common control. The Historical Financial Information has been prepared as if the Group are combined using the existing book value from Conch Venture's perspective.

The consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and the consolidated cash flow statements of the Group for the Relevant Periods as set out in this report have been prepared to present the financial performance and cash flows of the companies now comprising the Group as if the current group structure operating the Spin-off Business had been in existence and remained unchanged throughout the Relevant Periods, or since their respective dates of incorporation or establishment, whichever is a shorter period. The consolidated statements of financial position of the Group as at December 31, 2018, 2019 and 2020 and September 30, 2021 have been prepared to present the financial position of the companies now comprising the Group as at those dates as if the current group structure operating the Spin-off Business had been in existence at the respective dates, taking into account the respective dates of incorporation or establishment, where applicable. Intra-group balances, transactions and unrealised gains/losses on intra-group transactions are eliminated in full in preparing the Historical Financial Information.

As at the date of this report, no audited financial statements have been prepared for the Company as it is an investment holding company and not subject to statutory audit requirements under the relevant rules and regulations in their jurisdictions of incorporation. The financial statements of the subsidiaries of the Group for which there are statutory requirements were prepared in accordance with the relevant accounting rules and regulations applicable to entities in the countries in which they are incorporated and/or established.

Upon completion of the Reorganisation and as at the date of this report, the Company has direct or indirect interests in the following subsidiaries, all of which are private companies:

Name of company	Place and date of incorporation/ establishment	Issued and fully paid up capital/ registered capital	Percentage of equity attributable to the Company		Principal activities	Name of statutory auditor and periods covered
			Direct	Indirect		
China Conch Environment Protection Holdings International Limited 中國海螺環保控股國際有限公司	BVI March 31, 2020	—/—	100%	—	Investment holding	*Note (b)*
Conch Venture International Holdings (HK) Limited 海創國際控股(香港)有限公司	Hong Kong December 07, 2016	—/HKD10,000	—	100%	Investment holding	*Note (b)*
Conch Venture CNBM Hong Kong Holdings Limited ("Conch CNBM HK") 海建香港控股有限公司 *(Note (a))*	Hong Kong February 12, 2019	RMB500,000,000/ RMB500,000,000	—	50%	Investment holding	*Note (b)*
Anhui Conch Venture Environmental Protection Technology Co., Ltd. 安徽海創環保科技有限公司*	The PRC June 05, 2020	RMB200,000,000/ RMB200,000,000	—	100%	Investment holding	*Note (b)*
Anhui Conch Venture Environment Technology Co., Ltd. ("Anhui Conch Venture") 安徽海螺環保集團有限公司*	The PRC June 24, 2020	RMB202,020,000/ RMB202,020,000	—	99%	Investment holding	*Note (b)*
Wuhu Conch Venture Environmental Protection Technology Co., Ltd. ("Wuhu Environmental") 蕪湖海創環保科技有限責任公司*	The PRC June 13, 2016	RMB200,000,000/ RMB200,000,000	—	100%	Industrial solid and hazardous waste treatment	Anhui Xinzhongtian Certified Public Accountants Co., Ltd for the years ended December 31, 2018, 2019 and 2020
Huaining Conch Venture Environmental Protection Technology Co., Ltd. 懷寧海創環保科技有限責任公司*	The PRC November 16, 2016	RMB15,000,000/ RMB15,000,000	—	100%	Industrial solid and hazardous waste treatment	*Note (b)*
Suzhou Conch Venture Environmental Protection Technology Co., Ltd. 宿州海創環保科技有限責任公司*	The PRC August 09, 2016	RMB15,000,000/ RMB15,000,000	—	100%	Industrial solid and hazardous waste treatment	*Note (b)*
Yiyang Conch Venture Environmental Protection Technology Co., Ltd. 弋陽海創環保科技有限責任公司*	The PRC November 09, 2016	RMB15,000,000/ RMB15,000,000	—	100%	Industrial solid and hazardous waste treatment	*Note (b)*
Huaibei Conch Venture Environment Engineering Co., Ltd. 淮北海創環境工程有限責任公司*	The PRC May 19, 2016	RMB10,000,000/ RMB10,000,000	—	100%	Industrial solid and hazardous waste treatment	*Note (b)*

Name of company	Place and date of incorporation/ establishment	Issued and fully paid up capital/ registered capital	Percentage of equity attributable to the Company		Principal activities	Name of statutory auditor and periods covered
			Direct	Indirect		
Guangyuan Conch Venture Environmental Protection Technology Co., Ltd. 廣元海創環保科技有限責任公司*	The PRC December 12, 2016	RMB15,000,000/ RMB15,000,000	—	100%	Industrial solid and hazardous waste treatment	*Note (b)*
Xingye Conch Venture Environmental Protection Technology Co., Ltd. 興業海創環保科技有限責任公司*	The PRC January 18, 2017	RMB15,000,000/ RMB15,000,000	—	100%	Industrial solid and hazardous waste treatment	*Note (b)*
Guiyang Conch Venture Environmental Protection Technology Co., Ltd. 貴陽海創環保科技有限責任公司*	The PRC April 28, 2018	RMB30,000,000/ RMB30,000,000	—	85%	Industrial solid and hazardous waste treatment	*Note (b)*
Wenshan Conch Venture Environmental Protection Technology Co., Ltd. 文山海創環保科技有限責任公司*	The PRC March 08, 2017	RMB20,000,000/ RMB20,000,000	—	100%	Industrial solid and hazardous waste treatment	*Note (b)*
Chongqing Conch Venture Environmental Protection Technology Co., Ltd. 重慶海創環保科技有限責任公司*	The PRC September 11, 2017	RMB20,000,000/ RMB20,000,000	—	100%	Industrial solid and hazardous waste treatment	*Note (b)*
Qiyang Conch Venture Environmental Protection Technology Co., Ltd. 祁陽海創環保科技有限責任公司*	The PRC December 26, 2017	RMB15,000,000/ RMB15,000,000	—	100%	Industrial solid and hazardous waste treatment	*Note (b)*
Jining Conch Venture Environment Technology Co., Ltd. 濟甯海螺創業環境科技有限責任公司*	The PRC June 12, 2017	RMB50,000,000/ RMB50,000,000	—	100%	Industrial solid and hazardous waste treatment	*Note (b)*
Liangping Conch Venture Environmental Protection Technology Co., Ltd. 重慶市梁平海創環保科技有限責任公司*	The PRC June 12, 2018	RMB15,000,000/ RMB15,000,000	—	100%	Industrial solid and hazardous waste treatment	*Note (b)*
Yingde Conch Venture Environmental Protection Technology Co., Ltd. 英德海創環保科技有限責任公司*	The PRC September 20, 2018	RMB1,000,000/ RMB10,000,000	—	100%	Industrial solid and hazardous waste treatment	*Note (b)*
Yangchun Conch Venture Environmental Protection Technology Co., Ltd. 陽春海創環保科技有限責任公司*	The PRC December 27，2018	RMB15,000,000/ RMB15,000,000	—	100%	Industrial solid and hazardous waste treatment	*Note (b)*
Linxiang Conch Venture Environmental Protection Technology Co., Ltd. 臨湘海創環保科技有限責任公司*	The PRC January 18, 2019	RMB20,000,000/ RMB20,000,000	—	100%	Industrial solid and hazardous waste treatment	*Note (b)*

Name of company	Place and date of incorporation/ establishment	Issued and fully paid up capital/ registered capital	Percentage of equity attributable to the Company		Principal activities	Name of statutory auditor and periods covered
			Direct	Indirect		
Dazhou Conch Venture Environmental Protection Technology Co., Ltd. 達州海創環保科技有限責任公司*	The PRC April 09, 2019	RMB3,700,000/ RMB30,000,000	—	80%	Industrial solid and hazardous waste treatment	*Note (b)*
Longan Conch Venture Environmental Protection Technology Co., Ltd. 隆安海創環保科技有限責任公司*	The PRC May 17, 2019	RMB15,000,000/ RMB15,000,000	—	100%	Industrial solid and hazardous waste treatment	*Note (b)*
Ningguo Conch Venture Environmental Protection Technology Co., Ltd. 甯國海創環保科技有限責任公司*	The PRC March 27, 2019	RMB15,000,000/ RMB15,000,000	—	100%	Industrial solid and hazardous waste treatment	*Note (b)*
Fanchang Conch Venture Environmental Protection Technology Co., Ltd. 繁昌海創環保科技有限責任公司*	The PRC August 13, 2019	RMB15,000,000/ RMB15,000,000	—	100%	Industrial solid and hazardous waste treatment	*Note (b)*
Chizhou Conch Venture Environmental Protection Technology Co., Ltd. 池州海創環保科技有限責任公司*	The PRC September 11, 2019	RMB15,000,000/ RMB15,000,000	—	100%	Industrial solid and hazardous waste treatment	*Note (b)*
Quanjiao Conch Venture Environmental Protection Technology Co., Ltd. 全椒海創環保科技有限責任公司*	The PRC February 26, 2020	RMB15,000,000/ RMB15,000,000	—	100%	Industrial solid and hazardous waste treatment	*Note (b)*
Zongyang Conch Venture Environment Engineering Co., Ltd. 樅陽海創環境工程有限責任公司*	The PRC March 24, 2020	RMB15,000,000/ RMB15,000,000	—	100%	Industrial solid and hazardous waste treatment	*Note (b)*
Yantai Conch Venture Fanlin Environmental Protection Technology Co., Ltd. 煙臺海創泛林環保科技有限責任公司*	The PRC July 08, 2020	RMB1,000,000/ RMB30,000,000	—	53%	Industrial solid and hazardous waste treatment	*Note (b)*
Qingyuan Qingxin Conch Venture Lifu Environmental Protection Technology Co., Ltd. 清遠市清新區海創勵福環保科技有限責任公司*	The PRC August 03, 2020	RMB1,000,000/ RMB30,000,000	—	65%	Industrial solid and hazardous waste treatment	*Note (b)*
Dongying Haiying Environmental Protection Technology Co., Ltd. 東營海瀛環保科技有限責任公司*	The PRC November 30, 2020	RMB30,000,000/ RMB30,000,000	—	70%	Industrial solid and hazardous waste treatment	*Note (b)*

Name of company	Place and date of incorporation/ establishment	Issued and fully paid up capital/ registered capital	Percentage of equity attributable to the Company		Principal activities	Name of statutory auditor and periods covered
			Direct	Indirect		
Shuangfeng Conch Venture Environmental Protection Technology Co., Ltd. 雙峰海創環保科技有限責任公司*	The PRC October 24, 2019	—/ RMB15,000,000	—	100%	Industrial solid and hazardous waste treatment	*Note (b)*
Xi'an Yaobai Environmental Protection Technology Engineering Co., Ltd. ("Xi'an Yaobai") 西安堯柏環保科技工程有限公司*	The PRC June 03, 2013	RMB150,000,000/ RMB150,000,000	—	100%	Industrial solid and hazardous waste treatment	Anhui Xinzhongtian Certified Public Accountants Co., Ltd for the years ended December 31, 2018, 2019 and 2020
Xianyang Conch Venture Environment Engineering Co., Ltd. 咸陽海創環境工程有限公司*	The PRC October 27, 2014	RMB15,000,000/ RMB15,000,000	—	100%	Industrial solid and hazardous waste treatment	*Note (b)*
Hanzhong Yaobai Environmental Protection Technology Engineering Co., Ltd. 漢中堯柏環保科技工程有限公司*	The PRC September 27, 2016	RMB10,000,000/ RMB10,000,000	—	100%	Industrial solid and hazardous waste treatment	*Note (b)*
Qianyang Conch Venture Environmental Protection Technology Co., Ltd. 千陽海創環保科技有限責任公司*	The PRC February 28, 2017	RMB15,000,000/ RMB15,000,000	—	100%	Industrial solid and hazardous waste treatment	*Note (b)*
Tongchuan Conch Venture Environmental Protection Technology Co., Ltd. 銅川海創環保科技有限責任公司*	The PRC April 02, 2018	RMB15,000,000/ RMB15,000,000	—	100%	Industrial solid and hazardous waste treatment	*Note (b)*
Fuping Conch Venture Yaobai Environmental Protection Technology Co., Ltd. 富平海創堯柏環保科技有限責任公司*	The PRC July 18, 2019	RMB10,000,000/ RMB10,000,000	—	100%	Industrial solid and hazardous waste treatment	*Note (b)*
Inner Mongolia Conch Venture Mengxi Technology Development Co., Ltd. 內蒙古海創蒙西科技發展有限公司*	The PRC November 27, 2019	RMB76,519,300/ RMB80,000,000	—	65%	Investment holding	*Note (b)*
HulunBuir Haimeng Technology Development Co., Ltd. 呼倫貝爾市海蒙科技發展有限責任公司*	The PRC December 19, 2019	RMB23,000,000/ RMB23,000,000	—	100%	Industrial solid and hazardous waste treatment	*Note (b)*
Erdos Haimeng Technology Development Co., Ltd. 鄂爾多斯市海蒙科技發展有限責任公司*	The PRC January 06, 2020	—/ RMB36,000,000	—	100%	Industrial solid and hazardous waste treatment	*Note (b)*

Name of company	Place and date of incorporation/ establishment	Issued and fully paid up capital/ registered capital	Percentage of equity attributable to the Company		Principal activities	Name of statutory auditor and periods covered
			Direct	Indirect		
Arong Banner Haimeng Technology Development Co., Ltd. 阿榮旗海蒙科技發展有限責任公司*	The PRC May 11, 2020	RMB23,000,000/ RMB23,000,000	—	100%	Industrial solid and hazardous waste treatment	*Note (b)*
Ninghai Xingyuantai Environmental Protection Technology Co., Ltd. 寧海馨源泰環保科技有限公司*	The PRC October 11, 2016	RMB66,666,700/ RMB66,666,700	—	70%	Industrial solid and hazardous waste treatment	*Note (b)*
Yiyang Conch Venture Environmental Protection Technology Co., Ltd. 益陽海創環保科技有限責任公司*	The PRC March 01, 2019	RMB15,000,000/ RMB15,000,000	—	100%	Industrial solid and hazardous waste treatment	*Note (b)*
Xinhua Conch Venture Environmental Protection Technology Co., Ltd. 新化海創環保科技有限責任公司*	The PRC March 24, 2020	—/ RMB15,000,000	—	100%	Industrial solid and hazardous waste treatment	*Note (b)*
Wuhu Conch Venture Renewable Resources Comprehensive Utilization Co., Ltd 蕪湖海創再生資源綜合利用有限責任公司*	The PRC January 15, 2020	RMB10,000,000/ RMB10,000,000	—	100%	Industrial solid and hazardous waste treatment	*Note (b)*
Qingyang Conch Venture Environmental Protection Technology Co., Ltd. 慶陽海創環保科技有限責任公司*	The PRC March 11, 2020	RMB16,000,000/ RMB20,000,000	—	80%	Industrial solid and hazardous waste treatment	*Note (b)*
Shaanxi Bangda Environmental Engineering Co., Ltd. ("Bangda Environmental") 陝西邦達環保工程有限公司*	The PRC October 30, 2008	RMB130,000,000/ RMB130,000,000	—	70%	Industrial solid and hazardous waste treatment	*Note (b)*
Jinzhou Conch Venture Environmental Protection Technology Co., Ltd. 錦州金利源環保科技有限公司*	The PRC August 03, 2018	RMB75,000,000/ RMB75,000,000	—	80%	Industrial solid and hazardous waste treatment	*Note (b)*
Conch Venture Environmental Protection Technology (Shanghai) Co., Ltd 海螺創業環保科技(上海)有限公司*	The PRC April 20, 2020	RMB100,000,000/ RMB200,000,000	—	65%	Investment holding	*Note (b)*
Anhui Haizhong Environmental Protection Technology Co., Ltd. 安徽海中環保有限責任公司*	The PRC March 14, 2019	RMB500,000,000/ RMB500,000,000	—	100%	Management of industrial solid and hazardous waste treatment business	*Note (b)*

Name of company	Place and date of incorporation/ establishment	Issued and fully paid up capital/ registered capital	Percentage of equity attributable to the Company		Principal activities	Name of statutory auditor and periods covered
			Direct	Indirect		
Luoyang Haizhong Environmental Protection Technology Co., Ltd. 洛陽海中環保科技有限責任公司*	The PRC June 13, 2019	RMB15,000,000/ RMB15,000,000	—	100%	Industrial solid and hazardous waste treatment	*Note (b)*
Jiyuan Haizhong Environmental Protection Technology Co., Ltd. 濟源海中環保科技有限責任公司*	The PRC June 18, 2019	RMB15,000,000/ RMB15,000,000	—	100%	Industrial solid and hazardous waste treatment	*Note (b)*
Hangzhou Fuyang Haizhong Environmental Protection Technology Co., Ltd. 杭州富陽海中環保科技有限責任公司*	The PRC September 17, 2019	RMB60,000,000/ RMB60,000,000	—	65%	Industrial solid and hazardous waste treatment	*Note (b)*
Chongzuo Haizhong Environmental Protection Technology Co., Ltd. 崇左海中環保科技有限責任公司*	The PRC October 12, 2019	RMB20,000,000/ RMB20,000,000	—	100%	Industrial solid and hazardous waste treatment	*Note (b)*
Guilin Haizhong Environmental Protection Technology Co., Ltd. 桂林海中環保科技有限責任公司*	The PRC July 24, 2017	RMB21,000,000/ RMB21,000,000	—	100%	Industrial solid and hazardous waste treatment	*Note (b)*
Dengfeng Haizhong Environmental Protection Technology Co., Ltd. 登封海中環保科技有限責任公司*	The PRC August 28, 2019	RMB15,000,000/ RMB15,000,000	—	100%	Industrial solid and hazardous waste treatment	*Note (b)*
Quzhou Haizhong Environmental Protection Technology Co., Ltd. 衢州海中環保科技有限責任公司*	The PRC December 31, 2019	RMB3,000,000/ RMB3,000,000	—	100%	Industrial solid and hazardous waste treatment	*Note (b)*
Tai'an Dezheng Haizhong Environmental Protection Technology Co., Ltd. 泰安德正海中環保科技有限責任公司*	The PRC December 17, 2019	RMB30,000,000/ RMB30,000,000	—	51%	Industrial solid and hazardous waste treatment	*Note (b)*
Jiayuguan Haizhong Environmental Protection Technology Co., Ltd. 嘉峪關海中環保科技有限責任公司*	The PRC March 16, 2020	RMB40,000,000/ RMB40,000,000	—	100%	Industrial solid and hazardous waste treatment	*Note (b)*
Baoding Haizhong Zhongtian Environmental Protection Technology Co., Ltd. 保定海中眾天環保科技有限責任公司*	The PRC April 21, 2020	RMB7,000,000/ RMB7,000,000	—	51%	Industrial solid and hazardous waste treatment	*Note (b)*
Nanyang Haizhong Environmental Protection Technology Co., Ltd. 南陽海中環保科技有限責任公司*	The PRC May 18, 2020	RMB60,000,000/ RMB60,000,000	—	100%	Industrial solid and hazardous waste treatment	*Note (b)*
Jining Haizhong Environmental Protection Technology Co., Ltd. 濟寧海中環保科技有限責任公司*	The PRC June 16, 2020	RMB50,000,000/ RMB50,000,000	—	100%	Industrial solid and hazardous waste treatment	*Note (b)*

Name of company	Place and date of incorporation/ establishment	Issued and fully paid up capital/ registered capital	Percentage of equity attributable to the Company		Principal activities	Name of statutory auditor and periods covered
			Direct	Indirect		
Tengzhou Haizhong Hongshun Environmental Protection Technology Co., Ltd. 滕州海中鴻順環保科技有限公司*	The PRC December 13, 2019	RMB10,000,000/ RMB20,000,000	—	51%	Industrial solid and hazardous waste treatment	*Note (b)*
Xin'an Haizhong Environmental Protection Technology Co., Ltd. 新安海中環保科技有限責任公司*	The PRC July 23, 2020	RMB30,000,000/ RMB30,000,000	—	100%	Industrial solid and hazardous waste treatment	*Note (b)*
Wuhu Conch Venture Logistics Co., Ltd. 蕪湖海創物流有限責任公司*	The PRC March 03, 2017	RMB32,000,000/ RMB50,000,000	—	100%	Logistics service for solid and hazardous waste	*Note (b)*
Yangchun Conch Venture Logistics Co., Ltd. 陽春海創物流有限責任公司*	The PRC April 07, 2020	RMB4,300,000/ RMB10,000,000	—	100%	Logistics service for solid and hazardous waste	*Note (b)*
Shaanxi Bangda Jieshun Logistics Co., Ltd. 陝西邦達捷順運輸有限責任公司*	The PRC June 14, 2019	RMB10,000,000/ RMB10,000,000	—	70%	Logistics service for solid and hazardous waste	*Note (b)*
Wuhu Conch Venture environmental protection solid waste recycling Co., Ltd. 蕪湖海創環保固廢回收有限責任公司*	The PRC August 26, 2020	—/RMB8,000,000	—	100%	Industrial solid and hazardous waste treatment	*Note (b)*
Shimen Conch Venture Environmental Protection Technology Co., Ltd. 石門海創環保科技有限責任公司*	The PRC July 03, 2020	—/ RMB15,000,000	—	100%	Industrial solid and hazardous waste treatment	*Note (b)*
Xianyang Conch Venture Environmental Protection Technology Co., Ltd. 咸陽海創環保科技有限責任公司*	The PRC April 17, 2020	RMB15,000,000/ RMB15,000,000	—	100%	Industrial solid and hazardous waste treatment	*Note (b)*
Anhui Haihua environmental protection Co., Ltd. 安徽海化環保有限責任公司*	The PRC August 18, 2020	RMB200,000,000/ RMB200,000,000	—	65%	Industrial solid and hazardous waste treatment	*Note (b)*
Quanjiao Haihua Environmental Protection Technology Co., Ltd. 全椒海化環保科技有限責任公司*	The PRC November 24, 2020	RMB15,000,000/ RMB15,000,000	—	100%	Industrial solid and hazardous waste treatment	*Note (b)*
Xinhua Haihua Environmental Protection Technology Co., Ltd. 新化海化環保科技有限責任公司*	The PRC December 01, 2020	—/ RMB15,000,000	—	100%	Industrial solid and hazardous waste treatment	*Note (b)*
Qianxian Haihua Environmental Protection Technology Co., Ltd. 乾縣海化環保科技有限責任公司*	The PRC November 26, 2020	RMB15,000,000/ RMB15,000,000	—	100%	Industrial solid and hazardous waste treatment	*Note (b)*

Name of company	Place and date of incorporation/ establishment	Issued and fully paid up capital/ registered capital	Percentage of equity attributable to the Company		Principal activities	Name of statutory auditor and periods covered
			Direct	Indirect		
Shanghai Chuangle Real Estate Co., Ltd. 上海創玏置業有限公司*	The PRC September 21, 2020	RMB150,000,000/ RMB150,000,000	—	100%	Headquarter property construction and development of ancillary facilities	*Note (b)*
Shanghai Chuangyue Real Estate Co., Ltd. 上海創玥置業有限公司*	The PRC September 16, 2020	RMB150,000,000/ RMB150,000,000	—	100%	Headquarter property construction and development of ancillary facilities	*Note (b)*
Shanghai Chuangjin Jiafu Industrial Development Co., Ltd 上海創錦嘉富實業發展有限公司*	The PRC October 14, 2020	—/ RMB12,000,000	—	100%	Headquarter property construction and development of ancillary facilities	*Note (b)*
Shanghai Chuangan Jiaxian Industrial Development Co., Ltd 上海創安嘉賢實業發展有限公司*	The PRC September 16, 2020	—/ RMB50,000,000	—	100%	Headquarter property construction and development of ancillary facilities	*Note (b)*
Nanyang Wolong Haizhong Environmental Protection Technology Co., Ltd. 南陽臥龍海中環保科技有限責任公司*	The PRC August 17, 2020	—/ RMB30,000,000	—	100%	Industrial solid and hazardous waste treatment	*Note (b)*
Yunfu Haizhong Environmental Protection Technology Co., Ltd. 雲浮海中環保科技有限責任公司*	The PRC November 10, 2020	RMB7,000,000/ RMB7,000,000	—	100%	Industrial solid and hazardous waste treatment	*Note (b)*
Linxiang Haichuang Logistics Co., Ltd. 臨湘海創物流有限責任公司*	The PRC January 22, 2021	RMB500,000/ RMB10,000,000	—	100%	Logistics service for solid and hazardous waste	*Note (b)*
Guiyang Haihua Environmental Protection Co., Ltd. 貴陽海化環保有限責任公司*	The PRC June 03, 2021	—/ RMB40,000,000	—	70%	Industrial solid and hazardous waste treatment	*Note (b)*
Haihuan Fuhua Environmental Engineering (Shanghai) Co., Ltd. 海環富華環境工程(上海)有限公司*	The PRC April 06, 2021	—/ RMB10,000,000	—	100%	Resource recycling service technical consultation	*Note (b)*
Haihuan Environmental Technology (Shanghai) Co., Ltd. 海環環境科技(上海)有限公司*	The PRC January 26, 2021	—/ RMB100,000,000	—	100%	Resource recycling service technical consultation	*Note (b)*

Name of company	Place and date of incorporation/ establishment	Issued and fully paid up capital/ registered capital	Percentage of equity attributable to the Company		Principal activities	Name of statutory auditor and periods covered
			Direct	Indirect		
Leizhou Haichuang Lifu Environmental Protection Technology Co., Ltd. 雷州海創勵福環保科技有限責任公司*	The PRC January 18, 2021	RMB30,000,000/ RMB30,000,000	—	70%	Industrial solid and hazardous waste treatment	*Note (b)*
Ganzhou Haichuang Environmental Technology Co., Ltd. 贛州海創環保科技有限責任公司*	The PRC March 03, 2021	RMB6,660,000/ RMB30,000,000	—	70%	Industrial solid and hazardous waste treatment	*Note (b)*
Faithful Environmental Technology Limited 誠信環保科技有限公司	Hong Kong September 22, 2020	HKD200/ HKD200	—	100%	Investment holding	*Note (b)*
Able Bless Inc. Limited 萬福興業有限公司	Hong Kong December 24, 2015	HKD200/ HKD200	—	100%	Investment holding	*Note (b)*
Western Environmental Technology Holdings Limited 西部環保科技控股有限公司	BVI September 09, 2020	USD200/ USD50,000	—	100%	Investment holding	*Note (b)*
Aqualink Global Limited	BVI January 19, 2016	USD200/ USD50,000	—	100%	Investment holding	*Note (b)*
Chaohu Haichuang Environmental Technology Co., Ltd. 巢湖海創環保科技有限責任公司*	The PRC May 27, 2021	—/RMB6,000,000	—	100%	Industrial solid and hazardous waste treatment	*Note (b)*
Hainan Haichuang Environmental Technology Co., Ltd. 海南海創環保科技有限責任公司*	The PRC June 28, 2021	RMB500,000/ RMB20,000,000	—	70%	Industrial solid and hazardous waste treatment	*Note (b)*
Chaohu Haihua Environmental Protection Technology Co., Ltd. 巢湖海化環保科技有限責任公司*	The PRC May 26, 2021	RMB10,500,000/ RMB15,000,000	—	100%	Industrial solid and hazardous waste treatment	*Note (b)*
Hainan Haihua Environmental Protection Technology Co., Ltd. 海南海化環保科技有限責任公司*	The PRC June 29, 2021	—/ RMB50,000,000	—	60%	Industrial solid and hazardous waste treatment	*Note (b)*
Binzhou Huabin Jucheng Environmental Protection Technology Co., Ltd. 濱州市華濱聚成環保科技有限責任公司*	The PRC September 18, 2008	RMB39,000,000/ RMB50,000,000	—	70%	Industrial solid and hazardous waste treatment	*Note (b)*
Yan'an Haichuang Environmental Technology Co., Ltd. 延安海創環保科技有限責任公司*	The PRC March 03, 2021	RMB30,000,000/ RMB30,000,000	—	60%	Industrial solid and hazardous waste treatment	*Note (b)*
Shanghai Chuangxu Industrial Co., Ltd. 上海創旭實業有限公司*	The PRC January 21, 2021	RMB3,000,000/ RMB150,000,000	—	100%	Project construction and Real estate development and management	*Note (b)*

Name of company	Place and date of incorporation/ establishment	Issued and fully paid up capital/ registered capital	Percentage of equity attributable to the Company		Principal activities	Name of statutory auditor and periods covered
			Direct	Indirect		
Shanghai Chuangheng Industrial Co., Ltd. 上海創衡實業有限公司*	The PRC April 06, 2021	RMB3,000,000/ RMB150,000,000	—	100%	Project construction and Real estate development and management	*Note (b)*
Beijing Haichuang Nengyuan Environmental Protection Technology Development Co., Ltd. 北京海創能遠環保科技發展有限公司*	The PRC February 05, 2021	RMB30,000,000/ RMB100,000,000	—	60%	Resource recycling service technical consultation	*Note (b)*
Shanghai Haihuan Nengyuan Environmental Protection Technology Co., Ltd. 上海海環能遠環保科技有限責任公司*	The PRC April 26, 2021	RMB5,000,000/ RMB50,000,000	—	100%	Resource recycling service technical consultation	*Note (b)*
Zhejiang Haiyu Nengyuan Environmental Protection Technology Co., Ltd. 浙江海宇能遠環保科技有限公司*	The PRC July 06, 2021	RMB5,000,000/ RMB10,000,000	—	70%	Industrial solid and hazardous waste treatment	*Note (b)*
Haihuan Ecological Technology (Shanghai) Co., Ltd. 海環生態科技(上海)有限責任公司*	The PRC July 01, 2021	RMB5,000,000/ RMB100,000,000	—	60%	Resource recycling service technical consultation	*Note (b)*
Dezhou Haizhong Nuoke Environmental Technology Co., Ltd. 德州海中諾客環保科技有限責任公司*	The PRC August 15, 2019	RMB30,000,000/ RMB30,000,000	—	89%	Industrial solid and hazardous waste treatment	*Note (b)*
Juxian Haizhong Environmental Protection Technology Co., Ltd. 莒縣海中環保科技有限責任公司*	The PRC January 13, 2021	—/ RMB15,000,000	—	70%	Industrial solid and hazardous waste treatment	*Note (b)*
Fujian Sanming Haizhong Environmental Protection Technology Co., Ltd. 福建三明海中環保科技有限責任公司*	The PRC April 24, 2017	RMB60,000,000/ RMB60,000,000	—	100%	Industrial solid and hazardous waste treatment	*Note (b)*
Nanjing Haizhong Environmental Protection Technology Co., Ltd. 南京海中環保科技有限責任公司*	The PRC February 08, 2021	—/ RMB50,000,000	—	100%	Industrial solid and hazardous waste treatment	*Note (b)*
Ganzhou Haihua Environmental Protection Technology Co., Ltd. 贛州海化環保科技有限責任公司*	The PRC July 30, 2021	—/ RMB15,000,000	—	100%	Industrial solid and hazardous waste treatment	*Note (b)*

Notes:

All companies now comprising the Group have adopted 31 December as their financial year end date.

(a) Control over Conch CNBM HK

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

(b) No statutory audited financial statements were prepared for these companies during the Relevant Periods.

* *The official names of these entities are in Chinese. The English translations are for identification purpose only.*

The Historical Financial Information has 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 and Interpretations issued by the International Accounting Standards Board ("IASB"). Further details of the significant accounting policies adopted are set out in Note 2.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Historical Financial Information, the Group has adopted all applicable new and revised IFRSs to the Relevant Periods, including IFRS 16, Leases, consistently throughout the Relevant Periods. The revised and new accounting standards and interpretations issued but not yet effective and have not been adopted for the Relevant Periods are set out in Note 30.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Going concern

The Historical Financial Information has been prepared assuming the Group will continue as a going concern notwithstanding that the Group recorded net current liabilities of RMB268,815,000, RMB658,136,000 and RMB809,959,000 as at December 31, 2019 and 2020 and September 30, 2021, respectively. The directors have reviewed the current financial performance and working capital forecast as part of their assessment of the Group's ability to continue as a going concern, and after carefully considering the matters described below, the directors have a reasonable basis to conclude that the Group is able to continue as a going concern for at least the next twelve months from the nine months ended September 30, 2021 to meet its obligations, as and when they fall due, having regard to the following:

(1) the Group generated net cash inflows from operating activities of approximately RMB215 million, RMB319 million, RMB453 million and RMB577 million respectively during the years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2021 and expects to continue to improve its working capital management and generate positive operating cash flows for the next twelve months;

(2) the Group has the ability to obtain new banking and other financing facilities, borrowings and has the ability to renew or refinance the banking facilities upon maturity and obtain other borrowings. As at September 30, 2021, the Group had available unutilised banking facilities of RMB5.3 billion;

(3) the Group can adjust the schedule of certain planned capital expenditure for the next twelve months from September 30, 2021.

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

(b) Basis of measurement

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis except that unlisted equity investments are stated at their fair value (see Note 2(g)).

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity (the "Functional Currency"). The Historical Financial Information is presented in Renminbi ("RMB"), rounded to the nearest thousand except for earnings per share information.

(c) Use of estimates and judgments

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 3.

(d) Business combination

The Group accounts for business combination using the acquisition method except for business combination under common control. For business combination using the acquisition method, the consideration transferred in the acquisition is generally measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree.

Goodwill represents the excess of (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date. When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase. Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see Note 2(k)(ii)). On disposal of a cash generating unit ("CGU") during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities. Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in the profit and loss.

Business combination arising from transfer of interests in entities that are under the control of the controlling shareholder that controls the Group is accounted for as if the acquisition had occurred at the beginning of the Relevant Periods or, if later, at the date that common control was established. The assets acquired and liabilities assumed are recognised at the carrying amounts recognised previously in the Group's controlling shareholder's perspective. The components of equity of the acquired entities are added to the same components within the Group's equity and any difference between the net assets acquired and the consideration paid is recognised directly in equity.

(e) Subsidiaries and non-controlling interests

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

An investment in a subsidiary is consolidated into the Historical Financial Information 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 Historical Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

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 2(p) or 2(q) 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.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate (see Note 2(f)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(k)(ii)).

(f) Associates

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

An investment in an associate is accounted for in the Historical Financial Information under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 2(k)(ii)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statements of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statements of profit or loss and other comprehensive income.

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

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

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.

(g) Other investments in debt and equity securities

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

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

(i) Investments other than equity investments

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

— amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see Note 2(u)(ii)).

— fair value through other comprehensive income (FVOCI) — recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

— fair value at profit or loss (FVPL) if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(ii) Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in Note 2(u)(iii).

(h) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 2(k)(ii)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see Note 2(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 2(k)(ii)).

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.

(i) Intangible assets

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 2(k)(ii)).

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

Software	2–10 years
Pollutant discharge licenses	5 years
Customer relationship	10 years

The estimated useful life of software is determined by the contract term of the agreements with the software suppliers. The estimated useful life of customer relationship is determined by the directors of the Company based on the industrial practice with reference to the valuation report for purchase price allocation, which was prepared by an independent valuer.

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.

(j) Leased assets

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

(i) As a lessee

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

The initial fair value of refundable rental deposits is accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in debt securities carried at amortised cost (see Note 2(g)(i)). Any difference between the initial fair value and the nominal value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

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

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

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The following items of right-of-use asset are subsequently stated at cost less accumulated depreciation and impairment losses (see Note 2 (k)(ii)).

— right-of-use assets arising from leasehold land and properties where the Group is not the registered owner of the property interest;

— prepaid costs of land use rights paid to the PRC government authorities or third parties.

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

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

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

(k) Credit losses and impairment of assets

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

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

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

Measurement of ECLs

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

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

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

— variable-rate financial assets: current effective interest rate;

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

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

ECLs are measured on either of the following bases:

— 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

— lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

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

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

Significant increases in credit risk

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

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

— failure to make payments of principal or interest on their contractually due dates;

— an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

— an actual or expected significant deterioration in the operating results of the debtor; and

— existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

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

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

Basis of calculation of interest income

Interest income recognised in accordance with Note 2(u)(ii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

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

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

— Significant financial difficulties of the debtor;

— A breach of contract, such as a default or past due event;

— It becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

— Significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

— The disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

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

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

(ii) Impairment of other non-current assets

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

— property, plant and equipment;

— right-of-use assets;

— intangible assets;

— goodwill;

— interests in associates; and

— investments in subsidiaries in the Company's statement of financial position.

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

— *Calculation of recoverable amount*

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

— *Recognition of impairment losses*

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

— *Reversals of impairment losses*

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

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

(l) Inventories and other contract costs

(i) Inventories

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

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

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

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

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

(ii) Other contract costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventory (see Note 2(l)(i)), property, plant and equipment (see Note 2(h)) or intangible assets (see Note 2(i)).

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

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

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

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set out in Note 2(u).

(m) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see Note 2(u)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses (ECL) in accordance with the policy set out in Note 2(k)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see Note 2(n)).

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see Note 2(u)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see Note 2(n)).

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

(n) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see Note 2(m)).

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see Note 2(k)(i)).

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in Note 2(k)(i).

(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) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see Note 2(w)).

(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.

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.

(t) Provision and contingent liabilities

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

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

(u) Revenue and other income

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

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

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

(i) Revenue from services

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

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see Note 2(k)(i)).

(iii) Dividends

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

(iv) 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.

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

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

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

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

(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.

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.

(y) Segment reporting

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

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

3 ACCOUNTING JUDGEMENT AND ESTIMATES

Estimates and judgements used in preparing the Historical Financial Information are evaluated continually and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities mainly include those related to provision of solid and hazardous waste solutions.

Note 25(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) Depreciation and amortisation

As described in Notes 2(h) and 2(j), property, plant and equipment and right-of-use assets are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. As described in Note 2(i), intangible assets are amortised on a straight-line basis over the estimated useful lives. Management reviews annually the useful lives of the assets and residual values, if any, in order to determine the amount of depreciation and amortisation expenses to be recorded during any reporting period.

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

(ii) Loss allowance of trade receivables

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

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by each significant category during the Relevant Periods recognised in the consolidated statements of profit or loss and other comprehensive income are as follows:

	Year ended December 31,			Nine months ended September 30,	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15, all recognised over time					
Industrial solid waste treatment services	85,878	114,098	309,869	175,066	309,535
Industrial hazardous waste treatment services					
— General hazardous waste	310,778	623,674	765,680	504,207	759,059
— Oil sludge	—	—	68,442	38,308	87,688
— Fly ash	—	—	—	—	38,087
	396,656	737,772	1,143,991	717,581	1,194,369

There was nil customer of which the revenue from it accounted for 10% or more of the Group's revenue except for one customer the revenue from which mounted to approximately RMB45,700,000 and exceeded 10% of the Group's revenue for the year ended December 31, 2018.

(b) Segment reporting

(i) Services from which reportable segments derive their revenue

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

(ii) Geographic information

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

5 OTHER INCOME

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Interest income on bank deposits	6,098	8,263	11,979	6,551	7,196
Government grants (i)	24,458	25,602	23,058	18,193	32,125
Net gain/(loss) on disposal of right-of-use assets and property, plant and equipment	—	282	8	8	(10)
Gain on previously held interests in associates (ii)	—	—	—	—	856
Recognition of negative goodwill as income	—	—	9,538	9,538	928
Others	(11)	4,164	(503)	(633)	1,378
	30,545	38,311	44,080	33,657	42,473

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

(ii) Gain on previously held interest in associates represented the re-measurement to fair value of the Group's existing 35% and 50% interests in Sanming Haizhong and Dezhou Haizhong respectively, which resulted in a gain of RMB856,000.

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs:

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Interest on loans and borrowings *(Note 18(c))*	2,511	12,557	26,891	15,212	57,786
Interest on lease liabilities *(Note 18(c))*	2	27	163	114	130
Less: interest expense capitalised in construction in progress	(2,511)	(5,722)	(14,867)	(8,718)	(25,708)
	2	6,862	12,187	6,608	32,208

* *For the years ended December 31, 2018, 2019 and 2020 and for the nine months ended September 30, 2020 and 2021, the borrowing costs were capitalised at a rate of 4.28%–4.50%, 4.28%, 3.85%–4.65%, 3.85%–4.65%, and 3.60%–4.65% per annum respectively.*

(b) Staff costs:

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Salaries, wages and other benefits	31,865	95,117	170,931	102,194	159,749
Contributions to defined contribution plans (i)	7,144	13,290	2,127	2,070	25,434
	39,009	108,407	173,058	104,264	185,183

(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.

Due to the impact of COVID-19 in year 2020, a number of policies including the relief of social insurance have been promulgated by the government from February 2020 to December 2020 to expedite resumption of economic activities, which resulted in the relief of certain contributions to defined contribution scheme during the year ended December 31, 2020.

(c) Other items:

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Cost of services provided#	90,412	203,522	394,336	259,219	472,716
Depreciation of owned property, plant and equipment#	17,343	46,233	82,829	59,023	105,284
Depreciation of right-of-use assets#	159	839	4,781	3,799	3,388
Amortisation of intangible assets#	11	45	3,735	1,343	5,093
Loss allowance for trade receivables	374	14,228	4,845	4,344	8,300
Short-term lease payments not included in the measurement of lease liabilities	665	911	1,747	687	1,227
Auditors' remuneration	20	20	20	20	20
Listing expenses	—	—	—	—	23,576

For the years ended December 31, 2018, 2019 and 2020 and for the nine months ended September 30, 2020 and 2021, cost of services provided include RMB33,677,000, RMB94,046,000, RMB168,044,000, RMB121,211,000 and RMB201,449,000 relating to staff costs, depreciation of owned property, plant and equipment, depreciation of right-of-use assets and amortisation of intangible assets, which amount is also included in the respective total amounts disclosed separately above or in Note 6(b) for each of these types of expenses.

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT AND LOSS

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

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Current tax — Hong Kong Profits Tax					
Provision for the year/period	—	—	—	—	—
Current tax — PRC income tax					
Provision for the year/period	5,803	9,086	17,271	11,380	39,639
(Over)/under provision in respect of prior years	(40)	(663)	(291)	(291)	151
Deferred tax:					
Origination and reversal of temporary differences *(Note 21(b))*	(56)	(2,134)	(814)	(741)	(3,691)
	5,707	6,289	16,166	10,348	36,099

(1) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

(2) The income tax rate applicable to group entities incorporated in Hong Kong for the income subject to Hong Kong Profits Tax during the Relevant Periods is 16.5%. No provision for Hong Kong Profits Tax has been made as the Group did not earn any income subject to Hong Kong Profits Tax during the Relevant Periods.

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

(4) Pursuant to Notice No.23 issued by the State Administration of Taxation on April 23, 2020 and relevant local tax authorities' notices, certain subsidiaries are entitled to a preferential income tax rate of 15% as qualifying companies located in western areas in the PRC.

(5) Pursuant to the PRC Enterprise Income Tax Law Implementing Regulations issued by State Council of the PRC, certain subsidiaries engaged in solid waste solutions are eligible for income tax exemption for the first three years starting from the year in which revenue is generated and 50% income tax reduction for the next three years.

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

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Profit before taxation	286,624	432,951	574,160	353,542	493,372
Notional tax on profit before taxation, calculated at the rates applicable to profit in the tax jurisdictions concerned	73,131	111,299	147,872	95,792	138,134
PRC tax concessions	(67,384)	(103,762)	(128,645)	(82,663)	(100,036)
(Over)/under provision in respect of prior years	(40)	(663)	(291)	(291)	151
Share of profits of associates	—	(585)	(2,770)	(2,490)	(2,150)
Income tax expense	5,707	6,289	16,166	10,348	36,099

8 DIRECTORS' REMUNERATION

Directors' remuneration disclosed are as follows:

		Year ended December 31, 2018				
		Directors' fees	Salaries allowance and benefits in kind	Discretionary bonuses	Contributions to retirement scheme	Total
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Mr. Guo Jingbin	*(i)(vi)*	—	64	264	—	328
Mr. Ji Qinying	*(ii)(vi)*	—	62	264	—	326
Mr. Shu Mao	*(iii)(vi)*	—	57	152	7	216
Mr. Zhang Keke	*(iii)*	—	176	494	37	707
		—	359	1,174	44	1,577

		Year ended December 31, 2019				
		Directors' fees	Salaries allowance and benefits in kind	Discretionary bonuses	Contributions to retirement scheme	Total
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Mr. Guo Jingbin	*(i)(vi)*	—	215	500	—	715
Mr. Ji Qinying	*(ii)(vi)*	—	186	500	—	686
Mr. Shu Mao	*(iii)(vi)*	—	142	263	9	414
Mr. Zhang Keke	*(iii)*	—	339	637	32	1,008
Mr. Wan Changbao	*(iv)*	—	389	469	20	878
		—	1,271	2,369	61	3,701

		Year ended December 31, 2020				
		Directors' fees	Salaries allowance and benefits in kind	Discretionary bonuses	Contributions to retirement scheme	Total
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Mr. Guo Jingbin	*(i)(vi)*	—	272	622	—	894
Mr. Ji Qinying	*(ii)(vi)*	—	245	622	—	867
Mr. Shu Mao	*(iii)(vi)*	—	181	353	1	535
Mr. Zhang Keke	*(iii)*	—	393	735	5	1,133
Mr. Wan Changbao . . .	*(iv)*	—	296	598	5	899
		—	1,387	2,930	11	4,328

		Nine months ended September 30, 2021				
		Directors' fees	Salaries allowance and benefits in kind	Discretionary bonuses	Contributions to retirement scheme	Total
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors:						
Mr. Guo Jingbin . . .	*(i)(vi)*	—	240	424	—	664
Mr. Shu Mao	*(iii)(vi)*	—	380	488	27	895
Mr. Zhang Keke . . .	*(iii)*	—	367	478	24	869
Non-executive Directors:						
Mr. Ji Qinying	*(ii)(vi)*	—	216	424	—	640
Mr. Li Daming	*(v)*	—	—	—	—	—
Mr. Xiao Jiaxiang . .	*(v)*	—	—	—	—	—
		—	1,203	1,814	51	3,068

		Nine months ended September 30, 2020 (Unaudited)				
		Directors' fees	Salaries allowance and benefits in kind	Discretionary bonuses	Contributions to retirement scheme	Total
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Mr. Guo Jingbin	*(i)(vi)*	—	204	466	—	670
Mr. Ji Qinying	*(ii)(vi)*	—	184	466	—	650
Mr. Shu Mao	*(iii)(vi)*	—	138	265	1	404
Mr. Zhang Keke	*(iii)*	—	292	569	5	866
Mr. Wan Changbao . . .	*(iv)*	—	288	477	5	770
		—	1,106	2,243	11	3,360

(i) Mr. Guo Jingbin was appointed as a director of the Company on March 2, 2020 and re-designated as an executive director of the Company on September 17, 2021.

(ii) Mr. Ji Qinying was the director of the Group during the Relevant Periods and appointed as a non-executive director of the Company on September 17, 2021.

(iii) Mr. Shu Mao and Mr. Zhang Keke were appointed as directors of the Company on February 25, 2021 and re-designated as executive directors of the Company on September 17, 2021.

(iv) Mr. Wan Changbao was the director of the Group, during the years ended December 31, 2019 and 2020 and no longer appointed as the director of the Company since 1 January 2021.

(v) Mr. Li Daming and Mr. Xiao Jiaxiang were appointed as non-executive directors of the Company on September 17, 2021.

(vi) The emoluments of the directors of the Group, Mr. Guo Jingbin, Mr. Ji Qinying and Mr. Shu Mao in relation to their services rendered for the Group for the Relevant Periods were borne by Conch Venture and their emoluments were partly allocated to the Group.

The emoluments shown above represent emoluments received by these directors in the capacity as directors/employees of the companies comprising the Group during the Relevant Periods.

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

During the Relevant Periods, 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.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

For the years ended December 31, 2018, 2019 and 2020 and for the nine months ended 2020 and September 30, 2021 of the five highest paid individuals of the Group, 1, 3 and 4, 4 and 2 are directors of the Company whose emolument is disclosed in Note 8. The aggregate of the emoluments in respect of the remaining 4, 2, 1, 1 and 3 individuals is as follows:

	Year ended December 31,			**Nine months ended September 30,**	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Salaries, allowances and benefits in kind	1,006	774	508	378	1,059
Discretionary bonuses	1,720	1,216	758	569	1,249
Contributions to retirement benefit schemes	127	59	—	—	75
	2,853	2,049	1,266	947	2,383

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

	Year ended December 31,			**Nine months ended September 30,**	
	2018	**2019**	**2020**	**2020**	**2021**
	Number of individuals	*Number of individuals*	*Number of individuals*	*Number of individuals* (Unaudited)	*Number of individuals*
HKD					
Nil–1,000,000	3	1	—	1	3
1,000,001–1,500,000	1	1	1	—	—

10 EARNINGS PER SHARE

Earnings per share information for the years ended December 31, 2018, 2019 and 2020 and for the nine months ended September 30, 2020 and 2021 is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the preparation of the results of the Group for the Relevant Periods on the basis as disclosed in Note 1.

11 PROPERTY, PLANT AND EQUIPMENT

	Plant and buildings	Machinery and equipment	Office and other equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:						
At January 1, 2018	78,619	119,362	2,933	20,105	143,441	364,460
Additions	—	15,730	3,870	27,054	469,579	516,233
Transfer from construction in progress	167,505	208,208	—	—	(375,713)	—
Disposals	—	—	(6)	—	—	(6)
At December 31, 2018 and January 1, 2019	246,124	343,300	6,797	47,159	237,307	880,687
Additions	—	14,295	8,092	25,595	793,126	841,108
Transfer from construction in progress	258,474	247,636	40	—	(506,150)	—
Disposals	—	(1,542)	—	(60)	—	(1,602)
At December 31, 2019 and January 1, 2020	504,598	603,689	14,929	72,694	524,283	1,720,193
Acquisition of subsidiaries *(Note 26)*	11,110	26,858	1,337	2,607	5,126	47,038
Additions	—	17,712	12,642	35,027	1,396,934	1,462,315
Transfer from construction in progress	320,310	310,073	22	—	(630,405)	—
Disposals	—	(126)	(7)	(484)	—	(617)
At December 31, 2020 and January 1, 2021	836,018	958,206	28,923	109,844	1,295,938	3,228,929
Acquisition of subsidiaries *(Note 26)*	69,825	66,936	2,048	1,213	59,096	199,118
Additions	—	26,476	13,533	17,964	1,330,889	1,388,862
Transfer from construction in progress	445,495	600,551	—	—	(1,046,046)	—
Disposals	—	(386)	(180)	(1,100)	—	(1,666)
At September 30, 2021	1,351,338	1,651,783	44,324	127,921	1,639,877	4,815,243

	Plant and buildings	Machinery and equipment	Office and other equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Accumulated depreciation:						
At January 1, 2018	(1,432)	(2,981)	(243)	(3,682)	—	(8,338)
Charge for the year	(2,977)	(9,665)	(849)	(5,538)	—	(19,029)
At December 31, 2018 and January 1, 2019	(4,409)	(12,646)	(1,092)	(9,220)	—	(27,367)
Charge for the year	(9,290)	(26,254)	(1,683)	(11,044)	—	(48,271)
Written back on disposals	—	468	—	47	—	515
At December 31, 2019 and January 1, 2020	(13,699)	(38,432)	(2,775)	(20,217)	—	(75,123)
Charge for the year	(19,436)	(48,672)	(3,563)	(16,342)	—	(88,013)
Written back on disposals	—	22	4	192	—	218
At December 31, 2020 and January 1, 2021	(33,135)	(87,082)	(6,334)	(36,367)	—	(162,918)
Charge for the period . . .	(24,349)	(63,207)	(5,059)	(16,730)	—	(109,345)
Written back on disposals	—	26	47	956	—	1,029
At September 30, 2021 . .	(57,484)	(150,263)	(11,346)	(52,141)	—	(271,234)
Net book value:						
At December 31, 2018. . .	241,715	330,654	5,705	37,939	237,307	853,320
At December 31, 2019. . .	490,899	565,257	12,154	52,477	524,283	1,645,070
At December 31, 2020. . .	802,883	871,124	22,589	73,477	1,295,938	3,066,011
At September 30, 2021 . .	1,293,854	1,501,520	32,978	75,780	1,639,877	4,544,009

12 RIGHT-OF-USE ASSETS

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

		As at December 31,			As at September 30,
		2018	2019	2020	2021
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Properties leased for own use, carried at depreciated cost	*(i)*	40	884	836	288
Leasehold land for own use, carried at depreciated cost	*(ii)*	13,867	75,479	135,524	524,532
		13,907	76,363	136,360	524,820

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

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Depreciation charge of right-of-use assets by class of underlying asset:					
Properties leased for own use, carried at depreciated cost	37	418	826	709	548
Leasehold land for own use, carried at depreciated cost	122	421	3,955	3,090	2,840
	159	839	4,781	3,799	3,388
Interest on lease liabilities *(Note 6(a))*	2	27	163	114	130
Expenses relating to short-term leases	665	911	1,747	687	1,227

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

(i) Properties leased for own use

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

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

(ii) Leasehold land for own use

	Land use rights	Other leasehold land for own use	Total
	RMB'000	*RMB'000*	*RMB'000*
Cost:			
At January 1, 2018	359	—	359
Additions	13,630	—	13,630
At December 31, 2018 and January 1, 2019	13,989	—	13,989
Additions	62,033	—	62,033
At December 31, 2019 and January 1, 2020	76,022	—	76,022
Acquisition of subsidiaries *(Note 26)*	10,600	—	10,600
Additions	49,319	4,081	53,400
At December 31, 2020 and January 1, 2021	135,941	4,081	140,022
Acquisition of subsidiaries *(Note 26)*	18,025	—	18,025
Additions	374,737	250	374,987
At September 30, 2021	528,703	4,331	533,034
Accumulated depreciation:			
At January 1, 2018	—	—	—
Charge for the year	(122)	—	(122)
At December 31, 2018 and January 1, 2019	(122)	—	(122)
Charge for the year	(421)	—	(421)
At December 31, 2019 and January 1, 2020	(543)	—	(543)
Charge for the year	(3,757)	(198)	(3,955)
At December 31, 2020 and January 1, 2021	(4,300)	(198)	(4,498)
Charge for the period	(3,825)	(179)	(4,004)
At September 30, 2021	(8,125)	(377)	(8,502)
Net book value:			
At December 31, 2018	13,867	—	13,867
At December 31, 2019	75,479	—	75,479
At December 31, 2020	131,641	3,883	135,524
At September 30, 2021	520,578	3,954	524,532

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

As at September 30, 2021, the remaining lease terms of leasehold land for own use are ranged from 4–20 years.

As at 31 December 2018, 2019 and 2020, and as at September 30, 2021, leasehold land for own use with carrying amount of Nil, Nil and RMB9,476,000, and RMB21,756,000 were pledged as collaterals for certain bank loans (see Note 19).

13 INTANGIBLE ASSETS

	Software	Pollutant discharge licenses	Customer relationship	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost:				
At January 1, 2018	—	—	—	—
Additions	371	—	—	371
At December 31, 2018 and January 1, 2019	371	—	—	371
Additions	122	2,219	—	2,341
At December 31, 2019 and January 1, 2020	493	2,219	—	2,712
Acquisition of subsidiaries *(Note 26)*	12	—	66,078	66,090
Additions	998	2,941	—	3,939
At December 31, 2020 and January 1, 2021	1,503	5,160	66,078	72,741
Acquisition of subsidiaries *(Note 26)*	219	—	—	219
Additions	2,020	—	—	2,020
At September 30, 2021	3,742	5,160	66,078	74,980
Accumulated amortisation:				
At January 1, 2018	—	—	—	—
Charge for the year	(11)	—	—	(11)
At December 31, 2018 and January 1, 2019	(11)	—	—	(11)
Charge for the year	(45)	(222)	—	(267)
At December 31, 2019 and January 1, 2020	(56)	(222)	—	(278)
Charge for the year	(92)	(926)	(3,643)	(4,661)
At December 31, 2020 and January 1, 2021	(148)	(1,148)	(3,643)	(4,939)
Charge for the period	(201)	(774)	(4,892)	(5,867)
At September 30, 2021	(349)	(1,922)	(8,535)	(10,806)
Net book value:				
At December 31, 2018	360	—	—	360
At December 31, 2019	437	1,997	—	2,434
At December 31, 2020	1,355	4,012	62,435	67,802
At September 30, 2021	3,393	3,238	57,543	64,174

Customer relationship was acquired through the acquisition of Bangda Environmental in year 2020 (see Note 26 for details). It is recognised at fair value at the date of acquisition and is subsequently amortised on a straight-line basis over 10 years. Fair value of the customer relationship at the date of acquisition was determined by the directors of the Company with reference to the valuation performed by Beijing Industrial and Commercial Asset Valuation Co., Ltd., an independent qualified professional valuer.

14 INTERESTS IN ASSOCIATES

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

Name of associate	Place of incorporation and operation	Registered capital/ authorised and paid-in capital	Effective interest held by the Group: As at December 31, 2018	2019	2020	As at September 30, 2021	Principal activities
Jiangsu Jiexia Environmental Protection Technology Co., Ltd. (江蘇傑夏環保科技有限公司) *(i)(ii)*	The PRC	RMB80,000,000/ RMB80,000,000	—	35%	35%	35%	Solid waste treatment and technical service
Fujian Sanming Haizhong Environmental Protection Technology Co., Ltd ("Sanming Haizhong") 福建三明海中環保科技有限公司 *(i)(ii)(iii)*	The PRC	RMB60,000,000/ RMB60,000,000	—	35%	35%	N/A	Solid waste treatment and technical service
Dezhou Haizhong Nuoke Environmental Protection Technology Co., Ltd. ("Dezhou Haizhong") (德州海中諾客環保科技有限責任公司) *(i)(ii)(iii)*	The PRC	RMB30,000,000/ RMB30,000,000	—	50%	50%	N/A	Solid waste treatment and technical service
Yunfu Guangjia Haizhong Environmental Protection Technology Co., Ltd. (雲浮光嘉海中環保科技有限公司) *(i)(ii)*	The PRC	RMB60,000,000/ RMB11,000,000	—	—	40%	40%	Solid waste treatment and technical service
Chongqing Nantong Environmental Protection Technology Co., Ltd (重慶南桐環保科技有限公司) *(i)(ii)*	The PRC	RMB30,000,000/ RMB30,000,000	—	—	—	30%	Solid waste treatment and technical service

(i) These PRC entities are limited liability companies. The English translation of the companies name are for reference only. The official names of these companies are in Chinese.

(ii) The associates mentioned above are accounted for using the equity method in the consolidated financial statements, which were not individually material.

(iii) The Group acquired additional equity interests in the associates during the Relevant Periods (see Notes 26(b) and 26 (d)), both of which have been accounted for as subsidiaries of the Group since the date of acquisition.

The information of associates is as below:

	As at and for the year ended December 31,			As at and for the nine-month period ended September 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount of the associates	—	66,339	67,770	58,808
Amounts of the Group's share of associates				
Profit from continuing operations	—	2,339	11,081	8,601
Other comprehensive income	—	—	—	—
Total comprehensive income	—	2,339	11,081	8,601
Dividend received	—	—	4,450	5,250

15 FINANCIAL ASSETS MEASURED AT FVPL

	As at December 31,			As at September 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Unlisted equity securities carried at FVPL	—	—	82,500	82,500

16 INVENTORIES

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

	As at December 31,			As at September 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	1,270	2,772	3,642	7,432

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

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Carrying amount of inventories used	7,118	10,089	28,573	17,953	35,195
Write-down of inventories	—	—	—	—	—
	7,118	10,089	28,573	17,953	35,195

17 TRADE AND OTHER RECEIVABLES

The Group

	As at December 31,			As at September 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables				
— Third parties	129,255	270,015	469,550	616,209
— Related parties *(Note 28(c))*	283	1,595	3,073	8,384
Bills receivable	11,292	22,632	51,874	61,473
Less: allowance for doubtful debts *(Note 17(b))*	(374)	(14,602)	(19,380)	(27,680)
Trade and bills receivables	140,456	279,640	505,117	658,386
Other receivables				
— Deposits and prepayments	3,900	5,446	9,438	14,996
— VAT recoverable	47,988	69,341	131,599	87,698
— others	7,140	8,777	9,350	15,468
	199,484	363,204	655,504	776,548
Dividends receivable *(Note 28(c))*	—	—	6,400	1,150
Amounts due from related parties *(Note 28(c))*	49,017	227	472	1,129
Current portion of trade and other receivables	248,501	363,431	662,376	778,827
Other receivables to be recovered after one year	11,547	23,177	60,814	235,424
Amounts due from related parties to be recovered after one year *(Note 28(c))*	—	—	30,000	—
Non-current portion of trade and other receivables	11,547	23,177	90,814	235,424
Total current and non-current trade and other receivables	260,048	386,608	753,190	1,014,251

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

Amounts due from Dezhou Haizhong of RMB30,000,000 as at December 31, 2020 to be recovered after one year bears interest at rate of 7.2% per annum and is scheduled to be repaid in June 2025. As at September 30, 2021, the balance of RMB30,000,000 was offset on consolidation since Dezhou Haizhong became a subsidiary of the Group in January 2021, which was disclosed in Note 26(b).

Other receivables to be recovered after one year mainly consist of non-current portion of VAT recoverable and prepayment for land use right, which are expected to be deducted after one year.

As at December 31, 2018, 2019 and 2020 and September 30, 2021, the Group endorsed undue bills receivable of RMB26,240,000, RMB42,394,000, RMB35,324,000, and RMB30,736,000 respectively to its suppliers to settle trade payables of the same amount and derecognised these bills receivable and payables to suppliers in their entirety from balance sheet as the Group's management considered that the risks and rewards of ownership of these undue bills have been substantially transferred. The Group's continuous involvement in these derecognised undue bills receivable is limited to when the issuance banks of these undue bills are unable to settle the amounts to the holders of these bills. As at December

31, 2018, 2019 and 2020 and September 30, 2021, the maximum exposure to loss from its continuous involvement represents the amount of bills receivable of RMB26,240,000, RMB42,394,000, RMB35,324,000, and RMB30,736,000 which the Group endorsed to its suppliers. These undue bills receivable were due within six months from date of issuance.

The Company

	As at December 31, 2020	As at September 30, 2021
	RMB'000	*RMB'000*
Amounts due from subsidiaries:		
— Current	—	27,487
— Non-current	—	494,403
	—	521,890

(a) Ageing analysis

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

	As at December 31,			As at September 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current	139,777	269,913	479,864	570,867
Less than 1 year	679	9,727	25,126	87,092
1 to 2 years	—	—	127	427
	140,456	279,640	505,117	658,386

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

(b) Loss allowance for trade receivables and bills receivable

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

	As at December 31,			As at September 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year	—	374	14,602	19,380
Impairment losses recognised	374	14,228	4,845	8,300
Written off	—	—	(67)	—
At the end of the year/period	374	14,602	19,380	27,680

18 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	As at December 31,			As at September 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at bank and on hand	212,243	249,696	707,833	566,613
Less: Restricted bank deposits *(Note)*	—	—	(37,349)	(40,482)
Bank deposits with original maturity over three months	(75,000)	—	(31,700)	(21,680)
Cash and cash equivalents in the consolidated statement of financial position and the consolidated cash flow statement	137,243	249,696	638,784	504,451

Note: As at December 31, 2020 and September 30, 2021, restricted bank deposits of RMB37,349,000 and RMB40,482,000 mainly represent deposits for issuing bank acceptance bills payable.

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

		Year ended December 31,			Nine months ended September 30,	
		2018	2019	2020	2020	2021
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Profit before taxation		286,624	432,951	574,160	353,542	493,372
Adjustments for:						
Depreciation of owned property, plant and equipment	*6(c)*	17,343	46,233	82,829	59,023	105,284
Depreciation of right-of-use assets	*6(c)*	159	839	4,781	3,799	3,388
Amortisation of intangible assets	*6(c)*	11	45	3,735	1,343	5,093
Loss allowance for trade receivables	*6(c)*	374	14,228	4,845	4,344	8,300
Net gain/(loss) on disposal of right-of-use assets and property, plant and equipment	*5*	—	(282)	(8)	(8)	10
Gain on previously held interests in associates	*5*	—	—	—	—	(856)
Negative goodwill on business combination	*5*	—	—	(9,538)	(9,538)	(928)
Finance costs	*6(a)*	2	6,862	12,187	6,608	32,208
Interest income	*5*	(6,098)	(8,263)	(11,979)	(6,551)	(7,196)
Share of profits of associates		—	(2,339)	(11,081)	(9,961)	8,601
Operating profit before changes in working capital		298,415	490,274	649,931	402,601	630,074
(Increase)/decrease in inventories		(886)	(1,502)	1,768	1,631	(3,609)
Increase in restricted bank deposits		—	—	(37,349)	(16,640)	(3,133)
Increase in trade and other receivables		(142,786)	(180,494)	(270,545)	(135,025)	(84,830)
Increase in trade and other payables		63,497	18,043	122,366	134,238	60,250
Increase in contract liabilities		—	1,773	1,571	1,356	5,098
Cash generated from operations		218,240	328,094	467,742	388,161	603,850

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

	Loans and borrowings	Advances from related parties	Interest payable	Dividends payable	Lease liabilities	Tota
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 19)	*(Note (i))*	*(Note (ii))*	*(Note 20)*	*(Note 23)*	
At January 1, 2018	—	555	—	—	—	555
Changes from financing cash flows:						
Proceeds from loans and borrowings	148,000	—	—	—	—	148,000
Repayment of loans and borrowings	—	—	—	—	—	—
Advance from related parties	—	191,597	—	—	—	191,597
Repayment of amounts due to related parties	—	(108,203)	—	—	—	(108,203)
Capital element of lease rentals paid	—	—	—	—	(34)	(34)
Interest element of lease rentals paid	—	—	—	—	(2)	(2)
Interest paid	—	—	(2,381)	—	—	(2,381)
Total changes from financing cash flows	148,000	83,394	(2,381)	—	(36)	228,977
Other changes:						
Interest expenses *(Note 6(a))*	—	—	—	—	2	2
Capitalised borrowing costs *(Note 6(a))*	—	—	2,511	—	—	2,511
Increase in lease liabilities from entering into new leases during the year	—	—	—	—	75	75
Total other changes	—	—	2,511	—	77	2,588
At December 31, 2018 and January 1, 2019	148,000	83,949	130	—	41	232,120
Changes from financing cash flows:						
Proceeds from loans and borrowings	168,537	—	—	—	—	168,537
Repayment of loans and borrowings	(21,500)	—	—	—	—	(21,500)
Advance from related parties	—	344,662	—	—	—	344,662
Repayment of amounts due to related parties	—	(141,835)	—	—	—	(141,835)
Profit distribution to non-controlling interests paid	—	—	—	(45,560)	—	(45,560)
Dividends paid	—	—	—	(68,340)	—	(68,340)
Capital element of lease rentals paid	—	—	—	—	(367)	(367)
Interest element of lease rentals paid	—	—	—	—	(27)	(27)
Interest paid	—	—	(11,028)	—	—	(11,028)
Total changes from financing cash flows	147,037	202,827	(11,028)	(113,900)	(394)	224,542
Other changes:						
Interest expenses *(Note 6(a))*	—	—	6,835	—	27	6,862
Capitalised borrowing costs *(Note 6(a))*	—	—	5,722	—	—	5,722
Profit distribution to non-controlling interests	—	—	—	45,560	—	45,560
Dividends approved in respect of the previous year	—	—	—	68,340	—	68,340
Increase in lease liabilities from entering into new leases during the year	—	—	—	—	1,235	1,235
Total other changes	—	—	12,557	113,900	1,262	127,719
At December 31, 2019 and January 1, 2020	295,037	286,776	1,659	—	909	584,381

	Loans and borrowings	Advances from related parties	Interest payable	Dividends payable	Lease liabilities	Tota
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 19)	*(Note (i))*	*(Note (ii))*	*(Note 20)*	*(Note 23)*	
Changes from financing cash flows:						
Proceeds from loans and borrowings	1,056,939	—	—	—	—	1,056,939
Repayment of loans and borrowings	(190,504)	—	—	—	—	(190,504)
Advance from related parties	—	708,261	—	—	—	708,261
Repayment of amounts due to related parties	—	(335,590)	—	—	—	(335,590)
Profit distribution to non-controlling interests paid	—	—	—	(20,603)	—	(20,603)
Dividends paid	—	—	—	(21,762)	—	(21,762)
Capital element of lease rentals paid	—	—	—	—	(792)	(792)
Interest element of lease rentals paid	—	—	—	—	(163)	(163)
Interest paid	—	—	(27,501)	—	—	(27,501)
Total changes from financing cash flows	866,435	372,671	(27,501)	(42,365)	(955)	1,168,285
Other changes:						
Interest expenses *(Note 6(a))*	—	—	12,024	—	163	12,187
Capitalised borrowing costs *(Note 6(a))*	—	—	14,867	—	—	14,867
Profit distribution to non-controlling interests	—	—	—	44,603	—	44,603
Dividends approved in respect of the previous year	—	—	—	286,081	—	286,081
Increase in lease liabilities from entering into new leases during the year	—	—	—	—	4,858	4,858
Total other changes	—	—	26,891	330,684	5,021	362,596
At December 31, 2020 and January 1, 2021	1,161,472	659,447	1,049	288,319	4,975	2,115,262
Changes from financing cash flows:						
Proceeds from loans and borrowings	1,278,200	—	—	—	—	1,278,200
Repayment of loans and borrowings	(97,802)	—	—	—	—	(97,802)
Advance from related parties	—	219,626	—	—	—	219,626
Repayment of amounts due to related parties	—	(393,608)	—	—	—	(393,608)
Profit distribution to non-controlling interests paid	—	—	—	(34,500)	—	(34,500)
Capital element of lease rentals paid	—	—	—	—	(817)	(817)
Interest element of lease rentals paid	—	—	—	—	(130)	(130)
Interest paid	—	—	(52,499)	—	—	(52,499)
Total changes from financing cash flows	1,180,398	(173,982)	(52,499)	(34,500)	(947)	918,470
Other changes:						
Bank loan obtained in acquisition of subsidiaries	9,000	—	—	—	—	9,000
Issuance of ordinary shares by capitalization of the balance due to related parties	—	(272,453)	—	—	—	(272,453)
Interest expenses *(Note 6(a))*	—	—	32,078	—	130	32,208
Capitalised borrowing costs *(Note 6(a))*	—	—	25,708	—	—	25,708
Profit distribution to non-controlling interests	—	—	—	10,500	—	10,500
Increase in lease liabilities from entering into new leases during the period	—	—	—	—	120	120
Total other changes	9,000	(272,453)	57,786	10,500	250	(194,917)
At September 30, 2021	2,350,870	213,012	6,336	264,319	4,278	2,838,815

	Loans and borrowings	Advances from related parties	Interest payable	Dividends payable	Lease liabilities	Tota
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 19)	*(Note (i))*	*(Note (ii))*	*(Note 20)*	*(Note 23)*	
(Unaudited)						
At January 1, 2020	295,037	286,776	1,659	—	909	584,381
Changes from financing cash flows:						
Proceeds from loans and borrowings	504,242	—	—	—	—	504,242
Repayment of loans and borrowings	(112,900)	—	—	—	—	(112,900)
Advance from related parties	—	641,212	—	—	—	641,212
Repayment of amounts due to related parties	—	(248,360)	—	—	—	(248,360)
Profit distribution to non-controlling interests paid	—	—	—	(20,603)	—	(20,603)
Dividends paid	—	—	—	(21,762)	—	(21,762)
Capital element of lease rentals paid	—	—	—	—	(535)	(535)
Interest element of lease rentals paid	—	—	—	—	(114)	(114)
Interest paid	—	—	(15,899)	—	—	(15,899)
Total changes from financing cash flows	391,342	392,852	(15,899)	(42,365)	(649)	725,281
Other changes:						
Interest expenses *(Note 6(a))*	—	—	6,494	—	114	6,608
Capitalised borrowing costs *(Note 6(a))*	—	—	8,718	—	—	8,718
Profit distribution to non-controlling interests	—	—	—	20,603	—	20,603
Dividends approved in respect of the previous year	—	—	—	286,081	—	286,081
Increase in lease liabilities from entering into new leases during the period	—	—	—	—	4,744	4,744
Total other changes	—	—	15,212	306,684	4,858	326,754
At September 30, 2020 (unaudited)	686,379	679,628	972	264,319	5,118	1,636,416

Note (i): Advances from related parties are included in trade and other payables as disclosed in Note 20.

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

(d) Total cash outflow for leases

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

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Within operating cash flows	665	911	1,747	687	1,227
Within financing cash flows	36	394	955	649	947
	701	1,305	2,702	1,336	2,174

These amounts relate to the following:

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Lease rentals paid	701	1,305	2,702	1,336	2,174

19 LOANS AND BORROWINGS

	As at December 31,			As at September 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current	21,500	114,400	120,639	560,296
Non-current	126,500	180,637	1,040,833	1,790,574
Total	148,000	295,037	1,161,472	2,350,870

(i) As at the end of each reporting period, the bank loans were repayable as follows:

	As at December 31,			As at September 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	21,500	114,400	120,639	560,296
After one year but within two years	83,000	90,937	227,906	307,606
After two years but within five years	37,000	85,700	725,095	1,364,011
After five years	6,500	4,000	87,832	118,957
Total	148,000	295,037	1,161,472	2,350,870

(ii) As at the end of each reporting period, the bank loans were secured as follows:

	As at December 31,			As at September 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans				
— Guaranteed	148,000	295,037	589,635	52,637
— Secured	—	—	50,000	50,000
— Guaranteed and secured	—	—	—	8,000
— Unsecured	—	—	439,337	2,157,733
	148,000	295,037	1,078,972	2,268,370
Other borrowings				
— Unsecured	—	—	82,500	82,500
Total	148,000	295,037	1,161,472	2,350,870

As at December 31, 2020 and September 30, 2021, other borrowings of the Group amounting to RMB82,500,000 and RMB82,500,000 were borrowed from Wuhu Conch Venture Enterprise Limited ("Conch Venture Wuhu"), a related party of the Group, which bear interest at rate of 7% per annum and will be repaid in October 2025.

As at December 31, 2018, 2019 and 2020, the bank loans of the Group amounting to RMB100,000,000, RMB257,037,000 and RMB529,302,000 respectively were guaranteed by Conch Venture Wuhu, a related party of the Group.

As at December 31, 2018, 2019 and 2020, the bank loans of the Group amounting to RMB48,000,000, RMB38,000,000 and RMB28,000,000 respectively were guaranteed by Wuhu Conch Investment Limited ("Wuhu Investment"), a related party of the Group.

As at December 31, 2020 and September 30, 2021, the bank loans of the Group amounting to RMB32,333,000 and RMB30,667,000 respectively were jointly guaranteed by Wuhu Environmental, a subsidiary of the Group, and the non-controlling shareholders of Guiyang Conch Venture Environmental Protection Technology Co., Ltd.

As at December 31, 2020 and September 30, 2021, bank loans of the Group amounting to RMB50,000,000 and RMB50,000,000 respectively were secured by right-of-use assets of Luoyang Haizhong, a subsidiary of the Group, and were also guaranteed by Anhui Haizhong, a subsidiary of the Group.

As at September 30, 2021, bank loans of the Group amounting to RMB8,000,000 were secured by property, plant and equipment and right-of-use assets of Binzhou huabinjucheng Environmental Protection Technology Co., Ltd. ("Binzhou Environmental"), a subsidiary of the Group, and were guaranteed by the non-controlling shareholders of Binzhou Environmental.

As at September 30, 2021, bank loans of the Group amounting to RMB21,970,000 were guaranteed by an independent third party.

All the guarantee and borrowings provided by the related parties are expected to be released and settled prior to the listing of the Company's shares on the Stock Exchange ("Listing").

20 TRADE AND OTHER PAYABLES

	As at December 31,			As at September 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables				
— Third parties	9,271	16,821	31,408	88,555
— Related parties *(Note 28(c))*	4,528	8,787	19,234	25,795
Bills payable	—	—	44,847	73,615
Trade and bills payables	13,799	25,608	95,489	187,965
Other payables and accruals				
— Construction and equipment payables	45,067	142,638	204,238	325,422
— Deposits	12,206	18,940	27,865	34,835
— Other taxes and surcharges payables	2,817	4,049	2,818	4,213
— Accrued payroll and other benefits	18,844	42,760	73,344	53,355
— Accrued expenses	6,033	11,227	40,086	69,900
— Others	5,758	8,726	21,487	22,176
	104,524	253,948	465,327	697,866
Dividends payable to the then equity shareholders *(Note 28(c))*	—	—	288,319	264,319
Amounts due to related parties *(Note 28(c))*				
— Advances from related parties	83,949	286,776	659,447	213,012
— Interest payables	—	—	—	4,379
— Construction and equipment payables	176,507	208,786	154,404	313,832
— Payables for acquisition of subsidiaries in connection with Reorganisation	—	—	305,087	50,000
— Others	5,522	14,791	27,902	30,788
Trade and other payables	370,502	764,301	1,900,486	1,574,196

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

	As at December 31,			As at September 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	13,799	25,608	95,489	187,965
	13,799	25,608	95,489	187,965

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

The dividends payable to the then equity shareholders as at September 30, 2021 is expected to be settled prior to the Listing.

21 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	As at December 31,			As at September 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at beginning of the year/period	1,345	3,970	3,584	6,284
Provision for current income tax for the year/period *(Note 7(a))*	5,763	8,423	16,980	39,790
Payments during the year/period	(3,138)	(8,809)	(14,280)	(27,032)
Balance at the end of the year/period	3,970	3,584	6,284	19,042

(b) Deferred tax assets and liabilities recognised:

(i) Movement of each component of deferred tax assets and liabilities:

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

	Unrealised profit upon elimination	Loss allowance on trade receivables	Fair value adjustment in relation to business combination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets arising from:				
At January 1, 2018	—	—	—	—
Credited to profit or loss	—	56	—	56
At December 31, 2018 and January 1, 2019	—	56	—	56
Credited to profit or loss	—	2,134	—	2,134
At December 31, 2019 and January 1, 2020	—	2,190	—	2,190
Credited to profit or loss	97	717	—	814
Acquisition of subsidiaries *(Note 26)*	—	—	(9,690)	(9,690)
At December 31, 2020 and January 1, 2021	97	2,907	(9,690)	(6,686)
Credited to profit or loss	1,051	1,145	1,495	3,691
Acquisition of subsidiaries	—	—	(4,346)	(4,346)
At September 30, 2021	1,148	4,052	(12,541)	(7,341)

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

	As at December 31,			As at September 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net deferred tax assets recognised in the consolidated statement of financial position	56	2,190	3,004	5,200
Net deferred tax liabilities recognised on the consolidated statement of financial position	—	—	(9,690)	(12,541)
	56	2,190	(6,686)	(7,341)

(c) Deferred tax liabilities not recognised:

The Group has not recognised deferred tax liabilities as at December 31, 2018, 2019 and 2020, and September 30, 2021 in respect of undistributed earnings of RMB297,090,000, RMB572,935,000, RMB689,992,000 and RMB1,095,790,000 of PRC subsidiaries respectively because the Group has no plans to distribute these earnings outside the PRC in the foreseeable future.

22 CONTRACT LIABILITIES

	As at December 31,			As at September 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Receipts in advance from customers for:				
Provision of treatment solutions for industrial solid and hazardous waste	—	1,773	3,568	8,666

Contract liabilities are expected to be settled within the Group's normal operating cycle and will be recognised as revenue when the related performance obligations are satisfied. The contract liabilities at the end of each reporting period are expected to be recognised as revenue within one year.

23 LEASE LIABILITIES

At the end of each reporting period, the lease liabilities were payable:

	As at December 31,			As at September 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	41	656	1,010	631
After one year but within two years	—	253	478	307
After two years but within five years	—	—	719	754
After five years	—	—	2,768	2,586
Balance at the end of the year	41	909	4,975	4,278

24 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

Details of the changes in the Company's individual components of equity are set out below:

	Share capital	Share premium	Accumulated losses	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at March 2, 2020 (date of incorporation)	—	—	—	—
Loss and total comprehensive income for the period	—	—	—	—
Issuance of ordinary shares	—	—	—	—
Balance at December 31, 2020 and January 1, 2021	—	—	—	—
Loss and total comprehensive income for the period	—	—	(12,806)	(12,806)
Issuance of ordinary shares by capitalization of the balance due to related parties	—*	1,199,004	—	1,199,004
Balance at September 30, 2021	—*	1,199,004	(12,806)	1,186,198

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

(b) Dividends

In June 2019, cash dividends of RMB68,340,000, attributable to the previous financial year, were approved and declared by Xi'an Yaobai, a subsidiary of the Company, and were paid to Wuhu Investment, the then equity shareholder of Xi'an Yaobai.

In May 2020, cash dividends of RMB21,762,000, attributable to the previous financial year, were approved and declared by Xi'an Yaobai, a subsidiary of the Company, and were paid to Wuhu Investment, the then equity shareholder of Xi'an Yaobai.

In June 2020, cash dividends of RMB264,319,000, attributable to the previous financial year, were approved and declared by Wuhu Environmental, a subsidiary of the Company, to Wuhu Investment, the then equity shareholder of Wuhu Environmental, and not paid yet.

The directors consider that the dividends declared during the Relevant Periods are not indicative of the future dividend policy of the Group.

No dividends were paid by the Company since the date of its incorporation.

(c) Share capital

For the purpose of this report, the share capital as at January 1, 2018, December 31, 2018 and December 31, 2019 represented the aggregate amount of the paid-in capital of the companies now comprising the Group after the elimination of investments in subsidiaries.

The Company was incorporated on March 2, 2020 in the Cayman Islands as an exempted company with limited liability. Upon incorporation, the Company's authorised share capital was HK$150,000,000 divided into 15,000,000,000 shares with a par value of HK$0.01 each, of which 100 share were issued and allotted, but not paid yet.

In November 2020, the Company became the holding company of the subsidiaries now comprising the Group.

In August and September 2021, the Company issued 5 shares with a par value of HK$0.01 each as part of the conversion of amounts due to related parties to ordinary shares as details in note 24(d)(i).

The share capital in the consolidated statements of financial position as at December 31, 2020 and September 30, 2021 represented the issued share capital of the Company.

(d) Nature and purpose of reserves

(i) Share premium and distributability of reserves

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

On August 26, 2021, August 27, 2021, August 30, 2021 and September 13, 2021, the Company allotted and issued one share, one share, two shares and one share respectively to Conch Venture at the issue price of HKD0.01 per share to settle off the balance of amounts due to related parties amounting to RMB1,199,004,000 in total. The differences between the amounts due to related parties and share capital issued has been recorded in share premium.

(ii) Capital reserve

Capital reserve arises from the following:

— Deemed distributions to the controlling shareholder upon the Reorganisation

The amount of RMB305,087,000 represents the consideration for acquisition of equity interests of Operating Companies from the Retained Group under common control upon the Reorganisation which is accounted for as deemed distribution; and

— Acquisition of non-controlling interests

On 28 June 2021, the Group acquired 40% and 35% non-controlling equity interests of Xi'an Yaobai and Chongqing Conch Venture Environmental Protection Technology Co., Ltd ("Chongqing Environmental") respectively. Accordingly, Xi'an Yaobai and Chongqing Environmental became the wholly-owned subsidiaries of the Group. The differences between the amount of the consideration for the acquisitions amounting to RMB671,464,000 and the carrying amount of the non-controlling interests of the above subsidiaries on the date of acquisition amounting to RMB231,635,000 has been recorded in capital reserve.

In relation to share transaction on acquisition of the non-controlling interests of the above subsidiaries, the consideration was a total number of 22,015,000 shares of Conch Venture, allotted and issued to the non-controlling shareholders of above subsidiaries at the issue price of HKD36.66 per share.

(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 debt to asset ratio. The Group defines debt to asset ratio as total liabilities divided by total assets.

The Group's strategy was to maintain the debt to asset ratio at a reasonable level. The Group's debt to asset ratio at December 31, 2018, 2019 and 2020 was as follow:

	As at December 31,			As at September 30,
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total liabilities	522,513	1,065,604	3,086,475	3,969,593
Total assets	1,341,204	2,431,472	4,888,112	6,873,622
Debt to asset ratio	38.96%	43.83%	63.14%	57.75%

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

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's bank deposits are held with banks located in the Mainland of the PRC and Hong Kong which management believes are of high credit quality. Accordingly, the Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at December 31, 2018, 2019 and 2020 and September 30, 2021, 2%, 3%, 4% and 3% of the total trade and other receivables were due from the Group's largest customer respectively, 7%, 7%, 10% and 12% of the total trade and other receivables were due from the Group's five largest customers respectively. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statements of financial position.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30–180 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The Group does not provide any other guarantees to third parties which would expose the Group to credit risk. The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables and bills receivables:

	As at December 31, 2018		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
Current (not past due)	0.22%	140,090	(313)
Less than 1 year past due	8.24%	740	(61)
1 to 2 years past due	n/a	—	—
		140,830	(374)

	As at December 31, 2019		
	Expected loss rate	Gross carrying amount	Loss allowance
	%	*RMB'000*	*RMB'000*
Current (not past due)	0.22%	270,515	(602)
Less than 1 year past due	29.64%	13,824	(4,097)
1 to 2 years past due	100.00%	90	(90)
		284,429	(4,789)
Individual assessment	100.00%	9,813	(9,813)
		294,242	(14,602)

	As at December 31, 2020		
	Expected loss rate	Gross carrying amount	Loss allowance
	%	*RMB'000*	*RMB'000*
Current (not past due)	0.22%	480,933	(1,069)
Less than 1 year past due	5.89%	26,698	(1,572)
1 to 2 years past due	96.16%	3,311	(3,184)
		510,942	(5,825)
Individual assessment	100.00%	13,555	(13,555)
		524,497	(19,380)

	As at September 30, 2021		
	Expected loss rate	Gross carrying amount	Loss allowance
	%	*RMB'000*	*RMB'000*
Current (not past due)	0.23%	572,208	(1,341)
Less than 1 year past due	5.39%	92,049	(4,957)
1 to 2 years past due	89.88%	4,220	(3,793)
Over 2 years	100.00%	3,192	(3,192)
		671,669	(13,283)
Individual assessment	100.00%	14,397	(14,397)
		686,066	(27,680)

Expected loss rates are based on actual loss experience over the past years. These rates are adjusted based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group and can be required to pay:

	As at December 31, 2018					
	Contractual undiscounted cash outflow					
	Within one year or on demand	More than one year but less than two years	More than two years but less than five years	More than five years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Loans and borrowings	27,724	85,652	40,110	6,929	160,415	148,000
Trade and other payables	370,502	—	—	—	370,502	370,502
Lease liabilities	41	—	—	—	41	41
	398,267	85,652	40,110	6,929	530,958	518,543

	As at December 31, 2019					
	Contractual undiscounted cash outflow					
	Within one year or on demand	More than one year but less than two years	More than two years but less than five years	More than five years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Loans and borrowings	129,005	92,864	91,612	4,191	317,672	295,037
Trade and other payables	764,301	—	—	—	764,301	764,301
Lease liabilities	656	264	—	—	920	909
	893,962	93,128	91,612	4,191	1,082,893	1,060,247

	As at December 31, 2020					
	Contractual undiscounted cash outflow					
	Within one year or on demand	More than one year but less than two years	More than two years but less than five years	More than five years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Loans and borrowings	170,066	272,202	794,924	94,312	1,331,504	1,161,472
Trade and other payables	1,900,486	—	—	—	1,900,486	1,900,486
Lease liabilities	1,010	498	882	3,604	5,994	4,975
	2,071,562	272,700	795,806	97,916	3,237,984	3,066,933

	As at September 30, 2021					
	Contractual undiscounted cash outflow					
	Within one year or on demand	More than one year but less than two years	More than two years but less than five years	More than five years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Loans and borrowings	698,766	380,183	1,388,340	126,740	2,594,029	2,350,870
Trade and other payables	1,574,196	—	—	—	1,574,196	1,574,196
Lease liabilities	631	313	847	3,718	5,509	4,278
	2,273,593	380,496	1,389,187	130,458	4,173,734	3,929,344

(c) Interest rate risk

(i) Interest rate profile

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from bank loans. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate profile as monitored by management is set out below.

The Group's cash at bank, loan to related parties and interest-bearing borrowings, and their interest rates as at December 31, 2018, 2019 and 2020 and September 30, 2021 are set out as follows:

	As at December 31,						As at September 30,	
	2018		2019		2020		2021	
	Interest rate %	*RMB'000*	*Interest rate %*	*RMB'000*	*Interest rate %*	*RMB'000*	*Interest rate %*	*RMB'000*
Fixed rate:								
Bank deposits with original maturity within three months	4.15%–4.55%	55,000	2.29%–3.85%	96,120	2.29%–3.28%	90,000	3.00%–3.15%	10,000
Bank deposits with original maturity over three months	4.45%	75,000		—	2.18%–2.29%	31,700	0.35%–3.00%	21,680
Amounts due from related parties		—		—	7.20%	30,000		—
Loans and borrowings		—		—	7.00%	(82,500)	7.00%	(82,500)
		130,000		96,120		69,200		(50,820)
Variable rate:								
Cash at bank and on hand	0.30%	82,243	0.30%	153,576	0.30%	548,784	0.30%	494,451
Restricted bank deposits		—		—	0.30%–1.75%	37,349	1.70%–2.80%	40,482
Loans and borrowings	4.28%–4.45%	(148,000)	4.28%–4.45%	(295,037)	3.60%–4.65%	(1,078,972)	2.65%–4.65%	(2,268,370)
		(65,757)		(141,461)		(492,839)		(1,733,437)

(ii) Sensitivity analysis

At December 31, 2018, 2019 and 2020 and September 30, 2021, 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 RMB173,000, RMB391,000 and RMB1,278,000, and RMB4,331,000 respectively.

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

(d) Currency risk

The functional currency of the Group's subsidiaries in mainland China is RMB. Almost all the Group's operating activities are carried out in the mainland China with most of the transactions denominated in RMB. The Group considers the risk of movements in exchange rates to be insignificant.

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value at December 31, 2020	Fair value measurements as at December 31, 2020 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurement				
Financial assets measured at FVPL				
— Unlisted equity securities	82,500	—	—	82,500

	Fair value at September 30, 2021	Fair value measurements as at September 30, 2021 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurement				
Financial assets measured at FVPL				
— Unlisted equity securities	82,500	—	—	82,500

As at December 31, 2018 and 2019, the Group had no financial instruments carried at fair value.

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

Information about Level 3 fair value measurements

The fair value of the Group's unlisted equity securities is determined with reference to the latest-round financing price of the securities, adjusted by unobservable inputs based on information such as the latest available financial information of the investee, where applicable.

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

All financial assets and liabilities carried at cost or amortised cost are not materially different from their fair values as at December 31, 2018, 2019 and 2020 and September 30, 2021.

26 ACQUISITION OF SUBSIDIARIES

(a) Acquisition of Bangda Environmental

On 8 June 2020, the Group acquired 70% equity interest in Bangda Environmental from independent third party for a consideration of RMB216,020,000.

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

	Pre-acquisition carrying amounts	Fair value adjustments	Recognised values on acquisition
	RMB'000	*RMB'000*	*RMB'000*
Property, plant and equipment	39,844	2,157	42,001
Intangible assets	3,635	62,443	66,078
Right-of-use assets	4,338	—	4,338
Non-current portion of trade and other receivables	170	—	170
Inventories	2,637	—	2,637
Trade and other receivables	217,545	—	217,545
Cash	759	—	759
Trade and other payables	(1,036)	—	(1,036)
Contract liabilities	(224)	—	(224)
Current tax liabilities	(373)	—	(373)
Deferred tax liabilities	—	(9,690)	(9,690)
Total identifiable net assets	267,295	54,910	322,205
Less: non-controlling interests, based on their proportionate interest in the total identifiable net assets acquired			(96,662)
Total identifiable net assets acquired by the Group			225,543
Less:			
Total cash consideration *(Note)*			(216,020)
Recognition of negative goodwill as income			9,523

Negative goodwill represents the excess of the net fair value of the Bangda Environmental's identifiable net assets as at the acquisition date over the fair value of the consideration to be transferred, which has been recognised immediately in profit or loss. The directors of the Company are of the view that the Group was able to acquire Bangda Environmental at a consideration lower than its identifiable net assets as the then-shareholders had limited capital resources at the date of acquisition and sought to establish long-term strategic cooperation with the Group to further grow its oil sludge treatment business.

Note: Out of the total cash consideration of RMB216,020,000, RMB193,700,000 is cash paid to Bangda Environment as capital injection.

Analysis of net cash outflow of cash and cash equivalents in respect of the acquisition of Bangda Environmental as at acquisition date:

	2020
	RMB'000
Total cash consideration	216,020
Less: Consideration paid in the form of capital injection	(193,700)
Cash acquired as at the date of acquisition	(759)
Net outflow of cash included in cash flows from investing activities	21,561

Revenue and net profit that Bangda Environmental contributed to the Group from the acquisition date to December 31, 2020 were RMB99,042,000 and RMB36,527,000 respectively.

Had the acquisition occurred on January 1, 2020, management estimates that the Group's consolidated revenue and consolidated profit for the year ended December 31, 2020 would have been RMB1,161,415,000 and RMB558,502,000 respectively.

Net cash outflow for the acquisition of subsidiaries included in the cash flows from investing activities for the year ended December 31, 2020:

	2020
	RMB'000
Acquisition of Bangda Environmental	21,561
Others*	(1,432)
	20,129

* *Balance for the year ended December 31, 2020 represented net cash inflow for the acquisition of Jinzhou Jinliyuan Environmental Protection Technology Co., Ltd. with major assets including property, plant and equipment of RMB5,037,000, right-of-use assets of RMB6,262,000 and intangible assets of RMB12,000, and non-controlling interests of RMB15,004,000, as at the date of acquisition.*

(b) Acquisition of Dezhou Haizhong

On 6 January 2021, the Group acquired additional 39% equity interest in its associate, Dezhou Haizhong, from its original controlling shareholder for a consideration of RMB11,700,000. As a result of this acquisition, the Group held 89% equity interests in Dezhou Haizhong and it is accounted for as a subsidiary.

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

	Pre-acquisition carrying amounts	Fair value adjustments	Recognised values on acquisition
	RMB'000	*RMB'000*	*RMB'000*
Property, plant and equipment	63,437	625	64,062
Inventories	23	—	23
Trade and other receivables	23,195	—	23,195
Cash	4,734	—	4,734
Trade and other payables	(61,164)	—	(61,164)
Total identifiable net assets	30,225	625	30,850
Less: non-controlling interests, based on their proportionate interest in the total identifiable net assets acquired			(3,394)
Total identifiable net assets acquired by the Group			27,456
Less:			
Total cash consideration			(11,700)
Acquisition-date fair value of the Group's previously held equity interest			(15,112)
Recognition of negative goodwill as income			644

Negative goodwill represents the excess of the fair value of the Dezhou Haizhong's identifiable net assets as at the acquisition date over the consideration to be transferred, which has been recognised immediately in profit or loss. The directors of the Company are of the view that the Group was able to acquire Dezhou Haizhong at a consideration lower than its identifiable net assets as the then-shareholders had limited capital resources at the date of acquisition and sought to establish long-term strategic cooperation with the Group to further grow its industrial solid and hazardous waste treatment services business.

Analysis of net cash outflow of cash and cash equivalents in respect of the acquisition of Dezhou Haizhong as at acquisition date:

	RMB'000
Total cash consideration	11,700
Less: Cash acquired as at the date of acquisition	(4,734)
Net outflow of cash included in cash flows from investing activities	6,966

Revenue and net profit that Dezhou Haizhong contributed to the Group from the acquisition date to September 30, 2021 were RMB12,776,000 and RMB6,248,000 respectively.

Had the acquisition occurred on January 1, 2021, management estimates that the Group's consolidated revenue and consolidated profit for the nine months ended September 30, 2021 would have no material changes.

(c) Acquisition of Binzhou Environmental

On 19 April 2021, the Group acquired 70% equity interest in Binzhou Environmental from independent third parties for a consideration of RMB44,000,000.

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

	Pre-acquisition carrying amounts	Fair value adjustments	Recognised values on acquisition
	RMB'000	*RMB'000*	*RMB'000*
Property, plant and equipment	64,217	7,007	71,224
Right-of-use assets	15,709	2,316	18,025
Inventories	80	—	80
Trade and other receivables	23,845	—	23,845
Cash	2,664	—	2,664
Trade and other payables	(49,810)	—	(49,810)
Current tax liabilities	(147)	—	(147)
Deferred tax liabilities	—	(2,331)	(2,331)
Loans and borrowings	(9,000)	—	(9,000)
Total identifiable net assets	47,558	6,992	54,550
Less: non-controlling interests, based on their proportionate interest in the total identifiable net assets acquired			(16,365)
Total identifiable net assets acquired by the Group			38,185
Less:			
Total cash consideration			(44,000)
Goodwill			(5,815)

Goodwill represents the excess of the considerations transferred over the fair value of the Binzhou Environmental' identifiable net assets as at the acquisition date. The directors of the Company are of the view that no impairment indication was identified for the acquired CGU to which goodwill has been allocated due to the profitable business performance of Binzhou Environment as at 30 September 2021. The Group has not yet performed annual impairment test of such goodwill as at September 30, 2021 due to that the business operation of acquired CGU has not sustained a complete financial year after the completion of acquisition.

An analysis of the cash flows in respect of the acquisition of Binzhou Environmental is as follows:

	RMB'000
Total cash consideration	44,000
Less: Cash acquired through capital injection	(11,000)
Cash acquired as at the date of acquisition	(2,664)
Net outflow of cash included in cash flows from investing activities	30,336

Revenue and net loss that Binzhou Environmental contributed to the Group from the acquisition date to September 30, 2021 were RMB13,871,000 and RMB1,237,000 respectively.

Had the acquisition occurred on January 1, 2021, management estimates that the Group's consolidated revenue and consolidated profit for the nine months ended September 30, 2021 would have been RMB1,195,955,000 and RMB449,137,000 respectively.

(d) Acquisition of Sanming Haizhong

On 12 July 2021, the Group acquired additional 65% equity interest in its associate, Sanming Haizhong, from its original controlling shareholder for a consideration of RMB32,598,000. As a result of this acquisition, Sanming Haizhong became a wholly-owned subsidiary of the Group.

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

	Pre-acquisition carrying amounts	Fair value adjustments	Recognised values on acquisition
	RMB'000	*RMB'000*	*RMB'000*
Property, plant and equipment	55,769	8,063	63,832
Intangible assets	219	—	219
Inventories	77	—	77
Trade and other receivables	9,325	—	9,325
Cash	125	—	125
Trade and other payables	(23,458)	2,484	(20,974)
Deferred tax liabilities	—	(2,015)	(2,015)
Total identifiable net assets acquired by the Group	42,057	8,532	50,589
Less:			
Total cash consideration			(32,598)
Acquisition-date fair value of the Group's previously held equity interest			(17,707)
Recognition of negative goodwill as income			284

Negative goodwill represents the excess of the fair value of the Sanming Haizhong's identifiable net assets as at the acquisition date over the consideration to be transferred, which has been recognised immediately in profit or loss. The directors of the Company are of the view that the Group was able to acquire Sanming Haizhong at a consideration lower than its identifiable net assets as the then-shareholders had limited capital resources at the date of acquisition and sought to establish long-term strategic cooperation with the Group to further grow its industrial solid and hazardous waste treatment services business.

Analysis of net cash outflow of cash and cash equivalents in respect of the acquisition of Sanming Haizhong as at acquisition date:

	RMB'000
Total cash consideration	32,598
Less: Consideration payables to be paid within one year	(3,465)
Cash acquired as at the date of acquisition	(125)
Net outflow of cash included in cash flows from investing activities	29,008

Revenue and net loss that Sanming Haizhong contributed to the Group from the acquisition date to September 30, 2021 were RMB1,028,000 and RMB459,000 respectively.

Had the acquisition occurred on January 1, 2021, management estimates that the Group's consolidated revenue and consolidated profit for the nine months ended September 30, 2021 would have been RMB1,196,891,000 and RMB451,866,000 respectively.

27 CAPITAL COMMITMENTS

At end of reporting period, the Group had capital commitments not provided for in the consolidated financial statements were as follows:

	As at December 31,			As at September 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted for	286,524	520,640	1,282,602	845,430
Authorised but not contracted for	724,026	1,188,697	1,657,329	3,054,129
	1,010,550	1,709,337	2,939,931	3,899,559

28 MATERIAL RELATED PARTY TRANSACTIONS

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

Name of party [(i)]	Relationship
China Conch Venture Holdings Limited ("Conch Venture") 中國海螺創業控股有限公司	The ultimate parent company
China Conch Venture Holdings (HK) Limited 中國海創控股(香港)有限公司	Subsidiary of Conch Venture
Wuhu Conch Venture Enterprise Limited 蕪湖海創實業有限責任公司	Subsidiary of Conch Venture
Wuhu Conch Investment Ltd. 蕪湖海螺投資有限公司	Subsidiary of Conch Venture
Shuangfeng Conch Venture Environmental Protection Technology Co., Ltd. 雙峰海創環保科技有限責任公司	Subsidiary of Conch Venture
Jinzhai Conch Venture Environment Engineering Co., Ltd. 金寨海創環境工程有限責任公司	Subsidiary of Conch Venture
Yanshan Conch Venture Environment Engineering Co., Ltd. 硯山海創環境工程有限責任公司	Subsidiary of Conch Venture
Huoqiu Conch Venture Environment Engineering Co., Ltd. 霍邱海創環境工程有限責任公司	Subsidiary of Conch Venture
Susong Conch Venture Environment Engineering Co., Ltd. 宿松海創環境工程有限責任公司	Subsidiary of Conch Venture
Tongren Conch Venture Environment Engineering Co., Ltd. 銅仁海創環境工程有限責任公司	Subsidiary of Conch Venture
Lixian Conch Venture Environmental Protection Technology Co., Ltd. 澧縣海創環保科技有限責任公司	Subsidiary of Conch Venture

Name of party [i]	Relationship
Kunming Conch Venture Environment Engineering Co., Ltd. 昆明海創環境工程有限責任公司	Subsidiary of Conch Venture
Yiyang Conch Venture Environment Energy Co., Ltd. 弋陽海創環境能源有限責任公司	Subsidiary of Conch Venture
Sishui Conch Venture Environment Engineering Co., Ltd. 泗水海螺創業環境工程有限責任公司	Subsidiary of Conch Venture
Shanggao Conch Venture Environmental Protection Technology Co., Ltd. 上高海創環保科技有限公司	Subsidiary of Conch Venture
Yangxian Conch Venture Environmental Protection Technology Co., Ltd. 洋縣海創環保科技有限責任公司	Subsidiary of Conch Venture
Shizhu Xian Conch Venture Environmental Protection Technology Co., Ltd. 石柱縣海創環保科技有限責任公司	Subsidiary of Conch Venture
Shucheng Conch Venture Environmental Protection Technology Co., Ltd. 舒城海創環保科技有限責任公司	Subsidiary of Conch Venture
XianYang Conch Venture Environment Energy Co., Ltd. 咸陽海創環境能源有限責任公司	Subsidiary of Conch Venture
Tongchuan Conch Venture Environment Energy Co., Ltd. 銅川海創環境能源有限責任公司	Subsidiary of Conch Venture
Manzhouli Conch Venture Environmental Protection Technology Co., Ltd. 滿洲里海創環保科技有限責任公司	Subsidiary of Conch Venture
Lujiang Conch Venture Environmental Protection Technology Co., Ltd. 廬江海創環保科技有限責任公司	Subsidiary of Conch Venture
Wuwei Xian Conch Venture Environmental Protection Technology Co., Ltd. 無為縣海創環保科技有限責任公司	Subsidiary of Conch Venture
Zhangjiakou Conch Venture Environment Energy Co., Ltd. 張家口海創環境能源有限責任公司	Subsidiary of Conch Venture
Luxi Conch Venture Environmental Protection Technology Co., Ltd. 瀘西海創環保科技有限責任公司	Subsidiary of Conch Venture
Zongyang Conch Venture Environmental Protection Technology Co., Ltd. 樅陽海創環保科技有限責任公司	Subsidiary of Conch Venture
Shahe Conch Venture Environmental Protection Technology Co., Ltd. 沙河海創環保科技有限責任公司	Subsidiary of Conch Venture
Pingguo Conch Venture Environmental Protection Technology Co., Ltd. 平果海創環保科技有限責任公司	Subsidiary of Conch Venture

Name of party [i]	Relationship
Binzhou Conch Venture Environmental Protection Energy Co., Ltd. 彬州海創環保能源有限責任公司	Subsidiary of Conch Venture
Nanyang Conch Venture Environment Energy Co., Ltd. 南陽海創環境能源有限責任公司	Subsidiary of Conch Venture
Liuzhou Conch Venture Environment Technology Co., Ltd. 柳州海螺創業環境科技有限責任公司	Subsidiary of Conch Venture
Suzhou Conch Venture Environment Energy Co., Ltd. 宿州海創環境能源有限責任公司	Subsidiary of Conch Venture
Du'an Conch Venture Environment Technology Co., Ltd. 都安海創環境科技有限責任公司	Subsidiary of Conch Venture
Qufu Conch Venture Masheng Environment Technology Co., Ltd. 曲阜海創馬盛環境科技有限公司	Subsidiary of Conch Venture
Pingliang Conch Venture Environment Engineering Co., Ltd. 平涼海創環境工程有限責任公司	Subsidiary of Conch Venture
Qiyang Conch Venture Environment Engineering Co., Ltd. 祁陽海創環境工程有限責任公司	Subsidiary of Conch Venture
Dexing Haichuang Environmental Protection Technology Co., Ltd. 德興海創環保科技有限責任公司	Subsidiary of Conch Venture
Fusui Conch Venture Environment Engineering Co., Ltd. 扶綏海創環境工程有限責任公司	Subsidiary of Conch Venture
Ningguo Conch Venture Environment Engineering Co., Ltd. 甯國海創環境工程有限責任公司	Subsidiary of Conch Venture
Anhui Conch Kawasaki Engineering Co., Ltd. 安徽海螺川崎工程有限公司	Subsidiary of Conch Venture
Shanghai Conch Kawasaki Engineering Co., Ltd. 上海海螺川崎節能環保工程有限公司	Subsidiary of Conch Venture
Anhui Conch Kawasaki Energy Conservation Equipment Manufacturing Co., Ltd. 安徽海螺川崎節能設備製造有限公司	Subsidiary of Conch Venture
Anhui Conch Venture New Energy-saving Building Material Co., Ltd. 安徽海創新型節能建築材料有限責任公司	Subsidiary of Conch Venture
Bozhou Conch Venture New Energy-saving Building Material Co., Ltd. 亳州海創新型節能建築材料有限責任公司	Subsidiary of Conch Venture
Yangzhou Haichang Port Industrial Co., Ltd. 揚州海昌港務實業有限責任公司	Subsidiary of Conch Venture

Name of party [i]	Relationship
Huoshan Haichuang Environmental Technology Co., Ltd. 霍山海創環保科技有限責任公司	Subsidiary of Conch Venture
Anhui Conch Holdings Co., Ltd. ("Conch Holdings") 安徽海螺集團有限責任公司	Associate of Conch Venture
Anhui Conch Cement Co., Ltd. ("Conch Cement") 安徽海螺水泥股份有限公司	Associate of Conch Holdings
Anhui Conch Building Materials Design and Research Institute ("Conch Design Institute") 安徽海螺建材設計研究院	Subsidiary of Conch Holdings
Wuhu Conch Profiles and Science Co., Ltd. ("Conch Profiles") 蕪湖海螺型材科技股份有限公司	Associate of Conch Holdings
Anhui Conch IT Engineering Co., Ltd. ("Conch IT Engineering") 安徽海螺信息技術工程有限責任公司	Subsidiary of Conch Holdings
Fujian Sanming Haizhong Environmental Protection Technology Co., Ltd 福建三明海中環保科技有限公司	Associate of the Group (before 12 July 2021)
Dezhou Haizhong Nuoke Environmental Protection Technology Co., Ltd. ("Dezhou Haizhong") 德州海中諾客環保科技有限責任公司	Associate of the Group (before 6 January 2021)
Jiangsu Jiexia Environmental Protection Technology Co., Ltd. ("Jiexia Environmental Protection") 江蘇傑夏環保科技有限公司	Associate of the Group

[i] *The English translation of the names is for reference only. The official names of these entities are in Chinese.*

(a) Key management personnel remuneration

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

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Short-term employee benefits	1,533	3,640	4,317	3,349	3,017
Post-employment benefits	44	61	11	11	51
	1,577	3,701	4,328	3,360	3,068

(b) Significant related party transactions

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

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Service rendered to:					
Conch Venture and its subsidiaries	1,699	3,822	6,596	5,945	15,048
Conch Design Institute	—	264	—	—	—
Conch Holdings	—	—	2	2	1
Conch Profiles	—	24	141	106	90
Sanming Haizhong	—	56	—	—	—
Conch Cement	113	1,257	1,428	1,133	784
	1,812	5,423	8,167	7,186	15,923

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Purchase of goods from:					
Conch Venture and its subsidiaries	146,583	198,044	397,835	330,265	561,611
Conch Design Institute	—	836	1	1	—
Conch IT Engineering	—	147	960	415	3,969
Conch Holdings	—	54	33	31	30
Conch Profiles	—	1,310	538	58	800
Conch Cement	2,205	4,422	5,187	2,806	5,433
	148,788	204,813	404,554	333,576	571,843

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Services received from:					
Conch Venture and its subsidiaries	5,028	9,537	24,920	9,361	8,467
Conch Design Institute	1,784	1,802	6,898	4,482	5,227
Conch IT Engineering	—	657	—	—	—
Conch Holdings	—	—	64	57	68
Conch Cement	6,680	17,703	52,599	32,457	47,720
	13,492	29,699	84,481	46,357	61,482

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Purchase of right-of-use assets					
Conch Cement	12,825	16,348	35,044	16,713	13,310

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Loans to an associate					
Dezhou Haizhong	—	—	30,000	20,000	—

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Interest income on loans					
Dezhou Haizhong	—	—	708	238	—

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Loans from related parties					
Conch Venture and its subsidiaries	—	—	82,500	—	—

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest expense on loans					
Conch Venture and its subsidiaries	—	—	1,348	—	4,131

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Repayment of amounts due from related parties					
Conch Venture and its subsidiaries	48,163	48,785	—	—	—

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Advances from related parties					
Conch Venture and its subsidiaries	191,597	344,662	708,261	641,212	219,626

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Repayment of amounts due to related parties					
Conch Venture and its subsidiaries	108,203	141,835	335,590	248,360	393,608

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Capitalization of amounts due to related parties					
Conch Venture and its subsidiaries	—	—	—	—	1,199,004

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Guaranteed by related parties in respect of the Group's bank loans					
Conch Venture and its subsidiaries	148,000	168,537	446,202	387,242	—

(c) Balances with related parties

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

	As at December 31,			As at September 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables:				
Conch Venture and its subsidiaries	232	1,243	2,946	8,245
Conch Profiles	19	12	22	23
Conch Cement	32	340	105	116
	283	1,595	3,073	8,384
Other receivables (non-trade):				
Conch Venture and its subsidiaries	48,947	169	178	584
Sanming Haizhong	—	56	—	—
Conch Cement	70	2	228	545
Dezhou Haizhong (i)	—	—	30,066	—
	49,017	227	30,472	1,129

	As at December 31,			As at September 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Loans and borrowings				
Conch Venture and its subsidiaries	—	—	82,500	82,500

	As at December 31,			As at September 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables:				
Conch Venture and its subsidiaries	—	—	189	157
Conch Cement	4,528	8,787	19,045	25,638
	4,528	8,787	19,234	25,795
Other payables (non-trade):				
Conch Venture and its subsidiaries	265,725	508,352	1,143,957	609,160
Conch Cement	3	12	256	239
Conch IT Engineering	—	1,050	1,104	609
Conch Design Institute	244	921	1,505	1,512
Conch Profiles	6	18	18	491
	265,978	510,353	1,146,840	612,011

	As at December 31,			As at September 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Dividends receivable				
Jiexia Environmental Protection	—	—	6,400	1,150

	As at December 31,			As at September 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Dividends payable				
Conch Venture and its subsidiaries	—	—	264,319	264,319

(i) The amounts due from Dezhou Haizhong as at December 31, 2020 to be recovered after one year bears interest at rate of 7.2% per annum and is scheduled to be repaid in June 2025. As at September 30, 2021, the balance of RMB30,000,000 was offset since Dezhou Haizhong was acquired by the Group in January 2021, which was disclosed in Note 26(b).

Except for loans from Conch Venture Wuhu which bear interest at rate of 7% per annum and will be repaid in October 2025, other amounts due from/to related parties are unsecured, non-interest bearing, and are repayable on demand.

Except for the non-trade balances with related parties which arised from the expenditures for construction and purchase for equipment and will be settled according to the subsequent payment terms stated in the contracts, other amounts due to related parties arising from the Reorganisation are expected to be settled prior to the Listing.

29 INVESTMENT IN SUBSIDIARIES

The Company

	As at December 31, 2020	As at September 30, 2021
	RMB'000	*RMB'000*
Investment in subsidiaries, at cost.	—	671,464

Particulars of the principal subsidiaries are set out in Note 1.

30 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE RELEVANT PERIODS

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 Relevant Periods and which have not been adopted in the Historical Financial Information. These include the following which may be relevant to the Group:

	Effective for accounting periods beginning on or after
Amendments to IFRS 3, *Reference to the Conceptual Framework*	1 January 2022
Amendments to IAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*	1 January 2022
Amendments to IAS 37*, Onerous Contracts — Cost of Fulfilling a Contract*	1 January 2022
Annual Improvements to IFRS Standards 2018–2020	1 January 2022
Amendments to IAS 1, *Classification of Liabilities as Current or Non-current*	1 January 2023
IFRS 17, *Insurance contracts*	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2, *Disclosure of Accounting Policies*	1 January 2023
Amendments to IAS 8, *Definition of Accounting Estimates*	1 January 2023
Amendments to IAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023
Amendments to IFRS 4, *Extension of the temporary exemption from applying IFRS 9*	1 January 2023
Amendments to IFRS 10 and IAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	No mandatory effective date yet determined

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has concluded that the adoption of them is unlikely to have a significant impact on its consolidation financial statements.

31 SUBSEQUENT EVENTS

(a) Disposal of a subsidiary

Subsequent to the Relevant Periods, an agreement for sale and purchase of equity interests in Conch Venture Environmental Protection Technology (Shanghai) Co., Ltd. (''Conch Venture Shanghai'') was signed between the Group and China Conch Venture Holdings (HK) Limited, one of the Excluded Companies controlled by Conch Venture, whereby the Group has agreed to dispose the entire equity interests in Conch Venture Shanghai to China Conch Venture Holdings (HK) Limited for an aggregate consideration of RMB65 million subject to certain adjustments. The disposal transaction was completed in December 2021.

(b) Capitalisation issue

Pursuant to the written resolution dated 16 March 2022, a total of 1,826,764,954 shares was approved to allot and issue to Conch Venture credited as fully paid at a par value of HK$0.01 each by way of capitalisation for the purpose of distribution in specie to the qualifying shareholders of Conch Venture in proportion to their respective shareholding in Conch Venture.

(c) Issue of ordinary shares by Listing of the Company

Pursuant to the written resolutions dated 16 March 2022, the Company would have an obligation to issue 103,698,811 shares to Conch Venture with no consideration to be received from Conch Venture with effect from the date of commencement of dealing in the shares of the Company on the Stock Exchange. Such shares was calculated based on the adjusted conversion price immediately before the Listing pursuant to the terms of conversion after an equity distribution as stated in the terms and conditions of the convertible bonds issued by Conch Venture in 2018.

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries that comprise the Group in respect of any period subsequent to September 30, 2021.

The information set forth in this appendix does not form part of the Accountants' Report prepared by KPMG, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this listing document, and is included for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the "Financial Information" section in this listing document and the Accountants' Report set out in Appendix I to this listing document.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group is prepared in accordance with Rule 4.29 of the Listing Rules and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants and is set out below to illustrate the effect of the Listing on the consolidated net tangible assets of the Group as at September 30, 2021 as if the Listing had taken place on September 30, 2021.

The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group had the Listing been completed as at September 30, 2021 or any future date.

	Consolidated net tangible assets of the Group attributable to the equity holders of the Company as of September 30, 2021	Estimated listing expenses	Unaudited pro forma adjusted consolidated net tangible assets attributable to the equity holders of the Company	Unaudited pro forma adjusted consolidated net tangible assets attributable to the equity holders of the Company per share	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HKD*
	(Note 1)	*(Note 2)*		*(Notes 3 and 4)*	*(Note 5)*
Based on 1,826,765,059 shares assumed to be in issue immediately prior to the Listing.	2,162,330	(27,770)	2,134,560	1.168	1.444

Note:

1. The consolidated net tangible assets of the Group attributable to equity shareholders of the Company as of September 30, 2021 are calculated based on the consolidated total equity attributable to equity shareholders of the Company as of September 30, 2021 of 2,213,422,000 extracted from the Accountants' Report set out in Appendix I to this Listing Document, after deduction of goodwill of RMB5,815,000 and intangible assets of RMB64,174,000 and adjusting the share of intangible assets attributable to non-controlling interests of RMB18,897,000.

2. The estimated listing expenses mainly include professional fees payable to the sponsor, the Company's legal advisers and reporting accountants and other listing related expenses, which are expected to be incurred by the Group subsequent to September 30, 2021.

3. The unaudited pro forma adjusted consolidated net tangible assets per share is arrived at after the adjustments as described in note 2 above and is based on 1,826,765,059 shares assumed to be in issue immediately prior to the Listing.

4. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets attributable to the equity holders of our Company per share to reflect any trading result or other transactions of our Group entered into subsequent to September 30, 2021, including but not limited to the planned issue of new shares with no consideration to Conch Venture. The issuance of such shares will be accounted for as an equity transaction. Had such shares already been in issue on September 30, 2021, our shares in issue would have been increased by 103,698,811 shares and our unaudited pro forma adjusted consolidated net tangible assets attributable to the equity holders of our Company per share would have been RMB1.106 (equivalent to HKD1.367).

5. For the purpose of this pro forma adjusted consolidated net tangible assets attributable to the equity holders of the Company, the balances stated in RMB are converted into Hong Kong dollars at a rate of RMB0.8092 to HK$1. No representation is made that the Renminbi amounts have been, could have been or may be converted into Hong Kong Dollars, or vice versa at that rate.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose in this listing document.

KPMG

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF CHINA CONCH ENVIRONMENT PROTECTION HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of China Conch Environment Protection Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets as at September 30, 2021 and related notes as set out in Part A of Appendix II to the listing document dated March 22, 2022 (the "Listing Document") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix II to the Listing Document.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed listing by way of introduction of the Company (the "Listing") on the Group's financial position as at September 30, 2021 as if the Listing had taken place at September 30, 2021. As part of this process, information about the Group's financial position as at September 30, 2021 has been extracted by the Directors from the Group's historical financial information included in the Accountants' Report as set out in Appendix I to the Listing Document.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions as at September 30, 2021 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and

- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group, and

(c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG
Certified Public Accountants
Hong Kong

March 22, 2022

*The following is the preliminary financial information of our Group as of and for the year ended December 31, 2021 ("**2021 Preliminary Financial Information**"), together with comparative figures as of and for the year ended December 31, 2020 and a discussion and analysis of the Group's financial condition and results of operations. The 2021 Preliminary Financial Information has not been audited and may be subject to adjustments.*

BUSINESS REVIEW AND OUTLOOK

We are a leading player providing the eco-friendly and cost-efficient treatment of industrial solid and hazardous waste in China. We pioneered the use of cement kiln waste treatment services to facilitate the safe, harmless and efficient treatment of industrial solid and hazardous waste and were ranked as the largest cement kiln waste treatment service provider in terms of revenue in China in 2020. We provide one-stop waste treatment solution services covering the collection and transportation, testing and storage, compatibility and transmission, treatment and incineration of industrial solid waste and hazardous waste utilizing our cement kiln waste treatment technologies. In particular, our solutions encompass (i) industrial solid waste treatment services and (ii) industrial hazardous waste treatment services.

We pioneered the use of cement kiln waste treatment technologies to offer services in the solid and hazardous waste treatment industry in China to facilitate industry upgrade towards safe, harmless and efficient treatment. By leveraging the eco-friendly and cost-efficient cement kiln waste treatment technologies, we were able to increase our revenue significantly from RMB1,144.0 million in 2020 to RMB1,698.2 million in 2021.

Going forward, we plan to implement the following strategies, which we believe, will strengthen our leading position as a cement kiln waste treatment service provider by implementing the following business strategies:

- Continue to increase our treatment capacity, expand our national service coverage and strengthen our leading market position;
- Further enhance our management and operating efficiency;
- Enhance our research and development capabilities to further strengthen our technology reserve and improve our competitiveness; and
- Expand our service coverage and make strategic acquisitions.

Since December 31, 2021 and up to the date of the listing document, both our industrial solid waste treatment services and industrial hazardous waste treatment services continued to grow, and the revenue increases from such business lines, and, to the best of our knowledge, there is no change to the overall economic and market condition in China or in the industry in which we operate that may have a material adverse effect to our business operations and financial position.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND OPERATION RESULTS

Description of Key Statement of Profit or Loss Items

The following table sets forth selected consolidated statements of profit or loss items for the years indicated:

	Year ended December 31,	
	2020	2021
	RMB'000	*RMB'000* *(unaudited)*
Revenue	**1,143,991**	**1,698,153**
— Industrial solid waste treatment services	309,869	456,179
— Industrial hazardous waste treatment services	843,122	1,241,974
— General hazardous waste	765,680	1,052,033
— Oil sludge	68,442	131,987
— Fly ash	—	57,954
Cost of sales	(394,336)	(683,118)
Gross profit	**749,655**	**1,015,035**
Other income	44,080	83,871
Distribution costs	(88,827)	(131,345)
Administrative expenses	(129,642)	(227,581)
Profit from operations	**575,266**	**739,980**
Finance costs	(12,187)	(52,079)
Share of profits of associates	11,081	9,812
Profit before taxation	**574,160**	**697,713**
Income tax	(16,166)	(51,136)
Profit for the year	**557,994**	**646,577**
Attributable to:		
Equity shareholders of the Company	468,986	578,607
Non-controlling interests	89,008	67,970
Total comprehensive income for the year	**557,994**	**646,577**

Comparison of Results of Operations of Year Ended December 31, 2021 and 2020

Revenue

Our revenue increased by 48.4% from RMB1,144.0 million in 2020 to RMB1,698.2 million in 2021, primarily attributable to the increases in revenue from both our industrial solid waste treatment services and industrial hazardous waste treatment services.

Industrial solid waste treatment services

Revenue generated from the industrial solid waste treatment services increased by 47.2% from RMB309.9 million in 2020 to RMB456.2 million in 2021, primarily because (i) we undertook treatment projects of more types of industrial solid waste; and (ii) several new projects of industrial solid waste business commenced operations in 2021 in areas of Anhui province, Hebei province and Hunan province.

Industrial hazardous waste treatment services

Revenue generated from the industrial hazardous waste treatment services increased by 48.9% from RMB834.1 million in 2020 to RMB1,242.0 million in 2021, primarily because (i) we commenced fly ash treatment services in 2021; and (ii) several new industrial hazardous waste treatment projects commenced operation in 2021 in areas including Anhui province, Zhejiang province, Henan province, Guangxi autonomous and Hunan province.

Cost of Sales

Our cost of sales increased by 73.2% from RMB394.3 million in 2020 to RMB683.1 million in 2021, primarily due to the increased treatment capacity as a result of new projects that commenced operations, particularly oil sludge and fly ash treatment projects, leading to increases in our transportation cost, cement kiln co-processing cost, depreciation and amortization and staff cost.

Industrial solid waste treatment services

Cost of sales of our industrial solid waste treatment services increased by 56.3% from RMB129.0 million 2020 to RMB201.6 million in 2021, primarily due to the (i) increased transportation cost, mainly in line with our increased waste treatment volume; (ii) increased depreciation and amortization, mainly relating to new projects that commenced operations; (iii) increased staff cost, as a result of increased average salary levels to attract and retain our employees; (iv) increased cement kiln co-processing cost, mainly in line with our increased waste treatment volume.

Industrial hazardous waste treatment services

Cost of sales of our industrial hazardous waste treatment services increased significantly from RMB265.4 million in 2020 to RMB481.5 million in 2021, primarily due to the (i) increased production costs resulting from new projects that commenced operations; and (ii) fact that treatment costs of oil sludge and fly ash projects were relatively higher than general hazardous waste projects.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 35.4% from RMB749.7 million in 2020 to RMB1,015.0 million in 2021.

Our gross profit margin decreased from 65.5% in 2020 to 59.8% in 2021 due to the decreased gross margin of our industrial solid waste treatment services and industrial hazardous waste treatment services.

Industrial solid waste treatment services

Gross margin of our industrial solid waste treatment services decreased from 58.4% in 2020 to 55.8% in 2021, primarily due to the increased costs in relation to transportation, depreciation and amortization, staff and cement kiln co-processing.

Industrial hazardous waste treatment services

Gross margin of our industrial hazardous waste treatment services decreased from 68.2% in 2020 to 61.2% in 2021, primarily because the average unit price of the industrial hazardous waste we treated decreased from RMB1,889 per tonne in 2020 to RMB1,582 per tonne in 2021, mainly due to (i) the average unit price of the general hazardous waste we treated decreased from RMB1,938 in 2020 to RMB1,689 in 2021, mainly because we adopted competitive pricing strategy by lowering our industrial hazardous waste treatment service fees facing the competition in Northwest China and was generally in line with the market trend, according to Frost & Sullivan; and (ii) our commencement of new oil sludge and fly ash treatment projects in 2021, which have a relatively lower unit price of treatment at RMB1,189 and RMB1,136 in 2021, compared to the same of general hazardous waste at RMB1,689 in 2021, and were lower-margin in nature as compared to general hazardous waste.

Other Income

Our other income increased by 90.2% from RMB44.1 million in 2020 to RMB83.9 million in 2021, primarily attributable to the increased government grants.

Distribution Costs

Our distribution costs increased by 47.9% from RMB88.8 million in 2020 to RMB131.3 million in 2021, primarily due to the (i) increased business development service fees, which was largely in line with our revenue growth; and (ii) increased staff cost mainly as a result of increased number of marketing and distribution employees in relation to our new projects.

Administrative Expenses

Our administrative expenses increased by 75.6% from RMB129.6 million in 2020 to RMB227.6 million in 2021, primarily due to the increased staff cost and depreciation and amortization in relation to our new projects in operation and listing expenses of RMB24.8 million.

Financial Costs

Our financial expenses increased significantly from RMB12.2 million in 2020 to RMB52.1 million in 2021, primarily due to the increased financing for our new projects.

Share of Profits of Associates

Our shares of profits of associates decreased by 11.5% from RMB11.1 million in 2020 to RMB9.8 million in 2021, primarily due to the decreased profit of one of our associates.

Income Tax Expense

Our income tax expense increased significantly from RMB16.2 million in 2020 to RMB51.1 million in 2021. Our effective income tax rate (calculated as income tax expense divided by profit before income tax) increased from 2.8% in 2020 to 7.3% in 2021, primarily because certain of our subsidiaries enjoyed tax exemption from 2017 to 2020 and started to enjoy 50% tax reduction in 2021.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 15.9% from RMB558.0 million in 2020 to RMB646.6 million in 2021.

Discussion of Certain Items in the Consolidated Statement of Financial Position

Current Assets/Liabilities

The following table sets forth our current assets and current liabilities as of the dates indicated:

	As of December 31,	
	2020	**2021**
	RMB'000	*RMB'000* *(unaudited)*
Current assets		
Inventories	3,642	8,061
Trade and other receivables	662,376	1,024,495
Financial assets measured at FVPL	—	15,000
Restricted bank deposits	37,349	58,149
Bank deposits with original maturity over three months	31,700	1,680
Cash and cash equivalents	638,784	596,113
Total current assets	**1,373,851**	**1,703,498**

	As of December 31,	
	2020	2021
	RMB'000	*RMB'000* *(unaudited)*
Current liabilities		
Loans and borrowings	120,639	634,033
Trade and other payables	1,900,486	1,330,427
Contract liabilities	3,568	9,858
Lease liabilities	1,010	530
Income tax payables	6,284	19,823
Total current assets	**2,031,987**	**1,994,671**
Net current liabilities	**(658,136)**	**(291,173)**

Our net current liabilities decreased from RMB658.1 million as of December 31, 2020 to RMB291.2 million as of December 31, 2021, primarily due to the (i) increased trade and other receivables, mainly in relation to the increased number of projects in operation; and (ii) decreased trade and other payables mainly as we fully capitalized the amounts due to related parties of RMB1,199.0 million by issuing shares to Conch Venture in August 2021 and September 2021, partially offset by the increased loans and borrowings to fund our new projects under construction in 2021.

Trade and Other Receivables

The following table sets forth our trade and other receivables as of the dates indicated:

	As of December 31,	
	2020	2021
	RMB'000	*RMB'000* *(Unaudited)*
Trade receivables		
— Third parties	469,550	681,441
— Related parties	3,073	17,125
Bills receivable	51,874	89,009
Less: allowance for doubtful debts	(19,380)	(32,276)
Total trade and bills receivables	**505,117**	**755,299**

	As of December 31,	
	2020	2021
	RMB'000	*RMB'000* *(Unaudited)*
Other receivables		
— Deposits and prepayments	9,438	18,576
— VAT recoverable	131,599	82,821
— Others	9,350	12,933
Total other receivables	**150,387**	**114,330**
Dividends receivable	6,400	—
Amounts due from related parties	472	154,866
Total current portion of trade and other receivables	**662,376**	**1,024,495**

Trade and bills Receivables

Our trade and bills receivables increased from RMB505.1 million as of December 31, 2020 to RMB755.3 million as of December 31, 2021, which were largely in line with our business growth.

Other Receivables

Our other receivables decreased from RMB150.4 million as of December 31, 2020 to RMB114.3 million as of December 31, 2021, primarily due to the decreased VAT recoverable, which was utilized as more newly established projects commenced operations in 2021.

Trade and Other Payables

The following table sets forth our trade and other payables as of the dates indicated:

	As of December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
		(Unaudited)
Trade payables		
— Third parties	31,408	90,799
— Related parties	19,234	32,924
Bills payable	44,847	39,880
Total trade and bills payables	**95,489**	**163,603**
Other payables and accruals		
— Construction and equipment payables	204,238	377,444
— Deposits	27,865	35,593
— Other taxes and surcharges payables	2,818	3,676
— Accrued payroll and other benefits	73,344	99,758
— Accrued expenses	40,086	75,204
— Others	21,487	29,503
Total other payables and accruals	**369,838**	**621,178**
Dividends payable to the then equity shareholders	288,319	36,247
Amounts due to related parties	1,146,840	509,399
Total trade and other payables	**1,900,486**	**1,330,427**

Trade and Bills Payables

Our trade and bills payables increased from RMB95.5 million as of December 31, 2020 to RMB163.6 million as of December 31, 2021, which were largely in line with our business growth.

Other Payables and accruals

Our other payables and accruals increased from RMB369.8 million as of December 31, 2020 to RMB621.2 million as of December 31, 2021, primarily due to the increase in construction and equipment payables resulting from the increase in the number of projects under constructions.

Indebtedness

Our indebtedness included loans and other borrowings and lease liabilities. The table below sets forth some details of our indebtedness as of the dates indicated:

	As of December 31,	
	2020	2021
	RMB'000	*RMB'000* *(unaudited)*
Current		
Loans and other borrowings	120,639	634,033
Lease liabilities	1,010	530
Non-current		
Loans and other borrowings	1,040,833	2,409,828
Lease liabilities	3,965	3,606
Total	**1,166,447**	**3,047,997**

Our loans and other borrowings were RMB1,161.5 million and RMB3,043.8 million as of December 31, 2020 and 2021, respectively, which were used to fund our new projects.

Our lease liabilities arise from leases of certain office properties and leasehold land from third party. Our lease liabilities were RMB5.0 million and RMB4.1 million as of December 31, 2020 and 2021, respectively.

Key Financial Ratios

The following table sets forth certain of our key financial ratios as of the dates or for the years indicated:

	Year ended/as of December 31,	
	2020	2021
		(unaudited)
Current ratio(1)	0.7	0.9
Return on assets(2)	15.2%	10.4%
Return on equity(3)	44.9%	33.3%
Net debt to equity ratio(4)	29.0%	79.2%
Gross margin(5)	65.5%	59.8%
Net profit margin(6)	48.8%	38.1%
Cash conversion cycle(7)	85	81

Notes:

(1) Current ratio is calculated by dividing total current assets by total current liabilities as of the closing of the year.

(2) Return on assets is calculated as our profit for the year divided by our average total assets as of the beginning and the end of the corresponding year and multiplied by 100%.

(3) Return on equity is calculated as our profit attributable to equity shareholders of the Company for the year divided by our average equity attributable to equity shareholders of the Company as of the beginning and the end of the corresponding year and multiplied by 100%.

(4) Net debt to equity ratio is calculated by dividing net debt by total equity as of the closing of the year and multiplied by 100%. Net debt is defined to include all interest-bearing borrowings net of cash and cash equivalents.

(5) Gross margin equals gross profit divided by revenue for the year and multiplied by 100%.

(6) Net profit margin equals net profit divided by revenue for the year and multiplied by 100%.

(7) Cash conversion cycle is calculated using the inventory turnover days in each year (calculated based on the average of the opening and closing balance of inventories divided by cost of sales for the relevant year and multiplied by 360 for 2020 and 2021) plus the trade receivable turnover days in the respective year minus the trade payable turnover days in the respective year.

Current Ratio

Our current ratio increased from 0.7 as of December 31, 2020 to 0.9 as of December 31, 2021, primarily due to the increase in our current assets and the decrease in our current liabilities, mainly due to the increased trade and other receivables and decreased trade and other payables.

Return on assets

Our return on assets decreased from 15.2% in 2020 to 10.4% in 2021 in 2021 mainly because the increase in our total assets outpaced the increase in our net profit, primarily resulting from increases in property, plant and equipment and trade and other receivables, in line with our business growth.

Return on equity

Our return on equity decreased from 44.9% in 2020 to 33.3% in 2021 mainly because we fully capitalized the amounts due to related parties of RMB1,199.0 million by issuing shares to Conch Venture in August 2021 and September 2021, which significantly increased the equity attributable to equity shareholders of the Company.

Net debt to equity ratio

Our net debt to equity ratio increased from 29.0% as of December 31, 2020 to 79.2% as of December 31, 2021 mainly because the increase in our borrowings outpaced the increase in our total equity, as we obtained more borrowings to finance our new projects.

Gross Margin

For the discussion on the material changes in our gross margins, see "— Comparison of Results of Operations of Year Ended December 31, 2021 and 2020 — Gross Profit and Gross Margin."

Net profit margin

Our net profit margins decreased from 48.8% in 2020 to 38.1% in 2021 primarily due to the (i) decrease in our gross margins, and (ii) increase in our distribution costs and administrative expenses as a percentage of revenue, mainly in relation to our business expansion.

Cash Conversion Cycle

Our cash conversion cycle remained relatively stable at 85 in 2020 and 81 in 2021.

DISCLOSURE ABOUT MARKET RISK

See "Financial Information-Quantitative and qualitative disclosures about financial risks" in this listing document for further information.

CODE ON CORPORATE GOVERNANCE PRACTISES

Since we were not yet listed on the Stock Exchange during the year ended December 31, 2021, the Corporate Governance Code as set out in Appendix 14 to the Listing Rules was not applicable to us during such period. After the Listing, we will comply with all the code provisions set forth in the Corporate Governance Code.

REVIEW OF OUR PRELIMINARY FINANCIAL INFORMATION

The unaudited financial information in respect of our consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended December 31, 2021 as set out in the 2021 Preliminary Financial Information have been agreed by the Reporting Accountants, following their work under Practise Note 730 (Revised) "Guidance for Auditors Regarding Preliminary Announcement of Annual Results" issued by the Hong Kong Institute of Certified Public Accountants. The work performed by the Reporting Accountants in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Reporting Accountants on the 2021 Preliminary Financial Information.

PURCHASE, SALE OR REDEMPTION OF OUR COMPANY'S SHARES

Since we were not yet listed on the Stock Exchange in during the year ended December 31, 2021, this disclosure requirement is not applicable to us.

2021 PRELIMINARY FINANCIAL INFORMATION

Consolidated statements of profit or loss

	Note	Year ended December 31, 2020	Year ended December 31, 2021
		RMB'000	*RMB'000* *(unaudited)*
Revenue	*3*	**1,143,991**	**1,698,153**
Cost of sales		(394,336)	(683,118)
Gross profit		**749,655**	**1,015,035**
Other income		44,080	83,871
Distribution costs		(88,827)	(131,345)
Administrative expenses		(129,642)	(227,581)
Profit from operations		**575,266**	**739,980**
Finance costs	*4(a)*	(12,187)	(52,079)
Share of profits of associates		11,081	9,812
Profit before taxation	*4*	**574,160**	**697,713**
Income tax	*5(a)*	(16,166)	(51,136)
Profit for the year		**557,994**	**646,577**
Attributable to:			
Equity shareholders of the Company		468,986	578,607
Non-controlling interests		89,008	67,970
Profit for the year		**557,994**	**646,577**
Earnings per share	*6*		
Basic (RMB)		0.26	0.32
Diluted (RMB)		0.24	0.30

Consolidated statements of profit or loss and other comprehensive income

	Year ended December 31,	
	2020	**2021**
	RMB'000	*RMB'000* *(unaudited)*
Profit for the year	**557,994**	**646,577**
Other comprehensive income for the year (after tax and reclassification adjustments)	—	—
Total comprehensive income for the year	**557,994**	**646,577**
Attributable to:		
Equity shareholders of the Company	468,986	578,607
Non-controlling interests	89,008	67,970
Total comprehensive income for the year	**557,994**	**646,577**

Consolidated statements of financial position

	Note	Year ended December 31, 2020	Year ended December 31, 2021
		RMB'000	RMB'000 (unaudited)
Non-current assets			
Property, plant and equipment		3,066,011	5,170,495
Right-of-use assets		136,360	197,156
Intangible assets		67,802	63,047
Goodwill		—	5,815
Interests in associates		67,770	68,839
Non-current portion of trade and other receivables	8	90,814	293,062
Financial assets measured at fair value through profit and loss ("FVPL")		82,500	—
Deferred tax assets		3,004	8,309
		3,514,261	5,806,723
Current assets			
Inventories		3,642	8,061
Trade and other receivables	8	662,376	1,024,495
Financial assets measured at FVPL		—	15,000
Restricted bank deposits		37,349	58,149
Bank deposits with original maturity over three months		31,700	1,680
Cash and cash equivalents		638,784	596,113
		1,373,851	1,703,498
Current liabilities			
Loans and borrowings	9	120,639	634,033
Trade and other payables	10	1,900,486	1,330,427
Contract liabilities		3,568	9,858
Lease liabilities		1,010	530
Income tax payables		6,284	19,823
		2,031,987	1,994,671
Net current liabilities		**(658,136)**	**(291,173)**
Total assets less current liabilities		**2,856,125**	**5,515,550**
Non-current liabilities			
Loans and borrowings	9	1,040,833	2,409,828
Lease liabilities		3,965	3,606
Deferred tax liabilities		9,690	12,196
		1,054,488	2,425,630
Net assets		**1,801,637**	**3,089,920**
Capital and reserves			
Share capital		—	—*
Reserves		1,053,244	2,420,593
Equity attributable to equity shareholders of the Company		**1,053,244**	**2,420,593**
Non-controlling interests		**748,393**	**669,327**
Total equity		**1,801,637**	**3,089,920**

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

NOTES TO THE 2021 PRELIMINARY FINANCIAL INFORMATION

1. Significant accounting policies

The 2021 Preliminary Financial Information does not constitute the consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended December 31, 2021 but is extracted from those financial statements.

(a) Statement of compliance

The Group's consolidated 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.

The IASB has issued certain amendments to IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2 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 December 31, 2021 comprise the Group and the Group's interests in associates.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except that financial assets and equity investments are stated at their fair value.

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.

The consolidated financial statements has been prepared assuming the Group will continue as a going concern notwithstanding that the Group recorded net current liabilities of RMB291,173,000 as at December 31, 2021. The directors have reviewed the current financial performance and working capital forecast as part of their assessment of the Group's ability to continue as a going concern, and after carefully considering the matters described below, the directors have a reasonable basis to conclude that the Group is able to continue as a going concern for at least the next twelve months from December 31, 2021 to meet its obligations, as and when they fall due, having regard to the following:

(1) the Group generated net cash inflows from operating activities of approximately RMB767.7 million during the year ended December 31, 2021 and expects to continue to improve its working capital management and generate positive operating cash flows for the next twelve months;

(2) the Group has the ability to obtain new banking and other financing facilities, borrowings and has the ability to renew or refinance the banking facilities upon maturity and obtain other borrowings. As at December 31, 2021, the Group had available unutilised banking facilities of RMB6.2 billion;

(3) the Group can adjust the schedule of certain planned capital expenditure for the next twelve months from December 31, 2021.

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

2. Changes in accounting policies

The IASB has issued a number of standards and amendments to IFRSs that are first effective for the current accounting period of the Group. None of the 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 in these financial statements.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 11).

3. Revenue and segment reporting

(a) Revenue

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

For the purpose of making decisions about resources allocation and performance assessment, the Group's management focuses on the operating results of the Group as a whole. As such, the Group's resources are integrated and no discrete operating segment information is available. Accordingly, no operating segment information is presented.

(i) Disaggregation of revenue

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

	2020	**2021**
	RMB'000	*RMB'000* *(unaudited)*
Revenue from contracts with customers within the scope of IFRS 15, all recognised over time		
Industrial solid waste treatment services	309,869	456,179
Industrial hazardous waste treatment services		
— General hazardous waste	765,680	1,052,033
— Oil sludge	68,442	131,987
— Fly ash	—	57,954
	1,143,991	1,698,153

Revenue from customers individually contributing over 10% of the total revenue of the Group for the year ended December 31, 2021 is as below:

	2020	**2021**
	RMB'000	*RMB'000* *(unaudited)*
Customer A	N/A*	176,438

* *Less than 10% of the Group's revenue in the respective year*

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

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

(b) Segment reporting

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

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

(ii) Geographic information

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

4. Profit before taxation

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

(a) Finance costs:

	2020	**2021**
	RMB'000	*RMB'000* *(unaudited)*
Interest on loans and borrowings	26,891	89,823
Interest on lease liabilities	163	171
Less: interest expense capitalised in construction in progress	(14,867)	(37,915)
	12,187	52,079

* *For the year ended December 31, 2021, the borrowing costs were capitalised at a rate of 2.65%–4.65% per annum (2020: 3.85%–4.65%).*

(b) Staff costs:

	2020	2021
	RMB'000	*RMB'000* *(unaudited)*
Salaries, wages and other benefits	170,931	240,995
Contributions to defined contribution plans (i)	2,127	35,806
	173,058	276,801

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

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

Due to the impact of COVID-19 in year 2020, a number of policies including the relief of social insurance have been promulgated by the government from February 2020 to December 2020 to expedite resumption of economic activities, which resulted in the relief of certain contributions to defined contribution scheme during the year ended December 31, 2020.

(c) Other items

	2020	2021
	RMB'000	*RMB'000* *(unaudited)*
Cost of services provided #	394,336	683,118
Depreciation of owned property, plant and equipment #	82,829	148,274
Depreciation of right-of-use assets #	4,781	4,673
Amortisation of intangible assets #	3,735	6,827
Loss allowance for trade receivables	4,845	12,896
Short-term lease payments not included in the measurement of lease liabilities	1,747	2,826
Auditors' remuneration	20	2,300
Listing expenses	—	24,764

For the year ended December 31, 2021, cost of services provided include RMB286,654,000 (2020: RMB168,044,000) relating to staff costs, depreciation of owned property, plant and equipment, depreciation of right-of-use assets and amortisation of intangible assets, which amount is also included in the respective total amounts disclosed separately above or in Note 4(b) for each of these types of expenses.

5. Income tax in the consolidated statement of profit and loss

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

	2020	2021
	RMB'000	*RMB'000* *(unaudited)*
Current tax — Hong Kong Profits Tax		
Provision for the year	—	—
Current tax — PRC income tax		
Provision for the year	17,271	58,130
(Over)/under provision in respect of prior years	(291)	151
Deferred tax:		
Origination and reversal of temporary differences	(814)	(7,145)
	16,166	51,136

(1) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

(2) The Company's subsidiary incorporated in Hong Kong is subject to Hong Kong profits tax at 16.5% of the estimated assessable profits. No provision for Hong Kong profit tax has been made for the year ended December 31, 2021 (2020: nil) as there are no assessable profits during the year ended December 31, 2021.

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

(4) Pursuant to Notice No.23 issued by the State Administration of Taxation on April 23, 2020 and relevant local tax authorities' notices, certain subsidiaries are entitled to a preferential income tax rate of 15% as qualifying companies located in western areas in the PRC.

(5) Pursuant to the PRC Enterprise Income Tax Law Implementing Regulations issued by State Council of the PRC, certain subsidiaries engaged in industrial solid and hazardous waste solutions are eligible for income tax exemption for the first three years starting from the year in which revenue is generated and 50% income tax reduction for the next three years.

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

	2020	**2021**
	RMB'000	*RMB'000* *(unaudited)*
Profit before taxation	574,160	697,713
Notional tax on profit before taxation, calculated at the rates applicable to profit in the tax jurisdictions concerned	147,872	184,256
PRC tax concessions	(128,645)	(130,818)
(Over)/under provision in respect of prior years	(291)	151
Share of profits of associates	(2,770)	(2,453)
Income tax expense	16,166	51,136

6. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB578,607,000 (2020: RMB468,986,000), and 1,826,765,000 shares in issue assuming that the Spin-off and the Listing had been completed and the 1,826,765,000 shares had been outstanding throughout the years presented.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of RMB578,607,000 (2020: RMB468,986,000), and the weighted average number of ordinary shares of 1,930,464,000 (2020: 1,930,464,000), calculated as below:

	2020	**2021**
	RMB'000	*RMB'000* *(unaudited)*
Assumed weighted average number of ordinary shares at December 31,	1,826,765	1,826,765
Effect of conversion of convertible bonds (i)	103,699	103,699
Assumed weighted average number of ordinary shares (diluted) at December 31,	1,930,464	1,930,464

(i) Effect of conversion of convertible bonds

In September 2018, China Conch Venture Holdings International Limited (a subsidiary of Conch Venture) issued zero coupon guaranteed convertible bonds (the "2018 Convertible Bonds") in the aggregate principal amount of HK$3,925,000,000 due 2023. Pursuant to the terms of 2018

Convertible Bonds, the qualifying convertible bonds holders of 2018 Convertible Bonds was entitled to one conversion right with no consideration for every one 2018 Convertible Bonds they held. As of the date of this report, all of the 2018 Convertible Bonds are still outstanding, which are convertible into (1) 103,699,000 shares of Conch Venture, and (2) 103,699,000 shares of the Company, assuming that effect of conversion of convertible bonds of 103,699,000 shares had been outstanding throughout the years presented.

7. Dividend

No dividend was declared by the Company for the year ended December 31, 2021 to its equity shareholders.

8. Trade and other receivables

	2020	**2021**
	RMB'000	*RMB'000 (unaudited)*
Trade receivables		
— Third parties	469,550	681,441
— Related parties	3,073	17,125
Bills receivable	51,874	89,009
Less: allowance for doubtful debts *(Note 8(b))*	(19,380)	(32,276)
Trade and bills receivables	505,117	755,299
Other receivables		
— Deposits and prepayments	9,438	18,576
— VAT recoverable	131,599	82,821
— others	9,350	12,933
	655,504	869,629
Dividends receivable	6,400	—
Amounts due from related parties		
— Advances to related parties (i)	—	150,000
— Others	472	4,866
Current portion of trade and other receivables	662,376	1,024,495
Other receivables to be recovered after one year (ii)	60,814	293,062
Amounts due from related parties to be recovered after one year (iii)	30,000	—
Non-current portion of trade and other receivables	90,814	293,062
Total current and non-current trade and other receivables	753,190	1,317,557

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

(i) In December 2021, the Group disposed its entire 65% equity interests in Conch Venture Shanghai, resulting in the recognition of advances to Shanghai Chuangyue Real Estate Co., Ltd., a subsidiary of Conch Venture Shanghai, of RMB150,000,000 which bears interest at rate of 7.0% per annum and will be repaid within one year. Except for this, all other amounts due from related parties as at December 31, 2021 are unsecured, non-interest bearing and are repayable on demand.

(ii) Other receivables to be recovered after one year mainly consist of non-current portion of VAT recoverable and prepayment for land use right, which are expected to be deducted after one year.

(iii) Amounts due from Dezhou Haizhong of RMB30,000,000 as at December 31, 2020 to be recovered after one year bears interest at rate of 7.2% per annum and is scheduled to be repaid in June 2025. As at December 31, 2021, the balance of RMB30,000,000 was offset on consolidation since Dezhou Haizhong became a subsidiary of the Group in January 2021.

As at December 31, 2021, the Group endorsed undue bills receivable of RMB33,161,000 (2020: RMB35,324,000) to its suppliers to settle trade payables of the same amount and derecognised these bills receivable and payables to suppliers in their entirety from balance sheet as the Group's management considered that the risks and rewards of ownership of these undue bills have been substantially transferred. The Group's continuous involvement in these derecognised undue bills receivable is limited to when the issuance banks of these undue bills are unable to settle the amounts to the holders of these bills. As at December 31, 2021, the maximum exposure to loss from its continuous involvement represents the amount of bills receivable of RMB33,161,000 (2020: RMB35,324,000) which the Group endorsed to its suppliers. These undue bills receivable were due within six months from date of issuance.

(a) Ageing analysis

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

	2020	2021
	RMB'000	*RMB'000 (unaudited)*
Current	479,864	671,366
Less than 1 year	25,126	82,692
1 to 2 years	127	1,241
	505,117	755,299

(b) Loss allowance for trade receivables and bills receivable

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

	2020	2021
	RMB'000	*RMB'000* *(unaudited)*
At the beginning of the year	14,602	19,380
Impairment losses recognised	4,845	12,896
Written off	(67)	—
At the end of the year	19,380	32,276

9. Loans and borrowings

	2020	2021
	RMB'000	*RMB'000* *(unaudited)*
Current	120,639	634,033
Non-current	1,040,833	2,409,828
Total	1,161,472	3,043,861

(i) As at December 31, 2021, the bank loans were repayable as follows:

	2020	2021
	RMB'000	*RMB'000* *(unaudited)*
Within one year	120,639	634,033
After one year but within two years	227,906	343,522
After two years but within five years	725,095	1,766,994
After five years	87,832	299,312
Total	1,161,472	3,043,861

(ii) As at December 31, 2021, the bank loans were secured as follows:

	2020	2021
	RMB'000	*RMB'000* *(unaudited)*
Bank loans		
— Guaranteed	589,635	47,637
— Secured	50,000	50,000
— Guaranteed and secured	—	7,000
— Unsecured	439,337	2,939,224
	1,078,972	3,043,861
Other borrowings		
— Unsecured	82,500	—
Total	1,161,472	3,043,861

Note:

As at December 31, 2020, other borrowings of the Group amounting to RMB82,500,000 were borrowed from Wuhu Conch Venture Enterprise Limited ("Conch Venture Wuhu"), a related party of the Group, which bears interest at rate of 7% per annum and will be repaid in October 2025 by Conch Venture Shanghai. As at December 31, 2021, the balance of RMB82,500,000 was disposed of since Conch Venture Shanghai was disposed of by the Group in December 2021.

As at December 31, 2021, the bank loans of the Group amounting to RMB25,667,000 (2020: RMB32,333,000) were jointly guaranteed by Wuhu Environmental, a subsidiary of the Group, and the non-controlling shareholders of Guiyang Conch Venture Environmental Protection Technology Co., Ltd.

As at December 31, 2021, the bank loans of the Group amounting to RMB21,970,000 (2020: Nil) were guaranteed by an independent third party.

As at December 31, 2021, the bank loans of the Group amounting to RMB50,000,000 (2020: RMB50,000,000) were secured by right-of-use assets of Luoyang Haizhong, a subsidiary of the Group and were also guaranteed by Anhui Haizhong, a subsidiary of the Group.

As at December 31, 2021, the bank loans of the Group amounting to RMB7,000,000 (2020: Nil) were secured by property, plant and equipment and right-of-use assets of Binzhou Huabin Jucheng Environmental Protection Technology Co., Ltd. ("Binzhou Environmental"), a subsidiary of the Group, and were guaranteed by the non-controlling shareholders of Binzhou Environmental.

As at December 31, 2020, the bank loans of the Group amounting to RMB529,302,000 were guaranteed by Conch Venture Wuhu.

As at December 31, 2020, the bank loans of the Group amounting to RMB28,000,000 were guaranteed by Wuhu Conch Investment Limited ("Wuhu Investment"), a related party of the Group.

10. Trade and other payables

	2020	2021
	RMB'000	*RMB'000* *(unaudited)*
Trade payables		
— Third parties	31,408	90,799
— Related parties	19,234	32,924
Bills payable	44,847	39,880
Trade and bills payables	95,489	163,603
Other payables and accruals		
— Construction and equipment payables	204,238	377,444
— Deposits	27,865	35,593
— Other taxes and surcharges payables	2,818	3,676
— Accrued payroll and other benefits	73,344	99,758
— Accrued expenses	40,086	75,204
— Others	21,487	29,503
	465,327	784,781
Dividends payable to the then equity shareholders	288,319	36,247
Amounts due to related parties		
— Advances from related parties	659,447	—
— Construction and equipment payables	154,404	508,288
— Payables for acquisition of subsidiaries in connection with Reorganisation	305,087	—
— Others	27,902	1,111
Trade and other payables	1,900,486	1,330,427

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

	2020	2021
	RMB'000	*RMB'000* *(unaudited)*
Within 1 year	95,489	163,603
	95,489	163,603

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

11. Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended December 31, 2021

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, and a new standard, IFRS 17, Insurance contracts, which are not yet effective for the year ended December 31, 2021 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IFRS 3, Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 16, Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to IAS 37, Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to IFRS Standards 2018–2020	1 January 2022
Amendments to IAS 1, Classification of Liabilities as Current or Non-current	1 January 2023
IFRS 17, Insurance contracts	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2, Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8, Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to IFRS 10 and IAS 28, Sale or contribution of assets between an investor and its associate or joint venture	No mandatory effective date yet determined

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has concluded that the adoption of them is unlikely to have a significant impact on its consolidation financial statements.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of our Company and of certain aspects of the Cayman Companies Act.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 2 March 2020 under the Cayman Companies Act. Our Company's constitutional documents consist of its Memorandum of Association and its Articles of Association.

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, inter alia, that the liability of members of our Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which our Company is established are unrestricted (including acting as an investment company), and that our Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Cayman Companies Act and in view of the fact that our Company is an exempted company that our Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of our Company carried on outside the Cayman Islands.

(b) Our Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on March 16, 2022 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of our Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Cayman Companies Act, if at any time the share capital of our Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths of the voting rights of the holders of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy holding not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.

(iii) Alteration of capital

Our Company may by ordinary resolution of its members:

(i) increase its share capital by the creation of new shares;

(ii) consolidate all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as our Company in general meeting or as the directors may determine;

(iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

Our Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Stock Exchange or in such other form as the Board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept by recording the particulars required by Section 40 of the Cayman Companies Act in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the Board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The Board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The Board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to our Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the Board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of our Company.

(v) Power of our Company to purchase its own shares

Our Company is empowered by the Cayman Companies Act and the Articles to purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of our Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where our Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by our Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

The Board may accept the surrender for no consideration of any fully paid share.

(vi) Power of any subsidiary of our Company to own shares in our Company

There are no provisions in the Articles relating to ownership of shares in our Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The Board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the Board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or instalments payable upon any shares held by him, and upon all or any of the monies so advanced our Company may pay interest at such rate (if any) as the Board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the Board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to our Company all monies which, at the date of forfeiture, were payable by him to our Company in respect of the shares, together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the Board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not 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 an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in our Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director appointed to fill a casual vacancy shall hold office until the next first annual general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing Board shall hold office only until the next first annual general meeting of our Company after his appointment and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of our Company's shareholders before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and our Company) and members of our Company may by ordinary resolution appoint another in his place. Unless otherwise determined by our Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

(aa) he resigns by notice in writing delivered to our Company;

(bb) he becomes of unsound mind or dies;

(cc) without special leave, he is absent from meetings of the Board for six (6) consecutive months, and the Board resolves that his office is vacated;

(dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) he is prohibited from being a director by law; or (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The Board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with our Company for such period and upon such terms as the Board may determine and the Board may revoke or terminate any of such appointments. The Board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the Board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Cayman Companies Act and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of our Company or the holder thereof, it is liable to be redeemed.

The Board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of our Company on such terms as it may determine.

Subject to the provisions of the Cayman Companies Act and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in our Company are at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither our Company nor the Board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the Board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of our Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of our Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by our Company and which are not required by the Articles or the Cayman Companies Act to be exercised or done by our Company in general meeting.

(iv) Borrowing powers

The Board may exercise all the powers of our Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of our Company and, subject to the Cayman Companies Act, to issue debentures, bonds and other securities of our Company, whether outright or as collateral security for any debt, liability or obligation of our Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by our Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the Board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any Board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of our Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of our Company or who performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such extra remuneration as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An Executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The Board may establish or concur or join with other companies (being subsidiary companies of our Company or companies with which it is associated in business) in establishing and making contributions out of our Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with our Company or any of its subsidiaries) and ex-employees of our Company and their dependants or any class or classes of such persons.

The Board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependants, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependants are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the Board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

The Board may resolve to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of our Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than our Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, our Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by our Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by our Company in general meeting.

(vii) Loans and provision of security for loans to Directors

Our Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance as if our Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with our Company or any of its subsidiaries

A Director may hold any other office or place of profit with our Company (except that of the auditor of our Company) in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by our Company or any other company in which our Company may be interested, and shall not be liable to account to our Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by our Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with our Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to our Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with our Company must declare the nature of his interest at the meeting of the Board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the Board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of our Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of our Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by our Company or any other company which our Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of our Company by virtue only of his/their interest in shares or debentures or other securities of our Company; or

(ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of our Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The Board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and our Company's name

The Articles may be rescinded, altered or amended by our Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of our Company.

(e) Meetings of members

(i) Special and ordinary resolutions

A special resolution of our Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Cayman Companies Act, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of our Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of our Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of our Company or at any meeting of any class of members of our Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of our Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Shareholders must have the right to: (a) speak at general meetings of our Company; and (b) vote at a general meeting except whether a shareholder is required, by the Listing Rules, to abstain from voting to approve the matter under consideration.

Where our Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of our Company or restricted to voting only for or only against any particular resolution of our Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings and extraordinary general meeting

Other than the year of our Company's adoption of the Articles, in each year during the period commencing from the Listing Date and including the date immediately before the Listing Date, our Company shall hold a general meeting as its annual general meeting in addition to any other meeting in that year and shall specify the meeting as such in the notice calling it.

Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of our Company having the right of voting at general meetings, on a one vote per share basis in the share capital of our Company. Such requisition shall be made in writing to the Board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (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 Board shall be reimbursed to the requisitionist(s) by our Company.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and note less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and note less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of our Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from our Company, and also to, among others, the auditors for the time being of our Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of our Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by our Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers; and (ee) the fixing of the remuneration of the directors and of the auditors.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of our Company entitled to attend and vote at a meeting of our Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of our Company or at a class meeting. A proxy need not be a member of our Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) Accounts and audit

The Board shall cause true accounts to be kept of the sums of money received and expended by our Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of our Company and of all other matters required by the Cayman Companies Act or necessary to give a true and fair view of our Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of our Company except as conferred by law or authorised by the Board or our Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before our Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of our Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, our Company may send to such persons summarised financial statements derived from our Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on our Company, demand that our Company sends to him, in addition to summarised financial statements, a complete printed copy of our Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of our Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by ordinary resolution remove the auditors at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The appointment, removal and remuneration of the auditors must be approved by a majority of our Company's shareholders in the annual meeting or by other body that is independent of the Board, except that in any particular year our Company in general meeting (or such body independent of the Board as aforementioned) may delegate the fixing of such remuneration to the Board and the remuneration of any auditors appointed to fill any casual vacancy may be fixed by the Board.

The financial statements of our Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

Our Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

The Articles provide dividends may be declared and paid out of the profits of our Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Cayman Companies Act.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to our Company on account of calls or otherwise.

Whenever the Board or our Company in general meeting has resolved that a dividend be paid or declared on the share capital of our Company, the Board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Our Company may also upon the recommendation of the Board by an ordinary resolution resolve in respect of any one particular dividend of our Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of our Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to our Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or our Company in general meeting has resolved that a dividend be paid or declared the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of our Company until claimed and our Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the Board and shall revert to our Company.

No dividend or other monies payable by our Company on or in respect of any share shall bear interest against our Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the Board, at the registered office or such other place at which the register is kept in accordance with the Cayman Companies Act or, upon a maximum payment of HK$1.00 or such lesser sum specified by the Board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of our Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix IV.

(j) Procedures on liquidation

Our Company may at any time and from time to time be wound up voluntarily by a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if our Company is wound up and the assets available for distribution amongst the members of our Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed pari passu amongst such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if our Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If our Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Cayman Companies Act divide among the members in specie or kind the whole or any part of the assets of our Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Cayman Companies Act, if warrants to subscribe for shares have been issued by our Company and our Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANIES ACT

Our Company is incorporated in the Cayman Islands subject to the Cayman Companies Act and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of the Cayman Companies Act, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Islands company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, our Company's operations must be conducted mainly outside the Cayman Islands. An exempted company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Cayman Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Cayman Companies Act provides that the share premium account may be applied by a company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Cayman Companies Act); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Cayman Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Cayman Companies Act expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Cayman Companies Act.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Cayman Companies Act permits, subject to a solvency test and the provisions, if any, of a company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of a company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of a company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by a company's memorandum and articles of association.

(g) Disposal of assets

The Cayman Companies Act contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Act of the Cayman Islands, our Company has obtained an undertaking:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to our Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of our Company.

The undertaking for our Company is for a period of twenty years from March 16, 2020.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to our Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Cayman Companies Act prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of a company have no general right under the Cayman Companies Act to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Cayman Companies Act required or permitted to be kept. A company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Cayman Companies Act for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

(o) Register of Directors and Officers

A company is required to maintain at its registered office a register of directors and officers which is not available on display. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands.

Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of a company are listed on the Stock Exchange, the company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

(u) Economic Substance Requirements

Pursuant to the International Tax Cooperation (Economic Substance) Act, 2018 of the Cayman Islands ("**ES Act**") that came into force on 1 January 2019, a "relevant entity" is required to satisfy the economic substance test set out in the ES Act. A "relevant entity" includes an exempted company incorporated in the Cayman Islands as is our Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as our Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Act.

4. GENERAL

Ogier, our Company's legal counsel as to Cayman Islands law, have sent to our Company a letter of advice summarising certain aspects of Cayman Companies Act. This letter, together with a copy of the Cayman Companies Act, is available on display as referred to in the section headed "Documents Available on Display" in Appendix VI to this listing document. Any person wishing to have a detailed summary of Cayman Companies Act or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES

1. Incorporation

Our Company was incorporated in the Cayman Islands on March 2, 2020 as an exempted company with limited liability. Our registered office address is at the offices of Codan Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. Accordingly, our Company's corporate structure and Memorandum and Articles of Association are subject to the relevant laws of the Cayman Islands. A summary of our Memorandum and Articles of Association is set out in the section headed "Summary of the Constitution of our Company and Cayman Companies Act" in Appendix IV to this listing document.

Our registered place of business in Hong Kong is at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. We were registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on September 27, 2021 with the Registrar of Companies in Hong Kong. Mr. Guo Jingbin and Mr. Shu Mao have been appointed as the authorized representatives of our Company for the acceptance of service of process in Hong Kong. The address for service of process is Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

As at the date of this listing document, our Company's head office was located at Conch International Conference Center, No. 1005, South Jiuhua Road, Yijiang District, Wuhu City, Anhui Province, PRC.

2. Changes in Share Capital

On March 2, 2020, our Company was incorporated with an authorized share capital of HK$150,000,000 divided into 15,000,000,000 shares of a nominal or par value of HK$0.01 each. The following changes in the share capital of our Company took place during the two years immediately preceding the date of this listing documents:

On March 2, 2020, one share was allotted and issued for cash at par value to the initial subscriber and was subsequently transferred to Conch Venture, and on the same day, another 99 shares were allotted and issued for cash at par value to Conch Venture. Our Company became a wholly-owned subsidiary of Conch Venture.

On August 26, 2021, our Company allotted and issued one share to Conch Venture with a par value of HK$0.01 to settle and discharge the promissory note issued by Conch Environment Protection to a subsidiary of Conch Venture. See "History, Reorganization and Corporate Structure — Corporate Reorganization — 3. Restructuring — (5) Transfer of equity interest in Conch Venture CNBM HK" for more information.

On August 27, 2021, our Company allotted and issued one share to Conch Venture with a par value of HK$0.01 to set off against the Indebtedness. See "History, Reorganization and Corporate Structure — Corporate Reorganization — 3. Restructuring — (2) Transfer of equity interest in Yaobai Environmental" for more information.

On August 30, 2021 and September 13, 2021, our Company allotted and issued two Shares and one Share to Conch Venture to set off against the indebtedness owned by our Company to Conch Venture, respectively.

Pursuant to the written resolutions of our Company dated March 16, 2022, our Company allotted and issued 1,826,764,954 Shares credited as fully paid at a par value of HK$0.01 each by way of capitalisation to Conch Venture.

Save as disclosed above and in "— Resolutions of the Sole Shareholder of Our Company dated March 16, 2022" below, there has been no alteration in the share capital of our Company since its incorporation.

3. Changes in the share capital of our subsidiaries

A summary of the corporate information and the particulars of our subsidiaries are set out in the Accountants' Report in Appendix I to this listing document. The following alterations in the share capital or registered capital of our subsidiaries took place within the two years immediately preceding the date of this listing documents.

China Conch Environment Protection Holdings International Limited ("Conch Environment Protection")

Conch Environment Protection was established in the British Virgin Islands as an investment holding company on March 31, 2020, which is wholly-owned by our Company.

Conch Venture International Holdings (HK) Limited ("Conch Venture International HK")

On April 21, 2020, Conch Venture transferred its 100% equity interest in Conch Venture International HK to Conch Environment Protection at the consideration of HKD10,000. See "History, Reorganization and Corporate Structure — Corporate Reorganization — 3. Restructuring — (1) Transfer of equity interest in Conch Venture International HK" for more information.

Conch Venture CNBM Hong Kong Holdings Limited ("Conch Venture CNBM HK")

On November 10, 2020, China Conch Venture Holdings International Limited ("**CV BVI**") transferred 50% equity interest in Conch Venture CNBM HK to Conch Environment Protection at the consideration of RMB255,086,659.72. See "History, Reorganization and Corporate Structure — Corporate Reorganization — 3. Restructuring — (5) Transfer of equity interest in Conch Venture CNBM HK" for more information.

Dezhou Haizhong Nuoke Environmental Technology Company Limited (德州海中諾客環保科技有限責任公司) ("Dezhou Haizhong")

On December 6, 2020, Shandong Botelan Environmental Protection Technology Co., Ltd. (山東波特藍環保科技有限責任公司) ("**Shandong Botelan**") transferred its 39% equity interest in Dezhou Haizhong to Haizhong Environmental at the consideration of RMB11.7 million. Upon the completion of the share transfer, Dezhou Haizhong was held by Haizhong Environmental and Shandong Baotelan as to 89% and 11% respectively.

Baoding Haizhong Zhongtian Environmental Technology Company Limited (保定海中眾天環保科技有限責任公司) ("Baoding Haizhong")

On April 21, 2020, Baoding Haizhong was established in the PRC by Haizhong Environmental and Beijing Zhongdatianhe Environmental Technology company Limited (北京眾大天合環境科技有限公司) as a limited company with the registered capital of RMB7 million, in which Haizhong Environmental held 51% equity interest and Beijing Zhongdatianhe Environmental Technology company Limited held the remaining 49%.

Fujian Sanming Haizhong Environmental Technology (福建三明海中環保科技有限責任公司) ("Fujian Haizhong")

On June 23, 2021, Jinyuan Environment Development Co., Ltd. (金圓環保發展有限公司) and Haizhong Environmental entered into an equity transfer agreement, pursuant to which, Jinyuan Environment Development Co., Ltd agreed to transfer its 65% equity interest in Fujian Haizhong, previously known as Sanming Nanfang Jinyuan Environment Technology Co. Ltd. (三明南方金圓環保科技有限公司), to Haizhong Environmental at a basic price of RMB35.3704 million plus an adjusted price according to the net asset of Fujian Haizhong as of the closing date. Upon the completion of the transfer, Haizhong Environmental became the sole shareholder of Fujian Haizhong.

Anhui Conch Venture Environment Technology Co., Ltd. (安徽海創環保科技有限公司) ("Conch Venture Environment Technology")

Conch Venture Environment Technology was established in the PRC by Conch Venture International HK as a wholly foreign owned enterprise on June 5, 2020.

Anhui Conch Environment Group Co., Ltd. (安徽海螺環保集團有限公司) ("Anhui Conch Environment")

Anhui Conch Environment was established in the PRC by Conch Venture Environment Technology as a limited liability company on June 24, 2020.

On August 24, 2020, the registered capital of Anhui Conch Environment was increased from RMB200 million to RMB202.02 million through additional contributions made by Wuhu Conch Investment. See "History, Reorganization and Corporate Structure — Corporate Reorganization — 3. Restructuring — (4) Capital injection in Anhui Conch Environment" for further details.

Xi'an Yaobai Environmental Technology Engineering Company Limited (西安堯柏環保科技工程有限公司) ("Yaobai Environmental")

On September 4, 2020, Wuhu Conch Investment transferred 60% equity interest in Yaobai Environmental to Anhui Conch Environment at a consideration of RMB216.53 million.

On June 28, 2021, our Company acquired the remaining 40% minority interest in Yaobai Environmental and 35% minority interest in Chongqing Environmental indirectly held by such Independent Third Party shareholders at a total consideration of HK$806,999,411. See "History, Reorganization and Corporate Structure — Corporate Reorganization — 3. Restructuring — (2) Transfer of equity interest in Yaobai Environmental" for details.

Wuhu Conch Venture Environmental Protection Technology Company Limited (蕪湖海創環保科技有限責任公司) ("WH Environmental Protection")

On July 20, 2020, Wuhu Conch Investment and Anhui Conch Environment entered into an equity transfer agreement, pursuant to which, Wuhu Conch Investment transferred 100% equity interest in WH Environmental Protection to Anhui Conch Environment at the consideration of RMB392.82 million, which was determined based on the appraised net asset value pursuant to the valuation report prepared by an independent valuer, and has been fully settled in August 2020. See "History, Reorganization and Corporate Structure — Corporate Reorganization — 3. Restructuring — (4) Capital injection in Anhui Conch Environment" for details of settlement.

Jining Conch Venture Environmental Technology Company Limited (濟寧海螺創業環境科技有限責任公司) ("Jining Environmental")

On September 27, 2020, Wuhu Conch Investment transferred its 100% equity interest in Jining Environmental to WH Environmental Protection at the consideration of RMB50 million.

Linxiang Conch Venture Logistics Company Limited (臨湘海創物流有限責任公司) ("Linxiang Logistics")

Linxiang Logistics was established in the PRC by Wuhu Conch Venture Logistics Company Limited (蕪湖海創物流有限責任公司) ("**WH Logistics**"), a wholly-owned subsidiary of WH Environmental Protection, as a limited liability company with the registered capital of RMB10 million on January 22, 2021.

Quanjiao Conch Venture Environmental Protection Technology Company Limited (全椒海創環保科技有限責任公司) ("Quanjiao Environmental")

Quanjiao Environmental was established in the PRC by WH Environmental Protection as a limited liability company with the registered capital of RMB15 million on February 26, 2020.

Yangchun Conch Venture Logistics Company Limited (陽春海創物流有限責任公司) ("Yangchun Logistics")

Yangchun Logistics was established in the PRC by WH Logistics as a limited company with the registered capital of RMB10 million on April 7, 2020.

Linxiang Conch Venture Environmental Protection Technology Company Limited (臨湘海創環保科技有限責任公司) ("Linxiang Environmental")

On May 20, 2020, the registered capital of Linxiang Environmental was decrease from RMB30 million to RMB14 million.

Ninghai Xinyuantai Environmental Protection Technology Company Limited (寧海馨源泰環保科技有限責任公司) ("Ninghai Xinyuantai")

On June 21, 2019, the registered capital of Ninghai Xinyuantai was increased from RMB20 million to RMB66.67 million by WH Environmental Protection injecting RMB56 million into Ninghai Xinyuantai, in which RMB46.67 million was included into the registered capital, while the remaining RMB9.33 million was included into the capital reserve. Upon the completion of the capital injection, Ninghai Xinyuantai was held by WH Environmental Protection, Mr. Zhao Zhaohuan (趙兆歡) and Ms. Huang Yiqian (黃薏蒨) as to 70%, 15.3% and 14.7%, respectively.

On June 30, 2021, as Anhui Conch Environment provided guarantees for Ninghai Xinyuantai's financing, ZHAO Zhaohuan, holding 15.3% equity interest in Ninghai Xinyuantai, and HUANG Yiqian, holding 14.7% equity interest in Ninghai Xinyuantai, respectively pledged their equity interest in Ninghai Xinyuantai to Anhui Conch Environment as counter-guarantees.

Chongqing Conch Venture Environmental Protection Technology Company Limited (重慶海創環保科技有限責任公司) ("Chongqing Environmental")

On April 19, 2021, Jiaxing Zhonghuan Phase I Equity Investment Fund Partnership (Limited Partnership) (嘉興重環一期股權投資基金合夥企業(有限合夥)) ("**Jiaxing Zhonghuan**") transferred its 29% equity interest in Chongqing Environmental and Chongqing Yalijie Environmental Industry Development Co., Ltd. (重慶雅麗潔環保產業發展有限公司) ("**Chongqing Yalijie**") transferred its 6% equity interest in Chongqing Environmental to Able Bless Inc. Limited (萬福興業有限公司).

Shaanxi Bangda Environmental Engineering Company Limited (陝西邦達環保工程有限公司) ("Shaanxi Bangda ")

On July 8, 2020, Xi'an Xinde Industrial Enterprise Management Consulting Partnership (Limited Partnership) (西安信德興業企業管理諮詢合夥企業(有限合夥)) ("**Xi'an Xinde**") transferred its 22% equity interest in Shaanxi Bangda to WH Environmental Protection at the consideration of RMB24.02 million. On the same day, the registered capital of Shaanxi Bangda was increased from RMB50 million to RMB130 million through capital contributions made by WH Environmental Protection. Upon the completion of the equity transfer and the capital increase, Shaanxi Bangda was held by WH Environmental Protection, Shaanxi Oufeide and Shaanxi Bangda Yuancheng Enterprise Management Consulting Partnership (Limited Partnership) (陝西邦達遠誠企業管理諮詢合夥企業(有限合夥)) (“**Bangda Yuancheng**”) as to 70%, 26.15% and 3.85%.

Binzhou Huabin Jucheng Environmental Protection Technology Co., Ltd. (濱州市華濱聚成環保科技有限責任公司) (“Huabin Jucheng Environmental”)

On October 21, 2020, Mr. Li Hongwei (李宏偉) transferred his equity interest of RMB1 million in Huabin Jucheng Environmental to Mr. Zhang Jiwei (張吉偉) at par value; Mr. Zhang Haijun (張海軍) transferred his equity interest of RMB0.5 million to Mr. Li Hongwei at par value; Shengli Oilfield Huabin Industrial Co., Ltd. (勝利油田華濱實業有限公司) (“**Huabin Industrial**”) transferred its equity interest of RMB2 million in Huabin Jucheng Environmental to Mr. Zhang Jiwei at par value. Upon the completion of the aforesaid transfer, Huabin Jucheng Environmental was held by Mr. Zhang Jiwei, Mr. Li Hongwei and Huabin Industrial as to 6%, 40% and 54% respectively.

On April 9, 2021, Huabin Industrial transferred 34% equity interest in Huabin Jucheng Environmental to WH Environmental Protection at the consideration of RMB26.1538 million; Mr. Zhang Jiwei transferred 6% equity interest in Huabin Jucheng Environmental to WH Environmental Protection at the consideration of RMB4.62 million; Mr. Li Hongwei transferred 30% equity interest in Huabin Jucheng Environmental (in which 15.4% equity interest was unpaid) to WH Environmental Protection at the consideration of RMB11.2308 million. Upon the completion of the aforesaid transfers, Huabin Jucheng Environmental was held by WH Environmental, Huabin Industrial and Mr. Li Hongwei as to 70%, 20% and 10%, respectively.

Beijing Conch Venture Nengyuan Environmental Protection Technology Development Co., Ltd. (北京海創能遠環保科技發展有限公司) (“Beijing CV Nengyuan”)

Beijing CV Nengyuan was established in the PRC by Anhui Conch Environment and Shanghai Nengyuan Environmental Technology Development Company Limited (上海能遠環境科技發展有限公司) (“**Shanghai Nengyuan**”) as a limited company with the registered capital of RMB100 million on February 5, 2021, in which Anhui Conch Environment held 60% equity interest and Shanghai Nengyuan held 40%.

Shanghai Haihuan Nengyuan Environmental Protection Technology Co., Ltd. (上海海環能遠環保科技有限責任公司) (“Shanghai Haihuan Nengyuan”)

Shanghai Haihuan Nengyuan was established in the PRC by Beijing CV Nengyuan as a limited company with the registered capital of RMB50 million on April 26, 2021.

Jinzhou Jinliyuan Environmental Protection Technology Co., Ltd. (錦州金利源環保科技有限公司) ("Jinzhou Jinliyuan")

On July 9, 2020, the registered capital of Jinzhou Jinliyuan was increased from RMB30 million to RMB75 million through additional contributions made by CV Shanghai, which also subscribed for the unpaid registered capital of RMB15 million. Upon the completion of the capital increase, Jinzhou Jinliyuan was held by CV Shanghai, Jinzhou Lvjian Environmental Technology Center (Limited Partnership) (錦州綠劍環保科技中心(有限合夥)) ("**Jinzhou Lvjian**"), and Mr. Lu Fan (陸凡) as to 80%, 19% and 1%.

On August 20, 2020, Mr. Lu Fan transferred her 1% equity interest in Jinzhou Jinliyuan to Jinzhou Lvjian at nil consideration. Upon the completion of the transfer, Jinzhou Jinliyuan was held by CV Shanghai and Jinzhou Lvjian as to 80% and 20% respectively.

On December 6, 2021, CV Shanghai transferred its 80% equity interest in Jinzhou Jinliyuan to WH Environmental Protection at the consideration of RMB60 million. Upon the completion of the transfer, Jinzhou Jinliyuan was held by WH Environmental Protection and Jinzhou Lvjian as to 80% and 20% respectively.

Guilin Haizhong Environmental Protection Technology Co., Ltd. (桂林海中環保科技有限責任公司) ("Guilin Haizhong")

On December 9, 2019, Jinyuan Environmental Protection Co., Ltd. (金圓環保股份有限公司) transferred its 100% equity interest in Guilin Haizhong, previously known as Guilin Nanfang Jinyuan Environmental Protection Technology Co., Ltd. (桂林南方金圓環保科技有限公司), to Haizhong Environmental at the consideration of RMB8.8 million. Upon the completion of the transfer, Guilin Haizhong was wholly owned by Haizhong Environmental.

Save as disclosed above and in the section headed "Accountants' Report" in Appendix I, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this listing document.

Save for the subsidiaries mentioned in the Accountants' Report set out in Appendix I to this listing document, our Company has no other material subsidiaries.

4. Resolutions of the Sole Shareholder of Our Company dated March 16, 2022

Written resolutions of our Sole Shareholder were passed on March 16, 2022, pursuant to which, among others:

(a) the adoption of the Memorandum of Association and Articles of Association (the terms of which are summarised in the section headed "Summary of the Constitution of Our Company and Cayman Companies Act" in Appendix IV to this listing document) with effect from the Listing Date was approved;

(b) the Listing was approved and any of our Director was authorised to sign and execute such documents and do all such acts and things incidental to the Listing or as he or she considered necessary, desirable or expedient in connection with the implementation or giving effect to the Listing;

(c) conditional on the fulfilment of the conditions of the Spin-off and the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued as to be stated in this listing document and such listing and permission not subsequently having been revoked prior to the commencement of dealing in the Shares on the Stock Exchange:

(1) a general unconditional mandate (the "**General Mandate**") was given to our Directors to exercise all the powers of our Company to allot, issue and deal with any Shares or securities convertible into Shares and to make or grant offers, agreements or options which would or might require Shares to be allotted and issued or dealt with, such number of Shares as will represent up to 20% of the aggregate nominal value of our Company's share capital in issue immediately following the completion of the Listing;

(2) a general unconditional mandate (the "**Buy-back Mandate**") was given to our Directors to exercise all powers of our Company to buy-back on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the aggregate nominal value of the Shares in issue immediately following the completion of the Listing; and

(3) the general unconditional mandate as mentioned in paragraph (1) above was extended by the addition to the aggregate nominal value of the Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the Shares purchased by our Company pursuant to the mandate to purchase Shares referred to in paragraph (2) above (up to 10% of the aggregate nominal value of the Shares in issue immediately following the completion of the Listing);

Each of the general mandates referred to in paragraphs (c)(1), (c)(2), (c)(3) above will remain in effect until whichever is the earliest of:

- the conclusion of the next annual general meeting of our Company;
- the expiration of the period within which the next annual general meeting of our Company is required to be held by any applicable law or the Articles of Association; or
- the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting.

5. Buying-back of Our Own Securities

The following paragraphs include, among others, certain information required by the Stock Exchange to be included in this listing document concerning the purchase of our own securities.

(a) Provision of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to buy-back its own securities on the Stock Exchange subject to certain restrictions, the most important of which are summarized below:

(i) Shareholders' Approval

All proposed purchase of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed by our Shareholders on March 16, 2022, the Buy-back Mandate was given to our Directors authorizing them to exercise all powers of our Company to buy-back Shares on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, with a total nominal value up to 10% of the aggregate nominal value of our Shares in issue immediately following the completion of the Listing, with such mandate to expire at the earliest of (i) the conclusion of the next annual general meeting of our Company (unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions), (ii) the expiration of the period within which our Company's next annual general meeting is required by the Articles of Association or any other applicable laws to be held, and (iii) the date when it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

(ii) Source of Funds

Purchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles of Association and the applicable laws and regulations of Hong Kong and the Cayman Islands. A listed company may not purchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. As a matter of Cayman law, any purchases by our Company may be made out of profits or out of the proceeds of a new issue of shares made for the purpose of the purchase or from sums standing to the credit of our share premium account or out of capital, if so authorized by the Articles of Association and subject to the Cayman Islands Companies Act. Any premium payable on the purchase over the par value of the shares to be purchased must have been provided for out of profits or from sums standing to the credit of our share premium account or out of capital, if so authorized by the Articles of Association and subject to the Cayman Islands Companies Act.

(iii) Trading Restrictions

The total number of shares which a listed company may buy-back on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a buy-back (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such buy-back) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities if the purchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a buy-back of securities discloses to the Stock Exchange such information with respect to the buy-back as the Stock Exchange may require.

(iv) Status of Brought-back Shares

The listing of all purchased securities (whether on the Stock Exchange or, otherwise) is automatically cancelled and the relative certificates must be cancelled and destroyed. Under the laws of the Cayman Islands, unless, prior to the purchase the directors of our Company resolve to hold the shares purchased by our Company as treasury shares, shares purchased by our Company shall be treated as cancelled and the amount of our Company's issued share capital shall be diminished by the nominal value of those shares. However, the purchase of shares will not be taken as reducing the amount of the authorized share capital under Cayman law.

(v) Suspension of Buy-back

A listed company may not make any purchase of securities after inside information has come to its knowledge until the information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), the listed company may not buy-back its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a purchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(vi) Reporting Requirements

Certain information relating to purchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding purchases of securities made during the year, including a monthly analysis of the number of securities brought-back, the purchase price per share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate prices paid.

(vii) Core Connected Persons

The Listing Rules prohibit a company from knowingly purchasing securities on the Stock Exchange from a ''core connected person'', that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or a close associate of any of them (as defined in the Listing Rules) and a core connected person shall not knowingly sell his securities to the company.

(b) Reasons for Buying-back

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have a general authority from the Shareholders to enable our Company to buy-back Shares in the market. Such purchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such purchases will benefit our Company and Shareholders.

(c) Funding of Buying-back

Purchase of the Shares must be funded out of funds legally available for such purpose in accordance with the Articles of Association and the applicable laws of the Cayman Islands. Our Directors may not buy-back the Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, our Directors may buy-back with profits of our Company or out of a new issuance of shares made for the purpose of the purchase or, if authorized by the Articles of Association and subject to the Companies Act, out of capital and, in the case of any premium payable on the purchase, out of profits of our Company or from sums standing to the credit of the share premium account of our Company or, if authorized by the Articles of Association and subject to the Companies Act, out of capital.

However, our Directors do not propose to exercise the general mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or its gearing position which, in the opinion of the Directors, are from time to time appropriate for our Company.

(d) General

The exercise in full of the Buy-back Mandate, on the basis of 1,826,765,059 Shares in issue immediately following the completion of the Listing, could accordingly result in up to approximately 182,676,505 Shares being brought-back by our Company during the period prior to the earliest of:

- the conclusion of the next annual general meeting of our Company unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;
- the expiration of the period within which our Company's next annual general meeting is required by the Articles of Association or any other applicable laws to be held; or
- the date when it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Buy-back Mandate in accordance with the Listing Rules and the applicable laws in the Cayman Islands.

If, as a result of any purchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any purchases pursuant to the Buy-back Mandate.

Any purchase of Shares that results in the number of Shares held by the public being reduced to less than 25% of the Shares then in issue could only be implemented if the Stock Exchange agreed to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

No connected person of our Company has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Buy-back Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this listing document and are or may be material:

(a) a share transfer agreement dated April 21, 2020, entered into between CV BVI and Conch Environment Protection, pursuant to which CV BVI agreed to transfer its 100% equity interest in Conch Venture International HK to Conch Environment Protection at the consideration of HKD10,000;

(b) an equity transfer agreement dated July 20, 2020, entered into between Wuhu Conch Investment and Anhui Conch Environment, pursuant to which Wuhu Conch Investment agreed to transfer 60% equity interest in Yaobai Environmental to Anhui Conch Environment at the consideration of RMB216.53 million;

(c) an equity transfer agreement dated July 20, 2020, entered into between Wuhu Conch Investment and Anhui Conch Environment, pursuant to which Wuhu Conch Investment agreed to transfer 100% equity interest in WH Environmental Protection to Anhui Conch Environment at the consideration of RMB392.82 million;

(d) an equity transfer agreement dated September 27, 2020, entered into between Wuhu Conch Investment and WH Environmental Protection, pursuant to which Wuhu Conch Investment agreed to transfer 100% equity interest in Jining Environmental to WH Environmental Protection at the consideration of RMB50 million;

(e) a capital increase agreement dated July 20, 2020, entered into, among others, Wuhu Conch Investment and Anhui Conch Environment, pursuant to which, Wuhu Conch Investment agreed to subscribed for 1% equity interest in Anhui Conch Environment by way of transferring its 60% equity interest in Yaobai Environmental and its 100% equity interest in WH Environmental Protection to Anhui Conch Environment;

(f) an equity transfer agreement dated November 10, 2020, entered into among Conch Venture, Conch Environment Protection and CV BVI, pursuant to which CV BVI transferred 50% equity interest in Conch Venture CNBM HK to Conch Environment Protection at the consideration of RMB255,086,659.72;

(g) a sale and purchase agreement dated June 7, 2021, entered into among our Company, Mr. Ma Zhaoyang (馬朝陽), and West China Cement Limited (中國西部水泥有限公司), pursuant to which, Mr. Ma Zhaoyang agreed to transfer the entire issued share capital in Aqualink Global Limited, a company incorporated in BVI with limited liability on 19 January 2016 ("**AGL**") to our Company at the consideration of HK$616,151,831 and West China Cement Limited agreed to transfer the entire issued share capital in West Environmental Technology Holdings Limited (西部環保科技控股有限公司), a company incorporated in BVI with limited liability on 9 September 2020 ("**WETH**") to our Company at the consideration of HK$190,847,580;

(h) an equity cooperation agreement dated May 13, 2020, entered into among WH Environmental Protection, Shaanxi Oufeide, Bangda Yuancheng, and Xi'an Xinde, pursuant to which, (i) Xi'an Xinde agreed to transfer its 18.6% fully-paid equity interest in Shaanxi Bangda at the consideration of RMB22.32 million and its 3.4% unpaid equity interest in Shaanxi Bangda at nil consideration, while WH Environmental Protection fully paid for such 3.4% equity interest at RMB1.7 million; (ii) WH Environmental Protection injected RMB192 million into Shaanxi Bangda, in which RMB80 million was included into the registered capital and the remaining RMB112 million was included into the capital reserve fund; (iii) upon the aforesaid transfer and injection, WH Environmental Protection obtained 70% equity interest in Shaanxi Bangda;

(i) a joint venture agreement dated April 28, 2020, entered into between WH Environmental Protection and Sinochem (Zhejiang) Membrane Industry Development Co., Ltd. (中化(浙江)膜產業發展有限公司) ("**Sinochem Zhejiang**"), pursuant to which the parties agreed to establish a joint venture with the registered capital of RMB250 million, in which WH Environmental Protection held 65% equity interest and Sinochem Zhejiang held the remaining 35%, to carry out the investment, construction and operation of fly ash washing projects;

(j) an equity cooperation agreement dated March 25, 2021, entered into among WH Environmental Protection, Huabin Industrial, Mr. Li Hongwei, and Mr. Zhang Jiwei, pursuant to which Huabin Industrial, Mr. Zhang Jiwei and Mr. Li Hongwei agreed to respectively transfer 34%, 6% and 30% equity interest in Huabin Jucheng Environmental to WH Environmental Protection at an aggregate consideration of RMB42 million plus an adjusted price according to the net asset of Huabin Jucheng Environmental as of the closing date;

(k) a capital increase agreement dated June 9, 2020, entered into among CV Shanghai, Jinzhou Lvjian, and Mr. Lu Fan, pursuant to which CV Shanghai agreed to make capital injection of RMB60 million into Jinzhou Jinliyuan and subscribe for its 80% equity interest; and

(l) an equity transfer agreement dated December 14, 2021, entered into between Conch Venture International HK and China Conch Venture Holdings (HK) Limited ("**Conch Venture HK**"), pursuant to which, Conch Venture International HK agreed to transfer its 65% equity interest in CV Shanghai to Conch Venture HK at the consideration of RMB65 million.

2. Intellectual Property Rights

(a) *Trademarks*

(i) Registered Trademarks

As at the Latest Practicable Date, we had registered the following trademarks which we consider to be or may be material to our business:

No.		Trademark	Place of Registration	Registered Owner	Class	Registration Number	Expiry Date (dd/mm/yyyy)
1.	(A)	CONCH VENTURE 海螺环保	Hong Kong	Anhui Conch Environment	16 and 40	305670207	27/06/2031
	(B)	CONCH VENTURE 海螺环保					

(b) *Patents*

As at the Latest Practicable Date, we had registered the following patents which we consider to be or may be material to our business:

No.	Patent	Patentee	Place of registration	Patent Number	Application Date (dd/mm/yyyy)
1	A tempering separation device for the pyrolysis desorption process of oil sludge (一種油泥熱解脫附處理系統用調質分離裝置)	Wuhu Conch Venture Enterprise Limited ("**CV Wuhu**"), WH Environmental, Haizhong Environmental	PRC	2020224652544	30/10/2020
2	An electroplating sludge treatment system (一種電鍍污泥處理系統)	WH Environmental, CV Wuhu Anhui Conch Kawasaki Engineering Co., Ltd. ("**CK Engineering**")	PRC	2020224386669	27/10/2020
3	A detection and emission device for toxic and hazardous gas (一種有毒有害氣體檢測及排放裝置)	WH Environmental, CV Wuhu	PRC	2020214531539	22/07/2020
4	A fire prevention treatment device used for thermal imaging alarm system (一種用於熱成像預警系統的防火處置裝置)	WH Environmental, CV Wuhu	PRC	2020214513259	22/07/2020

No.	Patent	Patentee	Place of registration	Patent Number	Application Date (dd/mm/yyyy)
5	A thermal imaging alarm system (一種熱成像預警系統)	WH Environmental, CV Wuhu	PRC	2020214531543	22/07/2020
6	An electroplating sludge treatment plant (一種電鍍污泥處理廠房)	WH Environmental, CV Wuhu	PRC	2020224200439	27/10/2020
7	A sludge ton bag unpacking device (一種噸袋污泥拆包裝置)	WH Environmental, CV Wuhu	PRC	202022417594X	27/10/2020
8	A melting and smelting system for electroplating sludge (一種電鍍污泥熔融冶煉系統)	WH Environmental, CV Wuhu, CK Engineering	PRC	2020224202294	27/10/2020
9	A sintering system for electroplating sludge (一種電鍍污泥燒結系統)	WH Environmental, CV Wuhu, CK Engineering, Anhui Conch Kawasaki Energy Conservation Equipment Manufacturing Co., Ltd.	PRC	2020224202769	27/10/2020

3. Domain names

As at the Latest Practicable Date, we owned the following domain names which we consider to be or may be material to our business:

No.	Domain Name	Registered Owner	Expiry Date (dd/mm/yyyy)
1.	conchhuanbao.com	Anhui Conch Environment	16/07/2022

Save as aforesaid, as of the Latest Practicable Date, there were no other trade or service marks, patents, intellectual or industrial property rights which were material in relation to our business.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS

1. Particulars of Directors' service contracts and appointment letters

(a) Executive Directors

Each of our executive Directors has entered into a service contract with our Company on March 16, 2022. Pursuant to this agreement, they agreed to act as executive Directors for an initial term of three years with effect from the date the appointment is approved by the Board until the third annual general meeting of our Company since the Listing Date (whichever is sooner). Either party has the right to give not less than three months' written notice to terminate the agreement. Details of our Company's remuneration policy is described in section headed "Directors and Senior Management — Directors and Senior Management Remuneration".

(b) Non-executive Directors and independent non-executive Directors

Each of the non-executive Directors has entered into a service contract with our Company on March 16, 2022. The initial term for their service contracts shall commence from the date of their appointments and shall continue for three years after or until the third annual general meeting of our Company since the Listing Date, whichever is sooner, (subject always to re-election as and when required under the Articles of Association) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than three months' prior notice in writing.

Each of the independent non-executive Directors has entered into an appointment letter with our Company on March 16, 2022. The initial term for their appointment letters shall be three years from the date of this listing document or until the third annual general meeting of our Company since the Listing Date, whichever is sooner, (subject always to re-election as and when required under the Articles of Association) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than three months' prior notice in writing.

2. Remuneration of Directors

(a) Remuneration and benefits in kind of approximately RMB1.6 million, RMB3.7 million, RMB4.3 million and RMB3.1 million in aggregate were granted by our Group to our Directors in respect of the years ended December 31, 2018, 2019, 2020 and the nine months ended September 30, 2021.

(b) Under the arrangements currently in force, our Directors will be entitled to receive remuneration and benefits in kind which, for the year ending December 31, 2022, is expected to be approximately RMB6.9 million in aggregate (excluding discretionary bonus).

(c) None of our Directors has or is proposed to have a service contract with our Company other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

3. Disclosure of interests

(a) Interests and short positions of our Directors or Chief Executives in the share capital of our Company and its associated corporations following completion of the Listing

Immediately following completion of the Listing, the interests or short positions of our Directors and chief executives in the shares, underlying shares and debentures of our Company and its associated corporations, within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, will be as follows:

(i) Interest in Shares and underlying Shares

Name of Director or chief executive	Nature of interest	Number of Shares	Approximate percentage of interest in our Company immediately after the Listing[1]
Mr. Guo Jingbin	Interest of controlled corporation[1]	47,680,000	2.61%
Mr. Ji Qinying	Interest of spouse[2]	35,033,752	1.92%
Mr. Li Daming	Beneficial owner	6,200,563	0.34%
	Interest of spouse[3]	10,000	0.00%
Mr. Zhang Keke	Beneficial owner	2,990,418	0.16%
Mr. Shu Mao	Beneficial owner	143,000	0.01%

Notes:

(1) These shares are owned by Splendor Court Holdings Limited which is wholly owned by Mr. Guo Jingbin. Mr. Guo Jingbin is deemed to be interested in the shares held by Splendor Court Holdings Limited by virtue of the SFO.

(2) These shares are owned by Fortune Gold Limited, which is wholly owned by Mr. Ji Qinying's spouse, Ms. Yan Zi. Mr. Ji Qinying is deemed to be interested in the shares held by his spouse by virtue of the SFO.

(3) These shares are owned by Ms. Zhang Qingmei. Mr. Li Daming is deemed to be interested in the shares held by his spouse, Ms. Zhang by virtue of the SFO.

(b) Interests and short positions discloseable under Divisions 2 and 3 of Part XV of the SFO

So far as our Directors are aware, for information on the persons who will, immediately following the completion of the Listing, have or be deemed or taken to have beneficial interests or short position in our Shares or underlying shares which would fall to be disclosed to our Company under the provisions of 2 and 3 of Part XV of the SFO, or directly or indirectly be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

		Immediately following the Completion of the Listing	
Name of Shareholder	**Nature of interest**	**Number of Shares**	**Approximate percentage in our Company**
SA Conch	Interest of controlled corporation[(1)]	126,320,000	6.91%
CV Investment	Beneficial owner	41,560,000	2.27%
	Interest of controlled corporation[(2)]	84,760,000	4.64%

Notes:

(1) Among the aforesaid shares, 41,560,000 shares are expected to be directly owned by CV Investment and the remaining 69,825,500 shares, 6,602,000 shares and 8,332,500 shares are expected to be owned respectively by (i) 海螺創投控股(珠海)有限公司 (Conch Venture Holdings (Zhuhai) Co., Ltd.*) ("**CV Holdings (Zhuhai)**"), (ii) 安徽海螺創業醫療投資管理有限責任公司 (Anhui Conch Venture Medical Investment Management Co., Ltd.*) ("**CV Medical**") and (iii) 海螺創業國際有限公司 (Conch Venture International Limited*) ("**CVI**"), all of which are wholly-owned by CV Investment. CV Investment is deemed to be interested in the shares in which CV Holdings (Zhuhai), CV Medical and CVI are interested by virtue of the SFO. As 82.93% of CV Investment's registered capital is held by the Staff Association of Anhui Conch Holdings Co., Ltd. (安徽海螺集團有限責任公司工會委員會) ("**SA Conch**"), SA Conch is deemed to be interested in the shares in which CV Investment is interested by virtue of the SFO.

(2) Among these shares, 69,825,500 shares, 6,602,000 shares and 8,332,500 shares, are expected to be owned respectively by CV Holdings (Zhuhai), CV Medical and CVI. CV Investment is deemed to be interested in the shares in which CV Holdings (Zhuhai), CV Medical and CVI are interested by virtue of the SFO.

As of the Latest Practicable Date, our Directors were not aware of any persons who would, immediately following the completion of the Listing, be interested, directly or indirectly, in 10% or more of the nominal of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group or had option in respect of such capital.

4. Disclaimers

Save as disclosed in the sections headed "History, Reorganization and Corporate Structure", "Share Capital" and in this Appendix:

(a) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between the Directors and any member of our Group;

(b) none of the Directors or the experts named in the paragraph headed "— D. Other Information — 4. Consents of Experts" in this section has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this listing document, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(c) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any Shares in or debentures of our Company within the two years ended on the date of this listing document;

(d) none of the Directors is materially interested in any contract or arrangement subsisting at the date of this listing document which is significant in relation to the business of our Group taken as a whole;

(e) none of the Directors is interested in any business apart from our Group's business which competes or is likely to compete, directly or indirectly, with the business of our Group;

(f) taking no account of any Shares which may be taken up under the Listing, so far as is known to any Director or chief executive of our Company, no other person (other than a Director or chief executive of our Company) will, immediately following completion of the Listing, have interests or short positions in our Shares and underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or (not being a member of our Group), be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group; and

(g) none of the Directors or chief executive of our Company has any interests or short positions in our Shares, underlying shares or debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or will be required, pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers, to be notified to our Company and the Stock Exchange once our Shares are listed thereon.

D. OTHER INFORMATION

1. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Litigation

So far as our Directors are aware, no litigation or claim of material importance is pending or threatened against any member of our Group.

3. Joint Sponsors

The Joint Sponsors have made an application on our behalf to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Listing.

The Joint Sponsors satisfy the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

The sponsor fee payable to the Joint Sponsors in connection with the Listing is USD2.0 million.

4. Consents of Experts

The following experts have each given and have not withdrawn their respective written consents to the issue of this listing document with copies of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they are respectively included.

Name	Qualification
China International Capital Corporation Hong Kong Securities Limited	Licensed to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts) and type 6 (advising on corporate finance) regulated activities under the SFO
HSBC Corporate Finance (Hong Kong Limited	Licensed to conduct type 6 (advising on corporate finance) regulated activities under the SFO
Jingtian & Gongcheng	Legal advisers to our Company as to the PRC laws
Ogier	Legal advisers to our Company as to Cayman Islands laws

Name	Qualification
KPMG	Certified Public Accountants under the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong) Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong)
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co	Independent industry consultant

As of the Latest Practicable Date, none of the experts named above has any shareholding interest in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

5. Preliminary Expenses

The preliminary expenses incurred by our Company amounts to approximately HKD152,346.

6. No Material Adverse Change

Our Directors have confirmed that up to the date of this listing document there has been no material adverse change in our financial or trading position or prospects since September 30, 2021 (being the date of our latest audited financial statements).

7. Disclaimers

(a) Save as disclosed in the sections headed ''History, Reorganization and Corporate Structure'', ''Share Capital'' and in this Appendix, within the two years immediately preceding the date of this listing document:

(i) no share or loan capital or debenture of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be issued for cash or as fully or partly paid other than in cash or otherwise;

(ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and

(iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries.

(b) Save as disclosed in the sections headed "History, Reorganization and Corporate Structure", "Share Capital" and in this Appendix:

(i) there are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries;

(ii) no share or loan capital or debenture of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and

(iii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries by our Company for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares in or debentures of our Company or any of our subsidiaries.

(c) Save as disclosed in the paragraph headed "B. Further Information about our Business — 1. Summary of Material Contracts" in this section, none of our Directors or proposed Directors or experts (as named in this listing document), have any interest, direct or indirect, in any assets which have been, within the two years immediately preceding the date of this listing document, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group.

(d) We do not have any promoter. No cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Listing and the related transactions described in this listing document within the two years immediately preceding the date of this listing document.

(e) No equity or debt securities of any company within our Group is presently listed on any stock exchange or traded on any trading system nor is any listing or permission to deal being or proposed to be sought.

(f) Our Company has no outstanding convertible debt securities or debentures.

(g) There is no arrangement under which future dividends are waived or agreed to be waived.

(h) There has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this listing document.

(i) there is no restriction affecting the remittance of profits or repatriation of capital into Hong Kong from outside Hong Kong.

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the Stock Exchange's website and our Company's own website during a period of time for 14 days from the date of this listing document:

(1) the Memorandum and the Articles;

(2) the Accountants' Report and the report on the unaudited pro forma financial information of our Group from KPMG, the texts of which are set out in Appendices I and II;

(3) the audited consolidated financial statements of our Company for the three financial years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2021;

(4) the PRC legal opinions issued by Jingtian & Gongcheng, our legal adviser as to PRC law, in respect of certain general corporate matters and property interests of our Group;

(5) the letter of advice prepared by Ogier, our legal adviser as to Cayman Islands law, summarizing certain aspects of the Cayman Companies Act referred to in Appendix IV;

(6) the Cayman Companies Act;

(7) the written consents under "General Information — D. Other Information — 4. Consents of Experts" in Appendix V;

(8) the material contracts in "General Information — B. Further Information about Our Business — 1. Summary of Material Contracts" in Appendix V;

(9) the service contracts and the appointment letters with our Directors in "General Information — C. Further Information about Our Directors — 1. Particulars of Directors' service contracts and appointment letters" in Appendix V;

(10) the report issued by Frost & Sullivan, the summary of which is set forth in "Industry Overview".

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